FINAL TRANSCRIPT

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PRESENTATION

Dave DeSonier - *Leggett & Platt - VP, IR*

Good morning. I'd ask you to come on in and please take a seat. My name is Dave DeSonier. I'm the Vice President of Investor Relations for Leggett & Platt. We appreciate you spending your morning with us.

On my staff, with me today, are Susan McCoy, who is Director of Investor Relations. In the back there's David Brown. And then Bonnie Young is I think still out at the table there. Felix in a moment will introduce the other members of the management team that's with us.

A couple of just introductory housekeeping comments - Susan, could you flip the agenda. I'll just tell you how we're going to do things this morning. The first four presenters will take about an hour and 15 minutes, including the Q&A, and then we'll have a short break, maybe about 10 minutes. And then we'll have six of the business units will present a brief overview of what are the kind of key things going on right now. We'll have the first three and then have time for Q&A for those three presenters, and then we'll have the final three and Dave Haffner will have some closing comments, and then we'll have another Q&A session. We should finish about noon.

If you have cell phones, I would ask you please to put them on vibrate or turn them off. If you do need to take a call, please step out into the hallway. The restrooms are just down this hall and to the right, across from the coat check. We are webcasting this, so Susan, if you'd put up our Safe Harbor slide, I'll just remind people, as you know, that if we make any forward-looking statements, those are based upon information that we have as of today and we undertake no duty to update those forward-looking statements. I would refer the folks on the webcast to the comments in the 10-K about forward-looking statements.

There should be in front of you two items. One is a booklet with all of the slides, and then there's also a product brochure. We did not bring product with us today. We've done that at the past couple of investor days. Instead, we brought a brochure, which is much more portable. You can take that home with you, but it does present photos about each of the six business units that we'll be discussing in a little bit. And I think with that, I'll introduce Felix Wright. Thank you for coming.

Felix Wright - *Leggett & Platt - Chairman*

Thank you, Dave. I'm assuming I'm live. Okay, thank you all for joining us for our investor day conference. This is the third one that we've had, second we've had in this room, here. The first one was here in this room, a number of you all were here.

So I get the pleasure this morning of introducing the Leggett management team that's here with us. First, Dave Haffner, who is our President and Chief Executive Officer. All of our team is in the back of the room, here. Karl Glassman, Executive Vice President and our Chief Operating Officer, Matt Flanigan, Senior Vice President and Chief Financial Officer, Jack Crusa, our Senior Vice President and President of our Specialized Products segment, Joe Downes, Senior Vice President and President of our Industrial Materials segment, Paul Hauser, who is Senior Vice President, President of our Residential Furnishing segment, Dan Hebert, Senior Vice President of the Company, President of our Aluminum segment, Dennis Park, Senior Vice President, President of Commercial Fixturing and Components segment, Bob Griffin, Senior Vice President and President of our Fixture and Display Group. Vincent Lyons, Vincent is Vice President, Engineering and Technology, and also President of our Machinery and Technology Business Unit, and Dave DeSonier, which you have seen and Susan McCoy and Dave Brown and Bonnie Young have been announced.

This is a management team that actually came with us today to do the presentations and et cetera. We're excited about the press release that was issued last week that you all have all had a chance to read. And we got some comments that said, well, why in the world did you put it out on Wednesday afternoon? We really thought that we were trying to do everybody a service, to give them the chance to look at it. There wasn't anything - nobody should try to read anything from the standpoint that we released it on Wednesday rather than last night, except the fact we wanted to keep you all better informed before you got here.

Hope you can grill this management team with some better questions and et cetera, but we're very excited about what was in that press release, a lot of things that you're going to get a lot more flesh put on today by this management team. This first slide, and I'm not going to spend any time on it, because we've got a lot more things a lot more important than this.

But just a few bullet points about what has happened since we were in New York on our last investor day. The two new business platforms, which you're going to hear from that today, and I won't make any comments there, repurchase of about 15 million shares, which we had told you before that we were going to do with excess cash that we had and et cetera. Continue the dividend.

I think the last bullet point is terribly important, because I don't have to tell you all that to find good, independent directors in today's economy and today's environment is not easy to do. So we have been very successful of putting two new directors on our Board, one lady that's now with Brown-Forman but had about 18 or 19 years wit ARCO, is experienced in the financial segment, and she's Executive Vice President and Chief Financial Officer at Brown-Forman. And then another gentleman that's President of Energizer, a battery company, in an operating side and marketing side that has joined our Board. So we're very happy to have had that done.

As far as the other thing that I want to comment on, it's our management succession, and this is what was announced in May of 2006. We've got the fifth CEO in Dave Haffner, which as you all know, Dave has got greater than 20 years' experience with the company and served in a number of different capacities. We're very fortunate to have him to be able to step into this role and continue the great track record that this company's got and actually put his statements on the company and et cetera.

Karl Glassman, another 20-plus year veteran to come in and take over as our Chief Operating Officer and Executive Vice President and et cetera. And I guess this last comment, I'm going to be this management team's biggest cheerleader for quite a while to come, I hope. But they're a great team and I couldn't be more pleased with what we have got going on. And so with that I'm going to turn the program over to Dave Haffner, our CEO, and Dave will take it from there.

Dave Haffner - *Leggett & Platt - President and CEO*

Thank you, Felix. We're really delighted and proud to be here in New York City today with all of you, and I want to say this is truly, truly a great city. It's strong and resilient, and on this fifth anniversary of that horrendous terrorist attack, we at Leggett & Platt salute the wonderful and the diversified citizens of the city.

Also, I want to take just a second and in this public and webcast venue pay tribute to my friend and long-term colleague, Felix Wright, our current Chairman of the Board. He and Harry Cornell have coached and directed me and others at Leggett & Platt for the past 23 years, and more. Those of you that know Felix know that he is genuine. He is the real Texas deal. He served Leggett & Platt for over 47 years and continues to provide me, Karl Glassman, our other senior executives and our outside Board members with good and timely counsel.

Felix, I thank you very sincerely.

Okay, next slide. This is a simplified table of organization, showing the leaders of several of our major functional areas. While each individual has a noteworthy list of abilities and accomplishments, I'd limit my comments to those which have recently assumed boxes highlighted in yellow.

Russell Iorio assumed the position of Vice President of Mergers and Acquisitions about 11 months ago and has been a critical part of our M&A team since June of 2002. He has a BS in finance, magna cum laude from the University of Tulsa, and an MBA from Rice University. Prior to joining Leggett & Platt, he was the Vice President of Planning and Development for PennWell Corporation and Director of M&A and Investor Relations for [New Centrix] Broadband Networks, and he started his professional career as a senior consultant at PWC in Houston.

Vincent Lyons, who is here with us today, joined us just a few months ago as Vice President of Engineering and Technology, as Felix mentioned. His background includes a BS with honors in mechanical engineering from Southern University, a master's in mechanical engineering from Stanford University and a subsequent MBA.

He has extensive experience in the automotive and appliance industries and, in fact, for a period of time, was Vice President of Research and Development for Maytag on the refrigeration side, and was selected, along with his twin brother, in 1989 as one of the outstanding black engineers in America.

Then I'll jump down to the Southeast corner and talk about his brother Elliott Lyons. Elliott joined us just a week or so before his brother Vincent did, and in fact it's a very interesting story how these two guys came to work for Leggett, and we don't have time to tell it. Some time, one on one, I'd love to tell the story, because it's very interesting.

But Elliott assumed the newly established position of Group President of our Commercial Vehicle Products Group, and not only does he look just like his brother, he also has the same education bio, namely a BS ME, with honors, a master's in mechanical engineering from Stanford and an MBA.

Just a little side note about these two exceptional engineers, in 1992, Ebony magazine selected them as two of America's most-eligible bachelor's, a title that their wives have subsequently and respectively erased.

Elliott's previous employment includes 10 years with General Motors, three years with United Technologies and six years with International Truck and Engine. As CEO and an engineer myself, I am extremely pleased to have these two high-caliber technicians on our growth-oriented team. So welcome, Vince and Elliott, if you're listening.

Paul Hauser, who is with us today, is a 26-year Leggett & Platt veteran and recently assumed the position of Senior Vice President of Leggett & Platt and Presidential of our Residential Furnishing segment, replacing Karl Glassman as the segment head.

Paul has led our bedding operations for several years. He's a 1973 graduate of Ball State University with a BS in marketing, and before joining Leggett & Platt in 1980, he worked for Penn-Dixie Steel Company and Hauser Tractor & Equipment.

The last yellow box on that table of organization is Dennis Park. Dennis is a 29-year veteran of Leggett & Platt, going to work for the company right out of the college. It seems like Dennis and I grew up together in this company. I know he was here a few years before I came, but we were both very dark headed and young at the time, Dennis. Anyway, we've grown up together.

He received his degree in business administration from the University of Kentucky in 1977 and has held positions of increasing responsibility in sales and operations throughout his Leggett career. Because of his tenure in our Home Furniture Components unit up until a few weeks ago, Dennis will actually be making that portion of our presentation this morning. However, we recently promoted Dennis to the position of Senior Vice President of Leggett & Platt and President of the Commercial Featuring and Component segment, where we know that he will continue to provide excellent guidance and oversight.

Next slide, Susan. Although certainly not a comprehensive listing, this slide shows some of the critical strategic initiatives upon which we are concentrating. We have revitalized a priority on significant innovation, not just new products, but also new systems, applications and organizational structure, and I'll speak to these in a little more detail in just a few minutes.

Market leadership has historically been a high priority for us and will continue to be. We believe in being the leader in the markets we serve and in enjoying the benefits that leadership provides to our shareholders, our employees and our customers. With over 70 international locations, 12 of which are in China, we have developed good global perspective, but we're dedicated to refining that perspective and knowledge base while simultaneously diversifying our leadership ranks with additional ethnic and cultural backgrounds.

We have also been operational excellence zealots and will not waver on that strategy, which really leads to the next slide. Operational excellence and efficiency is one of our innovation value drivers. We have a well-defined continuous improvement capability, but we're finding more ways to optimize via things such as TPS, or Toyota Production Systems applications, designs of experiments, analysis of variance and other operational research techniques.

Regarding new products, we are excited about having Vincent Lyons help lead the charge in that regard, and we have clearly established a higher priority on this. The new business development staff in each segment will augment our product development and M&A departments in defining value-generating opportunities. We also intend to become much better at mining for and defining new growth platforms, as well as aligning ourselves with consumer needs and demographic trends.

We'll continue to explore our value chain positioning and integration possibilities. We'll flex or modify our organizational structure to accommodate new opportunities, and we're collaborating with universities and other research sources to lever our technical capacity. One of the things that people ask us about periodically is branding. Is there an opportunity for you to brand Leggett's name?

As all of you know, we tend to be tier two, tier three, providers, so it becomes a little more of a challenge. But it's interesting that in China, right now, if you ask someone about furniture mechanisms, they refer to Leggett & Platt products. Leggett & Platt is in fact a strong brand for furniture mechanisms in China. We're starting to get more and better recognition with regard to what those products are in that particular venue, and we will be looking at ways to increase the exposure of the company, not to get in front of our customers, but to increase the exposure of our products and our capabilities.

We'll also look at how we might be able to get closer to the consumer. One of the things that we're investigating with regard to our fixture and display group is interactive kiosks, interactive kiosks that ultimately may provide some of our customers the ability to buy Leggett & Platt products, such as the consumer products unit products, [top of bed] products, et cetera, directly to their home. And so we will see what we can do to take some of our finished product or semi-finished product directly to the consumer.

And we'll grow where strategically practical, and in those cases where we have operations that are chronically underperforming, we will divest those. Next slide.

We strongly believe in objectively judging our performance, and in doing so we developed various types of report cards. This particular slide is one such high-level report card. Green is good, red is an indication of negative variance and an indicator of where performance needs to improve. You'll notice that we've fallen short in recent years in the sales compounded annual growth rate, as well as our return on equity goal, and we intend to fix that.

Next slide. Last week, we issued a press release that stated revised targets for long-range annual sales growth. These targets, which are moderated from previous ones, are the result of significant thought and consideration at each segment level. We think they are good long-range goals and represent targets that we are more likely to achieve going forward. They also are more directly correlated to the growth models that many analysts and managers are using in their valuation work.

While we do very well in, and in fact lead, most of the markets that we currently serve, several of those markets have tended to grow slower than GDP, and this is partially due to the value engineering or decontenting that many of our customers have experienced, and I think some of the other people in the presentation may comment on some of that [down-specing] or decontenting. And I'll speak to the acquisition strategy in just a moment.

Next slide. So how will we drive organic growth? As we have said, we have a strong renewed priority on product development, which will be led by Vincent, our new Vice President of Engineering and Technology. We will complete a new research center in Carthage, Missouri, by year's end, and are in the process of implementing some powerful and exciting knowledge-development and management software which will appreciably leverage our technical development competency. These newly developed products will help us gain additional market share with improved margins, especially if the intellectual property is such that we can establish patents.

We look forward to swimming in bluer oceans as a result of that. Although more integrated customer collaboration - or through more integrated customer collaboration and consumer testing, we expect to accelerate the desired products and increase the success rate of the new products that we do develop.

We will continue to expand both domestically and internationally. Our international opportunities look extremely attractive. We are defining ways to profitably expand our existing product lines and we will continue to work with our maker-user customers to allow them to take advantage of Leggett & Platt's efficiency and leverage. Some examples of that, which we've talked about before, include Briggs & Stratton and Black & Decker, who have chosen to allow us to do their casting, as opposed to doing it in house.

We believe an approximately 5% acquisition growth target is reasonable, knowing that in certain years we will do better than that. As we get larger, it is also reasonable to think that we should experience an increasing average size of our deals. Now, please don't misinterpret that to mean that we're only going to consider deals of $100 million or more, but we may see the average size move to something like 40 million or so from our current $20 million level.

There are still some very attractive little deals out there, and we'll continue to pursue those as well. We've always been disciplined in our deal valuations and we'll continue to be good stewards of our acquisition capital, but as we pursue larger targets and experience increased competition for those targets, we will flex, if practical, to ensure certain strategic deals are closed, which may edge our EBIT multiples up somewhat, especially if clear synergies that can be comfortably quantified and quickly established are identified.

And, as mentioned earlier, we are establishing a corporate function whose primary goal will be to define new corporate growth platforms for the company. Once hired, the head of this new department will report directly to me. While we intend to broaden our perspective somewhat, we will not step far afield and will continue to look for businesses that are effectively one step away from our current activities.

We know what our core competencies are, we know the markets we do well in, and it's unlikely we'll become a financial institution or a food processor. Some examples of new businesses that we've recently started to develop are the Commercial Vehicle Products Group, as well as our geo synthetics, or Geo Products Group, and both of those will be commented on later by Jack and Karl, respectively.

So, with those comments, I'm going to ask Matt Flanigan, our Chief Financial Officer, to come up, and I appreciate very much your attention. Thank you.

Matt Flanigan - *Leggett & Platt - SVP and CFO*

Thank you, Dave, good morning, everybody. Thank you very much for here. Our first slide is 16, and one of the main themes you'll hear throughout the day is growth. And I think its' important to drive that point home. Dave referenced the terrible tragedy five years ago, and sure enough, one of the aftermaths of that event was an economy that got a bit unstable for the next year or two thereafter. If you go back just two or three years ago from today, commodity prices started to be as volatile as we've ever seen.

Meanwhile, last year at this time, energy prices went through the roof. Also, last year, literally 12 months ago this very month, Leggett & Platt, specific to our own story, we initiated a major restructuring, which is the largest in our history, which you'll hear more about in just a minute from Karl. And the upshot is that with all of those things happening, none of them were growth oriented. In fact, they were growth detracting, and one of the main themes today is as we sit here, we are very much poised going forward to take advantage of our growth opportunity. And as a result, in terms of cash use priorities, the first one, sure enough, is internal and organic growth.

Dave referenced our targets at 8 to 10% in total, on average, with 3 to 5% of that geared towards organic growth. And it's no surprise and no happenstance that the organic growth target that we had previously was adjusted very little, from 4 to 6% to three to five, and that's because that's the most important growth we can bring home to [the party] and we're dedicated to help making that happen, whether that be with property, plant and equipment, investment in R&D innovation, which you'll hear Vincent talk about in a little while.

Also, to the extent working capital can be an investment that we'll make strategically to help drive growth, we're prepared to do that. In terms of acquisitions, again, as a priority, it's number two in line. This is a core competency that Leggett has had for many years, our acquisition activity. We have grown about 5% for the last several years, as you saw in Dave's slide, and it will continue to be a key part of our story going forward, and we're at the ready, certainly, to fund that activity.

Having said that, we will maintain our tradition, recently, of not using our equity as a currency to make those transactions take place. So we'll use cash and our financial flexibility to pull those off. Annually increase dividends is number three in line. Many of you know we are proud of the fact that we believe we are the second-best company in the S&P 500 when you combine two statistics, the first being how long every year we've increased dividends. For Leggett, that's 35 years. The other part of it is how much we have grown those dividends on average over that period of time, and it's been about 14%.

You combine those two metrics and there's only one other company who has a better track record than that over that period of time, and that would be Altria, Philip Morris. So the upshot is, annually increase dividends, we certainly intend to continue that track record. And then lastly, to the extent we do have cash left over, we'll go ahead and buy back our shares and get it back to our shareholders and allow them to put it to work, if we haven't done so already with those first priorities.

Okay, slide 17, this is a Dave DeSonier double-D special right here because it's got a lot of information and a lot of color. You see the lines coming across there, down low left, coming up to the right, and that is our operating cash flow, its history from 2005 back where 2006, that point is essentially the midpoint of our guidance and running forward is in keeping with our anticipated growth in earnings and sales and cash flow, accordingly.

The blue data there represents our dividend. Capital spending is the green. 2006 is probably the first year we will have spent a tad more than depreciation and amortization of the company in quite some time, a number of years, about 185 million. Our depreciation and amortization is somewhere around 175, $180 million right now.

Looking at the history, yellow is acquisition activity, red is stock repurchases. It jumps out pretty quickly that in 1999 and 2000, again, pre-2001, you see a lot of acquisition activity, and then it drops off significantly after that. And then you come to 2005, what jumps out is the red bar there, $227 million of share repurchases last year. That represents about 10 million shares, well more than double we've ever done in the history of the company, and that's very much in keeping with what we've identified as part of the use of our cash.

Going forward, Susan told us yellow and red turn into orange, and sure enough, that's what these last three bars are showing you. We think somewhere between 250 to $350 million over the next several years, and each year we'll have to deploy it in either good acquisitions or share repurchases. One thing that really drives home on this slide is the company's cash flow very much generates and drives forward the growth opportunities that we see.

This slide is our balance sheet leverage. The definitions of both net debt and net cap are at the bottom of the page there. It's important, when you hear a lot about targets changing, the company's leveraged target has not changed. It's 30 to 40%. It's been that way for a long time. As you can see, our history hasn't put us in that range very much in the last decade and a half, 2000, again, if you remember, that's when a lot of acquisition activity took place. That's when we got north of 30%.

As that activity slowed down, by 2004, again, due to the strong cash flow of the company, we deleveraged quickly and we decided in 2004, announced at this conference two years ago, that that's a trend we wanted to reverse. We wanted to get a little more capitalization optimized and in our structure and we wanted to get back to 30% of debt to cap and that's very close to where we are today, about 28.5%, we'll be near 30 by the end of the year.

We have about 1.1 billion in debt. Most of it is fixed rate at about 4.8% on average. The average life of it is eight years. The first significant maturity of any debt we have is the year 2011. And that's not just by chance. We've been gearing the balance sheet to be in a flexible mode to take advantage of the very growth opportunities you're going to hear about more later today.

And, lastly, I'll just mention that we've been A rated since 1992. That's an important reputation for us that we are passionately looking forward to maintaining and our cash flow and our conservative financial policies will make sure that's the case, in our opinion. Okay, Susan, slide 19.

This is just a summary of our returns on equity and capital, pretty straightforward. You see the history there. Pretty impressive stuff in the '90s. So far this decade, we have not done as well as we would like, obviously. You see in 2006, that trend is starting to turn around, as it should. And based upon the targets that we released last week and our outlook, we certainly see the trend line going up over the next three to four years, as you see there, a combination of growth and earnings making that happen.

The good news, of course, is we've been back in that territory not long ago. We're dedicated to making this happen in the near future, again. I'd also mention that everyone you're going to hear from today and virtually all of our managers out running the company's operations, their bonuses are directly correlated to returns on capital for the company, so a significant portion is, and that's important, because not only is the income statement what we watch very closely, but the balance sheet as well. And you link those two together and that's what's going to drive our returns here.

Okay, this is my last slide, financial attributes. We've talked about quite a few of these. I will mention that relative to conservative accounting practices - you should certainly hear that from every company that you visit with. For Leggett, it's been that way for many years, will not change. We pride ourselves on telling you the story as it really is, and that's the way it ought to be.

A couple of examples of that, we've been expensing stock options since 2003. Few companies have gone back that far to be doing that. Pension assumptions, another example where we're very conservative, and that's a posture and an approach that we'll always have.

Then lastly, I drop you down to the last two bullet points on this slide. We think there are no more than maybe 30 of the S&P 500 companies that can say that 20% of their business is owned by people who either work there every day, who used to work there, past merger partners and Leggett is one of those, and we're proud of that being the case.

And then lastly, everyone you'll hear from today and many more, over 100 executives at the company every year make the decision to turn back compensation that they're going to be receiving, either in terms of bonuses or salary, give it back to the company, and ask for more skin in the game in the form of an equity option.

Now, this is different than just an option program. This is actually people taking compensation and turning it back because they believe in where we're headed and what we're trying to do.

So, with that, I'll turn it over to Karl. As you all know, Felix mentioned, Karl is now Chief Operating Officer, took on that role back in May. And Karl joined the company in 1982. I guess you were about 12 years old, Karl, when that happened. And we're sure glad he's leading the charge.

Karl Glassman - *Leggett & Platt - EVP and COO*

What I'd like to present this morning is our updated margin targets. This was contained in last week's press release. The company margins going forward are expected to be in the 11% EBIT range, 7% net. We believe the margins on a consolidated company basis are attainable, these target levels are attainable, within 24 months.

The revised segment EBIT margins. You can see 9% industrial and specialized, 10 in residential and aluminum, 12 in commercial. The key drivers, what's the bridge, how do we reach these targets? Higher throughput through existing sales, correlated to the top-line growth that Dave spoke of, and also a connectivity to our past restructuring activity.

You should expect between 50 and 100 basis points of the bridge to 11% to be derived at that bullet point. New products with higher margins, a lot of pressure has been put on Vincent Lyons this morning. I'm committing Vincent to - and the rest of the team, Vincent, in all honesty - 50 to 100 basis point improvement in that second bullet point there. A benefit of the 2006 restructuring, we've told you, we have an expectation of between 30 and $35 million of benefit on an ongoing basis, annualized benefit on an ongoing basis. That's 60 basis points, and then efficiency, continuous improvement, purchasing initiatives, other activities, in the 40 basis point range.

So that gets you from our current level of 8.5% to 11%. That 11% is absolutely attainable in 24 months. The timing, by segment. Residential and aluminum we believe will be at their 10% targets in the calendar year 2007. Industrial, you should see that segment produce that 9% in 2008. Commercial specialized in the 2008, 2009 timeframe. A lot of it macroeconomic issues taking place there, driving some of those businesses. As I said, we're confident in that 11% total.

Why did we adjust the prior targets, and what were they? Residential's prior target was 10.5 to 11%. The change or the reason for the update was an acknowledgement of some new competitive pressures, specifically in our innerspring businesses, to a lesser degree in some of our Furniture Hardware businesses, as the world market changes our outlook.

Certainly an element of [de-specing.] Paul Hauser will speak to it, Dave Haffner did, Dennis most probably will also in the Furniture Hardware presentation. Our customers, with the extreme run-up in raw material inflation over the last couple of years, their decontenting their product, putting a little bit of squeeze on margin, and notably, that as we grow the Geo Components business, a new growth platform for us, that business will have lesser EBIT margins - greater return percentages, significantly so, but lesser EBIT margins. That's the reason for the change in residential.

Commercial, the previous target was 12 to 13. We simply moved to the low end of the scale, the same as aluminum. The previous target range was 10 to 11. Industrial, somewhat notable change here. The previous target was 11 to 12. This is a recognition of the worldwide competitive pressures that we feel in the steel industry.

The steel market, those industrial materials, our Industrial Materials segment is very much steel based, be it sheet products that go into our tubing and some of our hardware business, or long products, which are primarily wire rod, that there has been a pretty significant compression. As China has grown their steel-making capability, it's caused for some compression in those margins. So we're recognizing that.

Also, as inflation is passed through in that business, we recover inflation, but we don't necessarily have a margin improvement on that inflation, so thus the change. Specialized, the previous target was 10 to 11. The new Commercial Vehicle business that Jack Crusa will speak to in a little bit contained a margin much like Geo Components, lesser margin, greater return. So that's recognizing that, also that historically our automotive businesses in North America primarily produce in Canadian dollars and sell in U.S. dollars.

We're recognizing that from the current exchange rate in this forecast that if you're on the Canadian side of the border, that $0.89 to $0.90, so that's the reason for the update. Restructuring, not going to speak to this slide in any detail. I guess the comment would be, at this point, as we stand here on September 12th, I would pull the word essentially out of that heading.

The restructuring that we announced September of last year has been completed, 36 operations that were involved. That 400 million of revenue, notable that when you look at our same locations growth, you need to, in your calculation, pull out $90 million of sales, 2%, that was just bad business for us, that we walked away from. The majority of it is in residential. The estimated cost, we're not proud that we had to embark on this restructuring activity, but we're pretty proud that the targets were maintained.

That 78 million was, if you read back to September of last year's press release, that's about what we forecasted. We pulled $150 million of capacity out, giving us the gearing on the remaining businesses and a 30 to $35 million benefit that I previously spoke to.

This next slide is, we'll call it the opportunity slide. To deal with this slide, you need on the horizontal axis sales, vertical axis, net margin. You can see our history. The red line and the seesaw that we've been dealing with since the record levels of 1999.

On the upper right, look at that, call it blue triangle, that radius base to it, that baseline, represents five years out a 10% EPS growth. That's the target that Dave just gave you. We believe that is very doable. As a matter of fact, it's not standing on your head, but we sure should be held accountable for it. The reason that that line is structured the way it is is it takes various margin and sales growth targets - as you hear our targets, you can slide up and down that radius line. That represents $2.65.

So, on a minimum basis, we're at that level five years out. The most interesting data point is in the very upper-most right corner at the point of intersection of those lines. That's the 7% - I'm sorry, the net margin of 7%, based on the baseline using the average of our growth targets at 9%, drive it both up five years, we're up there, you can see that that point of intersection is well outside of $3, probably approaching $3.50. That's the reason for management's optimism and excitement.

So we're comfortable with these targets. The area in that triangle truly is the range of opportunity, so we're holding ourselves accountable for that, as should you. That's the end of my comments. As Dave DeSonier said, what we're going to do now is open the floor to question and answer session of Felix Wright, Dave Haffner, Matt Flanigan and myself. Then we'll take a 10-minute or so break, then we'll go through some presentations of the existing activities of about 45% of the turnover of the company.

What we'd like you to do is hold your questions. After Paul, Dennis and Bob speak, there will be a Q&A session for those three presenters, and then after Dan, Jack and then I go over Geo, we'll also open the floor to questions. Dave will make a couple of closing comments and then ask you if you have any questions as regards the Industrial Materials segment of Joe Downes, Joe's with us, or from an engineering product development technology basis, Vincent Lyons is with us also. So that would be the appropriate time to ask those questions.

So, if I can.

Unidentified Audience Member

Felix, recently you said that you still had about 250 million in excess capacity, and so I was just curious on this earnings potential chart, does the - or Dave, does the 7% margin assume that you use up all of that capacity by 2009, and is that the 2.65 in earnings, or is there kind of more that I'm missing, or is that the 2.50?

Dave Haffner - *Leggett & Platt - President and CEO*

It does assume that we will continue to use that unused capacity to the extent practical. And it allows us to lever or gear those earnings without having to make significant additional capital investment, so it does take into consideration the increased utilization of that capacity.

Felix Wright - *Leggett & Platt - Chairman*

[Cathy], excuse me, but I think the other thing that we have stated in the past is that if we wind up and we've got a segment, [and can't] utilize those assets and et cetera, then their management would step back in and do something with that. We were primarily talking about fixture and displays have been a big concern, because that's a big part of where the extra capacity is.

And if all of a sudden, whatever the reasons are, that that can't be utilized, then obviously there would be some of that to be taken.

Unidentified Audience Member

Matt, if you go back to slide 17, on uses of cash going forward, if you look at the aggregate impound of dividends that you are projecting to be paid going from 125 million this year up to 150 million at the end of '09, that applies to about a 6.25% CAGR. You're estimating 10% EPS growth, trying to just try to get the delta on that. Are you basically saying you're going to have a lower payout ratio going forward, or is that going to be made up by share buybacks?

Matt Flanigan - *Leggett & Platt - SVP and CFO*

That's a good question. The short answer is no, we're not anticipating a dramatic reduction in our payout ratio, but I'll tell you that for the last few years, while we've had our earnings relatively depressed, our payout ratio has been in the 40, 45% range. We would expect that to be below 40% as a payout ratio, but there's not a whole lot of magic to the fact that we're showing dividends going from 1.25 to 1.50. We look at it every quarter. Our Board of Directors reviews that every quarter, obviously, and that does not grow at 14%, which is what it has done for 35 years, but as many of us are well aware, in the last five to 10 years, it hasn't grown at that sort of rate.

So there's no absolute definition to the fact that it's only growing at about that 6 to 7% range. But as earnings consider to accelerate, we'll put it into growth, first and foremost, to cash flow, and then acquisitions to the extent we can find them that are strategic, and then we'll look to go ahead and bump up the dividend certainly more than that if that's our next-best use of cash.

Unidentified Audience Member

I was wondering if you could just talk a little bit about your revised margin guidance, particularly for the residential business. I mean, what comfort level do you have that this de-specing and import competition won't be sort of a secular continued trend?

Karl Glassman - *Leggett & Platt - EVP and COO*

We're seeing some change in that de-specing. What we've done is introduced some new products recently, allowing our customers to stop this commodity deterioration, and we've seen them place those products - Paul will speak to two of those products here in a minute. We're confident that the de-specing - the de-specing was a byproduct of first the extreme steel inflation in 2004, and then exaggerated terribly by the fall of last year inflation in [funnels,] which impacted both our furniture and bedding business.

As that's level-ized, as our customers have got their arms around those two, that they have now developed products that on a go-forward basis should be more normalized. So we think that the worst is behind us. As far as the international and let's call it Asian pressures - it certainly isn't a European issue, it's an Asian issue, that we have dealt with a situation with the importation of Chinese innersprings over the last three years.

We have a little bit of a challenge in that we have a large manufacturing base in this country from a customer perspective. Our market shares are very attractive, thank you. As the Chinese in particular started to ship product into this country, we didn't react initially. The reason that we didn't is we had this big base of business and the quality was suspect.

As times passed, the quality has improved dramatically. Our customers, some of our customers, have learned how to handle that product. It's a challenge. It's a working capital, significant working capital negative for them, but some of them have got their arms around that process.

So embarking on a regaining of market share that really started in the fourth quarter of last year, we believe we've stemmed the tide of that import growth and feel confident that, albeit lower margins, that's the reason for the change, that we have our arms around it. We will continue to fight that battle.

If you look at the import statistics, I think it's notable to state that the current run rate of the importation of Chinese innersprings is about 1.8 million pieces. More than 50% of that business was not lost by us. It was lost by our U.S.-based competitor.

So don't look at it as a net loss, but we have a mentality, a long-term mentality, that every innerspring that's sold in this country is ours. Initially, it was about 20%, it's narrowed. We've lowered our prices, the Chinese have raised theirs as the economics have changed. Steel's gone up a little bit. Most importantly, those initial products, when they were shipped into this country, were shipped under a miscellaneous HDS codes. They cleared Customs under a miscellaneous product code that carried zero duty.

We've been very good about educating the U.S. Customs Service as to the proper identification of that product. They should carry a 6% duty. We believe Customs is now collecting that 6% duty.

So that policing took a lot of effort to educate, but Customs is certainly willing to collect the duties once educated, so it's cause for that 6% narrowing of the gap.

Dave Haffner - *Leggett & Platt - President and CEO*

Karl, I might add, on the de-specing, too, you can only take that procedure so far and then you start to damage the functionality and utility of the products. And so we're - I think we've pretty well grounded out some of those specifications and we're starting to see customers wanting to increase their differentiation again for market purposes.

So we've done a good job of helping our customers drive cost out. Simultaneously, of course, it took revenue out of our stream.

Chip?

Unidentified Audience Member

You all have not historically been buyers of businesses from private equity sponsors for all the right reasons. Given the large amount of money that's now looking for deals, are you starting to see offers to buy any of your businesses at prices that on an after-tax basis exceed their implied valuation in the stock price at the moment?

Dave Haffner - *Leggett & Platt - President and CEO*

We periodically are contacted by companies that have interest in certain pieces of our business, and specifically to your question, no. We haven't been offered what we feel are a more than fair price for certain of our businesses.

To the extent that a business of ours did not provide the strategic value, long-term strategic value that we'd want, we certainly are interested and are willing to sell those businesses, and we have divested a few of those small businesses in recent years, Chip. But with regard to the frequency of contact, I don't know that it's any more than we normally have.

Unidentified Audience Member

On slide 14, you discuss new growth platforms in the plural. Should we be expecting numerous small platforms to be opened over the next several years, or is it going to be more a couple large ones that have components going into it? What would be the plan there?

Dave Haffner - *Leggett & Platt - President and CEO*

Keith, it's reasonable to assume that there will be - hopefully several small ones, but it's also reasonable to assume that they could roll up into segment status. So we don't have any clearly defined boundaries relative to the size. We do have some basic makeup as to what we will and will not consider. But it's reasonable to assume, I think, that you should see some emerging operating groups as opposed to one or two or three more reportable segments. At some point, there will more than likely be additional segments.

Bud?

Unidentified Audience Member

David, also on slide 14, you talk about a new head of new growth platforms. What's the process, when will you have that person identified, and is it an internal or an external candidate?

Dave Haffner - *Leggett & Platt - President and CEO*

Okay, we anticipated that question. We are excited about that. It's a function that Felix and I and the rest of the team have talked about for a while. We're in the process of the job description and the skill set and attribute definition. I'm not going to say that it will not be someone from the inside, but it's likely it will be an external candidate. We may have some people that will have some interest, but based upon our current thinking it's likely to be an external candidate.

I'm hoping to have the job description ready for promotion and advertisement by the end of the month, and then timing will be a function of finding the right fit and the right candidate. Such a critical job, we want to make sure that we take our time and fill it right as opposed to fill it quickly. But by the end of this month, we should have the job description complete and ready for advertisement.

Unidentified Audience Member

David, could you give us an update on the de-verticalization process? Isn't that really sort of going to be held hostage to this trend that you've been talking about with the foreign manufacturing of components?

Dave Haffner - *Leggett & Platt - President and CEO*

Yes, Wes. Each one of the business groups has defined some maker-user customers that are candidates for us to take out of that business, if you will. I've mentioned a few of them, a few of the successes. There's a couple of others that while we can't comment on them today appear to be reasonable chances in the not too distant future, of varying sizes.

But to the extent that Asian and other low-cost country alternatives represent themselves, that maker-user may, and should, consider the possibility of outsourcing in a low-cost country, especially if they're high labor content products. That's one of the reasons that we're very comfortable in going to those low-cost countries. We have two new small joint ventures in India, today. We didn't have those a couple of years ago.

We've got those 12 operations in China. We didn't have those 10 years ago. And to the extent that those customers decide that they want to get out of the business and move not only their maker-user of those components or sub-assemblies to a low-cost country, but maybe the final assembly, we'll go to that low-cost country and be that maker-user for them. And those conversations have taken place with some of our customers, again, not to get in any detail.

But we're seeing that as an opportunity as opposed to a threat. And we're willing to - hate to move jobs from Kentucky or Missouri or Texas or North Carolina to China or India, but when it makes sense, Wes, for our shareholders and our customers, we'll do that.

Unidentified Audience Member

Thank you. The other question I had is these new growth platforms. The most recent ones have lower margins than you have already, and certainly well below your targets.

Dave Haffner - *Leggett & Platt - President and CEO*

That's correct, and we've taken - Karl mentioned this, albeit briefly, that they tend to be lower average margins and higher return on assets. And as Jack and Karl talk about these two individual growth platforms, I think you'll start to get even a better appreciation for this, but we're okay with lower margins, and we've taken that into consideration in developing these margin targets, as well.

We're okay with lower margins as long as we get a handsome return on the assets that we deploy. And you know how jealous we are of working capital and some of the other things that come into that asset management base, but that is correct. They tend to be lower margin, higher-return businesses. And we'll certainly line up and deal in those type of businesses whenever it makes good economic sense.

Felix Wright - *Leggett & Platt - Chairman*

Before we leave, Wes, one other comment about the de-verticalization and this kind of stuff, et cetera. I think, Wes, the word hostage may be a little bit too strong for us, because I think we've proved that what came out of Harley Davidson technology to go over to Briggs & Stratton and the reason that that business is here and what's happening at Black & Decker, are some of the things that we've got going on as far as innerspring developments, et cetera, that I think will have a big impact on what some of the other big bedding manufacturers are doing, et cetera.

So product development, all of the things that Dave and Karl are talking about that we're doing, can keep us from being hostage to what's over there and save some of the jobs that are right here. They're terribly critical to us, and we're putting a lot of emphasis on that.

Unidentified Audience Member

Maybe for Matt here. Did you change the return on equity or capital long-term goals in your update last week? And then how does paying on the higher end of the range for acquisitions impact that forecast of ROE or return on capital going forward?

Matt Flanigan - *Leggett & Platt - SVP and CFO*

John, good question. The 16 to 17% return on equity is slightly lower than maybe we had achieved in the prior years, as you saw, through the '90s. So it's a refining, but it's really an offshoot of the growth in sales and margins targets that we've talked about. You don't really back into the ROE, but you get kind of in that neighborhood when you do that math, driving to those return expectations, return on equity.

They also don't anticipate any significant reduction in the share count when you see that 16 to 17% happening in those out years. So if that were to happen, then there would be some additional return on that lower base of equity. And then relative to your acquisition question, as Dave said, whether it be margin targets - because, as we make acquisitions, as everyone knows, with the amortization that hits those EBIT margins before you get there, we tried to factor that into those updated margin targets, as well as the returns, that we're going to build an acquisition at about roughly 5% sales growth a year.

And so it all does work together in the mosaic that we put out, which represents all of our targets.

Unidentified Audience Member

On the 3 to 5% organic growth target, does that include any price, and on the margin targets, what kind of assumption of raw materials does that make?

Dave Haffner - *Leggett & Platt - President and CEO*

It does include pricing inflation, if you will, and deflation, which is very difficult to forecast, as you know, Keith. But we do include pricing adjustments in there. And with regard to our near-term cost of commodities, we're seeing - and touch wood - we're seeing some abatement on some of our primary commodities, such as steel, corrugated, paint, coating, resins. I guess, Dan, we're seeing a little bit of elevation, recent elevation in aluminum, as well as zinc. Magnesium's been relatively flat.

But going forward, if we take a look, and of course we have to do that LIFO calculation, which is a challenge in and by itself, but we're thinking that we're going to see some flat to down costs in some of the basic commodities some of the basic materials that we use.

Unidentified Audience Member

Is that in your 24-month forecast?

Dave Haffner - *Leggett & Platt - President and CEO*

It is. That's really in a nearer-term forecast. That's within the next six to 12 months.

Karl Glassman - *Leggett & Platt - EVP and COO*

Even on a longer-term basis, those earning margin targets were based on our continued ability to pass through inflation and a give-back of deflation. So it's neutralized in those long-term margins.

Unidentified Audience Member

As your acquisitions get larger and kind of approach that $40 million, can you talk about how you assimilate those into Leggett. Does it take longer? Is there a slightly different process that happens there?

Dave Haffner - *Leggett & Platt - President and CEO*

It's a good question, Susan. Each one is different. One size doesn't fit all, and it's a function of the quality of the management. As you know, we look for those acquisitions to help provide additional management for Leggett & Platt. It also a function of how well their financial controls are in place, their operating systems that they use.

Interestingly enough, the larger acquisitions have been easier to integrate, primarily because they have tended to be more sophisticated and in more control than the smaller acquisitions. Now, that said, some of the small acquisitions that were perfect fits, bolt-on sort of acquisitions were relatively easy to do, too. But each and every one is different, and we don't anticipate that we're going to see a significant increase in difficulty to integrate them. And you may know, or may remember, that we have an acquisition integration team that's part of our mergers and acquisition department that helps drive that.

Okay, well, thank you very much for your questions.

Karl Glassman - *Leggett & Platt - EVP and COO*

Why don't we reconvene at about 20 minutes 'til, please.

Dave Haffner - *Leggett & Platt - President and CEO*

So that's 10 minutes?

[BREAK AND RESUMPTION OF EVENT]

Dave DeSonier - *Leggett & Platt - VP, IR*

If I could ask you to take your seats again, please. We're going to start now with the first of the six business groups that we're going to walk through. And again, just to remind you, we'll have three of those presentations and then have time for Q&A and then we'll have the final three and close up the morning with another session of Q&A.

And up first is Paul Hauser.

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

Thank you, Dave. We'll start out with U.S. spring operations. Since 1883, bedding components have been an important core business for Leggett & Platt, supplying just in time mattress and box spring components through 27 facilities coast to coast. Generating $500 million in revenue, we are by far the largest supplier of bedding components in the market.

The market is still more than 90% innerspring mattresses with just under 10% other products, such as visco foam, air, water, et cetera. We do participate in that side of the market, that specialty side. An example would be our adjustable bed business, which has grown at double-digit rates for several years as well.

Going over market trends, we believe that the bedding market is flat to slightly single-digit negative and has been for a couple of years. There continues to be a movement from the traditional furniture stores to specialty bedding stores and also some big box movement.

In addition to slow business conditions, and Karl talked about this earlier, so did Dave, our customers experienced unprecedented escalation of raw materials in both steel and foam in 2004 and 2005. What this has done, as both of them alluded to, the de-specing, if you will, of components, has forced our customers to substitute a lower-value, lower-cost component in a mattress to be able to maintain price points, the volume price points that they they're used to and they have to keep 399, 499, 599, 799. So we've seen that de-specing throughout the last couple of years, and as Karl said, I think they've gone there, it's done, but it's still had a huge effect on us.

In many cases, what this means is a customer will take a proprietary product in Leggett & Platt in innerspring and they're forced to keep that 599 price point, put in a generic Bonnell innerspring. It lowers their cost, but they are able to maintain a price point, but they have to do very large volume price points to low end.

The other side of that may be they may have a Bonnell and a lower price point and they may go from a 400-count coil to 300, or they may take a coil count and actually take the gauge to a lighter piece of wire, a lighter gauge, all combined into ways to lower their cost and maintain those price points.

What we've done to respond to the trends that we've seen in the last couple of years is we know we have to develop new components, new products, to bring value back in the volume parts of the business. As Dave mentioned, we brought on, and part of our big start of that, is to get hiring of our engineering and technology people to develop new products. We've also added to our bench strength on our marketing side of our business, so we better understand not only our customers, but also understand what the final consumer requires going forward for components and bedding.

I want to go through just a couple of examples of some successes and things we're trying right now to that end. We developed a new Bonnell. We call it a seven-inch [XT] Bonnell product. It's through our own proprietary innerspring or spring-making equipment and control of our raw material for our own steel mill, we are able to take our current generic Bonnell and increase the height from five to seven inches. We can do that without affecting the quality and performance of the innerspring, and at the same time be able to do it without - with very little increase in material content. What this means for our customers, after they've experienced, in some cases, 70% increase in the raw materials of foam, they're able to take $8 to $10 of raw material out of their component, therefore helping them cross-[wise] at that with a component that we're supplying.

Another product that is brand new is the product we're calling Verti-Coil. We are just now getting ready to start introducing it to the market. It has not been shown at market. It is a patented new innerspring that we've developed that has the ability to have our customers take that patented innerspring and have a proprietary product at low-volume price points that they actually can replace a generic component, a generic Bonnell component, with a proprietary component and add value back at those lower price points, where the huge volume still remains in this business.

So we're excited about that, the fact that our customers have the ability to actually merchandise again with a Leggett-only component that also happens to be engineered in way that there's less material content than there is that generic Bonnell. So Leggett, at the same time of offering something more of value to the customer, is going to make more margin in the process.

So that gives you a brief overview of the spring business at this point. Like to bring Dennis Park up to go through our furniture side.

Dennis Park - *Leggett & Platt - SVP, Commercial Fixturing and Components*

Thank you, Paul. I'll be speaking this morning on our home furniture and components business. I'm going to talk primarily about our furniture hardware business. Looking at our home furniture components business, as Paul mentioned about bedding, it is a core product for the company. We've been involved in the furniture component business for over 35 years. We are a market leader in all of the major product segments, both in the U.S. market, European market and more importantly today, in the Asian markets. Keep in mind that we are primarily a participant in the upholstered furniture market.

We're not in caged goods, which describes furniture produced of wood. You take any piece of upholstered furniture, it represents a significant product opportunity for the company today. The largest category for us in this product mix is motion mechanisms. That describes a group of products that allows functionality with an upholstered piece, whether it's a chair, sectional or sofa. Had exceptionally strong volume growth since 2002. Motion, of course, has been the primary driver of that growth.

Our customers, particularly in the motion area, are gaining market share, have been for the last four to five years. We think a significant reason for that market share gain has been the product innovation that we've been able to bring to the marketplace today. We've got a well-established Asian presence, both from a distribution standpoint, more importantly, today, from a manufacturing standpoint.

We today have three manufacturing centers in China. We are the largest provider of mechanisms in the Asian market, by far exceeding all of the other competitors combined, annual revenues in excess of $450 million. Market trends today that obviously we're quite sensitive to, one is commoditization, price deflation, which is something that's been talked about by several presenters today.

Obviously, our customers are looking for ways to drive costs out of their products. They're looking for ways that they can take those cost issues that they've had to deal with on the raw materials side and find a better way to leverage those with their end-product design. The continued growth of foreign manufacturing - and here what we're describing is the business model change that has taken place for many of our customers.

We're seeing a significant shift with a number of the upholstered furniture manufacturers, utilizing either product that they can acquire in China, in particular, and those would be a combination of components and in particular cut and sew fabrics, which are the single highest labor cost content of the manufacturing process.

And as they have relocated either their production facilities, or through contractual arrangements relocated a part of their lines, we obviously have responded by positioning ourselves to have manufacturing locations in those same areas. They referred earlier to the brand awareness in China. Just this week, in fact, we are participating in the largest trade show in China.

We have the largest presence there in that show, and if you were to walk through that today, you would see the L&P banner in numerous locations, where the manufacturer is promoting our name above their own because of the recognition with the U.S. and European buyers.

Direct sourcing by retailers. Again, this is critical as it relates to our strategy in Asia, in that many of those retailers today are traveling to those foreign markets to make direct purchases of products that they used to acquire here in the U.S. The initial move to the Asian markets saw the retailers going through a U.S.-based manufacturer to acquire those goods. As their buying leverage improves, they continued to find ways to drive cost out and began going directly to the source in China.

One of the keys for them was that they needed to have a recognized name. Because of the functionality of motion upholstery in particular, they knew that for them to floor that product in the U.S., they had to have a way to service the product. And, again, they recognized the Leggett & Platt name, which has allowed us significant brand leverage in that Asian market.

Motion upholstery continues to grow today, and again, that is the largest single growth category in the entire residential furniture arena. Our response to these trends, expansion of our Asian operations, which I've already talked about. Included with the three operations in China we also have a manufacturing and distribution center in Australia that allows us to also address the domestic market in both New Zealand Australia.

Leverage of the Leggett brand, talked about that, and the key there, again, is being driven by the retailer and the manufacturer, where they do not have any recognizable point of reference with a customer in China, or provider in China. They recognize Leggett & Platt name, and again, it allows them to be able to bring a product back to the U.S. that they have a degree of comfort in terms of the quality and the service aspect of that going forward. One other area that we are focused on, responding to the commoditization, is adding value into those components, particularly in the healthcare area.

Demographics today tell us that more and more consumers are going to be concerned about healthcare and the comfort that can be provided in their homes. And, as a result of that, we've had a number of new introductions of motorized systems, where, again, we're actually adding significant value to the same number of units. Also, lift programs that historically were only found in chairs, in a more medicinal arena, but today it's become more of the mainstream furniture store, offering a lift-type program. And we just at the last market introduced a new lift system that will allow you to have that same opportunity in a sofa, as opposed to just a chair.

Global growth strategy, I've talked about the expansion of our domestic business in China. Think about it, we already have the physical presence established with those three facilities in China. We already have the brand awareness established. And what that will allow us to do, and we've seen over the last 18 months a significant increase, and again, starting with a relatively small base, but a significant increase in the domestic business in China.

And again, as that market expands and we're talking about the furniture that actually stays in China, that market today has significant upside potential and we're extremely well placed to benefit from that. Expanded distribution of the European market. Historically, we've serviced those markets out of our U.S.-based facilities. We've been able to do that with proprietary product design, strong trade advertising, as well as a strong presence at the regional shows in the European market.

In addition, we also are well placed with the largest distributors. If you go to the major countries in Europe and take the top furniture component distributors, they are carrying the line of Leggett products today. We've been able to enhance that over the last 12 months by expanding our point of delivery not just for U.S. operations, but also more cost-effective mechanisms that we're able to bring in today from China.

And along with that, we're also targeting our development efforts to the geographic markets that we are presently involved in. Again, in the past, we have taken U.S.-based designs, exported those to both the Asian markets, as well as the European markets. Today, we have active design activities for all of those major geographic areas, and we are seeing a significant expansion of those, in particular in the Chinese markets.

Increased proprietary designs for our key accounts. Again, this is critical in that as we're able to bring new designs to the marketplace, we can take those to targeted accounts that will allow us active participation with the key players today.

This basically summarizes the position that we have globally. This is such a critical part of our growth strategy going forward, just wanted to highlight here the points of distribution that we have today on furniture components. We are producing and/or distributing in all of these countries, as noted, and again, you will note heavy concentration both in Asia, Europe and the U.S., which are the primary markets. Today, we're seeing that motion market is about 19 million units globally, and again, over 60% of that positioned in the U.S. We remain committed to that from a manufacturing and distribution basis as well.

Thank you. Now I'd like to introduce Bob Griffin.

Bob Griffin - *Leggett & Platt - SVP, Fixture and Display Group*

Thanks, Dennis. I'm going to give you a brief overview of the Fixture and Display Group. I think many of you know this, so I'm not going to belabor it. We started really actually getting into this business in a serious way a little over 10 years ago. We had about 45 manufacturing operations in play at one period of time. At this point, we're now at 25 through consolidations that have taken place over the years, many of them in the last three years.

Our product is a capital goods product, our customer is the retailer, whether the product is in the front of the store, the back of the store or through vendor-paid fixtures whose fixtures end up back in the store. The market size is notoriously bad, unreliable data. Anybody's guess, including mine, up here in terms of a served market is surely wrong, but let me give you some data that I think that it is helpful, at least in focusing on what we're chasing out there from the Leggett & Platt Fixture and Display business.

In total - these are government statistics - in the United States alone, there are 740,000 retailers, 740,000 retailers, 700,000 of those are one-store retailers, 700,000, 39,500 of them are anywhere from two to 100, and 500 of them are over 100. If you take the top 100 retailers in the United States, they start with, obviously, Wal-Mart at 300 billion, down to 2 billion, that's the top 100, represent about 43% of retail.

So if you were to take the top 200 retailers in the United States, that's really the market that we're going after. That's our potential market for retail fixtures. Next slide.

This is an attempt to illustrate to you the difference between our business model and that of our competitors, and I'll try to walk you through this. The horizontal axis indicates some of the key purchasing criteria on the part of our customers, and this is based on a survey that we did specifically with our customers. And then the vertical axis is where we believe various competitor groups lie.

The blue line represents Leggett & Platt. The red line represents custom - that's by far the largest part of the fixture business, and that's the part that we play in, predominantly play in. And then the green line represents a smaller segment of the retail fixture business called catalogue or standard gondola. We do know what the size of that market is, pretty close. It's around $800 million.

But the key point on here is what drives a customer to buy a fixture from Leggett & Platt. First of all, I will address price for you. Price, for us, our aim is to be second or third in terms of lowest price. We're really a value producer. That's what we're trying to do. A couple of the other items across the axis, customization, the broad scope of product. We supply wood, metal, wire, whatever the customer wants. The services, we do anywhere from concept to installation of fixtures.

Total cost management, we blend domestic production with China, or low-cost labor country production opportunities, as well as we are truly a national manufacturer and distributor, all of these in contrast to our competition. And then we consider ourselves a very low-risk provider. We have redundant manufacturing capabilities. If one of our plants goes down for some particular reason, we can pick up that production. We just had that this past month happen to us.

But what really drives a fixture purchase on the part of retailer are two things. The very first one is on time, complete. If you can't get the fixture to the store in time, it has huge economic impact on that retailer and in terms of the real estate department and the purchasing group, it has a huge impact on their ability to service their company.

When we first started this process of focusing on on time, complete, the industry today and the industry now, is at around 70%. So about 70% of the fixtures get to the store on time and complete. We weren't a whole lot better than that three years go. Today, we're at 95% and we hope to be in the 98% range this year. A big deal, and will pay big dividends. Again, the number one thing on the part of our customers that will drive them in terms of purchasing from Leggett & Platt. The other is speed to market.

Speed to market is obviously used in a lot of industries. It's very important in this industry, because it really focuses on the other half of the business. Half of our business is new store, and that's fairly easy to do. The real estate is out there, you have a pretty good view of the timing of when that real estate's going to hit. But when it comes to remodels and rollouts, these are really last-minute decisions and the best you're going to get from a retailer is two weeks in order to provide the concept and provide them with a prototype, and then begin to get it into production. And that's a critical element in this business. It really addresses the other half of the business, besides just new stores.

Again, a huge focus of ours, in terms of even shortening that time from a two week to something like 10 days. It will provide additional new business, we estimate, to the tune of around - estimated at 10% across our sales force, and it will allow us to compete in and win business that is typically higher-margin business because, again, they want to get these fixtures out quickly. Next slide.

Some of the other things, operating changes, that we have focused on and continue to focus on. Number one, improved management talent and depth of management. These are all acquired companies, fairly unsophisticated mom and pop operations. We have completely gone through and replaced the management here. We believe we have the best management, by far, in the industry.

And just as a benchmark, we're focusing on succession planning here at Leggett & Platt, and I'd say today - I couldn't say this five years ago - there are five people that could actually stand up and run this business for us in this group at this point in time, so some big, big improvements there.

Centralized sales, marketing, project management and estimating. These are things that typically would take place in each one of the 25 operations. Now we do it from a centralized standpoint, much more efficient, much more control of the cost and where the product is being manufactured and the project management, focus on quality of project management.

Consistent manufacturing, system processing controls, very unsophisticated manufacturing businesses in this industry. We've focused on systematizing the whole thing. We are standardized across all the operations at this point, and we're taking it to another level here in 2006 and '07, and I'll tell you about that on the last slide here. China, domestic sourcing and foreign development.

We manufacture in China, as well as source in China. We're following our customers in Asia, and we're also using that - that is the business model, is we're going to follow our customers into Europe, too. It's going to come out of China, and just most recently, while we don't manufacture anything in Europe, we just won business from Marks & Spencer, which is all going to be manufactured in our China facility.

And then new product activity. What we're trying to do, obviously our business is highly custom and it depends on what the customer wants and what they're trying to achieve. What we're looking for in terms of new product activities is products that have application across multiple retailers, perhaps multiple sectors.

A good example is pharmacy, a fixture that we have developed and continue to refine. It's become a big deal in drugstores and pharmacies, because they've just completely run out of space. They either have to expand the store or take it away from retail. We came up with a whole new pharmacy system that will increase the square footage or the pack out by 40% in the same footprint. So that has application across many retail drug chains, as well as the likes of Wal-Mart, anyone else that has drug within their stores.

And then final slide is what we have done in - actually, in 2005, is challenged ourselves to come up with the best manufacturing operations, regardless of what the capital expenditure would be, and this is just one example. We're very excited about it. We call it the wood plan of the future. It is the wood plan of today, as we speak.

What we did was, we wanted to come up with something that would be a China buster, that would enhance speed to market and would allow us to do both long runs and short runs within the same facility and not suffer inefficiencies. We came up with a program. We're spending in excess of $4 million in 2006. We will reduce the labor content in a particular factory. The factor that we've chosen is a double-digit wood factory.

We'll reduce the labor content in that factory by 40%. We'll reduce the working capital by 40%, and we'll increase the output capacity of that factory by 40%. So obviously we are quite excited about it.

It is proprietary to a degree. As the slide says, it's really a factor of know-how. We've spent a lot of time, a lot of research, a lot of internal talent putting this together along with machinery manufacturers out there in terms of coordinating these. And, also, the cost of doing this is a limiting factor for us in this industry. The next steps, assuming this is successful, is we will be rolling this out into our other wood manufacturing operations. So, anyway, we're quite excited about this project.

That concludes my comments, and I'm going to open it up to questions, and I'm going to ask Dennis and Paul to come on up, please.

Unidentified Audience Member

When you discuss decontenting, can you give an example of that?

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

Yes, take a [5K] product, for example, a patented product by Leggett & Platt and we're selling to a customer on a proprietary basis and it's got 700 coils and it's 12.5 inch. They came to us and said, we can't afford that at this price point at 899 anymore, so we'll take that from 700 to 440 or something like that, take that cost of coils out, it's still the same size. And maybe take the gauge from 12.75 to 13 gauge, lighten it up a little bit.

Now, it will be softer, as Dave mentioned, it will be a softer innerspring, but that's what they've had to to keep that price point at 899.

Unidentified Audience Member

Is that a result of what's going on with commodity costs, or is that a result of Asia.

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

That's steel. To give you a feel for it, we talked about the escalation. For a decade, steel, our spring components, went up an average of 2.3% a year, on average. In one year, they went up 37%. So, where in the past, our customers had merchandized their way out of it, they merchandized 2% of a steel component. They didn't have the opportunity, especially as foam came back behind it at 50 to 70%, they were in a spot where they had to raise their prices, but they could not keep themselves under $1,000, or still 75% of the volume of pieces out there. They had to do something drastic that they hadn't had to do before. So that's what happened.

Unidentified Audience Member

Then on foam, have foam prices alleviated in the last month or so, at all?

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

They've been pretty stable. They've been down just a little bit, maybe, but pretty much chemicals and everything has stayed pretty stable all year, so it hasn't changed that much.

Unidentified Audience Member

Thanks.

Unidentified Audience Member

Yes, a couple of questions. Can you talk a little bit more about Verti-Coil. What is the defining difference of that?

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

It's an unknotted innerspring coil that we were able to take - before, we had what we call an [LFK] coil. The low point of that product was 522 in coil count, then went up to 660 to 700. We're able to take some of that same technology and machinery, which [Bonnell], our own company that makes spring equipment, to redesign that coil to where we can bring it down to as low as a 357 coil count with that same spring technology.

We have to control our wire, with Joe Downes in our own steel mill, we've got to make sure we've got things just right, and redesigned that coil and alternated the coals to be able to perform like a 312, Bonnell, generic Bonnell, with substantially less material than that generic Bonnell. So you've got proprietary patented product. We'll take four different types of patents on it currently, at a generic price point, or a generic feel, if you will, and give them something they can merchandise now. And we can change coil counts. It can be a 357, it might be a 400. It depends on the customer. It just depends on how we want to make it.

Unidentified Audience Member

And when will it be in the market and when will it have an impact on revenues or units?

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

Well, we've just completed our first machine. We've gone through the tests, finalized the product, got the prints done, so now it's a matter of going out and gauging with our customers what kind of requirements we're going to have, but we're going to ramp that up fairly quickly, I think, in the first half of this next year.

Unidentified Audience Member

Okay, and, Dennis, the size of the Chinese domestic market, can you size that at all? Is there any way to get a feel for what's happening there and how fast that's growing?

Dennis Park - *Leggett & Platt - SVP, Commercial Fixturing and Components*

Today, the market in total - now, this is just what's being produced there, is about 3.5 million units. We think that of that the domestic market today is probably around 100,000 units, on its way - it's still a relatively small market for China's size, but we think that the market next year will probably exceed a quarter of a million units, so the growth is significant there.

Unidentified Audience Member

And my last question, for Bob, on the wood plan of the future, what's the margin opportunity? Wood's got to be - I would imagine wood's your lowest or most difficult margin issue of your manufacturing, and what's the margin opportunity and what's the impact on the total part of your segment?

Bob Griffin - *Leggett & Platt - SVP, Fixture and Display Group*

The margin opportunity that we're expecting is anywhere from three to four percentage point improvement in overall margins in that wood factory.

Unidentified Audience Member

[inaudible question - microphone inaccessible].

Bob Griffin - *Leggett & Platt - SVP, Fixture and Display Group*

Correct.

Unidentified Audience Member

[inaudible question - microphone inaccessible].

Bob Griffin - *Leggett & Platt - SVP, Fixture and Display Group*

I'm sorry.

Unidentified Audience Member

[inaudible question - microphone inaccessible].

Bob Griffin - *Leggett & Platt - SVP, Fixture and Display Group*

Wood manufacturing is probably 200 million. Okay, thank you.

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

Thank you very much.

Dan Hebert - *Leggett & Platt - SVP, Aluminum*

Good morning. I want to try this morning to give you some insight into the aluminum segment. Leggett entered the market in 1972 with the acquisition of a company called EST. The reason for that acquisition was EST was manufacturing, was casting, aluminum furniture components. It was a major acquisition made in 1996 of Pace Industries, and Pace was one of the largest non-automotive die casters in the industry.

Those two companies combined were the platform for the establishment of the aluminum segment. Our major markets are non-automotive in nature, include things like appliances, power tools, small engines, transportation, et cetera. Annual revenue, about 550 million, and that's in a non-automotive market of about 2.4 billion.

Our industry is comprised of a large number of very small companies, typically privately held, in the 15 to $30 million range, the largest being 100 million. We're the only public company in the non-automotive aluminum casting market. A large number of those small privately held companies are financially distressed. A number of bankruptcies, resulting in a significant consolidation in our industry.

We continue to see Asian competition, but we see very little competition from Asia in discrete components coming back into the States. It's typically a finished, completed part or a completed product in a box. An example would be small appliances, low-end power tools, those kinds of things.

There's a growing demand in our customer base for support services, including product design, engineering, supply chain management, inventory management, as examples of additional services that our customers are asking for. And there's a much greater emphasis being placed on time to market. A number of - our customers tend to be Fortune 500 OEMs, and as they develop new products, time to market is critical in market penetration for them.

We continue to strengthen our core competencies in value-added services, both hard and soft services - hard services such as machining, finishing, assembly and soft services in resident engineering. We have a number of customers where we have engineers who are either permanently located in their engineering groups or have offices and they visit those customers on a regular basis, helping their engineers do product design. We lead in supply chain management and inventory management.

We will do consignment activities and other kinds of working capital and inventory management. We have a major initiative to push the envelope of technology in equipment and process design and we'll talk a little bit about that later. We're also doing a lot of work in process management, software and hardware development.

We are aggressively pursuing a presence in Asia. My Vice President of Business Development has spent a lot of time our Asian initiative. As a matter of fact, I'll be in Asia next week, talking with some potential partners.

Let's talk a little bit about de-verticalization. That subject has come up a couple of times this morning. As you all know, de-verticalization is a term that we use for helping major maker-users source that product from us rather than manufacturing it themselves. It works for us because it adds value to the customer. Highly vertically integrated companies are now striving for success in the global economy that we operate in, often find that their assets, both human and financial, are better served in product design and marketing and other activities within their core competency, as opposed to component manufacturing.

So we're able to utilize Leggett's capital strength to provide component manufacturing, thus freeing the customers up, their capital and their resources, to use on their particular product lines. We provide supply chain management, as I mentioned earlier. We will manage component sourcing as well as component casting. We have a number of customers where we have taken a market basket of products and for some reason, either particular alloy or the volume is very low, we will source some of those components, often in Asia, and manage the supply chain and deliver components that we manufacture and components that we source for our customers.

We can often offer a lower total system cost, because we have a better opportunity to utilize our assets more fully than a customer who is only manufacturing components for himself. We are a component manufacturing business. That's what we do. And as a result of that, we spend a lot of time working on innovative technologies to improve cost, product quality and manufacturability. And as customers source from us, they're able to take advantage of our investment in technology for those particular components, in our case - in my case, it's castings.

The technology advancement is a significant competitive advantage for us. Manufacturing technology development was key in the Harley Davidson business that we acquired, as well as Briggs & Stratton. With Harley, we have been a supplier, major supplier, of engine components, structural components, since 1985. As a result of that relationship and our reputation in the market, they came to us with what was a rather significant problem for them in their cosmetic casting. And these are their chrome, aluminum chrome castings that are primarily on the engine and side covers on the bike.

Their existing supply chain was yielding fallout rates in excess of 20%, in some cases, as high as 50 or 60%. So they came to us and asked us if we would be interested in producing those components and trying to develop a process that would allow a significant reduction in fallout rates, which translates directly into significant cost improvement.

We entered into a three-phase project with Harley. We had very little experience in manufacturing castings for the plating operations. So we entered into a three-phase program where phase one would be strictly a development program on two of their highest-volume, most complex parts. Phase two would be, given success in phase one, that we would go into production on those two high-volume parts. And then phase three, if phase two was successful, we would transition 100% of their business in the chrome castings from their existing supplier to us.

We invested a significant amount of time and effort into phase one and were able to develop a process that yielded a surface finish on the castings significantly better than anything that had been done in the industry. The result of that was that we were able to lower their fallout rate from some 20%-plus to less than 5%. Today, we're running around 2%.

Phase one being successful, we went into full production on the two very high-volume parts and were able to transmit the development process from the lab into actual production mode and that was successful. And ultimately we now have 100% of their chrome casting business. And technology development was absolutely key there.

One of the side benefits to that was tooling life. Tool life is very, very important for casting companies. Die cast tools can be 85,000 to $150,000, very expensive. A side benefit of our process was that it was less vigorous on the tools, which yielded longer tool life. And in some cases, that tool life doubled. So that was an added benefit, and both the improvement in the quality and also the life of the tool was a significant savings for Harley.

Briggs & Stratton, as you probably know, has manufactured their castings internally for the history of their company. They have a number of casting facilities around the country. As they were needing additional capacity, they took a look at an opportunity to source those as opposed to manufacturing themselves. So they contacted a number of casters. They wanted to evaluate this opportunity.

We were one of those that they contacted. We took their executives on a tour of our facilities that were employing some of the new technologies that we had developed for Harley. And as a result of those trips and Leggett's financial strength, we were able to partner with Briggs to produce those additional components they needed. The result of that is we're putting the finishing touches on a new casting facility in Auburn, Alabama, to supply their major twin-cylinder engine assembly operation in Auburn.

So both the technology development and Leggett's financial strength were key in both of these major customers. Our competition does not have the financial strength, the capital, to either develop the technology and the processes or to build a plant, as an example, in Auburn or make significant investments in a casting plant to support Harley.

I'd like to introduce Jack Crusa to talk about Commercial Vehicles.

Jack Crusa - *Leggett & Platt - SVP, Specialized Products*

Thank you, Dan. Commercial Vehicles, or CVP, as we refer to it, is our newest new business platform, and I'm going to try and explain what it is, what it does and why Leggett likes it. We really began to touch this market in the early '70s, when Leggett acquired an innerspring manufacturer in Atlanta that also did storage rack systems for the Atlanta Telephone Company.

And that business was a good business. Leggett grew it to a national presence and did a couple of other small acquisitions over those years, but in the fourth quarter of last year, we acquired America's Body Company, and that gave us - took us beyond the fleet business. The telecom business was fleet oriented. It was large fleet, and that's where we had really focused.

But ABC gave us a mature sales and marketing channel, direct to the auto dealers - they had a well-developed structure of an organization that contacts the dealer base, and it gave us a relationship with the automakers' commercial truck fleet managers. That took us to about 250 million in top line, and we felt like there was good growth potential, so created a new group and went out and recruited a President with a good background to run this group. And that's Elliott Lyons, that Dave talked about earlier.

This platform participates in a market which we estimate at about 1.5 billion. That's a bigger market if you take all truck equipment into account, but the types of truck equipment that we service is about 1.5 billion. It is highly fragmented. We believe there are about 500 manufacturers of various types of truck equipment, generally just for a very small local market.

There are a few that participate on a national scale, and some of the names which you might recognize that are national competitors would be Adrian Steel, Supreme Industries, Omaha Standard, Morgan Corporation, which is a part of the J.B. Poindexter Group, [Napide] and Stahl.

Our customers, or end users, include telecom, cable, home service, medical service companies, contractors, construction companies and delivery companies. In the product brochure that you have, there's a very good collage of the pictures of the kinds of products that this new platform focuses on. But what we do is design and manufacture some of our products, and install them. We have about 15 facilities around the U.S. and Canada. And we also, in those facilities, will buy product from other manufacturers and install them as a distributor.

The types of things that we design and manufacture are racks, shelving and storage systems for commercial vans, which was the beginning of the business in the telecom industry. Some of those industry-specific interiors have been co-developed by us, along with those customers. An example would be Lincare, which is a company that delivers medical products to the home of patients. We have a van interior that's specific to them, which houses a large oxygen tank and storage systems for accessories, and they then in their fleet deliver oxygen refills to their patient market, along with accessories that those patients need.

More recently, we developed a van interior that is specific to State Farm Insurance. It's a mobile adjuster's office, so to speak. In the Katrina aftermath, there really wasn't any place for their adjusters to set up shop. Everything was pretty well destroyed, so they came to us and said let's develop something that we can put in the back of a panel van and send the adjusters out to be close to the clients that need them. That's an example of one part of this business where we designed and manufactured.

Now, we also design and manufacture truck bodies for dry freight. There's a picture of that in the brochure. There was a picture on the previous slide of a dry freight van. We do that in four locations, and the fifth is a greenfield site in Texas that's under process now.

We also design and manufacture accessories for this market. In the lower right picture, you see the ladder racks on the top of that van. We have patents on those ladder racks. Some are powered, which will bring the ladder down automatically, and more and more of these fleets are using the power system simply because of the employee ergonomic concerns.

We [up-fit] and install as a distributor in the local marketer where we have facilities things like utility work bodies, dump bodies, bed liners, communication equipment, really any other aftermarket accessory which that local market might demand. And some of those products we continue to evaluate for manufacture ourselves.

One of the key things about this group is that we are marketing partners with the OEMs, primarily Ford and General Motors. They allow us a part of our pricing structure, which is specifically marketing oriented, because we are out there with their dealers and they ask us to help them develop those programs to incentivize the dealers to move their vans with our product in it.

We develop proprietary van interiors. Ford has an interior that's specific to them. GM has one that's specific to them. And we can either install that system before it goes to the dealer - the OEM makes the van, brings it to us, we install it, they come pick it up, put it into their distribution system, which is convenient for the dealer. Or the dealer can call us, take a van from our pool and we'll install the system that they choose and deliver it to them.

That model is becoming more advantageous, because we can turn around that in about a week's time, versus the normal lead time when they order through the OEM. The OEMs generally use our interiors as an incentive, in lieu of rebates.

In other words, certain specifications of our racks and bin system in a commercial van will be available free to the buyer. That's the incentive for the guy to buy the Ford van versus the GM van or in lieu of a cash rebate, if you will.

Now, why do we like this platform? First of all, we do believe that there are good organic growth opportunities. We have geographic expansion potential. As I said, we're already active in Texas, and there's a couple of other geographic locations that we don't touch very well today. The market is regionalized because of the bulk of the product line, and we do see a clean sheet of paper approach to foreign markets.

We don't have a presence there, they do have interior storage systems in their vans. We can go with a brand-new model. We won't be bound by any previous structure.

Historically, this business has not been terribly innovative. The market that it serves is kind of meat and potatoes, and ABC was developing that innovative approach, and we intend to continue that. Some of the things that they did along the innovative line were they've introduced composites to the van interior. They introduced a composite flooring system for the dry freight vans and the flatbeds.

And they developed a van body which is specific to tight street urban markets, such as New York. There's a picture in the brochure of what - it's identified as a city van. That is narrower and shorter than any other product offered by any other manufacturer, and it's specifically targeted to New York, Philadelphia, LA, those kinds of markets.

We don't think that this platform is subject to a threat of imports. Some of our components, we produce in low-cost countries and bring in, but the finished, assembled product is very bulky, obviously is not likely to be imported in finished form.

The truck fleet age is of interest to us. As we have seen the telecom and cable industry postpone the replacement of their vehicles, the average age of a lot of those fleets, which used to be six or seven years, is now 15 years. and there's pent-up demand there, so we are excited abut what the future holds as those fleets are replaced.

We are willing to lead the paradigm shift towards innovation, continue what ABC had started, and that leads a change in the service model toward shorter lead times, and we're going to continue to see benefit from that. We do understand the materials and processes and distribution channels of this platform, have been involved with it for quite some time. And we like the demographics of the aging baby boomers. We see a demand or more delivered services. Some of those we don't know what they are yet, but when someone builds a business model around a delivered service for the new generation - for this generation, I guess I'm part of it - we will be there with the facility of the vehicle to deliver that service.

So those are the things that we think make this business platform attractive, and certainly appreciate the opportunity to explain it to you.

Karl will now talk about another of our new business platforms, Geo Components.

Karl Glassman - *Leggett & Platt - EVP and COO*

Thank you, Jack. As Jack stated, that Geo Components is another good example of a new growth platform. It was identified actually by the Hanes management team. Hanes is a part of the residential furnishings segment. Their legacy is they take master rolls of fabric. They cut it, slice it, convert it into specific applications that historically were furniture, bedding, packaging oriented.

And that management team launched a concept of this Geo Components business. The basis is the same raw materials, just applied in a different methodology, and through a lot of study of the available market came up with the idea in mid 2004. We acquired four companies in late 2005, early 2006, and year to date have greenfielded six sites around the country that are geo-specific sites. We will launch two additional sites sometime between now and year end.

At the same time, they have taken the geo product categories and placed them in a number of the existing furniture and bedding locations around the country. Cerritos, California is a good example, a very large furniture and bedding facility. They now take geo products, put it into that Cerritos distribution system, identify a sales manager who has a history in Geo Components and start to penetrate the market. There's more and more of that from a regional basis that is taking place as we speak.

Annual revenue today is a little north of $150 million. We define the available Geo Component market, the total market, as 2.7 billion, but that number continues to grow as we take ancillary products and better define them as geo-type applications.

What are Geo Components? Some very good photos in that brochure that generally what we are trying to do is become a national distribution of a wide range of products. We will have more products in our bag, so to speak, geographically positioned across the country.

The categories are geo synthetics. That's the base, that Hanes business that we knew, which are synthetic fabrics which are used in ground stabilization, drainage protection, erosion and weed control. These are site-specific activities. Example, specific product example depicted well in that brochure, silt fencing. As you drive along the highway, you'll see silt fence. Silt fence is about 24 inches tall. It has either wooden stakes or metal structures behind that space. They may have a wire piece of our raw material that spans that expanse. And you'll see just miles of that as you drive along the roadways, and at all construction sites, you'll see that.

You'll see geo blankets, which are on - there's a photograph of an extreme slope. What that geo blanket is is ground stabilization. It may be impregnated with seed and fertilizer.

Why is this an attractive business platform? Hanes is a major purchaser of these major raw materials. They have identified worldwide sources. They understand as those geo synthetics come online in places around the world, that manufacturing capability and capacity.

What we've done is apply that extreme purchasing leverage to this new business. This business is - this geo supply is very much a regionalized business. The largest, this Ikex/Jarex acquisition that we made in the fourth quarter of last year was by far the largest target that we looked at.

They tend to be localized. A large geo company would be in the 20, $25 million range. That would be very large, actually. As we look at that across the country and dig through the financials, we can see purchasing synergies day one. Those synergies inure to us because of the leverage that we have on the existing product.

This is very much a service business. It's site-specific. What I mean by that is a contractor will come into one of these regional facilities. They'll ask for a certain length of silt fence that at the same time there's an opportunity for add-on sales, be it seed and fertilizer. We're not competing in that business from a bulk standpoint, but from a DOT specification, that's an add-on purchase that's not as price sensitive.

So we're able to take that in many, many cases, we deliver on site. A little different business, in the sales representatives, sales managers, that are involved in this business tend to drive four-wheel drive pickups that deliver just in time, very much just in time, working capital efficient business directly to that small site. Thus the short lead times and small orders.

Significant opportunity for growth. What we've done is look at every geography around the country and tried to identify in each market, do we need to acquire or do we need to greenfield, so thus that mix - excuse the poor choice of words - there's been a lot of ground work used to fully understand - I hadn't even thought of that one - the opportunities that exist in that business.

You should expect organic growth and a blend of acquisition growth going forward. This should be an area of significant growth. Why we like it, the spending on U.S. infrastructure. The Clean Water Act is being rigorously enforced on a city, county, state and federal basis. Water runoff is being very tightly controlled. We are the solution to that activity.

You should expect that infrastructure not only that the Federal Highway Act of a year or so ago leads to this, but that, as I said, rigorous control of the Clean Water Act is almost a political football at this point that certainly is in our favor. You should see an increase in the product offerings.

What we've done is when we made the initial acquisition, which was a company by the name of [WebTec]. They had a series of products. They had more of a civil engineering milestone than the Ikex/Jarex business that was more of a fulfillment side of the business.

As we expand, both from an organic and from an acquisitive perspective, we're putting more and more new products in the bags. As an example, a gabion. A gabion is a metal structure that is filled with aggregate that is used from a water control standpoint. We'll take that gabion that we gained exposure to on a west coast acquisition and then apply that through the distribution infrastructure that existed in some of the other acquisitions.

We will have an opportunity to manufacture that product. It's a wire-based product. So you should see some backward integration from this business also as we self-manufacture some of the previous components.

This is an import-resistant business that we will use the purchasing leverage to acquire some of the supplies in the international markets, but the market itself, Geo Components, is a deliverable. We're not concerned about the import nature, or the possible import nature of this business.

It’s truly, much like CVP, is a good example of a new growth platform. The question was asked earlier, as you look at those platforms, where will they be identified? Certainly this new individual that will come in will look at SAIC codes and understand that one step away of possible activity. But a lot of these new growth platforms will be identified from the business units and boil up to the top, so to speak, the way we've grown the company in the past, mitigating some of the risk.

The EBIT margins on Geo, the target is in about the 8% range. It truly is a distribution business. That's why you saw the residential target start to be diluted, because this will be a fast-growing business. Lesser margins, significantly greater returns, because of the distribution model.

With that, I'd like to reintroduce Dave Haffner and ask him to make some closing comments, and then we'll call for Q&A on that last group of presenters.

Dave Haffner - *Leggett & Platt - President and CEO*

Karl, we're going to make you do civil engineer reports all over. That was a very stabilizing presentation. Well rounded. You did a good job.

That's a business that I became familiar with several years ago when I was on the Board of Directors of a private company that was engaged in civil engineering and soil stabilization. And it really does represent a wonderful opportunity and you did a good job in making that presentation, Karl.

Just a few brief finishing comments here and we'll wrap this up for additional Q&A. We're still on track this year to post record sales and earnings per share, and our current guidance to be that $1.55 to $1.75 per share. This includes about 8% in restructuring costs, 6% in a one-time tax benefit that we talked to you about last quarter and somewhere between $0.01 and $0.05 in expected gains from asset sales and possible lumber duty reimbursements.

Sales growth should approximate the 5%, which we talked about, with 2% from internal growth and 5% from acquisitions, offset partially by a negative 2% from divestitures and restructuring. So, really, no news there, no new news.

This last slide is what we like to call our differentiation slide. So what does set Leggett & Platt apart from other opportunities? And in the interest of time, I won't comment on all two-dozen of the bullet points here, but I would encourage you, if you haven't seen this slide before, to read them at your leisure. If you have any specific questions about any of them, please contact us, because we're proud of what they represent.

They truly do identify the value mosaic of the company. And with that, we're going to open it up for questions and answers. Yes. Some of you may want to join me up front, too.

Unidentified Audience Member

Actually, this question is for you, Dave.

Dave Haffner - *Leggett & Platt - President and CEO*

Okay.

Unidentified Audience Member

For the last three or four years that I've been following the company, you frequently refer to your competition in many of your businesses - and it was brought up again today, that they're small, financially distressed companies. They've been small and financially distressed for now three or four years.

What in your estimation is going to break some of these companies to allow you to possibly accelerate your sales growth by picking up businesses that have now fallen away or acquire these companies?

Dave Haffner - *Leggett & Platt - President and CEO*

There have been a significant number of bankruptcies of many of our competitors. There are fewer competitors than we've had in the past. On the other hand, there are some very good competitors out there. We'll continue to look for ways to tenderize our competition, if I can use that word in a nice way. We're not at all opposed to becoming very aggressive and fatalistic when we can, and when it's to the benefit of our shareholders.

But there are significantly fewer competitors out there than we've had in the past. It doesn't mean that the market is as pure as we would like or as disciplined as we would like, but with regard to one single phase change thing that's going to happen, I don't know what that would be. We'll continue to look at each and every single piece of market share one step at a time and try to keep our advantage relative to those competitors. But there are a lot fewer competitors in many of the markets that we serve today.

So it wasn't just that we were saying that, we really helped several of them out of the business.

Unidentified Audience Member

Given your exposure to kind of the consumer and the industrial side of the economy, as you look at the new growth targets that you've put out there, how do you think about achieving those through both sides of your businesses?

Dave Haffner - *Leggett & Platt - President and CEO*

Karl, do you want to comment?

Karl Glassman - *Leggett & Platt - EVP and COO*

It certainly is a mix. How we'd weight that mix, Susan, I can't break it out exactly. It's certainly the legacy of the existing business in the markets that we serve, some of them have been under pressure. As we've said today, we've released some of that pressure in some of those businesses. So while they haven't been prone to growth for the last five years, we expect accelerated growth, let's call it. So it truly is a mix between the two and we haven't specifically set out each in proportion.

Unidentified Audience Member

Yes, a couple of questions. First, for Dan, can you do kind of a financial report card of the Briggs & Stratton project? How's that gone and what's been good and not so good?

Dan Hebert - *Leggett & Platt - SVP, Aluminum*

The Briggs & Stratton project is going well. We are in the process of installing all the equipment. We have begun to ramp up production and we are supplying components to Briggs. We will have full ramp up by the end of the first quarter and have all the volume in and all the equipment installed.

Dave Haffner - *Leggett & Platt - President and CEO*

But, Bud, as you know, there were a couple of disappointments relative to our ability to meet certain of their critical lead times. That had to do with the quality of some of the early tools that we got in there, and that's certainly not an excuse, but some of those initial headaches or startup concerns are truly behind us, and while they've modified their forecast somewhat, it's still going to allow us to meet our expected forecast on revenue and profitability of that plant.

Unidentified Audience Member

Okay, and a couple questions more, for Jack. You talked a little bit about the market for ABC and CVP. Can you kind of give us what the unit market is, how does the average selling price go? What's the growth of the overall market, not just the competitor situation, but is the market growing at all?

Jack Crusa - *Leggett & Platt - SVP, Specialized Products*

The market today is suffering a bit. The fleet side is good. The fleet side is generally driven by more of the general economy. On the truck equipment side, we've seen a restriction of chassis available, because when Ford closes plants that produce pickup trucks, those are the same plants that produce the heavier-duty chassis.

So while there's a demand, right now, we're having trouble getting chassis. Not to a great extent, but it's just softened our third and fourth quarter projections.

You asked about average unit price. It depends on the size of a box, if you will. Those might be 5,000 to $6,000 on a dry freight system, around $1,000 average for a van interior system.

Some of the more specific van interior systems would be $3,000, with full, automatic ladder racks. The number of units on van interiors annualizes at 50,000 or so. The total market there might be 150,000 a year. On truck equipment, I really don't have real good numbers on what that total market is.

Unidentified Audience Member

Okay, and last for Karl on kind of Geo Components. Competitive front on that? In distribution business, I know that's Hanes' business historically, but distribution has been kind of a major focus of a couple competitors and who are your customers here? Are they basically just contractors?

Karl Glassman - *Leggett & Platt - EVP and COO*

Primarily contractors, and the competitive environment is very much regionalized. There is no national competitor of that product and delivery process today. It is extremely regionalized.

Unidentified Audience Member

That doesn't worry you in finding new competition that might come in who would - some people that are focusing on distribution?

Karl Glassman - *Leggett & Platt - EVP and COO*

There is a first mover advantage, that we feel an importance to try to spread our tentacles out across the country pretty quickly. We have significant purchasing leverage on those fabrics, in particular, that would make it - I don't want to overstate this, but make it difficult for another to compete as effectively as we can.

We are seeing some pretty impressive synergies when we do these acquisitions.

Unidentified Audience Member

If you integrated them into all of the Hanes operations, how many distribution spots would you have?

Karl Glassman - *Leggett & Platt - EVP and COO*

There are 36. Many of them don't have the physical space or are in the wrong geography to be able to handle the geo side. A good example of a geo startup, a greenfield facility was in Denver, where there's a furniture and bedding business in Denver, but it wasn't large enough to be able to support a Hanes-alone facility. But in the spring we started a Geo Components facility that will now handle furniture and bedding. So it works both sides, our penetration of furniture and bedding because of same-day service will certainly grow. And from a soil-stabilization area, it's important from a geo perspective, so it all kind of works hand in glove.

Dave Haffner - *Leggett & Platt - President and CEO*

Bud, also it's a low-risk proposition to greenfield a facility because of the variable cost, if you will. There's very little fixed cost involved here, so for some reason we go into a region and we fail to meet our return objectives, then it's relatively easy to liquidate the inventory and move on down the road, but we're picking those locations very carefully.

Unidentified Audience Member

Yes, I was wondering if you could discuss some of the priorities of the enhanced R&D effort, maybe nearer term and then maybe longer term and what segments are more the focus? Perhaps customer issues or problems, or features that you're trying to address.

Dave Haffner - *Leggett & Platt - President and CEO*

I appreciate you asking that question, Don. It gives Vincent an opportunity. Vincent, are you wired up? If not, maybe you can come right up here.

Vincent Lyons - *Leggett & Platt - VP, Engineering and Technology*

Good morning, everyone. Good to be here, great to have the opportunity to speak to you this morning. From an R&D standpoint, we're doing a lot of things. We are particularly interested, of course, in our Residential Furnishing segment, which is the largest segment. But we're also looking across the entire platform, across the entire enterprise, I should say.

We're looking for ways to create synergies amongst the different businesses of Leggett & Platt, to create some outstanding solutions that frankly have never been thought of before and present some opportunities to our customers and in some cases directly to consumers. That's going to provide some outstanding opportunities.

So as we concentrate initially with the Residential Furnishings segment, at the same time, we're looking across the entire enterprise. In fact, we're pulling together a technology forum scheduled for October 2nd and 3rd, where we're bringing in all the product development leaders from all over the country to Carthage, and we're going to have a couple of days session there where we really get to know one another and get to know what our opportunities are working together. Again, we're trying to create some solutions that have not even been thought of before.

Dave Haffner - *Leggett & Platt - President and CEO*

Don, one thing that we've done is we've taken a look at our intellectual property portfolio, if you will, and we know which of those individual products are generating what percentage of our revenue and our profits and what the remaining durable life is of the package. So we've got a much clearer perspective of where those intellectual property benefits, and the boundaries of those benefits, exist.

And it helps us then optimize the utilization of these R&D resources wherever we need the new products the quickest. And as Vincent said, Residential Furnishings is an area where we're seeing significant opportunities. Paul gave you a couple of examples earlier.

Unidentified Audience Member

Okay, if I could ask another question, as far as acquisitions, can you give some sense as to what the acquisition pipeline looks like currently and perhaps some examples of adjacent markets that would make sense to be part of Leggett & Platt?

Dave Haffner - *Leggett & Platt - President and CEO*

Yes, I would say the pipeline is fair at this point. It's not bulging the way we've seen it in the past, nor is it anemic like we've seen in the past. We've seen a pickup in the number of deal opportunities in the last few months. And as I mentioned in New York back in May, and I think we've mentioned this on webcasts, we're looking at additional ways to generate other targets, not just relying on our operating people like we have in the past, but working through brokerage firms and third parties to identify additional targets.

An example might be where we would look at the possibility of - and I'm thinking of Dan Hebert's segment here. Those castings, a lot of those castings go into small-engine applications and there are a lot of other components that are highly engineered that go into engine applications, ignition, pre-ignition, those types of things. Those are the types of businesses that we might be interested in.

It's one step away, but it's the same basic physics and core competencies and manufacturing that we're aware of. That's one example.

[Ira]?

Unidentified Audience Member

Sure. Just coming back to a couple of your core businesses, the bedding and the Fixture and Display, could you guys talk just a little bit about kind of what your expectations are in terms of sales, looking out over the next couple of years and thinking back to how that compares to what you've seen in the last couple of years, what would be some of the factors that might be different?

Dave Haffner - *Leggett & Platt - President and CEO*

Okay, let's get the guys that need to answer that kind of front and center. That's Paul. You guys heard the question okay?

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

Bedding, as we talked about earlier, we do believe is flat to down single digits in terms of the business right now, and we think it's going to be a pretty tough market through the rest of the year in terms of growth and pieces and units on bedding, so I think we've got some challenges ahead in that market right now.

Unidentified Audience Member

[inaudible question - microphone inaccessible] become more of the same.

Paul Hauser - *Leggett & Platt - SVP, Residential Furnishings*

I think historically we've seen the bedding market, at least in the United States, has been that 2 to 3% type growth. And we're hoping that once we get through some of this this year, we hope to get back to more of a normal-type business cycle for bedding than maybe that 2 to 3% unit growth. Karl, would you...

Karl Glassman - *Leggett & Platt - EVP and COO*

Yes, I would agree with that, Ira, that we need to get past this last two-year upset with raw material inflation. On a normalized growth, Paul's right. You go back and look at the last 25 years, it's 2 to 3% unit growth. We expect that we'll start to see that. Will it be first quarter of 2007? Don't know, but in the next couple of years we certainly think that we'll be back to those levels.

Unidentified Audience Member

What about fixtures?

Bob Griffin - *Leggett & Platt - SVP, Fixture and Display Group*

Fixtures, over the last four or five years, the growth has been down, actually. It's flattened out here, plateaued, in the market I would say in the last two years.

Going forward, I don't think that we have really in terms of limits to our growth, I don't think we have those. I think we have significant market share opportunities, significant organic growth opportunities and external growth, acquisition opportunities still going forward.

What we're continuing to focus on now for the next year to 18 months now is just the operational improvements an we're doing very selective, as you saw a little earlier, new product developments. We will be opportunistic there on the acquisition side, and we do have some very specific targets that we have an interest in and if we're able to bring those forward and get that opportunity, we will do that.

In terms of growth targets, we should easily be able to grow this business in excess of twice the market, we believe, based on what we set up in terms of business strategy, business model.

Unidentified Audience Member

[inaudible question - microphone inaccessible].

Bob Griffin - *Leggett & Platt - SVP, Fixture and Display Group*

Yes, I think the market going forward - I think 2007 is still going to be a slow year for the market, so I think you're going to see perhaps 1, 2% growth in the market. There's still significant pent-up demand out there, because the fixtures are wearing out. Go into any of your department stores, they have to recreate themselves. The Gap is doing that at this point in time. They're recreating themselves. So there's a lot of that going on out there.

Even in mass merchants, Wal-Mart, just trying to keep up with the changing trends and trying to be a bigger part of the soft goods market than they have been in the past and be a bigger player is reinvesting in their current store base. So we're going to see a significant expansion of that.

I don't see it in 2007, but I think two to three years out, you're going to see that.

Unidentified Audience Member

Just to follow up on that question, could the rest of the segments maybe expand on the current macro environment and talk about that sort of quantitative growth targets, at least in the near term, and maybe in the long term, that you guys just did?

Dave Haffner - *Leggett & Platt - President and CEO*

Sure, we can. We can go right down the line, if you want. Joe, are you miked?

Joe Downes - *Leggett & Platt - SVP, Industrial Materials*

Industrial Materials. Historically within Leggett, we thought of Industrial Materials as steel-related products. We are still that way today, but I do think one of our opportunities for growth in Industrial Materials is going to be in the expansion into the one-step-away approach. I'm not saying that we are going to get out of steel and become a medical supply house.

But one example is one of our distribution businesses that we currently have, we refer to as a wire-tie business. We are making a machine that puts wire automatically on bale. We supply the consumable, we also make the machine.

So that business started working within Leggett at our own plants, looking at packaging solutions at the back end of our plant, and that's usually an area where companies, all they're thinking about is after they get it manufactured is just getting it out the door. What we're doing within Leggett, we've taken solutions to handling, being more efficient, saving money and protecting the product better on the packaging end.

So now we're looking at saying that has worked for us within Leggett, let's look at expanding that into the marketplace, so that's another area where we're going. I will tell you, our traditional markets, such as wire, in the U.S., the products that we are producing today, it is not a dynamic market at all. It has been a shrinking market, but we're trying to work with Vincent, work with the Residential Furnishings segment, looking at some new products and some new applications where we can put our wire so that we can at least bring some growth back to it.

I do think a lot of our growth, though, will be one step away in the industrial material segment.

Dave Haffner - *Leggett & Platt - President and CEO*

Joe, a good example of that is that [quick-grid] product, which basically takes some geometry and technology out of our bedding group and puts it into the construction market.

Unidentified Audience Member

Is it fair to say - you put up some slides over the last five years and some of the returns coming down, but two of your largest segments, have they not underperformed what they've historically done, both the store fixtures, as well as the bedding. Is that a fair statement?

Dave Haffner - *Leggett & Platt - President and CEO*

Yes.

Unidentified Audience Member

Why do you think that's occurred?

Dave Haffner - *Leggett & Platt - President and CEO*

Well, I think it's a combination and, Karl, I don't want to get out in front of you, but as Chief Operating Officer, as those underperformances occurred, I think I need to field that, Keith.

It's a combination of a few things. With regard to Fixture and Display, where we've been most disappointed, we bit off more than we should of bit off or could chew. At one time, those 45 acquisitions over a relatively short period of time was somewhat overwhelming for us. They were all well-steeped in thought.

One of them truly should not have been made. The rest of them should have been made, but we had difficulty integrating them as quickly and efficiently as we should have. It was a combination of a lack of management competency. Sounds like an excuse, but just the fact that we had some noncompete arrangements and some earn-out arrangements, which compounded the opportunity to optimize or merge those businesses.

That, coupled with the fact that there was a pullback in the market, and our customers continued to expect stronger demand, stronger demand, stronger demand. And I for one, I really am the one that decided we can't take too much capacity off too quickly, because we're the largest. We've asked our customers to depend on us from a national and to a certain extent international basis. And when this demand does come back, if we've taken too much of that productive capacity offline, we'll fail to meet their expectations.

So it wasn't that our customers were kidding us, they really felt things were going to get better more quickly and we took longer than we should have, Keith, to restructure a good part of Fixture and Display.

With regard to bedding, and Karl and Paul can comment on this, I think a lot of that has to do with the fact that we've been very efficient at producing those products. We've got a tremendous amount of productive capacity, and then there's a pullback in demand, softening in demand, coupled with the Asian influence or the international influence associated with some margin decline. And those things combined to make for an underperformance relative to our budget and our expectation.

Karl, you and Paul might want to comment beyond that.

Karl Glassman - *Leggett & Platt - EVP and COO*

There's not much to add. If you go back three to four years, there was a significant upset in the retail infrastructure in this country that impacted bedding. So that was the precursor. Then you have the inflation that the bedding manufacturers had never dealt with - we - I don't meant to get in front of you, Paul. Some of the problem was caused by us. We weren't refreshing our product development as quickly as we had in the past. We just weren't out there with that next widget quick enough.

In that process of de-specing, we weren't able to stop that by saying, Mr. or Ms. Customer, here's XT, or here's Verti-Coil. So some of the fault lies with us. But it was a combination of those dynamics. Dave has given you some of them, that just the snowball started rolling downhill.

Vincent Lyons - *Leggett & Platt - VP, Engineering and Technology*

If I could add just a couple more comments to that. From my perspective, as the head of technology, engineering and product development, what we're doing now as a renewed focus on really understanding what our customers, and in some cases directly what the consumer, wants and needs. So what you're going to start seeing here in the very near future is you're going to start seeing product development and technology that directly addresses those needs.

So in the case of bedding, you're going to see some technologies and some product in some cases that is going to have a significant impact on the industry, not just small, incremental impacts, but we're looking at step-function impacts. We're looking at something that's going to have a profound impact. And the only way we can do that is we look at creating must-have product in all of our segments, in particular, in residential furnishings. In order to create must-have products, it's very important for us to understand the wants and needs of our customers and in some cases, directly with the consumer. And we are gaining that knowledge, and once we continue to gain that knowledge, you will be seeing must-have product coming out of Leggett.

Dave Haffner - *Leggett & Platt - President and CEO*

We didn't answer that previous question. We only got one additional segment, and I thought maybe, Dan, you could go ahead and comment on the macroeconomics. So sorry about that, we didn't disregard it.

Dan Hebert - *Leggett & Platt - SVP, Aluminum*

The non-automotive aluminum casting business, from a macroeconomic perspective, is flat to a 2% growth. Fortunately, we play in a lot of different markets, and we have some markets that are growing very well, Harley Davidson being one of those. But our real growth comes from share growth. De-verticalization programs are a key for us. Dave I think earlier mentioned Black & Decker. We just took over a significant amount of business from Black & Decker from their Fayetteville, North Carolina, operation.

We're just beginning to ramp that up in Saltillo, Mexico. We have a number of de-verticalization opportunities which I can't talk about, but that's where our growth is going to come from, from share growth and to some extent from acquisitions and particularly from Asia. We've really got a full court press on establishing a presence in Asia, not to produce products necessarily for us to ship back to the States, but kind of the same model we had in Mexico, where we went to Mexico to supply our customers, who were moving their operations to Mexico.

And we're seeing some of our customers who have highly labor-intensive assembly operations, locating in Asia and we need to be there to supply those customers. So that's where our growth is going to come from. It's not going to be from just general market growth.

Dave Haffner - *Leggett & Platt - President and CEO*

And, Jim, before we take another question, one piece of our business that we haven't talked about today but it's a very important piece of Dennis's segment now, that's our office furniture business. I think most of you know that we're the largest manufacturer of components and sub-assemblies for office seating systems, and that business is very good. It has bounced back. Orders are running in the mid teens in increases, and so we're seeing some renewed buoyancy in that market, and as a result of that our capacity utilization has gone up and therefore our performance in that piece of the business has gone up recently, too.

But since we hadn't said anything about that, it's a critical piece of that particular segment.

Felix Wright - *Leggett & Platt - Chairman*

[inaudible - microphone inaccessible].

Dave Haffner - *Leggett & Platt - President and CEO*

Felix, very good point, consumer products. Dennis, if you can comment on that?

Dennis Park - *Leggett & Platt - SVP, Commercial Fixturing and Components*

Yes, the consumer products side of our business I think today has significant upside growth. We've targeted one primary area that is top of beds. In that business, we're primarily distributing to sleep specialty shops, furniture stores, department stores, and also that particular business offers us some great opportunity from an Internet standpoint.

We're an active participant today. We've got a number of key retailers that are utilizing both brick and mortar and the Internet for those sales. I would say that when you look at the industry growth, which, again, trails along very closely to what Paul has talked about for bedding, with a 2 to 3% growth target, that I would expect us to exceed those growth levels from a unit and dollar standpoint, so we're pretty excited about that.

Dave Haffner - *Leggett & Platt - President and CEO*

Okay, well, if there are no other questions, we certainly appreciate your endurance and your attention, and, of course, we're here for lunch and hopefully you can get any other thoughts or questions that you may have identified at that point.

Dave DeSonier - *Leggett & Platt - VP, IR*

Let me mention one other thing. There should be in front of you an evaluation form, and we want these meetings to be very beneficial to you. Your feedback helps us a lot as we plan for the future. So please fill that out. You can turn it in to me or to Susan McCoy, either one.

Thank you very much.