Leggett & Platt®

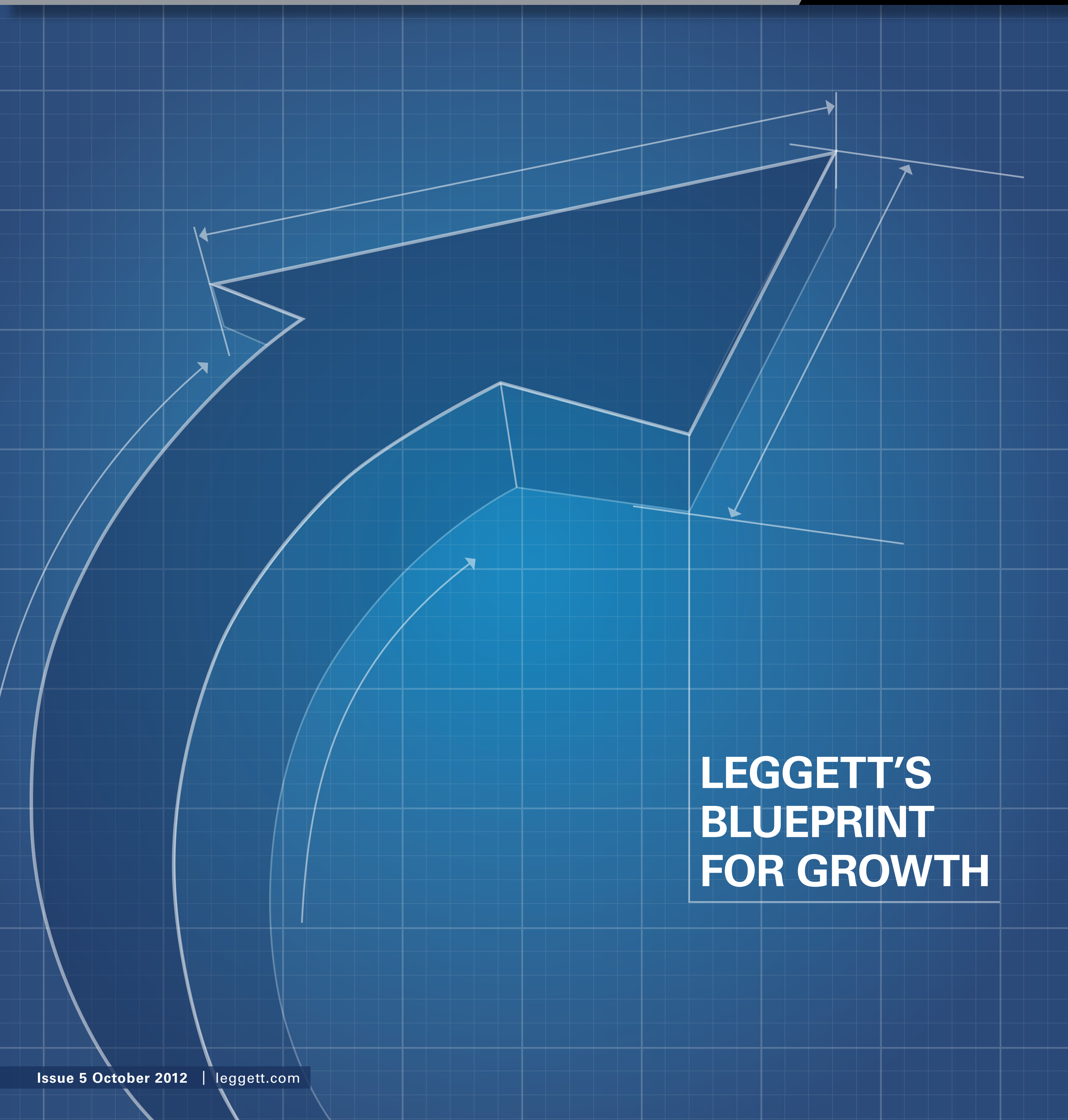
Aerospace **Acquisition**

Expansion of **Geo Components**

Automotive Success **in China**

InVision

A look **inside.**
A look **ahead.**



LEGGETT'S BLUEPRINT FOR GROWTH

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> "However beautiful the strategy, you should occasionally look at the results."
>
> – Winston Churchill

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A look **inside.**

It's been nearly five years since the November 2007 announcement of Leggett & Platt's new strategic direction. The initial phase was to narrow the Company's focus through divesting or exiting unattractive businesses. Then we tackled improving the profitability of our remaining businesses, which took us longer than originally expected as we faced the worst global economy in over 70 years.

We're now in the third phase of the strategic plan—generating sustained, disciplined growth. This issue of *InVision* covers some highlights of the past several months, including acquiring Western Pneumatic Tube, expanding and modernizing one of our key facilities in China, and increasing our footprint in erosion-control products.

The gameplan to put Leggett back on the path to growth is working. We all know it takes money to make money, and the earnings from L&P operations around the world make it possible to pursue these new ventures. We're continuing to actively manage our portfolio of businesses to improve our profitability across the Company and fund additional growth.

But growth isn't merely a strategic goal. Growth proves that more and more people know that Leggett can provide the best solutions to their problems. It means that we're excelling in a world that's constantly changing. Growth shows our business is healthy and has a bright future.

David S. Haffner

CEO / President

WHAT GROWTH MEANS AT **LEGGETT**

Increased profit, expanded operations, and a brand-new business unit. Leggett has officially entered the growth phase of the strategic plan begun in 2007.

GROWING TSR

By Dave DeSonier, Senior VP of Strategy & Investor Relations

Growth at Leggett isn't what it was in years past. We're targeting more moderate growth, but with higher profit, specifically in areas of competitive strength.

Before 2007, Leggett's strategy for growth and for rewarding our shareholders was to increase revenue 10-15% a year across the entire company. Because many of our markets grow just 2-3% a year, we mainly grew by acquiring other businesses. From the late 1990s to the mid 2000s, our overall sales and size swelled, but profit margins declined as some of our businesses contributed little to the bottom line. Those investing in Leggett stock were losing value.

In 2007, Leggett changed its financial priority from revenue growth to total shareholder return.* Profitable revenue growth is still very important, but it's only one of four "levers" that control TSR. So today, we can aim for more moderate growth of 4-5% a year because we also enrich the value of our shareholders' investment by increasing profit margins, growing dividends, and buying back Leggett stock.

**TSR is how much we improve the value of shareholders' investments over a period of time. TSR = the change in our stock price plus our dividend, divided by the starting stock price.*

In general, our businesses grow on pace with the overall expansion of the economy (typically 2-3% per year). We push for additional growth in two main ways:

- Create innovative products in businesses where we already enjoy strong competitive positions.
- Pursue opportunities in attractive, growing markets that are new to Leggett but where we would have a competitive advantage.

In both cases, Leggett is focusing on strong markets that make growth possible and competitive advantages that make growth profitable. We gain competitive advantage by selling at the lowest price or making distinctive products for which customers will pay more.

Not every business unit has the same competitive advantages or market growth, so they aren't expected to grow in the same way or amount. We assess the strategic health of our businesses each year and assign them to different roles: Grow, Core, or Fix/Divest.

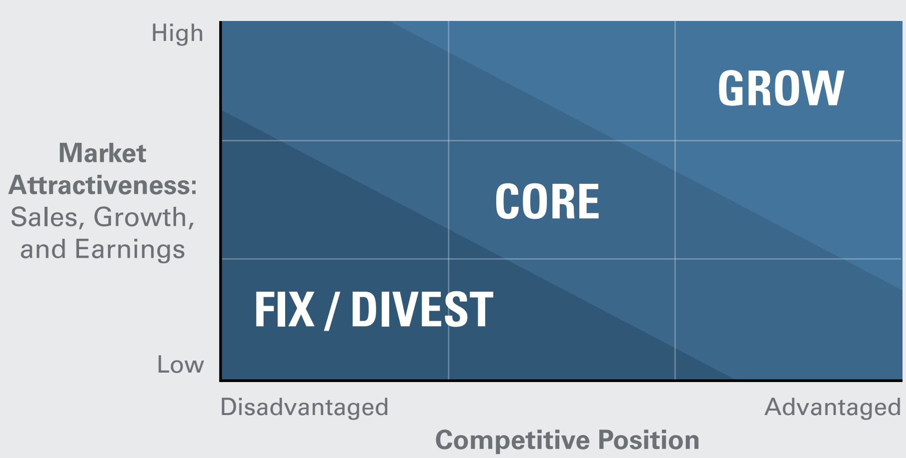
"Core" businesses are solid contributors that focus on growing earnings and cash flow. Their markets don't expand rapidly, so they grow by winning more market share, introducing new products and price increases, boosting productivity, and cutting costs.

"Grow" businesses do those same things, but can also make investments to expand facilities, enter a new geographic region, or acquire a competitor. They are strategically positioned to make the best use of cash generated throughout Leggett.

For example, if Leggett has $50 million of cash to deploy, we'll reinvest in a business that earns 12% profit in a healthy market, rather than trying to expand in a tough market where we earn a 3% margin. That's why Grow businesses are highlighted for significant expansions or acquisitions, and Core businesses are not.

While growth expectations and opportunities differ, every operation and department needs to actively increase their contribution to the bottom line. According to CEO Dave Haffner, "We're counting on employees from all corners of the Company for the ideas and effort to improve our current businesses and capitalize on new opportunities."

BUSINESS UNITS CLASSIFIED BY STRATEGIC HEALTH



LEGGETT TAKES FLIGHT

We often say Leggett products are everywhere—at home and work, in cars and stores. Add the sky and outer space to the list. Leggett went airborne this January with the acquisition of Western Pneumatic Tube Company.

Western is a leading supplier of alloy tube products for the aerospace industry. Its products serve flight-critical functions for practically every aircraft manufacturer and for every phase of the U.S. space program. The company's two operations—Western Pneumatic Tube in Kirkland, Washington, and Valley Metals near San Diego, California—now form Leggett's Aerospace Products business unit, led by Surin Malhotra.

"Western was Leggett's first large acquisition since the strategic change in 2007," said Russell Iorio, VP of Mergers and Acquisitions. "An essential part of our new growth plan was developing stricter criteria for acquisitions. Among several financial requirements, the business must be a leading supplier of distinct, proprietary products for a growing market. Western is exactly the type of business we're seeking."

Acquisitions must also fit well with Leggett's existing businesses and strengths. Western uses metal-working and tube-making processes familiar to Leggett, but provides a whole new range of capabilities for a different market.

Western's Three Key Advantages

PRODUCTS: Not just anyone can make Western's products. It takes technical expertise, quality, and rigorous certifications. The business manufactures 2,300 unique parts and has achieved a leading position in each major product category.

MATERIALS: Western works with specialized alloys of titanium, nickel, and stainless steel required for aerospace conditions. The business also benefits from long-term supply agreements that curb swings in raw material costs.

PROCESSES: Having a wide range of exclusive manufacturing "know-how" and the ability to mass produce standard parts or to custom-make unique parts, Western is one of few suppliers able to satisfy customers' product expectations and deadlines.

A Runway for Continued Growth

"Aerospace demand is up, and we expect it to continue to rise," explained Surin. "The need for more fuel-efficient planes, fleet upgrades, and long-ranging aircraft should provide strong sales through the end of the decade."

Western also has good prospects for extending its product lines and markets. Leggett is currently exploring opportunities to add seamless (non-welded) tubing, fabricated and bended tube, and tube parts to Western's product mix.

Beyond these opportunities, Western is already finding synergies with other Leggett operations, such as L&P Machine Products, which is now making part of a coupling for Boeing. Acquiring high-potential businesses like Western can provide access to new markets and create growth opportunities throughout Leggett.

As Western's name indicates, "pneumatic tube" has been a key product for decades. Aircraft manufacturers depend on pneumatics (pressurized air) to power many systems—such as instrument panels, landing gear, and wing flaps. Western specializes in making the diverse types of tube needed in these systems.

Beyond pneumatics, Western's tubing is used for applications throughout the entire aircraft, including:

- Engine systems such as fuel and starter
- Structural supports for the fuselage and wings
- Environmental control in the cabin

Western's products and capabilities extend to other markets, too.

- Formed and shaped tube used in nuclear research
- Welded and drawn stainless steel jackets for submersible pumps
- Solar heat exchanger/collectors
- Tubing for petro-chemical processing
- Shaped tubing used for food production
- Bellows and metal hose

THE SUCCESS OF
ASIA AUTOMOTIVE

L&H
Wuxi, China
349% increase

L&C
Changsha, China
239% increase

L&V
Guangzhou, China
311% increase

Sales in Leggett's Asia Automotive division have grown substantially at every branch. Collectively, our Chinese operations have increased by nearly 300% over the last six years, and the growth is only expected to continue in the next several years.

Projected sales for 2012

Sales in 2006

THE AUTOMOTIVE GROUP has been a top performer as the global economy has rebounded over the past few years, and has been targeted for growth under Leggett's strategic plan. In particular, Asia Automotive shows the growth strategy in action by participating in an attractive market and improving its competitive position.

STRATEGIC TARGET: CHINA'S DEVELOPING MARKET

In 2001, Leggett established its first automotive business in Wuxi, China, to produce automotive seat suspension systems. With its population and a rapidly developing economy, China offered new opportunities and plenty of room to grow. Leggett has since added several more branches concentrated in China's Hunan and Guangdong provinces, and others in South Korea and India.

"We are well positioned to benefit from the continuing growth in the Asian automotive market," says Mitch Dolloff, the President of Asia Automotive. "We expect an increase in overall unit volume and a move to higher-end comfort products. We also have plenty of room to expand our motor and cable sales around the world."

ASIA AUTOMOTIVE FOCUSES ON THREE PRODUCT GROUPS:

Comfort products such as lumbar support and seat suspension systems

Control cables for accelerators, seat controls, and trunk releases

Small, electronic motors for powered seats and windows

These components are sold to automotive seat manufacturers and, in some cases, directly to the auto makers throughout the world.

L&V: BUILDING A COMPETITIVE POSITION

Leggett's growth process isn't simply acquiring the right companies and maintaining their sales. It's about using Leggett's investment capital and other resources to form a partnership with acquired companies in order to improve the company's strength, quality, and efficiency.

Leggett acquired our L&V operation in Guangzhou, China, through a joint venture nearly ten years ago. Initially, this small factory produced motors used in mechanized car seats exclusively for other Leggett operations. L&V grew over the next few years, but things really took off in 2010 when Leggett acquired the remaining interest in L&V and hired Harry Gong as the new general manager.

Harry knew that in order for L&V to thrive in the Chinese market, they needed a competitive edge.

"We set out to distinguish L&V with improved products that drove customer demand and better processes to keep costs in line."

– Harry Gong

Redesigned Products

Harry started by hiring a team of talented engineers to redesign the motors L&V produced, and to keep the improvements coming. They succeeded. The new motor iterations became smaller and quieter, which are increasingly important features in newer car models.

The construction of the new factory was an impressive accomplishment all on its own. The entire process, from the first brick to the opening celebration pictured above, took less than one year – and the actual cost varied from the budget by less than 1%.

Within just a few months, L&V developed a reputation for producing some of the best motors on the market. They received orders from more and more outside customers, and their production volumes increased. L&V soon reached the point where the new business exceeded their production capacity.

Expanded Facilities

Leggett invested $1.3 million to build a new two-story factory alongside the original facility. Under Harry's leadership, the building was finished in less than a year, just before a key warehouse lease would have expired to threaten the operation. Not only did L&V gain additional floor space, the building's layout and controlled environment allowed them to further improve product quality.

Improved Efficiency

Harry's team collaborated to maximize the new production lines with lean manufacturing principles. Lean manufacturing tries to eliminate inefficiency, preserving the value of the product with less wasted time and resources.

In the original building, work stations had to be positioned throughout the space, and a supply cart visited each station periodically. The team designed and tested the layout for the new building, with supply stations located next to work areas. The new layout also streamlined the flow of finished goods, and inventory controls were markedly improved.

Successful Investment

L&V opened the new facility in June, and its profitability is exceeding expectations. Quality improvements have led to a wave of new orders, and increased efficiency has lowered operating costs dramatically. The return on investment for the new building is almost four times the original projection.

The successful growth of Asia Automotive was founded on key acquisitions and continues through ongoing expansion of its capabilities and customer base.

"WE'VE CREATED A PROMISING FUTURE FOR L&V."

HANES GEO COMPONENTS: A RECIPE FOR GROWTH

If Leggett were to write a recipe for a "Grow" business unit, it might go a little like this: Start with competitive advantages in sourcing, distribution, and customer service. Blend with a market that's ripe for consolidation and expansion. Season with a variety of new product offerings, and top with an opportunity to open up a whole new category of customers. The end product would look a lot like Hanes Geo Components (HGC).

HANES® GEO COMPONENTS™
A Leggett & Platt® COMPANY

Since 2009, HGC sales have grown at an average rate of nearly 20% per year. In that time, HGC has become the leading supplier of performance products for the construction, landscape, erosion control, and turf industries, and sales are expected to triple by the end of this decade. Our products offer solutions for ground stabilization, drainage protection, erosion and sediment control, stormwater management, and slope and channel stabilization.

The first ingredient: competitive advantages

Hanes entered the geotextiles market in 2005, seizing an opportunity to apply its core competencies — purchasing, distribution, fabric converting, and customer service – to a competitive advantage.

Today, HGC has a national presence and sourcing advantages unmatched by its competitors, most of which are regional or single-state businesses. In addition to its own purchasing professionals, HGC also takes advantage of the expertise of Leggett's Global Sourcing Group. The result is great prices for our customers. "We are by far and away the low cost provider," explained Russell Iorio, Vice President-Mergers & Acquisitions. "Our purchasing power is unmatched."

The second ingredient: a market ripe for consolidation and expansion

HGC has expanded its territory by acquiring existing companies and by starting new "greenfield" facilities. For example, the recent acquisition of CSI Geosynthetics in Vancouver, Washington, has allowed HGC to open up the Pacific Northwest.

HGC has also identified existing Leggett facilities with the capacity to house greenfield businesses. Currently, five HGC businesses are in shared Leggett facilities in Lakeland and Miami, Florida; Oklahoma City, Oklahoma; Tacoma, Washington; and Salt Lake City, Utah. Shared facilities offer more than just a convenient location. "It goes beyond sharing floor space," explained HGC President John Dowdell. "It often includes customer service, warehouse assistance, and driver support."

The seasonings: new product offerings

In 2012, HGC has added two promising products to its existing erosion-control product offerings. Gabions are steel structures designed to be filled with stone and used in erosion control, and biaxial grid is a polymeric structure used beneath roadbeds and similar structures. We are also looking at opportunities with products related to our current portfolio, such as pavers, polypropylene netting, and compost socks.

The finishing touch: expanding into new market segments

HGC has recently expanded into retail sales, and a number of our products can be found at outlets such as Lowe's, Menards and Tractor Supply Company. HGC has won the national supply contract of silt fences and barrier fences for Lowe's. We have also introduced snow and sand fence and seed germination blankets and have identified several other products that are suitable for retail customers.

Following this recipe, Hanes Geo Components has achieved a remarkable growth rate in a tough economic environment. Significant work lies ahead, but HGC's strategy and competitive advantages make it well positioned for this dynamic market.