

STANLEY

MAKE SOMETHING GREAT™

STANLEY
Security Solutions
Intelligent Integrated Security

Detection

- IPAC™ Web Messenger
- IPAC™ Web Messenger
- IPAC™ Web Messenger

Notification
Technological Alarm Communications

Action

Additional Products & Services

- Keying Systems
- CCTV
- Access Control
- Fire Detection
- Time & Attendance
- Visitor Management
- Commander Integrated Security Control
- Public Address & Voice Alarm

MS-07 Wireless System

- IPAC™ Web Messenger
- IPAC™ Web Messenger

IPAC™ Web Messenger

Visual Reader (Monitor)

Time & Attendance

THE STANLEY WORKS

2Q 2009 Overview

Participants:

John Lundgren – Chairman & CEO

Jim Loree – Executive VP & COO

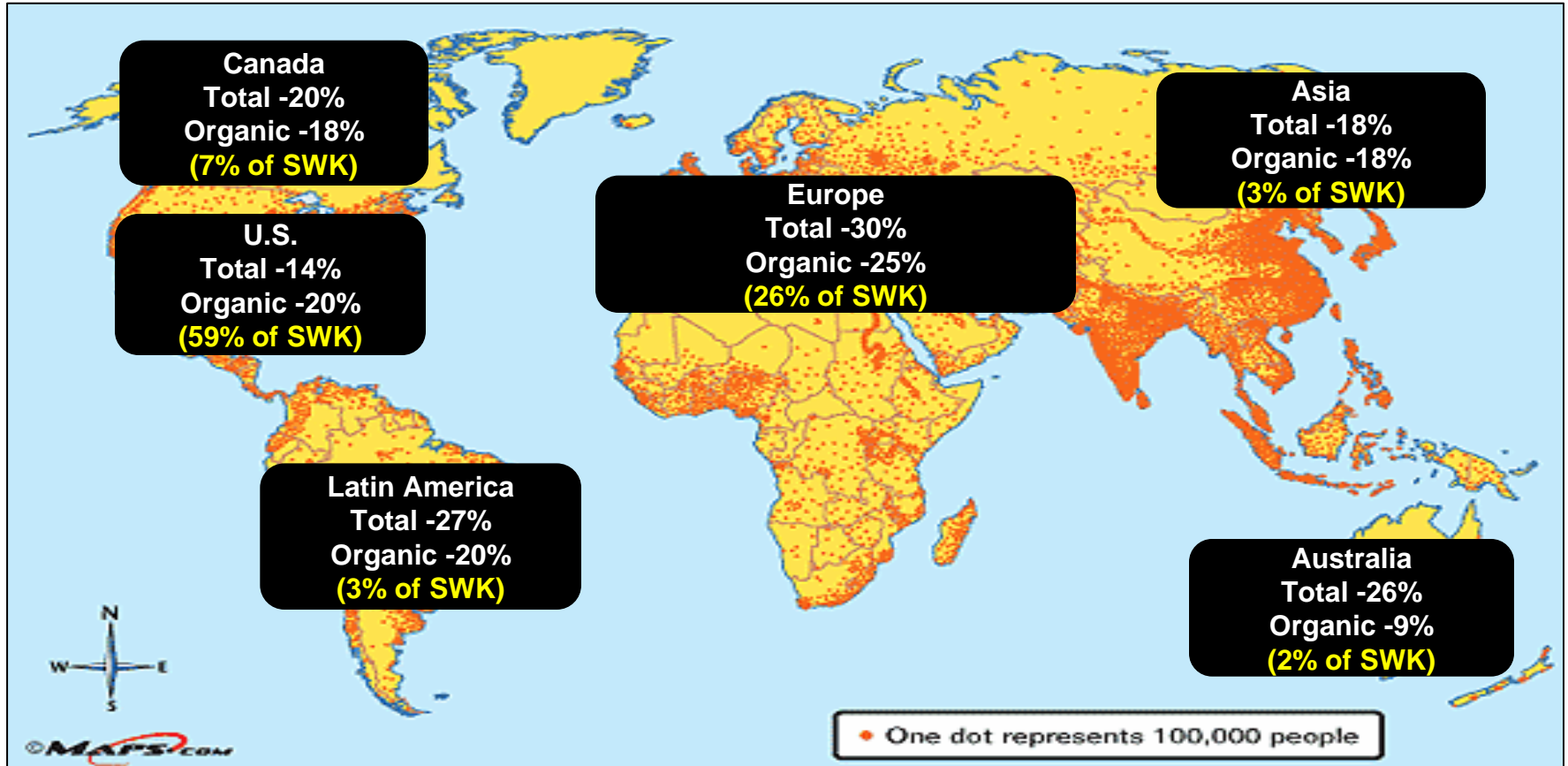
Don Allan – VP & CFO

Kate White – Director of Investor Relations

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 8-K and our recent 1934 Act SEC filings.

- **2Q'09 EPS Of \$0.89 Including A \$0.34 Gain On The Extinguishment Of Debt (Normalized EPS From Continuing Operations Of \$0.55)**
- **\$50 Million Cost Reduction Program Enacted Due To Steeper Than Expected Unit Volume Declines In 2Q. \$25 Million Will Be Realized In 2009.**
- **Record Quarterly Gross Margin Rate Of 39.9% Despite 24% Drop In Unit Volume Versus Prior Year**
- **Security Segment Posts 8% Revenue Growth And 13% Profit Growth**
- **Indications Within CDiy That Year-Over-Year Sales Trends Are Beginning To Show Signs Of Improvement**
- **Dividend Increase For The 42nd Consecutive Year (3.1% to \$0.33)**
- **Stanley Fulfillment System Processes Remain A Top Focus; Majority Of Free Cash Flow Generated From Working Capital**

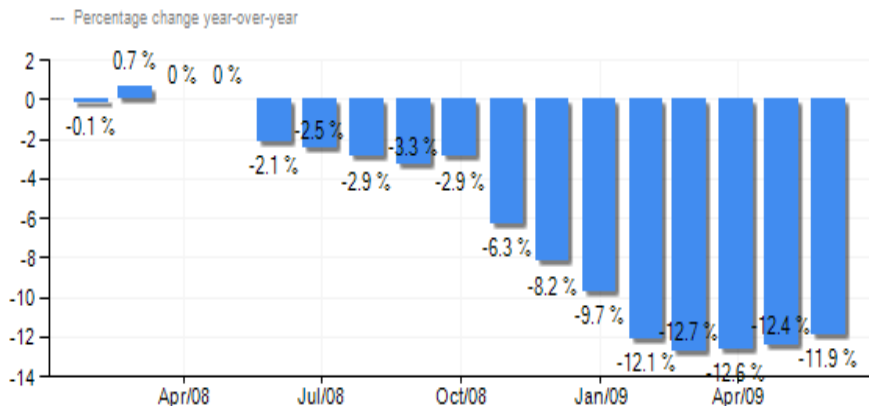
Market Slowdown Has Affected All Regions...



...With U.S. Showing Signs Of Relative Strength

- GDP Declines Accelerated Through 1Q As More Countries Fell Into Recession- Particularly Effects DIY And Industrial And Is Reflected In 2Q Results*¹
- U.S. GDP Outlook Indicates A Continued Decline With A Slight Abatement In 4Q'09*²
- Industrial Production Declines Leveling Off In Europe*¹
- Construction Project Delays Have Accelerated; Abandoned Projects Have Stabilized*³

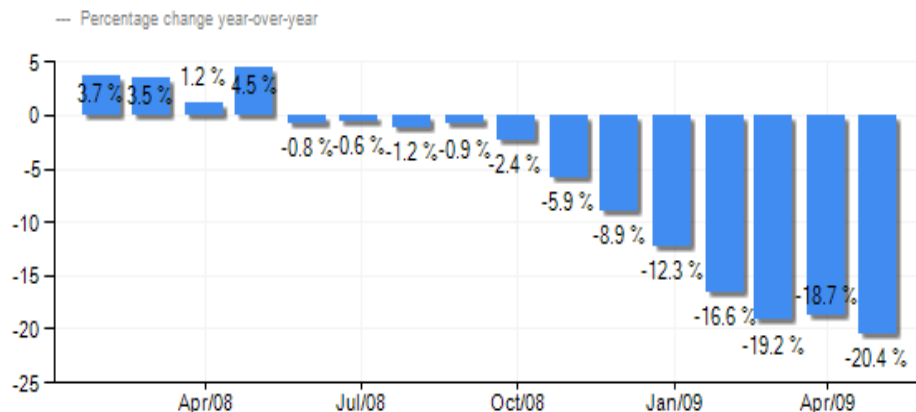
United Kingdom Industrial Production



source: O.N.S.

www.tradingeconomics.com

Euro Area Industrial Production

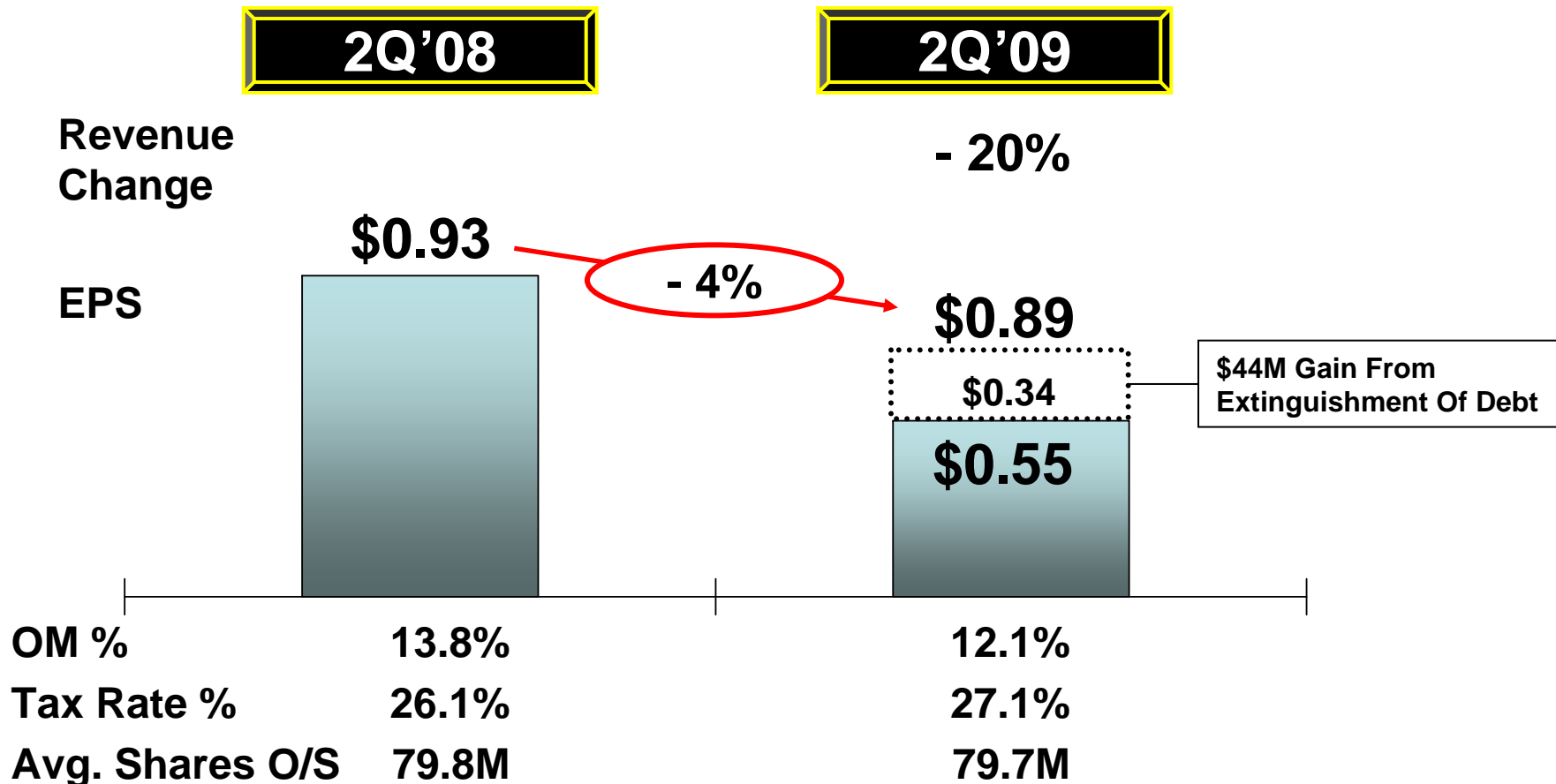


source: European Commission

www.tradingeconomics.com

*1 – European Commission, *2 – Corporate Executive Board, *3 – McGraw Hill Construction
Additional charts can be found in the Appendix

Extinguishment Of \$103 Million Of Debt Provides \$0.34 Gain...



...On Normalized EPS Of \$0.55

2Q Unit Volume Pressures Worsened In All Segments...

\$ millions

PY

CY

1Q Revenues	\$1,071	\$ 913	- \$158	- 15%
2Q Revenues	\$1,152	\$ 919	- \$233	- 20%

Sources Of Growth

	1Q	2Q
Volume	- 19%	- 24%
Price	+ 3%	+ 2%
Organic	- 16%	- 22%
Currency	- 6%	- 4%
Acquisitions	+ 7%	+ 6%
SWK	- 15%	- 20%

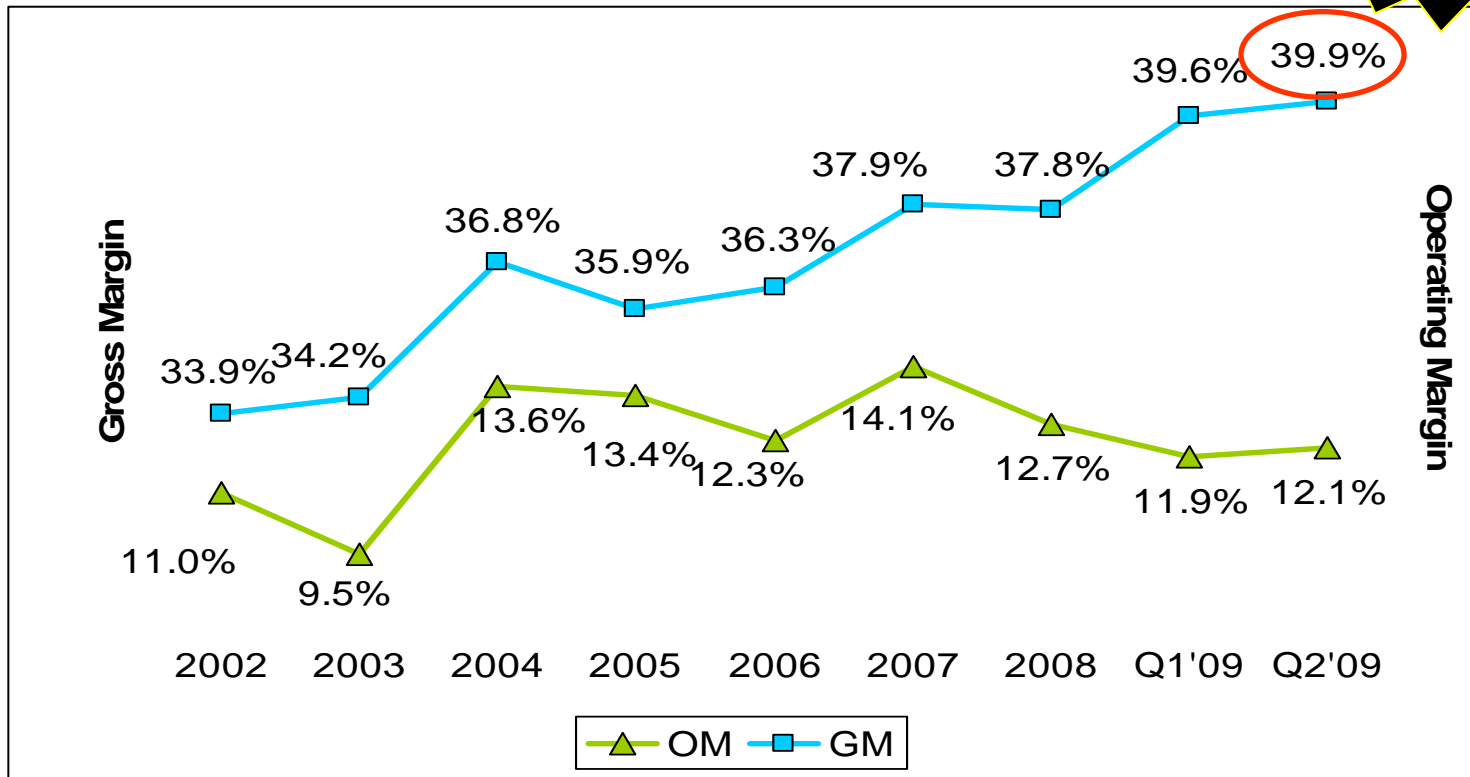
Segment Results

	<u>Total</u>		<u>Volume</u>	
	1Q	2Q	1Q	2Q
CDIY	- 25%	- 28%	- 22%	- 26%
Industrial	- 29%	- 40%	- 26%	- 37%
Security	+12%	+ 8%	- 8%	- 11%
SWK	- 15%	- 20%	- 19%	- 24%

...However, Security Continues To Perform Well

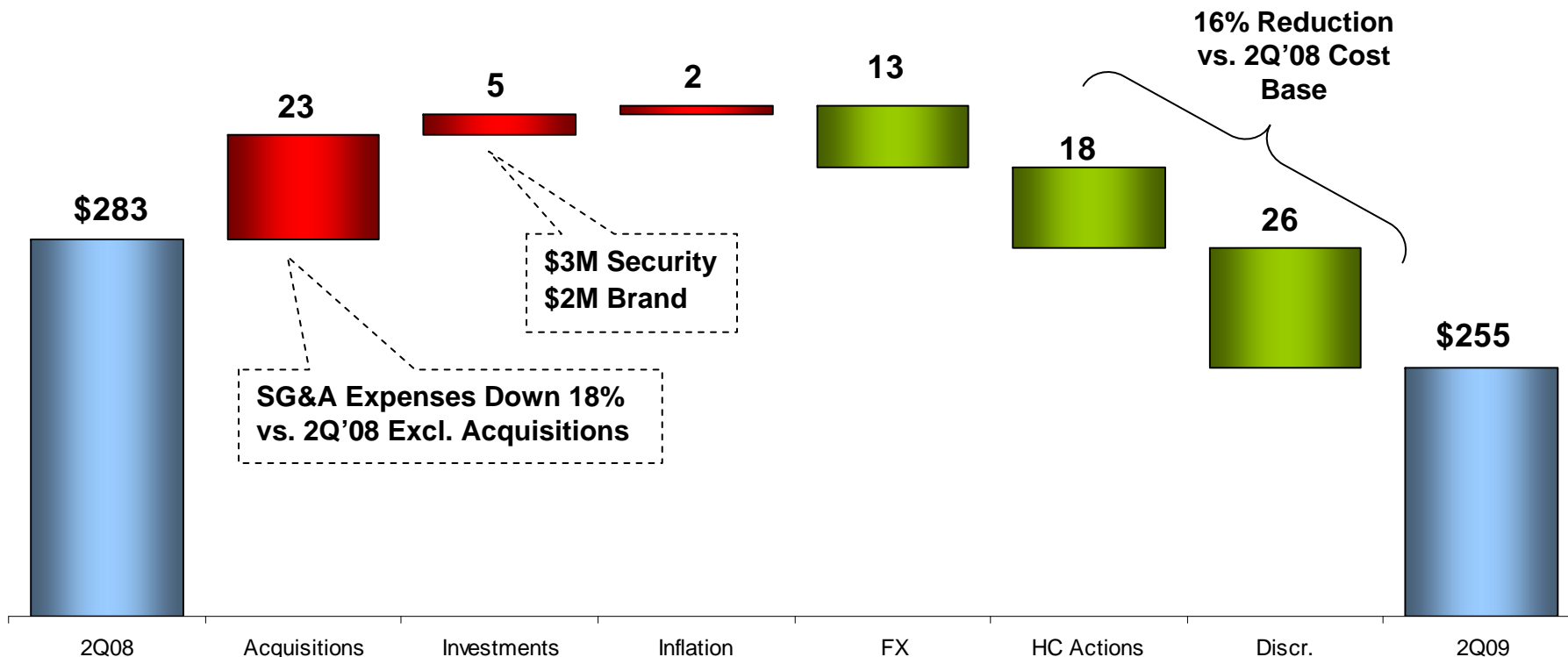
Long-Term Ascension In Margin Rate...

SWK All-Time Record



...Driven By Culture Of SFS Excellence, Successful Productivity Projects And Improved Mix From Acquisition Strategy

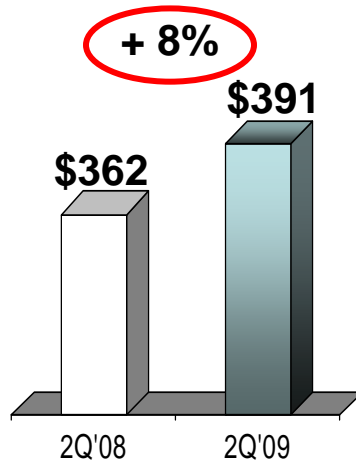
Expenses Down 10% Vs. Prior Year Due To Cost Reduction Actions...



...As Company Continues To Adjust Cost Base

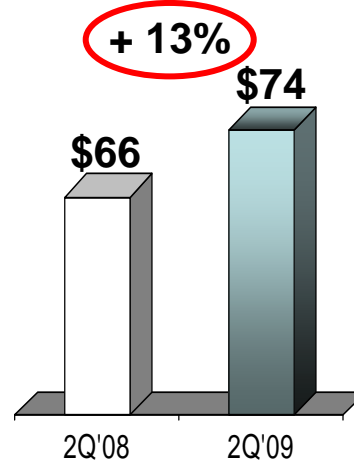
Continued Revenue Growth And Profit Rate Expansion

Revenues

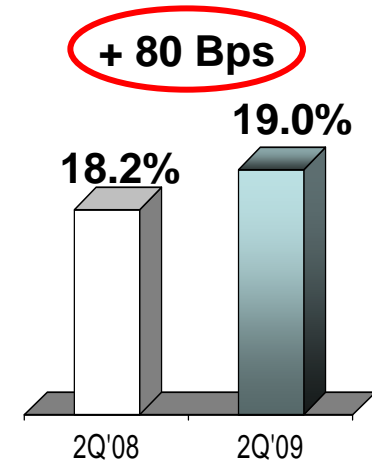


Organic Growth = (8%)

Segment Profit



Segment Profit Rate



Convergent Security Solutions (CSS) Revenues +29%; Profit Rate Expands

- Acquisitions Provided Revenue Growth In Tough Economic Environment, Offset Organic Volume Decline
- Commercial Monitoring Margins Expand From Continued Reverse Integration, Mix Towards Monitoring (Organic RMR +9%) And Acquisition Rate Accretion
- RMR From Core Commercial Accounts (~2/3% Of RMR Base In 2009) Increased Significantly To Well-Outpace Declines Within National And Systems Integration Accounts

Mechanical Access Solutions (MAS)

- Profit Rate Down Slightly Despite A 7% Revenue Decrease As Price Realization And Cost Reduction Offset Volume Pressures
- Working Capital Levels Down \$16M Versus 2Q'08

Improving Mix In Electronic Security

Installation Revenue Is Down Across All Lines...

Concurrently, RMR As A % Of Install Revenue Has Been Growing...

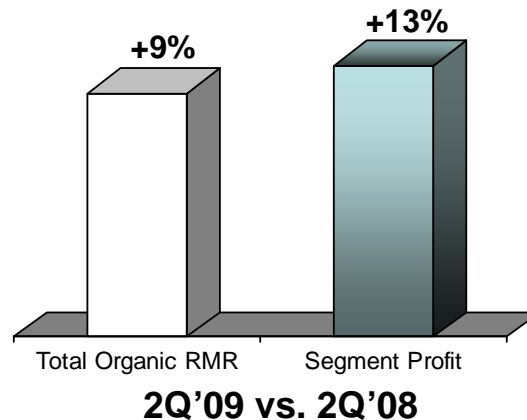
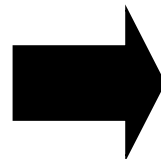
<u>Type Of Business</u>	<u>% Of Total U.S. Install Rev.</u>	<u>U.S. Organic Install Volume</u>	<u>RMR Sales As A % Of Install Revenue</u>	
			<u>'08</u>	<u>'09</u>
Large Projects	15%	↓ 30%+	0.7%	0.9%
National Accounts	38%	↓ 20%+	1.0%	1.1%
Core Commercial	<u>47%</u>	↓ 10%	1.3%	2.1%
	<u>100%</u>			

...With Much Smaller Decline In Higher Margin Small Accounts

...With A Marked Improvement In Core Commercial, Driving Even Higher Profitability

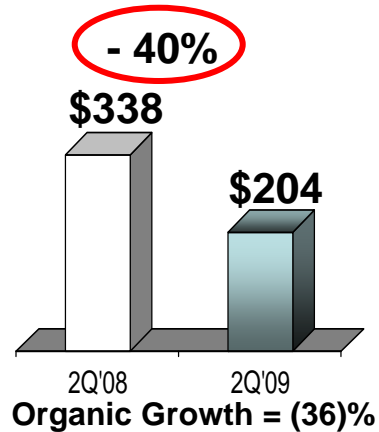
Convergent's Strategic Actions Are Paying Off...

- Increased Core Commercial sales force by 11%
- Strong Emphasis On Recurring Revenue
- Decreased Dependence On Lower Margin, More Cyclical Large Project Business

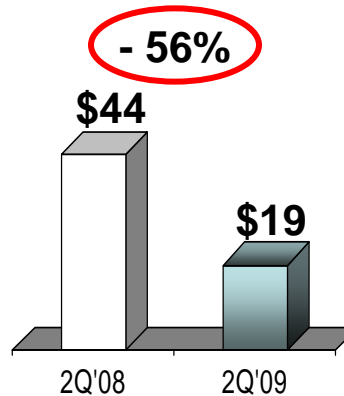


Profit Rate Pressured As Revenue Contracted Sharply

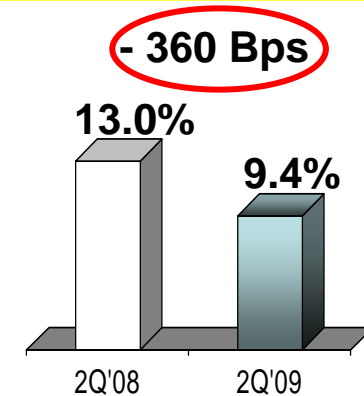
Revenues



Segment Profit



Segment Profit Rate



Industrial & Automotive Repair Tools

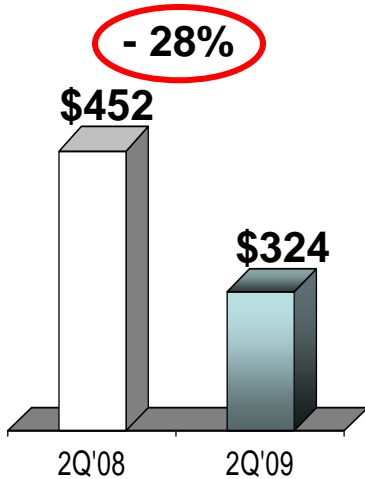
- Industrial Channels Experienced Greater Declines Than Automotive Channels Due To Global Production Slowdown
- Unit Volume Declines Equal In U.S. and Europe (-39% In Both Regions)
- ~50% Of Unit Volume Declines Due To Customer Inventory Corrections As Opposed To ~1/3 In 1Q'09
- Cost Base Right-Sizing Still In Progress Due To Longer Time Frame Associated With European Actions
- Higher Than Expected Profits At MAC
- Continuing To Leverage Facom's World-Class New Product Development Processes Across Segment

Engineered Storage

- Storage Revenues Fell 30%, On Par With Declines Experienced In 1Q'09

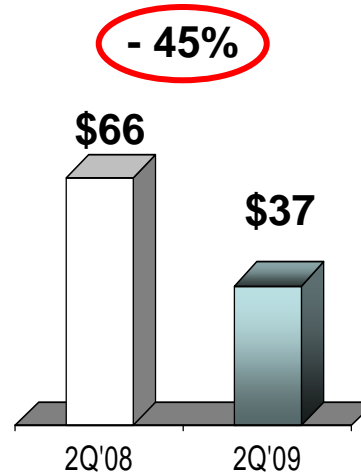
Maintaining Double-Digit Profit Rate Despite Significant Mkt. Pressures

Revenues

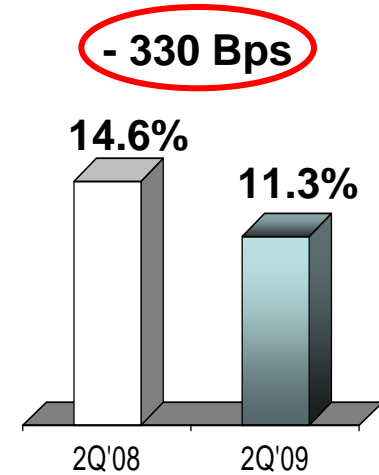


Organic Growth = (23%)

Segment Profit



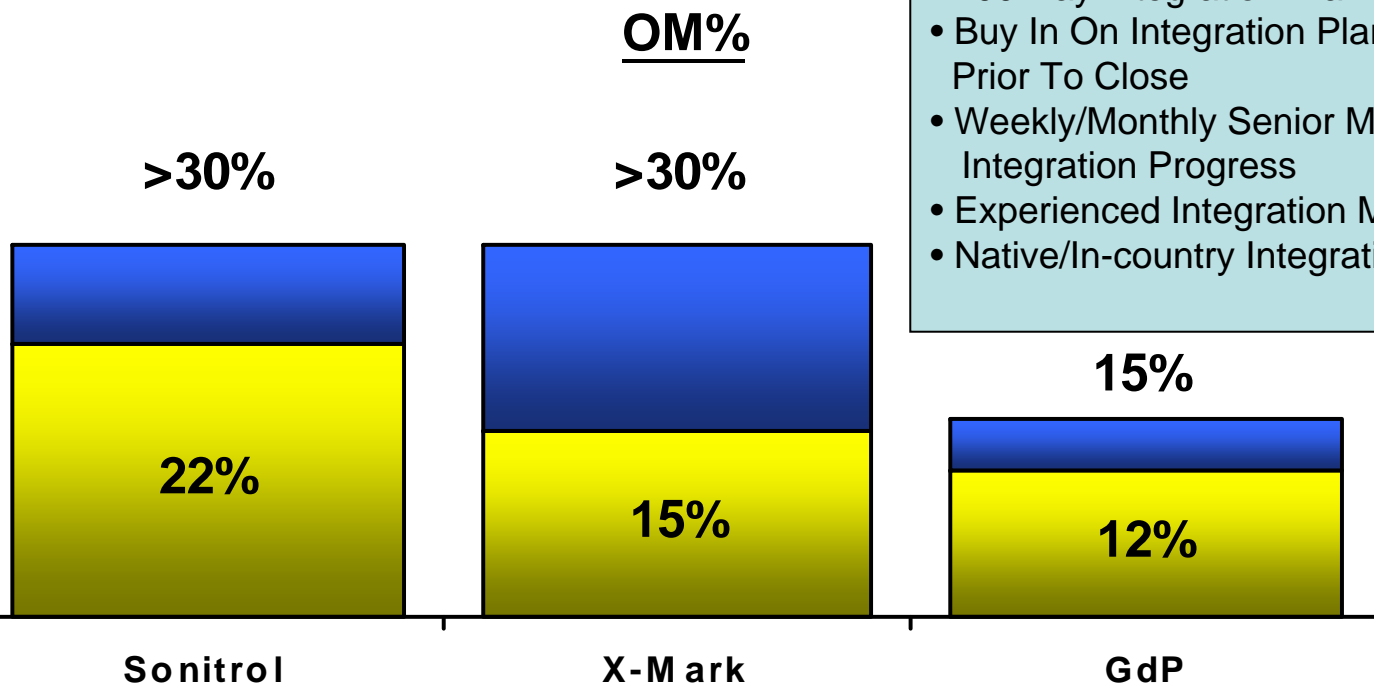
Segment Profit Rate



Unit Volume Declined 26% As Recession Continues To Affect All Markets

- Organic Revenue Declined Most Notably In Europe (1Q -20%, 2Q -25%) And Asia (1Q -11%, 2Q -22%); U.S. (1Q -17%, 2Q -23%)
- Largest Negative Revenue Impact From Foreign Exchange Amongst All Three Segments (5%)
- Experiencing Choppy Ordering Patterns From U.S. Customers But No Further Destocking Anticipated
- Productivity Projects Continue To Contribute Meaningful Savings for 2009
- CT&S and Bostitch Integration Well Underway And On Track

Proprietary Integration Process Continues To Drive Significant Synergy Realization

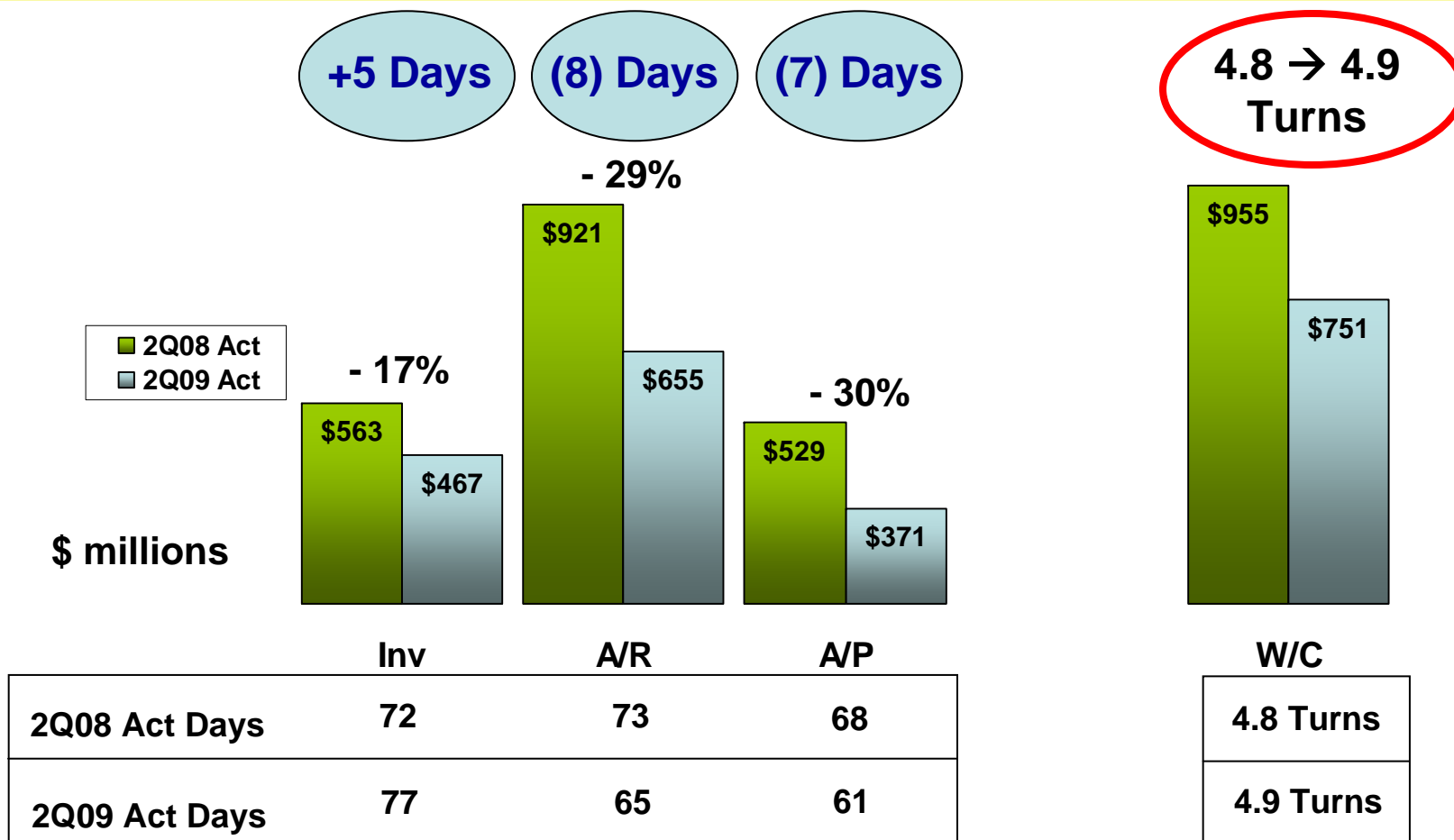


Key Features of Integration Process

- 100 Day Integration Plan Finalized Prior To Close
- Buy In On Integration Plan By Target Management Prior To Close
- Weekly/Monthly Senior Management Meetings On Integration Progress
- Experienced Integration Managers
- Native/In-country Integration Team

■ Pre-Acquisition ■ Post-Acquisition

Working Capital Turns Improve On A 2Q'09 20% Revenue Decline...



...As A/R Focus Outweighs Adverse Volume Impacts To Inv. & A/P

2Q'09 Free Cash Flow Of \$43 Million...

(\$ million)	2Q'09	2Q'08	V\$	09 YTD	08 YTD	V\$
Net Income	\$ 70	\$ 78	\$ (8)	\$ 107	\$ 145	\$ (38)
Deprec/Amort	49	41	8	97	81	16
Restructuring	10	17	(7)	19	20	(1)
Working Capital	30	(25)	55	(16)	(33)	17
Other	<u>(91)</u>	<u>(27)</u>	<u>(64)</u>	<u>(135)</u>	<u>(22)</u>	<u>(113)</u>
Operating CF	68	84	(16)	72	191	(119)
CapEx	<u>(25)</u>	<u>(29)</u>	<u>3</u>	<u>(47)</u>	<u>(54)</u>	<u>7</u>
Free Cash Flow	43	55	(13)	25	137	(112)

...As Working Capital Initiatives Result In YOY Benefit

Conservative Financial Position Maintained...

	<u>2Q'09</u>	<u>2Q'08</u>	<u>VPY\$</u>
Cash	156	384	(228)
Other Assets	4,581	4,671	(90)
Debt	1,548	1,620	(72)
Other Liabilities	1,369	1,601	(232)
Equity	1,820	1,833	(13)
Total Capital	3,368	3,453	(85)
Debt/Capital	46%	47%	
Adj. Debt/Capital	34%-37%	35%-38%	

...~\$200M Deleveraging Still A Priority For 2009

EPS (▲ vs. Last Guidance)

- Revised 2009 Unit Volume (\$1.00)
(-18% To -20%)
- Gross Margin Rate Improvement +\$0.76
(38-39% in 2H'09)
- New Restructuring Program +\$0.24
- Gain on Debt Extinguishment +\$0.34

All Other Factors (i.e. FX, Previous Cost Actions, Acquisitions and Restructuring Charges) Relatively Consistent With Previous Guidance

2009 EPS Guidance Range of \$2.34 - \$2.84

Free Cash Flow

- Expect Approximately \$300M In Free Cash Flow
- Predicated On Approximately 10% Improvement In Working Capital Turns From Year-End 2008

Stanley Fulfillment System Process Controls To Drive Result

- Well Positioned To Continue To Gain Market Share
- Gross Margin Success Stories Of 1Q And 2Q Foreseen As Largely Maintainable For The Full Year
- Continued Focus On Paying Down Debt
- Dedicated To Ongoing Success Of SFS Both As A Source Of Cash And A Competitive Advantage

Upcoming Conferences:

UBS conference in San Francisco on August 11th

Morgan Stanley conference in New York on September 1st

ASIS Security conference in September (21st thru 24th)

Imperial Security Conference in New York on November 5th

Robert Baird Industrials Conference in Chicago on November 10th

Merrill/Banc of America Conference in New York on December 8th

Analyst Day at the NYSE on November 17th

A Legacy of Quality.

STANLEY[®]

MAKE SOMETHING GREAT[™]

A Future of Growth.

2009 Guidance Factors

2008 GAAP EPS Actual	\$2.82*
Unit Volume -18% To -20%	(\$3.90 - \$3.40)
Currency Impact (based on current rates)	(\$0.50)
2008 Cost Reduction Initiatives	\$1.75
1Q'09 Cost Reduction Initiatives (net of reinvestment)	\$0.28
2Q'09 Cost Reduction Initiatives	\$0.24
Gross Margin Rate Improvement	\$0.76
Acquisitions (GdP, Sonitrol, Xmark & ScanModul)	\$0.10
Restructuring (lower 2009 charges vs. 2008)	\$0.45
	<u>\$2.00 - \$2.50</u>
Gain From Debt Extinguishment	\$0.34
2009 GAAP EPS Guidance	<u>\$2.34 - \$2.84</u>

* EPS prior to
recast

July '09 Actions:

- \$50M annualized cost actions
- ~50% impact in '09
- ~35% headcount-related

Total '09 Impact

- \$265M cost savings
- ~ 60% headcount-related
- 2010 impact approximately \$25M

'09 Restructuring Summary

- \$45M '09 restructuring
- Large majority of restructuring cost is cash-related

	2Q'09 Reported	\$313MM ETPS 50% ADJ FACOM '05	\$320MM Equity Unit 50%-75% ADJ HSM '07		2Q'09 ADJ'D*	
			50%	75%	50%	75%
Cash	156					
Other Assets	4,581					
Debt	1,548	-156	-160	-240	1,232	1,152
Other Liabilities	1,369					
Equity	1,820	156	160	240	2,136	2,216
Total Capital	3,368					3,368
Debt/Capital	46%					
Adj. Debt/Capital*					37%	34%

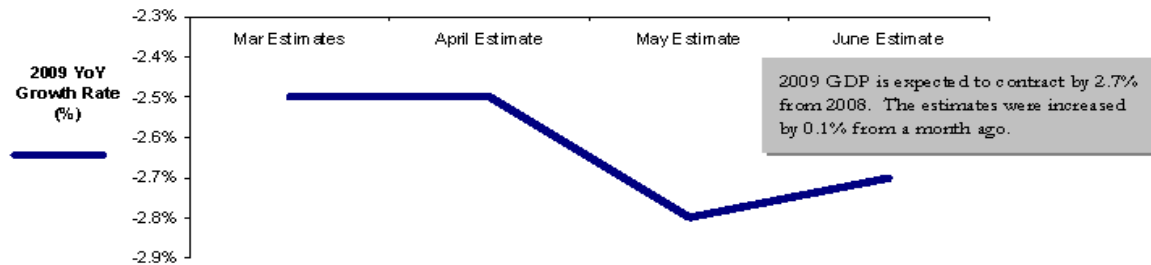
* The adjustments for equity content in the ETPS and Equity Units are consistent with the treatment by the nationally recognized statistical ratings organizations that rate the company's debt securities and, thus, the adjusted debt to capital ratio is considered a relevant measure.



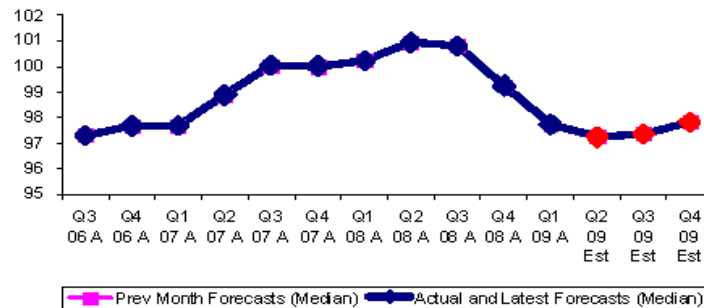
U.S. GDP Forecast

Economist Estimates: Economists are anticipating year-over-year quarterly GDP declines in every quarter of 2009 even though sequential quarterly GDP growth will resume after Q2 2009.

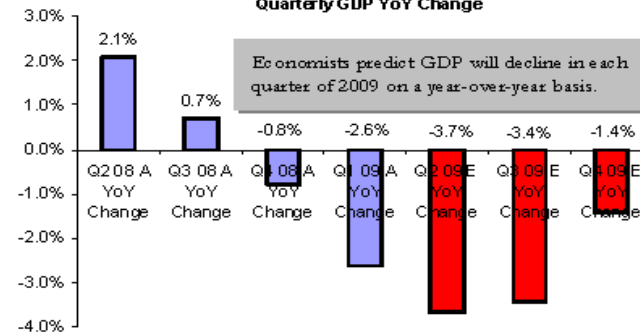
Full Year Median GDP Forecast - Change in Economist Forecasts



Quarterly GDP Trend - US (Indexed to Q4 07 GDP)



Quarterly GDP YoY Change



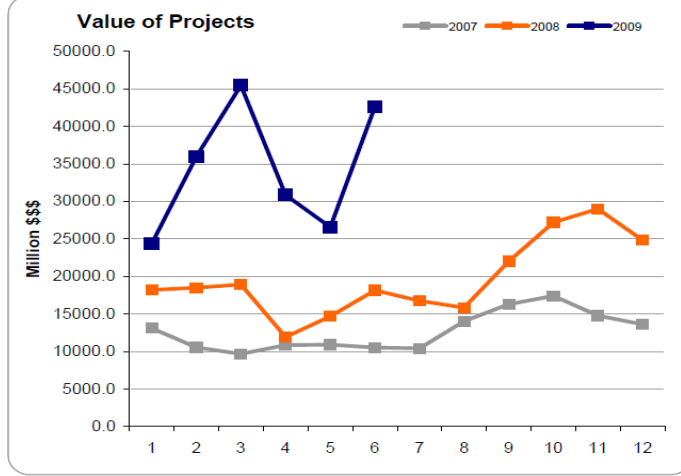
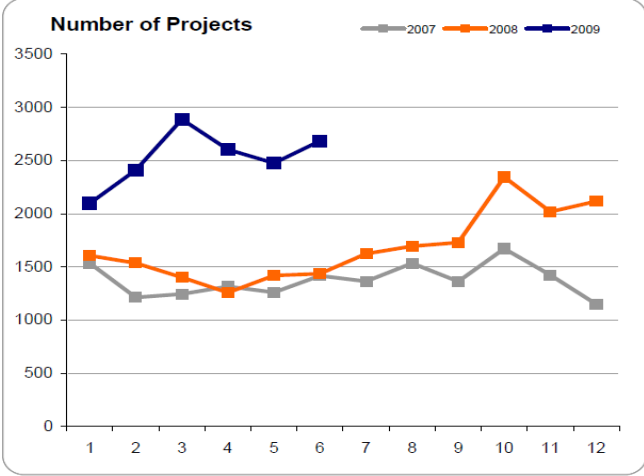
Source: Corporate Executive Board

Source: Bloomberg, Corporate Executive Board research

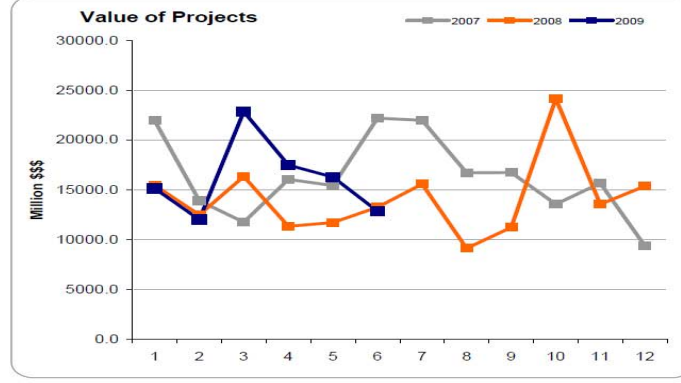
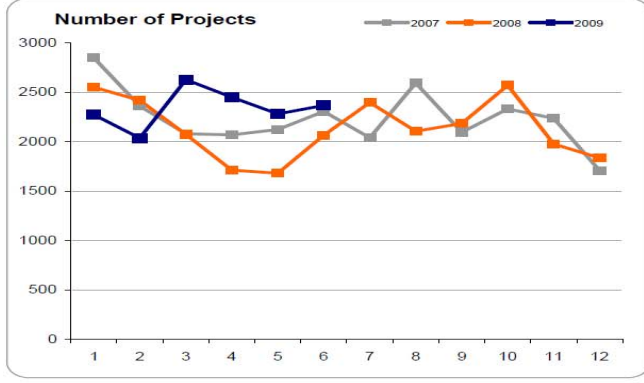
McGraw Hill
CONSTRUCTION

Abandoned & Delayed Report
McGraw-Hill Construction Project News Database

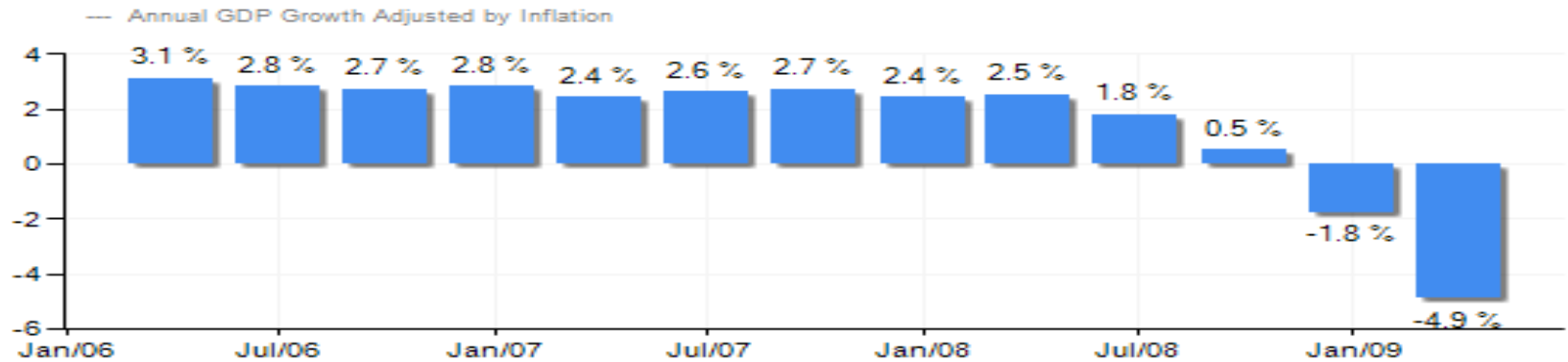
Delayed Projects



Abandoned Projects



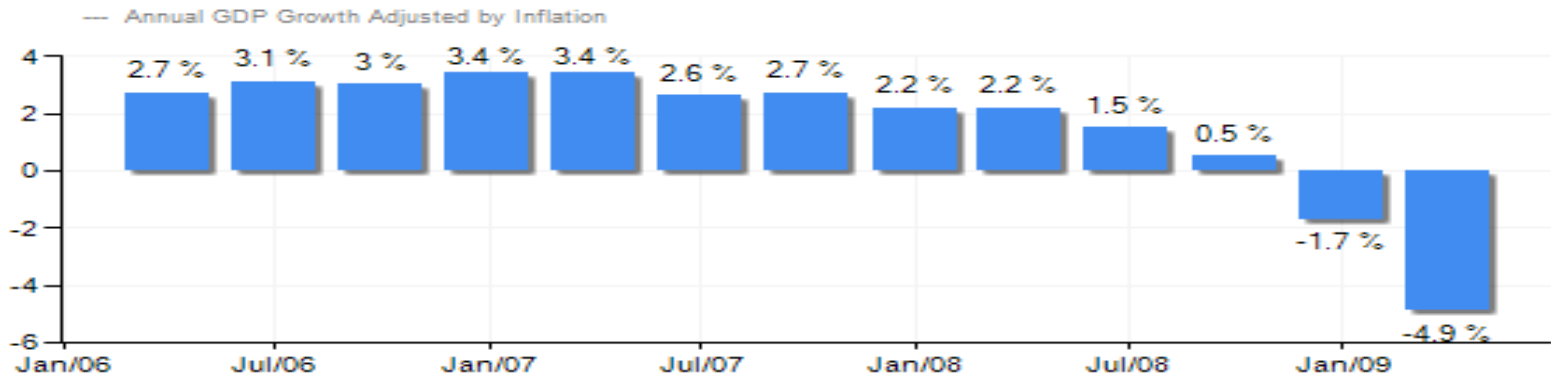
United Kingdom GDP Growth Rate



source: O.N.S.

www.tradingeconomics.com

Euro Area GDP Growth Rate



source: European Commission

www.tradingeconomics.com