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STANLEY MAKE SOMETHING GREAT™

A Future of Growth.

The Stanley Works

Investor Overview 3rd Quarter 2008

John Lundgren – Chairman & CEO

Jim Loree – Executive VP & CFO

Greg Waybright – Interim VP Investor Relations

October 21, 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.

Combination Of Strong Cash Flow, Conservative Financial Position And Proactive Liquidity Management Has Positioned Stanley To Flourish During Credit Crunch...

- **Long Standing Strategy To Remain A / A2, A1 – P1 Serving SWK Well**
 - SWK First U.S. Industrial To Issue Notes Since 9/10/08
 - Access to CP Market Has Been Uninterrupted
 - CP Pricing Remains Attractive At ~25-70bps Over Fed Funds
- **Early & Decisive Actions Taken To Ensure Ample Liquidity**
 - February - Upsized Revolving Credit Facility To \$800M – Extended Maturity To February 2013
 - May - CP Line Increased From \$550M To \$800M, Increasing Capacity For S/T Liquidity
- **'08 Free Cash Flow Expected To Be At Or Slightly Below \$500M**
 - Outlook Remains Strong For 2009
- **Stanley Fulfillment System Continues To Gain Traction**
 - Expect WC Turn Improvement In 2008 In Spite Of Negative Unit Volume
- **Consistent Dividend Record Maintained (Currently 3.5% Yield)**

...Strong Company With Solid Foundation



Economy / Markets Update

Economic Conditions



- Unstable Credit Markets (Worldwide)
- Currency Volatile; USD / Euro ~1.6 July → ~1.35 October

Markets – U.S.



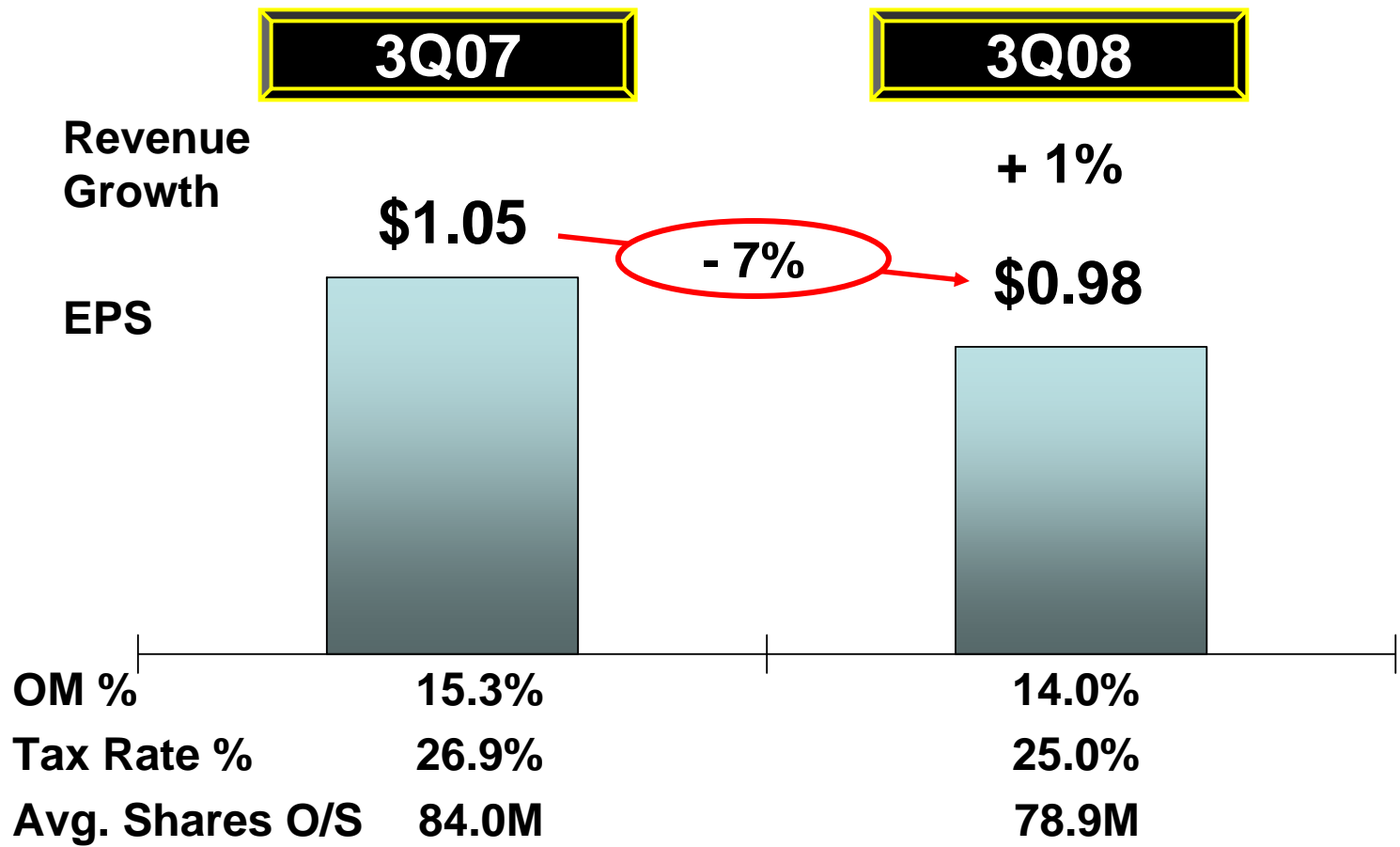
- Industrial Production (1.1%) In August, Largest Decline Since 2005
- Capacity Utilization At <80%, Lowest Level Since 2004
- YTD Housing Starts / Building Permits (40%) & (41%) Respectively, Vs. 2007
- Unemployment 6.1% Vs 4.7% 2007

Markets - Europe



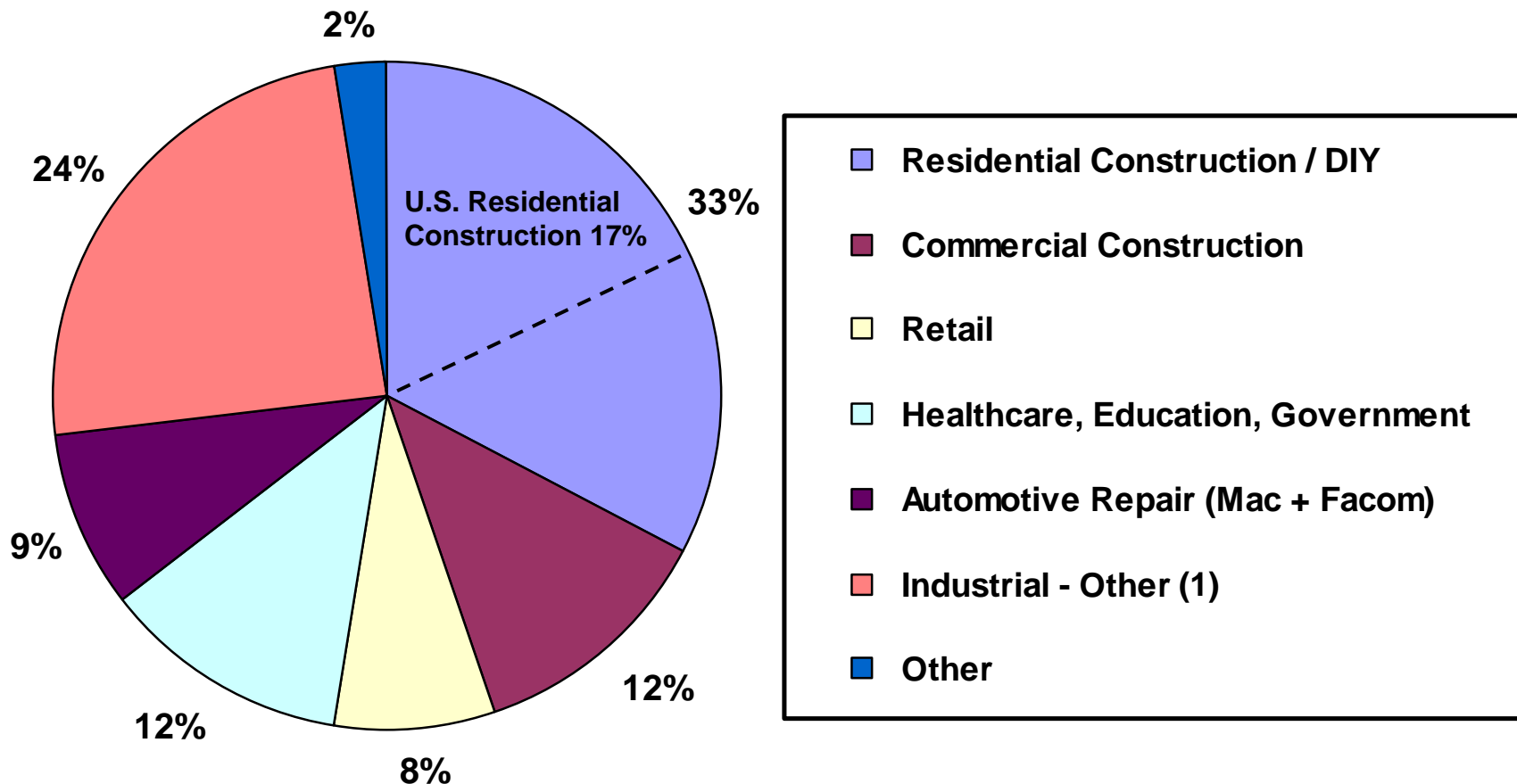
- Industrial Production Down Vs Last Year
Euro Area (0.5%), Germany (0.6%), Italy (1.8%), France (2.0%)
- Steep Decline In Construction Permits
Euro Zone (22%), UK (25%), Nordic (40%), Spain (59%)
- GDP Slowing In All Of Europe
Germany (2.0%), France (1.2%), Italy (1.1%)

EPS At \$0.98, Down 7%...



...On 1% Revenue Growth

A Diverse Set Of End Markets Served...



(1) "Industrial – Other" includes manufacturing, utilities, distribution, power, rail, oil & gas, etc.

...Reduces, But Does Not Fully Negate Sales Volume Contraction

Significant Unit Volume Declines...

\$ millions

	3Q07	3Q08		
Revenues	\$1,106	\$1,120	+ \$14	+ 1%

Sources Of Growth

Volume	- 7%
Price	<u>+ 3%</u>
Organic	- 4%
Currency	+ 2%
Acquisitions	<u>+ 3%</u>
	<u>+ 1%</u>

Segment Results

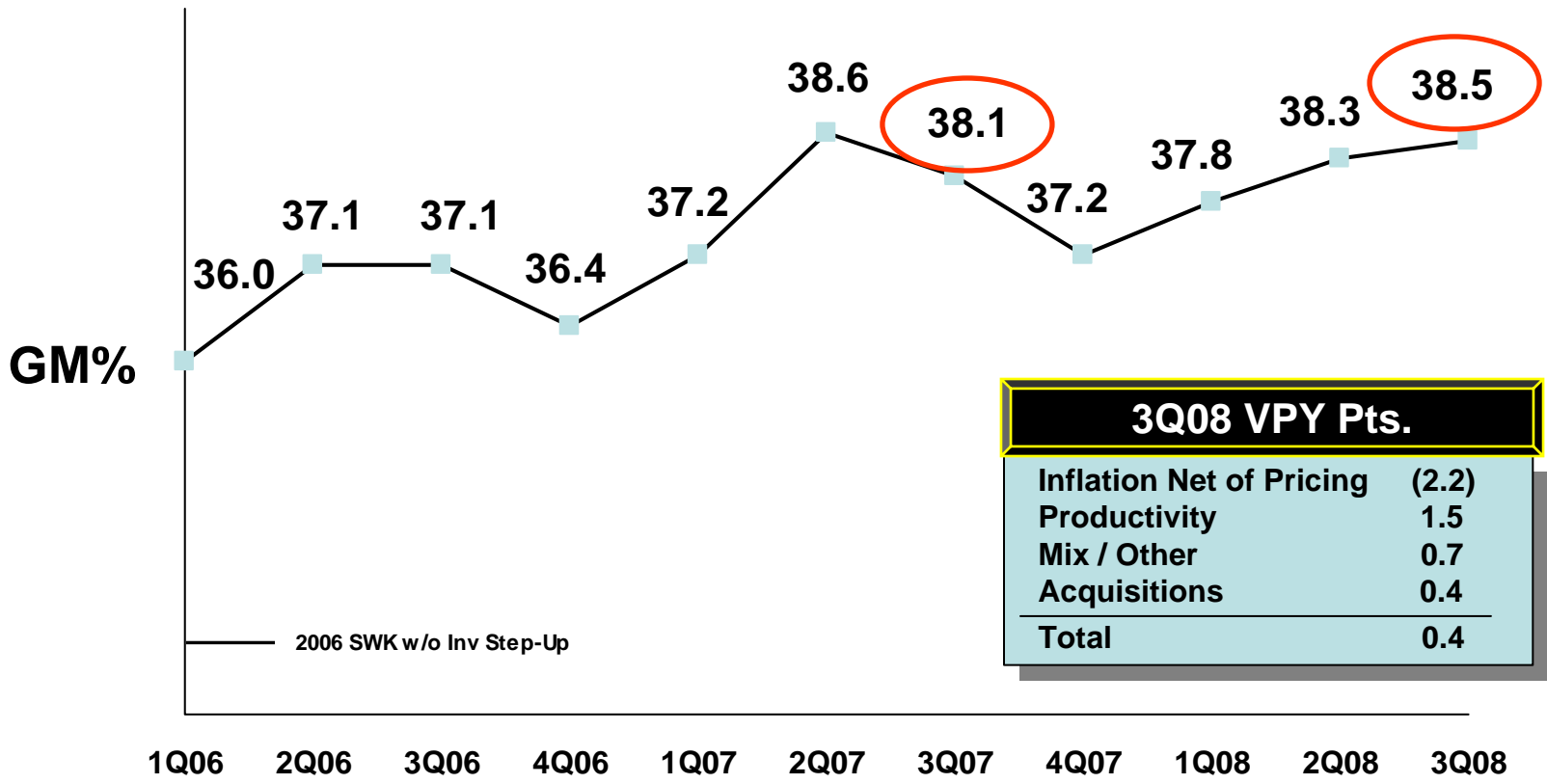
	<u>Total</u>	<u>Organic</u>
CDIY	- 2%	- 5%
Industrial	0%	- 4%
Security	<u>+ 7%*</u>	<u>- 4%*</u>
SWK	<u>+ 1%</u>	<u>- 4%</u>

* w/o Hardware Total +13%; Organic +1%

...More Than Offset By Price, Acquisitions And Currency

Gross Margin Trends

3Q GM Rate Up 40Bps To A Record 38.5%...

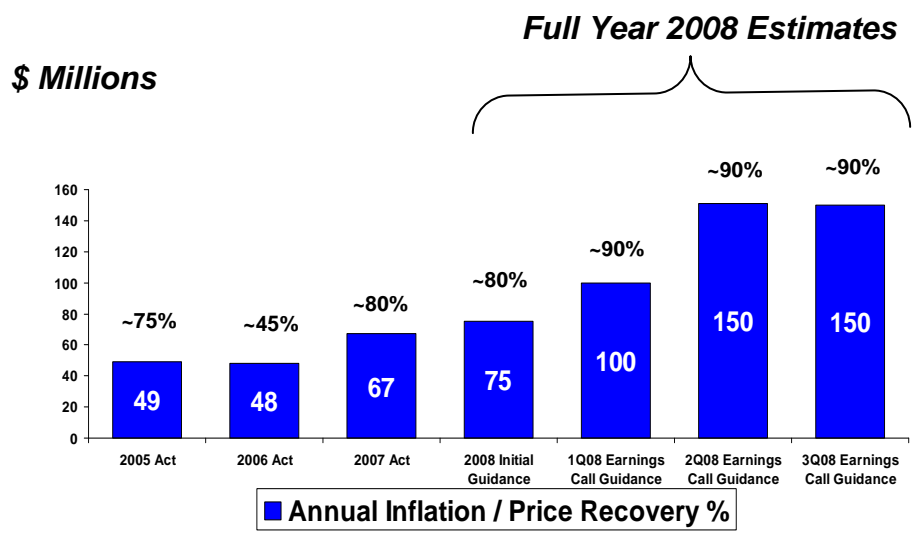


- Key Success Factors:**
- Portfolio Shift
 - Price Realization
 - Brand Strength
 - Strong Value Propositions
 - Center Of Excellence
 - Productivity

Pricing/Inflation Update

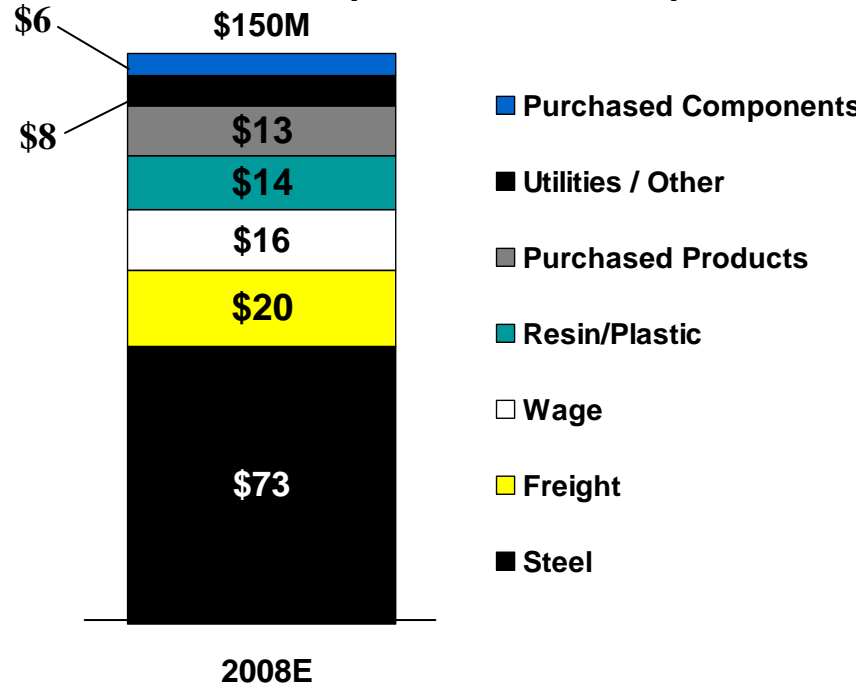
Inflation Pressure Has Stabilized...May Begin To Taper Off In 1Q...

Inflation / Price Recovery Trend



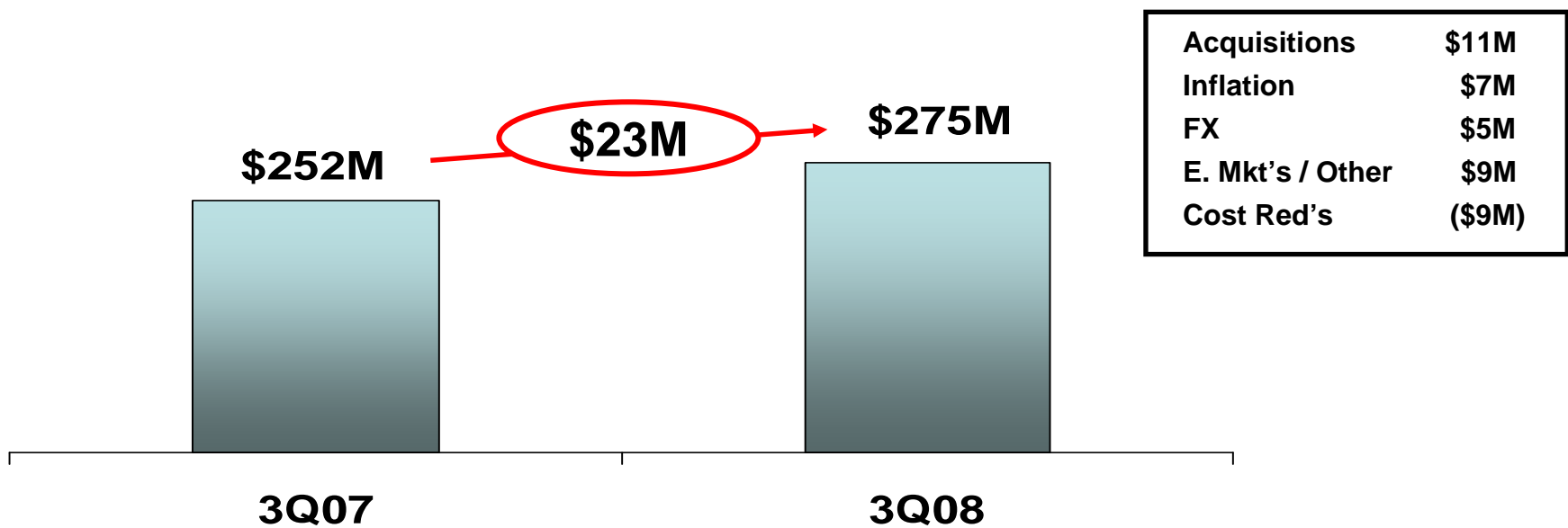
\$ Millions

Inflation (Cost Of Sales)



...2008 Price Recovery Remains At ~90%

SG&A Increase Driven Primarily By Acquisitions & FX...



...Continuing To Place Emphasis On SG&A Control

3Q08 Free Cash Flow Up \$19 Million...

(\$ million)	3Q08	3Q07	V\$	08 YTD	07 YTD	V\$
Net Income	\$ 165	\$ 91	\$ 74	\$ 312	\$ 244	\$ 68
Deprec/Amort	47	42	5	129	120	9
Restructuring	5	3	2	25	11	14
Working Capital	40	(26)	66	17	(56)	73
Receivable Sales	0	4	(4)	(9)	2	(11)
Other	(91)	16	(107)	(117)	5	(122)
Operating CF	166	130	36	357	326	31
CapEx	(28)	(11)	(17)	(82)	(55)	(27)
Free Cash Flow	138	119	19	275	271	4

...Driven By Solid Working Capital Performance

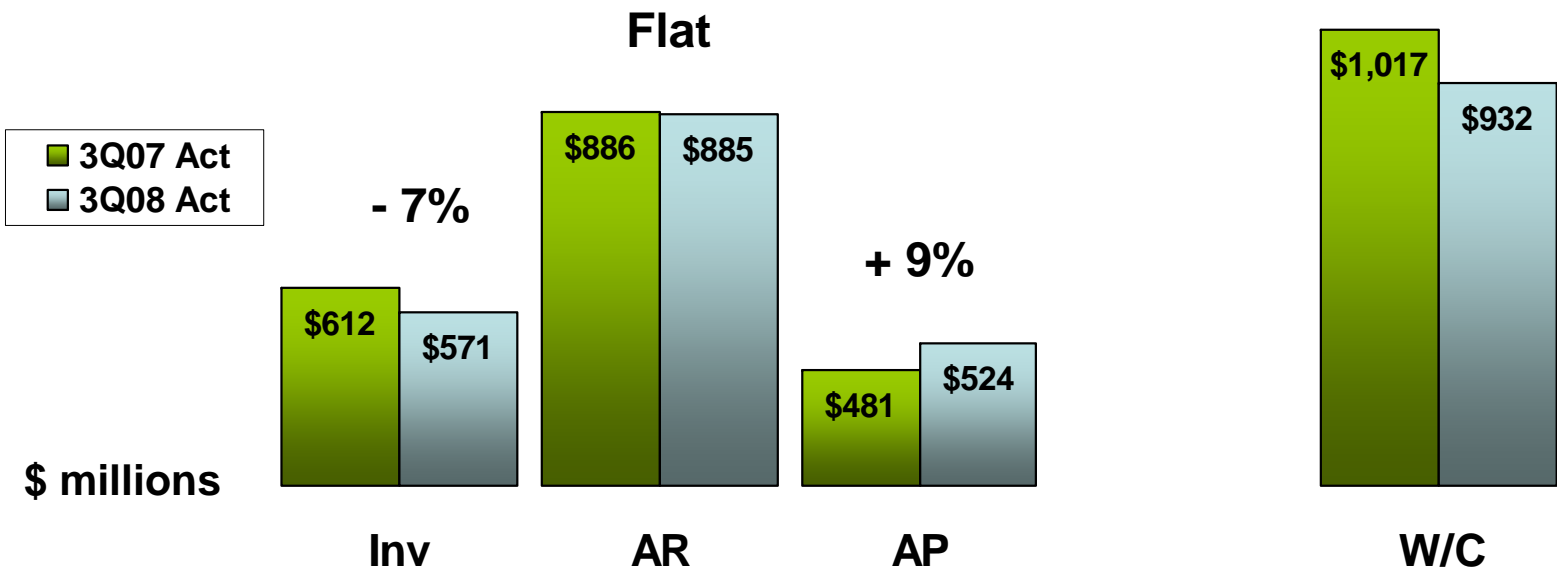
Working Capital Turns Improve 9% Vs. Prior Year...

(5) Days

(1) Days

+5 Days

4.4 → 4.8 Turns



	Inv	AR	AP
3Q07 Act Days	81	73	64
3Q08 Act Days	76	72	69

4.4 Turns
4.8 Turns

...Benefiting From SFS Process Improvements

Healthy Balance Sheet Maintained...

	<u>2008</u>	<u>2007</u>	<u>VPY\$</u>
Cash	299	281	18
Other Assets	4,822	4,584	237
Debt	1,651	1,608	43
Other Liabilities	1,599	1,562	37
Equity	1,871	1,695	176
Total Capital	3,522	3,303	219
Debt/Capital	47%	49%	
Adj. Debt/Capital	33%-36%	34%-37%	

...Hybrid Financing Favorably Improves Debt/Capital Ratio

A Transformation Of SWK Processes, Systems And Structure

- **Scalable platform capable of supporting ongoing acquisition growth strategy**
- **Material improvement in working capital turns**
 - **Freeing up substantial cash for productive uses**
- **Best-in-class service levels leading to organic share gain**
 - **Lead times**
 - **Fill rates**
 - **All forms of customer-related execution**

...Top-Down Initiative Involving All SWK Employees

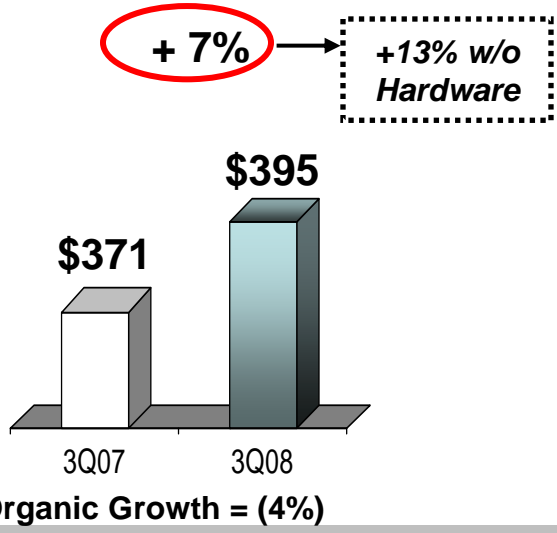
Three Basic Elements Create Majority Of The Value...

1. Implement “lean” throughout plants, supply chain with a focus on:
 - Cycle time
 - Inventory reduction
 - Service excellence
2. Re-engineer all core processes; standardize company-wide
 - Achieve excellence in customer-facing processes
 - Extract maximum efficiency from “back room” activities
3. Implement SAP; company-wide systems platform

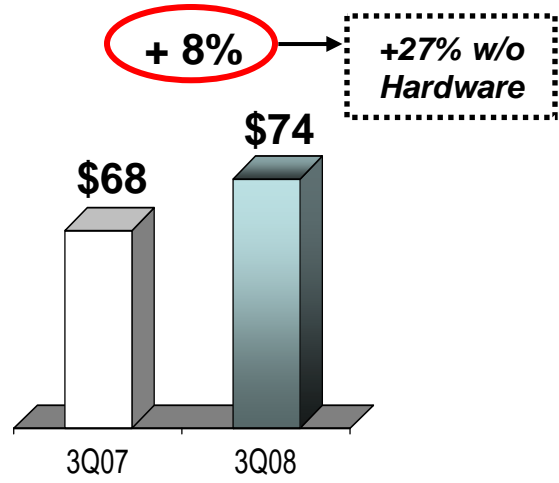
...All Activities In Full Implementation Mode

Strong Revenue & Profit Performance Excluding Hardware

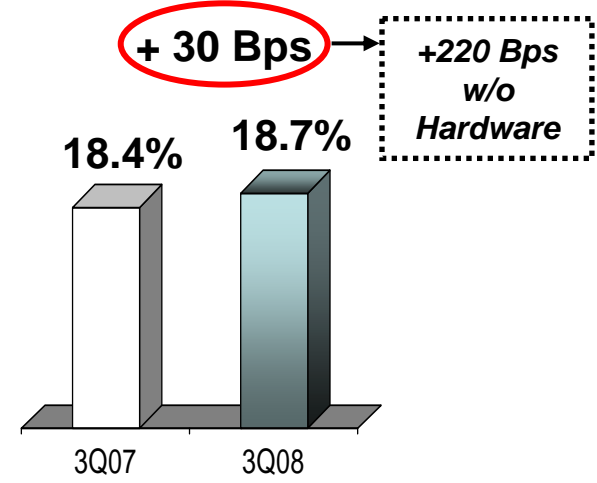
Revenues



Segment Profit



Segment Profit Rate



Convergent Security Solutions (CSS)

- +21% sales growth, driven by Sonitrol acquisition
- Continued margin expansion for U.S. Systems Integration resulting from successful reverse integration efforts and Sonitrol acquisition

Mechanical Access Solutions (MAS)

- Revenues +5% in total and +2% organic excluding impact of Hardware

Segment profit rate aided by execution of productivity and pricing actions

Général de Protection

Background/ Strategy

- Leading independent provider of electronic security solutions in France & Belgium
 - Creates “HSM-like” continental platform in Europe for security expansion
- Direct sales model to small/mid-size commercial customers
- High recurring monthly revenues (~60%) with ~75% customer renewal rate

Financials

- ~ \$87 million annual revenues
- OM ~ 20% +
- EPS accretion: ~\$0.00 ('08) => modest impact in '09

Purchase Terms

- 118 million Euro (\$166 million) purchase price
- 33X RMR; 1.8X revenues

...Acquisition Creates European Platform For Convergent Security

Industrial & CDIY Performance Negatively Impacted By Certain Key Markets

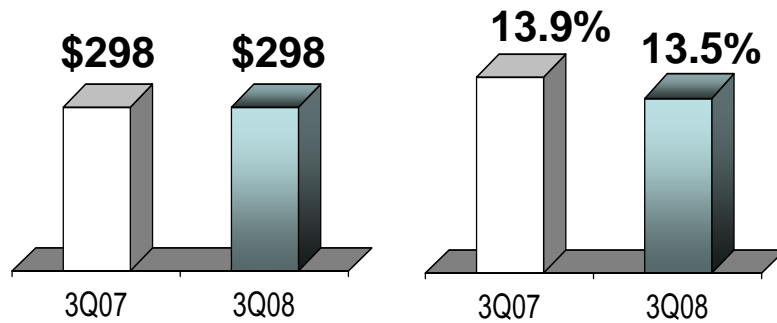
Industrial

Revenues

0%

Profit Rate

- 40 Bps



Organic Growth = (4%)

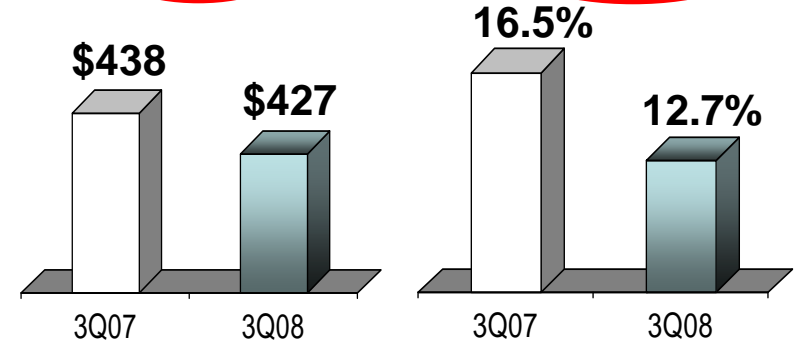
CDIY

Revenues

- 2%

Profit Rate

- 380 Bps



Organic Growth = (5%)

Industrial & Automotive Repair Tools revenues

- Facom revenues maintained in difficult market conditions
- North America revenues adversely impacted by U.S. economic conditions

Engineered Solutions revenues

- Growth within Engineered Storage and Hydraulic Tools businesses

Segment profit rate declined due to higher inflation and volume pressure

Revenues down 2% as softness within U.S. residential construction markets continues

European organic revenues declined as a result of slowing demand in UK and other Euro markets as well as a decline in lower margin storage business

Bostitch continued to shift toward more profitable business, however, segment margin rate was negatively impacted by inflation & continued weakness in U.S. markets

External Summary

- ❑ Global markets continue to be negatively impacted by unfavorable economic conditions
 - U.S. residential construction & retail markets remain soft
 - North America industrial market contraction apparent, particularly U.S. automotive
 - Europe growth continues to slow as economy contracts
- ❑ Commodity inflation at record high, but beginning to taper off
 - SWK full year 2008 estimate remains unchanged at ~\$150M (trend appears favorable)

SWK

- ❑ SWK balance sheet strength and cash generation provide stability and ample liquidity
- ❑ 2008 Earnings guidance of \$3.75 (down 3%) relatively stable despite volume decline
 - ❑ Cash flow estimate at or slightly less than \$500M unchanged
- ❑ Stanley Fulfillment System continues to provide positive cash flow benefits
- ❑ Timely pricing actions mitigating inflation
- ❑ Positioned to weather difficult environment in 2009
 - Strong price momentum...inflation will begin to abate in '09
 - \$60M carryover benefit from gross cost actions (\$25 million incremental)
 - Portfolio refinements continue (recent additions of Sonitrol, GdP, Xmark)

Capital Allocation Shifting To Repurchase Within Current Rating Constraints

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Appendix

Healthy Balance Sheet Maintained...

	3Q08 Reported	\$450MM ETPS 50% ADJ FACOM '05	\$330MM Equity Unit 50%-75% ADJ HSM '07		3Q08 ADJ'D*	
			50%	75%	50%	75%
Cash	299					
Other Assets	4,822					
Debt	1,651	-225	-165	-247	1,261	1,179
Other Liabilities	1,599					
Equity	1,872	225	165	247	2,262	2,344
Total Capital	3,522					3,522
Debt/Capital	47%					
Adj. Debt/Capital*					36%	33%

* 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.

...Allows SWK To Retain Upper-Tier Investment Grade Debt Ratings