

InVision

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

OUR CORE VALUES





“Everything that can be counted does not necessarily count; everything that counts cannot necessarily be counted.”

- Albert Einstein

Leggett & Platt is a *diversified* manufacturer. Our products range from drawn wire to recliner mechanisms to erosion control systems. We have 20 Business Units with operations on six continents, serving tens of thousands of customers.

Given these differences (along with many others), what enables 18,000 Leggett employees to pull together and generate the results we've achieved year after year? What can a quality engineer in Wuxi, China, have in common with a controller in San Bernardino, California?

They do the right thing, they take ownership, and they pursue continuous improvement. These core values are demonstrated by Leggett partners every day, and, without a doubt, are the keys to Leggett's past success and future prosperity.

Leggett's people **do the right thing**

- We act with honesty and integrity
- We keep commitments and go the extra mile
- We promote a positive work environment

Leggett's people **take ownership**

- We are personally committed to the Company's success
- We strive for quality and excellence in all we do
- We use resources wisely and are cost-conscious


Leggett's people **continuously improve**

- We challenge the status quo to find a better way
- We take initiative and offer innovative approaches to problems
- We have an appetite for learning and building our skills

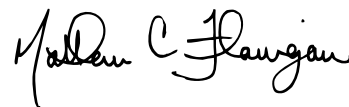
We hope you recognize these values in yourself, in your co-workers, and in Leggett employees you meet from other operations. In a company as diverse as Leggett & Platt, these shared attitudes and habits bring us together and help us achieve our goals.



David Haffner
Board Chair and CEO



Karl Glassman
President and COO



Matt Flanigan
Executive Vice President and CFO

CONTINUING SUCCESS WITH CONTINUOUS IMPROVEMENT

Robert McKinzie
Vice President – Operations Services

My experience with quality systems and Continuous Improvement (CI) began in manufacturing almost 25 years ago. Year after year, project after project, I've seen the CI mindset generate tremendous return on investment.

As one of our core values, Continuous Improvement affects everything we do at Leggett & Platt. CI means we always look for ways to improve our methods. It means we never settle for an average product. It means we never give up, and always press on toward higher goals. Continuous Improvement is the driving force that transforms Leggett's employees and operations alike from better to best.

Schukra – Raising the Bar

Over 20 years ago, Leggett instituted a Continuous Improvement initiative at our manufacturing facilities. We encouraged an intentional effort to better our processes and maximize the efficiency of our production lines, and it has proven itself a hundred times over. On a recent visit to Schukra, one of our automotive branches in Canada, I had the opportunity to get a first-hand look at one of our more impressive CI operations.

Schukra has instituted a visual management system with daily shop floor meetings to discuss 'live' data regarding safety, quality, delivery, production, attendance, CI, waste, and more. The Plant Performance Review board reveals the heartbeat of the plant at a glance—what is going well, and what areas need attention. By monitoring this board as part of the daily routine, Continuous Improvement at Schukra



becomes more than a program or an institution. It becomes ingrained in the way people think and part of who we are.

Because those most familiar with their jobs are best suited to improve their processes, CI thrives when everyone participates. Schukra's Project Green encourages volunteers from every department to offer their time and ideas to reduce waste, and has saved thousands of dollars and hundreds of man-hours with simple process improvements.

Nexus – CI Focus at Corporate

We believe that the same principles that upgraded our manufacturing efficiency can also grow our efficiency in the corporate office. We instituted the Nexus program last year to actively train our corporate employees in those same CI methods. Since that time, corporate Continuous Improvement projects are projected to save almost *one million* dollars in 2013.

I'm excited to see our corporate-trained Nexus partners working just as hard as those on the shop floor to identify opportunities for improvement. With everyone working hard to develop, advance, and maintain our quality systems, our continuing success and improvement is inevitable.

Continuous Improvement at Work

Schukra replaced stretch-wrap (used to bind pallet materials together) with rubber pallet bands. It was a simple change, but saved almost \$10,000 yearly on stretch-wrap, and reduced cycle time by almost two-thirds.



BEST IN CLASS: RECOGNIZING AND REWARDING EXCELLENCE IN OPERATIONS



Leggett & Platt is doing a lot of things right. We're taking care of our customers, our employees, and our shareholders. The hard work of Leggett partners has pushed our Total Shareholder Return over the past three years to the top 37% of S&P 500 companies.

Always looking to improve, Leggett has launched a number of corporate initiatives to drive financial results and reduce risk. And, in January 2014, Leggett & Platt will roll out the Best in Class program in the United States and Canada to acknowledge branches that have excelled in those initiatives.

Best in Class is an all-encompassing evaluation of a branch's operational excellence: from financial returns to safety to environmental to continuous improvement (see sidebar). "We spent a lot of time creating the criteria to focus on things that are important to the success of the Company," recalls Jeff Wood, Vice President of Bedding's Western Group and leader of the Best in Class development team. "We have a good balance that doesn't give any area too much weight."

When a branch becomes Best in Class, they'll receive a budget for a recognition celebration. They'll also receive a banner to be displayed at the branch, as well as a plaque to be displayed at the Wright Conference Center. "A lot of our partners attend meetings at the Wright Center," Jeff points out. "It will be good for them to walk by those plaques and see the branches that have achieved Best in Class."

"With the Best in Class program, we want to motivate branches that are improving, and more importantly, maintaining these efforts," says Karl Glassman, Chief Operating Officer. "Day in and day out, these branches are doing the hard work it takes to be successful not only on the financial side, but also in the key aspects of the business."

With ongoing ratings across non-financial criteria, Best in Class can be used as an analytical tool at the corporate level. According to Jeff, "It gives segment leaders a snapshot of what's going on at each of their branches. It's a broader view than the financials alone."

The goals are lofty, but achievable. No Leggett branch currently meets all Best in Class criteria, but several are close. "We're telling our branches, 'Yes, you can be excellent in all of these disciplines.' It's like the four-minute mile," Jeff adds. "No one thought we'd break it until Roger Bannister did. Now it's a common occurrence."

To be recognized as Best in Class, a branch must reach each of the following performance levels:

Internal Audit:	Blue audit
Safety:	DART, Incident and Frequency Rate at 50% below industry average
Environmental:	"4 Star Branch" across 3 sustainability and 10 compliance categories
Financial:	90% of strategic plan EBIT or prior year's actual EBIT
Quality Management System Audit:	Blue audit (0 – 5 points)
Cost of Quality:	1% or less as a % of sales; 0.5% or less administrative credits as a % of sales; and 0.5% or less failure cost as a % of Cost of Quality
Continuous Improvement:	CI assessment score of 75% or above
Sales & Operational Planning/Planning & Control:	"Capable" process across 39 elements
Total Productive Manufacturing (Bedding branches only in 2014)	TPM "silver standard" or above; after 2 years, attain "gold standard" of 90%

SALES – FINDING THE RIGHT FIT

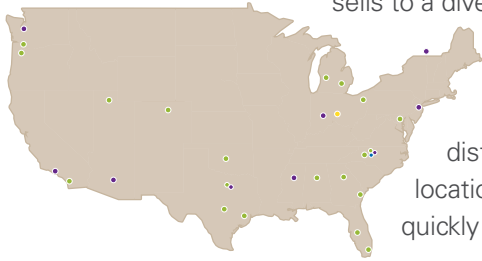
People in sales know they have to identify with their customers and understand their needs. Pharmaceutical sales reps arrive at doctors' offices impeccably dressed, with loads of free samples and lunch reservations. Used car salesmen promise the lowest possible price on that Hyundai and swear the previous owner changed the oil every 2,000 miles. Girl Scouts approach friends, family, and neighbors with smiles twice as sweet as the cookies they're selling.

Given the variety of Leggett & Platt's products lines and the markets we participate in, it's no wonder that you'll find a variety of approaches to sales throughout the Company. The Hanes Companies and the Office Furniture Group have developed unique sales strategies to maximize the value they can bring to their customers.

Hanes – Distribution Model

Hanes is a leader in the supply, conversion, and distribution of non-woven materials and woven fabrics found in home furnishings (mattress ticking and drapery linings), automotive (seating components), filtration products, packaging materials and much more. Hanes sells to a diverse customer base

spread across North America, and has built a network of 31 distribution points in key locations to serve them as quickly as possible.



Hanes manufactures only some of what they sell, spending most of their energy on identifying the best materials to suit the customers' needs, sourcing the products, and modifying them to fit the particular application.

Hanes has a sales team at each of their distribution centers, working closely with the customers to coordinate key actions with Hanes' product management. With this strong focus on information management, Hanes often has orders coming in and going out within 24 hours.

The relationships with Hanes' customers keep the business invigorated. "We uncover new market and development opportunities along the way," notes Bret Graff, Senior VP at Hanes. "Innovation starts there, on the ground floor with the customers."

Office Furniture – Supplier-Partner Model

Office Furniture has also aligned its sales model with its particular market. The office seating industry is highly concentrated with a few, dominant Original Equipment Manufacturers (OEMs) such as Herman Miller, Steelcase and HON.

With such a short list of potential customers, Office Furniture aims to be an indispensable partner by understanding exactly who the OEMs are, what they want, and how they act. "Each one of them has a unique personality," says Dave Dupon, Vice President of Sales & Marketing.

The "deep and wide" relationships Office Furniture has built with the OEMs have enabled Leggett to become a collaborative partner, rather than waiting for the phone to ring for the next order of bases or chair mechanisms.

Not all sales methods work with every division. Hanes has found success through speed and tight coordination, Office Furniture builds collaborative supplier partnerships, and other Leggett businesses have their own approaches. "At the end of the day," says Dave, "it's all about the customer."

There's one way to say "No," but there are a lot of different ways to say "Yes."

-Dave Dupon

One of Office Furniture's key customers, Haworth, was developing their Harbor Work Lounge, but they didn't have the resources to execute it on their own. Working together, they were able to tailor the design to fit Leggett's manufacturing capabilities, resulting in maximized throughput and taking the chair from concept to production in an unprecedented four months.



FOLDING GUARD: A GREAT COMPANY AND A GREAT FIT FOR LEGGETT

Last December, Leggett & Platt acquired Folding Guard, a leading manufacturer of safety, security, and storage products. The transition with Leggett has been a smooth process overall, according to Folding Guard President Jason Wynne. Becoming part of Leggett has brought more stability and resources for the branch's 110 employees.

Founded in 1962 and located just a few blocks from Chicago's Midway Airport, Folding Guard is best known for machine perimeter guarding. These systems protect the manufacturing equipment they enclose, but, more importantly, they protect the people that work on or near those machines. Folding Guard also sells wire partitions and lockers for access control and loss prevention.

Folding Guard's engineered products require a lot of wire, so Leggett has viewed the company as a potential partner for some time. According to Chuck Kallil, President of Leggett's Tubing and Fabricated Wire Group, "Nearly a year after the acquisition, Folding Guard has exceeded our expectations operationally and financially. Not only are they consuming L&P wire as expected, but they've trimmed operational costs to improve their market position."

While Folding Guard is a strategic fit with Leggett, their focus on customer satisfaction, quality, and safety align them with Leggett's culture as well. Folding Guard's Director of Sales, Pat McMahon, says, "joining Leggett & Platt has been quite refreshing."

According to Pat, "We work with distributors and customers from all kinds of industries, including automotive, steel, commercial, and retail. Our customer base is very diverse." Customers can order specially designed products, custom-made to their specifications. For example, Folding Guard utilizes a state-of-the-art powder coater to finish products in any hue of paint to match the customer's specific company branding or logo colors. To ensure additional customer satisfaction, Folding Guard uses superior materials and rigorous manufacturing standards to create quality products.



Folding Guard's Pat McMahon (left) and Jason Wynne shown with Saf-T-Fence, a modular system of steel posts, wire mesh panels, and doors to protect automated machinery and the people who operate it.

With many of Folding Guard's product lines made to protect people from hazardous machinery, being proactive about safety has long been a priority. "It's unfortunate when we have customers coming to us only after they have experienced an accident," explains Jason. "Employee safety is critical as people are the most important asset of any company."

"Joining a company like Leggett that places a big emphasis on employee safety has been a great fit," continues Jason. "The tools from Leggett's SafeGuard program have helped us formalize our internal processes, and we've already noticed results." Other Leggett operations are also benefitting from the Folding Guard partnership, with Saf-T-Fence perimeter guarding being installed at several branches.

**FOLDING
GUARD®**
L & P Guarding, LLC

A *Leggett & Platt* COMPANY
INCORPORATED

Folding Guard recently introduced its new Drop-N-Lock bracket system for the Saf-T-Fence line. It allows for quick installation and removal of the fencing panels, saving substantial installation and maintenance costs.

PROFIT THROUGH BETTER PLANNING

Leggett & Platt doesn't simply *pursue* profit. We *plan* for it at every level: from choosing strategies for the next few years to setting the most efficient order for a machine to make parts today. The Company-wide rollout of **Sales and Operations Planning (S&OP)** has become the lynchpin as the *monthly* planning process that connects a business's *yearly* strategic plan to its *everyday* operations.

With S&OP rolled out to nearly three-fourths of the Company, Leggett is seeing positive results. An early benefit was reducing excess inventory because of better sales forecasts. "This has significantly improved working capital and freed up more dollars to invest in our people and facilities," says Chief Operating Officer Karl Glassman.

Planning further increases Leggett's competitive advantage as a supplier, especially where we control more than one step in the supply chain. Our Spring-Wire-Rod businesses are coordinating much steadier production levels by planning intercompany demand 18 months out.

"As Spring and Wire operations work closer together, the large swings in weekly volume are smoothing out," says Wire Group President Bill Avise. "We can avoid the costly results of running overtime one week and short shifts the next." Accurate forecasts of intercompany demand also give Wire and Rod the opportunity to choose how to most profitably blend external sales with Leggett's internal orders.

Using S&OP to set the production order creates many additional benefits and opportunities. A branch can dedicate machines to specific products and run them in the best sequence. "We've seen 20% of our increase in machine efficiency come from this process," reports Jimmy Blazek, Materials Manager for Ennis Spring, the first branch to tie S&OP directly to production scheduling and optimization. Predictable output, in turn, improves product quality and provides a clear timeline for when materials are needed and products can be delivered.

Improvements from planning ultimately benefit our customers and boost our profitability. As Karl points out, "We are more frequently getting the right products to the right places at the right time and are meeting or exceeding our customer expectations. Importantly, we are doing so in a more cost-efficient manner."

Sales & Operations Planning Process

Through **five** monthly S&OP meetings and with the help of Demantra software, a business's senior leaders and S&OP coordinators continuously renew and align plans for products, sales, manufacturing, and financial results for the next 18 months.

1. New Product Planning

Review upcoming and current products; set priorities and timelines; estimate costs and prices

2. Demand Planning

Forecast product demand and sales through customer input and Demantra's analytical tools; improve forecast accuracy

3. Supply Chain Planning

Assess whether supply chain can meet the demand plan, or if additional resources are required; set production priorities, output levels, and inventory buffers

4. Financial Analysis

Update expected financial results based on the new plans; evaluate different options

5. Management Business Review

Review overall plans; address issues requiring executive decisions; keep S&OP connected to the business strategy

THE BIG PICTURE OF PLANNING



S&OP forms a master planning trio with Strategic Planning and Financial Forecasting. Strategic Planning provides annual targets for S&OP while monthly Financial Forecasting predicts revenue, cost, and profit results for the next 18 months for S&OP's Financial Review. Together these plans generate a single set of financials and guide weekly and daily planning such as Procurement, Logistics, and Materials Management.