

THE STANLEY WORKS AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, Millions of Dollars Except Per Share Amounts)

| | FIRST QUARTER | |
|---|----------------------|-------------|
| | 2009 | 2008 |
| NET SALES | \$ 913.0 | \$ 1,071.0 |
| COSTS AND EXPENSES | | |
| Cost of sales | 551.9 | 665.1 |
| Gross margin | 361.1 | 405.9 |
| % to Net sales | 39.6% | 37.9% |
| Selling, general and administrative | 252.7 | 274.6 |
| % to Net sales | 27.7% | 25.6% |
| Operating margin | 108.4 | 131.3 |
| % to Net sales | 11.9% | 12.3% |
| Other - net | 30.3 | 20.1 |
| Restructuring charges and asset impairments | 9.1 | 3.2 |
| Income from operations | 69.0 | 108.0 |
| Interest - net | 16.3 | 20.9 |
| EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 52.7 | 87.1 |
| Income taxes | 13.7 | 22.8 |
| NET EARNINGS FROM CONTINUING OPERATIONS | 39.0 | 64.3 |
| Less: net earnings attributable to noncontrolling interests | 0.7 | 0.2 |
| NET EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO COMMON SHAREOWNERS | 38.3 | 64.1 |
| Net (loss) earnings from discontinued operations before income taxes | (1.1) | 3.8 |
| Income taxes (benefit) on discontinued operations | (0.5) | 1.4 |
| NET (LOSS) EARNINGS FROM DISCONTINUED OPERATIONS | (0.6) | 2.4 |
| NET EARNINGS ATTRIBUTABLE TO COMMON SHAREOWNERS | \$ 37.7 | \$ 66.5 |
| BASIC EARNINGS PER SHARE OF COMMON STOCK | | |
| Continuing operations | \$ 0.48 | \$ 0.81 |
| Discontinued operations | (0.01) | 0.03 |
| Total basic earnings per share of common stock | \$ 0.48 | \$ 0.84 |
| DILUTED EARNINGS PER SHARE OF COMMON STOCK | | |
| Continuing operations | \$ 0.48 | \$ 0.80 |
| Discontinued operations | (0.01) | 0.03 |
| Total diluted earnings per share of common stock | \$ 0.47 | \$ 0.83 |
| DIVIDENDS PER SHARE | \$ 0.32 | \$ 0.31 |
| AVERAGE SHARES OUTSTANDING (in thousands) | | |
| Basic | 79,209 | 79,176 |
| Diluted | 79,471 | 80,404 |

THE STANLEY WORKS AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited, Millions of Dollars)

| | <u>April 4, 2009</u> | <u>January 3, 2009</u> |
|---|--------------------------|----------------------------|
| <i>ASSETS</i> | | |
| Cash and cash equivalents | \$ 128.0 | \$ 211.6 |
| Accounts and notes receivable | 659.1 | 677.7 |
| Inventories | 503.7 | 514.7 |
| Other current assets | 100.3 | 90.1 |
| <i>Total current assets</i> | <u>1,391.1</u> | <u>1,494.1</u> |
| Property, plant and equipment, net | 566.1 | 579.8 |
| Goodwill and other intangibles, net | 2,570.1 | 2,596.0 |
| Other assets | 196.4 | 195.6 |
| <i>Total assets</i> | <u>\$ 4,723.7</u> | <u>\$ 4,865.5</u> |
| <i>LIABILITIES AND SHAREOWNERS' EQUITY</i> | | |
| Short-term borrowings | \$ 215.1 | \$ 227.6 |
| Accounts payable | 400.8 | 461.5 |
| Accrued expenses | 482.2 | 507.9 |
| <i>Total current liabilities</i> | <u>1,098.1</u> | <u>1,197.0</u> |
| Long-term debt | 1,385.4 | 1,383.8 |
| Other long-term liabilities | 534.4 | 560.3 |
| The Stanley Works' shareowners' equity | 1,687.0 | 1,706.3 |
| Noncontrolling interests equity | 18.8 | 18.1 |
| <i>Total liabilities and equity</i> | <u>\$ 4,723.7</u> | <u>\$ 4,865.5</u> |

THE STANLEY WORKS AND SUBSIDIARIES
SUMMARY OF CASH FLOW ACTIVITY
(Unaudited, Millions of Dollars)

| | FIRST QUARTER | |
|--|-------------------------|------------------------|
| | 2009 | 2008 |
| <i>OPERATING ACTIVITIES</i> | | |
| Net earnings attributable to common shareowners | \$ 37.7 | \$ 66.5 |
| Depreciation and amortization | 48.0 | 40.8 |
| Changes in working capital | (45.3) | (8.1) |
| Other | (36.8) | 8.5 |
| <i>Net cash provided by operating activities</i> | <u>3.6</u> | <u>107.7</u> |
| <i>INVESTING AND FINANCING ACTIVITIES</i> | | |
| Capital and software expenditures | (21.7) | (25.1) |
| Business acquisitions and asset disposals | (6.0) | (0.5) |
| Cash dividends on common stock | (25.3) | (24.3) |
| Other | (34.2) | 26.6 |
| <i>Net cash used in investing and financing activities</i> | <u>(87.2)</u> | <u>(23.3)</u> |
| <i>Increase (decrease) in Cash and Cash Equivalents</i> | (83.6) | 84.4 |
| <i>Cash and Cash Equivalents, Beginning of Period</i> | <u>211.6</u> | <u>240.4</u> |
| <i>Cash and Cash Equivalents, End of Period</i> | <u><u>\$ 128.0</u></u> | <u><u>\$ 324.8</u></u> |
| <u>Free Cash Flow Computation</u> | | |
| Operating Cash Flow | \$ 3.6 | \$ 107.7 |
| Less: capital and software expenditures | (21.7) | (25.1) |
| Free Cash Flow (before dividends) | <u><u>\$ (18.1)</u></u> | <u><u>\$ 82.6</u></u> |

Free cash flow is defined as cash flow from operations less capital and capitalized software expenditures. The Company believes this is an important measure of its liquidity, of its ability to fund future growth and to provide a return to the shareowners. Free cash flow does not reflect, among other things, deductions for mandatory debt service, other borrowing activity, discretionary dividends on the Company's common stock and acquisitions.

The change in working capital is comprised of accounts receivable, inventory and accounts payable.

THE STANLEY WORKS AND SUBSIDIARIES
BUSINESS SEGMENT INFORMATION
(Unaudited, Millions of Dollars)

| | FIRST QUARTER | |
|---|----------------------|-------------|
| | 2009 | 2008 |
| <i>NET SALES</i> | | |
| Security | \$ 373.7 | \$ 332.5 |
| Industrial | 236.0 | 332.7 |
| Construction & DIY | 303.3 | 405.8 |
| <i>Total</i> | \$ 913.0 | \$ 1,071.0 |
| <i>SEGMENT PROFIT</i> | | |
| Security | \$ 70.6 | \$ 53.3 |
| Industrial | 24.5 | 48.7 |
| Construction & DIY | 28.8 | 47.0 |
| <i>Segment Profit</i> | 123.9 | 149.0 |
| Corporate Overhead | (15.5) | (17.7) |
| <i>Total</i> | \$ 108.4 | \$ 131.3 |
| <i>Segment Profit as a Percentage of Net Sales</i> | | |
| Security | 18.9% | 16.0% |
| Industrial | 10.4% | 14.6% |
| Construction & DIY | 9.5% | 11.6% |
| <i>Segment Profit</i> | 13.6% | 13.9% |
| Corporate Overhead | -1.7% | -1.6% |
| <i>Total</i> | 11.9% | 12.3% |