# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-17** | Period of Report: **1994-05-17**
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## FILER

**BLACK & DECKER CORP**

CIK:**12355**| IRS No.: **520248090** | State of Incorp.:**MD** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-01553** | Film No.: **94529165**
SIC: **3540** Metalworkg machinery & equipment

Business Address
*701 E JOPPA RD*
*TOWSON MD 21286*
*4107163310*

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

| | |
|---|---|
| For the Quarter Ended | Commission File Number |
| April 3, 1994 | 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) |

| | | |
|---|---|---|
| 701 East Joppa Road | Towson, Maryland | 21286 |
| (Address of principal executive offices) | | (Zip Code) |

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

Not Applicable
Former Address

Number of shares of common stock outstanding on April 3, 1994: 83,945,404.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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



THE BLACK & DECKER CORPORATION AND SUBSIDIARIES

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April 3, 1994

PART I - FINANCIAL INFORMATION



<TABLE>



CONSOLIDATED STATEMENT OF EARNINGS (Unaudited)

THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(Amounts in millions, except per share data)

<CAPTION>

| | THREE MONTHS ENDED APRIL 3, 1994 | THREE MONTHS ENDED APRIL 4, 1993 |
|---|---|---|
| <S> | <C> | <C> |
| REVENUES | | |
| Product sales | $ 894.4 | $ 933.1 |
| Information systems and services | 190.2 | 166.8 |
| TOTAL REVENUES | 1,084.6 | 1,099.9 |
| Cost of revenues | | |
| Products | 570.7 | 597.8 |
| Information systems and services | 143.2 | 122.2 |
| Marketing and administrative expenses | 302.9 | 312.8 |
| Total operating costs and expenses | 1,016.8 | 1,032.8 |
| OPERATING INCOME | 67.8 | 67.1 |
| Interest expense (net of interest income) | 43.9 | 40.9 |
| Other expense | 2.1 | 2.6 |
| EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 21.8 | 23.6 |
| Income taxes | 7.2 | 9.7 |
| NET EARNINGS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | 14.6 | 13.9 |
| Cumulative effect to January 1, 1993, of change in accounting principle for postemployment benefits | - | (29.2) |
| NET EARNINGS (LOSS) | $ 14.6 | $ (15.3) |

| | | |
|---|---|---|
| NET EARNINGS (LOSS) APPLICABLE TO COMMON SHARES | $ 11.6 | $ (18.3) |
| NET EARNINGS (LOSS) PER COMMON SHARE: | | |
| Net earnings before cumulative effect of change in accounting principle | .14 | .13 |
| Cumulative effect adjustment for postemployment benefits | - | (.35) |
| NET EARNINGS (LOSS) PER COMMON SHARE | $ .14 | $ (.22) |
| DIVIDENDS PER COMMON SHARE | $ .10 | $ .10 |
| Average Common Shares Outstanding | 83.9 | 83.4 |

See Notes to Consolidated Financial Statements

</TABLE>

<TABLE>



CONSOLIDATED BALANCE SHEET (Unaudited)

THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(Amounts in millions)

<CAPTION>

| <S> | APRIL 3, 1994 <C> | DECEMBER 31, 1993 <C> |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 75.1 | $ 82.0 |
| Trade receivables | 818.4 | 832.1 |
| Inventories | 796.3 | 728.9 |
| Other current assets | 107.8 | 121.1 |
| TOTAL CURRENT ASSETS | 1,797.6 | 1,764.1 |
| PROPERTY, PLANT AND EQUIPMENT | 797.9 | 796.2 |
| GOODWILL | 2,324.0 | 2,333.6 |
| OTHER ASSETS | 419.5 | 416.7 |
| | $5,339.0 | $5,310.6 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Short-term borrowings | $ 296.9 | $ 332.3 |
| Current maturity of long-term debt | 5.7 | 163.1 |
| Trade accounts payable | 295.5 | 307.3 |
| Other accrued liabilities | 648.5 | 705.8 |
| TOTAL CURRENT LIABILITIES | 1,246.6 | 1,508.5 |
| LONG-TERM DEBT | 2,363.5 | 2,069.2 |
| DEFERRED INCOME TAXES | 48.4 | 47.9 |
| POSTEMPLOYMENT BENEFITS | 322.6 | 319.3 |
| OTHER LONG-TERM LIABILITIES | 311.1 | 316.8 |

| | | |
|---|---|---|
| STOCKHOLDERS' EQUITY | | |
| Convertible preferred stock, no par value: | | |
| Outstanding: | | |
| April 3, 1994 and Dec. 31, 1993 | | |
| - 150,000 shares | 150.0 | 150.0 |
| Common stock, par value $.50 per share: | | |
| Outstanding: | | |
| April 3, 1994 - 83,945,404 shares | | |
| Dec. 31, 1993 - 83,845,194 shares | 42.0 | 41.9 |
| Capital in excess of par value | 1,036.0 | 1,034.8 |
| Retained earnings (deficit) | (54.3) | (57.5) |
| Equity adjustment from translation | (126.9) | (120.3) |
| TOTAL STOCKHOLDERS' EQUITY | 1,046.8 | 1,048.9 |
| | $5,339.0 | $5,310.6 |

See Notes to Consolidated Financial Statements

</TABLE>

<TABLE>



CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

THE BLACK & DECKER CORPORATION AND SUBSIDIARIES
(Amounts in millions)

<CAPTION>

| <S> | THREE MONTHS ENDED APRIL 3, 1994 <C> | APRIL 4, 1993 <C> |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net earnings (loss) | $ 14.6 | $ (15.3) |
| Adjustments to reconcile net earnings (loss) | | |
| to cash flow from operating activities: | | |
| Non-cash charges: | | |
| Depreciation and amortization | 51.0 | 50.6 |
| Cumulative effect of change in accounting | | |
| principle | - | 29.2 |
| Changes in selected working capital items: | | |
| Trade accounts receivables | 68.4 | 82.6 |
| Inventories | (63.2) | (91.0) |
| Trade accounts payables | (12.5) | 19.9 |
| Restructuring | (8.4) | (7.7) |
| Other assets and liabilities | (73.5) | (107.3) |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| BEFORE SALE OF RECEIVABLES | (23.6) | (39.0) |
| Sale of receivables | (53.0) | (47.2) |
| CASH FLOW FROM OPERATING ACTIVITIES | (76.6) | (86.2) |
| INVESTING ACTIVITIES | | |
| Proceeds from disposal of assets | 2.0 | - |
| Capital expenditures | (34.3) | (48.1) |
| Cash inflow from hedging activities | 411.7 | 215.7 |
| Cash outflow from hedging activities | (401.7) | (192.5) |
| CASH FLOW FROM INVESTING ACTIVITIES | (22.3) | (24.9) |
| CASH FLOW BEFORE FINANCING ACTIVITIES | (98.9) | (111.1) |
| FINANCING ACTIVITIES | | |
| Net increase (decrease) in short-term borrowings | 8.9 | (108.5) |

| | | |
|---|---|---|
| Proceeds from long-term debt (including revolving credit facility) | 946.6 | 940.6 |
| Payments on long-term debt (including revolving credit facility) | (853.9) | (690.5) |
| Issuance of common stock | 1.2 | .5 |
| Cash dividends | (11.3) | (11.3) |
| CASH FLOW FROM FINANCING ACTIVITIES | 91.5 | 130.8 |
| Effect of exchange rate changes on cash | .5 | (4.0) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (6.9) | 15.7 |
| Cash and cash equivalents at beginning of period | 82.0 | 66.3 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 75.1 | $ 82.0 |

See Notes to Consolidated Financial Statements

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

THE BLACK & DECKER CORPORATION AND SUBSIDIARIES

BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited consolidated financial statements include all adjustments consisting only of normal recurring accruals considered necessary for a fair presentation of the financial position and the results of operations. Prior year results have been restated to include a net cumulative charge for the adoption, as of January 1, 1993, of Statement of Financial Accounting Standard (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits."

Operating results for the three-month period ended April 3, 1994, are not necessarily indicative of the results that may be expected for a full fiscal year. For further information, refer to the consolidated financial statements and notes included in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993.

SALE OF RECEIVABLES

At April 3, 1994, under its sale of receivables program, the Corporation had sold $165.0 million of receivables compared to $218.0 million at December 31, 1993. The discount on sale of receivables is included in "Other expense."

INVENTORIES

The components of inventory at the end of each period, in millions of dollars, consisted of the following:

<TABLE>
<CAPTION>

| <S> | April 3, 1994 <C> | December 31, 1993 <C> |
|---|---|---|

| | | |
|---|---|---|
| FIFO Cost | | |
| Raw materials and work-in-process | $ 214.7 | $ 206.2 |
| Finished products | 625.0 | 567.4 |
| | 839.7 | 773.6 |
| Excess of FIFO cost over LIFO inventory value | (43.4) | (44.7) |
| | $ 796.3 | $ 728.9 |

</TABLE>

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; foreign inventories are valued on the first-in, first-out (FIFO) method.

GOODWILL

Goodwill at the end of each period, in millions of dollars, was as follows:

<TABLE>
<CAPTION>

| <S> | April 3, 1994 <C> | December 31, 1993 <C> |
|---|---|---|
| Goodwill | $2,707.8 | $2,699.9 |
| Less accumulated amortization | 383.8 | 366.3 |
| | $2,324.0 | $2,333.6 |

</TABLE>

DEBT REFINANCING

In February 1993, the Corporation filed a shelf registration statement for the issuance, from time to time, of up to $1 billion of debt securities. Under this shelf registration statement, the Corporation issued $500 million of 7.50% Notes due April 1, 2003, in April 1993; $250 million of 6.625% Notes due November 15, 2000, in November 1993; and $250 million of 7% Notes due February 1, 2006, in January 1994. Net proceeds from the sale of the Notes were used to reduce borrowings under the Corporation's principal bank credit facility.

INTEREST EXPENSE (Net of Interest Income)

Interest expense (net of interest income) for each period, in millions of dollars, consisted of the following:

<TABLE>
<CAPTION>

| | Three Months Ended | |
|---|---|---|
| <S> | April 3, 1994 <C> | April 4, 1993 <C> |
| Interest expense | $ 46.0 | $ 43.5 |
| Interest (income) | (2.1) | (2.6) |
| | $ 43.9 | $ 40.9 |

</TABLE>

NET EARNINGS PER COMMON SHARE

Net earnings per common share for each period presented are computed by dividing net earnings applicable to common shares, which are after preferred dividends of $3.0 million, for each of the periods ended April 3, 1994 and April 4, 1993, by the weighted average number of common shares outstanding for each period. Fully diluted earnings per share are not materially different from earnings per common share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

OVERVIEW

Prior year results have been restated to reflect the cumulative charge in connection with the adoption, as of January 1, 1993, of Statement of Financial Accounting Standard (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits."

The Corporation reported net earnings of $14.6 million or $.14 per common share for the three-month period ended April 3, 1994, compared to a net loss of $15.3 million or $.22 per common share for the three-month period ended April 4, 1993. Excluding the cumulative effect in 1993 of the adoption of SFAS No. 112, net earnings for the three-month period ended April 4, 1993, were $13.9 million or $.13 per common share. The improvement in net earnings is attributable to improved operating results, primarily in the United States, and a reduced effective tax rate.

RESULTS OF OPERATIONS

Revenues

The following chart sets forth an analysis of changes in revenues for the three-month periods ended April 3, 1994 and April 4, 1993.

<TABLE>

Analysis of Changes in Revenues ($Millions)

| Consolidated | Three Months Ended April 3, 1994 | April 4, 1993 |
|---|---|---|
| <S> | <C> | <C> |
| Total revenues | $1,084.6 | $1,099.9 |
| Unit volume - Existing (1) | 2 % | 5 % |
| - Disposed (2) | (3)% | - |
| Price | 1 % | 1 % |
| Currency | (1)% | (3)% |
| Change in total revenues | (1)% | 3 % |

</TABLE>

(1) Existing - Reflects the change in unit volume for businesses where period-to-period comparability exists.

(2) Disposed - Reflects the change in total revenues for businesses that were included in prior year results but subsequently have been sold.

The Corporation operates in three business segments: Consumer and Home Improvement Products (Consumer), including consumer and professional power tools and accessories, household products, security hardware, lawn and garden and outdoor recreational products, plumbing products, and product service; Commercial and Industrial Products (Commercial), including fastening systems and glass container-making equipment; and Information Systems and Services (PRC), including government and commercial information systems development, consulting, and other related contract services. The following chart sets forth an analysis of the change in revenues for the three months ended April 3, 1994, compared to the three months ended April 4, 1993, by geographic area for each business segment.

<TABLE>

Analysis of Changes in Revenues ($Millions)

| | United States | Europe | Other | Total |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> |
| Consumer | | | | |
| Total Revenues | $406.2 | $251.7 | $107.9 | $ 765.8 |
| Unit Volume - Existing | - | - | 7 % | 1 % |
| - Disposed | (5)% | - | (1)% | (3)% |
| Price | 2 % | 1 % | - | 1 % |
| Currency | - | (5)% | (4)% | (2)% |
| | (3)% | (4)% | 2 % | (3)% |
| Commercial | | | | |
| Total Revenues | $ 62.9 | $ 42.3 | $ 23.4 | $ 128.6 |
| Unit Volume - Existing | 2 % | (16)% | (5)% | (5)% |
| - Disposed | (10)% | (1)% | (13)% | (7)% |
| Price | 1 % | 1 % | - | - |
| Currency | - | (4)% | 7 % | - |
| | (7)% | (20)% | (11)% | (12)% |
| PRC | | | | |
| Total Revenues | $190.2 | - | - | $ 190.2 |
| Unit Volume | 14 % | - | - | 14 % |
| Consolidated | | | | |
| Total Revenues | $659.3 | $294.0 | $131.3 | $1,084.6 |
| Unit Volume - Existing | 4 % | (3)% | 5 % | 2 % |
| - Disposed | (4)% | - | (4)% | (3)% |
| Price | 1 % | 1 % | - | 1 % |
| Currency | - | (5)% | (1)% | (1)% |
| Change in total revenues | 1 % | (7)% | - % | (1)% |

</TABLE>

Existing unit volume for the Corporation grew by 2% for the three-month period ended April 3, 1994, compared to the first quarter of 1993. Disposed unit volume represents the effect of the sale of the Corbin Russwin and Dynapert business units during the fourth quarter of 1993. Pricing actions modestly improved revenue comparisons to last year, but were offset by negative effects of the stronger United States dollar against most European currencies.

Existing unit volume in the Consumer segment for the three months ended April 3, 1994, grew by 1% compared to last year. Results were mixed in this segment, with domestic power tools, accessories, security hardware, and plumbing products well ahead of last year's revenues led by continuing strong performance of DeWalt power tools and accessories product line, Titan and Kwikset locksets and the recently introduced PowerShot stapler. This strong performance was offset, however, by declines in sales of domestic household products and golf club shafts. The household products market remains soft, with the severe weather conditions on the East Coast in January and February affecting the order patterns of several major retailers. This severe weather and the continuing market shift from premium steel shafts to composite shafts adversely affected the Corporation's golf club shaft business. As noted in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993, the Corporation is assessing opportunities to expand its share of the composite shaft market while reducing its reliance on the steel market. To this end, the Corporation has announced that it will close its Seneca, South Carolina, plant during the second quarter of 1994 and consolidate all of its steel shaft manufacturing in Amory, Mississippi. The costs associated with this plant closing were accrued in 1993. Performance of the Consumer businesses in Europe and other areas was also mixed with a strong performance from Scandinavia, Latin America, and the Asia Pacific regions. Sales of Consumer products in the Latin America and Asia Pacific regions continue to grow at a rapid 20% to 30% rate. This growth was offset substantially by continuing weakness in the United Kingdom, Mexico and Australia. Brazil, although still volatile, reported volume growth during the first quarter of 1994 compared to the first quarter of 1993.

Existing unit volume in the Commercial segment for the three months ended April 3, 1994, was 5% below the first quarter of 1993 as most businesses outside the United States continued to struggle. The Glass businesses in Europe and the Far East remain weak and were the major contributors to this decline. The Fastening businesses reported a slight increase in volume primarily on the strength of the resurging automobile industry in the United States. The Fastening businesses in Europe are also showing signs of recovery, particularly in Scandinavia; however, the Japanese market remains depressed.

PRC's total revenues for the three months ended April 3, 1994, grew by 14% compared to the first quarter of 1993. Most of this improvement was from revenues generated from the Super-Minicomputer Procurement (SMP) contract with the United States government. There were no SMP revenues in the first quarter of 1993.

Earnings

Total operating income as a percentage of revenues for the three months ended April 3, 1994, was 6.2% compared to 6.1% for the first quarter of 1993. Operating income performance in most domestic consumer businesses improved compared to the first quarter of last year, while operating income in the Commercial businesses was generally below last year's levels. Excluding the one-time favorable effects of a contract settlement in the first quarter of last year, PRC's operating income was double last year's level.

Gross margin as a percentage of revenues for the three months ended April 3, 1994, was 34.2% compared to 34.5% for the first quarter of 1993. Gross margin on product sales (excluding PRC) was 36.2% compared to 35.9% for last year. This increase was in the Consumer segment and was primarily the result of lower initial start-up costs associated with new product introductions, improved manufacturing efficiencies, and the effect of the sale of lower margined businesses. The improvement in the Consumer segment, however, was offset by the continued volume-related gross margin deterioration in the Commercial segment.

PRC's lower margin was primarily because of the dilutive effect of the SMP business, which is expected to produce a lower margin during the early stages of the contract, and the effect on last year of the favorable contract settlement referenced above.

Marketing and administrative expenses as a percentage of total revenues were 27.9% for the three months ended April 3, 1994, compared to 28.4% for the first quarter of 1993. Specific cost-cutting programs have been put in place in all operations. These programs, coupled with lower new product marketing and promotional costs compared to last year's level, have improved the expense ratio as a percentage of sales.

Net interest expense (interest expense less interest income) for the three months ended April 3, 1994, is higher than the comparable period of 1993 primarily because of higher borrowing costs on approximately the same average debt level as the first quarter of last year. The Corporation maintains a portfolio of interest rate hedge instruments for the purpose of managing interest rate exposure. During the quarter, the Corporation increased its protection against rising interest rates by adding $350 million in hedges to the portfolio. The addition of these hedges has had the effect of reducing the Corporation's variable rate debt to total debt ratio at April 3, 1994, to 39% compared to 46% at December 31, 1993.

Other expense for the three months ended April 3, 1994 and April 4, 1993, primarily includes the discount on sale of receivables.

The Corporation's effective tax rate for the three months ended April 3, 1994, was 33% compared to 41% for the first quarter of last year. The lower rate for 1994 was the result of a change in the mix between foreign and domestic earnings, primarily due to improved operating earnings in the United States.

FINANCIAL CONDITION

In the Consolidated Statement of Cash Flows, operating activities for the three months ended April 3, 1994, used cash of $76.6 million compared to $86.2 million for the first quarter of 1993. Net working capital requirements (i.e., trade receivables, inventories, and trade payables) used cash of $7.3 million this year compared to cash provided of $11.5 million last year. An improved inventory position (less of an increase compared to last year) was more than offset by less favorable receivable collections due to some extended payment terms primarily in the domestic household products business and the timing of payments on several large contracts at PRC. Reduced trade payable levels also contributed to a net use of working capital. Other assets and liabilities were $33.8 million favorable to last year, primarily the result of reduced spending on deferred contract costs at PRC during the first quarter of 1994 compared to 1993, cash payments to terminate certain interest rate hedges during the first quarter of 1993 and lower tax payments during the first quarter of 1994 compared to 1993.

Investing activities for the three months ended April 3, 1994, used cash of $22.3 million compared to $24.9 million last year. Substantially lower capital spending during the first quarter of 1994 was offset by reduced net cash inflow related to the Corporation's hedging activities. Capital expenditures for the full year of 1994 are expected to be at approximately the same level as 1993.

Financing activities generated cash of $91.5 million for the three months ended April 3, 1994, compared to cash generated of $130.8 million in the first quarter of 1993. During the first quarter of 1994, the Corporation issued $250 million of 7% Notes due February 1, 2006 under its shelf registration statement. These proceeds were used to reduce borrowings under the Corporation's principal bank credit facility (the Credit Facility). Also, during the first quarter of 1994, the Corporation called its 8.375% Notes due in 1997 and repaid the 5.75% deutsche mark bearer bonds that matured in March 1994. During the first quarter of 1994, average debt maturity increased to 5.5 years from 4.8 years at December 31, 1993.

At the end of 1992, the Corporation announced a restructuring of various of its operations. This included costs associated with the restructuring and eventual sale of Dynapert, the reduction of manufacturing capacity primarily in Europe, and the closure and reorganization of additional manufacturing sites in the United States and elsewhere. The restructuring of Dynapert was substantially completed during 1993 and culminated with the sale of the Dynapert through-hole business at a gain, which was recognized in 1993. The remainder of the restructuring plan is proceeding as planned and, along with the plant closings announced at the end of 1993, is expected to be substantially completed during 1994. Total cash spending for restructuring and plant closings during 1994 is expected to be approximately $50 million of which approximately $8 million was spent in the first quarter. The Corporation anticipates that the reduction in manufacturing capacity through plant closings and reorganizations will result in cost reductions, comprised primarily of reduced labor costs and depreciation expense, of approximately $20 million in 1994 and approximately $40 million annually thereafter. These actions are part of the Corporation's continuing effort to identify opportunities to improve its manufacturing cost structure.

The Credit Facility includes certain covenants that require the Corporation to meet specified minimum cash flow coverage and maximum leverage (debt to equity) ratios during the term of the loan. As of April 3, 1994, the Corporation was in compliance with all covenants and provisions of the Credit Facility.

The Corporation expects to continue to meet the covenants imposed by the Credit Facility over the next 12 months. Meeting the cash flow coverage ratio, however, is dependent upon future earnings, interest rates, and debt levels, each of which can have a significant impact on the ratio.

The Corporation will continue to have cash requirements to support working and fixed capital needs, to pay interest, to service debt, and to complete previously announced operational consolidation and reorganization plans. In order to meet these cash requirements, the Corporation intends to use internally generated funds and to borrow under the Credit Facility or under short-term borrowing facilities. Management believes that cash generated from these sources will be adequate to meet the Corporation's cash requirements over the next 12 months.



PART II - OTHER INFORMATION

Item 1 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 is also 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 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 as described above up to the limits of the deductibles. All other claims and lawsuits are handled on a case-by-case basis.

The Corporation also is involved in lawsuits and administrative proceedings with respect to claims involving the discharge of hazardous substances into the environment.

Certain of these claims assert damages and liability for remedial investigations and cleanup costs with respect to sites at which the Corporation has been identified as a potentially responsible party under federal and state environmental laws and regulations (off-site). Other matters involve sites that the Corporation currently owns and operates or has previously sold (on-site). For off-site claims, the Corporation makes an assessment of the cost 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 on-site matters associated with properties currently owned, an assessment is made as to whether an investigation and remediation would be required under applicable federal and state law. For on-site matters associated with properties previously sold, the Corporation considers the terms of sale as well as applicable federal and state laws to determine if the Corporation has any remaining liability. If the Corporation is determined to have potential liability for properties currently owned or previously sold, an estimate is made of the total cost of investigation and remediation and other potential costs associated with the site.

In addition to the environmental matters referenced in Item 1 of Part I of the Annual Report on Form 10-K for the year ended December 31, 1993, the Corporation has been investigating certain environmental matters at the NEMEF security hardware facility in the Netherlands. The NEMEF facility has been a manufacturing operation since 1921. During building construction in 1990, soil and groundwater contamination were discovered on the property. Investigations to understand the full extent of the contamination were undertaken at that time, and those investigations are continuing. The Corporation has been working with consultants and local authorities to develop a comprehensive remediation plan in conjunction with neighboring property owners. It is anticipated that a remediation plan will be presented to the local authorities in the Netherlands within the next six months.

Reference is made to the discussion in the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993, of the litigation involving the claims by the Attorney General of the State of California, the Natural Resources Defense Council ("NRDC") and the Environmental Law Foundation ("ELF") concerning the applicability of California's Proposition 65 to faucets manufactured and sold by the Corporation's Price Pfister subsidiary and several other defendants. On May 5, 1994, Judge Bea of the California Superior Court for the City and County of San Francisco issued an order rejecting the Attorney General's claims that lead which leaches from faucets constitutes a prohibited discharge of lead into water or onto or into land where the lead will pass or is at least likely to pass into a source of drinking water. Judge Bea's order granted the Attorney General 20 days to amend his complaint to state a cause of action under Proposition 65. In the companion case involving similar claims by the NRDC and the ELF, Judge Cahill of the California Superior Court for the City and County of San Francisco denied defendants' challenges to the standing of the NRDC and the ELF to bring these claims and refused to stay the proceedings pending resolution of the claims by the Attorney General.

The Corporation's estimate of the costs associated with legal, product liability, and environmental exposures is accrued if, in management's judgment, the likelihood of a loss is probable. These accrued liabilities are not discounted. Insurance recoveries for environmental and certain general liability claims are not recognized until realized.

As of April 3, 1994, the Corporation had no known probable but inestimable exposures for awards and assessments in connection with environmental matters and other litigation and administrative proceedings that could have a material effect on the Corporation's consolidated financial position, results of operations, or liquidity.

Management is of the opinion that the amounts accrued for awards or assessments in connection with the environmental matters and other litigation and administrative proceedings to which the Corporation is a party are adequate and, accordingly, ultimate resolution of these matters will not have a material adverse effect on the Corporation's consolidated financial position.

Item 2 Submission of Matters to a Vote of Security Holder

The 1994 Annual Meeting of Stockholders was held on April 26, 1994, for the election of directors and to ratify the selection of Ernst & Young as independent public accountants for the Corporation for fiscal year 1994. A total of 70,595,662 of the 90,250,181 votes entitled to be cast at the meeting were present in person or by proxy. At the meeting, the stockholders:

(1) Elected the following directors:

| Directors | Number of Shares Voted FOR | Number of Shares--AUTHORITY WITHHELD |
|---|---|---|
| Nolan D. Archibald | 70,004,304 | 591,358 |
| Alonzo G. Decker, Jr. | 70,045,660 | 550,002 |
| Barbara L. Bowles | 70,009,304 | 586,358 |
| Malcolm Candlish | 70,071,107 | 524,555 |
| Anthony Luiso | 70,067,538 | 528,124 |
| J. Dean Muncaster | 70,067,734 | 527,928 |
| Lawrence R. Pugh | 70,045,660 | 550,002 |
| Mark H. Willes | 70,076,249 | 519,413 |
| M. Cabell Woodward, Jr. | 70,063,854 | 531,808 |

(2) Ratified the selection of Ernst & Young as independent public accountants for the Corporation for fiscal year 1994 by an affirmative vote of 70,132,162; shares voted against ratification were 205,821 and shares abstained were 257,679.

No other matters were submitted to a vote of the stockholders at the meeting.

Item 6 Exhibits and Reports on Form 8-K

| Exhibit No. | Description |
|---|---|
| 4(a) | Indenture dated as of March 24, 1993, by and between The Black & Decker Corporation and Security Trust Company, National Association, included in the Corporation's Current Report on Form 8-K filed with the Commission on March 26, 1993, is incorporated herein by reference. |
| 4(b) | 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. |
| 11 | Computation of Earnings Per Share. |
| 99(a) | Computation of Ratio of Earnings to Fixed Charges. |

REPORTS ON FORM 8-K

The Corporation filed a Current Report on Form 8-K with the Commission on January 20, 1994. The Current Report on Form 8-K was filed pursuant to Item 5 of Form 8-K and reported the sale by the Corporation of $250,000,000 aggregate principal amount of the Corporation's 7% Notes due February 1, 2006.

All other items were not applicable.

THE BLACK & DECKER CORPORATION

S I G N A T U R E S

Pursuant to the requirements 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

By: THOMAS M. SCHOEWE
Thomas M. Schoewe
Vice President and
Chief Financial Officer

Principal Accounting Officer

By: STEPHEN F. REEVES
Stephen F. Reeves
Corporate Controller

Date: May 17, 1994

EXHIBIT 11

COMPUTATION OF EARNINGS PER SHARE

<TABLE>

Exhibit 11

THE BLACK & DECKER CORPORATION
COMPUTATION OF EARNINGS PER SHARE

(Millions of dollars, except per share data)

| | For Three Months Ended | | | |
|---|---|---|---|---|
| | April 3, 1994 | | April 4, 1993 | |
| | Amount | Per Share | Amount | Per Share |
| <S> | <C> | <C> | <C> | <C> |
| Primary: | | | | |
| Average shares outstanding | 83.9 | | 83.4 | |
| Dilutive stock options and purchase plans--based on the Treasury stock method using the average market price | (Note 2) | | (Note 1) | |

| | | | | |
|---|---|---|---|---|
| Adjusted shares outstanding | 83.9 | | 83.4 | |
| Net earnings | $14.6 | | $(15.3) | |
| Less preferred stock dividend | 3.0 | | 3.0 | |
| Net earnings attributable to common stock | $11.6 | $.14 | $(18.3) | $(.22) |
| **Fully Diluted: (Note 3)** | | | | |
| Average shares outstanding | 83.9 | | 83.4 | |
| Dilutive stock options and purchase plans--based on the Treasury stock method using the average market price | (Note 2) | | (Note 1) | |
| Adjusted shares outstanding | 83.9 | | 83.4 | |
| Average shares assumed to be converted through convertible preferred stock | 6.4 | | 6.4 | |
| Fully diluted average shares outstanding | 90.3 | | 89.8 | |
| Net earnings | $14.6 | $.16 | $(15.3) | $(.17) |

Notes:

1. Stock options and purchase plans are anti-dilutive and, therefore, are not presented here.
2. Dilutive effect of common stock equivalents is less than 3% for the three-month periods ended April 3, 1994, and April 4, 1993, and has not been shown.
3. The calculation of fully diluted earnings per share is anti-dilutive and, therefore, is not presented in the financial statements.

</TABLE>

EXHIBIT 99(a)

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>

EXHIBIT 99(a)

THE BLACK & DECKER CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Millions of dollars, except ratios)

<CAPTION>

| | Three Months Ended |
|---|---|
| | April 3, 1994 |

<S> <C>

| | |
|---|---|
| EARNINGS: | |
| Earnings before income taxes and cumulative effects of changes in accounting principles | $ 21.8 |
| Interest expense | 46.0 |
| Portion of rent expense representative of an interest factor | 7.1 |
| Adjusted earnings before taxes and fixed charges | $ 74.9 |
| FIXED CHARGES: | |
| Interest expense | $ 46.0 |
| Portion of rent expense representative of an interest factor | 7.1 |
| Total fixed charges | $ 53.1 |
| RATIO OF EARNINGS TO FIXED CHARGES | 1.41 |

</TABLE>