

A Legacy of Quality.

STANLEY MAKE SOMETHING GREAT™

A Future of Growth.

The Stanley Works

Investor Overview 2nd Quarter 2008

John Lundgren – Chairman & CEO

Jim Loree – Exec. VP & CFO

Greg Waybright – Interim VP Investor Relations

Tony Byerly – COO, N.A. Convergent Security

July 22, 2008

Certain statements contained in this presentation are forward looking. These are based on assumptions of future events which may not prove to be accurate. They involve risk and uncertainty. Actual results may differ materially from those expected or implied. We direct you to the cautionary statements detailed in this morning's press release and Form 8K and our recent 34 Act SEC filings.

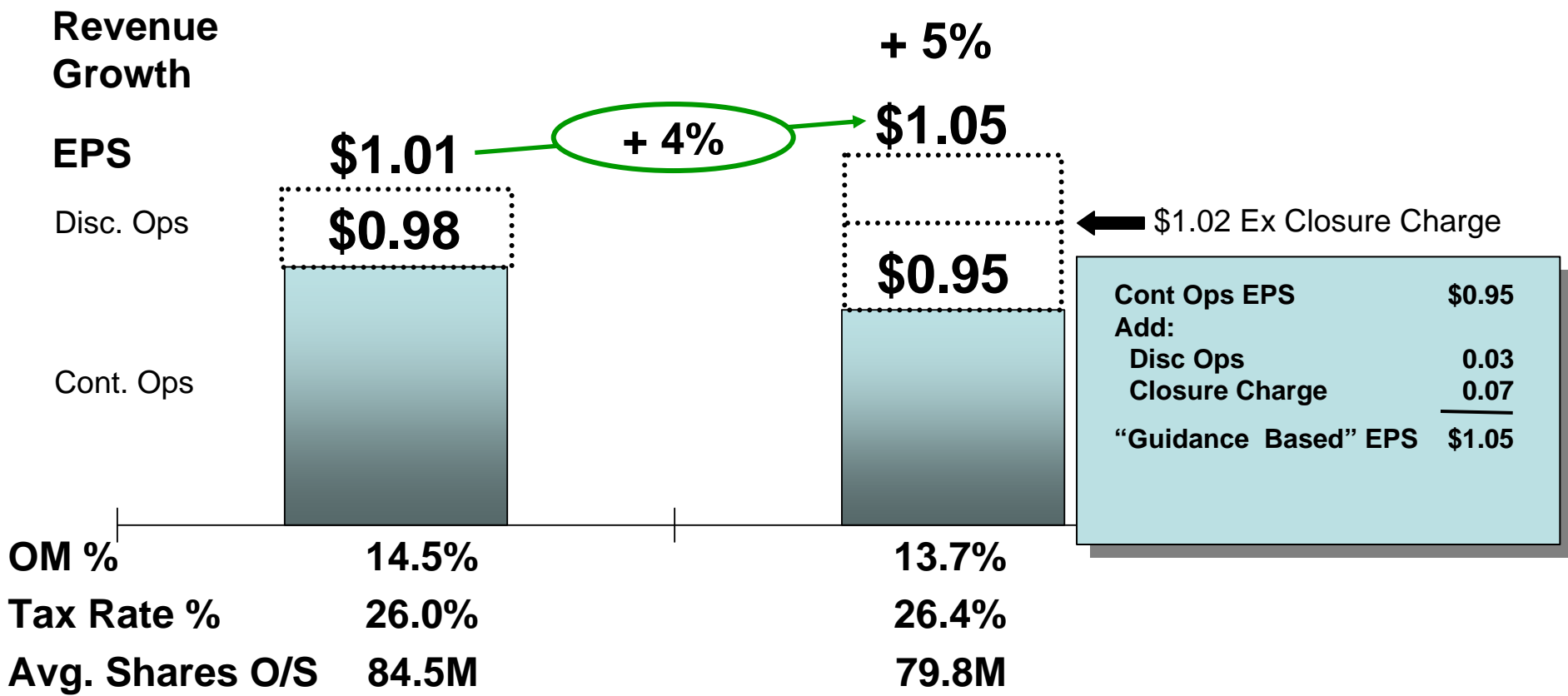
- **EPS \$1.05 – Up 4% Excluding 2Q Portfolio Changes & Related Business Closure Charges (\$0.10 Impact)**
- **Revenues Up 5% Aided By Currency & Acquisitions. Organic Growth Strong In Europe & Security (Ex-Hardware); Offset By Continued Weakness In U.S.**
- **Gross Margin Rate Relatively Consistent With Prior Year As Pricing/Productivity Offset By Inflation and Impact of Lower Volumes**
 - **2008 FY Inflation Impact Up to \$150M+ (~90% Price Recovery)**
- **YTD Free Cash Flow Slightly Ahead of PY Level Excluding Impact of Receivable Securitization Facility Termination**
- **CDIY Revenue +4% (Europe +7% Organic); Profit Rate of 14.6% Maintained Despite Significant Inflation/Volume Pressures**
- **Industrial Revenue +12%; Security Revenue Up 7% & Profit Rate at 18.7% Ex-Hardware**

2Q08 Financial Results

5% Revenue Growth Achieved Despite Very Difficult Markets...

2Q07

2Q08



...EPS Up 4% Excluding Portfolio Changes/Closure Charges

Revenues +5%, Benefitting From Strong Currency & Acqs. ...

(\$ million)

2Q07

2Q08

Revenues	\$1,096	\$1,154	+ \$58	+5%
----------	---------	---------	--------	------------

Sources of Growth

Volume	(3%)
Price	<u>3%</u>
Organic	0%
Currency	4%
Acquisitions	<u>1%</u>
	5%

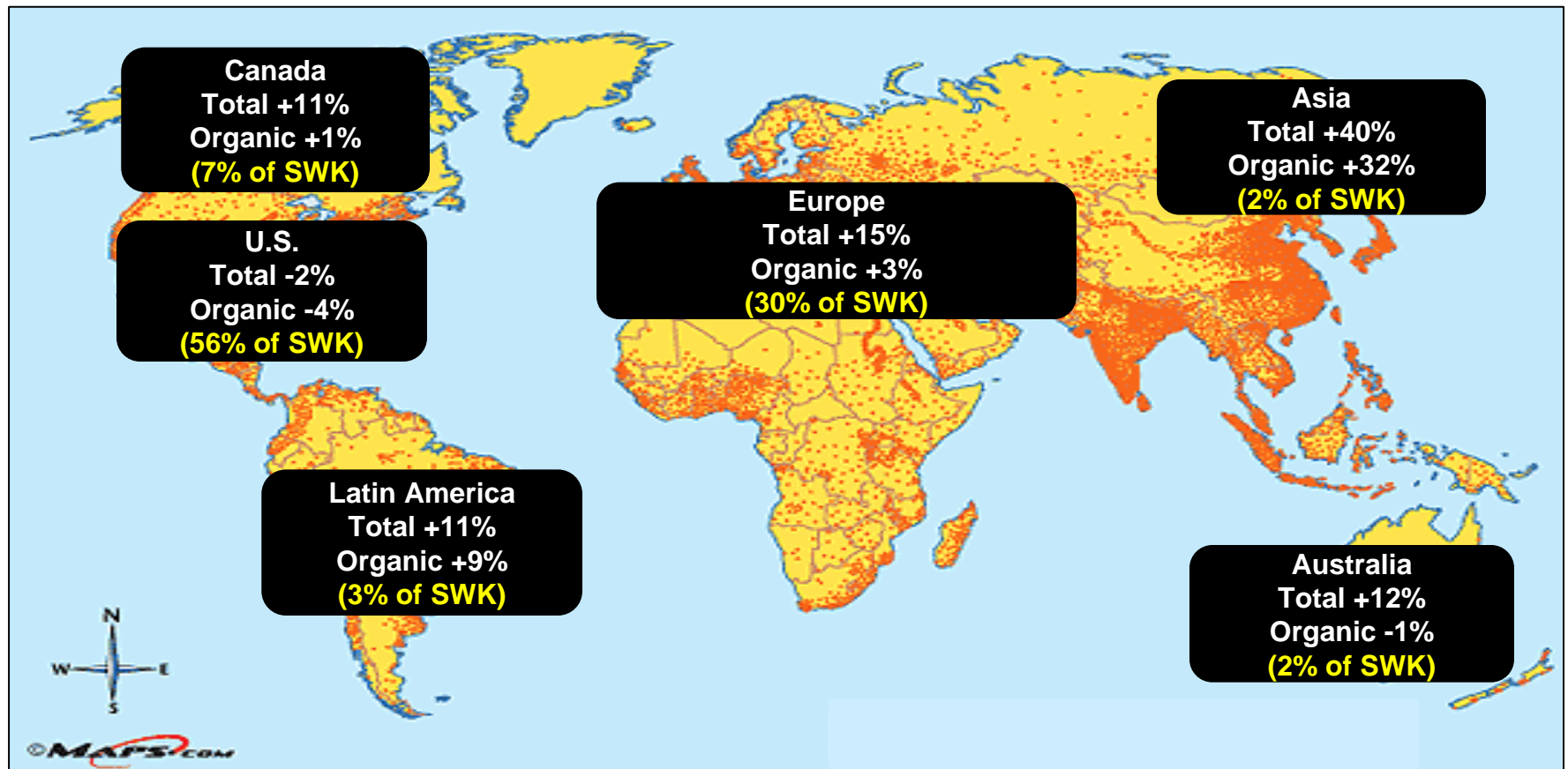
Segment Results

	Total	Organic		Total
		Price	Vol.	
CDIY	4%	3%	(4%)	(1%)
Industrial	12%	2%	0%	2%
Security	<u>1%*</u>	<u>3%</u>	<u>(5%)</u>	<u>(2%)*</u>
	5%	3%	(3%)	0%

* w/o Hardware "Total" + 7%; "Organic Total" + 4%

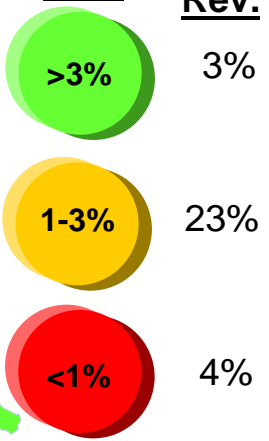
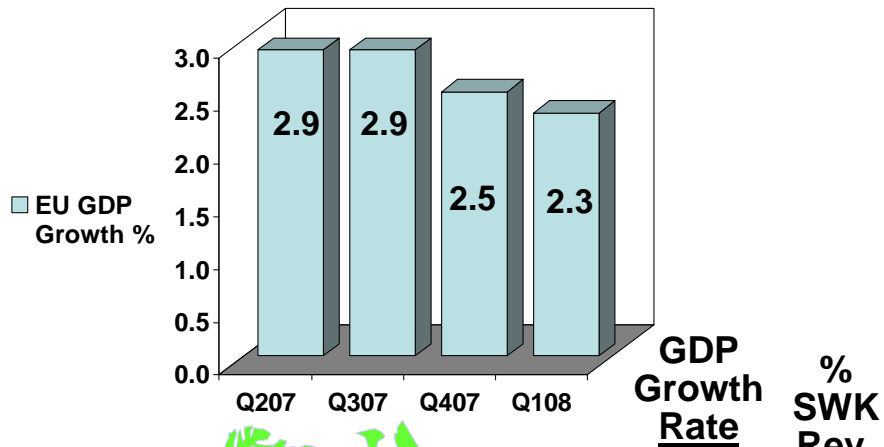
...Organic Growth Subdued By Weak U.S. Market Conditions

Geographic Diversification Yielding Results...



...Significant Growth Achieved Outside Of The U.S.

Key Market Update



UK

- Housing Starts ↓27% YTD; Worst Since 1945
- DIY ↓3 - 4%
- Auto / Industrial Flat To Slightly Down

France

- Construction Solid At +5% YTD, But Slowing
- DIY ↓1 - 2%
- Auto Repair → Flat To Down Slightly
- Industry Positive At +3 - 5%, But Flattening

Italy

- Construction Down 15% YTD
- DIY Basically Flat
- Industrial Flattish (GDP At 0% '08 Estimate)
- Automotive Down ~ 10%

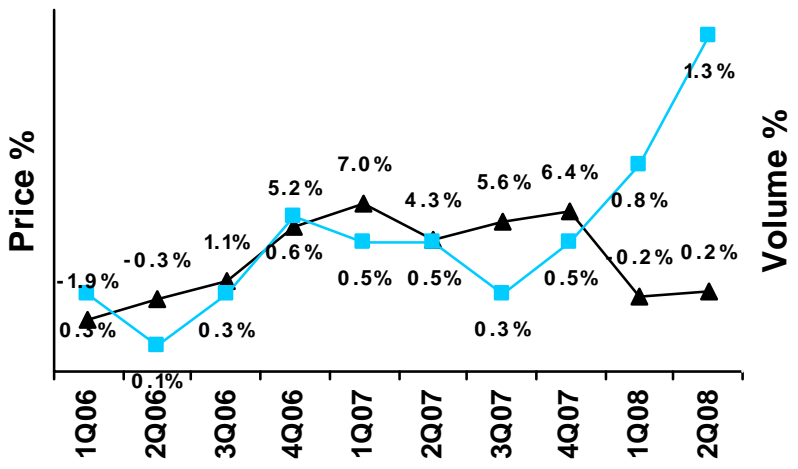
Iberia

- Construction Permits Down 44% YTD
- Automotive Down Double-Digits
- GDP Basically Flat

European Markets Far From Buoyant Conditions

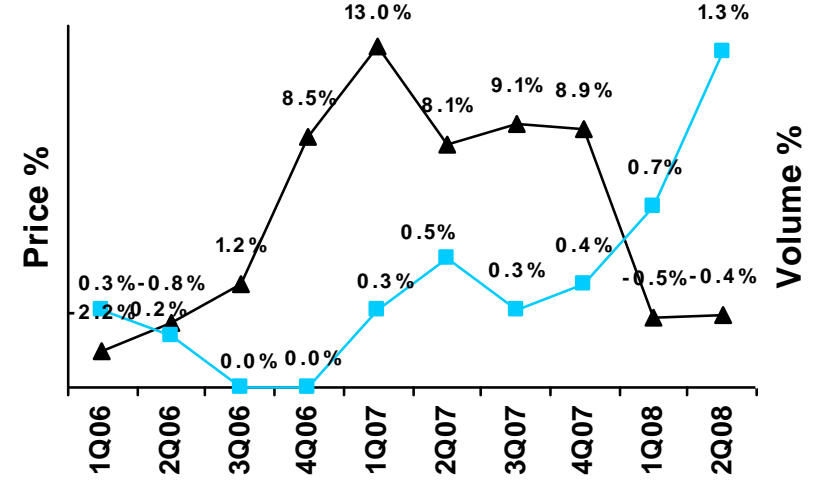
Stanley European Performance Still Solid, But Organic Growth Has Slowed...

Total Europe*



▲ Org. Vol. ■ Price

Europe CDIY*



▲ Org. Vol. ■ Price

* Calculated On A Two Qtr. Rolling Average Basis

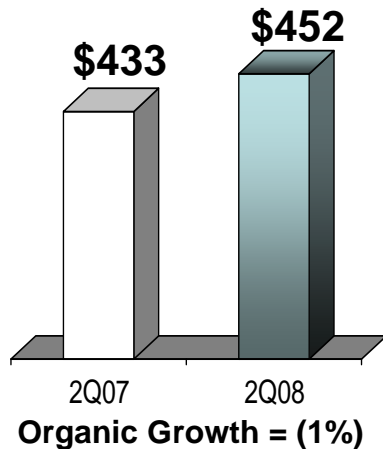
- Mitigating Factors**
- New Product Innovation Accelerating
 - Brand Support On The Rise
 - New Facom Catalog
 - Revenue Synergies From Facom Acquisition

...Stanley Europe Operating From A Position Of Strength In a Weakening Mkt.

Revenues +4% Powered By Strong Europe Performance

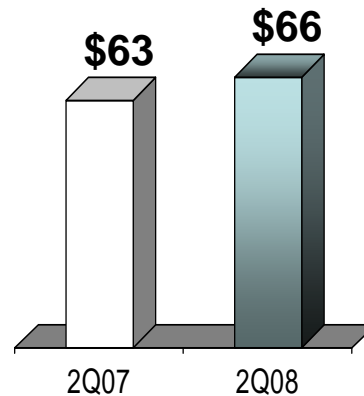
Revenues

+ 4%



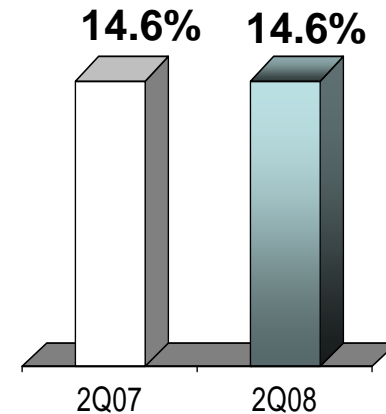
Segment Profit

+ 4%



Segment Profit Rate

0 Bps



Sales up 4% due to strong performance outside U.S.

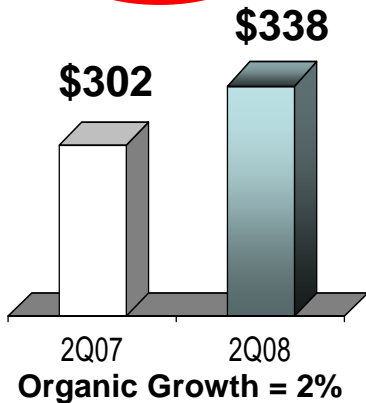
U.S. continues to be adversely impacted by weak residential construction market, however, results encouraging given extent of volume softness within U.S. retail channels

Segment profit rate holds to prior year levels at a healthy 14.6% despite significant inflation and volume pressures

Industrial Achieves Double-Digit Revenue Growth

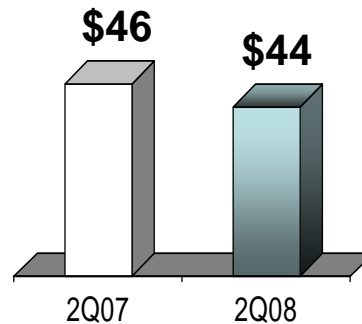
Revenues

+ 12%



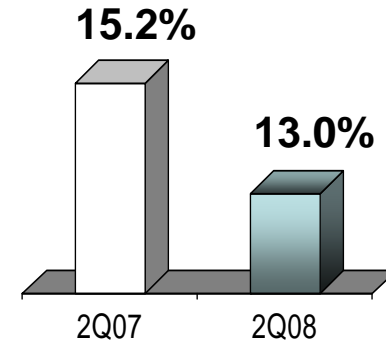
Segment Profit

- 4%



Segment Profit Rate

- 220 Bps



Industrial & Automotive Repair Tools revenues +10% (+1% organic)

- Strong Facom performance continues; revenues up 20% (4% organic)
- Americas revenues down due to continued weak U.S. economy

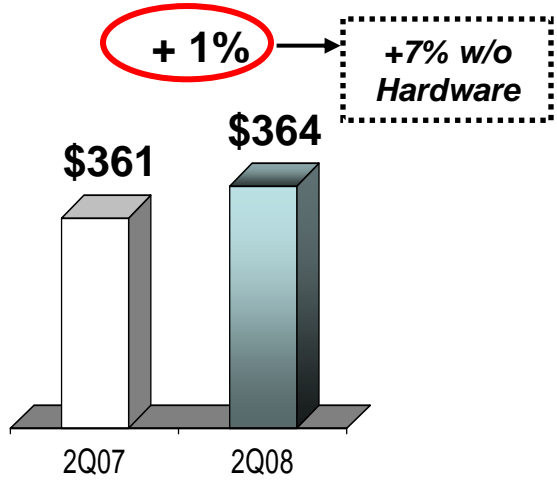
Engineered Solutions revenues +20% (+11% from Innerspace acquisition)

- Solid organic growth (+7%) fueled by engineered storage

Segment profit down due to inflation, product mix and strategic investments

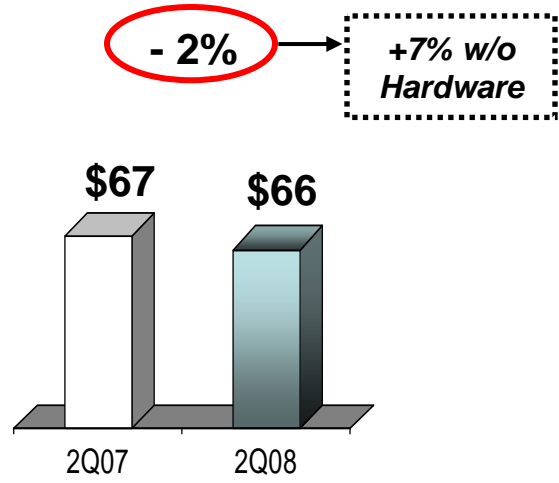
Strong Revenue & Profit Performance Excluding Hardware

Revenues

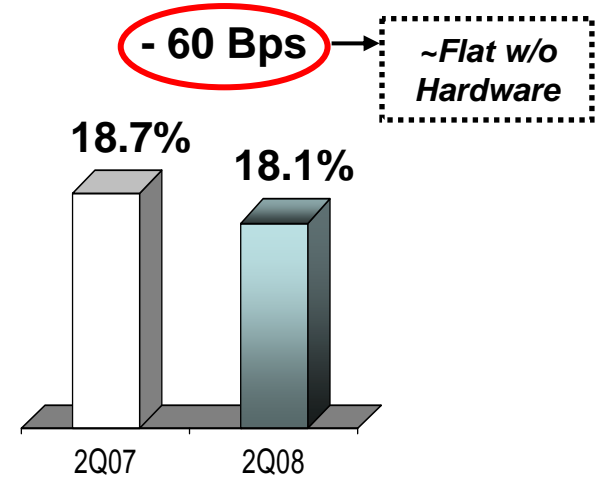


Organic Growth = (2%)

Segment Profit



Segment Profit Rate



Convergent Security Solutions (CSS)

- +9% sales growth (+5% organic); solid operating leverage
- U.S. Systems Integration margins expand from highly successful reverse integration efforts

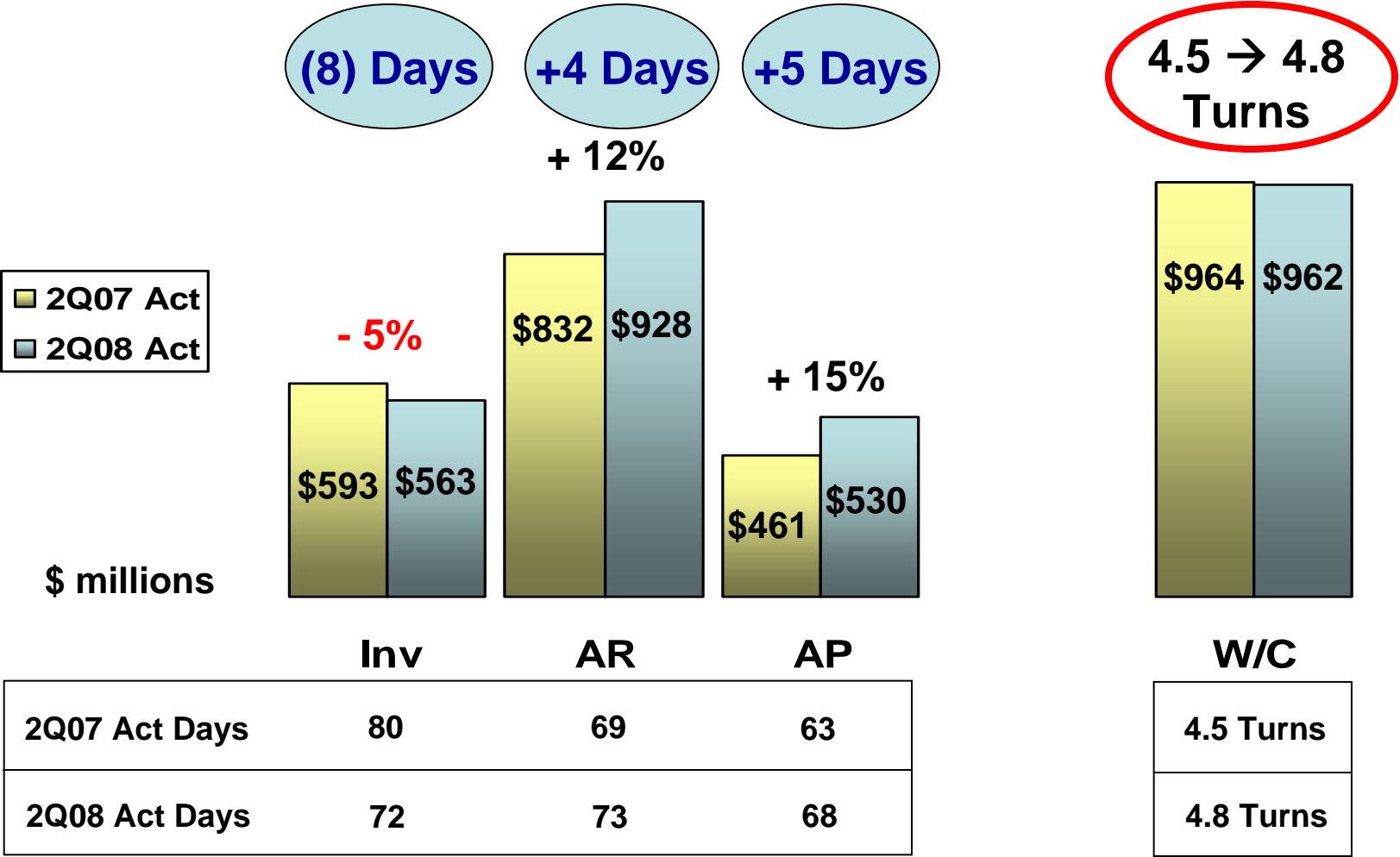
Mechanical Access Solutions (MAS)

- Revenues up 6% (+2% organic) ex-Hardware (Hardware revenues down \$18M due to THD loss (mid-4Q'08 anniversary date))

Robust segment profit rate maintained at 18.7% (ex-Hardware)

2Q08 Working Capital

Working Capital Turns Increase 7% Vs. Prior Year...



...Due To Inventory & Payables Improvements

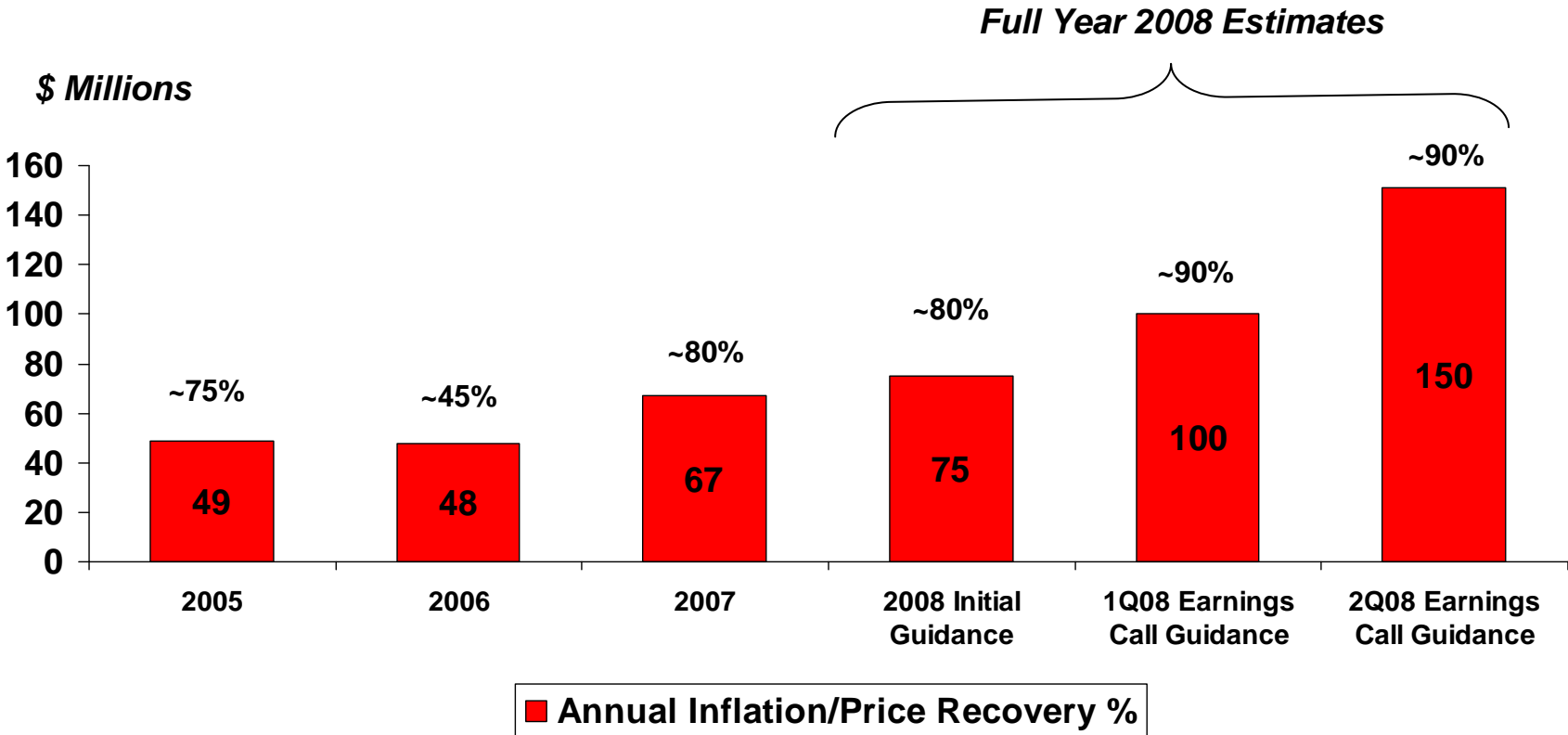
2Q08 & YTD08 Free Cash Flow

YTD Free Cash Flow Approximates Prior Year...

(\$ million)	2Q08	2Q07	V\$	08 YTD	07 YTD	V\$
Net Income	\$ 80	\$ 85	\$ (5)	\$ 148	\$ 153	\$ (5)
Deprec/Amort	41	41	0	81	78	3
Working Capital	(7)	(8)	1	(24)	(30)	6
Receivable Sales	(17)	(5)	(12)	(9)	(2)	(7)
Other	(13)	(11)	(2)	(5)	(3)	(2)
Operating CF	84	102	(18)	191	196	(5)
CapEx	(29)	(17)	(12)	(53)	(44)	(9)
Free Cash Flow	55	85	(30)	138	152	(14)

...Ex - \$17M 2Q Receivable Securitization Facility Termination

Inflation Pressures Accelerated Within Last 30-45 Days...



...Substantially Mitigated by Timely Pricing Actions

2008 EPS Guidance (January 2008)	\$4.20 - \$4.40
<u>Portfolio Adjustments:</u>	
Discontinued Operations	(\$0.08)
Sonitrol Acquisition	<u>(\$0.02)</u>
Adjusted Jan. 2008 Guidance	\$4.10 - \$4.30
<u>Operating Impacts – July Update:</u>	
Continuation Of 1H08 Recess. Environment	(\$0.50)
Cost Reductions	<u>\$0.20</u>
Updated 2008 EPS Guidance	~\$3.90
Comparable Basis (Before Portfolio Adj.)	\$4.00

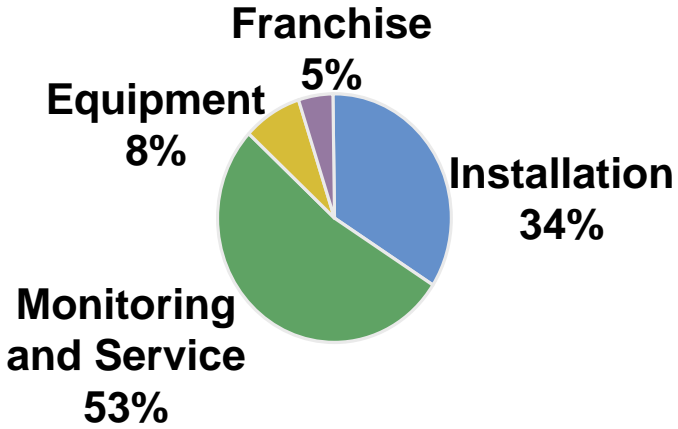
- **Election of Brett Bontrager, V.P. Business Development and President – Stanley Convergent Security Solutions to Executive Officer**
- **Announcement of Agreement to sell CST/berger (\$80M Revenues) for \$205M and Plans to Divest Small, Non-Strategic Businesses During 2008**
- **Acquisition of Xmark for \$48M (\$30M Revenues)**
 - **Develops and Sells RFID – Based Systems to Identify, Locate & Protect People and Assets; Focused on Healthcare Market**
 - **Products Focus on Infant & Wander Protection Plus Hospital Asset Tracking**
- **Acquisition of Sonitrol for \$276M**



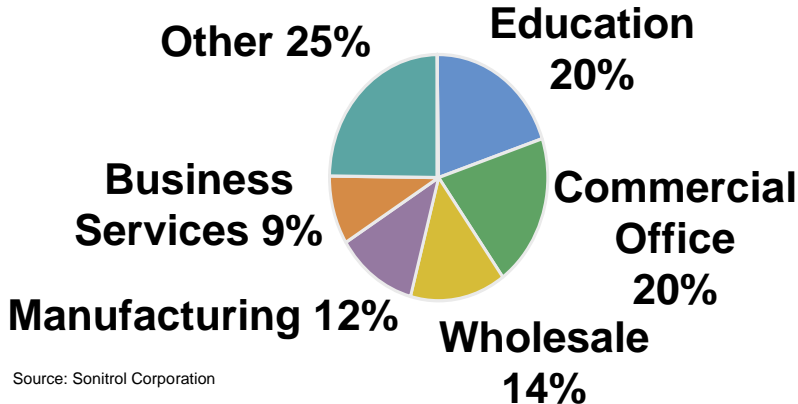
Sonitrol Acquisition

- Defining moment in the industry creating 3rd largest monitoring company in the U.S. based on total revenue.
- Sonitrol has a direct and franchise network with 125,000 customers.
- State-of-the-art security solutions for verified audio intrusion detection, managed access control video surveillance, and fire detection.
- Sonitrol reports the highest apprehension rate and lowest dispatch and false alarm rate in the industry.

Revenue Breakdown



Customer Base



Source: Sonitrol Corporation

Solidifies #2 Market Share In Commercial Monitoring

Company Background

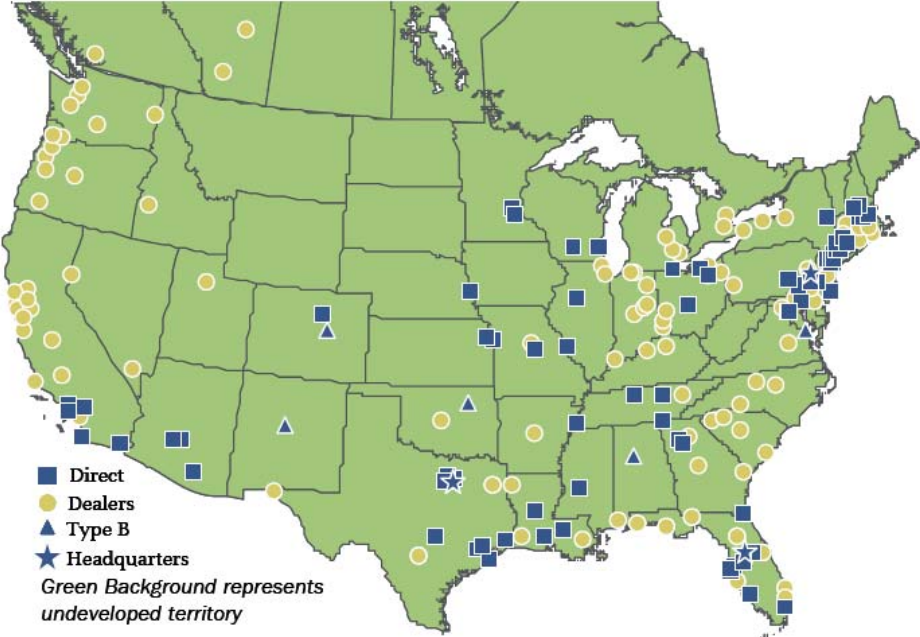
- Headquartered in Berwyn, PA.
- Annual revenues approximate \$110 million.
- Employs a multi-channel distribution strategy with both directly owned and franchised operations; complemented by a national account sales force.
- Stable customer base with low attrition rate and an average customer life of 12 years.

Strategic Benefits

- Increases size of CSS platform to over \$0.7B and the SSS platform to approx. \$1.6B (>30% of Stanley).
- \$0.02 dilutive in '08; \$0.04 accretive in '09; increasing by an incremental \$0.05 each year thereafter.
- Ability to sell verified and traditional monitoring; enhancing customer retention.
- Increases scale in the field and national presence.
- Enhances education & local government sales verticles.

Expands Offering Of Services To National Accounts Customers

Geographic Presence



Source: Sonitrol Corporation

Products and Services

Verified audio intrusion

- Live audio verification
- When an alarm is activated, no siren is sounded

Access control

- Offers Managed Access, eAccess solutions and Enterprise Access
- Managed Access control systems

Video Surveillance

- Uses the latest in digital video technology
- Also offers SonaVision, a monitored video verification service

Fire detection

- Provides 24-hour monitoring of fire detection systems

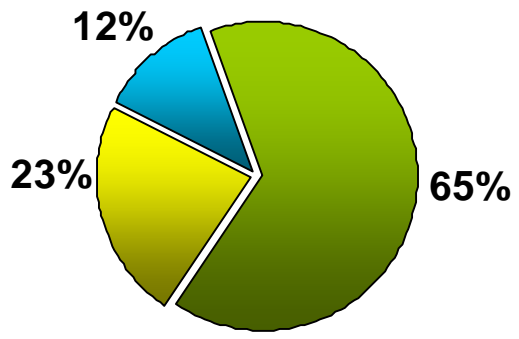
Security equipment

- Sells both Company-manufactured and private label security equipment

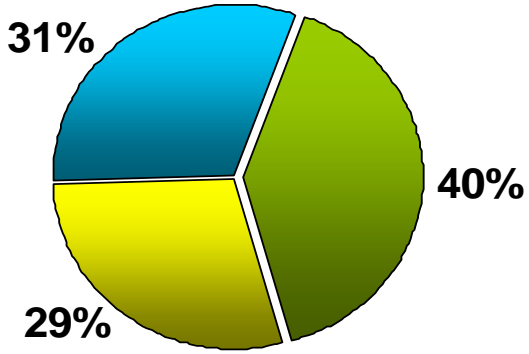
Verified Monitoring Product Delivered To A Diverse Set Of Verticals

Transition Resulting in Stronger, More Diversified Company...

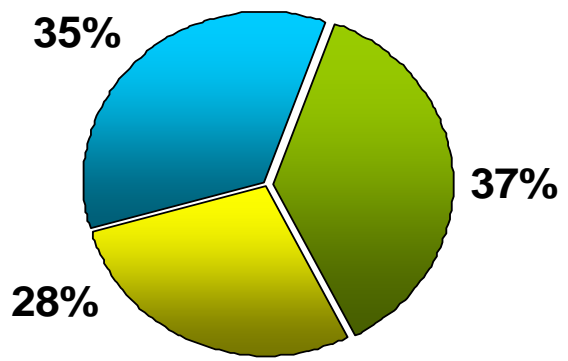
2002 = \$2.6B



2007 = \$4.5B



2007 Adjusted for CST/berger, Sonitrol & Xmark = \$4.6B



- CDIY
- Industrial
- Security

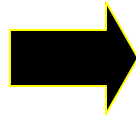
	<u>2002</u>	<u>2007</u>	<u>2007 Adj.</u>
Largest Customer	22%	8%	7%
U.S. Home Ctrs. & MMs	40%	17%	16%

...With Security Rapidly Approaching CDIY In Size

Stanley Continues to Allocate Capital Into Three Major Growth Platforms

Industrial

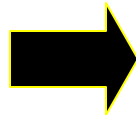
1. Industrial and Automotive Tools



- Consolidate hand tool industry
- Expand into emerging markets
- Invest in engineered storage business

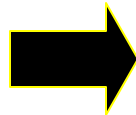
Security

2. Mechanical Security



- Grow organically
- Expand internationally via acquisitions

3. Convergent Security



- Expand organically
- Build upon HSM success
- Participate in global industry consolidation

- ❑ Inflationary conditions have accelerated – strong recovery actions implemented
 - Rigorous price management enabling 90% recovery ('08 Estimate)
 - Ability to recover price in CDIY improving
 - Will encounter lag in price/inflation recovery in 3Q
- ❑ 2H markets offering no sign of rebound
 - Organic growth to be down 1-2% for year (w/steeper volume decrease)
 - Europe slowdown in progress
- ❑ Contingency cost actions have been taken (complete by end of July)
 - \$20M '08 pre-tax benefit (net of \$15M severance)
- ❑ Expect to preserve earnings and cash flow base amidst weak markets
 - '08 Full year EPS from cont. ops ~ flat with '07 (guidance)
- ❑ Positioned for successful '09
 - Strong price momentum
 - \$60M carryover cost benefits (1.2% of sales)
 - Hardware loss anniversaries
 - ~\$30M restructuring in the base
 - Stanley Fulfillment System gaining traction
- ❑ Taking advantage of market conditions to further advance portfolio
 - Sale of CST
 - Sonitrol acquisition
 - X-Mark acquisition

A Legacy of Quality.

STANLEY[®]

MAKE SOMETHING GREAT[™]

A Future of Growth.