

Leggett & Platt – Business Description

Last Updated: March 2006

Leggett & Platt was founded as a partnership in Carthage, Missouri in 1883 and became incorporated in 1901. The Company, a pioneer in the development of steel coil bedsprings, is a diversified manufacturer that conceives, designs and produces a wide range of engineered components and products that can be found in many homes, offices, retail stores and automobiles. Our business is organized into 29 business units, those units organized into 11 groups, and those groups into five segments, as indicated below.

Residential Furnishings Segment

<u>Segment</u>	<u>Groups</u>	<u>Business Units</u>
Residential Furnishings	Bedding	U.S. Spring International Spring Adjustable Beds Wood Products
	Home Furniture & Consumer Products	Furniture Hardware Seating Components Sofa Sleeper Components Ornamental Beds & Bedding Support Products
	Fabric, Foam & Fiber	Fabric Converting Fibers Carpet Underlay Prime Foam Products Coated Fabrics Geo Components

Our largest segment is Residential Furnishings. Our beginnings stem from an 1885 patent of the steel coil bedspring. Today, we supply a variety of components used by bedding and upholstered furniture manufacturers in the assembly of their finished products. We strive for competitive advantages based on a low cost structure, product innovation, a global presence, strong customer relationships and our internal production of key raw materials, including steel rod, wire, tubing, dimension lumber and plastics. Our wide range of products provides our customers with a single source for many of the components they need. For example, a bedding manufacturer can come to us for most components of a mattress and foundation, except the outer upholstery fabric. This is also true for manufacturers of upholstered recliner chairs, sofas and loveseats. We have long production runs and numerous production and assembly locations. Because of these advantages, we believe that we can generally produce components at a lower cost than our customers can produce the same parts for their own use. Sourcing components from Leggett allows our customers to focus on designing, merchandising and marketing their products. Listed below are examples of products manufactured or distributed by our Residential Furnishings groups:

Bedding

- Innersprings (which are the sets of steel coils, bound together, that form the core of a mattress)
- Wood frames, steel coils and wire forms for mattress foundations
- Adjustable electric beds
- Cut-to-size dimension lumber

Home Furniture & Consumer Products

- Steel mechanisms and hardware (that enables furniture to recline, tilt, swivel, rock, elevate, etc.) for reclining chairs, sleeper sofas and other types of motion furniture
- Springs and seat suspensions for chairs, sofas and loveseats
- Steel tubular seat frames
- Bed frames, ornamental beds, comforters, decorative pillows, and other “top-of-bed” accessories

Fabric, Foam & Fiber

- Foam and fiber cushioning materials
- Specialty foam products (e.g. pillows and mattress toppers)
- Structural fabrics for mattresses, residential furniture and industrial uses
- Carpet underlay materials (bonded scrap foam, felt, rubber and prime foam)
- Coated fabrics (e.g. rug underlay, placemats and shelf liners)
- Geo components (a group of products that includes synthetic fabrics used in ground stabilization, geotextiles, drainage protection, erosion and weed control, geogrids, silt fencing, landscaping, chemicals, seed and fertilizer.)

Most of our Residential Furnishings customers are manufacturers of finished bedding products (mattresses and foundations) or upholstered furniture for residential use. We also sell a number of products including ornamental beds, bed frames, adjustable beds, carpet underlay, specialty foam products and top-of-bed accessories directly to retailers and distributors. Our geo components products are sold primarily to dealers, contractors, landscapers, road construction companies, golf courses and government agencies.

Key Strategies

Our ability to develop new, proprietary products provides an ongoing opportunity to increase business with customers, including those who continue to make some of their own components. Many of our capabilities, including product innovation, are being used as we move into new regions of the world. Internationally, we locate our operations close to our customers' facilities in order to more efficiently supply them. Finally, we continue to look for acquisitions that expand our customer base, add new product lines or capabilities, or help establish a presence in new geographic regions.

Commercial Fixturing & Components Segment

Segment	Groups	Business Units
Commercial Fixturing & Components	Fixture & Display	Store Fixtures Point-of-Purchase Displays Storage Products
	Office Furniture Components	U.S. Office Components International Office Components Plastics

Our second largest segment is Commercial Fixturing & Components. This segment is divided into two groups: Fixture & Display and Office Furniture Components.

In the Fixture & Display group, we believe that we are the industry's only "one-stop" supplier, with broad capabilities that include design, production, installation and project management. Products manufactured by our Fixture & Display group include:

- Custom-designed, full store fixture packages, including shelving, counters, point-of-purchase displays, showcases, garment racks and decorative woodwork for retailers
- Standardized shelving used by large retailers, grocery stores and discount chains
- Commercial storage racks and carts (material handling systems) used primarily in the food service and healthcare industries
- Wire and steel racks, shelves and cabinets for the interior of service vans and utility vehicles

Our Office Furniture Components group manufactures:

- Bases, columns, back rests, casters and frames for office chairs, and control devices that allow office chairs to be adjusted to height, tilt and swivel
- Injection molded plastic components for manufacturers of lawn care products, power tools, office furniture and other consumer and commercial products

Customers of the Commercial Fixturing & Components segment include:

- Retail chains and specialty shops
- Brand name marketers and manufacturers
- Food service companies, healthcare providers and restaurants
- Office, institutional, and commercial furniture manufacturers

Key Strategies

Our Fixture & Display group strategy is to be the industry's most financially stable, and most customer oriented one-stop supplier of fixture and display products. Our focus is to increase volume within current markets and also look for opportunities to expand into new, related markets.

In our businesses serving office furniture manufacturers, we plan to develop new products, providing opportunities to supply more components to customers. We also expect to continue making strategic acquisitions that add new products or expand operations into new regions of the world.

Principal growth strategies for our plastics operations include expanding our position in key markets, cross-selling to customers of other Leggett divisions, and supplying more of the Company's internal requirements.

Aluminum Products Segment

Segment	Groups	Business Units
Aluminum Products	Aluminum	Die Casting Tool & Die

Our Aluminum Products segment is the leading independent producer of non-automotive aluminum die castings in North America. We also produce zinc and magnesium die castings. We work with customers from the design concept stage to market introduction and then through the product lifecycle to refine the product and reduce cost. We sell aluminum, zinc and magnesium die cast components to a diverse group of customers that manufacture industrial and consumer products. Our customers include:

- Small engine and diesel engine builders
- Motorcycle, truck, off-road and recreational vehicle (including all-terrain vehicles and snowmobiles) and automobile makers
- Manufacturers of outdoor lighting fixtures, cable line amplifiers, wireless communications systems and other cable and telecommunication products
- Gas barbeque grill manufacturers
- Consumer appliance and power tool manufacturers
- Computer, electronic and electric motor producers

We also manufacture and refurbish dies (also known as molds or tools) for all types and sizes of die casting machines. These are sold to customers that buy our die castings and to other die cast manufacturers. We also provide extensive machining, coating, finishing, sub-assembly and other value-added services related to our die cast components.

In December 2005, we completed construction of our new die casting facility in Auburn, Alabama. This facility is scheduled to supply aluminum components for Briggs & Stratton under a seven-year agreement. We expect the facility to be fully operational by the end of 2006.

Key Strategies

Market share growth is a major focus. We plan to continue to pursue large users of castings, target customers who currently make some of their own aluminum components, and look for opportunities to expand into new markets where die cast components are used. We plan to continue striving to develop technology that allows opportunities for growth in new markets. Finally, we are committed to establishing a global presence, enabling us to supply customers as they take more production overseas. Acquisitions may play a part in accomplishing these plans.

Industrial Materials Segment

Segment	Groups	Business Units
Industrial Materials	Wire	Wire Drawing Wire Products Steel Rod
	Tubing	Steel Tubing

The Industrial Materials segment produces steel rod, drawn wire and welded steel tubing, as well as specialty wire products. Drawn wire and welded steel tubing are important raw materials that are widely used to manufacture our products. About 50% of the drawn wire and about 25% of the welded steel tubing that we produce is used to manufacture other products made by the Company. For example, wire is used to make:

- Bedding and furniture components
- Commercial fixtures and point-of-purchase displays
- Automotive seating components

Welded steel tubing is used in many of the same products including:

- Motion furniture mechanisms
- Store fixtures, displays, shelving and storage products
- Automotive seat frames
- ATV, RV and snowmobile accessories

In addition to supplying a portion of our own raw material needs, we sell drawn wire and welded steel tubing to a diverse group of industrial customers, including:

- Bedding and furniture makers
- Automotive seating manufacturers
- Lawn and garden equipment manufacturers
- Recreational equipment (e.g. ATV and RV) producers
- Mechanical spring makers

We also produce specialty wire products such as:

- Wire ties used by cotton gins to tie bales of cotton
- Wire tying heads used by waste recyclers and solid waste removal businesses to bale materials
- Shaped wire used by automotive companies and medical supply businesses

Currently, our wire mills use over 800,000 tons of steel rod each year. Our steel rod mill provides a consistent supply of quality steel rod for the Industrial Materials segment. As of year end, we completed an expansion of the mill that is expected to increase future output by approximately 20%, raising annual rod output from 450,000 tons to approximately 540,000 tons. We expect to use nearly all of this steel rod in Leggett wire mills. This expansion does not signify a change in our rod strategy. We expect to continue to be a substantial purchaser of rod on the open market, enabling us to maintain leverage with suppliers. We strive to maintain the efficiency of the mill by producing only a few sizes and types of rod, and operating the mill's electric furnace (which has a capacity of about one million tons) during off-peak times to reduce energy costs. Also, the mill is located in a region that generates a significant amount of steel scrap. We expect that over the long term this scrap market will provide a consistent supply to the mill. Finally, the rod mill is also located near our wire mills.

Key Strategies

The core strategy of our wire and tubing businesses is to efficiently supply other Leggett businesses' raw material requirements. We expect growth, to a large extent, to occur as our internal requirements expand, both domestically and abroad. We also expect to expand our capabilities to add value through the forming, shaping, and welding of our wire and tubing. This may occur through start-up operations or acquisitions.

Specialized Products Segment

<u>Segment</u>	<u>Groups</u>	<u>Business Units</u>
Specialized Products	Automotive	Automotive
	Machinery	Machinery
	Commercial Vehicle Products*	Commercial Vehicle Products*

- * Effective October 31, 2005, we created the Commercial Vehicle Products group in the Specialized Products segment following the acquisition of America's Body Company. ABC's main product categories include van interiors (the racks, shelving, cabinets, etc. installed in service vans) and truck bodies for cargo vans, flatbed trucks, service trucks and dump trucks. Our existing Commercial Vehicle Products unit, which primarily sells wire and steel racks, shelves and cabinets for the interior of service vans and utility vehicles, was previously included in the Commercial Fixturing & Components segment, but was moved to the new Commercial Vehicle Products group in the Specialized Products segment effective January 1, 2006.

Our Specialized Products segment designs, produces and sells components for the automotive industry, specialized machinery and equipment, and van interiors and truck bodies for light-to-medium duty commercial trucks.

In the Automotive group, we manufacture:

- Lumbar systems for automotive seating (including manual, 2-way power, 4-way power, massage systems and memory options)
- Seat suspension systems
- Automotive control cables, such as shift cables, cruise-control cables, seat belt cables, accelerator cables, seat control cables and latch release cables
- Stamped seat frames and formed metal parts

Primary customers for these products are automobile seating manufacturers.

In the Machinery group, we primarily manufacture:

- Highly automated quilting machines for fabrics used to cover mattresses and other home furnishings
- Machines used to shape wire into various types of springs
- Industrial sewing machines
- Material handling systems
- Wide format digital printing equipment
- Other equipment for factory automation

The primary customers for these products are bedding manufacturers. We also design and produce some of these specialized products for our own use.

In the Commercial Vehicle Products group we primarily manufacture:

- Van interiors (the racks, shelving, cabinets, etc. installed in service vans)
- Truck bodies (for cargo vans, flatbed trucks, service trucks, and dump trucks)

The primary customers for these products are manufacturers and end-users of light-to-medium duty commercial trucks.

Key Strategies

In our Automotive group, we plan to continue the focus on research and development, looking for ways to improve the function and reduce the cost of our products. The introduction of new capabilities and products creates the potential for us to expand into new markets. Growing our global presence (to serve developing markets and to expand our sourcing options) will remain a key objective, as will assisting our customers with vendor consolidation (to reduce the complexity and cost of their supply chain).

Our Machinery group designs and manufactures equipment that is used to produce the proprietary innersprings we develop for our bedding customers. In most cases, this equipment is not available in the marketplace. Providing proprietary machinery is a critical function of our Machinery group, and a key factor contributing to the success of our bedding operations. In addition, we expect to continue to develop technology to improve efficiency in our own plants as well as those of our customers.

In our new Commercial Vehicle Products group, geographic expansion and new product development are key growth strategies. Certain markets for truck bodies in the United States are supplied by smaller regional manufacturers. We aim to expand into those markets which have high concentrations of end-users. Through a continued focus on product innovation, we expect to provide improved product functionality and quality to customers.

Acquisitions

Our typical acquisition is a small, private, profitable, entrepreneurial company. Our acquisition targets are generally complementary to our existing businesses. Over the past ten years, the average acquisition target has had annual revenues between \$15 and \$20 million, which we believe makes the risk from any single acquisition low. In our history, we have completed only five acquisitions of businesses with annual sales greater than \$100 million. We do not follow a fixed timetable for buying companies. Rather, we aim to be opportunistic by taking advantage of circumstances as they arise. As a result, the pace and size of acquisitions in any given year could be significantly more or less than the average over the longer term.

Foreign Operations

The percentages of our trade sales from products manufactured outside the United States for the previous three years are shown in the table below.

Year	Percent
2005.....	21%
2004.....	21%
2003.....	21%

The majority of our international operations, measured by trade sales, are in Canada, Europe and Mexico.

The Canadian operations manufacture products including innersprings for mattresses, fabricated wire for the bedding, furniture and automotive industries, cut-to-size bed frame lumber and down comforters, mattress pads and pillows. We manufacture shelving for retailers, wire and steel storage systems and racks for the interior of service vans and utility vehicles, and point-of-purchase displays for retailers, as well as chair frames and bases, table bases and office chair controls, and plastic injection moldings. We also make lumbar supports for automotive seats.

Our operations in Europe produce, among other things, innersprings for mattresses, structural fabric for industrial and residential uses, various wire products, and lumbar and seat suspension systems for automotive seating. We also sell machinery and equipment designed to manufacture innersprings for mattresses and other bedding related components. Finally, we have one operation in Europe that designs and distributes point-of-purchase displays for retailers.

The Mexican operations manufacture products including innersprings and wire grid tops for mattresses, fabricated wire for the bedding industry, and structural fabric for industrial and residential uses. We produce aluminum die castings and provide machining, sub-assembly and other value added services related to aluminum die castings. We also produce commercial shelving, material handling equipment, and automotive control cable systems.

We continue to increase our presence in Asia, particularly in China where we now have 11 production facilities. Prior to 2003, we owned only three production facilities in China. Two of these plants produce mattress innersprings for sale into the Chinese market. The third plant produces machinery and replacement parts for machines used in the bedding industry.

In 2003, we increased to eight total Chinese operations. We began operations in our fourth plant, a facility to manufacture recliner mechanisms and various bases for upholstered furniture. This plant primarily sells products to furniture manufacturers in China (who produce upholstered furniture for export) and to some Leggett operations on an inter-company basis. The other four Chinese operations added in 2003 include a facility that produces small electric motors primarily used in lumbar systems for automotive seating; a facility that manufactures cables for these lumbar systems; an operation that produces innersprings for mattresses and sofa cushions; and a facility that manufactures innersprings and bedding machinery.

In 2005, we continued growing our presence in China with two acquisitions. One operation, in our Residential Furnishings segment, manufactures chair components. In our Fixture & Display group, we added a manufacturer of retail store fixtures and gondola shelving. In addition to these acquisitions, we

bought assets and placed them into an existing location to create a manufacturer of stamped seat frames and formed-metal automotive products in our Automotive group.

Finally, our Ornamental Bed unit imports finished beds from Asia for sale in the United States. Many other business units of the Company have long-standing, well-established relationships with suppliers in Asia for components and finished products.

Our strategy regarding international expansion is to locate our operations where we believe demand for components is growing. In instances where our customers move the production of their finished products overseas, we need to be located nearby to supply them efficiently. In addition, these operations should allow us to supply growing demand in the local markets.

Geographic Areas of Operation

We have manufacturing, warehousing and distribution facilities in many foreign countries as listed in the chart below.

Segment	North America	Europe	South America	Asia / Pacific	Africa
Residential Furnishings	Canada Mexico United States	Croatia Denmark France Russia Spain United Kingdom	Brazil	Australia China Singapore	South Africa
Commercial Fixturing & Components	Canada Mexico United States	United Kingdom		China	
Aluminum Products	Mexico United States				
Industrial Materials	United States	United Kingdom		China	
Specialized Products	Canada Mexico United States	Austria Belgium Croatia Germany Hungary Italy Sweden Switzerland United Kingdom		China South Korea	

Raw Materials

We use a variety of raw materials in manufacturing our products. Some of the most important raw materials include:

- Steel scrap
- Steel rod
- Coil and sheet steel
- Angle iron
- Aluminum
- Steel wire
- Woven and non-woven fabrics
- Foam chemicals and foam scrap
- Textile scrap

- Plastic resin
- Rough green lumber

The raw materials for many of our businesses are supplied by our own facilities. For example, steel rod is used to produce steel wire, which we use to make innersprings and foundations for mattresses, springs and seat suspensions for chairs and sofas, displays, shelving and racks for retailers, and automotive seating components. Our own wire drawing mills supply nearly all of our U.S. requirements for steel wire. The steel rod produced at our rod mill currently supplies roughly half of our rod requirements. After the expansion of the rod mill and full ramp up (see “Industrial Materials Segment”), we expect to produce approximately two-thirds of our steel rod requirements. We also produce welded steel tubing, dimension lumber and plastic components both for our own consumption and for sale to customers outside the Company.

Customers

We serve thousands of customers worldwide, sustaining many long-term business relationships. No customer accounted for more than 5% of the Company’s consolidated revenues in 2005. Our top 10 customers accounted for less than 17% of our consolidated revenues in 2005. The Commercial Fixturing & Components segment has one customer whose sales exceeded 10% of total segment sales. This customer accounted for approximately 12% of the segment’s 2005 sales. Aluminum Products has one such customer, which accounted for approximately 13% of the segment’s 2005 sales, as well as two customers who account for just under 10% each. The Specialized Products segment has three customers with sales exceeding 10% of total segment sales. These customers accounted for approximately 17%, 13% and 11%, respectively, of the segment’s 2005 sales. The loss of any one of these customers may have a material adverse effect upon the relevant segment.

Patents and Trademarks

Leggett holds approximately 1,250 patents and has approximately 675 in process for its various product lines. We have registered over 950 trademarks, with more than 150 in process. No single patent or group of patents, or trademark or group of trademarks, is material to our business as a whole or to any segment of our business. Most of our patents and trademarks relate to products sold in the Specialized Products and Residential Furnishings segments. Examples of our most significant trademarks include:

- **SEMI-FLEX®**, **LOK-Fast®** and **DYNA-Lock®** (boxspring components and foundations)
- **Mira-Coil®**, **Lura-Flex®** and **Superlastic®** (mattress innersprings)
- **Nova-Bond®** and **Rollout®** (insulator pads for mattresses)
- **ADJUSTAMAGIC®** (adjustable electric beds)
- **Wallhugger®** (recliner chair mechanisms)
- **SUPER SAGLESS®** (motion and sofa sleeper mechanisms)
- **No-Sag®** (wire forms used in seating)
- **Tack & Jump®** and **Patternlink®** (quilting machines)
- **Hanes®** (fiber materials)
- **Schukra®**, **Pullmaflex®** and **Flex-O-Lators®** (automotive seating products)
- **Amco®** and **RHC Spacemaster®** (fixtures and displays)
- **Spuhl®** (mattress innerspring manufacturing machines)
- **Gribetz®** and **Porter®** (quilting and sewing machines)
- **ABC America’s Body Co.®**, **QUIETFLEX®** and **Masterack®** (equipment and accessories for vans and trucks)

Research and Development

We maintain research, engineering and testing centers in Carthage, Missouri, and also do research and development work at many of our other facilities. We are unable to precisely calculate the cost of research and development because the personnel involved in product and machinery development also spend portions of their time in other areas. However, we estimate the cost of research and development was approximately \$25 million in 2005, \$25 million in 2004, and \$24 million in 2003.

Employees

The Company has approximately 33,000 active employees, of which approximately 24,600 are engaged in production. Of the total active employees, roughly 10,700 are international employees. Approximately 5,400 of our employees were represented by labor unions. We did not experience any material work stoppage related to the negotiation of contracts with labor unions during 2005. Management is not aware of any circumstances likely to result in a material work stoppage related to the negotiation of contracts with labor unions during 2006.

The largest group of employees, approximately 13,700, works in the Residential Furnishings segment. Approximately 7,000 employees work in Commercial Fixturing & Components, while approximately 5,700 employees work in Specialized Products. Roughly 4,100 work in the Aluminum Products segment and approximately 1,600 are employed by our Industrial Materials segment.

Competition

Many companies offer products that compete with those manufactured and sold by Leggett. The number of competing companies varies by product line, but the markets for our products are highly competitive in all aspects. The primary competitive factors in our business include price, product quality, innovation, and customer service.

We believe we gain a competitive advantage over many competitors by having lower cost operations, significant internal production of key raw materials, superior manufacturing expertise and product innovation, higher quality products, extensive customer service capabilities, long-lived relationships with customers, and greater financial strength.

In certain of our markets, a portion of U.S. manufacturing is moving overseas. We face increasing price competition from foreign competitors, especially those in Asia, who are able to supply component parts to our customers' Chinese and Asian manufacturing facilities. We have, and continue to develop, significant Asian supply sources. We also have, and continue to develop, a manufacturing presence in Asia.

When prices for key raw materials (such as steel, aluminum and chemicals) are relatively level throughout the world, we can generally produce our components at a lower cost in the U.S. (because many of our products have low labor content). However, in instances where our customers move production of their finished products overseas, our operations must be located nearby to supply them efficiently. At the end of 2005, we operated 11 facilities in China.

We believe Asian manufacturers currently benefit from lower commodity costs (certain commodities may sometimes be subsidized by Asian governments), lenient attitudes toward safety and environmental matters, and currency rates that are pegged to the U.S. dollar rather than free floating. However, when exporting to the U.S., Asian manufacturers must overcome higher transportation costs and increased working capital needs, and may have difficulty matching U.S. manufacturers' level of service, flexibility and logistics.

We believe we are the largest independent manufacturer in North America, in terms of revenue, of the following:

- Components for residential furniture and bedding
- Retail store fixtures and point-of-purchase displays
- Components for office furniture
- Non-automotive aluminum die castings
- Drawn steel wire
- Automotive seat support and lumbar systems
- Carpet underlay
- Adjustable beds
- Bedding industry machinery for wire forming, sewing and quilting