

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED

COMMISSION FILE NUMBER

December 31, 2003

1-1553

THE BLACK & DECKER CORPORATION

(Exact name of registrant as specified in its charter)

Maryland

52-0248090

(State of Incorporation)

(I.R.S. Employer
Identification Number)

Towson, Maryland

21286

(Address of principal
executive offices)

(Zip Code)

Registrant's telephone number, including area code: 410-716-3900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange
on which registered

Common Stock,
par value \$.50 per share

New York Stock Exchange
Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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. (X)

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 27, 2003, was \$3,320,303,326.

The number of shares of Common Stock outstanding as of February 20, 2004, was 78,452,693.

The exhibit index as required by Item 601(a) of Regulation S-K is included in Item 15 of Part IV of this report.

Documents Incorporated by Reference: Portions of the registrant's definitive Proxy Statement for the 2004 Annual Meeting of Stockholders are incorporated by reference in Part III of this Report.

Part I

ITEM 1. BUSINESS

(a) General Development of Business

The Black & Decker Corporation (collectively with its subsidiaries, the Corporation), incorporated in Maryland in 1910, is a leading global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based fastening systems. With products and services marketed in over 100 countries, the Corporation enjoys worldwide recognition of strong brand names and a superior reputation for quality, design, innovation, and value.

The Corporation is one of the world's leading producers of power tools, power tool accessories, and residential security hardware, and the Corporation's product lines hold leading market share positions in these industries. The Corporation is a major global supplier of engineered fastening and assembly systems. The Corporation is one of the leading producers of faucets in North America. These assertions are based on total volume of sales of products compared to the total market for those products and are supported by market research studies sponsored by the Corporation as well as independent industry statistics available through various trade organizations and periodicals, internally generated market data, and other sources.

During the fourth quarter of 2003, the Corporation completed the acquisition of the Baldwin Hardware Corporation (Baldwin) and Weiser Lock Corporation (Weiser) from Masco Corporation. The acquisition of these businesses expands the Corporation's presence in the security hardware business in North America. For additional information about the acquisition of Baldwin and Weiser, see Note 2 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

In January 2004, the Corporation completed the sale of two European security hardware businesses, Corbin and NEMEF. Together with DOM security hardware, which is currently held for sale, these businesses are reflected as discontinued operations in the Consolidated Financial Statements included in Item 8 of Part II of this report, and as such, operating results, assets and liabilities, and cash flows of the discontinued European security hardware business have been reported separately from the continuing operations of the Corporation. For additional information about the discontinued European security hardware business, see the discussion in Note 3 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

(b) Financial Information About Business Segments

The Corporation operates in three reportable business segments: Power Tools and Accessories, including consumer and professional power tools and accessories, electric lawn and garden tools, electric cleaning and lighting products, and product service; Hardware and Home Improvement, including security hardware and plumbing products; and Fastening and Assembly Systems. For additional information about these segments, see Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7 of Part II of this report.

(c) Narrative Description of the Business

The following is a brief description of each of the Corporation's reportable business segments.

POWER TOOLS AND ACCESSORIES

The Power Tools and Accessories segment has worldwide responsibility for the manufacture and sale of consumer (home use) and professional corded and cordless electric power tools, lawn and garden tools, home products, accessories and attachments for power tools, and product service. In addition, the Power Tools and Accessories segment has responsibility for the sale of security hardware to customers in Mexico, Central America, the Caribbean, and South America; for the sale of plumbing products to customers outside of the United States and Canada; and for sales of household products, principally in Europe and Brazil.

Power tools include drills, screwdrivers, impact wrenches, hammers, routers, wet/dry vacuums, planers, lights, radiochargers, saws, sanders, grinders, pneumatic nailers, bench and stationary machinery, air compressors, generators, laser products, and WORKMATE(R) project centers and related products. Lawn and garden tools include hedge trimmers, string trimmers, lawn

mowers, edgers, blower/vacuums, power sprayers, electric pressure washers, and related accessories. Home products include stick and hand-held vacuums, flexible flashlights, and wet scrubbers. Power tool accessories include drill bits, hammer bits, router bits, hacksaws and blades, circular saw blades, jig and reciprocating saw blades, screwdriver bits and quick-change systems, bonded and other abrasives, and worksite tool belts and bags. Product service provides replacement parts and repair and maintenance of power tools and lawn and garden tools.

Power tools, lawn and garden tools, home products, and accessories are marketed around the world under the BLACK & DECKER name as well as other trademarks and trade names, including, without limitation, ORANGE AND BLACK COLOR SCHEME; DEWALT; YELLOW AND BLACK COLOR SCHEME; BULLET; BULLS EYE; CROSSHAIR; FIRESTORM; GELMAX COMFORT GRIP; MEGA MOUSE; MOUSE; NAVIGATOR; PIVOT DRIVER; PIVOTPLUS; QUANTUM PRO; RTX; SANDSTORM; SCORPION; SWIVEL; VERSAPAK; WORKMATE; ZIPSAW MULTI PROJECT TOOL; 360(degree); ALLIGATOR; EMGLO; GUARANTEED TOUGH; HOLGUN; MOMENTUM; QUATTRO; SCRUGUN; WILDCAT; XRP; AFS; AUTOMATIC FEED SPOOL;

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FLEX TUBE; GROOM 'N' EDGE; EDGE HOG; GRASS HOG; HEDGE HOG; LAWN HOG; LEAF HOG; REFLEX; STRIMMER; VAC 'N' MULCH; DIRTBUSTER; DUSTBUSTER; SCUMBUSTER; SNAKELIGHT; STEAMBUSTER; ACCESSORIES FINDER; B&D; PILOT POINT; PIRANHA; RAPID LOAD; ROCK CARBIDE; SERIES 20; SERIES 40; SERIES 60; TOUGH CASE; DEWALT SERVICENET; DROP BOX EXPRESS; and GUARANTEED REPAIR COST (GRC).

The composition of the Corporation's sales by product groups for 2003, 2002, and 2001 is included in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2003, 2002, or 2001.

The Corporation's product service program supports its power tools and electric lawn and garden tools. Replacement parts and product repair services are available through a network of company-operated service centers, which are identified and listed in product information material generally included in product packaging. At December 31, 2003, there were approximately 130 such service centers, of which roughly two-thirds were located in the United States. The remainder was located around the world, primarily in Canada and Asia. These company-operated service centers are supplemented by several hundred authorized service centers operated by independent local owners. The Corporation also operates reconditioning centers in which power tools, electric lawn and garden tools, and electric cleaning and lighting products are reconditioned and then re-sold through numerous company-operated factory outlets and service centers.

Most of the Corporation's consumer power tools, electric lawn and garden tools, and electric cleaning and lighting products sold in the United States carry a two-year warranty, pursuant to which the consumer can return defective products during the two years following the purchase in exchange for a replacement product or repair at no cost to the consumer. Most of the Corporation's professional power tools sold in the United States carry a one-year service warranty and a three-year warranty for manufacturing defects. Products sold outside of the United States generally have varying warranty arrangements, depending upon local market conditions and laws and regulations.

The Corporation's product offerings in the Power Tools and Accessories segment are sold primarily to retailers, wholesalers, distributors, and jobbers, although some discontinued or reconditioned power tools, electric lawn and garden tools, and electric cleaning and lighting products are sold through company-operated service centers and factory outlets directly to end users. Sales to The Home Depot, one of the segment's customers, accounted for greater than 10% of the Corporation's consolidated sales for 2003, 2002, and 2001. Sales to Lowe's Home Improvement Warehouse, one of the segment's customers, accounted for greater than 10% of the Corporation's consolidated sales for 2003 and 2002. For additional information regarding sales to The Home Depot and Lowe's Home Improvement Warehouse, see Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

The principal materials used in the manufacturing of products in the Power Tools and Accessories segment are plastics, aluminum, copper, steel, certain electronic components, and batteries. These materials are used in various forms. For example, aluminum or steel may be used in the form of wire, sheet, bar, and strip stock.

The materials used in the various manufacturing processes are purchased on the open market, and the majority are available through multiple sources and are in adequate supply. The Corporation has experienced no significant work stoppages to date as a result of shortages of materials. The Corporation has certain long-term commitments for the purchase of various component parts and raw materials and believes that it is unlikely that any of these agreements

would be terminated prematurely. Alternate sources of supply at competitive prices are available for most, if not all, materials for which long-term commitments exist. The Corporation believes that the termination of any of these commitments would not have a material adverse effect on operations.

Principal manufacturing and assembly facilities of the power tools, electric lawn and garden tools, electric cleaning and lighting products, and accessories businesses in the United States are located in Fayetteville, North Carolina and Tampa, Florida. The principal distribution facilities in the United States, other than those located at the manufacturing and assembly facilities listed above, are located in Fort Mill, South Carolina, and Rancho Cucamonga, California.

Principal manufacturing and assembly facilities of the power tools, electric lawn and garden tools, electric cleaning and lighting products, and accessories businesses outside of the United States are located in Suzhou, China; Usti nad Labem, Czech Republic; Buchlberg, Germany; Perugia, Italy; Spennymoor and Maltby, England; Reynosa, Mexico; and Uberaba, Brazil. In addition to the principal facilities described above, the manufacture and assembly of products for the Power Tools and Accessories segment also occurs at the facility of its 50%-owned joint venture located in Shen Zhen, China. The principal distribution facilities outside of the United States, other than those located at the manufacturing facilities listed above, consist of a central-European distribution center in Tongeren, Belgium, and a facility in Northampton, England.

For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, "Properties."

The Corporation holds various patents and licenses on many of its products and processes in the Power Tools and Accessories segment. Although these patents and licenses are important, the Corporation is not materially dependent on such patents or licenses with respect to its operations.

The Corporation holds various trademarks that are employed in its businesses and operates under various trade names, some of which are stated previously. The Corporation believes that these trademarks and trade names are important to the marketing and distribution of its products.

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A significant portion of the Corporation's sales in the Power Tools and Accessories segment is derived from the do-it-yourself and home modernization markets, which generally are not seasonal in nature. However, sales of certain consumer and professional power tools tend to be higher during the period immediately preceding the Christmas gift-giving season, while the sales of most electric lawn and garden tools are at their peak during the winter and early spring period. Most of the Corporation's other product lines within this segment generally are not seasonal in nature, but are influenced by other general economic trends.

The Corporation is one of the world's leaders in the manufacturing and marketing of portable power tools, electric lawn and garden tools, and accessories. Worldwide, the markets in which the Corporation sells these products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete on a global basis. Some of these companies manufacture products that are competitive with a number of the Corporation's product lines. Other competitors restrict their operations to fewer categories, and some offer only a narrow range of competitive products. Competition from certain of these manufacturers has been intense in recent years and is expected to continue.

HARDWARE AND HOME IMPROVEMENT

The Hardware and Home Improvement segment has worldwide responsibility for the manufacture and sale of security hardware products (except for the sale of security hardware in Mexico, Central America, the Caribbean, and South America). It also has responsibility for the manufacture of plumbing products, and for the sale of plumbing products to customers in the United States and Canada. Security hardware products consist of residential and light commercial door locksets, electronic keyless entry systems, exit devices, keying systems, tubular and mortise door locksets, general hardware, decorative hardware, outdoor lighting, indoor lighting, home accents, and collectibles. General hardware includes door hinges, cabinet hinges, door stops, kick plates, house numbers, and switchplates. Decorative hardware includes cabinet hardware, switchplates, door pulls, and push plates. Plumbing products consist of a variety of conventional and decorative lavatory, kitchen, and tub and shower faucets, bath and kitchen accessories, and replacement parts.

Security hardware products are marketed under a variety of trademarks and trade names, including, without limitation, KWIKSET SECURITY; KWIKSET MAXIMUM

SECURITY; KWIKSET ULTRAMAX SECURITY; SOCIETY BRASS COLLECTION; KWIKSET; BLACK & DECKER; PROTECTO LOCK; TYLO; POLO; KWIK INSTALL; EZ INSTALL; DIAMANT; ELS; GEO; SAFE-LOCK BY BLACK & DECKER; BALDWIN; THE ESTATE COLLECTION; THE IMAGES COLLECTION; LIFETIME FINISH; TIMELESS CRAFTSMANSHIP; LOGAN; SPRINGFIELD; HAMILTON; BLAKELY; MANCHESTER; CANTERBURY; MADISON; STONEGATE; EDINBURGH; KENSINGTON; BRISTOL; TREMONT; PEYTON; PASADENA; RICHLAND; WEISER; WEISER LOCK; PRESTIGE SERIES; WELCOME HOME SERIES; ELEMENTS SERIES; BASICS BY WEISER LOCK; BRILLIANCE LIFETIME ANTI-TARNISH FINISH; POWERBOLT; POWERBOLT KEYLESS ACCESS SYSTEM; FASHION DOORWARE; DECORATOR FINISH; WEISERBOLT; ENTRYSETS; and VENETIAN BRONZE. Plumbing products are marketed under the trademarks and trade names PRICE PFISTER; CLASSIC SERIES BY PRICE PFISTER; PRICE PFISTER PROFESSIONAL SERIES; BACH; SOLO; CONTEMPRA; MARIELLE; TWISTPFIT; MATCHMAKERS; CARMEL; PARISA; SAVANNAH; ARIETTA; ALLEMANDE; GRAZIA; MORCEAU; CATALINA; GEORGETOWN; and TREVISO.

The composition of the Corporation's sales by product groups for 2003, 2002, and 2001 is included in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2003, 2002, or 2001.

Most of the Corporation's security hardware products sold in the United States carry a warranty, pursuant to which the consumer can return defective product during the warranty term in exchange for a replacement product at no cost to the consumer. Warranty terms vary by product and range from a 10-year to a lifetime warranty with respect to mechanical operations and from a 5-year to a lifetime warranty with respect to finish. Products sold outside of the United States for residential use generally have similar warranty arrangements. Such arrangements vary, however, depending upon local market conditions and laws and regulations. Most of the Corporation's plumbing products sold in the United States carry a lifetime warranty with respect to function and finish, pursuant to which the consumer can return defective product in exchange for a replacement product or repair at no cost to the consumer.

The Corporation's product offerings in the Hardware and Home Improvement segment are sold primarily to retailers, wholesalers, distributors, and jobbers. Certain security hardware products are sold to commercial, institutional, and industrial customers. Sales to The Home Depot, one of the segment's customers, accounted for greater than 10% of the Corporation's consolidated sales for 2003, 2002, and 2001. Sales to Lowe's Home Improvement Warehouse, one of the segment's customers, accounted for greater than 10% of the Corporation's consolidated sales for 2003 and 2002. For additional information regarding sales to The Home Depot and Lowe's Home Improvement Warehouse, see Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.

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The principal materials used in the manufacturing of products in the Hardware and Home Improvement segment are plastics, aluminum, steel, brass, zamak, and ceramics.

The materials used in the various manufacturing processes are purchased on the open market, and the majority is available through multiple sources and is in adequate supply. The Corporation has experienced no significant work stoppages to date as a result of shortages of materials. The Corporation has certain long-term commitments for the purchase of various component parts and raw materials and believes that it is unlikely that any of these agreements would be terminated prematurely. Alternate sources of supply at competitive prices are available for most, if not all, materials for which long-term commitments exist. The Corporation believes that the termination of any of these commitments would not have a material adverse effect on operations. From time to time, the Corporation enters into commodity hedges on certain raw materials used in the manufacturing process to reduce the risk of market price fluctuations. As of December 31, 2003, the amount of product under commodity hedges was not material to the Corporation.

Principal manufacturing and assembly facilities of the Hardware and Home Improvement segment in the United States are located in Denison, Texas; Bristow, Oklahoma; and Reading and Leesport, Pennsylvania.

Principal manufacturing and assembly facilities of the Hardware and Home Improvement segment outside of the United States are located in Mexicali and Nogales, Mexico. The principal distribution facilities in the United States, other than those located at the manufacturing and assembly facilities listed above, are located in Tucson, Arizona; Mira Loma, California; and Northpoint, Pennsylvania.

For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, "Properties."

The Corporation holds various patents and licenses on many of its products and processes in the Hardware and Home Improvement segment. Although these

patents and licenses are important, the Corporation is not materially dependent on such patents or licenses with respect to its operations.

The Corporation holds various trademarks that are employed in its businesses and operates under various trade names, some of which are stated above. The Corporation believes that these trademarks and trade names are important to the marketing and distribution of its products.

A significant portion of the Corporation's sales in the Hardware and Home Improvement segment is derived from the do-it-yourself and home modernization markets, which generally are not seasonal in nature, but are influenced by trends in the residential and commercial construction markets and other general economic trends.

The Corporation is one of the world's leading producers of residential security hardware and is one of the leading producers of faucets in North America. Worldwide, the markets in which the Corporation sells these products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete on a global basis. Some of these companies manufacture products that are competitive with a number of the Corporation's product lines. Other competitors restrict their operations to fewer categories, and some offer only a narrow range of competitive products. Competition from certain of these manufacturers has been intense in recent years and is expected to continue.

FASTENING AND ASSEMBLY SYSTEMS

The Corporation's Fastening and Assembly Systems segment has worldwide responsibility for the manufacture and sale of an extensive line of metal and plastic fasteners and engineered fastening systems for commercial applications, including blind riveting, stud welding, assembly systems, specialty screws, prevailing torque nuts and assemblies, insert systems, metal and plastic fasteners, self-piercing riveting systems, and platform-management services. The fastening and assembly systems products are marketed under a variety of trademarks and trade names, including, without limitation, EMHART TEKNOLOGIES; EMHART FASTENING TEKNOLOGIES; EMHART; AUTOSSET; DODGE; DRIL-KWICK; F-SERIES; GRIPCO; GRIPCO ASSEMBLIES; HELI-COIL; JACK NUT; KALEI; MENTOR; NPR; NUT-FAST; PARKER-KALON; PLASTIFAST; PLASTI-KWICK; POINT & SET; POP; POP-LOK; POPMATIC; POPNUT; POP-SERT; POWERLINK; PROSET; SPLITFAST; SWAGEFORM; SWS; T-RIVET; TUCKER; ULTRA-GRIP; ULTRASERT; WARREN; WELDFAST; and WELL-NUT. The Fastening and Assembly Systems segment provides platform-management services in addition to the manufacture and sale of the products previously described.

The composition of the Corporation's sales by product groups for 2003, 2002, and 2001 is included in Note 17 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report. Within each product group shown, there existed no individual product that accounted for greater than 10% of the Corporation's consolidated sales for 2003, 2002, or 2001.

The principal markets for these products include the automotive, transportation, electronics, aerospace, machine tool, and appliance industries. Substantial sales are made to automotive manufacturers worldwide.

Products are marketed directly to customers and also through distributors and representatives. These products face competition from many manufacturers in several countries. Product quality, performance, reliability, price, delivery, and technical and application engineering services are the primary competitive factors. There is little seasonal variation in sales.

The Corporation owns a number of United States and foreign patents, trademarks, and license rights relating to the fastening and assembly systems business. While the Corporation considers those patents, trademarks, and license rights to be valuable, it is not materially dependent upon such patents or license rights with respect to its operations.

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Principal manufacturing facilities of the Fastening and Assembly Systems segment in the United States are located in Danbury, Connecticut; Montpelier, Indiana; Campbellsville and Hopkinsville, Kentucky; and Chesterfield, Michigan. Principal manufacturing and assembly facilities outside of the United States are located in Birmingham, England; Giessen, Germany; and Toyohashi, Japan. For additional information with respect to these and other properties owned or leased by the Corporation, see Item 2, "Properties."

The raw materials used in the fastening and assembly systems business consist primarily of ferrous and nonferrous metals in the form of wire, bar stock, and strip and sheet metals; plastics; and rubber. These materials are readily available from a number of suppliers.

OTHER INFORMATION

The Corporation's product development program for the Power Tools and

Accessories segment is coordinated from the Corporation's headquarters in Towson, Maryland. Additionally, product development activities are performed at facilities in Hampstead, Maryland, in the United States; Maltby and Spennymoor, England; Brockville, Canada; Perugia, Italy; Suzhou, China; Buchlberg and Idstein, Germany; Mooroolbark, Australia; and Reynosa, Mexico.

Product development activities for the Hardware and Home Improvement segment are performed at facilities in Lake Forest, California, and Reading, Pennsylvania.

Product development activities for the Fastening and Assembly Systems segment are currently performed at facilities in Danbury and Shelton, Connecticut; Montpelier, Indiana; Campbellsville, Kentucky; Chesterfield and Farmington Hill, Michigan; Birmingham, England; Giessen, Germany; and Toyohashi, Japan.

Costs associated with development of new products and changes to existing products are charged to operations as incurred. See Note 1 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report for amounts of expenditures for product development activities.

As of December 31, 2003, the Corporation employed approximately 22,100 persons in its operations worldwide, excluding approximately 900 employees of its discontinued European security hardware business. Approximately 450 employees in the United States are covered by collective bargaining agreements. During 2003, one collective bargaining agreement in the United States was negotiated without material disruption to operations. One agreement is scheduled for negotiation during 2004. Also, the Corporation has government-mandated collective bargaining arrangements or union contracts with employees in other countries. The Corporation's operations have not been affected significantly by work stoppages and, in the opinion of management, employee relations are good. As more fully described under the caption "Restructuring Actions" in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7, and in Note 19 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, in 2003, the Corporation announced the closure of a security hardware facility in Bristow, Oklahoma, and the closure of an administrative and distribution facility in Tucson, Arizona. On-going restructuring actions taken by the Corporation will also result in the transfer of production from the United States to low-cost facilities in Mexico and China. Such closures and/or production transfers may result in a deterioration of employee relations at the impacted locations or elsewhere in the Corporation.

The Corporation's operations are subject to foreign, federal, state, and local environmental laws and regulations. Many foreign, federal, state, and local governments also have enacted laws and regulations that govern the labeling and packaging of products and limit the sale of products containing certain materials deemed to be environmentally sensitive. These laws and regulations not only limit the acceptable methods for the discharge of pollutants and the disposal of products and components that contain certain substances, but also require that products be designed in a manner to permit easy recycling or proper disposal of environmentally sensitive components such as nickel cadmium batteries. The Corporation seeks to comply fully with these laws and regulations. Although compliance involves continuing costs, the ongoing costs of compliance with existing environmental laws and regulations have not had, nor are they expected to have, a material adverse effect upon the Corporation's capital expenditures or financial position.

Pursuant to authority granted under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), the United States Environmental Protection Agency (EPA) has issued a National Priority List (NPL) of sites at which action is to be taken to mitigate the risk of release of hazardous substances into the environment. The Corporation is engaged in continuing activities with regard to various sites on the NPL and other sites covered under analogous state environmental laws. As of December 31, 2003, the Corporation had been identified as a potentially responsible party (PRP) in connection with approximately 26 sites being investigated by federal or state agencies under CERCLA or analogous state environmental laws. The Corporation also is engaged in site investigations and remedial activities to address environmental contamination from past operations at current and former manufacturing facilities in the United States and abroad.

To minimize the Corporation's potential liability with respect to these sites, management has undertaken, when appropriate, active participation in steering committees established at the sites and has agreed to remediation through consent orders with the appropriate government agencies. Due to uncertainty as to the Corporation's involvement in some of the sites, uncertainty over the remedial measures to be adopted, and the fact that imposition of joint and several liability with the right of contribution is possible under CERCLA and other laws and regulations, the liability of the Corporation with respect to any site at which remedial measures have not been completed cannot be established with certainty. On the basis of periodic reviews

conducted with respect to these sites, however, the Corporation has established appropriate liability accruals. The Corporation's estimate of the costs associated with environmental exposures is accrued

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if, in management's judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. As of December 31, 2003, the Corporation's aggregate probable exposure with respect to environmental liabilities, for which accruals have been established in the consolidated financial statements, was \$51.7 million. In the opinion of management, the amount accrued for probable exposure for aggregate environmental liabilities is adequate and, accordingly, the ultimate resolution of these matters is not expected to have a material adverse effect on the Corporation's consolidated financial statements. As of December 31, 2003, the Corporation had no known probable but inestimable exposures relating to environmental matters that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any environmental matter or accrue for an environmental matter that has not been previously accrued because it was not considered probable.

(d) Financial Information About Geographic Areas

Reference is made to Note 17 of Notes to Consolidated Financial Statements, entitled "Business Segments and Geographic Information", included in Item 8 of Part II of this report.

(e) Available Information

The Corporation files annual, quarterly, and current reports, proxy statements, and other documents with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 (the Exchange Act). The public may read and copy any materials that the Corporation files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including the Corporation, that file electronically with the SEC. The public can obtain any documents that the Corporation files with the SEC at <http://www.sec.gov>.

The Corporation also makes available free of charge on or through its Internet website (<http://www.bdk.com>) the Corporation's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after the Corporation electronically files such material with, or furnishes it to, the SEC.

Black & Decker's Corporate Governance Policies and Procedures Statement is available free of charge on or through its Internet website (<http://www.bdk.com>) or in print by calling (800) 992-3042 or (410) 716-2914. The Statement contains charters of the standing committees of the Board of Directors, the Code of Ethics and Standards of Conduct, and the Code of Ethics for Senior Financial Officers.

(f) Executive Officers and Other Senior Officers of the Corporation

The current Executive Officers and Other Senior Officers of the Corporation, their ages, current offices or positions, and their business experience during the past five years are set forth below.

- o NOLAN D. ARCHIBALD - 60
Chairman, President, and Chief Executive Officer,
January 1990 - present.
- o IAN R. CARTER - 42
Vice President of the Corporation and President -
Europe and Asia, Black & Decker Consumer Group,
March 2004 - present;

Vice President of the Corporation and President -
Europe, Power Tools and Accessories Group,
July 2000 - March 2004;

Vice President and General Manager -
European Professional Power Tools,
Power Tools and Accessories Group,

December 1999 - June 2000;

Director - Low & Bonar PLC,
August 1998 - December 1999.

- o CHARLES E. FENTON - 55
Senior Vice President and General Counsel,
December 1996 - present.
- o PAUL A. GUSTAFSON - 61
Executive Vice President of the Corporation and
President - Fastening and Assembly Systems Group,
December 1996 - present.
- o LES H. IRELAND - 39
Vice President of the Corporation and
Managing Director - Commercial Operations,
Europe, Black & Decker Consumer Group,
March 2004 - present;

Vice President of the Corporation and
Managing Director - Commercial Operations,
Europe, Power Tools and Accessories Group,
November 2001 - March 2004;

Vice President of the Corporation and Vice President and
General Manager - DEWALT Professional Power Tools,
North America, Power Tools and Accessories Group,
January 2001 - November 2001;

Vice President of the Corporation and President -
Accessories, Power Tools and Accessories Group,
September 2000 - January 2001;

President - Price Pfister,
Hardware and Home Improvement Group,
March 1999 - September 2000;

Vice President - Sales, Price Pfister,
Hardware and Home Improvement Group,
November 1998 - March 1999.

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- o THOMAS D. KOOS - 40
Group Vice President of the Corporation and President -
Black & Decker Consumer Group,
March 2004 - present;

Vice President of the Corporation and President -
Black & Decker Consumer Products,
Power Tools and Accessories Group,
January 2001 - March 2004;

Vice President of the Corporation and President -
North American Consumer Power Tools,
Power Tools and Accessories Group,
December 2000 - January 2001;

President - North American Consumer Power Tools,
Power Tools and Accessories Group,
April 2000 - December 2000;

Vice President - Business Development,
Power Tools and Accessories Group,
August 1999 - April 2000;

President - Goody Products, Division of
Newell Rubbermaid Corporation,
January 1998 - August 1999.
- o BARBARA B. LUCAS - 58
Senior Vice President - Public Affairs and
Corporate Secretary,

December 1996 - present.

- o MICHAEL D. MANGAN - 47
Senior Vice President and Chief Financial Officer,
January 2000 - present;

Vice President - Investor Relations,
November 1999 - January 2000;

Executive Vice President and Chief Financial Officer -
The Ryland Group, Inc.,
November 1994 - September 1999.
- o PAUL F. MCBRIDE - 48
Senior Vice President - Human Resources
and Corporate Initiatives,
March 2004 - present;

Executive Vice President of the Corporation and
President - Power Tools and Accessories Group,
April 1999 - March 2004;

Vice President - General Electric Company,
GE Silicones,
January 1998 - April 1999.
- o CHRISTINA M. MCMULLEN - 48
Vice President and Controller,
April 2000 - present;

Controller,
January 2000 - April 2000;

Assistant Controller,
April 1993 - January 2000.
- o CHRISTOPHER T. METZ - 38
Group Vice President of the Corporation and President -
Hardware and Home Improvement Group,
March 2004 - present;

Vice President of the Corporation and President -
Hardware and Home Improvement Group,
January 2001 - March 2004;

Vice President of the Corporation and President -
Kwikset, Hardware and Home Improvement Group,
July 1999 - January 2001;

President - Kwikset, Hardware and
Home Improvement Group,
June 1999 - July 1999;

Vice President and General Manager - European
Professional Power Tools and Accessories,
Power Tools and Accessories Group,
August 1996 - May 1999.
- o STEPHEN F. REEVES - 44
Vice President of the Corporation and Vice President -
Global Finance, Black & Decker Consumer Group,
March 2004 - present;

Vice President of the Corporation and Vice President -
Finance, Power Tools and Accessories Group,
April 2000 - March 2004;

Vice President - Finance and Strategic Planning,
January 2000 - April 2000;

Vice President and Controller,
September 1996 - January 2000.
- o MARK M. ROTHLEITNER - 45
Vice President - Investor Relations and Treasurer,

January 2000 - present;

Vice President and Treasurer,
March 1997 - January 2000.

o EDWARD J. SCANLON - 49

Vice President of the Corporation and President -
Commercial Operations, North and South America,
DEWALT Professional Group,
March 2004 - present;

Vice President of the Corporation and President -
Commercial Operations, North America,
Power Tools and Accessories Group,
May 1999 - March 2004;

Vice President of the Corporation and Vice President
and General Manager - The Home Depot Division,
Power Tools and Accessories Group,
December 1997 - May 1999.

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o JOHN W. SCHIECH - 45

Group Vice President of the Corporation and President -
DEWALT Professional Group,
March 2004 - present;

Vice President of the Corporation and President -
DEWALT Professional Products, Power Tools
and Accessories Group,
January 2001 - March 2004;

Vice President of the Corporation and President -
North American Professional Power Tools,
Power Tools and Accessories Group,
May 1999 - January 2001;

Vice President of the Corporation and Vice President
and General Manager - North American Professional
Power Tools, Power Tools and Accessories Group,
December 1997 - May 1999.

o ROBERT B. SCHWARZ - 55

Vice President of the Corporation and Vice President -
Manufacturing, DEWALT Professional Group,
March 2004 - present;

Vice President of the Corporation and Vice President -
Manufacturing, DEWALT Professional Products,
Power Tools and Accessories Group,
October 2001 - March 2004;

Vice President - Manufacturing, DEWALT Professional
Products, Power Tools and Accessories Group,
December 1995 - October 2001.

(g) Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a safe harbor for forward-looking statements made by or on behalf of the Corporation. The Corporation and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Corporation's filings with the Securities and Exchange Commission and in its reports to stockholders. Generally, the inclusion of the words "believe," "expect," "intend," "estimate," "anticipate," "will," and similar expressions identify statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that the Corporation expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act.

The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. The Corporation undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including but not limited to:

- o The strength of the retail economies in various parts of the world, primarily in the United States and Europe and, to a lesser extent, in Mexico, Central America, the Caribbean, South America, Canada, Asia, and Australia. The Corporation's business is subject to economic conditions in its major markets, including recession, inflation, deflation, general weakness in retail, automotive, and housing markets, and changes in consumer purchasing power.

- o The Corporation's ability to maintain mutually beneficial relationships with key customers and to penetrate new channels of distribution. The Corporation has a number of significant customers, including two customers that, in the aggregate, constituted approximately 30% of its consolidated sales for 2003. The loss of either of these significant customers or a material negative change in the Corporation's relationships with these significant customers could have an adverse effect on its business. The Corporation's inability to continue penetrating new channels of distribution may have a negative impact on its future sales and business.

- o Unforeseen inventory adjustments or changes in purchasing patterns by major customers and the resultant impact on manufacturing volumes and inventory levels.

- o Market acceptance of the new products introduced in 2003 and scheduled for introduction in 2004, as well as the level of sales generated from these new products relative to expectations, based on existing investments in productive capacity and commitments of the Corporation to fund advertising and product promotions in connection with the introduction of these new products.

- o The Corporation's ability to develop and introduce new products at favorable margins. Numerous uncertainties are inherent in successfully developing and introducing new products on a consistent basis.

- o Adverse changes in currency exchange rates or raw material commodity prices, both in absolute terms and relative to competitors' risk profiles. The Corporation has a number of manufacturing sites throughout the world and sells its products in more than 100 countries. As a result, the Corporation is exposed to movements in the exchange rates of various currencies against the United States dollar and against the currencies of countries in which it manufactures. The Corporation believes its most significant foreign currency exposures are the euro, pound sterling, and Chinese renminbi.

- o Increased competition. Worldwide, the markets in which the Corporation sells products are highly competitive on the basis of price, quality, and after-sale service. A number of competing domestic and foreign companies are strong, well-established manufacturers that compete on a global basis. Certain of the Corporation's major customers sell their own "private label" brands that compete directly with products sold by the Corporation. Competition has been intense in recent years and is expected to continue.

- o Changes in consumer preference or loyalties.

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- o Price reductions taken by the Corporation in response to customer and competitive pressures, as well as price reductions or promotional actions taken in order to drive demand that may not result in anticipated sales levels.

- o The Corporation's ability to achieve projected levels of efficiencies and cost reduction measures and to avoid delays in or unanticipated inefficiencies resulting from manufacturing and administrative reorganization actions in progress or contemplated.

- o Foreign operations may be affected by factors such as tariffs, nationalization, exchange controls, interest rate fluctuations, civil unrest, governmental changes, limitations on foreign investment in local business and

other political, economic, and regulatory risks and difficulties. Over the past several years, such factors have become increasingly important as a result of the Corporation's higher percentage of manufacturing in China, Mexico, and the Czech Republic and purchases of products and components from foreign countries.

- o The effects of litigation, environmental remediation matters, and product liability exposures, as well as other risks and uncertainties detailed from time to time in the Corporation's filings with the Securities and Exchange Commission.

- o The Corporation's ability to generate sufficient cash flows to support capital expansion, business acquisition plans, share repurchase program, and general operating activities, and the Corporation's ability to obtain necessary financing at favorable interest rates.

- o The ability of certain subsidiaries of the Corporation to generate future cash flows sufficient to support the recorded amounts of goodwill related to those subsidiaries.

- o Changes in laws and regulations, including changes in accounting standards, taxation requirements, including tax rate changes, new tax laws and revised tax law interpretations, and environmental laws, in both domestic and foreign jurisdictions.

- o The impact of unforeseen events, including war or terrorist activities, on economic conditions and consumer confidence.

- o Interest rate fluctuations and other capital market conditions.

- o Adverse weather conditions which could reduce demand for the Corporation's products.

The foregoing list is not exhaustive. There can be no assurance that the Corporation has correctly identified and appropriately assessed all factors affecting its business or that the publicly available and other information with respect to these matters is complete and correct. Additional risks and uncertainties not presently known to the Corporation or that it currently believes to be immaterial also may adversely impact the Corporation. Should any risks and uncertainties develop into actual events, these developments could have material adverse effects on the Corporation's business, financial condition, and results of operations. For these reasons, you are cautioned not to place undue reliance on the Corporation's forward-looking statements.

ITEM 2. PROPERTIES

The Corporation operates 36 manufacturing facilities around the world, including 18 located outside of the United States in 9 foreign countries. The major properties associated with each business segment are listed in "Narrative Description of the Business" in Item 1(c) of Part I of this report.

The following are the Corporation's major leased facilities:

In the United States: Lake Forest and Mira Loma, California; Tampa, Florida; Chesterfield, Michigan; and Towson, Maryland.

Outside of the United States: Maltby, England; Tongeren, Belgium; Reynosa and Mexicali, Mexico; Usti nad Labem, Czech Republic; and Suzhou, China.

Additional property both owned and leased by the Corporation in Towson, Maryland, is used for administrative offices. Subsidiaries of the Corporation lease certain locations primarily for smaller manufacturing and/or assembly operations, service operations, sales and administrative offices, and for warehousing and distribution centers. The Corporation also owns a manufacturing plant located on leased land in Suzhou, China.

As more fully described in Item 7 of Part II of this report under the caption "Restructuring Actions", during the fourth quarter of 2001, the Corporation commenced actions on a restructuring plan that will, among other matters, reduce its manufacturing footprint. Additional actions under that restructuring plan were initiated during the second half of 2003. In addition, during the fourth quarter of 2003, the Corporation commenced actions on a restructuring plan associated with the integration of the newly acquired Baldwin and Weiser businesses into its security hardware business. The Corporation continues to evaluate its worldwide manufacturing cost structure to identify opportunities to improve capacity utilization and lower product costs and will take appropriate action as deemed necessary.

Management believes that its owned and leased facilities are suitable and adequate to meet the Corporation's anticipated needs.

ITEM 3. LEGAL PROCEEDINGS

The Corporation is involved in various lawsuits in the ordinary course of business. These lawsuits primarily involve claims for damages arising out of the use of the Corporation's products and allegations of patent and trademark infringement. The Corporation also is involved in litigation and administrative proceedings involving employment matters and commercial disputes. Some of these lawsuits include claims for punitive as well as compensatory damages. The Corporation, using current product sales data and historical trends, actuarially calculates the estimate of its exposure for product liability. The Corporation is insured for product liability claims for amounts in excess of established deductibles and accrues for the estimated liability as described above up to the limits of the deductibles. All other claims and lawsuits are handled on a case-by-case basis.

As previously noted under Item 1(c) of Part I of this report, the Corporation also is party to litigation and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these assert claims for damages and liability for remedial investigations and clean-up costs with respect to sites that have never been owned or operated by the Corporation but at which the Corporation has been identified as a PRP. Others involve current and former manufacturing facilities.

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The Corporation's estimate of costs associated with product liability claims, environmental matters, and other legal proceedings is accrued if, in management's judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. These accrued liabilities are not discounted.

In the opinion of management, amounts accrued for exposures relating to product liability claims, environmental matters, and other legal proceedings are adequate and, accordingly, the ultimate resolution of these matters is not expected to have a material adverse effect on the Corporation's consolidated financial statements. As of December 31, 2003, the Corporation had no known probable but inestimable exposures relating to product liability claims, environmental matters, or other legal proceedings that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Part II

ITEM 5. MARKET FOR THE COMPANY'S STOCK AND RELATED STOCKHOLDER MATTERS

(a) Market Information

The Corporation's Common Stock is listed on the New York Stock Exchange and the Pacific Stock Exchange.

The following table sets forth, for the periods indicated, the high and low sale prices of the Common Stock as reported in the consolidated reporting system for the New York Stock Exchange Composite Transactions:

QUARTER	2003	2002
January to		
March	\$44.240 to \$33.200	\$49.950 to \$35.000
April to June	\$44.790 to \$33.890	\$50.500 to \$45.320
July to		
September	\$45.640 to \$38.380	\$49.060 to \$35.660
October to		
December	\$49.900 to \$39.510	\$48.210 to \$37.000

(b) Holders of the Corporation's Capital Stock

As of February 20, 2004, there were 13,497 holders of record of the Corporation's Common Stock.

(c) Dividends

The Corporation has paid consecutive quarterly dividends on its Common Stock since 1937. Future dividends will depend upon the Corporation's earnings, financial condition, and other factors. The Credit Facility, as more fully

described in Note 7 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, does not restrict the Corporation's ability to pay regular dividends in the ordinary course of business on the Common Stock.

Quarterly dividends per common share for the most recent two years are as follows:

QUARTER	2003	2002
January to March	\$.12	\$.12
April to June	.12	.12
July to September	.12	.12
October to December	.21	.12
	\$.57	\$.48

Common Stock:

150,000,000 shares authorized, \$.50 par value, 77,933,464 and 79,604,786 shares outstanding as of December 31, 2003 and 2002, respectively.

Preferred Stock:

5,000,000 shares authorized, without par value, no shares outstanding as of December 31, 2003 and 2002.

(d) Annual Meeting of Stockholders

The 2004 Annual Meeting of Stockholders of the Corporation is scheduled to be held on April 27, 2004, at 9:00 a.m. at the Sheraton Baltimore North Hotel, 903 Dulaney Valley Road, Towson, Maryland 21204.

ITEM 6. SELECTED FINANCIAL DATA

FIVE-YEAR SUMMARY

(Millions of Dollars Except Per Share Data)	2003 (c)	2002 (c) (e)	2001(c)	2000 (d)	1999
Sales (a)	\$4,482.7	\$4,291.8	\$4,139.9	\$4,365.7	\$4,323.4
Net earnings from continuing operations	287.2	228.5	101.5	273.7	294.2
Earnings from discontinued operations (b)	5.8	1.2	6.5	8.3	6.1
Net earnings	293.0	229.7	108.0	282.0	300.3
Basic earnings per share:					
Continuing operations	3.69	2.85	1.26	3.27	3.38
Discontinued operations	.07	.01	.08	.10	.07
Net earnings per common share - basic	3.76	2.86	1.34	3.37	3.45
Diluted earnings per share:					
Continuing operations	3.68	2.83	1.25	3.24	3.33
Discontinued operations	.07	.01	.08	.10	.07
Net earnings per common share - assuming dilution	3.75	2.84	1.33	3.34	3.40
Total assets	4,222.5	4,130.5	4,014.2	4,089.7	4,012.7
Long-term debt	915.6	927.6	1,191.4	798.5	847.1
Redeemable preferred stock of subsidiary (f)	202.6	208.4	196.5	188.0	--
Cash dividends per common share	.57	.48	.48	.48	.48

<FN>

- (a) As more fully disclosed in Note 1 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, sales for the years ended December 31, 1999 through 2001, have been restated to reflect the adoption, effective January 1, 2002, of Emerging Issues Task Force Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products.
- (b) Earnings from discontinued operations represent the earnings, net of applicable income taxes, of the Corporation's discontinued European security hardware business. The earnings of the discontinued operations do not reflect any expense for interest allocated by or management fees charged by the Corporation. For additional information about the discontinued European security hardware business, see Note 3 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report.
- (c) As more fully disclosed in Note 19 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, under a restructuring program developed by the Corporation in the fourth quarter of 2001, earnings from continuing operations for 2003, 2002, and 2001 include a restructuring charge of \$20.6 million, \$46.6 million, and \$99.7 million before taxes, respectively (\$14.9 million, \$29.2 million, and \$70.6 million after taxes, respectively). Those 2003, 2002, and 2001 pre-tax charges were net of reversals of \$13.2 million, \$11.0 million, and \$4.1 million, respectively, representing reversals of previously provided restructuring reserves as well as the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values. In addition, earnings from continuing operations for 2003 include a restructuring charge of \$11.0 million before taxes (\$7.2 million after taxes) associated with the integration of the Baldwin and Weiser businesses into the security hardware business.
- (d) Earnings from continuing operations for 2000 include a restructuring charge of \$39.9 million before taxes (\$28.1 million after taxes) and a gain on sale of business of \$20.1 million before taxes (\$13.1 million after taxes).
- (e) As more fully disclosed in Note 1 of Notes to Consolidated Financial Statements included in Item 8 of Part II of this report, effective January 1, 2002, the Corporation adopted Statement of Financial Accounting

Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. Effective January 1, 2002, goodwill is no longer amortized by the Corporation.
(f) Included in other long-term liabilities.
</FN>

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

Overview

The Corporation is a global manufacturer and marketer of power tools and accessories, hardware and home improvement products, and technology-based fastening systems. As more fully described in Note 17 of Notes to Consolidated Financial Statements, the Corporation operates in three reportable business segments - Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems - with these business segments comprising approximately 72%, 16%, and 12%, respectively, of the Corporation's sales in 2003. The percentage of the Corporation's total sales contributed by its Hardware and Home Improvement segment will increase in 2004 when a full year's sales of the Baldwin and Weiser businesses, acquired on September 30, 2003, are included in that segment's results.

The Corporation markets its products and services in over 100 countries. During 2003, approximately 63%, 25%, and 12% of its sales were made to customers in the United States, in Europe (including the United Kingdom), and in other geographic regions, respectively. The Power Tools and Accessories and Hardware and Home Improvement segments are subject to general economic conditions in the countries in which they operate as well as the strength of the retail economies. The Fastening and Assembly Systems segment is also subject to general economic conditions in the countries in which it operates as well as to automotive and industrial demand.

The Corporation reported net earnings of \$293.0 million, or \$3.75 per share on a diluted basis, for the year ended December 31, 2003, compared to net earnings of \$229.7 million, or \$2.84 per share on a diluted basis, for the year ended December 31, 2002.

Net earnings from continuing operations for the year ended December 31, 2003, included a pre-tax restructuring charge of \$31.6 million (\$22.1 million net of tax). That \$31.6 million pre-tax restructuring charge was net of \$13.2 million, representing reversals of previously provided restructuring reserves as well as the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values. Net earnings from continuing operations for the year ended December 31, 2002, included a pre-tax restructuring charge of \$46.6 million (\$29.2 million net of tax). That \$46.6 million pre-tax restructuring charge was net of \$11.0 million, representing reversals of previously provided restructuring reserves as well as the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values. The increase in the Corporation's net earnings and earnings per share for 2003, as compared to 2002, is partially attributable to the lower level of restructuring and exit costs recognized in 2003.

Total consolidated sales for the year ended December 31, 2003, of \$4.48 billion increased by 4% over the prior year level. Of that 4% increase, 2% is attributable to an increase in unit volume, with approximately half of the increase in unit volume attributable to the incremental sales in the fourth quarter of 2003 from the acquired Baldwin and Weiser businesses, and 4% is attributable to the favorable impact of foreign currency translation, offset by 2% attributable to the negative effect of pricing actions. Operating income for the year ended December 31, 2003, increased to \$428.7 million from \$368.0 million in 2002. This increase was principally attributable to a one-percentage-point increase in gross margin as a percentage of sales in 2003 as compared to 2002. This gross margin increase was driven by the Corporation's restructuring actions. Selling, general, and administrative expenses as a percentage of sales in 2003 increased slightly from 2002. The increase in operating income for the year ended December 31, 2003 as compared to the 2002 level was also aided by a \$15.0 million decrease in restructuring and exit costs. Earnings from continuing operations before income taxes for the year ended December 31, 2003 increased by \$85.5 million over the 2002 level to \$390.9 million. In addition to the improvement in operating income previously noted, earnings from continuing operations before income taxes increased due to a reduction in net interest expense of \$22.6 million in 2003 as compared to the 2002 level. That reduction in net interest expense was principally the result of lower borrowing levels and, to a lesser extent, lower interest rates.

In the discussion and analysis of financial condition and results of operations that follows, the Corporation generally attempts to list contributing factors in order of significance to the point being addressed.

Sales

The following chart provides an analysis of the consolidated changes in sales for the years ended December 31, 2003, 2002, and 2001.

(Dollars in millions)	YEAR ENDED DECEMBER 31,		
	2003	2002	2001
Total sales	\$4,482.7	\$4,291.8	\$4,139.9
Unit volume	2%	5%	(1)%
Price	(2)%	(2)%	(2)%
Currency	4%	1%	(2)%
Change in total sales	4%	4%	(5)%

Total consolidated sales for the year ended December 31, 2003, were \$4,482.7 million, which represented a 4% increase over 2002 sales of \$4,291.8 million. Total unit volume had a 2% positive impact on sales during 2003 compared to 2002. Approximately half of the increase in unit volume was attributable to the incremental sales in the fourth quarter of 2003 from the acquired Baldwin and Weiser businesses. The remainder of the increase in unit volume was due to higher sales of the power tools and accessories and security hardware businesses, particularly in North America, partially offset by a unit volume decline in the plumbing products business. Pricing actions, taken in response to customer and competitive pressures, had a 2% negative effect on sales for 2003 as compared to 2002. The effects of a weaker U.S. dollar

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compared to other currencies, particularly the euro and, to a lesser degree, the pound sterling and Canadian dollar, caused a 4% increase in the Corporation's consolidated sales during 2003 over the prior year level. These positive effects were partially offset by the devaluation of several Latin American currencies during 2003 as compared to 2002.

Total consolidated sales for the year ended December 31, 2002, were \$4,291.8 million, which represented a 4% increase over 2001 sales of \$4,139.9 million. Total unit volume had a 5% positive impact on sales during 2002 compared to 2001. The increase in unit volume was primarily attributable to higher unit volume in both the power tools and accessories and security hardware businesses in North America as well as unit volume increases in sales to automotive customers by the Fastening and Assembly Systems segment. These increases were partially offset by a unit volume decline in the plumbing products business. Pricing actions, taken as a result of customer and competitive pressure, had a 2% negative effect on sales for 2002 as compared to 2001. The effect of a weaker U.S. dollar compared to certain other foreign currencies, particularly the euro and the pound sterling, caused a 1% increase in the Corporation's consolidated sales during 2002 over the prior year level.

Earnings

The Corporation reported consolidated operating income of \$428.7 million on sales of \$4,482.7 million in 2003, compared to operating income of \$368.0 million on sales of \$4,291.8 million in 2002 and to operating income of \$238.3 million on sales of \$4,139.9 million in 2001.

Consolidated operating income for 2003, 2002, and 2001 included a pre-tax restructuring charge of \$31.6 million, \$46.6 million, and \$99.7 million, respectively. Those 2003, 2002, and 2001 pre-tax charges were net of reversals of \$13.2 million, \$11.0 million, and \$4.1 million, respectively, representing reversals of previously provided restructuring reserves as well as the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values. Operating income for the year ended December 31, 2001, included goodwill amortization of \$24.2 million. No goodwill amortization is included in the 2003 or 2002 results due to a change in accounting standards.

Consolidated gross margin as a percentage of sales for 2003 was 35.6% as compared to 34.6% for 2002. The increase in gross margin in 2003 was attributable to several positive factors that included: (i) the positive effect of restructuring initiatives, (ii) higher productivity, including Six Sigma productivity initiatives, and (iii) favorable foreign currency exchange rates. These positive factors were partially offset by pricing actions taken by the Corporation in response to customer and competitive pressures and by lower production levels in 2003 as compared to 2002.

Consolidated gross margin as a percentage of sales for 2002 was 34.6% as compared to 32.9% for 2001. The increase in gross margin in 2002 was

attributable to several positive factors that included: (i) higher productivity, including Six Sigma productivity initiatives; (ii) higher production levels as the Corporation returned to more normal production levels in its power tools and accessories business in 2002, after lowering production levels in 2001 to reduce inventories; (iii) more favorable product mix; and (iv) savings associated with restructuring actions. These positive factors more than offset the cost of end-user promotional programs as well as pricing actions taken by the Corporation as a result of customer and competitive pressure.

Consolidated selling, general, and administrative expenses as a percentage of sales were 25.3% in 2003, compared to 25.0% in 2002 and 24.8% in 2001. Selling, general, and administrative expenses increased by \$63.7 million in 2003 over the 2002 level. The effects of foreign currency translation and acquired businesses accounted for \$48.5 million and \$13.3 million of the increase in selling, general, and administrative expenses, respectively. The Corporation recognized goodwill amortization of \$24.2 million in 2001. There was no goodwill amortization recorded in 2003 or 2002. The increase in selling, general, and administrative expenses as a percentage of sales from 2002 to 2003 was primarily a result of higher marketing and promotional expenses, which were partially offset by lower selling, general, and administrative expenses, including expenses associated with legal and environmental matters. Selling, general, and administrative expenses for 2002 rose, as compared to 2001, as the Corporation increased its reserves for certain environmental remediation matters and recognized greater employee-related expenses. These items were partially offset by the impact of goodwill amortization in 2001.

Consolidated net interest expense (interest expense less interest income) was \$35.2 million in 2003, compared to \$57.8 million in 2002 and \$84.3 million in 2001. The lower net interest expense in 2003, as compared to 2002, and for 2002 compared to 2001 resulted from both lower borrowing levels and lower interest rates.

Other expense was \$2.6 million in 2003 compared to \$4.8 million in 2002 and \$8.2 million in 2001.

Consolidated income tax expense of \$103.7 million, \$76.9 million, and \$44.3 million was recognized on the Corporation's earnings from continuing operations before income taxes of \$390.9 million, \$305.4 million, and \$145.8 million, for 2003, 2002, and 2001, respectively. The Corporation's effective tax rate was 27% for 2003, compared to an effective tax rate of 25% for 2002, and 30% for 2001. For 2003, tax benefits of \$9.5 million were recognized on pre-tax restructuring and exit costs of \$31.6 million, as compared to tax benefits of \$17.4 million on pre-tax restructuring and exit costs of \$46.6 million in the corresponding 2002 period, and a \$29.1 million benefit on pre-tax restructuring and exit costs of \$99.7 million in the corresponding 2001 period. The higher effective tax rate during the 2003 period, as compared to the 2002 period, reflects the effect of the lower effective tax rate associated with the 2003 restructuring charge. The lower effective tax rate during the 2002 period, as compared to the 2001 period, is primarily attributable to the amortization of non-deductible goodwill in 2001, offset by

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the effect of a higher effective tax rate associated with the 2001 restructuring charge. A further analysis of taxes on earnings is included in Note 11 of Notes to Consolidated Financial Statements.

The Corporation reported net earnings of \$293.0 million, \$229.7 million, and \$108.0 million, or \$3.75, \$2.84, and \$1.33 per share on a diluted basis, for the years ended December 31, 2003, 2002, and 2001, respectively. The increase in the Corporation's net earnings and earnings per share for the 2003 period, as compared to 2002, was partially attributable to the lower level of restructuring and exit costs recognized in the 2003 period. Net earnings for the year ended December 31, 2001, included \$26.4 million of goodwill amortization, of which \$24.2 million related to continuing operations and \$2.2 million related to discontinued operations. No goodwill amortization is included in the 2003 or 2002 results due to a change in accounting standards. In addition to the impact of the operational matters, earnings per share for 2003, also benefited from lower shares outstanding.

Business Segments

As more fully described in Note 17 of Notes to Consolidated Financial Statements, the Corporation operates in three reportable business segments: Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems.

POWER TOOLS AND ACCESSORIES

Segment sales and profit for the Power Tools and Accessories segment, determined on the basis described in Note 17 of Notes to Consolidated Financial Statements,

were as follows (in millions of dollars):

Year Ended December 31,	2003	2002	2001
Sales to unaffiliated customers	\$3,114.9	\$3,156.2	\$3,059.5
Segment profit	350.9	354.7	250.9

Sales to unaffiliated customers in the Power Tools and Accessories segment during 2003 decreased 1% from the 2002 level. In North America, sales of power tools and accessories during 2003 decreased at a low single-digit rate from the 2002 level due predominantly to a low single-digit decrease in sales of the consumer power tools and accessories business. Strength in the North American professional power tools and accessories business in the second half of the year nearly offset declines during the first six months of 2003. Sales of the consumer power tools and accessories business decreased at a low single-digit rate from the 2002 level, as a double-digit rate of growth in sales of outdoor products was more than offset by a double-digit decline in sales of home products and a low single-digit rate of decrease of sales of power tools and accessories as unfavorable price more than offset increased volume. Both the professional and consumer power tools and accessories businesses were negatively affected by customers' actions to manage inventory levels during 2003.

Sales of power tools and accessories in Europe during 2003 decreased at a mid-single-digit rate from the 2002 level, as sales of professional power tools and accessories decreased at a low single-digit rate and sales of consumer power tools and accessories declined at a mid-single-digit rate. Sales were down across Europe and in most product lines as weak economic conditions persisted during 2003.

Sales in other geographic areas increased at a high single-digit rate in 2003 over the 2002 level, as higher sales were achieved in professional power tools and accessories, consumer power tools and accessories, and home products. Increases in sales occurred throughout South and Central America, Asia, and Australia.

Segment profit as a percentage of sales for the Power Tools and Accessories segment was 11.3% for 2003 as compared to 11.2% for 2002. Gross margin as a percentage of sales improved slightly as the positive effects of productivity initiatives, restructuring actions, and foreign currency rates were offset by the negative effects of pricing actions, promotional activities, and lower production levels. During 2003, the Power Tools and Accessories segment reduced its production levels by approximately 10% from the 2002 levels. That reduction in production levels was primarily attributable to the efforts by the business to reduce its inventory levels. As of December 31, 2003, the Power Tools and Accessories segment decreased its total inventories, excluding the effects of foreign currency translation, by approximately 9% from 2002 year-end levels. That decrease was in comparison to an approximate 9% increase in total inventories, excluding the effects of foreign currency translation at December 31, 2002, over the 2001 year-end levels. Selling, general, and administrative expenses as a percentage of sales increased slightly during 2003 as compared to 2002 as promotional and marketing expenses increased.

Sales to unaffiliated customers in the Power Tools and Accessories segment during 2002 increased 3% over the 2001 level. In North America, sales of consumer power tools and accessories and sales of professional power tools and accessories grew at a mid-single-digit rate. The consumer business experienced double-digit rates of growth in sales of both its outdoor and home products lines and a low single-digit rate of growth in sales of consumer power tools. Both the consumer and professional businesses in North America benefited from promotional activities during 2002.

Sales of power tools and accessories in Europe during 2002 decreased at a low single-digit rate from the 2001 level. That decrease resulted as a mid-single-digit rate of increase in sales of professional power tools and accessories was offset by a mid-single-digit rate of decline in sales of consumer products. Lower sales in Germany and the United Kingdom were partially offset by higher sales in most other European countries. The sales declines in Germany and the United Kingdom were mainly driven by lower sales of consumer products, due to the exit of the lawnmower product line in the United Kingdom and to the high level of private label Asian-sourced inventory held by retailers early in 2002.

Sales in other geographic areas increased at a mid-single-digit rate in 2002 over the 2001 levels as sales of professional power tools and accessories and consumer power tools and accessories increased at a mid-single-digit rate.

Segment profit as a percentage of sales for the Power Tools and Accessories

segment was 11.2% for 2002 compared to 8.2% in 2001. The increase in segment profit as a percentage of sales during 2002 was driven by higher gross margins and by slightly lower selling, general, and administrative expenses as a percentage of sales. The higher gross margins principally resulted from higher production levels in 2002 as compared to the lower levels experienced in the corresponding period in 2001 when the business took actions to reduce inventory levels, savings gained through Six Sigma initiatives and restructuring actions, more favorable product mix, and a decrease in warranty costs. Gross margins in 2001 were also depressed by price reductions taken by the business in order to reduce inventory levels. Segment profit as a percentage of sales during 2002 also increased due to the leverage of selling, general, and administrative expenses over the higher sales volume. Selling, general, and administrative expenses increased in 2002 over the 2001 levels due to increased marketing and promotional expenses and higher employee-related costs, which were partially offset by restructuring and other cost reduction initiatives.

HARDWARE AND HOME IMPROVEMENT

Segment sales and profit for the Hardware and Home Improvement segment, determined on the basis described in Note 17 of Notes to Consolidated Financial Statements, were as follows (in millions of dollars):

Year Ended December 31,	2003	2002	2001
Sales to unaffiliated customers	\$715.7	\$659.3	\$658.3
Segment profit	92.8	47.4	47.8

Sales to unaffiliated customers in the Hardware and Home Improvement segment in 2003 increased 9% over the 2002 level. This increase in sales was almost entirely due to the acquisition of Baldwin Hardware Corporation (Baldwin) and Weiser Lock Corporation (Weiser) from Masco Corporation early in the fourth quarter of 2003. A low single-digit increase in sales of the Kwikset security hardware business in North America was partially offset by a low single-digit decrease in sales of plumbing products.

As a result of a line review in 2002, the Corporation's plumbing products business lost significant shelf space at The Home Depot stores in the central and eastern United States. That loss of shelf space at The Home Depot negatively impacted plumbing product sales in 2002 by approximately \$22 million, but was partially offset in 2003 by an expansion of listings at Lowe's Home Improvement Warehouse (Lowe's) during the second quarter of 2003.

Segment profit as a percentage of sales for the Hardware and Home Improvement segment was 13.0% for 2003 compared to 7.2% for 2002, mainly driven by improvements in gross margin as a percentage of sales. Productivity improvements and the results of restructuring actions were the primary factors that contributed to the increase in segment profit as a percentage of sales. The increase in segment profit as a percentage of sales due to gross margin improvements was slightly offset by a one-percentage-point increase in selling, general, and administrative expenses as a percentage of sales in 2003 as compared to the 2002 level due to higher sales-related expenses, including promotion, marketing, and salesmen's compensation. The acquisition of Baldwin and Weiser did not have a significant effect on segment profit during 2003.

Sales to unaffiliated customers in the Hardware and Home Improvement segment for 2002 approximated the 2001 level. Sales of security hardware in North America grew at a high single-digit rate over the 2001 level due primarily to the success of the brand and product repositioning introduced in North American home centers in late 2001 and to other customers in 2002. That increase was offset by a double-digit rate of decline in sales of plumbing products, due primarily to the effects of a loss of shelf space at The Home Depot and lower sales in non-home center channels.

Segment profit as a percentage of sales for the Hardware and Home Improvement segment declined to 7.2% in 2002 from 7.3% in 2001. That decrease in segment profit as a percentage of sales was principally due to declines in gross margins which were only partially offset by lower selling, general, and administrative expenses as a percentage of sales. Those declines in gross margins resulted from lower production levels at North American security hardware and plumbing product plants, as those businesses took action to reduce inventory levels. In addition, gross margins were negatively impacted by costs related to restructuring activities in the plumbing products business. Lower selling, general, and administrative expenses as a percentage of sales for 2002 principally resulted from restructuring actions that were taken in 2001 to reduce headcount and reduced promotional spending.

FASTENING AND ASSEMBLY SYSTEMS

Segment sales and profit for the Fastening and Assembly Systems segment, determined on the basis described in Note 17 of Notes to Consolidated Financial Statements, were as follows (in millions of dollars):

Year Ended December 31,	2003	2002	2001
Sales to unaffiliated customers	\$514.2	\$513.3	\$489.5
Segment profit	73.9	74.7	71.0

Sales to unaffiliated customers in the Fastening and Assembly Systems segment during 2003 increased slightly over the 2002 level as a mid-single-digit rate of increase in sales in Europe and Asia was substantially offset by a mid-single-digit rate decrease in sales in North America.

Segment profit as a percentage of sales for the Fastening and Assembly Systems segment was 14.4% for 2003 as compared to 14.6% during 2002. That decline was due to lower production volumes, resulting from weak industrial demand and lower automotive production, that were substantially offset by productivity improvements.

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Sales to unaffiliated customers in the Fastening and Assembly Systems segment increased 5% in 2002 over 2001. Incremental sales associated with a distribution business acquired in April 2001 accounted for 2 percentage points of the 5% sales growth realized. A double-digit rate of increase in sales to automotive customers, including the effect of the business acquired in April 2001, was partially offset by a mid-single-digit rate of decline in sales to industrial customers, particularly in Europe.

Segment profit as a percentage of sales for the Fastening and Assembly Systems segment of 14.6% in 2002 approximated the 2001 level.

OTHER SEGMENT-RELATED MATTERS

As more fully described in Note 17 of Notes to Consolidated Financial Statements, in determining segment profit, expenses relating to pension and other postretirement benefits are based solely upon estimated service costs. Also, as more fully described in Item 7 under the caption "Financial Condition", the Corporation's expense recognized relating to its pension and other postretirement benefits plans in 2003 increased by approximately \$32 million over the 2002 levels. The adjustment to businesses' postretirement benefit expense booked in consolidation as identified in the second table included in Note 17 of Notes to Consolidated Financial Statements was income of \$15.4 million and \$38.3 million for the years ended December 31, 2003 and 2002, respectively. This decrease reflects the impact excluded from the Corporation's reportable business segments.

Expenses directly related to reportable business segments booked in consolidation and, thus, excluded from segment profit for the reportable business segments were \$15.0 million, \$8.4 million, and \$.7 million for the years ended December 31, 2003, 2002, and 2001, respectively. The \$15.0 million of segment-related expenses excluded from segment profit in 2003 principally related to restructuring-related expenses associated with the Power Tools and Accessories segment of approximately \$9.1 million as well as certain reserves established relating to the Power Tools and Accessories segment and the Hardware and Home Improvement segment. The \$8.4 million of segment-related expenses excluded from segment profit in 2002 principally related to reserves for employee-related matters associated with the Power Tools and Accessories and Hardware and Home Improvement segments.

Amounts allocated to reportable business segments in arriving at segment profit were less than Corporate center operating expenses, eliminations, and other amounts, as identified in the second table included in Note 17 of Notes to Consolidated Financial Statements, by \$70.9 million, \$86.9 million, and \$48.7 million for the years ended December 31, 2003, 2002, and 2001, respectively. The decrease in these unallocated Corporate center operating expenses for 2003 as compared to 2002 was primarily due to lower medical-related expenses in 2003, reflecting the results of changes in plan design as well as higher expense allocations to the Corporation's business segments, and lower reserves for certain legal and environmental remediation matters established in 2003 as compared to 2002. The increase in these unallocated Corporate center operating expenses for 2002 as compared to 2001 was primarily due to an increase in reserves for certain environmental remediation matters and to higher employee-related expenses, including certain centrally managed expenses not allocated directly to the Corporation's business segments.

As indicated above and in Note 17 of Notes to Consolidated Financial Statements, the determination of segment profit excludes restructuring and exit costs. Of the \$31.6 million pre-tax restructuring charge recognized in 2003, \$21.1 million related to the businesses in the Power Tools and Accessories segment, and \$10.5 million related to the businesses in the Hardware and Home Improvement segment. Of the \$46.6 million pre-tax restructuring charge

recognized in 2002, \$26.3 million related to the businesses in the Power Tools and Accessories segment, and \$20.3 million related to the businesses in the Hardware and Home Improvement segment. Of the \$99.7 million pre-tax restructuring charge recognized in 2001, \$81.4 million related to the businesses in the Power Tools and Accessories segment, \$17.4 million related to the businesses in the Hardware and Home Improvement segment, and \$.9 million related to the businesses in the Fastening and Assembly Systems segment.

DISCONTINUED OPERATIONS

The European security hardware business, consisting of the NEMEF, Corbin, and DOM businesses, is reflected as discontinued operations in the Consolidated Financial Statements included in Item 8 of Part II of this report. As such, the operating results, assets and liabilities, and cash flows of the discontinued European security hardware business have been reported separately from the Corporation's continuing operations. In January 2004, the Corporation completed the sale of two European security hardware businesses, NEMEF and Corbin, for an aggregate price of \$80 million, subject to post-closing adjustments.

Net earnings of the discontinued European security hardware business were \$5.8 million (\$.07 per share on a diluted basis) for the year ended December 31, 2003, \$1.2 million (\$.01 per share on a diluted basis) for the year ended December 31, 2002, and \$6.5 million (\$.08 per share on a diluted basis) for the year ended December 31, 2001. Earnings from discontinued operations include pre-tax restructuring (reversals) charges of \$(.6) million, \$4.1 million, and \$.1 million for the years ended December 31, 2003, 2002, and 2001, respectively.

Restructuring Actions

The Corporation is committed to continuous productivity improvement and continues to evaluate opportunities to reduce fixed costs, simplify or improve processes, and eliminate excess capacity. A tabular summary of restructuring activity during the three years ended December 31, 2003, is included in Note 19 of Notes to Consolidated Financial Statements.

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During the fourth quarter of 2001, the Corporation formulated a restructuring plan designed to reduce its manufacturing footprint, variable production costs, and selling, general, and administrative expenses. The Corporation initially anticipated that the cost of the total restructuring plan - expected to be completed over a two- to three-year period - would be \$190 million. The \$20.0 million charge recognized by the Corporation during 2003 represented the final pre-tax charge associated with this restructuring plan. That amount, coupled with restructuring charges recognized in connection with this plan in 2002 and 2001, brought the total pre-tax restructuring charge under this plan to \$170.5 million. That \$170.5 million charge includes \$3.6 million relating to the Corporation's European security hardware business that is reflected as discontinued operations. The following discussion excludes the restructuring actions relating to the European security hardware business. Earnings from discontinued operations include pre-tax restructuring (reversals) charges of \$(.6) million, \$4.1 million and \$.1 million for the years ended December 31, 2003, 2002, and 2001, respectively.

During 2001, the Corporation commenced the first phase of that restructuring plan and recorded a pre-tax restructuring charge of \$99.7 million. That \$99.7 million charge was net of \$4.1 million of reversals of previously provided restructuring reserves that were no longer required. During 2002, the Corporation continued to execute its restructuring plans and recorded a pre-tax restructuring charge of \$46.6 million. That \$46.6 million charge was net of \$8.3 million of reversals of previously provided restructuring reserves that were no longer required and \$2.7 million, representing the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values.

During 2003, the Corporation commenced the final phase of its restructuring plan and recorded a pre-tax restructuring charge associated with that plan of \$20.6 million. That \$20.6 million charge was net of \$9.6 million of reversals of previously provided restructuring reserves that were no longer required and \$3.6 million, representing the excess of proceeds received on the sale of long-lived assets, written down as part of restructuring actions, over their adjusted carrying values. In addition, during the fourth quarter of 2003 the Corporation recorded a pre-tax restructuring charge of \$11.0 million associated with the closure of a manufacturing facility in its Hardware and Home Improvement segment as a result of the acquisition of Baldwin and Weiser.

The \$20.6 million pre-tax restructuring charge recognized in 2003 reflects actions relating to the Power Tools and Accessories segment to reduce its manufacturing cost base as well as actions to reduce selling, general, and administrative expenses through the elimination of administrative positions.

Actions to reduce the Corporation's manufacturing cost base in the Power Tools and Accessories segment include the closure of one facility in the United States and the transfer of certain additional power tool production from a facility in the United States to a low-cost facility in Mexico. The 2003 restructuring charge provided for actions to reduce selling, general, and administrative expenses, principally in Europe, and to a lesser extent in the United States, principally reducing headcount.

The \$46.6 million pre-tax restructuring charge recognized in 2002 reflected actions to reduce the Corporation's manufacturing cost base in its Power Tools and Accessories and Hardware and Home Improvement segments, as well as actions to reduce selling, general, and administrative expenses through the elimination of administrative positions, principally in Europe. Actions to reduce the Corporation's manufacturing cost base in the Power Tools and Accessories segment include the closure of one facility in the United States, the closure of an accessories packaging facility in England, and the transfer of certain additional power tool production from a facility in England to a low-cost facility in the Czech Republic. Actions to reduce the Corporation's manufacturing cost base in the Hardware and Home Improvement segment include the closure of a security hardware facility in the United States. The 2002 restructuring charge also includes pension curtailment losses stemming from headcount reductions associated with the restructuring actions.

The \$99.7 million pre-tax restructuring charge recognized in 2001 reflected actions to reduce the Corporation's manufacturing cost base in its Power Tools and Accessories and Hardware and Home Improvement segments, as well as actions to reduce selling, general, and administrative expenses throughout all of its businesses. Actions to reduce the Corporation's manufacturing cost base included the closure of two facilities in the Power Tools and Accessories segment in the United States as well as the closure by the Hardware and Home Improvement segment of a plumbing products facility in the United States. In addition, actions associated with the 2001 restructuring charge included the transfer of certain production and service operations in the Power Tools and Accessories and Hardware and Home Improvement segments from facilities in the United States and England to low-cost facilities in Mexico and China and to a new low-cost facility in the Czech Republic. In addition to these changes to the Corporation's manufacturing footprint, the 2001 restructuring plan also provided for the outsourcing of certain manufactured items. The 2001 restructuring charge provided for actions to reduce selling, general, and administrative expenses, principally in the United States and Europe, including consolidation of certain distribution locations and other administrative functions, as well as reductions in selling and administrative headcount.

As indicated in Note 19 of Notes to Consolidated Financial Statements, the severance benefits accrual, included in the \$31.6 million, \$46.6 million, and \$99.7 million pre-tax restructuring charges taken in 2003, 2002, and 2001, respectively, related to the elimination of approximately 5,200 positions in high-cost manufacturing locations and in certain administrative positions. The Corporation estimates that, as a result of increases in manufacturing employee headcount in low-cost locations, approximately 4,500 replacement positions will be filled, yielding a net total of 700 positions eliminated as a result of the 2003, 2002, and 2001 restructuring actions.

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The Corporation anticipates that the execution of the restructuring actions associated with the restructuring plan that was formulated by the Corporation in the fourth quarter of 2001 will be completed during 2004. The Corporation anticipates that the closure of the manufacturing facility in its Hardware and Home Improvement segment as a result of the acquisition of Baldwin and Weiser will be completed during 2005.

Given the nature and duration of this restructuring plan, the timing of the actions is subject to varying degrees of estimation associated with key assumptions, such as actual timing of execution, general economic conditions, and other variables.

In addition to the recognition of restructuring and exit costs, the Corporation also recognizes related expenses, incremental to the cost of the underlying restructuring actions, that do not qualify as restructuring or exit costs under generally accepted accounting principles (restructuring-related expenses). Those restructuring-related expenses include items - directly related to the underlying restructuring actions - that benefit ongoing operations, such as costs associated with the transfer of equipment. Operating results for the year ended December 31, 2003 and 2002, included \$25.0 million and \$17.0 million, respectively, of restructuring-related expenses.

The Corporation realized benefits of approximately \$50 million and \$25 million in 2003 and 2002, respectively, net of restructuring-related expenses. Those benefits resulted in a reduction in cost of goods sold of approximately

\$39 million and \$10 million in 2003 and 2002, respectively, and a reduction in selling, general, and administrative expenses of approximately \$11 million and \$15 million in 2003 and 2002, respectively. The Corporation expects that incremental pre-tax savings associated with the restructuring plan that was formulated in the fourth quarter of 2001 will benefit 2004 and 2005 results, by \$45 million and \$10 million, respectively, net of restructuring-related expenses. The Corporation expects that those incremental pre-tax savings in 2004 and 2005 will benefit cost of goods sold and selling, general, and administrative expenses in approximately the same ratio as experienced in 2003. The Corporation expects that pre-tax savings associated with the restructuring actions associated with the integration of Baldwin and Weiser into its existing security hardware business will benefit 2005 and 2006 results by approximately \$10 million and \$25 million respectively, net of restructuring-related expenses. The restructuring-related expense associated with these integration plans will have an adverse pre-tax impact of approximately \$15 million in 2004. Ultimate savings realized from restructuring actions may be mitigated by such factors as continued economic weakness and competitive pressures, as well as decisions to increase costs in areas such as promotion or research and development above levels that were otherwise assumed.

As previously indicated, the pre-tax restructuring charges recognized in 2003, 2002, and 2001 of \$31.6 million, \$46.6 million, and \$99.7 million, respectively, were net of reversals in 2003, 2002, and 2001 of previously provided restructuring reserves that were no longer required and proceeds received in excess of the adjusted carrying value of long-lived assets in the aggregate of \$13.2 million, \$11.0 million, and \$4.1 million, respectively. Adjustments to the severance component of restructuring reserves previously established related to: (i) actual attrition factors that differed from those initially estimated; (ii) more cost-effective methods of severing employment that became probable, typically based on negotiations with trade unions or local government institutions; and (iii) amendments to the initial plan that were approved by the appropriate level of management, based primarily on changes in market conditions that dictated a modification to the intended course of action. During 2003, 2002, and 2001, none of the adjustments to the severance obligations recorded in connection with restructuring actions was individually significant. Adjustments to the asset write-down component of restructuring reserves previously established related to the receipt of proceeds in excess of adjusted carrying values of fixed assets that were disposed of in connection with the restructuring actions. Adjustments to the other charge component of restructuring reserves previously established principally related to settlement of operating lease commitments at amounts less than initially estimated or the Corporation's ability to sublease certain facilities exited as part of the restructuring actions.

Asset write-downs taken as part of the 2003 and 2002 restructuring charge included land, buildings, and manufacturing equipment. Asset write-downs taken as part of the 2001 restructuring charge principally related to manufacturing equipment. The carrying values of land and buildings to be sold were written down to their estimated fair values, generally based upon third party offers, less disposal costs. The carrying values of manufacturing equipment and furniture and fixtures were written down to their fair value based upon estimated salvage values, which generally were negligible, less disposal cost.

In addition to the previously discussed restructuring actions, prior to the date of the acquisition of Baldwin and Weiser and during the fourth quarter of 2003, the Corporation identified opportunities to restructure these businesses as well as to integrate these businesses into the existing security hardware business included in the Corporation's Hardware and Home Improvement segment. Subsequent to the acquisition, the Corporation approved restructuring actions relating to the acquired businesses of \$8.9 million. These actions principally reflect severance benefits associated with administrative and manufacturing actions related to the acquired businesses, including the closure of an acquired administration and distribution facility. The Corporation anticipates that these restructuring actions will be completed in 2004.

Hedging Activities

The Corporation has a number of manufacturing sites throughout the world and sells its products in more than 100 countries. As a result, it is exposed to movements in the exchange rates of various currencies against the United States dollar and against the currencies of countries in which it manufactures. The major foreign currencies in which foreign currency risks exist are the euro, pound sterling, Canadian dollar, Swedish krona, Japanese

yen, Chinese renminbi, Australian dollar, Mexican peso, Czech koruna, and Brazilian real. Through its foreign currency activities, the Corporation seeks

to reduce the risk that cash flows resulting from the sales of products manufactured in a currency different from that of the selling subsidiary will be affected by changes in exchange rates.

On January 1, 2002, the twelve participating member countries of the European Monetary Union canceled their respective legacy currencies which were replaced by the euro as legal tender. The Corporation believes that the introduction of the euro has resulted in increased competitive pressures in continental Europe due to the heightened transparency of intra-European pricing structures.

From time to time, currency devaluations may occur in countries in which the Corporation sells or manufactures its product. While the Corporation will take actions to mitigate the impacts of any future currency devaluations, there is no assurance that such devaluations will not adversely affect the Corporation.

Assets and liabilities of subsidiaries located outside of the United States are translated at rates of exchange at the balance sheet date as more fully explained in Note 1 of Notes to Consolidated Financial Statements. The resulting translation adjustments are included in the accumulated other comprehensive income (loss) component of stockholders' equity. During 2003, translation adjustments, recorded in the accumulated other comprehensive income (loss) component of stockholders' equity, increased stockholders' equity by \$98.4 million compared to an increase of \$60.2 million in 2002.

As more fully described in Note 9 of Notes to Consolidated Financial Statements, the Corporation seeks to issue debt opportunistically, whether at fixed or variable rates, at the lowest possible costs. Based upon its assessment of the future interest rate environment and its desired variable rate debt to total debt ratio, the Corporation may elect to manage its interest rate risk associated with changes in the fair value of its indebtedness, or the cash flows of its indebtedness, through the use of interest rate swap agreements.

In order to meet its goal of fixing or limiting interest costs, the Corporation maintains a portfolio of interest rate hedge instruments. The variable rate debt to total debt ratio, after taking interest rate hedges into account, was 47% at December 31, 2003, compared to 52% at December 31, 2002, and 51% at December 31, 2001. At December 31, 2003, average debt maturity was 8.8 years compared to 7.2 years at December 31, 2002, and 7.9 years at December 31, 2001.

INTEREST RATE SENSITIVITY

The following table provides information as of December 31, 2003, about the Corporation's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including interest rate swaps and debt obligations. For debt obligations, the table presents principal cash flows and related average interest rates by contractual maturity dates. For interest rate swaps, the table presents notional principal amounts and weighted-average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual payments to be exchanged under the interest rate swaps. Weighted-average variable rates are generally based on the London Interbank Offered Rate (LIBOR) as of the reset dates. The cash flows of these instruments are denominated in a variety of currencies. Unless otherwise indicated, the information is presented in U.S. dollar equivalents, which is the Corporation's reporting currency, as of December 31, 2003.

Principal Payments and Interest Rate Detail by Contractual Maturity Dates

(U.S. Dollars in Millions)	2004	2005	2006	2007	2008	THEREAFTER	TOTAL	FAIR VALUE (ASSETS)/ LIABILITIES
LIABILITIES								
Short-term borrowings								
Variable rate (other currencies)	\$.1	\$ --	\$ --	\$ --	\$ --	\$ --	\$.1	\$.1
Average interest rate	2.73%						2.73%	
Long-term debt								
Fixed rate (U.S. dollars)	\$.4	\$.4	\$154.9	\$150.0	\$ --	\$550.0	\$855.7	\$965.1
Average interest rate	7.00%	7.00%	7.00%	6.55%		7.11%	6.99%	
Other long-term liabilities								
Fixed rate (U.S. dollars)	\$ --	\$188.0	\$ --	\$ --	\$ --	\$ --	\$188.0	\$202.6
Average interest rate		5.69%					5.69%	
INTEREST RATE DERIVATIVES								
Fixed to Variable Rate Interest								
Rate Swaps (U.S. dollars)	\$ --	\$188.0	\$125.0	\$ 75.0	\$ --	\$200.0	\$588.0	\$(54.3)
Average pay rate (a)								
Average receive rate		6.49%	6.03%	5.93%		5.52%	5.99%	

<FN>

(a) The average pay rate is based upon 6-month forward LIBOR, except for \$275.0 million in notional principal amount which matures in 2007 and thereafter and is based upon 3-month forward LIBOR.

</FN>

FOREIGN CURRENCY EXCHANGE RATE SENSITIVITY

As discussed above, the Corporation is exposed to market risks arising from changes in foreign exchange rates. As of December 31, 2003, the Corporation has hedged a portion of its 2004 estimated foreign currency transactions using forward exchange contracts. The Corporation estimated the effect on 2004 gross profits, based upon a recent estimate of foreign exchange exposures, of a uniform 10% strengthening in the value of the United States dollar and a uniform 10% weakening in the value of the United States dollar. The larger loss computed was that under an assumed uniform 10% strengthening of the United States dollar, which the Corporation estimated would have the effect of reducing gross profits for 2004 by approximately \$17 million. A uniform 10% weakening in the value of the United States dollar would have the effect of increasing gross profits.

In addition to their direct effects, changes in exchange rates also affect sales volumes and foreign currency sales prices as competitors' products become more or less attractive. The sensitivity analysis of the effects of changes in foreign currency exchange rates previously described does not reflect a potential change in sales levels or local currency prices nor does it reflect higher exchange rates, compared to those experienced during 2003, inherent in the foreign exchange hedging portfolio at December 31, 2003.

Critical Accounting Policies

The Corporation's accounting policies are more fully described in Note 1 of Notes to Consolidated Financial Statements. As disclosed in Note 1 of Notes to Consolidated Financial Statements, the preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

The Corporation believes that of its significant accounting policies, the following may involve a higher degree of judgment, estimation, or complexity than other accounting policies.

As more fully described in Note 1 of Notes to Consolidated Financial Statements, the Corporation performs goodwill impairment tests on at least an annual basis and more frequently in certain circumstances. The Corporation cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill that totaled \$771.7 million at December 31, 2003. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on the Corporation's customer base, or a material negative change in its relationships with significant customers.

Pension and other postretirement benefits costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, expected return on plan assets, rates of salary increase, health care cost trend rates, mortality rates, and other factors. These assumptions are updated on an annual basis prior to the beginning of each year. The Corporation considers current market conditions, including interest rates, in making these assumptions. The Corporation develops the discount rates by considering the yields available on high-quality fixed income investments with long-term maturities corresponding to the related benefit obligation. The Corporation lowered its discount rate for United States defined benefit pension plans from 6.75% in 2002 to 6.00% in 2003. As discussed further in Note 12 of Notes to Consolidated Financial Statements, the Corporation develops the expected return on plan assets by considering various factors, which include its targeted asset allocation percentages, historic returns, and expected future returns. The Corporation lowered its expected long-term rate of return assumption for United States defined benefit pension plans from 9.0% in 2003 to 8.75% in 2004.

The Corporation believes that the assumptions used are appropriate; however, differences in actual experience or changes in the assumptions may materially affect the Corporation's financial position or results of operations. In accordance with accounting principles generally accepted in the United States, actual results that differ from the actuarial assumptions are accumulated and, if in excess of a specified corridor, amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. The expected return on plan assets is determined using the expected rate of return and a calculated value of assets referred to as the market-related value of assets. The Corporation's aggregate market-related value of assets exceeded the fair value of plan assets by approximately \$260 million as of the 2003 measurement date. Differences between

assumed and actual returns are amortized to the market-related value on a straight-line basis over a five-year period. Also, gains and losses resulting from changes in assumptions and from differences between assumptions and actual experience (except those differences being amortized to the market-related value of assets) are amortized over the expected remaining service period of active plan participants or, for retired participants, the average remaining life expectancy, to the extent that such amounts exceed ten percent of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. The Corporation expects that its pension and other postretirement benefit costs in 2004 will exceed the costs recognized in 2003 by approximately \$25 million. This increase is principally attributable to two factors--a reduction in the market-related value of pension plan assets, as compared to the prior year, and the effect of amortization of certain actuarial losses.

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As more fully described in Note 19 of Notes to Consolidated Financial Statements, the Corporation recognized pre-tax restructuring charges of \$31.6 million, \$46.6 million, and \$99.7 million during 2003, 2002, and 2001, respectively. Those pre-tax restructuring charges in 2003, 2002, and 2001 were net of reversals of previously established pre-tax restructuring reserves and proceeds received in excess of the adjusted carrying value of long-lived assets in the aggregate of \$13.2 million, \$11.0 million, and \$4.1 million, respectively. The related restructuring reserves reflect estimates, including those pertaining to separation costs, settlements of contractual obligations, and asset valuations. The Corporation reassesses the reserve requirements to complete each individual plan within the restructuring program at the end of each reporting period. Actual experience has been and may continue to be different from the estimates used to establish the restructuring reserves. At December 31, 2003, the Corporation had liabilities established in conjunction with its restructuring activities that totaled \$43.7 million.

As more fully described in Item 3 of this report, the Corporation is subject to various legal proceedings and claims, including those with respect to environmental matters, the outcomes of which are subject to significant uncertainty. The Corporation evaluates, among other factors, the degree of probability of an unfavorable outcome, the ability to make a reasonable estimate of the amount of loss, and in certain instances, the ability of other parties to share costs. Also, in accordance with accounting principles generally accepted in the United States when a range of probable loss exists, the Corporation accrues at the low end of the range when no other more likely amount exists. Unanticipated events or changes in these factors may require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not probable. Selling, general, and administrative expenses in 2002 increased by approximately \$23.8 million over the prior year level due to increased environmental and legal expenses associated with changes in various factors related to matters for which reserves had previously been established as well as to matters which arose during 2002.

Further, as indicated in Note 20 of Notes to Consolidated Financial Statements, insurance recoveries for environmental and certain general liability claims have not been recognized until realized. Any insurance recoveries, if realized in future periods, could have a favorable impact on the Corporation's financial condition or results of operations in the periods realized.

The Corporation is also subject to income tax laws in many countries. Judgment is required in assessing the future tax consequences of events that have been recognized in the Corporation's financial statements or tax returns. During 2004, the Corporation expects that taxing authorities may complete tax audits currently underway in two significant countries. The final outcome of these future tax consequences, tax audits, and changes in regulatory tax laws and rates could materially impact the Corporation's financial statements.

During 2003, the Corporation received notices of proposed adjustments from the United States Internal Revenue Service (I.R.S.) in connection with audits of the tax years 1998 through 2000. The principal adjustment proposed by the I.R.S. consists of the disallowance of a capital loss deduction taken in the Corporation's tax returns. The Corporation intends to vigorously dispute the position taken by the I.R.S. in this matter. The Corporation has provided adequate reserves in the event that the I.R.S. prevails in its disallowance of the previously described capital loss and the imposition of related interest. Should the I.R.S. prevail in its disallowance of the capital loss deduction and imposition of related interest, it would result in a cash outflow by the Corporation of approximately \$140 million. The Corporation believes that any such cash outflow is unlikely to occur until some time after 2004.

As more fully described in Note 1 of Notes to Consolidated Financial Statements, the Corporation has not yet adopted the Financial Accounting Standards Board Staff Position No. FAS 106-1, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Financial Condition

Operating activities generated cash of \$570.6 million for the year ended December 31, 2003, compared to \$451.6 million of cash generated for the year ended December 31, 2002. Cash flow from operating activities included cash flow from discontinued operations of \$8.7 million, \$13.3 million, and \$10.7 million for the years ended December 31, 2003, 2002, and 2001, respectively. The increase in cash provided by operating activities in 2003 over the 2002 levels was primarily the result of lower inventory levels and higher earnings. The favorable factors were partially offset by higher trade receivables associated with increased sales in 2003 as compared to 2002.

As part of its capital management, the Corporation reviews certain working capital metrics. For example, the Corporation evaluates its accounts receivable and inventory levels through the computation of days sales outstanding and inventory turnover ratio, respectively. The number of days sales outstanding as of December 31, 2003, approximated the number of days sales outstanding as of December 31, 2002. Average inventory turns during 2003 approximated the 2002 level.

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Investing activities for the year ended December 31, 2003, used cash of \$368.1 million compared to \$90.6 million of cash used in 2002. The increase in cash used in investing activities was primarily the result of the \$275.0 million payment to Masco Corporation for the acquisition of Baldwin and Weiser and related transaction costs. The Corporation anticipates that its capital spending in 2004 will approximate \$125 million.

In January 2004, the Corporation sold two of its European security hardware businesses for approximately \$80 million. The third and last European security hardware business is expected to be sold during 2004 for approximately \$28 million.

Investing activities for the year ended December 31, 2001, included a payment of \$30.5 million in connection with the April 30, 2001, acquisition of the automotive division of Bamal Corporation.

Financing activities used cash of \$425.7 million in 2003, compared to cash used of \$102.0 million in 2002. The increase in cash used in financing activities was primarily the result of higher payments on long-term debt, including \$309.5 million of debt that was repaid on April 1, 2003, and cash used for stock repurchases during the 2003 period.

During 2003 and 2002, the Corporation repurchased 2,011,570 and 1,008,101 shares of its common stock at an aggregate cost of \$77.5 million and \$43.1 million, respectively. During 2001, the Corporation repurchased 525,050 shares of its common stock at an aggregate cost of \$25.5 million upon the termination of its equity forward purchase agreements, as more fully described in Note 14 of Notes to Consolidated Financial Statements, and also repurchased 1,085,000 shares of its common stock at an aggregate cost of \$33.5 million. The Corporation implemented its share repurchase program based upon the belief that its shares were undervalued and to manage share growth resulting from option exercises.

At December 31, 2003, the Corporation had remaining authorization from its Board of Directors to repurchase an additional 2,911,595 shares of its common stock.

During the fourth quarter of 2003, the Corporation announced that its Board of Directors declared a quarterly cash dividend of \$.21 per share of the Corporation's outstanding common stock payable during the fourth quarter of 2003. This amount represents a 75% increase over the \$.12 quarterly dividend paid by the Corporation since 1996. Future dividends will depend on the Corporation's earnings, financial condition, and other factors.

As discussed further in Note 12 of Notes to Consolidated Financial Statements, in accordance with Statement of Financial Accounting Standard (SFAS) No. 87, Employer's Accounting for Pensions, the Corporation has recorded a minimum pension liability adjustment at December 31, 2003 as a charge to stockholders' equity of \$404.5 million, net of tax. That charge to stockholders' equity did not impact the Corporation's compliance with covenants under its borrowing agreements or cash flow. The Corporation's expense recognized relating to its pension and other postretirement benefit plans increased by approximately \$32 million in 2003 over the 2002 levels. The Corporation anticipates that the expense recognized relating to its pension and other postretirement benefit plans in 2004 will increase by approximately \$25 million over the 2003 levels. That increase is partially attributable to the amortization of previously

unrecognized actuarial losses that gave rise to the minimum liability adjustment. As discussed further in Note 12 of Notes to Consolidated Financial Statements, the Corporation does not anticipate that the funding requirements relating to the pension benefit plans in 2004 will be material.

During 2003, the Corporation received notices of proposed adjustments from the United States Internal Revenue Service (I.R.S.) in connection with audits of the tax years 1998 through 2000. The principal adjustment proposed by the I.R.S. consists of the disallowance of a capital loss deduction taken in the Corporation's tax returns. The Corporation intends to vigorously dispute the position taken by the I.R.S. in this matter. The Corporation has provided adequate reserves in the event that the I.R.S. prevails in its disallowance of the previously described capital loss and the imposition of related interest. Should the I.R.S. prevail in its disallowance of the capital loss deduction and imposition of related interest, it would result in a cash outflow by the Corporation of approximately \$140 million. The Corporation believes that any such cash outflow is unlikely to occur until some time after 2004.

The ongoing costs of compliance with existing environmental laws and regulations have not had, and are not expected to have, a material adverse effect on the Corporation's capital expenditures or financial position.

The Corporation will continue to have cash requirements to support seasonal working capital needs and capital expenditures, to pay interest, to service debt, and to complete the restructuring actions previously described. For amounts available at December 31, 2003, under the Corporation's revolving credit facilities and under short-term borrowing facilities, see Note 7 of Notes to Consolidated Financial Statements. In order to meet its cash requirements, the Corporation intends to use internally generated funds and to borrow under its existing and future unsecured revolving credit facilities or under short-term borrowing facilities. The Corporation believes that cash provided from these sources will be adequate to meet its cash requirements over the next 12 months.

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The following table provides a summary of the Corporation's contractual obligations by due date (in millions of dollars). The Corporation's short-term borrowings, long-term debt, other long-term obligations, and lease commitments are more fully described in Notes 7, 8, 13, and 18, respectively, of Notes to Consolidated Financial Statements.

	PAYMENTS DUE BY PERIOD					TOTAL
	LESS THAN 1 YEAR	1 to 3 YEARS	3 to 5 YEARS	AFTER 5 YEARS		
Short-term borrowings (a) (b)	\$.1	\$ --	\$ --	\$ --	\$.1	
Long-term debt	.4	155.3	150.0	550.0	855.7	
Operating leases	59.0	84.7	40.0	26.2	209.9	
Purchase obligations (c)	217.4	40.7	1.0	.3	259.4	
Other long-term obligations	--	188.0	--	--	188.0	
Total contractual						
cash obligations (d)	\$276.9	\$468.7	\$191.0	\$576.5	\$1,513.1	

(a) As more fully described in Note 7 of Notes to Consolidated Financial Statements, the Corporation has a \$1.0 billion credit facility that matures in April 2006 and a \$500.0 million commercial paper program. While no borrowings were outstanding under these facilities at December 31, 2003, the Corporation had borrowings outstanding under these facilities during 2003 and anticipates that borrowings will occur in 2004. The Corporation's average borrowing outstanding under these facilities during 2003 was \$414.8 million.

(b) As described in Note 7 of Notes to Consolidated Financial Statements, certain subsidiaries of the Corporation outside of the United States have uncommitted lines of credit of \$285.0 million at December 31, 2003. These uncommitted lines of credit do not have termination dates and are reviewed periodically.

(c) The Corporation enters into contractual arrangements that result in its obligation to make future payments, including purchase obligations. The Corporation enters into these arrangements in the ordinary course of business in order to ensure adequate levels of inventories, machinery and equipment, or services. Purchase obligations primarily consist of inventory purchase commitments, including raw material, components, and sourced products, sponsorship arrangements, and arrangements for other services.

(d) The Corporation anticipates that funding of its pension and postretirement benefit plans in 2004 will approximate \$25 million. That amount principally

represents contributions either required by regulations or laws or, with respect to unfunded plans, necessary to fund current benefits. The Corporation has not presented estimated pension and postretirement funding in the table above as the funding can vary from year to year based upon changes in the fair value of the plan assets and actuarial assumptions.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information required under this Item is contained in Item 7 of this report under the caption "Hedging Activities" and in Item 8 of this report in Notes 1 and 9 of Notes to Consolidated Financial Statements, and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following consolidated financial statements of the Corporation and its subsidiaries are included herein as indicated below:

Consolidated Financial Statements

Consolidated Statement of Earnings

- years ended December 31, 2003, 2002, and 2001.

Consolidated Balance Sheet

- December 31, 2003 and 2002.

Consolidated Statement of Stockholders' Equity

- years ended December 31, 2003, 2002, and 2001.

Consolidated Statement of Cash Flows

- years ended December 31, 2003, 2002, and 2001.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

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CONSOLIDATED STATEMENT OF EARNINGS
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(Dollars in Millions Except Per Share Data)

Year Ended December 31,	2003	2002	2001
SALES	\$4,482.7	\$4,291.8	\$4,139.9
Cost of goods sold	2,887.1	2,805.6	2,776.6
Selling, general, and administrative expenses	1,135.3	1,071.6	1,025.3
Restructuring and exit costs	31.6	46.6	99.7
OPERATING INCOME	428.7	368.0	238.3
Interest expense (net of interest income of \$25.5 for 2003, \$26.5 for 2002, and \$34.7 for 2001)	35.2	57.8	84.3
Other expense	2.6	4.8	8.2
EARNINGS FROM CONTINUING OPERATIONS			
BEFORE INCOME TAXES	390.9	305.4	145.8
Income taxes	103.7	76.9	44.3
NET EARNINGS FROM CONTINUING OPERATIONS	287.2	228.5	101.5
Earnings of discontinued operations (net of income taxes of \$3.5 for 2003, \$.8 for 2002, and \$3.0 for 2001)	5.8	1.2	6.5
NET EARNINGS	\$ 293.0	\$ 229.7	\$ 108.0
BASIC EARNINGS PER COMMON SHARE			
Continuing operations	\$ 3.69	\$ 2.85	\$ 1.26
Discontinued operations	.07	.01	.08
NET EARNINGS PER COMMON SHARE -- BASIC	\$ 3.76	\$ 2.86	\$ 1.34
DILUTED EARNINGS PER COMMON SHARE			
Continuing operations	\$ 3.68	\$ 2.83	\$ 1.25
Discontinued operations	.07	.01	.08
NET EARNINGS PER COMMON SHARE -- ASSUMING DILUTION	\$ 3.75	\$ 2.84	\$ 1.33

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(Millions of Dollars)

December 31,	2003	2002
ASSETS		
Cash and cash equivalents	\$ 308.2	\$ 517.1
Trade receivables, less allowances of \$47.4 for 2003 and \$46.3 for 2002	808.6	715.5
Inventories	709.9	725.7
Current assets of discontinued operations	160.2	38.0
Other current assets	216.1	197.6
TOTAL CURRENT ASSETS	2,203.0	2,193.9
PROPERTY, PLANT, AND EQUIPMENT	660.2	629.6
GOODWILL	771.7	658.4
LONG-TERM ASSETS OF DISCONTINUED OPERATIONS	--	99.7
OTHER ASSETS	587.6	548.9
	\$4,222.5	\$4,130.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term borrowings	\$.1	\$ 4.6
Current maturities of long-term debt	.4	312.0
Trade accounts payable	379.8	336.2
Current liabilities of discontinued operations	38.0	18.8
Other accrued liabilities	893.8	781.8
TOTAL CURRENT LIABILITIES	1,312.1	1,453.4
LONG-TERM DEBT	915.6	927.6
DEFERRED INCOME TAXES	179.8	211.3
POSTRETIREMENT BENEFITS	451.9	395.7
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS	--	14.4
OTHER LONG-TERM LIABILITIES	516.6	528.5
STOCKHOLDERS' EQUITY		
Common stock (outstanding: December 31, 2003 -- 77,933,464 shares; December 31, 2002 -- 79,604,786 shares)	39.0	39.8
Capital in excess of par value	486.7	550.1
Retained earnings	773.0	524.3
Accumulated other comprehensive income (loss)	(452.2)	(514.6)
TOTAL STOCKHOLDERS' EQUITY	846.5	599.6
	\$4,222.5	\$4,130.5

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(Dollars in Millions Except Per Share Data)

	Outstanding Common Shares	Par Value	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
BALANCE AT DECEMBER 31, 2000	80,343,094	\$40.2	\$560.0	\$264.0	\$(171.8)	\$ 692.4
Comprehensive income (loss):						
Net earnings	--	--	--	108.0	--	108.0
Cumulative effect of accounting change (net of tax)	--	--	--	--	(.7)	(.7)
Net loss on derivative instruments (net of tax)	--	--	--	--	(.2)	(.2)
Minimum pension liability adjustment (net of tax)	--	--	--	--	1.7	1.7
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	--	--	--	--	(17.7)	(17.7)
Comprehensive income	--	--	--	108.0	(16.9)	91.1
Cash dividends on common stock (\$.48 per share)	--	--	--	(38.8)	--	(38.8)
Purchase and retirement of common stock	(1,085,000)	(.6)	(32.9)	--	--	(33.5)
Common stock retired under equity forwards	(765,326)	(.4)	--	--	--	(.4)
Common stock issued under employee benefit plans	1,336,873	.7	39.5	--	--	40.2
BALANCE AT DECEMBER 31, 2001	79,829,641	39.9	566.6	333.2	(188.7)	751.0
Comprehensive income (loss):						
Net earnings	--	--	--	229.7	--	229.7
Net loss on derivative instruments (net of tax)	--	--	--	--	(16.4)	(16.4)
Minimum pension liability adjustment (net of tax)	--	--	--	--	(369.7)	(369.7)
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	--	--	--	--	60.2	60.2
Comprehensive income (loss)	--	--	--	229.7	(325.9)	(96.2)
Cash dividends on common stock (\$.48 per share)	--	--	--	(38.6)	--	(38.6)

Purchase and retirement of common stock	(1,008,101)	(.5)	(42.6)	--	--	(43.1)
Common stock issued under employee benefit plans	783,246	.4	26.1	--	--	26.5

BALANCE AT DECEMBER 31, 2002	79,604,786	39.8	550.1	524.3	(514.6)	599.6
Comprehensive income (loss):						
Net earnings	--	--	--	293.0	--	293.0
Net loss on derivative instruments (net of tax)	--	--	--	--	(15.8)	(15.8)
Minimum pension liability adjustment (net of tax)	--	--	--	--	(20.2)	(20.2)
Foreign currency translation adjustments, less effect of hedging activities (net of tax)	--	--	--	--	98.4	98.4

Comprehensive income	--	--	--	293.0	62.4	355.4

Cash dividends on common stock (\$.57 per share)	--	--	--	(44.3)	--	(44.3)
Purchase and retirement of common stock	(2,011,570)	(1.0)	(76.5)	--	--	(77.5)
Common stock issued under employee benefit plans	340,248	.2	13.1	--	--	13.3

BALANCE AT DECEMBER 31, 2003	77,933,464	\$39.0	\$486.7	\$773.0	\$(452.2)	\$ 846.5

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(Millions of Dollars)

Year Ended December 31,	2003	2002	2001

OPERATING ACTIVITIES			
Net earnings	\$ 293.0	\$ 229.7	\$ 108.0
Adjustments to reconcile net earnings to cash flow			
from operating activities:			
Non-cash charges and credits:			
Depreciation and amortization	133.4	122.4	152.3
Restructuring and exit costs	31.6	46.6	99.7
Other	(8.1)	(8.6)	(4.4)
Earnings of discontinued operations	(5.8)	(1.2)	(6.5)
Changes in selected working capital items (net of assets and liabilities of acquired businesses):			
Trade receivables	(6.4)	13.1	69.0
Inventories	94.2	(10.0)	128.0
Trade accounts payable	21.0	18.9	(53.5)
Restructuring spending	(40.4)	(36.9)	(24.9)
Other assets and liabilities	49.4	64.3	(98.8)

CASH FLOW FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	561.9	438.3	368.9
CASH FLOW FROM OPERATING ACTIVITIES OF DISCONTINUED OPERATIONS	8.7	13.3	10.7

CASH FLOW FROM OPERATING ACTIVITIES	570.6	451.6	379.6

INVESTING ACTIVITIES			
Proceeds from disposal of assets	15.0	4.6	12.3
Capital expenditures	(102.5)	(94.3)	(131.4)
Purchase of businesses, including transaction costs	(277.6)	--	(30.5)
Investing activities of discontinued operations	(3.3)	(2.3)	(3.4)
Other investing activities	.3	1.4	--

CASH FLOW FROM INVESTING ACTIVITIES	(368.1)	(90.6)	(153.0)

FINANCING ACTIVITIES			
Net decrease in short-term borrowings	(4.9)	(7.2)	(390.0)
Proceeds from long-term debt (net of debt issue cost of \$3.1 in 2001)	--	--	393.8
Payments on long-term debt	(310.6)	(33.9)	(48.6)
Purchase of common stock	(77.5)	(43.1)	(59.0)
Issuance of common stock	11.6	20.8	27.9
Cash dividends	(44.3)	(38.6)	(38.8)

CASH FLOW FROM FINANCING ACTIVITIES	(425.7)	(102.0)	(114.7)
Effect of exchange rate changes on cash	14.3	13.6	(2.4)

(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(208.9)	272.6	109.5
Cash and cash equivalents at beginning of year	517.1	244.5	135.0

CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 308.2	\$ 517.1	\$ 244.5

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation: The Consolidated Financial Statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions have been eliminated.

Reclassifications: Certain prior years' amounts in the Consolidated Financial Statements have been reclassified to conform to the presentation used in 2003.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.

Revenue Recognition: Revenue from sales of products is recognized when title passes, which principally occurs upon shipment but also, to a lesser extent, occurs upon delivery.

Foreign Currency Translation: The financial statements of subsidiaries located outside of the United States, except those subsidiaries operating in highly inflationary economies, generally are measured using the local currency as the functional currency. Assets, including goodwill, and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are included in accumulated other comprehensive income (loss), a separate component of stockholders' equity. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these subsidiaries are included in net earnings. For subsidiaries operating in highly inflationary economies, gains and losses from balance sheet translation adjustments are included in net earnings.

Cash and Cash Equivalents: Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition.

Concentration of Credit: The Corporation sells products and services to customers in diversified industries and geographic regions and, therefore, has no significant concentrations of credit risk other than with two major customers. As of December 31, 2003, approximately 25% of the Corporation's trade receivables were due from two large home improvement retailers.

The Corporation continuously evaluates the creditworthiness of its customers and generally does not require collateral.

Inventories: Inventories are stated at the lower of cost or market. The cost of United States inventories is based primarily on the last-in, first-out (LIFO) method; all other inventories are based on the first-in, first-out (FIFO) method.

Property and Depreciation: Property, plant, and equipment is stated at cost. Depreciation is computed generally on the straight-line method for financial reporting purposes.

Goodwill and Other Intangible Assets: Effective January 1, 2002, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and intangible assets deemed to have indefinite lives are no longer amortized, but are subject to an annual impairment test. Other intangible assets continue to be amortized over their useful lives.

The changes in the carrying amount of goodwill for the year ended December 31, 2003, by segment in millions of dollars, are as follows:

	POWER TOOLS & ACCESSORIES	HARDWARE & HOME IMPROVEMENT	FASTENING & ASSEMBLY SYSTEMS
Goodwill at January 1	\$25.8	\$363.9	\$268.7
Acquisitions	--	94.4	--
Currency translation adjustment	--	.3	18.6
Goodwill at December 31	\$25.8	\$458.6	\$287.3

The Corporation assesses the fair value of its reporting units for its goodwill impairment tests based upon a discounted cash flow methodology. Those estimated future cash flows - which are based upon historical results and current projections - are discounted at a rate corresponding to a "market" rate. If the carrying amount of the reporting unit exceeds the estimated fair value determined through that discounted cash flow methodology, goodwill impairment may be present. The Corporation would measure the goodwill impairment loss based upon the fair value of the underlying assets and liabilities of the reporting unit, including any unrecognized intangible assets, and estimate the implied fair value of goodwill. An impairment loss would be recognized to the extent that a reporting unit's recorded goodwill exceeded the implied fair value of

goodwill.

As of January 1, 2002, the Corporation performed the first of the required impairment tests of goodwill. Additionally, the Corporation performed its annual impairment test in the fourth quarters of 2003 and 2002. No impairment was present upon performing these impairment tests. The Corporation cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on the Corporation's customer base, or a material negative change in its relationships with significant customers.

The Corporation recognized goodwill amortization of \$26.4 million in 2001, of which \$24.2 million related to continuing operations and \$2.2 million related to discontinued operations. Net earnings from continuing operations for the year ended December 31, 2001, excluding goodwill amortization, would have been \$125.7 million. Basic and diluted earnings per share from continuing operations for the year ended December 31, 2001, excluding goodwill amortization, would have been \$1.56 and \$1.55, respectively. Net earnings

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for the year ended December 31, 2001, excluding goodwill amortization, would have been \$134.4 million. Basic and diluted earnings per share for the year ended December 31, 2001, excluding goodwill amortization, would have been \$1.67 and \$1.66, respectively.

Accounting Policy Prior to January 1, 2002: Goodwill and other intangible assets were amortized on the straight-line method. Goodwill was amortized principally over a 40-year period. On a periodic basis, the Corporation estimated the future discounted cash flows of the businesses to which goodwill related. If such estimates of the future discounted cash flows, net of the carrying amount of the tangible net assets, were less than the carrying amount of goodwill, the difference would have been charged to operations. The projected discounted cash flows were discounted at a rate corresponding to the Corporation's estimated cost of capital, which also was the hurdle rate used by the Corporation in making investment decisions.

Product Development Costs: Costs associated with the development of new products and changes to existing products are charged to operations as incurred. Product development costs were \$100.4 million in 2003, \$94.3 million in 2002, and \$96.6 million in 2001.

Shipping and Handling Costs: Shipping and handling costs represent costs associated with shipping products to customers and handling finished goods. Included in selling, general, and administrative expenses are shipping and handling costs of \$229.4 million in 2003, \$218.1 million in 2002, and \$209.4 million in 2001. Freight charged to customers is recorded as revenue.

Advertising and Promotion: Effective January 1, 2002, the Corporation adopted Emerging Issues Task Force Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products (EITF 01-9). Upon adoption of EITF 01-9, the Corporation was required to classify certain payments to its customers as a reduction of sales. The Corporation previously classified certain of these payments as promotion expense, a component of selling, general, and administrative expenses in the Consolidated Statement of Earnings. Upon the adoption of EITF 01-9, prior period amounts were reclassified and resulted in a reduction of sales (and an offsetting reduction of selling expenses) of \$87.5 million in 2001.

Advertising and promotion expense, which is expensed as incurred, was \$154.0 million in 2003, \$134.6 million in 2002, and \$132.9 million in 2001.

Product Warranties: Most of the Corporation's products in the Power Tools and Accessories segment and Hardware and Home Improvement segment carry a product warranty. That product warranty, in the United States, generally provides that customers can return a defective product during the specified warranty period following purchase in exchange for a replacement product or repair at no cost to the consumer. Product warranty arrangements outside the United States vary depending upon local market conditions and laws and regulations. The Corporation accrues an estimate of its exposure to warranty claims based upon both current and historical product sales data and warranty costs incurred.

Postretirement Benefits: Pension plans, which cover substantially all of the Corporation's employees in North America, Europe, and the United Kingdom, consist primarily of non-contributory defined benefit plans. The defined benefit plans are funded in conformity with the funding requirements of applicable

government regulations. Generally, benefits are based on age, years of service, and the level of compensation during the final years of employment. Prior service costs for defined benefit plans generally are amortized over the estimated remaining service periods of employees.

Certain employees are covered by defined contribution plans. The Corporation's contributions to these plans are based on a percentage of employee compensation or employee contributions. These plans are funded on a current basis.

In addition to pension benefits, certain postretirement medical, dental, and life insurance benefits are provided, principally to most United States employees. Retirees in other countries generally are covered by government-sponsored programs.

The Corporation uses the corridor approach in the valuation of defined benefit plans and other postretirement benefits. The corridor approach defers all actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions. For defined benefit 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. The amount in excess of the corridor is amortized over the average remaining service period to retirement date of active plan participants or, for retired participants, the average remaining life expectancy.

Derivative Financial Instruments: Effective January 1, 2001, the Corporation adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. SFAS No. 133 requires that the Corporation recognize all derivatives on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. At the time of its adoption of SFAS No. 133 on January 1, 2001, the Corporation recognized an after-tax reduction of \$.7 million to other comprehensive income (loss), a component of stockholders' equity, as a cumulative effect adjustment.

The Corporation is exposed to market risks arising from changes in interest rates. With products and services marketed in over 100 countries and with manufacturing sites in 10 countries, the Corporation also is exposed to risks arising from changes in foreign currency rates. The Corporation uses derivatives principally in the management of interest rate and foreign currency exposure. It does not utilize derivatives that contain leverage features. On the date on which the Corporation enters into a derivative, the derivative is designated as a hedge of the identified exposure. The Corporation formally documents all relationships between hedging instruments and

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hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. In this documentation, the Corporation specifically identifies the asset, liability, firm commitment, forecasted transaction, or net investment that has been designated as the hedged item and states how the hedging instrument is expected to reduce the risks related to the hedged item. The Corporation measures effectiveness of its hedging relationships both at hedge inception and on an ongoing basis.

For each derivative instrument that is designated and qualifies as a fair value hedge, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings during the period of the change in fair values. For each derivative instrument that is designated and qualifies as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. For hedged forecasted transactions, hedge accounting is discontinued if the forecasted transaction is no longer probable of occurring, in which case previously deferred hedging gains or losses would be recorded to earnings immediately. For derivatives that are designated and qualify as hedges of net investments in subsidiaries located outside the United States, the gain or loss is reported in accumulated other comprehensive income (loss) as part of the cumulative translation adjustment to the extent the derivative is effective. For derivative instruments not designated as hedging instruments, the gain or loss is recognized in current earnings during the period of change.

Interest Rate Risk Management: The Corporation has designated each of its

outstanding interest rate swap agreements as fair value hedges of the underlying fixed rate obligation. The fair value of the interest rate swap agreements is recorded in other assets or other long-term liabilities with a corresponding increase or decrease in the fixed rate obligation. The changes in the fair value of the interest rate swap agreements and the underlying fixed rate obligations are recorded as equal and offsetting unrealized gains and losses in interest expense and other expense (income) in the Consolidated Statement of Earnings. The Corporation has structured all existing interest rate swap agreements to be 100% effective. As a result, there is no current impact to earnings resulting from hedge ineffectiveness. Gains or losses resulting from the early termination of interest rate swaps are deferred as an increase or decrease to the carrying value of the related debt and amortized as an adjustment to the yield of the related debt instrument over the remaining period originally covered by the swap.

Foreign Currency Management: The fair value of foreign currency-related derivatives are generally included in the Consolidated Balance Sheet in other current assets and other accrued liabilities. The earnings impact of cash flow hedges relating to forecasted purchases of inventory is generally reported in cost of goods sold to match the underlying transaction being hedged. Realized and unrealized gains and losses on these instruments are deferred in accumulated other comprehensive income (loss) until the underlying transaction is recognized in earnings.

The earnings impact of cash flow hedges relating to the variability in cash flows associated with foreign currency-denominated assets and liabilities is reported in cost of goods sold, selling, general, and administrative expenses, or other expense (income), depending on the nature of the assets or liabilities being hedged. The amounts deferred in accumulated other comprehensive income (loss) associated with these instruments generally relate to foreign currency spot-rate to forward-rate differentials and are recognized in earnings over the term of the hedge. The discount or premium relating to cash flow hedges associated with foreign currency-denominated assets and liabilities is recognized in net interest expense over the life of the hedge.

Stock-Based Compensation: As described in Note 16, the Corporation has elected to follow the accounting provisions of Accounting Principles Board Opinion (APBO) No. 25, Accounting for Stock Issued to Employees, for stock-based compensation and to furnish the pro forma disclosures required under SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure.

A reconciliation of the Corporation's net earnings to pro forma net earnings, and the related pro forma earnings per share amounts, for the years ended December 31, 2003, 2002, and 2001, is provided below. For purposes of pro forma disclosure, stock-based compensation expense is recognized in accordance with the provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Further, pro forma stock-based compensation expense is amortized to expense on a straight-line basis over the vesting period.

(Dollars in Millions Except Per Share Data)	2003	2002	2001
Net earnings	\$293.0	\$229.7	\$108.0
Adjustment to net earnings for:			
Stock-based compensation expense (income) included in net earnings, net of tax	2.6	--	(2.3)
Pro forma stock-based compensation (expense), net of tax	(19.3)	(18.5)	(13.8)
Pro forma net earnings	\$276.3	\$211.2	\$ 91.9
Pro forma net earnings per common share -- basic	\$ 3.55	\$ 2.63	\$ 1.14
Pro forma net earnings per common share -- assuming dilution	\$ 3.55	\$ 2.62	\$ 1.13

New Accounting Pronouncements: On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law which introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. In January 2004,

the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 106-1, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. As provided under FSP No. FAS 106-1, the Corporation elected to defer accounting for the effects of the Act until authoritative guidance on the accounting for the federal subsidy is issued or until a significant event occurs that ordinarily would call for the remeasurement of the postretirement benefit plan's obligations. The accrued benefit obligation and the net periodic postretirement benefit cost included in the consolidated financial statements do not reflect the effects of the Act on the Corporation's postretirement benefit plan.

NOTE 2: ACQUISITIONS

On September 30, 2003, the Corporation acquired Baldwin Hardware Corporation (Baldwin) and Weiser Lock Corporation (Weiser) from Masco Corporation for \$277.6 million in cash, including transaction costs of \$2.6 million. Baldwin is a leading provider of architectural and decorative products for the home. Weiser is a manufacturer of locksets and decorative exterior hardware and accessories. These additions to the Corporation's security hardware business, a component of its Hardware and Home Improvement segment, will be integrated into the existing security hardware business and will allow the Corporation to offer its customers a broader range of styles and price points.

This transaction has been accounted for in accordance with SFAS No. 141, Business Combinations, and accordingly, the financial position and results of operations have been included in the Corporation's operations since the date of acquisition.

The Corporation has not yet obtained all information, including, but not limited to, environmental studies and finalization of independent appraisals, required to complete the purchase price allocation related to the acquisition. The final allocation will be completed in 2004 and is not expected to have a material impact on the Corporation's financial position or results of operations. The initial purchase price allocation of the acquired businesses based on independent appraisals and management's estimates at the date of acquisition, in millions of dollars, is as follows:

Accounts receivable	\$ 38.3
Inventories	38.6
Property and equipment	63.1
Goodwill	94.4
Intangible assets	76.3
Other current and long-term assets	10.5
Total assets acquired	321.2
Accounts payable and accrued liabilities	41.0
Other liabilities	2.6
Total liabilities	43.6
Fair value of net assets acquired	\$277.6

The preliminary allocation of the purchase price resulted in the recognition of \$94.4 million of goodwill primarily related to the anticipated future earnings and cash flows of Baldwin and Weiser, including the estimated effects of the integration of these businesses into the Corporation's existing security hardware business. The transaction also generated approximately \$76.3 million in intangible assets of which \$71.9 million were indefinite-lived intangible assets related to trademarks and tradenames and \$4.4 million related to finite-lived intangible assets that will be amortized over a period of 10 years. The Corporation believes that the entire amount of intangible assets and goodwill recognized will be deductible for income tax purposes.

Prior to the date of the acquisition of Baldwin and Weiser and during the fourth quarter of 2003, the Corporation identified opportunities to restructure these businesses as well as to integrate these businesses into its existing security hardware business. Subsequent to the acquisition, the Corporation approved restructuring actions relating to the acquired businesses of \$8.9 million. These actions principally reflect severance benefits associated with administrative and manufacturing actions related to the acquired businesses, including the closure of an acquired administration and distribution facility. These restructuring actions will commence in 2004, and the Corporation expects the actions to be completed by the end of 2004. In addition, as more fully

described in Note 19, during the fourth quarter of 2003, the Corporation recorded a pre-tax restructuring charge of \$11.0 million relating to the closure of a manufacturing facility in its Kwikset business, a pre-existing component of its Hardware and Home Improvement segment.

NOTE 3: DISCONTINUED OPERATIONS

As of December 31, 2003, the Corporation met the requirements to classify its European security hardware business as discontinued operations. The European security hardware business, consisting of the NEMEF, Corbin, and DOM businesses, was previously included in the Corporation's Hardware and Home Improvement segment. In January 2004, the Corporation completed the sale of the NEMEF and Corbin businesses to Assa Abloy for an aggregate sales price of \$80.0 million, subject to post-closing adjustments. Also, in January 2004, the Corporation signed an agreement with Assa Abloy to sell its remaining European security hardware business, DOM, for \$28.0 million. That sale is subject to regulatory approval. The Corporation's sale of its European security hardware business in 2004 is expected to result in a net gain.

The European security hardware business discussed above is reported as discontinued operations in the consolidated financial statements and all prior periods presented have been adjusted to reflect this presentation. Sales and earnings before income taxes of the discontinued operations for each year, in millions of dollars, were as follows:

	2003	2002	2001

Sales	\$119.3	\$102.2	\$105.7
Earnings before income taxes	9.3	2.0	9.5

The results of the discontinued operations do not reflect any expense for interest allocated by or management fees charged by the Corporation.

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The major classes of assets and liabilities of discontinued operations in the Consolidated Balance Sheet at the end of each year, in millions of dollars, were as follows:

	2003	2002

Trade receivables, less allowances	\$ 16.1	\$ 13.5
Inventories	28.4	23.2
Property, plant, and equipment	27.9	26.3
Goodwill	82.7	70.7
Other assets	5.1	4.0

Total assets	160.2	137.7

Trade accounts payable	8.5	7.0
Other accrued liabilities	11.5	11.8
Postretirement benefits and other long-term liabilities	18.0	14.4

Total liabilities	38.0	33.2

Net assets	\$122.2	\$104.5
=====		

NOTE 4: INVENTORIES

The classification of inventories at the end of each year, in millions of dollars, was as follows:

	2003	2002

FIFO cost		
Raw materials and work-in-process	\$186.3	\$170.3
Finished products	510.3	546.5

	696.6	716.8
Adjustment to arrive at LIFO inventory value	13.3	8.9

	\$709.9	\$725.7
=====		

The cost of United States inventories stated under the LIFO method was

approximately 43% and 52% of the value of total inventories at December 31, 2003 and 2002, respectively.

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at the end of each year, in millions of dollars, consisted of the following:

	2003	2002
Property, plant, and equipment at cost:		
Land and improvements	\$ 50.0	\$ 46.4
Buildings	268.8	260.5
Machinery and equipment	1,234.6	1,185.3
	1,553.4	1,492.2
Less accumulated depreciation	893.2	862.6
	\$ 660.2	\$ 629.6

NOTE 6: OTHER ACCRUED LIABILITIES

Other accrued liabilities at the end of each year, in millions of dollars, included the following:

	2003	2002
Salaries and wages	\$103.4	\$ 82.5
Employee benefits	130.3	107.2
Trade discounts and allowances	149.8	121.6
Advertising and promotion	74.7	62.9
Income taxes, including deferred taxes	39.4	21.7
Accruals related to restructuring actions	43.7	56.0
Warranty	40.4	41.8
All other	312.1	288.1
	\$893.8	\$781.8

All other at December 31, 2003 and 2002, consisted primarily of accruals for foreign currency derivatives, interest, insurance, and taxes other than income taxes.

The following provides information with respect to the Corporation's warranty accrual, in millions of dollars:

	2003	2002
Warranty reserve at January 1	\$ 41.8	\$ 38.6
Accruals for warranties issued during the period and changes in estimates related to pre-existing warranties	80.4	94.9
Settlements made	(85.5)	(94.0)
Additions due to acquisitions	.8	--
Currency translation adjustments	2.9	2.3
Warranty reserve at December 31	\$ 40.4	\$ 41.8

NOTE 7: SHORT-TERM BORROWINGS

Short-term borrowings in the amounts of \$.1 million and \$4.6 million at December 31, 2003 and 2002, respectively, consisted primarily of borrowings under the terms of uncommitted lines of credit or other short-term borrowing arrangements. The weighted-average interest rate on short-term borrowings outstanding was 2.7% and 3.4% at December 31, 2003 and 2002, respectively.

In November 2002, the Corporation entered into a \$500 million agreement under which it may issue commercial paper at market rates with maturities of up to 365 days from the date of issue.

In April 2001, the Corporation replaced an expiring \$1.0 billion former unsecured revolving credit facility, which consisted of two individual facilities, with a \$1.0 billion unsecured revolving credit facility that expires in April 2006 and a \$400.0 million 364-day unsecured revolving credit facility (collectively, the Credit Facilities). In April 2002, the Corporation entered into a \$250 million 364-day unsecured revolving credit facility (the 364-day Credit Facility) replacing its expiring \$400 million 364-day unsecured revolving credit facility. The Corporation reduced the borrowing availability under the 364-day Credit Facility based upon its anticipated short-term financing needs. In April 2003, the Corporation elected not to renew the 364-day Credit Facility,

again, based upon its anticipated short-term financing needs. The amount available for borrowing under the \$1.0 billion unsecured revolving credit facility (the Credit Facility) at December 31, 2003, was \$1.0 billion.

While no amounts were outstanding under the Corporation's unsecured revolving credit facilities or commercial paper program at December 31, 2003 or 2002, average borrowings outstanding under these facilities during 2003 and 2002 were \$414.8 million and \$429.9 million, respectively.

Under the Credit Facilities, the Corporation has the option of borrowing at the London Interbank Offered Rate (LIBOR) plus a specified percentage, or at other variable rates set forth therein. The Credit Facilities provide that the interest rate margin over LIBOR, initially set at .475% and .500%, respectively, for each of the two individual facilities, will increase or decrease based upon changes in the ratings of the Corporation's long-term senior unsecured debt. The Credit

Facilities provided for an interest rate margin over LIBOR of .475% during 2003, 2002, and 2001. That interest rate margin will increase (by a maximum amount of .525%) or decrease (by a maximum amount of .220%) based upon changes in the ratings of the Corporation's long-term senior unsecured debt. In addition to the interest payable on the principal amount of indebtedness outstanding from time to time under the Credit Facilities, the Corporation is required to pay an annual facility fee to each bank, equal to .150% and .125%, respectively, of the amount of each bank's commitment, whether used or unused. The Corporation is also required to pay a utilization fee under the Credit Facilities equal to .125%, applied to the outstanding balance when borrowings under the respective facility exceeds 50% of the facility. The Credit Facilities provide that both the facility fee and the utilization fee will increase or decrease based upon changes in the ratings of the Corporation's senior unsecured debt.

The Credit Facility includes various customary covenants. Some of the covenants limit the ability of the Corporation or its subsidiaries to pledge assets or incur liens on assets. Other covenants require the Corporation to maintain a specified interest coverage ratio and certain cash flow to fixed expense coverage ratios. As of December 31, 2003, the Corporation was in compliance with all terms and conditions of the Credit Facility.

Under the terms of uncommitted lines of credit at December 31, 2003, certain subsidiaries outside of the United States may borrow up to an additional \$285.0 million on such terms as may be mutually agreed. These arrangements do not have termination dates and are reviewed periodically. No material compensating balances are required or maintained.

NOTE 8: LONG-TERM DEBT

The composition of long-term debt at the end of each year, in millions of dollars, was as follows:

	2003	2002
7.50% notes due 2003	\$ --	\$ 309.5
7.0% notes due 2006	154.6	154.6
6.55% notes due 2007	150.0	150.0
7.125% notes due 2011 (including discount of \$2.3 in 2003 and \$2.6 in 2002)	397.7	397.4
7.05% notes due 2028	150.0	150.0
Other loans due through 2007	1.1	2.2
Fair value hedging adjustment	62.6	75.9
Less current maturities of long-term debt	(.4)	(312.0)
	\$ 915.6	\$ 927.6

As more fully described in Note 9, at December 31, 2003 and 2002, the carrying amount of long-term debt and current maturities thereof includes \$62.6 million and \$75.9 million, respectively, relating to outstanding or terminated fixed-to-variable rate interest rate swaps agreements.

Indebtedness of subsidiaries in the aggregate principal amounts of \$301.3 million and \$306.9 million were included in the Consolidated Balance Sheet at December 31, 2003 and 2002, respectively, in short-term borrowings, current maturities of long-term debt, and long-term debt.

Principal payments on long-term debt obligations due over the next four years are as follows: \$.4 million in 2004, \$.4 million in 2005, \$154.9 million in 2006, and \$150.0 million in 2007. There are no principal payments due in 2008. Interest payments on all indebtedness were \$80.3 million in 2003, \$100.8 million in 2002, and \$122.2 million in 2001.

NOTE 9: DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation is exposed to market risks arising from changes in interest rates. With products and services marketed in over 100 countries and with manufacturing sites in 10 countries, the Corporation also is exposed to risks arising from changes in foreign exchange rates.

Credit Exposure: The Corporation is exposed to credit-related losses in the event of non-performance by counterparties to certain derivative financial instruments. The Corporation monitors the creditworthiness of the counterparties and presently does not expect default by any of the counterparties. The Corporation does not obtain collateral in connection with its derivative financial instruments.

The credit exposure that results from interest rate and foreign exchange contracts is the fair value of contracts with a positive fair value as of the reporting date. Some derivatives are not subject to credit exposures. The fair value of all financial instruments is summarized in Note 10.

Interest Rate Risk Management: The Corporation manages its interest rate risk, primarily through the use of interest rate swap agreements, in order to achieve a cost-effective mix of fixed and variable rate indebtedness. It seeks to issue debt opportunistically, whether at fixed or variable rates, at the lowest possible costs. The Corporation may, based upon its assessment of the future interest rate environment, elect to manage its interest rate risk associated with changes in the fair value of its indebtedness, or the future cash flows associated with its indebtedness, through the use of interest rate swaps.

The amounts exchanged by the counterparties to interest rate swap agreements normally are based upon the notional amounts and other terms, generally related to interest rates, of the derivatives. While notional amounts of interest rate swaps form part of the basis for the amounts exchanged by the counterparties, the notional amounts are not themselves exchanged and, therefore, do not represent a measure of the Corporation's exposure as an end user of derivative financial instruments.

The Corporation's portfolio of interest rate swap instruments at December 31, 2003 and 2002, consisted of \$588.0 million notional and \$788.0 million notional amounts of fixed-to-variable rate swaps with a weighted-average fixed rate receipt of 5.99% and 6.01%, respectively. The basis of the variable rate paid is LIBOR.

Credit exposure on the Corporation's interest rate derivatives at December 31, 2003 and 2002, was \$54.3 million and \$85.0 million, respectively. Deferred gains on the early termination of interest rate swaps were \$30.2 million and \$19.2 million at December 31, 2003 and 2002.

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Foreign Currency Management: The Corporation enters into various foreign currency contracts in managing its foreign currency exchange risk. Generally, the foreign currency contracts have maturity dates of less than twenty-four months. The contractual amounts of foreign currency derivatives, principally forward exchange contracts and purchased options, generally are exchanged by the counterparties. The Corporation's foreign currency derivatives are designated to, and generally are denominated in the currencies of, the underlying exposures. To minimize the volatility of reported equity, the Corporation may hedge, on a limited basis, a portion of its net investment in subsidiaries located outside the United States through the use of foreign currency forward contracts and purchased foreign currency options.

The Corporation seeks to minimize its foreign currency cash flow risk and hedges its foreign currency transaction exposures (that is, currency exposures related to assets and liabilities) as well as certain forecasted foreign currency exposures. Hedges of forecasted foreign currency exposures principally relate to the cash flow risk relating to the sales of products manufactured or purchased in a currency different from that of the selling subsidiary. The Corporation hedges its foreign currency cash flow risk through the use of forward exchange contracts and, to a small extent, options. Some of the forward exchange contracts involve the exchange of two foreign currencies according to the local needs of the subsidiaries. Some natural hedges also are used to mitigate transaction and forecasted exposures. The Corporation also responds to foreign exchange movements through various means, such as pricing actions, changes in cost structure, and changes in hedging strategies.

The following table summarizes the contractual amounts of forward exchange contracts as of December 31, 2003 and 2002, in millions of dollars, including details by major currency as of December 31, 2003. Foreign currency amounts were translated at current rates as of the reporting date. The "Buy" amounts represent the United States dollar equivalent of commitments to purchase

currencies, and the "Sell" amounts represent the United States dollar equivalent of commitments to sell currencies.

As of December 31, 2003	BUY	SELL
United States dollar	\$1,090.8	\$(1,106.0)
Pound sterling	883.3	(202.1)
Euro	512.4	(952.4)
Canadian dollar	30.0	(100.3)
Australian dollar	41.9	(75.2)
Czech koruna	64.2	(13.1)
Japanese yen	--	(54.4)
Swedish krona	41.2	(83.0)
Danish krone	.4	(46.2)
Other	18.4	(77.6)
Total	\$2,682.6	\$(2,710.3)

As of December 31, 2002	BUY	SELL
Total	\$2,128.4	\$(2,144.9)

No purchased options to buy or sell currencies were outstanding at December 31, 2003.

Credit exposure on foreign currency derivatives as of December 31, 2003 and 2002, was \$10.9 million and \$6.6 million, respectively.

Hedge ineffectiveness and the portion of derivative gains and losses excluded from the assessment of hedge effectiveness related to the Corporation's cash flow hedges that were recorded to earnings during 2003 and 2002 were not significant.

Amounts deferred in accumulated other comprehensive income (loss) at December 31, 2003, that are expected to be reclassified into earnings during 2004 represent an after-tax loss of \$24.5 million. The amount expected to be reclassified into earnings in the next twelve months includes unrealized gains and losses related to open foreign currency contracts. Accordingly, the amount that is ultimately reclassified into earnings may differ materially.

NOTE 10: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Significant differences can arise between the fair value and carrying amount of financial instruments that are recognized at historical cost amounts.

The following methods and assumptions were used by the Corporation in estimating fair value disclosures for financial instruments:

- o Cash and cash equivalents, trade receivables, certain other current assets, short-term borrowings, and current maturities of long-term debt: The amounts reported in the Consolidated Balance Sheet approximate fair value.

- o Long-term debt: Publicly traded debt is valued based on quoted market values. The fair value of other long-term debt is estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

- o Other long-term liabilities: The fair value of a subsidiary's redeemable preferred shares is based on the present value of the cash flows associated with these preferred shares, discounted at current market yields.

- o Interest rate hedges: The fair value of interest rate hedges reflects the estimated amounts that the Corporation would receive or pay to terminate the contracts at the reporting date.

- o Foreign currency contracts: The fair value of forward exchange contracts and options is estimated using prices established by financial institutions for comparable instruments.

The following table sets forth, in millions of dollars, the carrying amounts and fair values of the Corporation's financial instruments, except for those noted above for which carrying amounts approximate fair values:

Assets (Liabilities) As of December 31, 2003	CARRYING AMOUNT	FAIR VALUE

Non-derivatives:		
Long-term debt	\$ (915.6)	\$ (964.7)
Other long-term liabilities	(202.6)	(202.6)

Derivatives relating to:		
Debt		
Assets	38.4	38.4
Other long-term liabilities		
Assets	15.9	15.9
Foreign Currency		
Assets	10.9	10.9
Liabilities	(43.0)	(43.0)

Assets (Liabilities) As of December 31, 2002	CARRYING AMOUNT	FAIR VALUE

Non-derivatives:		
Long-term debt	\$ (927.6)	\$ (965.8)
Other long-term liabilities	(208.4)	(208.4)

Derivatives relating to:		
Debt		
Assets	63.8	63.8
Other long-term liabilities		
Assets	21.2	21.2
Foreign Currency		
Assets	6.6	6.6
Liabilities	(21.1)	(21.1)

NOTE 11: INCOME TAXES

Earnings from continuing operations before income taxes for each year, in millions of dollars, were as follows:

	2003	2002	2001

United States	\$189.5	\$186.2	\$ 93.0
Other countries	201.4	119.2	52.8

	\$390.9	\$305.4	\$145.8
=====			

Significant components of income taxes (benefits) from continuing operations for each year, in millions of dollars, were as follows:

	2003	2002	2001

Current:			
United States	\$ 69.0	\$ 58.7	\$ 26.8
Other countries	23.6	13.7	15.6

	92.6	72.4	42.4

Deferred:			
United States	(6.5)	3.8	16.1
Other countries	17.6	.7	(14.2)

	11.1	4.5	1.9

	\$103.7	\$ 76.9	\$ 44.3
=====			

Income tax expense recorded directly as an adjustment to equity as a result of hedging activities was not significant in 2003, 2002, and 2001. Income tax benefits recorded directly as an adjustment to equity as a result of employee stock options were \$1.3 million, \$5.4 million, and \$8.8 million in 2003, 2002, and 2001, respectively.

Income tax payments were \$82.0 million in 2003, \$47.0 million in 2002, and \$74.3 million in 2001.

Deferred tax (liabilities) assets at the end of each year, in millions of dollars, were composed of the following:

	2003	2002
--	------	------

Deferred tax liabilities:		
Fixed assets	\$ (15.4)	\$ (8.1)
Employee and postretirement benefits	(164.8)	(189.8)
Other	(5.6)	(18.2)

Gross deferred tax liabilities	(185.8)	(216.1)

Deferred tax assets:		
Tax loss carryforwards	109.2	110.2
Tax credit and capital loss carryforwards	57.8	82.4
Postretirement benefits	135.9	123.8
Other	113.6	109.1

Gross deferred tax assets	416.5	425.5

Deferred tax asset valuation allowance	(99.9)	(86.8)

Net deferred tax assets	\$ 130.8	\$ 122.6
=====		

Deferred income taxes are included in the Consolidated Balance Sheet in other current assets, other assets, other accrued liabilities, and deferred income taxes.

During the year ended December 31, 2003, the deferred tax asset valuation allowance increased by \$13.1 million. The increase was principally the result of tax losses generated by a subsidiary that cannot be utilized in the consolidated United States tax return.

Tax basis carryforwards at December 31, 2003, consisted of net operating losses expiring from 2004 to 2009.

At December 31, 2003, unremitted earnings of subsidiaries outside of the United States were approximately \$1.4 billion, on which no United States taxes had been provided. The Corporation's intention is to reinvest these earnings permanently or to repatriate the earnings only when possible to do so at minimal additional tax cost. It is not practicable to estimate the amount of additional taxes that might be payable upon repatriation of foreign earnings.

A reconciliation of income taxes at the federal statutory rate to the Corporation's income taxes for each year, both from continuing operations, in millions of dollars, is as follows:

	2003	2002	2001

Income taxes at federal statutory rate	\$136.8	\$106.9	\$ 51.0
Lower effective taxes on earnings in other countries	(40.4)	(31.9)	(16.0)
Amortization of goodwill	--	--	8.1
Other -- net	7.3	1.9	1.2

Income taxes	\$103.7	\$ 76.9	\$ 44.3
=====			

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Note 12: POSTRETIREMENT BENEFITS

The following table sets forth the funded status of the defined benefit pension and postretirement plans, and amounts recognized in the Consolidated Balance Sheet, in millions of dollars. The Corporation uses a measurement date of September 30 for the majority of its defined benefit pension and postretirement plans. Defined postretirement benefits consist of several unfunded health care plans that provide certain postretirement medical, dental, and life insurance benefits for most United States employees. The postretirement medical benefits are contributory and include certain cost-sharing features, such as deductibles and co-payments.

	PENSION BENEFITS PLANS IN THE UNITED STATES		PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES		OTHER POSTRETIREMENT BENEFITS ALL PLANS	
	2003	2002	2003	2002	2003	2002

CHANGE IN BENEFIT OBLIGATION						
Benefit obligation at beginning of year	\$ 895.5	\$ 810.7	\$ 500.7	\$ 399.7	\$ 162.1	\$ 158.2
Service cost	15.5	15.0	10.9	11.0	.9	1.2

Interest cost	58.4	56.7	27.6	24.2	10.7	10.8
Plan participants' contributions	--	--	1.9	1.9	7.8	4.3
Actuarial (gains) losses	40.4	72.1	58.5	33.8	(3.7)	10.1
Foreign currency exchange rate changes	--	--	54.2	50.8	.8	.1
Benefits paid	(60.5)	(60.3)	(25.0)	(22.1)	(20.9)	(22.6)
Plan amendments	.6	1.3	3.8	1.4	--	--
Curtailments	(7.1)	--	--	--	--	--
-----	-----	-----	-----	-----	-----	-----
Benefit obligation at end of year	942.8	895.5	632.6	500.7	157.7	162.1
-----	-----	-----	-----	-----	-----	-----
CHANGE IN PLAN ASSETS						
Fair value of plan assets at beginning of year	717.8	836.7	319.1	340.5	--	--
Actual return on plan assets	131.9	(54.1)	43.8	(36.6)	--	--
Expenses	(6.9)	(7.4)	(.7)	(.7)	--	--
Benefits paid	(60.5)	(60.3)	(24.3)	(21.4)	(20.9)	(22.6)
Employer contributions	3.1	2.9	6.1	2.9	13.1	18.3
Contributions by plan participants	--	--	1.9	1.9	7.8	4.3
Effects of currency exchange rates	--	--	29.4	32.5	--	--
-----	-----	-----	-----	-----	-----	-----
Fair value of plan assets at end of year	785.4	717.8	375.3	319.1	--	--
-----	-----	-----	-----	-----	-----	-----
Funded status	(157.4)	(177.7)	(257.3)	(181.6)	(157.7)	(162.1)
Unrecognized net actuarial loss	442.4	456.2	269.8	207.3	37.0	43.1
Unrecognized prior service cost	5.3	6.0	10.6	9.7	(7.0)	(9.2)
Unrecognized net obligation (asset)						
at date of adoption	--	--	--	.3	--	--
Contributions subsequent to measurement date	--	--	2.0	.7	--	--
-----	-----	-----	-----	-----	-----	-----
Prepaid (accrued) benefit cost	\$ 290.3	\$ 284.5	\$ 25.1	\$ 36.4	\$(127.7)	\$(128.2)
=====	=====	=====	=====	=====	=====	=====
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEET						
Prepaid benefit cost	\$ 42.2	\$ 36.7	\$ --	\$ --	\$ --	\$ --
Accrued benefit cost	(132.9)	(140.9)	(214.8)	(152.0)	(127.7)	(128.2)
Intangible asset	5.1	5.8	10.8	10.0	--	--
Accumulated other comprehensive income	375.9	382.9	229.1	178.4	--	--
-----	-----	-----	-----	-----	-----	-----
Net amount recognized	\$ 290.3	\$ 284.5	\$ 25.1	\$ 36.4	\$(127.7)	\$(128.2)
=====	=====	=====	=====	=====	=====	=====
WEIGHTED-AVERAGE ASSUMPTIONS USED TO DETERMINE BENEFIT OBLIGATIONS AS OF MEASUREMENT DATE						
Discount rate	6.00%	6.75%	5.40%	5.60%	6.25%	7.00%
Rate of compensation increase	4.00%	4.50%	3.40%	3.90%	--	--
-----	-----	-----	-----	-----	-----	-----

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The allocation, by asset category, of assets of defined benefit pension plans in the United States at December 31, 2003 and 2002, respectively, were equity securities - 69% and 59%; fixed income securities - 28% and 38%; and alternative investments - 3% and 3%. At December 31, 2003, the Corporation's targeted allocation, by asset category, of assets of defined benefit pension plans in the United States is equity securities - 65% (comprised of 50% U.S. and 15% non-U.S. equities); fixed income securities - 30%; and alternative investments - 5%. To the extent that the actual allocation of plan assets differs from the targeted allocation by more than 5% for any category, plan assets are re-balanced within three months. Assets of defined benefit pension plans outside of the United States consist principally of investments in equity securities, fixed income securities, and alternative investments. The Corporation establishes its estimated long-term return on plan assets considering various factors, which include the targeted asset allocation percentages, historic returns, and expected future returns. Specifically, the factors are considered in the fourth quarter of the year preceding the year for which those assumptions are applied.

The funded status of the Corporation's defined benefit pension plans at December 31, 2003, reflects the effects of negative returns experienced in the global capital markets over the past several years and a decline in the discount rate used to estimate the pension liability. As a result, the accumulated benefit obligation of certain plans in the United States and outside of the United States exceeded the fair value of plan assets. As required by accounting principles generally accepted in the United States, the Corporation reflected a minimum pension liability of approximately \$605.0 million in the Consolidated Balance Sheet at December 31, 2003.

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined benefit pension plans at the end of each year, in millions of dollars, follows:

	PENSION BENEFITS PLANS IN THE UNITED STATES		PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES	
	2003	2002	2003	2002
All defined benefit plans:				
Accumulated benefit obligation	\$895.0	\$841.2	\$590.9	\$468.2
Unfunded defined benefit plans:				
Projected benefit obligation	66.2	56.3	89.7	72.9
Accumulated benefit obligation	62.7	52.0	83.5	65.8

Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:				
Projected benefit obligation	899.4	858.6	632.6	500.7
Accumulated benefit obligation	851.7	806.6	590.9	468.2
Fair value of plan assets	719.5	665.9	375.3	319.1

The net periodic (benefit) cost related to the defined benefit pension plans included the following components, in millions of dollars:

	PENSION BENEFITS PLANS IN THE UNITED STATES			PENSION BENEFITS PLANS OUTSIDE OF THE UNITED STATES		
	2003	2002	2001	2003	2002	2001
Service cost	\$ 16.5	\$ 15.8	\$ 15.3	\$ 13.8	\$ 11.0	\$ 10.7
Interest cost	58.4	56.7	54.4	27.5	24.2	22.8
Expected return on plan assets	(87.1)	(94.3)	(91.1)	(31.8)	(30.8)	(29.0)
Amortization of the unrecognized transition obligation or asset	--	--	.3	.1	(1.2)	(1.5)
Amortization of prior service cost	1.2	1.1	1.1	1.4	2.3	2.2
Curtailment/settlement loss	.9	1.1	--	.1	7.6	1.6
Amortization of net actuarial loss	7.6	.8	.9	4.7	.7	1.2
Net periodic (benefit) cost	\$ (2.5)	\$ (18.8)	\$ (19.1)	\$ 15.8	\$ 13.8	\$ 8.0
WEIGHTED-AVERAGE ASSUMPTIONS USED IN DETERMINING NET PERIODIC (BENEFIT) COST FOR YEAR:						
Discount rate	6.75%	7.25%	7.50%	5.50%	6.10%	6.00%
Expected return on plan assets	9.00%	9.50%	9.50%	7.75%	8.00%	8.00%
Rate of compensation increase	4.00%	4.50%	5.00%	3.90%	3.90%	3.90%

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The net periodic cost related to the defined benefit postretirement plans included the following components, in millions of dollars:

	2003	2002	2001
Service cost	\$.9	\$ 1.2	\$ 1.1
Interest cost	10.7	10.8	10.5
Amortization of prior service cost	(2.2)	(8.3)	(8.3)
Amortization of net actuarial gain	2.0	1.4	--
Net periodic cost	\$11.4	\$ 5.1	\$ 3.3
Weighted-average discount rate used in determining net periodic cost for year			
	7.00%	7.25%	7.50%

The health care cost trend rate used to determine the postretirement benefit obligation was 11.0% for 2003. This rate decreases gradually to an ultimate rate of 5.0% in 2009, and remains at that level thereafter. The trend rate is a significant factor in determining the amounts reported. A one-percentage-point change in these assumed health care cost trend rates would have the following effects, in millions of dollars:

One-Percentage-Point	INCREASE	(DECREASE)
Effect on total of service and interest cost components	\$.6	\$ (.6)
Effect on postretirement benefit obligation	9.1	(9.0)

In 2004, the Corporation expects to make cash contributions of approximately \$12 million to its defined benefit pension plans. In addition, the Corporation expects to continue to make contributions in 2004 sufficient to fund benefits paid under its other postretirement benefit plans during that year, net of contributions by plan participants. Such contributions totaled \$13.1 million in 2003. The amounts principally represent contributions required by funding regulations or laws or those related to unfunded plans necessary to fund current benefits.

Expense for defined contribution plans amounted to \$10.4 million, \$9.2 million, and \$8.9 million in 2003, 2002, and 2001, respectively.

NOTE 13: OTHER LONG-TERM LIABILITIES

In December 2000, a subsidiary of the Corporation issued preferred shares to private investors. The preferred shares are redeemable in five years, although redemption may be accelerated under certain conditions, principally related to changes in tax laws. Holders of the subsidiary's preferred shares are entitled to annual cash dividends of \$10.7 million. Included in other long-term liabilities in the Consolidated Balance Sheet at December 31, 2003 and 2002, is \$202.6 million and \$208.4 million, respectively, related to those preferred shares. The carrying value of the subsidiary's preferred shares at December 31, 2003 and 2002 includes the effect of the fair value of the interest rate swap agreement related to this obligation.

Upon adoption of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, effective December 31, 2003, the Corporation determined that the subsidiary identified in the preceding paragraph represented a variable interest entity and that the Corporation was not the primary beneficiary. That subsidiary was formed in 2000 in order to provide financing to the Corporation through the issuance of the redeemable preferred shares previously described. The Corporation's obligation for the subsidiary's redeemable preferred shares is fully reflected in other long-term liabilities. The Corporation does not believe that it has any additional exposure to loss as a result of its involvement with the subsidiary.

Other expense in the Consolidated Statement of Earnings for the years ended December 31, 2003 and 2002, included \$5.4 million and \$10.7 million, respectively, of dividends related to those preferred shares. Upon the Corporation's adoption of SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, in July 2003, \$5.3 million of dividends on those preferred shares were classified as interest expense.

At December 31, 2003 and 2002, other long-term liabilities included a reserve of \$224.4 million and \$235.9 million, respectively, associated with various tax matters in a number of jurisdictions.

NOTE 14: STOCKHOLDERS' EQUITY

The Corporation repurchased 2,011,570, 1,008,101, and 1,085,000 shares of its common stock during 2003, 2002, and 2001 at an aggregate cost of \$77.5 million, \$43.1 million, and \$33.5 million, respectively.

During 1999, the Corporation executed two agreements (the Agreements) under which the Corporation could enter into forward purchase contracts on its common stock. The Agreements provided the Corporation with two purchase alternatives: a standard forward purchase contract and a forward purchase contract subject to a cap (a capped forward contract). The settlement methods generally available under the Agreements, at the Corporation's option, were net settlement, either in cash or in shares, or physical settlement.

During 2001, the Corporation terminated the capped forward contracts and standard forward purchase contracts, electing full physical settlement through its purchase of the final 525,050 shares subject to the Agreements for \$25.5 million. Previously during 2001, the Corporation had received 240,276 shares of its common stock through net share settlements under the Agreements.

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SFAS No. 130, Reporting Comprehensive Income, defines comprehensive income as non-stockholder changes in equity. Accumulated other comprehensive income (loss) at the end of each year, in millions of dollars, included the following:

	2003	2002
Foreign currency translation adjustment	\$ (14.6)	\$(123.7)
Net loss on derivative instruments, net of tax	(33.1)	(17.3)
Minimum pension liability adjustment, net of tax	(404.5)	(373.6)
	\$ (452.2)	\$(514.6)

The Corporation has designated certain intercompany loans as long-term investments in certain foreign subsidiaries. Net translation gains associated with these designated intercompany loans in the amount of \$25.9 million and \$1.5 million were recorded in the foreign currency translation adjustment, in 2003 and 2002, respectively.

Foreign currency translation adjustments are not generally adjusted for income taxes as they relate to indefinite investments in foreign subsidiaries. The minimum pension liability adjustments as of December 31, 2003 and 2002, are net of taxes of \$200.5 million and \$187.7 million, respectively.

NOTE 15: EARNINGS PER SHARE

The computations of basic and diluted earnings per share for each year were as follows:

(Amounts in Millions Except Per Share Data)	2003	2002	2001

Numerator:			
Net earnings from continuing operations	\$287.2	\$228.5	\$101.5
Net earnings of discontinued operations	5.8	1.2	6.5

Net earnings	\$293.0	\$229.7	\$108.0
=====			
Denominator:			
Denominator for basic earnings per share -- weighted-average shares	77.9	80.4	80.7
Employee stock options and stock issuable under employee benefit plans	.3	.5	.4

Denominator for diluted earnings per share -- adjusted weighted-average shares and assumed conversions	78.2	80.9	81.1
=====			
Basic earnings per share			
Continuing operations	\$ 3.69	\$ 2.85	\$ 1.26
Discontinued operations	.07	.01	.08

Basic earnings per share	\$ 3.76	\$ 2.86	\$ 1.34
=====			
Diluted earnings per share			
Continuing operations	\$ 3.68	\$ 2.83	\$ 1.25
Discontinued operations	.07	.01	.08

Diluted earnings per share	\$ 3.75	\$ 2.84	\$ 1.33
=====			

The following options to purchase shares of common stock were outstanding during each year, but were not included in the computation of diluted earnings per share because the effect would be anti-dilutive. The options indicated below were anti-dilutive because the related exercise price was greater than the average market price of the common shares for the year.

	2003	2002	2001

Number of options (in millions)	6.5	4.4	6.9
Weighted-average exercise price	\$47.36	\$49.47	\$46.15

NOTE 16: STOCK-BASED COMPENSATION

The Corporation has elected to follow APBO No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock-based compensation. In addition, the Corporation provides pro forma disclosure of stock-based compensation, as measured under the fair value requirements of SFAS No. 123, Accounting for Stock-Based Compensation. These pro forma disclosures are provided in Note 1 as required under SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure.

APBO No. 25 requires no recognition of compensation expense for most of the stock-based compensation arrangements provided by the Corporation, namely, broad-based employee stock purchase plans and option grants where the exercise price is equal to the market value at the date of grant. However, APBO No. 25 requires recognition of compensation expense for variable award plans over the vesting periods of such plans, based upon the then-current market values of the underlying stock. In contrast, SFAS No. 123 requires recognition of compensation expense for grants of stock, stock options, and other equity instruments over the vesting periods of such grants, based on the estimated grant-date fair values of those grants.

Under various stock option plans, options to purchase common stock may be

granted until 2013. Options generally are granted at fair market value at the date of grant, are exercisable in installments beginning one year from the date of grant, and expire 10 years after the date of grant. The plans permit the issuance of either incentive stock options or non-qualified stock options, which, for certain of the plans, may be accompanied by stock or cash appreciation rights or limited stock appreciation rights. Additionally, certain plans allow for the granting of stock appreciation rights on a stand-alone basis.

As of December 31, 2003, 10,353,413 non-qualified stock options were outstanding under domestic plans. There were 4,500 stock options outstanding under the United Kingdom plan.

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Under all plans, there were 4,613,902 shares of common stock reserved for future grants as of December 31, 2003. Transactions are summarized as follows:

	STOCK OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE

Outstanding at December 31, 2000	9,557,125	\$40.42
Granted	1,276,450	34.01
Exercised	1,263,275	21.57
Forfeited	482,814	44.71

Outstanding at December 31, 2001	9,087,486	41.91
Granted	1,279,300	48.13
Exercised	773,297	26.91
Forfeited	213,075	45.17

Outstanding at December 31, 2002	9,380,414	43.92
Granted	1,417,850	39.73
Exercised	321,938	35.08
Forfeited	118,413	45.77

Outstanding at December 31, 2003	10,357,913	\$43.60
=====		
Shares exercisable at December 31, 2001	3,201,321	\$39.85
=====		
Shares exercisable at December 31, 2002	3,780,183	\$44.35
=====		
Shares exercisable at December 31, 2003	6,406,323	\$44.83
=====		

Exercise prices for options outstanding as of December 31, 2003, ranged from \$23.00 to \$61.00. The following table provides certain information with respect to stock options outstanding at December 31, 2003:

Range of Exercise Prices	STOCK OPTIONS OUTSTANDING	WEIGHTED- AVERAGE EXERCISE PRICE	WEIGHTED- AVERAGE REMAINING CONTRACTUAL LIFE

Under \$34.50	1,066,675	\$30.20	6.2
\$34.50-\$51.75	7,759,276	43.40	6.9
Over \$51.75	1,531,962	53.95	5.1

	10,357,913	\$43.60	6.6
=====			

The following table provides certain information with respect to stock options exercisable at December 31, 2003:

Range of Exercise Prices	STOCK OPTIONS EXERCISABLE	WEIGHTED- AVERAGE EXERCISE PRICE

Under \$34.50	667,675	\$30.26
\$34.50-\$51.75	4,206,686	43.82
Over \$51.75	1,531,962	53.95

In electing to continue to follow APBO No. 25 for expense recognition purposes, the Corporation is obliged to provide the expanded disclosures required under SFAS No. 148 for stock-based compensation granted, including, if materially different from reported results, disclosure of pro forma net earnings and earnings per share had compensation expense relating to grants been measured under the fair value recognition provisions of SFAS No. 123. Those pro forma disclosures are included in Note 1 under the caption, "Stock-Based Compensation."

The weighted-average fair values at date of grant for options granted during 2003, 2002, and 2001 were \$13.31, \$18.17, and \$11.96, respectively, and were estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

	2003	2002	2001
Expected life in years	6.3	6.3	6.2
Interest rate	3.38%	4.91%	4.70%
Volatility	32.3%	33.0%	32.4%
Dividend yield	1.21%	.99%	1.44%

NOTE 17: BUSINESS SEGMENTS AND GEOGRAPHIC INFORMATION

The Corporation has elected to organize its businesses based principally upon products and services. In certain instances where a business does not have a local presence in a particular country or geographic region, however, the Corporation has assigned responsibility for sales of that business's products to one of its other businesses with a presence in that country or region.

The Corporation operates in three reportable business segments: Power Tools and Accessories, Hardware and Home Improvement, and Fastening and Assembly Systems. The Power Tools and Accessories segment has worldwide responsibility for the manufacture and sale of consumer and professional power tools and accessories, electric cleaning and lighting products, and electric lawn and garden tools, as well as for product service. In addition, the Power Tools and Accessories segment has responsibility for the sale of security hardware to customers in Mexico, Central America, the Caribbean, and South America; for the sale of plumbing products to customers outside the United States and Canada; and for sales of household products. The Hardware and Home Improvement segment has worldwide responsibility for the manufacture and sale of security hardware (except for the sale of security hardware in Mexico, Central America, the Caribbean, and South America). On September 30, 2003, the Corporation acquired Baldwin Hardware Corporation and Weiser Lock Corporation. These acquired businesses are included in the Hardware and Home Improvement segment. The Hardware and Home Improvement segment also has responsibility for the manufacture of plumbing products and for the sale of plumbing products to customers in the United States and Canada. The Fastening and Assembly Systems segment has worldwide responsibility for the manufacture and sale of fastening and assembly systems.

Sales, segment profit, depreciation and amortization, and capital expenditures set forth in the following tables exclude the results of the discontinued European security hardware business, as more fully described in Note 3.

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Business Segments
(Millions of Dollars)

Year Ended December 31, 2003	REPORTABLE BUSINESS SEGMENTS			TOTAL	CURRENCY TRANSLATION ADJUSTMENTS	CORPORATE, ADJUSTMENTS, & ELIMINATIONS	CONSOLIDATED
	POWER TOOLS & ACCESSORIES	HARDWARE & HOME IMPROVEMENT	FASTENING & ASSEMBLY SYSTEMS				
Sales to unaffiliated customers	\$3,114.9	\$715.7	\$514.2	\$4,344.8	\$137.9	\$ --	\$4,482.7
Segment profit (loss) (for Consolidated, operating income before restructuring and exit costs)	350.9	92.8	73.9	517.6	14.3	(71.6)	460.3
Depreciation and amortization	80.5	24.4	15.0	119.9	2.8	10.7	133.4
Income from equity method investees	21.3	--	--	21.3	--	(2.1)	19.2
Capital expenditures Segment assets	68.2	17.1	13.4	98.7	3.0	.8	102.5
(for Consolidated, total assets)	1,516.7	594.4	312.1	2,423.2	177.7	1,621.6	4,222.5
Investment in equity method investees	10.8	--	.1	10.9	--	(1.7)	9.2

Year Ended December 31, 2002

Sales to unaffiliated customers	\$3,156.2	\$659.3	\$513.3	\$4,328.8	\$(37.0)	\$ --	\$4,291.8
Segment profit (loss)							
(for Consolidated, operating income before restructuring and exit costs)	354.7	47.4	74.7	476.8	(3.9)	(58.3)	414.6
Depreciation and amortization	80.1	25.5	14.2	119.8	(.7)	3.3	122.4
Income from equity method investees	20.8	--	--	20.8	--	3.0	23.8
Capital expenditures	70.8	9.0	13.9	93.7	(.2)	.8	94.3
Segment assets							
(for Consolidated, total assets)	1,595.8	357.6	317.0	2,270.4	35.7	1,824.4	4,130.5
Investment in equity method investees	25.4	--	.1	25.5	--	(1.7)	23.8
Year Ended December 31, 2001							
Sales to unaffiliated customers	\$3,059.5	\$658.3	\$489.5	\$4,207.3	\$(67.4)	\$ --	\$4,139.9
Segment profit (loss)							
(for Consolidated, operating income before restructuring and exit costs)	250.9	47.8	71.0	369.7	(1.3)	(30.4)	338.0
Depreciation and amortization	87.0	28.7	14.5	130.2	(1.5)	23.6	152.3
Income from equity method investees	13.2	--	--	13.2	--	2.1	15.3
Capital expenditures	86.0	29.7	15.7	131.4	(.8)	.8	131.4
Segment assets							
(for Consolidated, total assets)	1,605.0	452.1	302.7	2,359.8	(66.2)	1,720.6	4,014.2
Investment in equity method investees	36.7	--	.1	36.8	(.2)	(2.7)	33.9

The profitability measure employed by the Corporation and its chief operating decision maker for making decisions about allocating resources to segments and assessing segment performance is segment profit (for the Corporation on a consolidated basis, operating income before restructuring and exit costs). In general, segments follow the same accounting policies as those described in Note 1, except with respect to foreign currency translation and except as further indicated below. The financial statements of a segment's operating units located outside of the United States, except those units operating in highly inflationary economies, are generally measured using the local currency as the functional currency. For these units located outside of the United States, segment assets and elements of segment profit are translated using budgeted rates of exchange. Budgeted rates of exchange are established annually and, once established, all prior period segment data is restated to reflect the current year's budgeted rates of exchange. The amounts included in the preceding table under the captions "Reportable Business Segments", and "Corporate, Adjustments, & Eliminations" are reflected at the Corporation's budgeted rates of exchange for 2003. The amounts included in the preceding table under the caption "Currency Translation Adjustments" represent the difference between consolidated amounts determined using those budgeted rates of exchange and those determined based upon the rates of exchange applicable under accounting principles generally accepted in the United States.

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Segment profit excludes interest income and expense, non-operating income and expense, adjustments to eliminate intercompany profit in inventory, income tax expense, and, for 2001, goodwill amortization (except for the amortization of goodwill associated with certain acquisitions made by the Power Tools and Accessories and Fastening and Assembly Systems segments). In addition, segment profit excludes restructuring and exit costs. In determining segment profit, expenses relating to pension and other postretirement benefits are based solely upon estimated service costs. Corporate expenses, as well as certain centrally managed expenses, are allocated to each reportable segment based upon budgeted amounts. While sales and transfers between segments are accounted for at cost plus a reasonable profit, the effects of intersegment sales are excluded from the computation of segment profit. Intercompany profit in inventory is excluded from segment assets and is recognized as a reduction of cost of goods sold by the selling segment when the related inventory is sold to an unaffiliated customer. Because the Corporation compensates the management of its various businesses on, among other factors, segment profit, the Corporation may elect to record certain segment-related expense items of an unusual or non-recurring nature in consolidation rather than reflect such items in segment profit. In addition, certain segment-related items of income or expense may be recorded in consolidation in one period and transferred to the various segments in a later period.

Segment assets exclude assets of discontinued operations, pension and tax assets, intercompany profit in inventory, intercompany receivables, and goodwill associated with the Corporation's acquisition of Emhart Corporation in 1989.

Amounts in the preceding table under the caption "Corporate, Adjustments & Eliminations" on the lines entitled "Depreciation and amortization" represent depreciation of Corporate property and, for 2001, goodwill amortization (except for the amortization of goodwill associated with certain acquisitions made by the Power Tools and Accessories and Fastening and Assembly Systems segments). The reconciliation of segment profit to consolidated earnings from continuing

operations before income taxes for each year, in millions of dollars, is as follows:

	2003	2002	2001
Segment profit for total reportable business segments	\$517.6	\$476.8	\$369.7
Items excluded from segment profit:			
Adjustment of budgeted foreign exchange rates to actual rates	14.3	(3.9)	(1.3)
Depreciation of Corporate property and amortization of certain goodwill	(1.1)	(1.3)	(23.6)
Adjustment to businesses' postretirement benefit expenses booked in consolidation	15.4	38.3	42.6
Other adjustments booked in consolidation directly related to reportable business segments	(15.0)	(8.4)	(.7)
Amounts allocated to businesses in arriving at segment profit in excess of (less than) Corporate center operating expenses, eliminations, and other amounts identified above	(70.9)	(86.9)	(48.7)
Operating income before restructuring and exit costs	460.3	414.6	338.0
Restructuring and exit costs	31.6	46.6	99.7
Operating income	428.7	368.0	238.3
Interest expense, net of interest income	35.2	57.8	84.3
Other expense	2.6	4.8	8.2
Earnings from continuing operations before income taxes	\$390.9	\$305.4	\$145.8

The reconciliation of segment assets to consolidated total assets at the end of each year, in millions of dollars, is as follows:

	2003	2002	2001
Segment assets for total reportable business segments	\$2,423.2	\$2,270.4	\$2,359.8
Items excluded from segment assets:			
Adjustment of budgeted foreign exchange rates to actual rates	177.7	35.7	(66.2)
Goodwill	633.3	604.2	598.0
Pension assets	42.2	36.9	406.1
Other Corporate assets	946.1	1,183.3	716.5
	\$4,222.5	\$4,130.5	\$4,014.2

Other Corporate assets principally consist of cash and cash equivalents, tax assets, property, assets of discontinued operations, and other assets.

Sales to The Home Depot, a customer of the Power Tools and Accessories and Hardware and Home Improvement segments, accounted for \$779.4 million, \$857.9 million, and \$841.6 million of the Corporation's consolidated sales for the years ended December 31, 2003, 2002, and 2001, respectively. Sales to Lowe's Home Improvement Warehouse (Lowe's), a customer of the Power Tools and Accessories and Hardware and Home Improvement segments, accounted for \$545.3 million and \$467.5 million of the Corporation's consolidated sales for the years ended December 31, 2003 and 2002, respectively. Sales to Lowe's for the year

ended December 31, 2001, did not exceed 10% of the Corporation's consolidated sales.

The composition of the Corporation's sales by product group for each year, in millions of dollars, is set forth below:

	2003	2002	2001
Consumer and professional power tools and product service	\$2,360.1	\$2,308.4	\$2,227.2
Consumer and professional accessories	348.6	317.8	311.1
Electric lawn and garden products	313.8	285.4	279.3
Electric cleaning and lighting products	138.6	157.6	122.8
Household products	40.5	36.8	45.1
Security hardware	526.0	461.0	425.6
Plumbing products	218.7	221.6	252.3
Fastening and assembly systems	536.4	503.2	476.5
	\$4,482.7	\$4,291.8	\$4,139.9

The Corporation markets its products and services in over 100 countries and has manufacturing sites in 10 countries. Other than in the United States, the Corporation does not conduct business in any country in which its sales in that country exceed 10% of consolidated sales. Sales are attributed to countries based on the location of customers. The composition of the Corporation's sales to unaffiliated customers between those in the United States and those in other locations for each year, in millions of dollars, is set forth below:

	2003	2002	2001
United States	\$2,836.9	\$2,824.0	\$2,715.6
Canada	162.6	138.6	136.5
North America	2,999.5	2,962.6	2,852.1
Europe	1,107.2	986.8	950.2
Other	376.0	342.4	337.6
	\$4,482.7	\$4,291.8	\$4,139.9

The composition of the Corporation's property, plant, and equipment between those in the United States and those in other countries as of the end of each year, in millions of dollars, is set forth below:

	2003	2002	2001
United States	\$340.0	\$362.0	\$406.3
Mexico	109.0	78.6	74.4
United Kingdom	47.3	72.1	72.0
Other countries	163.9	116.9	109.8
	\$660.2	\$629.6	\$662.5

NOTE 18: LEASES

The Corporation leases certain service centers, offices, warehouses, manufacturing facilities, and equipment. Generally, the leases carry renewal provisions and require the Corporation to pay maintenance costs. Rental payments may be adjusted for increases in taxes and insurance above specified amounts. Rental expense for 2003, 2002, and 2001 amounted to \$85.6 million, \$82.6 million, and \$84.0 million, respectively. Capital leases were immaterial in amount. Future minimum payments under non-cancelable operating leases with initial or remaining terms of more than one year as of December 31, 2003, in millions of dollars, were as follows:

2004	\$ 59.0
2005	48.3
2006	36.4
2007	23.8
2008	16.2
Thereafter	26.2
	\$209.9

NOTE 19: RESTRUCTURING ACTIONS

A summary of restructuring activity during the three years ended December 31, 2003, is set forth below (in millions of dollars).

	SEVERANCE BENEFITS	WRITE-DOWN TO FAIR VALUE LESS COSTS TO SELL OF CERTAIN LONG-LIVED ASSETS	OTHER CHARGES	TOTAL
Restructuring reserve at December 31, 2000	\$ 29.4	\$ --	\$ 4.4	\$ 33.8
Reserves established in 2001	49.1	38.9	15.8	103.8
Reversal of reserves	(3.7)	--	(.4)	(4.1)
Utilization of reserves:				
Cash	(21.5)	--	(3.4)	(24.9)
Non-cash	--	(38.9)	(2.7)	(41.6)
Restructuring reserve at December 31, 2001	53.3	--	13.7	67.0
Reserves established in 2002	19.6	18.5	19.5	57.6
Reversal of reserves	(5.7)	--	(2.6)	(8.3)
Proceeds received in excess of the adjusted carrying value of long-lived assets	--	(2.7)	--	(2.7)
Utilization of reserves:				
Cash	(29.7)	--	(7.2)	(36.9)
Non-cash	--	(15.8)	(8.7)	(24.5)
Foreign currency translation	3.7	--	.1	3.8
Restructuring reserve at December 31, 2002	41.2	--	14.8	56.0
Reserves established in 2003	34.3	9.3	1.2	44.8
Reversal of reserves	(7.4)	--	(2.2)	(9.6)
Proceeds received in excess of the adjusted carrying value of long-lived assets	--	(3.6)	--	(3.6)
Utilization of reserves:				
Cash	(27.1)	--	(13.3)	(40.4)
Non-cash	--	(5.7)	.6	(5.1)
Foreign currency translation	1.6	--	--	1.6
Restructuring reserve at December 31, 2003	\$ 42.6	\$ --	\$ 1.1	\$ 43.7

During 2003, the Corporation commenced the final phase of its restructuring plan that was formulated in the fourth quarter of 2001 and recorded a pre-tax restructuring charge of \$20.6 million. That \$20.6 million charge was net of \$9.6 million of reversals of previously provided restructuring reserves that were no longer required and \$3.6 million, representing the excess of proceeds received on the sale of long-lived assets written down as part of restructuring actions over their adjusted carrying values. The \$20.6 million pre-tax restructuring charge recognized in 2003 principally reflects actions relating to the Power Tools and Accessories segment to reduce its manufacturing cost base as well as actions to reduce selling, general, and administrative expenses through the elimination of administrative positions, principally in Europe. In addition, during the fourth quarter of 2003 the Corporation recorded a pre-tax restructuring charge of \$11.0 million associated with the closure of a manufacturing facility in its Hardware and Home Improvement segment as a result of the acquisition of Baldwin and Weiser.

The principal component of the 2003 restructuring charge related to the elimination of manufacturing positions, primarily in high-cost locations, and of certain administrative positions. As a result, a severance benefit accrual of \$34.3 million, principally related to the Power Tools and Accessories segment in North America and Europe (\$23.0 million) and the Hardware and Home Improvement

segment in North America (\$11.3 million), was included in the restructuring charge. The 2003 restructuring actions will also result in the closure of two manufacturing facilities, transferring production to low-cost facilities, and outsourcing certain manufactured items. As a result, the 2003 restructuring charge also included a \$9.3 million write-down to fair value - less, if applicable, cost to sell - of certain long-lived assets. The write-down to fair value was comprised of \$6.7 million to the Power Tools and Accessories segment in North America and Europe and \$2.6 million related to the Hardware and Home Improvement segment in North America. The balance of the 2003 restructuring charge, or \$1.2 million, related to the accrual of future expenditures, principally consisting of lease obligations, for which no future benefit would be realized.

During 2002, the Corporation recorded a restructuring charge of \$46.6 million under the restructuring plan that was formulated in the fourth quarter of 2001. That \$46.6 million charge was net of \$8.3 million of reversals of previously provided restructuring reserves that were no longer required and \$2.7 million, representing the excess of proceeds received on the sale of long-lived assets written down as part of restructuring actions over their adjusted carrying values. The \$46.6 million pre-tax restructuring charge recognized in 2002 reflects actions to reduce the Corporation's manufacturing cost base in its Power Tools and Accessories and Hardware and Home Improvement segments, as well as actions to reduce selling, general, and administrative expenses through the elimination of administrative positions, principally in Europe. The 2002 actions to reduce the Corporation's manufacturing cost base in the Power Tools and Accessories segment include the closure of one facility in the United States, the closure of an accessories packaging facility in England, and the transfer of certain additional power tool production from a facility in England to a low-cost facility in the Czech Republic. Actions to reduce the Corporation's manufacturing cost base in the Hardware and Home Improvement segment include the closure of a security hardware facility in the United States.

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The principal component of the 2002 restructuring charge related to the elimination of manufacturing positions, primarily in high-cost locations, and of certain administrative positions. As a result, a severance benefits accrual of \$19.6 million, principally related to the Power Tools and Accessories segment in North America and Europe (\$18.3 million) and the Hardware and Home Improvement segment in North America (\$1.3 million), was included in the restructuring charge. The 2002 restructuring charge also included non-cash pension curtailment losses of \$8.9 million stemming from headcount reductions associated with the restructuring actions, principally related to the Corporation's defined benefit pension plan in the United Kingdom. The 2002 restructuring actions will also result in the closure of a number of manufacturing facilities, transferring production to low-cost facilities, and outsourcing certain manufactured items. As a result, the 2002 restructuring charge also included an \$18.5 million write-down to fair value - less, if applicable, cost to sell - of certain long-lived assets. The write-down to fair value was comprised of \$4.8 million related to the Power Tools and Accessories segment in Europe and \$13.7 million related to the Hardware and Home Improvement segment in North America. The balance of the 2002 restructuring charge, or \$10.6 million, related to the accrual of future expenditures, principally consisting of lease and other contractual obligations, for which no future benefit will be realized.

During 2001, the Corporation recorded a restructuring charge of \$99.7 million. That restructuring charge reflected actions to reduce the Corporation's manufacturing cost base in its Power Tools and Accessories and Hardware and Home Improvement segments, as well as actions to reduce selling, general, and administrative expenses throughout all of its businesses. The 2001 restructuring plan includes the transfer of production and service operations in the Power Tools and Accessories and Hardware and Home Improvement segments from facilities in the United States and the United Kingdom to low-cost facilities in Mexico and China and to a new low-cost facility in the Czech Republic.

The principal component of the 2001 restructuring charge related to the elimination of manufacturing positions, primarily in high-cost locations, and of certain administrative positions. As a result, a severance benefits accrual of \$45.7 million, principally related to the Power Tool and Accessories segment in North America and Europe (\$36.3 million), the Hardware and Home Improvement segment in the United States (\$8.5 million), and the Fastening and Assembly Systems segment in Europe (\$.9 million), was included in the restructuring charge. The 2001 restructuring actions will result in the closure of a number of manufacturing and service facilities, transferring production to low-cost facilities, and outsourcing certain manufactured items. As a result, the 2001 restructuring charge also included a \$38.9 million write-down to fair value - less, if applicable, cost to sell - of certain equipment. The write-down to fair

value was comprised of \$34.0 million related to long-lived assets in the Power Tools and Accessories segment in Europe and North America and \$4.9 million related to the Hardware and Home Improvement segment in the United States. The 2001 restructuring charge also included \$9.6 million, primarily related to the accrual of future expenditures, principally consisting of lease and other contractual obligations, for which no future benefit will be realized. The balance of the 2001 restructuring charge, or \$5.5 million, primarily related to non-cash charges associated with the Corporation's exit from an operating joint venture in a high-cost region (\$3.9 million) and non-cash pension expense (\$1.6 million).

During 2001, the Corporation also recognized \$4.1 million of restructuring and exit costs principally related to severance benefits associated with its Power Tools and Accessories segment in Europe. The \$4.1 million charge was offset, however, by the reversal of \$4.1 million of severance accruals and other exit costs established as part of the 2000 restructuring charge, which were no longer required.

The severance benefits accrual, included in the \$31.6 million, \$46.6 million and \$99.7 million pre-tax restructuring charges taken in 2003, 2002, and 2001, respectively, related to the elimination of approximately 5,200 positions in high-cost manufacturing locations and in certain administrative positions. The Corporation estimates that, as a result of increases in manufacturing employee headcount in low-cost locations, approximately 4,500 replacement positions will be filled, yielding a net total of 700 positions eliminated as a result of the 2003, 2002, and 2001 restructuring actions.

During 2003, 2002, and 2001, the Corporation paid severance and other exit costs of \$40.4 million, \$36.9 million, and \$24.9 million, respectively.

Of the remaining \$43.7 million restructuring accrual at December 31, 2003, \$32.7 million relates to the restructuring plan that was formulated by the Corporation in the fourth quarter of 2001. These restructuring accruals primarily relate to the Corporation's Power Tools and Accessories segment. The Corporation anticipates that these restructuring actions will be completed during 2004. The remaining \$11.0 million relates to the closure of a manufacturing facility in the Corporation's Hardware and Home Improvement segment that was recognized in conjunction with the integration of the Baldwin and Weiser businesses into the Corporation's existing security hardware business. The Corporation anticipates that these restructuring actions will be completed during 2005.

The amounts reflected in the column titled write-down to fair value of certain long-lived assets, as included within this Note, relating to reserves established during the three years ended December 31, 2003, represent adjustments to the carrying value of those long-lived assets.

As of December 31, 2003, the carrying value of facilities to be exited as part of the Corporation's restructuring actions was not significant.

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NOTE 20: LITIGATION AND CONTINGENT LIABILITIES

The Corporation is involved in various lawsuits in the ordinary course of business. These lawsuits primarily involve claims for damages arising out of the use of the Corporation's products and allegations of patent and trademark infringement. The Corporation also is involved in litigation and administrative proceedings relating to employment matters and commercial disputes. Some of these lawsuits include claims for punitive as well as compensatory damages. Using current product sales data and historical trends, the Corporation actuarially calculates the estimate of its current exposure for product liability. The Corporation is insured for product liability claims for amounts in excess of established deductibles and accrues for the estimated liability up to the limits of the deductibles. The Corporation accrues for all other claims and lawsuits on a case-by-case basis.

The Corporation also is party to litigation and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment. Some of these assert claims for damages and liability for remedial investigations and clean-up costs with respect to sites that have never been owned or operated by the Corporation but at which the Corporation has been identified as a potentially responsible party under federal and state environmental laws and regulations. Other matters involve current and former manufacturing facilities.

For sites never operated by the Corporation, the Corporation makes an assessment of the costs involved based on environmental studies, prior experience at similar sites, and the experience of other named parties. The Corporation also considers the ability of other parties to share costs, the percentage of the Corporation's exposure relative to all other parties, and the effects of inflation on these estimated costs. For matters associated with properties currently operated by the Corporation, the Corporation makes an

assessment as to whether an investigation and remediation would be required under applicable federal and state laws. For matters associated with properties previously sold or operated by the Corporation, the Corporation considers any applicable terms of sale and applicable federal and state laws to determine if it has any remaining liability. If it is determined that the Corporation has potential liability for properties currently owned or previously sold, an estimate is made of the total costs of investigation and remediation and other potential costs associated with the site.

As of December 31, 2003, the Corporation's aggregate probable exposure with respect to environmental liabilities, for which accruals have been established in the consolidated financial statements, was \$51.7 million. These accruals are reflected in other accrued liabilities and other long-term liabilities in the Consolidated Balance Sheet.

On October 27, 2003, the Corporation received notices of proposed adjustments from the United States Internal Revenue Service (I.R.S.) in connection with audits of the tax years 1998 through 2000. The principal adjustment proposed by the I.R.S. consists of the disallowance of a capital loss deduction taken in the Corporation's tax returns. The Corporation intends to vigorously dispute the position taken by the I.R.S. in this matter. The Corporation has provided adequate reserves in the event that the I.R.S. prevails in its disallowance of the previously described capital loss and the imposition of related interest. Should the I.R.S. prevail in its disallowance of the capital loss deduction and imposition of related interest, it would result in a cash outflow by the Corporation of approximately \$140 million.

The Corporation's estimate of the costs associated with product liability claims, environmental exposures, income tax matters, and other legal proceedings is accrued if, in management's judgment, the likelihood of a loss is probable and the amount of the loss can be reasonably estimated.

These accrued liabilities are not discounted. Insurance recoveries for environmental and certain general liability claims have not been recognized until realized.

In the opinion of management, amounts accrued for exposures relating to product liability claims, environmental matters, income tax matters, and other legal proceedings are adequate and, accordingly, the ultimate resolution of these matters is not expected to have a material adverse effect on the Corporation's consolidated financial statements. As of December 31, 2003, the Corporation had no known probable but inestimable exposures relating to product liability claims, environmental matters, income tax matters, or other legal proceedings that are expected to have a material adverse effect on the Corporation. There can be no assurance, however, that unanticipated events will not require the Corporation to increase the amount it has accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable. While it is possible that the increase or establishment of an accrual could have a material adverse effect on the financial results for any particular fiscal quarter or year, in the opinion of management there exists no known potential exposure that would have a material adverse effect on the financial condition or on the financial results of the Corporation beyond any such fiscal quarter or year.

NOTE 21: QUARTERLY RESULTS (UNAUDITED)

(Dollars in Millions Except Per Share Data)
Year Ended December 31, 2003

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Sales	\$939.2	\$1,090.1	\$1,115.8	\$1,337.6
Gross margin	335.3	390.7	395.6	474.0
Selling, general, and administrative expenses	263.0	280.4	266.9	325.0
Restructuring and exit costs	.2	.4	21.0	10.0
Operating income	72.1	109.9	107.7	139.0
Interest expense (net of interest income)	12.1	7.7	7.6	7.8
Other expense	1.7	.6	.3	--
Earnings from continuing operations before income taxes	58.3	101.6	99.8	131.2
Income taxes	15.2	26.9	26.6	35.0
Net earnings from continuing operations	43.1	74.7	73.2	96.2
Earnings of discontinued operations, net of tax	.3	1.0	1.2	3.3
Net earnings	\$ 43.4	\$ 75.7	\$ 74.4	\$ 99.5
Basic earnings per common share:				
Continuing operations	\$.55	\$.96	\$.94	\$ 1.24
Discontinued operations	--	.02	.02	.04
Net earnings per common share--basic	\$.55	\$.98	\$.96	\$ 1.28
Diluted earnings per common share:				

Continuing operations	\$.55	\$.96	\$.94	\$ 1.23
Discontinued operations	--	.01	.01	.04
Net earnings per common share--diluted	\$.55	\$.97	\$.95	\$ 1.27

Year Ended December 31, 2002	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Sales	\$927.1	\$1,100.6	\$1,059.6	\$1,204.5
Gross margin	298.6	371.3	373.1	443.2
Selling, general, and administrative expenses	238.5	264.7	252.7	315.7
Restructuring and exit costs	--	(1.2)	35.5	12.3
Operating income	60.1	107.8	84.9	115.2
Interest expense (net of interest income)	15.8	14.8	14.2	13.0
Other expense (income)	1.2	2.1	1.8	(.3)
Earnings from continuing operations before income taxes	43.1	90.9	68.9	102.5
Income taxes	11.6	24.1	13.0	28.2
Net earnings from continuing operations	31.5	66.8	55.9	74.3
Earnings (loss) of discontinued operations, net of tax	1.5	(.7)	(1.0)	1.4
Net earnings	\$ 33.0	\$ 66.1	\$ 54.9	\$ 75.7
Basic earnings (loss) per common share:				
Continuing operations	\$.39	\$.83	\$.69	\$.92
Discontinued operations	.02	(.01)	(.01)	.02
Net earnings per common share--basic	\$.41	\$.82	\$.68	\$.94
Diluted earnings (loss) per common share:				
Continuing operations	\$.39	\$.82	\$.69	\$.92
Discontinued operations	.02	(.01)	(.01)	.02
Net earnings per common share--diluted	\$.41	\$.81	\$.68	\$.94

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As more fully described in Note 3, as of December 31, 2003, the Corporation met the requirements to classify its European security hardware business as discontinued operations. Changes in previously reported results are due to the reclassification of amounts related to the discontinued operations of the European security hardware business. The results of the discontinued operations do not reflect any expense for interest allocated by or management fees charged by the Corporation.

Earnings from continuing operations for the first quarter of 2003 included a pre-tax restructuring charge of \$.2 million (\$.1 million net of tax). Earnings from continuing operations for the second quarter of 2003 included a pre-tax restructuring charge of \$.4 million (\$.2 million net of tax). Earnings from continuing operations for the third quarter of 2003 included a pre-tax restructuring charge of \$21.0 million (\$15.3 million net of tax). Earnings from continuing operations for the fourth quarter of 2003 included a pre-tax restructuring charge of \$10.0 million (\$6.5 million net of tax).

Earnings from continuing operations for the second quarter of 2002 included a pre-tax reversal of restructuring expenses of \$1.2 million (\$.8 million net of tax). Earnings from continuing operations for the third quarter of 2003 included a pre-tax restructuring charge of \$35.5 million (\$20.6 million net of tax). Earnings from continuing operations for the fourth quarter of 2002 included a pre-tax restructuring charge of \$12.3 million (\$9.4 million net of tax).

Earnings per common share are computed independently for each of the quarters presented. Therefore, the sum of the quarters may not be equal to the full year earnings per share.

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REPORT OF INDEPENDENT AUDITORS
TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
OF THE BLACK & DECKER CORPORATION:

We have audited the accompanying consolidated balance sheet of The Black & Decker Corporation and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Corporation'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 auditing standards generally accepted in the 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Black & Decker Corporation and Subsidiaries at December 31, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. 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.

As discussed in Note 1 to the financial statements, effective January 1, 2002, the Corporation changed its method of accounting for goodwill and other intangible assets and for certain sales incentives to its customers.

/s/ ERNST & YOUNG LLP
Baltimore, Maryland
February 6, 2004

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH AUDITORS ON ACCOUNTING AND FINANCIAL DISCLOSURES

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, the Corporation evaluated the effectiveness of the design and operation of the Corporation's disclosure controls and procedures as of December 31, 2003. Based upon that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures are effective. There have been no changes in the Corporation's internal controls over financial reporting during the quarterly period ended December 31, 2003, that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Part III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Information required under this Item with respect to Directors is contained in the Corporation's Proxy Statement for the Annual Meeting of Stockholders to be held April 27, 2004, under the captions "Election of Directors", "Board of Directors", and "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

Information required under this Item with respect to Executive Officers of the Corporation is included in Item 1 of Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information required under this Item is contained in the Corporation's Proxy Statement for the Annual Meeting of Stockholders to be held April 27, 2004, under the captions "Board of Directors" and "Executive Compensation" and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required under this Item is contained in the Corporation's Proxy Statement for the Annual Meeting of Stockholders to be held April 27, 2004, under the captions "Voting Securities", "Security Ownership of Management", and "Equity Compensation Plan Information" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information required under this Item is contained in the Corporation's Proxy Statement for the Annual Meeting of Stockholders to be held April 27, 2004, under the caption "Executive Compensation" and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required under this Item is contained in the Corporation's Proxy Statement of the Annual Meeting of Stockholders to be held April 27, 2004, under the caption "Ratification of the Selection of the Independent Auditor" and is incorporated herein by reference.

Part IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) List of Financial Statements, Financial Statement Schedules, and Exhibits

(1) LIST OF FINANCIAL STATEMENTS

The following consolidated financial statements of the Corporation and its subsidiaries are included in Item 8 of Part II of this report:

Consolidated Statement of Earnings - years ended December 31, 2003, 2002, and 2001.

Consolidated Balance Sheet - December 31, 2003 and 2002.

Consolidated Statement of Stockholders' Equity - years ended December 31, 2003, 2002, and 2001.

Consolidated Statement of Cash Flows - years ended December 31, 2003, 2002, and 2001.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

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(2) LIST OF FINANCIAL STATEMENT SCHEDULES

The following financial statement schedules of the Corporation and its subsidiaries are included herein:

Schedule II - Valuation and Qualifying Accounts and Reserves.

All other schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(3) LIST OF EXHIBITS

The following exhibits are either included in this report or incorporated herein by reference as indicated below:

Exhibit 3(a)

Articles of Restatement of the Charter of the Corporation, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 29, 1997, are incorporated herein by reference.

Exhibit 3(b)

Bylaws of the Corporation, as amended.

Exhibit 4(a)

Form of 7% Notes due February 1, 2006, included in the Corporation's Current Report on Form 8-K filed with the Commission on January 20, 1994, is incorporated herein by reference.

Exhibit 4(b)

Indenture dated as of March 24, 1993, by and between the Corporation and Security Trust Company, National Association, as Trustee, included in the Corporation's Current Report on Form 8-K filed with the Commission on March 26, 1993, is incorporated herein by reference.

Exhibit 4(c)

Indenture dated as of June 26, 1998, by and among Black & Decker Holdings Inc., as Issuer, the Corporation, as Guarantor, and The First National Bank of Chicago, as Trustee, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 28, 1998, is incorporated herein by reference.

Exhibit 4(d)

Credit Agreement, dated as of April 2, 2001, among the Corporation, Black & Decker Holdings, Inc., as Initial Borrowers, the initial lenders named therein, as Initial Lenders, Citibank, N.A., as Administrative Agent, JPMorgan, a division of Chase Securities Inc., as Syndication Agent, and Bank of America, N.A. and Commerzbank AG, as Co-Syndication Agents, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended July 1, 2001, is incorporated herein by reference.

Exhibit 4(e)

Indenture between the Corporation and The Bank of New York, as Trustee, dated as of June 5, 2001, included in the Corporation's Registration Statement on Form S-4 (Reg. No. 333-64790), is incorporated herein by reference.

Exhibit 4(f)

Form of 7.125% Senior Note Due 2011, included in the Corporation's Registration Statement on Form S-4 (Reg. No. 333-64790), is incorporated herein by reference.

The Corporation agrees to furnish a copy of any other documents with respect to long-term debt instruments of the Corporation and its subsidiaries upon request.

Exhibit 10(a)

The Black & Decker Corporation Deferred Compensation Plan for Non-Employee Directors, as amended.

Exhibit 10(b)

The Black & Decker Non-Employee Directors Stock Plan, included as Exhibit A to the Proxy Statement, for the 1998 Annual Meeting of Stockholders of the Corporation dated March 3, 1998, is incorporated herein by reference.

Exhibit 10(c)

The Black & Decker 1986 Stock Option Plan, as amended, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, is incorporated herein by reference.

Exhibit 10(d)

The Black & Decker 1986 U.K. Approved Option Scheme, as amended, included in the Corporation's Registration Statement on Form S-8 (Reg. No. 33-47651), is incorporated herein by reference.

Exhibit 10(e)

The Black & Decker 1989 Stock Option Plan, as amended, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, is incorporated herein by reference.

Exhibit 10(f)

The Black & Decker 1992 Stock Option Plan, as amended, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 1997, is incorporated herein by reference.

Exhibit 10(g)

The Black & Decker 1995 Stock Option Plan for Non-Employee Directors, as amended, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.

Exhibit 10(h)

The Black & Decker 1996 Stock Option Plan, as amended, included in the Corporation's Registration Statement on Form S-8 (Reg. No. 333-51155), is incorporated herein by reference.

Exhibit 10(i)

The Black & Decker 2003 Stock Option Plan, included in the definitive Proxy Statement for the 2003 Annual Meeting of Stockholders of the Corporation dated March 11, 2003, is incorporated herein by reference.

Exhibit 10(j)

The Black & Decker Performance Equity Plan, as amended, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, is incorporated herein by reference.

Exhibit 10(k)

The Black & Decker Executive Annual Incentive Plan, included in the Proxy Statement for the 1996 Annual Meeting of Stockholders of the Corporation dated March 1, 1996, is incorporated herein by reference.

Exhibit 10(l)

The Black & Decker Management Annual Incentive Plan, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated herein by reference.

Exhibit 10(m)

The Black & Decker Executive Long-Term Performance/Retention Plan, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2001, is incorporated herein by reference.

Exhibit 10(n)(1)

The Black & Decker Supplemental Pension Plan, as amended, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

Exhibit 10(n)(2)

Amendment to The Black & Decker Supplemental Pension Plan, dated as of May 21, 1997, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated herein by reference.

Exhibit 10(o)(1)

The Black & Decker Executive Deferred Compensation Plan, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended October 3, 1993, is incorporated herein by reference.

Exhibit 10(o)(2)

Amendment to The Black & Decker Executive Deferred Compensation Plan dated as of July 17, 1996, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 1996, is incorporated herein by reference.

Exhibit 10(p)(1)

The Black & Decker Supplemental Retirement Savings Plan, included in the Corporation's Registration Statement on Form S-8 (Reg. No. 33-65013), is incorporated herein by reference.

Exhibit 10(p)(2)

Amendment to The Black & Decker Supplemental Retirement Savings Plan dated as of April 22, 1997, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated herein by reference.

Exhibit 10(p)(3)

Amendment No. 2 to The Black & Decker Supplemental Retirement Savings Plan dated as of July 16, 1998, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.

Exhibit 10(p)(4)

Amendment No. 3 to The Black & Decker Supplemental Retirement Savings Plan dated as of July 20, 2000, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended October 1, 2000, is incorporated herein by reference.

Exhibit 10(p)(5)

Amendment No. 4 to The Black & Decker Supplemental Retirement Savings Plan dated as of October 18, 2001, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, is incorporated herein by reference.

Exhibit 10(p)(6)

Amendment No. 5 to The Black & Decker Supplemental Retirement Savings Plan dated as of October 17, 2002, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by reference.

Exhibit 10(p)(7)

Amendment No. 6 to The Black & Decker Supplemental Retirement Savings Plan dated as of December 12, 2002, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by reference.

Exhibit 10(q)

The Black & Decker Supplemental Executive Retirement Plan, as amended, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.

Exhibit 10(r)

The Black & Decker Executive Life Insurance Program, as amended, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 4, 1993, is incorporated herein by reference.

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Exhibit 10(s)

The Black & Decker Executive Salary Continuance Plan, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended April 2, 1995, is incorporated herein by reference.

Exhibit 10(t)

Description of the Corporation's policy and procedures for relocation of existing employees (individual transfers), included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

Exhibit 10(u)

Description of the Corporation's policy and procedures for relocation of new employees, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1991, is incorporated herein by reference.

Exhibit 10(v)

Description of certain incidental benefits provided to executive officers of the Corporation, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1997, is incorporated herein by reference.

Exhibit 10(w)

Form of Severance Benefits Agreement by and between the Corporation and approximately 15 of its key employees, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by reference.

Exhibit 10(x)(1)

Amended and Restated Employment Agreement, dated as of November 1, 1995, by and between the Corporation and Nolan D. Archibald, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995, is incorporated herein by reference.

Exhibit 10(x)(2)

Severance Benefits Agreement, dated December 12, 2002, by and between the Corporation and Nolan D. Archibald, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by reference.

Exhibit 10(y)(1)

Letter Agreement, dated April 19, 1999, by and between the Corporation and Paul F. McBride, included in the Corporation's Quarterly Report on Form 10-Q for the quarter ended July 4, 1999, is incorporated herein by reference.

Exhibit 10(y)(2)

Severance Benefits Agreement, dated December 12, 2002, by and between the Corporation and Paul F. McBride, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by reference.

Exhibit 10(z)

Severance Benefits Agreement, dated December 12, 2002, by and between the Corporation and Charles E. Fenton, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by reference.

Exhibit 10(aa)

Severance Benefits Agreement, dated December 12, 2002, by and between the Corporation and Michael D. Mangan, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by reference.

Exhibit 10(bb)(1)

Special Deferral Agreement, dated February 7, 2000, by and between the Corporation and Paul A. Gustafson, included in the Corporation's Annual Report for the year ended December 31, 1999, is incorporated herein by reference.

Exhibit 10(bb)(2)

Severance Benefits Agreement, dated December 12, 2002, by and between the Corporation and Paul A. Gustafson, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002, is incorporated herein by reference.

Exhibit 10(cc)(1)

The Black & Decker 1996 Employee Stock Purchase Plan, included in the Proxy Statement for the 1996 Annual Meeting of Stockholders of the Corporation dated March 1, 1996, is incorporated herein by reference.

Exhibit 10(cc)(2)

Amendment to The Black & Decker 1996 Employee Stock Purchase Plan, as adopted on February 12, 1997, included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1996, is incorporated herein by reference.

Items 10(a) through 10(cc)(2) constitute management contracts and compensatory plans and arrangements required to be filed as exhibits under Item 14(c) of this report.

Exhibit 21

List of Subsidiaries.

Exhibit 23

Consent of Independent Auditors.

Exhibit 24

Powers of Attorney.

Exhibit 31.1

Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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Exhibit 31.2

Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1

Chief Executive Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2

Chief Financial Officer's Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

All other items are "not applicable" or "none".

(b) Reports on Form 8-K

The Corporation filed or furnished the following reports on Form 8-K during the three months ended December 31, 2003:

On October 1, 2003, the Corporation furnished a Current Report on Form 8-K with the Securities and Exchange Commission. This Current Report on Form 8-K, furnished pursuant to Item 9 of that Form, stated that the Corporation and Masco Corporation announced that they had finalized the sale of Masco's Baldwin Hardware and Weiser Lock businesses to the Corporation.

On October 17, 2003, the Corporation furnished a Current Report on Form 8-K with the Securities and Exchange Commission. This Current Report on Form 8-K, furnished pursuant to Item 9 of that Form, stated that the Corporation announced that its Board of Directors declared a quarterly cash dividend of \$0.21 per share of the Corporation's outstanding common stock payable December 26, 2003, to stockholders of record at the close of business on December 12, 2003.

On October 22, 2003, the Corporation furnished a Current Report on Form 8-K with the Securities and Exchange Commission. This Current Report on Form 8-K, furnished pursuant to Items 9 and 12 of that Form, stated that the Corporation had reported its earnings for the three and nine months ended September 28, 2003.

All other items are "not applicable" or "none".

(c) Exhibits

The exhibits required by Item 601 of Regulation S-K are filed herewith.

(d) Financial Statement Schedules and Other Financial Statements

The Financial Statement Schedule required by Regulation S-X is filed herewith.

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(Millions of Dollars)

Description	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT END OF PERIOD

Year Ended December 31, 2003					
Reserve for doubtful accounts and cash discounts	\$46.3	\$70.5	\$74.3 (a)	\$4.9 (b)	\$47.4

Year Ended December 31, 2002					
Reserve for doubtful accounts and cash discounts	\$50.5	\$70.3	\$76.7 (a)	\$2.2 (b)	\$46.3

Year Ended December 31, 2001					
Reserve for doubtful accounts and cash discounts	\$50.4	\$71.0	\$70.4 (a)	\$ (.5) (b)	\$50.5

<FN>
(a) Accounts written off during the year and cash discounts taken by customers.
(b) Primarily includes currency translation adjustments and, for 2003, amounts associated with acquired businesses.
</FN>

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

THE BLACK & DECKER CORPORATION

Date: March 3, 2004

By /s/ NOLAN D. ARCHIBALD

Nolan D. Archibald
Chairman, President, and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 3, 2004, by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title	Date

Principal Executive Officer		
/s/ NOLAN D. ARCHIBALD -----		March 3, 2004 -----
Nolan D. Archibald	Chairman, President, and Chief Executive Officer	
Principal Financial Officer		
/s/ MICHAEL D. MANGAN -----		March 3, 2004 -----
Michael D. Mangan	Senior Vice President and Chief Financial Officer	
Principal Accounting Officer		
/s/ CHRISTINA M. MCMULLEN -----		March 3, 2004 -----
Christina M. McMullen	Vice President and Controller	

This report has been signed by the following directors, constituting a majority of the Board of Directors, by Nolan D. Archibald, Attorney-in-Fact.

Nolan D. Archibald
Norman R. Augustine
Barbara L. Bowles
M. Anthony Burns

Kim B. Clark
Manuel A. Fernandez
Benjamin H. Griswold, IV
Anthony Luiso

By /s/ NOLAN D. ARCHIBALD

Date: March 3, 2004

Nolan D. Archibald
Attorney-in-Fact

Adopted 10/17/96
Amended 07/16/98

Amended 12/10/98

Amended 02/11/99

Amended 07/20/00

Amended 07/19/01

Amended 10/17/02

Amended 02/12/04

BYLAWS

OF
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THE BLACK & DECKER CORPORATION

ARTICLE I

Stockholders

SECTION 1. Annual Meeting.

The annual meeting of stockholders shall be held on the last Tuesday in April of each year or on such day within 15 days thereof and at such time and at such place as the Board of Directors may by resolution provide for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with these Bylaws.

To be properly brought before the meeting, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board, (b) otherwise properly brought before the meeting by or at the direction of the Board, or (c) otherwise properly brought before the meeting by a stockholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, the stockholder must have given written notice thereof that is received by the Secretary of the Corporation at the principal executive offices of the Corporation not less than 90 days nor more than 110 days prior to the meeting; provided, however, that in the event that less than 100 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder must be so received not later than the close of business on the 10th day following the day on which the notice of the date of the annual meeting was mailed or the public disclosure was made, whichever first occurred. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of the stockholder proposing such business, (iii) the class and number of shares of the Corporation which are beneficially owned by the stockholder, and (iv) any material interest of the stockholder in such business.

Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this section, provided, however, that nothing in this section shall be deemed to preclude discussion by any stockholder of any business properly brought before the annual meeting.

The Chairman of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Article, and if the Chairman

should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 2. Special Meetings.

Special meetings of the stockholders may be called at any time for any purpose or purposes by the Chief Executive Officer, by a majority of the Board of Directors, or by a majority of the Executive Committee. Stockholders entitled to cast a majority of all votes entitled to be cast at a special meeting may request that the Board of Directors call a special meeting of the stockholders for the purpose or purposes stated in the written request. Upon receiving the request, the Board of Directors shall determine the validity of the request and, if valid, shall determine the time (which shall be not less than 90 nor more than 110 days from the date the request was received) and place of the meeting. However called, the Secretary shall give notice of the time and place of the special meeting and the business to be transacted at the meeting. No business other than that stated in the notice shall be transacted at any special meeting.

SECTION 3. Place of Meetings.

All meetings of stockholders shall be held at the principal offices of the Corporation at Towson, Baltimore County, Maryland, or at such other location in the United States of America as the Board of Directors may provide in the notice of the meeting.

SECTION 4. Notice of Meetings.

Notice of each meeting of the stockholders shall be given to each stockholder either by written notice mailed to the stockholder's mailing address as it appears on the records of the Corporation or by a form of electronic transmission to an address consented to by the stockholder. The notice shall be given not more than 90 nor less than 20 days before the meeting and shall state the place, day, and hour at which the meeting is to be held. Notice of a meeting of the stockholders does not need to be given to any stockholder who waives notice in a signed writing filed with the records of the meeting either before or after the meeting is held.

SECTION 5. Quorum.

At any meeting of stockholders the presence in person or by proxy of the holders of record of a majority of the shares of stock entitled to vote at the meeting shall constitute a quorum. In the absence of a quorum, the stockholders entitled to vote who shall be present in person or by proxy at any meeting (or adjournment thereof) may, by a majority vote and without further notice, adjourn the meeting from time to time, but not for a period of over thirty days at any one time, until a quorum shall attend. At any adjourned meeting at which a quorum shall be present, any business may be transacted that could have been transacted if the meeting had been held as originally scheduled.

SECTION 6. Conduct of Meetings.

Meetings of stockholders shall be presided over by the Chairman of the Board of Directors of the Corporation or, in the Chairman's absence, by the Vice Chairman of the Board, or if both of such officers are absent, by the President of the Corporation. The Secretary of the Corporation shall act as secretary of meetings of the stockholders and in the Secretary's absence, the records of the proceedings shall be kept and authenticated by such other person as may be appointed for that purpose at the meeting by the presiding officer. To participate in a meeting, stockholders must be present in person or by proxy; stockholders may not participate by means of a conference telephone or other communications equipment. The rules contained in the current edition of Robert's Rules of Order Newly Revised shall govern in all cases to which they are applicable and in which they are not inconsistent with these Bylaws and any special rules of order that the meeting may adopt.

SECTION 7. Approval of Minutes.

The minutes of all meetings of stockholders shall be corrected and approved by a committee of directors designated by the Board and if none is designated, by the Corporate Governance Committee. At a subsequent meeting of stockholders, a synopsis of the minutes shall be read for information at the request of the presiding officer or any stockholder.

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SECTION 8. Proxies.

Stockholders may vote either in person or by proxy, and if by proxy, in any manner authorized by the Maryland General Corporation Law. A proxy that is dated more than 11 months before the meeting at which it is offered shall not be accepted unless the proxy shall state a longer period for which it is to remain in force. A written proxy shall be dated and signed by the stockholder, or the stockholder's duly authorized agent but need not be sealed, witnessed or acknowledged. Proxies shall be filed with the Secretary of the Corporation at or before the meeting.

SECTION 9. Voting.

Except as otherwise provided in the charter of the Corporation, at all meetings of stockholders, each holder of shares of Common Stock shall be entitled to one vote for each share of stock of the Corporation registered in the stockholder's name upon the books of the Corporation on the date fixed by the Board of Directors as the record date for the determination of stockholders entitled to vote at the meeting. Except as otherwise provided in the charter of the Corporation, all elections and matters submitted to a vote at meetings of stockholders shall be decided by a majority of all votes cast in person or by proxy, unless more than a majority of the votes cast is required by statute, by charter, or by these Bylaws. If the presiding officer shall so determine, a vote by ballot may be taken upon any election or matter, and the vote shall be so taken upon the request of the holders of ten percent of the stock present and entitled to vote on the election or matter. If the presiding officer shall so determine, the votes on all matters to be voted upon by ballot may be postponed to be voted on at the same time or on a single ballot.

SECTION 10. Inspectors of Elections.

One or more inspectors may be appointed by the presiding officer at any meeting. If so appointed, the inspector or inspectors shall open and close the polls, receive and take charge of the proxies and ballots, decide all questions as to the qualifications of voters and the validity of proxies, determine and report the results of elections and votes on matters before the meeting, and do such other acts as may be proper to conduct the election and the vote with fairness to all stockholders.

SECTION 11. List of Stockholders.

Prior to each meeting of the stockholders, the Secretary of the Corporation shall prepare, as of the record date fixed by the Board of Directors with respect to the meeting, a full and accurate list of all stockholders entitled to vote at the meeting, indicating the number of shares and class of stock held by each. The Secretary shall be responsible for the production of that list at the meeting.

ARTICLE II

Board of Directors

SECTION 1. Powers.

The property, business, and affairs of the Corporation shall be managed by the Board of Directors of the Corporation. The Board of Directors may exercise all the powers of the Corporation, except those conferred upon or reserved to the stockholders by statute, by charter or by these Bylaws. The Board of

Directors shall keep minutes of each of its meetings and a full account of all of its transactions.

SECTION 2. Number of Directors.

The number of directors of the Corporation shall be 14 or such lesser number not less than eight as may from time to time be determined by the vote of three-fourths of the entire Board of Directors. However, the tenure of Office of a director shall not be affected by any change in number.

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SECTION 3. Nomination of Directors.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as Directors at a meeting of stockholders. Nominations of persons for election as Directors may be made at a meeting of stockholders by or at the direction of the Board of Directors by any nominating committee or person appointed by the Board or by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this section. Nominations, other than those made by or at the direction of the Board, shall be made pursuant to written notice delivered to or mailed and received by the Secretary of the Corporation at the principal executive offices of the Corporation not less than 90 days nor more than 110 days prior to the meeting; provided, however, that in the event that less than 100 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder must be so received not later than the close of business on the 10th day following the day on which notice of the date of the meeting was mailed or public disclosure was made, whichever first occurred. The notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the person and (iv) any other information relating to the person that is required to be disclosed in solicitations for proxies for election of Directors pursuant to Rule 14a under the Securities Exchange Act of 1934; and (b) as to the stockholder giving the notice (i) the name and record address of stockholder and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the stockholder. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of the proposed nominee to serve as Director of the Corporation.

The presiding officer of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the foregoing procedure, and if the presiding officer shall so determine and shall so declare to the meeting, the defective nomination shall be disregarded.

SECTION 4. Election.

Except as hereinafter provided, the members of the Board of Directors shall be elected each year at the annual meeting of stockholders by the vote of the holders of record of a majority of the shares of stock present in person or by proxy and entitled to vote at the meeting. Each director shall hold office until the next annual meeting of stockholders held after his or her election and until his or her successor shall have been duly elected and qualified, or until death, or until he or she shall have resigned, or shall have been removed as hereinafter provided. Each person elected as director of the Corporation shall qualify as such by written acceptance or by attendance at and participation as a director in a duly called meeting of the Board of Directors.

SECTION 5. Removal.

At a duly called meeting of the stockholders at which a quorum is present, the stockholders may, by vote of the holders of a majority of the votes entitled to be cast at the meeting, remove with or without cause any director or directors from office, and may elect a successor or successors to fill any resulting vacancy for the remainder of the term of the director so removed.

SECTION 6. Vacancies.

If any director shall die or resign, or if the stockholders shall remove any director without electing a successor to fill the remaining term, that vacancy may be filled by the vote of a majority of the remaining members of the Board of Directors, although a majority may be less than a quorum. Vacancies in the Board created by an increase in the number of directors may be filled by the vote of a majority of the entire Board as constituted prior to the increase. A director elected by the Board of Directors to fill any vacancy, however created, shall hold office until the next annual meeting of stockholders and until his or her successor shall have been duly elected and qualified.

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SECTION 7. Meetings.

Immediately after each annual meeting of stockholders at which a Board of Directors shall have been elected, the Board of Directors shall meet, without notice, for the election of an Executive Committee of the Board of Directors, for the election of officers of the Corporation, and for the transaction of other business. Other regular meetings of the Board of Directors shall be held in the months of February, July, October and December on the day and at the time designated by the Chief Executive Officer. Special meetings of the Board of Directors may be called at any time by the Chief Executive Officer or by any two directors. Regular and special meetings of the Board of Directors may be held at such place, in or out of the State of Maryland, as the Board may from time to time determine.

SECTION 8. Notice of Meetings.

Except for the meeting immediately following the annual meeting of stockholders, notice of the place, day and hour of a regular meeting of the Board of Directors shall be given in writing to each director not less than three days prior to the meeting and delivered to the director or to the director's residence or usual place of business, or by mailing it, postage prepaid and addressed to the director at his or her address as it appears upon the records of the Corporation. Notice of special meetings may be given in the same way, or may be given personally, by telephone, or by telegraph or facsimile message sent to the director's home or business address as it appears upon the records of the Corporation, not less than one day prior to the meeting. Unless required by these Bylaws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors need state the business to be transacted at the meeting. No notice of any meeting of the Board of Directors need be given to any director who attends, or to any director who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives notice.

SECTION 9. Quorum.

A majority of the Board of Directors shall constitute a quorum for the transaction of business at meetings of the Board of Directors. Except as otherwise provided by statute, by charter, or by these Bylaws, the vote of a majority of the directors present at a duly constituted meeting shall be sufficient to pass any measure, and such decision shall be the decision of the Board of Directors. In the absence of a quorum, the directors present, by majority vote and without further notice, may adjourn the meeting from time to time until a quorum shall be present. The Board of Directors may also take action or make decisions by any other method which may be permitted by statute, by charter, or by these Bylaws.

SECTION 10. Presumption of Assent.

A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless the director announces his or her dissent at the meeting, and (a) the dissent is entered in the minutes of the meeting, (b) before the meeting adjourns the director files with the person acting as the secretary of the meeting a written dissent to the action, or (c)

the director forwards a written dissent within 24 hours after the meeting is adjourned by registered or certified mail to the Secretary of the Corporation. The right to dissent does not apply to a director who voted in favor of the action or who failed to announce his or her dissent at the meeting. A director may abstain from voting on any matter before the meeting by so stating at the time the vote is taken and by causing the abstention to be recorded or stated in writing in the same manner as provided above for a dissent.

SECTION 11. Compensation.

Each director shall be entitled to receive such remuneration as may be fixed from time to time by the Board of Directors. However, no director who receives a salary as an officer or employee of the Corporation or of any subsidiary thereof shall receive any remuneration as a director or as a member of any committee of the Board of Directors. Each director may also receive reimbursement for the reasonable expenses incurred in attending the meetings of the Board of Directors, the meetings of any committee thereof, or otherwise in connection with attending to the affairs of the Corporation.

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ARTICLE III

Committees

SECTION 1. Executive Committee.

At its first meeting after the annual meeting of the stockholders, the Board of Directors shall elect an Executive Committee consisting of at least five members of the Board, of whom the Chairman of the Board, if any, shall be one. The Board shall designate a Chairman of the Committee who shall serve as Chairman of the Committee at the pleasure of the Board. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all powers in the management and direction of the business and affairs of the Corporation except as limited by the Maryland General Corporation Law or by resolution of the Board of Directors. All action taken by the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision and alteration by the Board, provided that no rights of third parties may be adversely affected by any revision or alteration. Delegation of authority to the Executive Committee shall not relieve the Board of Directors or any director of any responsibility imposed by law or statute or by charter.

SECTION 2. Other Committees.

From time to time the Board of Directors by resolution adopted by the affirmative vote of a majority of the members of the entire Board may provide for and appoint other committees to have the powers and perform the duties assigned to them by the Board of Directors.

SECTION 3. Meetings of Committees.

Each Committee of the Board of Directors shall fix its own rules of procedure, and shall meet as provided by those rules or by resolution of the Board, or at the call of the chairman or any two members of the committee. A majority of each committee shall constitute a quorum thereof, and in every case the affirmative vote of a majority of the entire committee shall be necessary to take any action. Each committee may also take action by any other method that may be permitted by statute, by charter, or by these Bylaws. In the event a member of a committee fails to attend any meeting of the committee, the other members of the committee present at the meeting, whether or not they constitute a quorum, may appoint a member of the Board of Directors to act in the place of the absent member. Regular minutes of the proceedings of each committee and a full account of all its transactions shall be kept in a book provided for the purpose. Vacancies in any committee of the Board of Directors shall be filled by the Board of Directors.

ARTICLE IV

Officers

SECTION 1. Election and Tenure.

The Board of Directors may elect a Chairman and a Vice Chairman from among the directors. The Board of Directors shall elect a President, a Treasurer and a Secretary, and one or more Vice Presidents, one or more Assistant Treasurers, one or more Assistant Secretaries, and such other officers with such powers and duties as the Board may designate, none of whom need be a director. Each officer shall hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his or her election and until a successor shall have been duly chosen and qualified or until he or she shall have resigned or been removed. All elections to office shall be by a majority vote of the entire Board of Directors.

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SECTION 2. Chairman of the Board.

The Chairman of the Board shall preside at all meetings of stockholders and of the Board of Directors at which he or she shall be present. The Chairman shall have such other powers and perform such other duties as from time to time may be assigned by the Board of Directors.

SECTION 3. Vice Chairman of the Board.

The Vice Chairman of the Board, in the absence of the Chairman of the Board, shall preside at all meetings of stockholders and the Board of Directors. (In the absence of the Chairman and the Vice Chairman, the Board of Directors shall elect a chairman of the meeting.) The Vice Chairman shall have such other powers and perform such other duties as from time to time may be assigned by the Board of Directors or by the Chairman of the Board.

SECTION 4. President.

The President shall be the Chief Executive Officer of the Corporation and, subject to the control of the Board of Directors and the Executive Committee, shall have general charge and supervision of the Corporation's business, affairs, and properties. The President shall have authority to sign and execute, in the name of the Corporation, all authorized deeds, mortgages, bonds, contracts or other instruments. The President may sign, with the Secretary or the Treasurer, stock certificates of the Corporation. In the absence of the Chairman and the Vice Chairman of the Board, the President shall preside at meetings of stockholders. In general, the President shall perform all the duties ordinarily incident to the office of a president of a corporation, and such other duties as, from time to time, may be assigned by the Board of Directors or by the Executive Committee.

SECTION 5. Vice Presidents.

Each Vice President, which term shall include any Executive Vice President or Group Vice President, shall have the power to sign and execute, unless otherwise provided by resolution of the Board of Directors, all contracts or other obligations in the name of the Corporation in the ordinary course of business, and with the Secretary, or with the Treasurer, or with an Assistant Secretary, or with an Assistant Treasurer, may sign stock certificates of the Corporation. At the request of the President or in the President's absence or during the President's inability to act, the Vice President or Vice Presidents shall perform the duties and exercise the functions of the President, and when so acting shall have the powers of the President. If there is more than one Vice President, the Board of Directors may determine which one or more of the Vice Presidents shall perform any of such duties or exercise any of such functions, or if the determination is not made by the Board, the President may make the determination. The Vice President or Vice Presidents shall have such other powers and perform such other duties as may be assigned by the Board of

Directors or by the President. For purposes of this Article IV, Section 5, the term Vice President does not include a Vice President appointed pursuant to Article IV, Section 9.

SECTION 6. Secretary.

The Secretary shall keep the minutes of the meetings of the stockholders, of the Board of Directors, and of the Executive Committee, including all the votes taken at the meetings, and record them in books provided for that purpose. The Secretary shall see that all notices are duly given in accordance with the provisions of these Bylaws or as required by statute. The Secretary shall be the custodian of the records and of the corporate seal of the Corporation. The Secretary may affix the corporate seal to any document executed on behalf of the Corporation, and may attest the same. The Secretary may sign, with the President or a Vice President, stock certificates of the Corporation. In general, the Secretary shall perform all duties ordinarily incident to the office of a secretary of a corporation, and such other duties as, from time to time, may be assigned by the Board of Directors or by the President.

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SECTION 7. Treasurer.

The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation, and shall deposit or cause to be deposited, in the name of the Corporation, all moneys or other valuable effects in such banks, trust companies, or depositories as may be designated by the Board of Directors. The Treasurer shall maintain full and accurate accounts of all assets, liabilities and transactions of the Corporation, and shall render to the President and the Board of Directors, whenever they may require it, an account of all transactions as Treasurer and of the financial condition of the Corporation. In general, the Treasurer shall perform all the duties ordinarily incident to the office of a treasurer of a corporation, and such other duties as, from time to time, may be assigned to him or her by the Board of Directors or by the President. The Treasurer shall give the Corporation a bond, if required by the Board of Directors, in a sum, and with one or more sureties, satisfactory to the Board of Directors, for the faithful performance of the duties of the office and for the restoration to the Corporation in case of death, resignation, retirement or removal from office of all corporate books, papers, vouchers, moneys, and other properties of whatever kind in his or her possession or under his or her control.

SECTION 8. Subordinate Officers.

The subordinate officers shall consist of such assistant officers and agents as may be deemed desirable and as may be elected by a majority of the members of the Board of Directors. Each such subordinate officer shall hold office for such period, have such authority and perform such duties as the Board of Directors may prescribe.

SECTION 9. Appointed Vice Presidents.

The Chief Executive Officer may from time to time appoint one or more Vice Presidents with such administrative powers and duties as may be designated or approved by the Chief Executive Officer. An appointed Vice President shall not be a corporate officer and may be removed by the Chief Executive Officer.

SECTION 10. Officers Holding Two or More Offices.

Any two or more of the above named offices, except those of Chairman and Vice Chairman of the Board and those of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity, if the instrument is required by statute, by charter, by these Bylaws, or by resolution of the Board of Directors to be executed, acknowledged, or verified by two or more officers.

SECTION 11. Compensation.

The Board of Directors shall have power to fix the compensation of all officers of the Corporation. It may authorize any officer upon whom the power of appointing subordinate officers may have been conferred to fix the compensation of the subordinate officers.

SECTION 12. Removal.

Any officer of the Corporation may be removed, with or without cause, by a vote of a majority of the entire Board of Directors, and any officer of the Corporation appointed by another officer may also be removed, with or without cause, by the appointing officer, by the Executive Committee, or by the Board of Directors.

SECTION 13. Vacancies.

A vacancy in any office because of death, resignation, removal, or any other cause shall be filled for the unexpired portion of the term by election of the Board of Directors at any regular or special meeting.

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ARTICLE V

Stock

SECTION 1. Certificates.

Each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number and kind of shares of the Corporation's stock owned by the stockholder for which full payment has been made, or for which payment is being made by installments in conjunction with a stockholder-approved option plan. Each stock certificate shall be signed by the Chairman, the President or a Vice President and countersigned by the Secretary or Treasurer or Assistant Treasurer of the Corporation. A stock certificate shall be deemed to be so signed and sealed whether the required signatures are manual or facsimile signatures and whether the seal is a facsimile seal or any other form of seal. In case any officer of the Corporation who has signed a stock certificate ceases to be an officer of the Corporation, whether because of death, resignation or otherwise, before the stock certificate is issued, the certificate may nevertheless be issued and delivered by the Corporation as if the officer had not ceased to be such officer on the date of issue.

SECTION 2. Transfer of Shares.

Shares of stock shall be transferable only on the books of the Corporation by the holder thereof, in person or by duly authorized agent, upon the surrender of the stock certificate representing the shares to be transferred, properly endorsed. The Board of Directors shall have power and authority to make other rules and regulations concerning the issue, transfer and registration of stock certificates as it may deem expedient.

SECTION 3. Transfer Agents and Registrars.

The Corporation may have one or more transfer agents and one or more registrars of its stock, whose respective duties the Board of Directors may, from time to time, define. No stock certificate shall be valid until countersigned by a transfer agent, if the Corporation has a transfer agent in respect of that class or series of capital stock, or until registered by a registrar, if the Corporation has a registrar in respect of that class or series of capital stock. The duties of transfer agent and registrar may be combined.

SECTION 4. New Certificates.

In case any stock certificate is alleged to have been lost, stolen, mutilated, or destroyed, the Board of Directors may authorize the issue of a new certificate in place thereof upon such terms and conditions as it may deem

advisable. The Board of Directors may, in its discretion, further require the owner of the stock certificate or the owner's duly authorized agent to give bond with sufficient surety to the Corporation to indemnify it against any loss or claim which may arise by reason of the issue of a stock certificate in the place of one reportedly lost, stolen, or destroyed.

SECTION 5. Record Dates.

The Board of Directors may fix, in advance, a date as the record date for the purpose of determining those stockholders who shall be entitled to notice of, or to vote at, any meeting of stockholders, or for the purpose of determining those stockholders who shall be entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of making any other proper determination with respect to stockholders. The date shall be not more than 90 days, and in the case of a meeting of stockholders, not less than 20 days, prior to the date on which the particular action, requiring such determination of stockholders, is to be taken. In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period, not to exceed in any case 20 days. When the stock transfer books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, the closing of the transfer books shall be at least 10 days before the date of the meeting.

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SECTION 6. Annual Report.

The President of the Corporation shall annually prepare a full and correct statement of the affairs of the Corporation, including a balance sheet and a financial statement of operations for the preceding fiscal year. These statements shall be sent to the extent possible to each beneficial owner of the stock of the Corporation prior to or with the proxy statement and notice to stockholders of the annual meeting of stockholders. It will be submitted at the annual meeting, and within 20 days thereafter be placed on file at the Corporation's principal offices in Maryland.

ARTICLE VI

Dividends and Finance

SECTION 1. Dividends.

Subject to any statutory or charter conditions and limitations, the Board of Directors may in its discretion declare what, if any, dividends shall be paid from the surplus or from the net profits of the Corporation, the date when the dividends shall be payable, and the date for the determination of holders of record to whom the dividends shall be paid.

SECTION 2. Depositories.

The Board of Directors from time to time shall designate one or more banks or trust companies as depositories of the Corporation and shall designate those officers and agents who shall have authority to deposit corporate funds in such depositories. It shall also designate those officers and agents who shall have authority to withdraw from time to time any or all of the funds of the Corporation so deposited upon checks, drafts, or orders for the payment of money, notes and other evidences of indebtedness, drawn against the account and issued in the name of the Corporation. The signatures of the officers or agents may be made manually or by facsimile. No check or order for the payment of money shall be invalidated because a person whose signature appears thereon has ceased to be an officer or agent of the Corporation prior to the time of payment of the check or order by any depository.

SECTION 3. Corporate Obligations.

No loans shall be contracted on behalf of the Corporation and no evidences

of indebtedness or guaranties of the obligations of others shall be issued in the name of the Corporation unless authorized by a resolution of the Board of Directors. Such authority may be either general or specific. When duly authorized, all loans, promissory notes, acceptances, other evidences of indebtedness and guaranties shall be signed by the President, a Vice President, the Treasurer, or an Assistant Treasurer.

SECTION 4. Fiscal Year.

The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December of each year.

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ARTICLE VII

Books and Records

SECTION 1. Books and Records.

The Corporation shall maintain a stock ledger which shall contain the name and address of each stockholder and the number of shares of stock of the Corporation which the stockholder holds. The ledger shall be kept at the principal offices of the Corporation in Towson, Baltimore County, Maryland, or at the offices of the Corporation's stock transfer agent. All other books, accounts, and records of the Corporation, including the original or a certified copy of these Bylaws, the minutes of all stockholders meetings, a copy of the annual statement, and any voting trust agreements on file with the Corporation, shall be kept and maintained by the Secretary at the principal offices of the Corporation in Towson.

SECTION 2. Inspection Rights.

Except as otherwise provided by statute or by charter, the Board of Directors shall determine whether and to what extent the books, accounts, and records of the Corporation, or any of them, shall be open to the inspection of stockholders. No stockholder shall have any right to inspect any book, account, document or record of the Corporation except as conferred by statute, by charter, or by resolution of the stockholders or the Board of Directors.

ARTICLE VIII

Seal

SECTION 1. Seal.

The seal of the Corporation shall consist of a circular impression bearing the name of the Corporation and the word "Maryland" around the rim and in the center the word "Incorporated" and the year "1910."

ARTICLE IX

Indemnification

SECTION 1. Indemnification.

The Corporation to the full extent permitted by, and in the manner permissible under, the laws of the State of Maryland and other applicable laws and regulations may indemnify any person who is or was an employee or agent of the Corporation or who is or was serving at the request of the Corporation as an employee or agent of another corporation or entity and shall indemnify any

person who is or was serving as an officer or director of the Corporation or at the request of the Corporation as an officer or director of another corporation or entity, who by reason of his or her position was, is, or is threatened to be made a party to an action or proceeding, whether civil, criminal, administrative, or investigative, against any and all expenses (including, but not limited to, attorneys' fees, judgments, fines, penalties and amounts paid in settlement) actually incurred by the director, officer, employee or agent in connection with the proceeding. Repeal or modification of this Section or the relevant law shall not affect adversely any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit, or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

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ARTICLE X

Amendments

SECTION 1. Amendment of Bylaws.

These Bylaws may be amended at any meeting of the stockholders by a majority of all the votes cast, provided the text of the amendment is submitted with the notice of the meeting. The Board of Directors may also amend these Bylaws by a vote of a majority of the directors present at a meeting, provided that the Board of Directors shall not consider or act on any amendment to these Bylaws that, directly or indirectly, modifies the meaning or effect of any amendment to these Bylaws adopted by the stockholders within the preceding 12-month period, or any amendment to these Bylaws that, directly or indirectly, contains substantially similar provisions to those of an amendment rejected by the stockholders within the preceding 12-month period.

As Amended
10/20/94
10/19/00
12/11/03

THE BLACK & DECKER CORPORATION
DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. Eligibility.

Each member of the Board of Directors of The Black & Decker Corporation (the "Corporation") who is not an employee of the Corporation or any of the Corporation's subsidiaries, is eligible to participate in this Deferred Compensation Plan for Non-Employee Directors (the "Plan").

2. Administration of Plan.

The Plan will be administered by a committee of three persons (the "Committee") consisting of the persons who from time to time shall be: (a) the Chief Executive Officer of the Corporation, (b) the Chief Financial Officer of the Corporation, and (c) the Secretary of the Corporation. The Committee shall have full power to interpret and administer the Plan, and the Committee's interpretations and actions shall be binding and conclusive on all persons for all purposes. The Committee shall act by vote or written consent of a majority of its members. Neither the Committee nor any person acting on its behalf shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan unless attributable to willful misconduct or lack of good faith.

3. Participation.

-
- a. An eligible director may elect to defer all or any part of the compensation which would otherwise have been payable currently for services as a member of the Board of Directors (including fees payable for services as a member of a committee of the Board). An election must be executed and filed with the Committee prior to the date on which the compensation will be earned. A new director may elect to participate in the Plan by executing and filing an election with the Committee prior to the commencement of the director's term of office.
 - b. An election shall be in writing substantially in the form attached as Exhibit A.
 - c. An election to participate in the Plan shall be effective from the date of the election and for all subsequent years until the calendar year following the year in which the participant files a revised election or a notice of termination.
 - d. A participant may terminate participation in the Plan by executing and filing with the Committee a notice of termination. Any such termination shall be effective at the end of the calendar year in which the notice is given. In the event of termination, the amount already deferred under the Plan and interest or other earnings thereon shall be paid to the participant only as indicated in Section 6, Distribution from Plan. A director who has filed a termination of election may thereafter file an election to participate in the Plan for any calendar year commencing after filing the election.
 - e. A participant may change an existing election as to the manner of distribution by filing with the Committee an election form choosing any manner of distribution authorized by the Plan at the time the new election form is filed. The new election form must be filed (1) prior to the termination of the director's service as a director, (2) at least six months prior to the date that the first distribution under both the existing election and under the new election would be made, and (3) in the calendar year prior to the calendar year in which the first distribution under the new election would be made.

4. Deferred Cash Compensation Account.

A general ledger account, hereinafter referred to as the Deferred Compensation Account (the "Account") shall be established for the purpose of reflecting deferred compensation. All deferred compensation otherwise payable to the participant for the calendar year to which the election applies shall be credited to the Account, together with interest compounded semi-annually on January 1 and July 1 at a rate equal to the higher of the yield on the Income Fund of The Black & Decker Corporation Retirement Savings Plan or the T. Rowe Price Equity Index Fund during the period then ended. Alternatively, the participant may direct that cash compensation deferred hereunder be deemed invested in common stock of the Corporation, in which case the participant's Account will be initially credited with the equivalent number of shares of common stock of the Corporation and subsequently adjusted for increases and decreases in the value of, and for dividends paid on, the common stock of the Corporation. Title to and beneficial ownership of the Account shall remain in the Corporation. The obligation to pay shall be a general unsecured obligation of the Corporation, and the participating director and his designated beneficiaries shall not have any property interest whatsoever in any specific assets of the Corporation. The Corporation may, however, establish a "Rabbi Trust" for individual participants or all participants as a group.

5. Deferred Stock Compensation Account.

A stock account, hereinafter referred to as the Deferred Stock Compensation account (the "Stock Account") shall be established for the purpose of reflecting deferred stock compensation deferred pursuant to Section 8 of The Black & Decker Non-Employee Directors Stock Plan (the "Stock Plan"). The provisions of this Plan shall apply to deferrals under the Stock Plan except that in the event of conflict between the Plan and the Stock Plan, the provisions of the Stock Plan shall control.

6. Distribution from Plan.

a. All compensation deferred under the Plan, plus accumulated interest or other investment adjustments, shall be distributed in a lump sum or in approximately equal annual installments not exceeding ten, as specified by the participant at the time of making the election or in an amendment complying with the provisions of Section 3.e above. The first installment, or the lump sum distribution, shall be paid on the fifteenth day of the calendar year or the fifteenth day of the seventh month of the calendar year (as specified by the participant at the time of making the election or in an amendment complying with the provisions of Section 3.e, above) immediately following the year in which the participant ceases to be a director of the Corporation. Subsequent installments shall be paid on the anniversary of the first installment in each succeeding calendar year until all amounts in the participant's Deferred Compensation Account have been paid. Distributions of a participant's Deferred Cash Compensation Account shall be made in cash except to the extent that the participant has directed the Account be deferred as common stock of the Corporation, in which case distribution shall be made in shares of common stock of the Corporation. Distributions of a participant's Deferred Stock Compensation Account shall be made in common stock of the Corporation.

b. Notwithstanding the above, if a participant incurs a severe financial hardship, the Committee administering the Plan may, in its sole discretion, revise the payment schedule to the extent reasonably necessary to eliminate the severe financial hardship. The severe financial hardship must have been caused by an accident, illness or other event beyond the control of the participant. In the event a participant ceases to be a director of the Corporation and becomes a proprietor, officer, partner, employee or otherwise becomes affiliated with any business that is in competition with the Corporation or any of its subsidiaries, or becomes employed by any governmental agency having jurisdiction over the activities of the Corporation or any of its subsidiaries, the Committee, at its sole discretion, may pay to the participant the entire balance of the participant's Deferred Compensation Account. In the event a participant dies before all deferred amounts are distributed, the remaining balance of the

participant's Deferred Compensation Account shall be paid on the first day of the

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calendar year following the year of death, to the beneficiaries most recently designated by the director in writing. If no beneficiaries are designated or being designated, fail to survive the participant, payment shall be made to the estate of the participant.

7. Rabbi Trust.

The Corporation may establish a "Rabbi Trust" for individual participants or all participants as a group. With the consent of a participant, the Trustee of a "Rabbi Trust" established for that participant may be directed to invest the participant's deferred cash compensation in common stock of the Corporation, and if that is done, (1) neither the Corporation nor the trustee shall have any liability for any decrease in the value of the stock held in the trust and (2) the timing of any distribution from the trust shall be in accordance with the election made under Section 6 of the Plan.

8. Rights.

The right of a participant in the Plan to any deferred compensation or interest thereon shall not be subject to assignment, anticipation, alienation, transfer, pledge, or encumbrance except by laws of descent and distribution.

9. No Trusts.

Nothing contained in the Plan and no action taken pursuant to the provisions of the Plan shall be construed to create a trust of any kind or an escrow arrangement of any form.

10. Copies of Plan.

Copies of the Plan and any and all amendments thereto shall be made available to all members of the Board of Directors during normal business hours at the office of the Secretary of the Corporation.

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Exhibit A

THE BLACK & DECKER CORPORATION
Election to Defer Compensation
under
Deferred Compensation Plan
for Non-Employee Directors

and
Non-Employee Directors Stock Plan

I acknowledge receiving a copy of the Deferred Compensation Plan for Non-Employee Directors and the Non-Employee Directors Stock Plan.

Pursuant to the terms of the Plans, I elect to defer receiving the following:

_____ % of cash retainers to be deferred as ___ cash or ___ stock

_____ % of stock retainers

My election will continue in effect until the first day of the calendar year following the year in which I file written notice of termination or of amendment of this election with the Secretary of the Corporation.

I also elect that all amounts deferred under the Plans (including amounts previously deferred), together with accumulated interest or other investment adjustments thereon, shall be distributed to me in _____ (specify number, not exceeding ten) approximately equal annual installment(s) commencing on:

_____ the fifteenth day of the first month; or

_____ the fifteenth day of the seventh month

of the calendar year immediately following the year in which I cease to be a director of the Corporation, and subsequent installments shall be paid on the anniversary of the first installment in each succeeding calendar year until the entire amount credited to my account shall have been paid.

If I die prior to distribution of the entire amount, I direct that the remaining amount be paid to:

(name) (relationship)

(street address)

(city, state, zip code)

(dated) (signature)

(printed name)

=====
FOR CORPORATION'S USE

Date Received Corporate Secretary

THE BLACK & DECKER CORPORATION AND SUBSIDIARIES

LIST OF SUBSIDIARIES

Listed below are the subsidiaries of The Black & Decker Corporation as of December 31, 2003. Names of certain inactive, liquidated, or minor subsidiaries have been omitted.

B&D Distribution, Inc.	UNITED STATES
Baldwin Hardware Corporation	UNITED STATES
Baldwin Hardware Service, LLC	UNITED STATES
Black & Decker (Ireland) Inc.	UNITED STATES
Black & Decker (Puerto Rico) LLC	UNITED STATES
Black & Decker (U.S.) Inc.	UNITED STATES
Black & Decker Abrasives Inc.	UNITED STATES
Black & Decker Funding Corporation	UNITED STATES
Black & Decker Group Inc.	UNITED STATES
Black & Decker HealthCare Management Inc.	UNITED STATES
Black & Decker Holdings Inc.	UNITED STATES
Black & Decker Holdings LLC	UNITED STATES
Black & Decker Inc.	UNITED STATES
Black & Decker India Inc.	UNITED STATES
Black & Decker Investment Company	UNITED STATES
Black & Decker Investments (Australia) Limited	UNITED STATES
Black & Decker Investments LLC	UNITED STATES
Black & Decker Maryland LLC	UNITED STATES
EII Maryland LLC	UNITED STATES
Emglo Products LLC	UNITED STATES
Emhart Credit Corporation	UNITED STATES
Emhart Harttung Inc.	UNITED STATES
Emhart Teknologies LLC	UNITED STATES
Kwikset Corporation	UNITED STATES
Momentum Laser, Inc.	UNITED STATES
Newfrey LLC	UNITED STATES
Price Pfister Holdings Inc.	UNITED STATES
Price Pfister, Inc.	UNITED STATES
Services Holdings Inc.	UNITED STATES
Shenandoah Insurance, Inc.	UNITED STATES
Weiser Lock Corporation	UNITED STATES
Black & Decker Argentina S.A.	ARGENTINA
Black & Decker Distribution Pty. Ltd.	AUSTRALIA
Black & Decker Finance (Australia) Ltd.	AUSTRALIA
Black & Decker Holdings (Australia) Pty. Ltd.	AUSTRALIA
Dewalt Industrial Powertool Company Pty. Ltd.	AUSTRALIA
Kwikset (Australasia) Pty. Ltd.	AUSTRALIA
Black & Decker Werkzeuge Vertriebs-Gesellschaft M.B.H	AUSTRIA
Black & Decker (Belgium) N.V.	BELGIUM
Black & Decker Do Brasil Ltda.	BRAZIL
Refal Industria e Comercio de Rebites e Rebitadeiras Ltda.	BRAZIL
Black & Decker Canada Inc.	CANADA
Black & Decker Holdings (Canada) Inc.	CANADA
Maquinas y Herramientas Black & Decker de Chile S.A.	CHILE
Black & Decker (Suzhou) Co. Ltd.	CHINA
Black & Decker (Suzhou) Power Tools Co., Ltd.	CHINA
Shanghai Emhart Fastening Systems Ltd.	CHINA
Black & Decker de Colombia S.A.	COLOMBIA
Black & Decker (Czech) S.R.O.	CZECH REPUBLIC
Tucker S.R.O.	CZECH REPUBLIC
Emhart Harttung A/S	DENMARK
Black & Decker de El Salvador, S.A. de C.V.	EL SALVADOR
Black & Decker Oy	FINLAND
Black & Decker (France) S.A.S.	FRANCE
Black & Decker Finance ScA.	FRANCE
DOM S.A.R.L.	FRANCE
Emhart Fastening & Assembly SNC	FRANCE
Emhart S.A.R.L.	FRANCE
B.B.W. Bayrische Bohrerwerke G.m.b.H.	GERMANY
BD Beteiligungs G.m.b.H.	GERMANY
Black & Decker G.m.b.H.	GERMANY

DOM Sicherheitstechnik G.m.b.H. & Co. KG	GERMANY
Emhart Deutschland G.m.b.H.	GERMANY
Tucker G.m.b.H.	GERMANY
Black & Decker (Hellas) S.A.	GREECE
Black & Decker Hong Kong Limited	HONG KONG
Emhart Asia Limited	HONG KONG
Baltimore Financial Services Company	IRELAND
Baltimore Insurance Limited	IRELAND
Belco Investments Company	IRELAND
Black & Decker (Ireland)	IRELAND
Chesapeake Factoring Company	IRELAND
Chesapeake Falls Holdings Company	IRELAND
Gamrie Limited	IRELAND
Black & Decker Italia S.P.A.	ITALY
Fasteners & Tools, Ltd.	JAPAN
Nippon Pop Rivets & Fasteners Ltd.	JAPAN
Black & Decker (Overseas) A.G.	LIECHTENSTEIN
Black & Decker Limited S.A.R.L.	LUXEMBOURG
Black & Decker Luxembourg S.A.	LUXEMBOURG
Chesapeake Investments Company S.A.R.L.	LUXEMBOURG
Black & Decker Macao	MACAO
Black & Decker (Malaysia) Sdn. Bhd.	MALAYSIA
Black & Decker Asia Pacific (Malaysia) Sdn. Bhd.	MALAYSIA
BD Power Tools Mexicana, S. de R.L. de C.V.	MEXICO
Black & Decker de Reynosa S. de R.L. de C.V.	MEXICO
Black & Decker, S.A. de C.V.	MEXICO
DeWalt Industrial Tools, S.A. de C.V.	MEXICO
Price-Pfister de Mexico, S. de R.L. de C.V.	MEXICO
Technolock, S. de R.L. de C.V.	MEXICO
Weiser Lock Mexico, S.A. De C.V.	MEXICO
Black & Decker (Nederland) B.V.	NETHERLANDS
Black & Decker Far East Holdings B.V.	NETHERLANDS
Black & Decker Hardware Holdings B.V.	NETHERLANDS
Black & Decker International Holdings B.V.	NETHERLANDS
Black & Decker Overseas Holdings B.V.	NETHERLANDS
Black & Decker (New Zealand) Limited	NEW ZEALAND
Black & Decker (Norge) A/S	NORWAY
Emhart Sjong A/S	NORWAY
Black & Decker de Panama, S.A.	PANAMA
Black & Decker International Corporation	PANAMA
Emhart Panama S.A.	PANAMA
Black & Decker Del Peru S.A.	PERU
Black & Decker Asia Pacific Pte. Ltd.	SINGAPORE
Black & Decker (South Africa) Pty. Ltd.	SOUTH AFRICA
Emhart Fastening Teknologies Korea, Inc.	SOUTH KOREA
Black & Decker Iberica S.Com por A.	SPAIN
Black & Decker Aktiebolag	SWEDEN
Emhart Teknik Akteibolag	SWEDEN
Black & Decker (Switzerland) S.A.	SWITZERLAND
DOM AG Sicherheitstechnik	SWITZERLAND
Emhart A.G.	SWITZERLAND
Black & Decker (Thailand) Limited	THAILAND
Aven Tools Limited	UNITED KINGDOM
Bandhart	UNITED KINGDOM
Bandhart Overseas	UNITED KINGDOM
Black & Decker	UNITED KINGDOM
Black & Decker Europe	UNITED KINGDOM
Black & Decker Finance	UNITED KINGDOM
Black & Decker International	UNITED KINGDOM
Emhart International Limited	UNITED KINGDOM
Tucker Fasteners Limited	UNITED KINGDOM
United Marketing (Leicester)	UNITED KINGDOM
Weiser Lock Limited	UNITED KINGDOM
Black & Decker de Venezuela, C.A.	VENEZUELA
Black & Decker Holdings de Venezuela, C.A.	VENEZUELA

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements of The Black & Decker Corporation of our report dated February 6, 2004, with respect to the consolidated financial statements and schedule of The Black & Decker Corporation included in the Annual Report (Form 10-K) for the year ended December 31, 2003.

Registration Statement Number	Description
33-6610	Form S-8
33-6612	Form S-8
33-26917	Form S-8
33-26918	Form S-8
33-33251	Form S-8
33-47651	Form S-8
33-47652	Form S-8
33-58795	Form S-8
33-65013	Form S-8
333-03593	Form S-8
333-51155	Form S-8
333-51157	Form S-8
333-35986	Form S-8

/s/ ERNST & YOUNG LLP
Baltimore, Maryland
March 1, 2004

POWER OF ATTORNEY

We, the undersigned Directors and Officers of The Black & Decker Corporation (the "Corporation"), hereby constitute and appoint Nolan D. Archibald, Michael D. Mangan and Charles E. Fenton, and each of them, with power of substitution, our true and lawful attorneys-in-fact with full power to sign for us, in our names and in the capacities indicated below, the Corporation's Annual Report on Form 10-K for the year ended December 31, 2003, and any and all amendments thereto.

/s/ NOLAN D. ARCHIBALD ----- Nolan D. Archibald	Director, Chairman, President and Chief Executive Officer (Principal Executive Officer)	February 12, 2004
/s/ NORMAN R. AUGUSTINE ----- Norman R. Augustine	Director	February 12, 2004
/s/ BARBARA L. BOWLES ----- Barbara L. Bowles	Director	February 12, 2004
/s/ M. ANTHONY BURNS ----- M. Anthony Burns	Director	February 12, 2004
/s/ KIM B. CLARK ----- Kim B. Clark	Director	February 12, 2004
/s/ MANUEL A. FERNANDEZ ----- Manuel A. Fernandez	Director	February 12, 2004
/s/ BENJAMIN H. GRISWOLD, IV ----- Benjamin H. Griswold, IV	Director	February 12, 2004
/s/ ANTHONY LUISO ----- Anthony Luiso	Director	February 12, 2004
/s/ MICHAEL D. MANGAN ----- Michael D. Mangan	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 12, 2004
/s/ CHRISTINA M. MCMULLEN ----- Christina M. McMullen	Vice President and Controller (Principal Accounting Officer)	February 12, 2004

THE BLACK & DECKER CORPORATION

C E R T I F I C A T I O N S

I, Nolan D. Archibald, certify that:

1. I have reviewed this annual report on Form 10-K of The Black & Decker Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ NOLAN D. ARCHIBALD

Nolan D. Archibald
Chairman, President, and Chief Executive Officer
March 3, 2004

THE BLACK & DECKER CORPORATION

C E R T I F I C A T I O N S

I, Michael D. Mangan, certify that:

1. I have reviewed this annual report on Form 10-K of The Black & Decker Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL D. MANGAN

Michael D. Mangan
Senior Vice President and Chief Financial Officer
March 3, 2004

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Black & Decker Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nolan D. Archibald, Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ NOLAN D. ARCHIBALD

Nolan D. Archibald
Chief Executive Officer
March 3, 2004

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of The Black & Decker Corporation (the "Corporation") on Form 10-K for the period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Mangan, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

/s/ MICHAEL D. MANGAN

Michael D. Mangan
Chief Financial Officer
March 3, 2004