Leggett, I have a few questions.

Leggett & Platt 2005 Annual Report

Our investors have questions.

We know because we routinely interact with investors and stock analysts at trade shows, conferences, and various meetings throughout the year. We also hear their concerns during our quarterly conference calls (which all investors can access from our website). They ask some great, often pointed, questions.

Unfortunately, during the year we are able to speak directly with only a small subset of our investors. We realize that many of you probably have questions you'd like to ask if given the chance.

Though your questions might run the gamut, we've found that certain topics tend to be mentioned regularly. In this Annual Report you'll find members of our executive team addressing ten of the questions we hear most frequently from investors. The Q&A begins on page 6 of this report. We hope you find our answers informative.

Contents

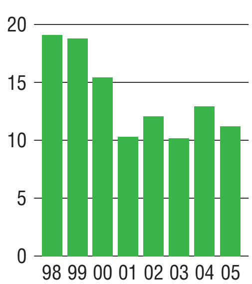
Financial Highlights

Leggett & Platt, Incorporated

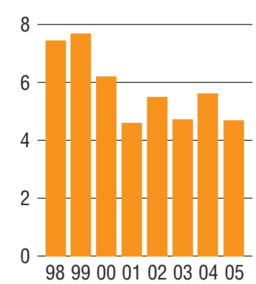
(Dollar amounts in millions, except per share data)

Year ended December 31	**2005**	2004	% Change
Net sales	**$5,299**	$5,086	4.2%
Earnings before interest and income taxes (EBIT)	**396**	462	(14.3)
Net earnings	**251**	285	(11.9)
Net cash provided by operating activities	**448**	339	32.2
Earnings per share – diluted	**1.30**	1.45	(10.3)
Cash dividends declared per share	**.63**	.58	8.6
Book value per share	**12.32**	12.12	1.7
Cash and cash equivalents	**65**	491	(86.8)
Total assets	**4,053**	4,197	(3.4)
Long-term debt	**922**	779	18.4
Shareholders' equity	**2,249**	2,313	(2.8)
Stock price range – High	**$29.61**	$30.68	
Low	**$18.19**	$21.19	
P/E range – High	**23**	21	
Low	**14**	15	
Average diluted shares outstanding (in millions)	**193.6**	196.9	
EBIT margin	**7.5%**	9.1%	
Net earnings margin	**4.7**	5.6	
Net debt to net capital	**28.5**	21.9	
Return on average total capital	**8.7**	9.7	
Return on average shareholders' equity	**11.0**	12.9	

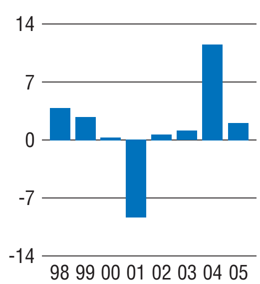
Return on Equity
Percent



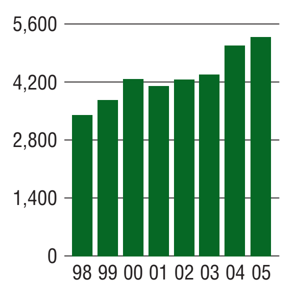
Net Margin
Percent



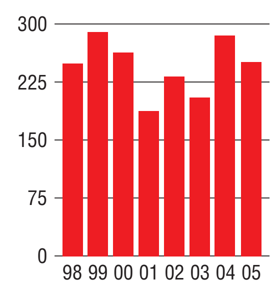
Organic Sales Growth
Percent



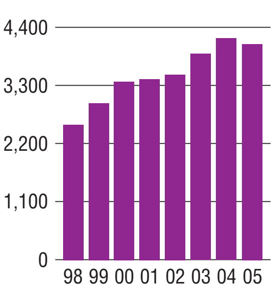
Net Sales
Millions of dollars



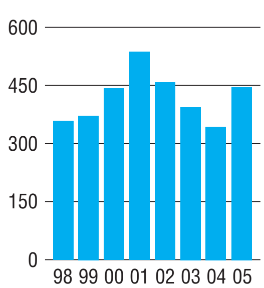
Net Earnings
Millions of dollars



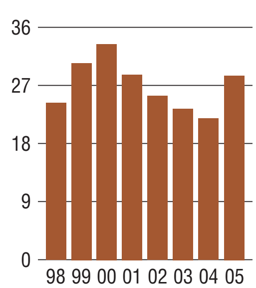
Year End Assets
Millions of dollars



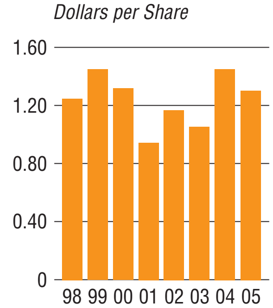
Cash From Operations
Millions of dollars



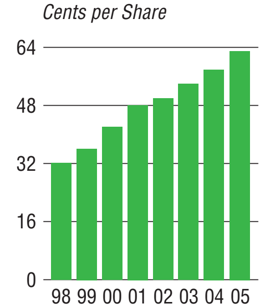
Net Debt to Net Cap
Percent



EPS
Dollars per Share



Dividends
Cents per Share



Fellow Shareholders,

This was an active year for Leggett. There were several accomplishments, as well as a few disappointments. The accomplishments include a new sales record, a solid acquisitions year, strong cash flow, repurchase of 5% of the company's stock, two key operational expansions, a timely debt issuance, and the addition of two non-management directors to our Board. The disappointments include a large expense for the restructuring we undertook, and lack of margin improvement in the Fixture & Display operations.

These events created much interest in Leggett's stock and considerable volatility in our stock price. The number of shares traded during the year was about 25% higher than ever before. Leggett's stock began the year at a price of about $28, and traded in the $25 – $30 range for much of the year. In September, we reduced our sales and earnings estimates for 2005, causing the stock to trade below $20 for most of October. But by year-end the stock had rebounded to the $23 level. Of importance to shareholders, in May the Board awarded a 7% dividend increase, and at year-end the dividend yield was 2.8%.

We are optimistic about 2006 and expect to post record sales and earnings. Sales should grow about 5%, and we project a 15% – 35% increase in per share earnings. Increased sales should come from both internal growth and acquisitions, and will be offset slightly by divestitures associated with our restructuring activity. The earnings increase should come from margin improvement, lower restructuring costs, and higher sales.

If events unfold as expected, 2006 should be a good year for our investors. Our executives feel strongly enough about the Company's prospects that more than 100 of them decided (in December) to forego a portion of their 2006 cash compensation. Collectively, they have relinquished more than $23 million of cash salary and bonus over the past three years, and have chosen to accept Leggett stock and options instead. Our management team has a keen personal interest in seeing that the stock performs well over the long term.

Priorities and Goals Unchanged. The priorities and goals we announced in September 2004 have not changed. Profitable growth continues to be our main objective. We also intend to extend Leggett's record of dividend increases, modestly increase leverage, and use excess cash to buy our stock.

Our long-term financial goals also remain unchanged; we are striving for:

- Double-digit earnings and sales growth
- Return-on-equity in the high teens
- Net-debt to net-capitalization at 30% – 40%
- Annual dividend increases
- Top quartile performance versus peers

2005 Financial Results. Full year sales increased 4.2%, or $214 million, to a record of $5.3 billion. About one-half of the growth came from internal sales increases, and one-half from acquisitions. Inflation (mainly in the first quarter of 2005) caused most of the internal sales growth. We saw a series of acquisitions come together in the fourth quarter; these should contribute noticeably to 2006 revenue.

Full year EPS decreased from $1.45 in 2004 to $1.30 in 2005. This earnings decline primarily reflects the 18 cents per share expense for the restructuring-related activity we initiated in September. Other items include 7 cents per share for unusually high workers' compensation costs and an offsetting 5 cents per share for a one-time tax benefit. Several other factors (including sales growth, purchasing initiatives, declining share count, utility and energy costs, and currency rates) affected full year per share earnings, but essentially offset one another.

Our cash flow and balance sheet remain quite strong. During the year we generated $448 million in cash from operations, a 32% increase versus 2004, and significantly more than was required to fund internal growth and dividends.

Left to right, **Karl G. Glassman,** Executive Vice President,
Felix E. Wright, Chairman of the Board and Chief Executive Officer, and
David S. Haffner, President and Chief Operating Officer

Solid Acquisitions Year. During 2005 we used $181 million in cash to complete 12 acquisitions, which should yield about $320 million of incremental annual revenue. Two of these acquisitions created new business platforms for Leggett, with ample room for future expansion:

- America's Body Company (ABC) is a designer, manufacturer, and supplier of equipment for light and medium duty commercial trucks. With revenue of about $150 million, this is the third largest acquisition in Leggett's history. When combined with existing operations, Leggett became the second-largest supplier in this $1.5 billion U.S. market.

- Ikex / Jarex added $65 million of revenue and significantly enhanced Leggett's presence in the converting and distribution of geotextiles, silt fencing, erosion control and soil stabilization products for the geotextile, landscape, and agricultural markets. This addition boosted our annual sales to about $80 million in this $900 million market.

Dividend Growth Continues. In May, the Board of Directors increased the quarterly dividend from $.15 to $.16 per share. At an indicated annual rate of $.64 per share, 2006 will mark the 35th consecutive year that Leggett has increased dividends. Compound dividend growth over that time has averaged better than 14%. Only one other S&P 500 company has matched that record.

In 2006, Leggett was again named to Standard & Poor's list of "Dividend Aristocrats." And, Mergent's Dividend Achievers lists Leggett among the top 70 companies for 10-year growth in dividends.

We continue to target dividend payout (over the long run) at approximately one-third of the average earnings over the preceding three years. Leggett is proud of its record of dividend growth, and we expect to extend that record far into the future.

Leverage Increases. In September 2004 we announced our intent to increase leverage (i.e. net debt as a percent of net capitalization) toward the company's long-standing target range of 30% – 40% while maintaining our decade-long "single A" credit rating.

Accordingly, in August we issued $200 million of long-term debt, locking in a 5% interest rate for 10 years. Net debt to net capital increased from 21.9% at year-end 2004 to 28.5% at year-end 2005. Importantly, our debt rating did not change, and remains at the 'single A' rating it has enjoyed for over a decade. We intend to gradually increase leverage until we reach the target range.

The August 2005 issuance was our fourth debt offering since early 2003. These four issuances provide $730 million of long term debt, with a weighted average remaining life of over 9 years and a weighted average coupon of 4.7%.

In addition to long term debt, we can issue up to $400 million in commercial paper through a program that is backed by a $400 million, 5-year revolving credit commitment. We believe we have more than adequate availability of funds to support all ongoing operations and take advantage of growth opportunities.

Significant Stock Repurchase. In 2005, we used $227 million to purchase 10.3 million shares of Leggett stock. We paid, on average, about $23 per share. Shares outstanding declined to 182.6 million shares. During the first eight months of the year we bought about one-half million shares each month. But between September and November, when the stock price dropped to levels not seen since early 2003, we became more aggressive. In a nine-week period we bought almost 6 million shares at an average cost of about $20.25 per share.

The Board of Directors has authorized the purchase of up to 10 million shares of Leggett stock in 2006; however, we have established no specific repurchase schedule. In periods when many acquisitions are completed, there may be less cash available to purchase stock. We look at many factors when deciding how much stock to buy, including the current stock price and the amount of cash we expect to have available.

Operational Achievements. Operationally, 2005 was a busy and productive year. In September we announced plans to reduce both the number of operating facilities and the amount of excess plant capacity. For several years we purposely chose to maintain spare capacity, expecting market demand to eventually return to the levels seen in the late 1990s. That incremental market demand has not materialized, and it is not clear when or if it will.

We identified 36 operations for closure or consolidation, and that activity is substantially complete. Collectively, these operations had revenue of approximately $400 million. Most of this volume was shifted to surviving facilities, but a $90 million revenue reduction is expected as the company divests small, non-core operations or walks away from unprofitable business. Restructuring-related costs should total approximately $78 million ($55 million in 2005; $23 million expected in 2006). Consistent with our historical practice, we record these charges as part of our normal operating costs. Once completed, the ongoing annual earnings benefit from this activity is expected to be about 10-12 cents per share (or about a $30-35 million increase in EBIT).

Two years ago we initiated an effort to improve performance in the Commercial segment, and specifically in our Fixture & Display group. We made progress in 2004, as Commercial segment margins increased from 2.8% in 2003 to 5.1% in 2004. We expected further improvement in 2005, but it did not happen. Excluding one-time restructuring costs, Commercial margins in 2005 were essentially unchanged from those of 2004. That is a disappointment to us and is not acceptable. Margins must improve, or we will embark on further restructuring activity.

Late in 2005, we implemented several projects at our steel rod mill which will increase ultimate capacity by 20%, to approximately 540,000 tons per year when fully ramped up. These projects include installation of new billet-welding equipment and implementation of other mill efficiency projects. With this expansion, the mill will help ensure a consistent supply of quality steel rod for roughly two-thirds of our needs. We initially acquired this steel mill in 2002, believing it presented a sound vertical integration opportunity for Leggett (as the largest purchaser of steel rod in the U.S.). With this latest expansion, and considering the turbulence in the global steel industry over the last two years, our purchase of this mill has turned out to be very attractive.

Finally, in September 2004 we announced an agreement to supply aluminum die castings for Briggs & Stratton's assembly plant in Auburn, Alabama. We have now completed a new 140,000 square foot die casting plant near the Briggs' facility. This project is an outstanding example of our 'deverticalization' strategy, in which Leggett supplies products to manufacturers who previously made their own components. After ramp up of production, we expect this project to contribute over $45 million of annual revenue to our Aluminum segment.

Bright Future. We aim for long-term average earnings per share (EPS) growth of 15% annually, primarily from a combination of margin improvement and sales growth. We are targeting 10%-15% annual sales growth over the long term, with an increased emphasis on internal expansion expected to yield 4%-6% internal growth per year. Acquisitions are expected, over the long term, to add 6%-9% to sales annually. In general, we foresee sales increases coming from four areas: growth of our current markets, increased market share, international expansion, and entry into new product markets.

We are committed to improving margins over the next few years. In 2006, we expect EBIT margins to improve in four of our five segments, with gains coming mainly from operational improvements and lower restructuring costs. (The Industrial Materials EBIT margin is expected to decline due to a lower steel scrap-to-rod price spread.) Over the longer term, we anticipate higher margins as a result of our efforts to: increase sales and plant throughput, restructure or eliminate underperforming operations, and reduce costs via purchasing and continuous improvement initiatives.

It is difficult, in a letter like this, to adequately convey the degree of optimism that we have regarding Leggett's future. In large part, that optimism stems from our personal knowledge of Leggett's people, their level of expertise and desire to excel, and their integrity and commitment to the company. Since investors can't possess that same level of familiarity, we understand that some of you may be curious about what the future might bring. For that reason, in this annual report we decided to address some of the questions and concerns that are most frequently voiced by investors. We hope you find the Q&A content informative.

Sincerely,

Felix E. Wright
Chairman of the Board and
Chief Executive Officer

David S. Haffner
President and
Chief Operating Officer

Karl G. Glassman
Executive Vice President

February 28, 2006

We decided to address some of the questions and concerns that are most frequently voiced by investors. Please read on . . .

Why is Leggett's income roughly the same as it was 5 years ago, even though sales have increased?

Karl G. Glassman, Executive Vice President

The answer lies primarily with external factors that have changed the U.S. economy over the last few years. If we could combine our current level of sales with the operating environment of the late 1990s, we would probably be achieving EPS of about $2 per share. But today's operating environment is considerably more challenging. First, raw material and energy costs are significantly higher. Oil prices have tripled, and scrap steel now costs over twice as much. Passing along these higher costs increases our revenue, but does not add any profit. Second, market demand for certain products (e.g. office furniture, store fixtures) is well below peak levels seen in the late 1990s. Third, the U.S. dollar weakened, impacting profits from foreign operations. Finally, some customers have responded to higher costs by switching to lower priced, less profitable components. When this happens, we maintain market share but profit declines.

Though we can't control or fully mitigate these factors, we can adjust to them. We have passed along cost increases (or walked away from business that is no longer profitable). We have divested, closed, and restructured operations, and continue to do so today. We launched an entity-wide purchasing initiative to reduce our costs. And we persist in our continuous improvement and lean manufacturing efforts, asking each plant to determine how they might improve operating efficiency and profitability.

Does Asian manufacturing pose a threat to Leggett?

Jack D. Crusa, Senior Vice President – Specialized Products

Yes, but it's not as big a threat as some people believe. In fact, it presents some significant opportunities for Leggett.

Leggett mitigates the "Asia threat" in two key ways. First, we minimize the labor content of our products. Our factories are very automated, and the bulk of our cost is for raw materials. It is often more expensive for us to manufacture goods in China (and ship them to the U.S.) than it is to simply produce the products in North America.

Second, many of the products we produce are proprietary. We possess over 1,250 patents (and have another 675 in process), not only on the products themselves, but sometimes also on the machinery or process used to make the products. We have research centers across the world dedicated to product innovation and new product development.

Asian manufacturers, in general, benefit from lower commodity costs (sometimes subsidized by their government), lenient attitudes toward safety and environmental concerns, and currency rates that are closely tied to the U.S. dollar rather than free floating. On the other hand, Asia must overcome higher transportation costs, increased working capital needs, and difficulty matching U.S. manufacturers' level of service, flexibility and logistics.

Viewing the glass as "half full," Asia presents opportunities for Leggett to expand internationally. We currently have 11 facilities in China, providing about 2% of the company's revenue, with significant opportunity for future growth. These plants provide components not only for the growing consumption within Asia, but also to meet the needs of our traditional customers who have established production facilities in Asia.

How do you plan to use cash over the next few years?

Matthew C. Flanigan, Senior Vice President and Chief Financial Officer

Our plans for use of cash have not changed. Cash will be used primarily to fund our growth, which will come from both internal expansion and acquisitions. Steadily increasing the dividend is our next priority; 2005 was our 34th consecutive year of dividend increase at a compound annual growth rate that only one other S&P 500 company can match. We expect to use remaining cash (after funding growth and dividends) to repurchase shares of our stock. It's important to note that during periods when we complete numerous acquisitions, there may be less cash available for share repurchase.

As previously announced, we are gradually increasing leverage while maintaining our decade-long "single A" credit rating. Last August, we completed our fourth debt offering since early 2003. These four issuances provide $730 million of long term debt for the next 9 years at an interest rate of 4.7%. In addition, we can issue up to $400 million in commercial paper through a program that is backed by a $400 million, 5-year revolving credit commitment. We believe we have more than adequate availability of cash to support all ongoing operations and take advantage of growth opportunities.

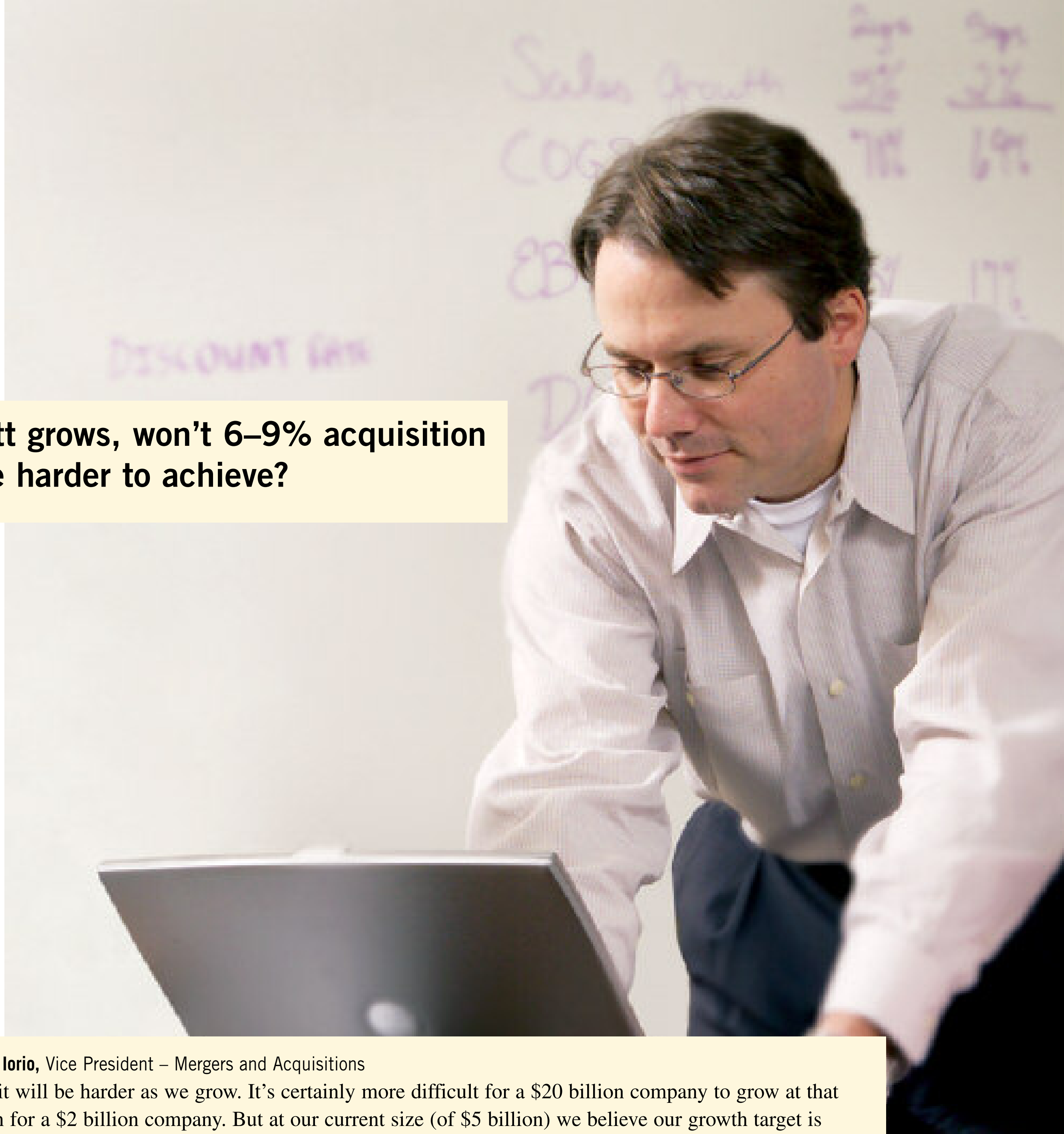
How will you achieve internal growth?

Joseph D. Downes, Jr., Senior Vice President – Industrial Materials

Our sales growth target is 10% – 15% per year. We expect 4% – 6% annual internal (or organic) growth, with acquisitions providing the balance. We realize that our targets are more aggressive than those of most manufacturers. We may not achieve that growth every year, but we still believe it is a reasonable goal.

We foresee internal growth coming from these areas:

- International expansion as we provide components for: a) rapidly growing international markets, and b) U.S. manufacturers who locate overseas
- Increased market share as we win business away from competitors
- Entry into new markets. A recent example is our move to begin supplying aluminum die cast components to the large appliance industry (replacing parts previously made of steel or other materials)
- Generation of new ideas and development of innovative products
- "Deverticalization" of manufacturers who make their own components
- Normal market expansion associated with GDP growth



As Leggett grows, won't 6–9% acquisition growth be harder to achieve?

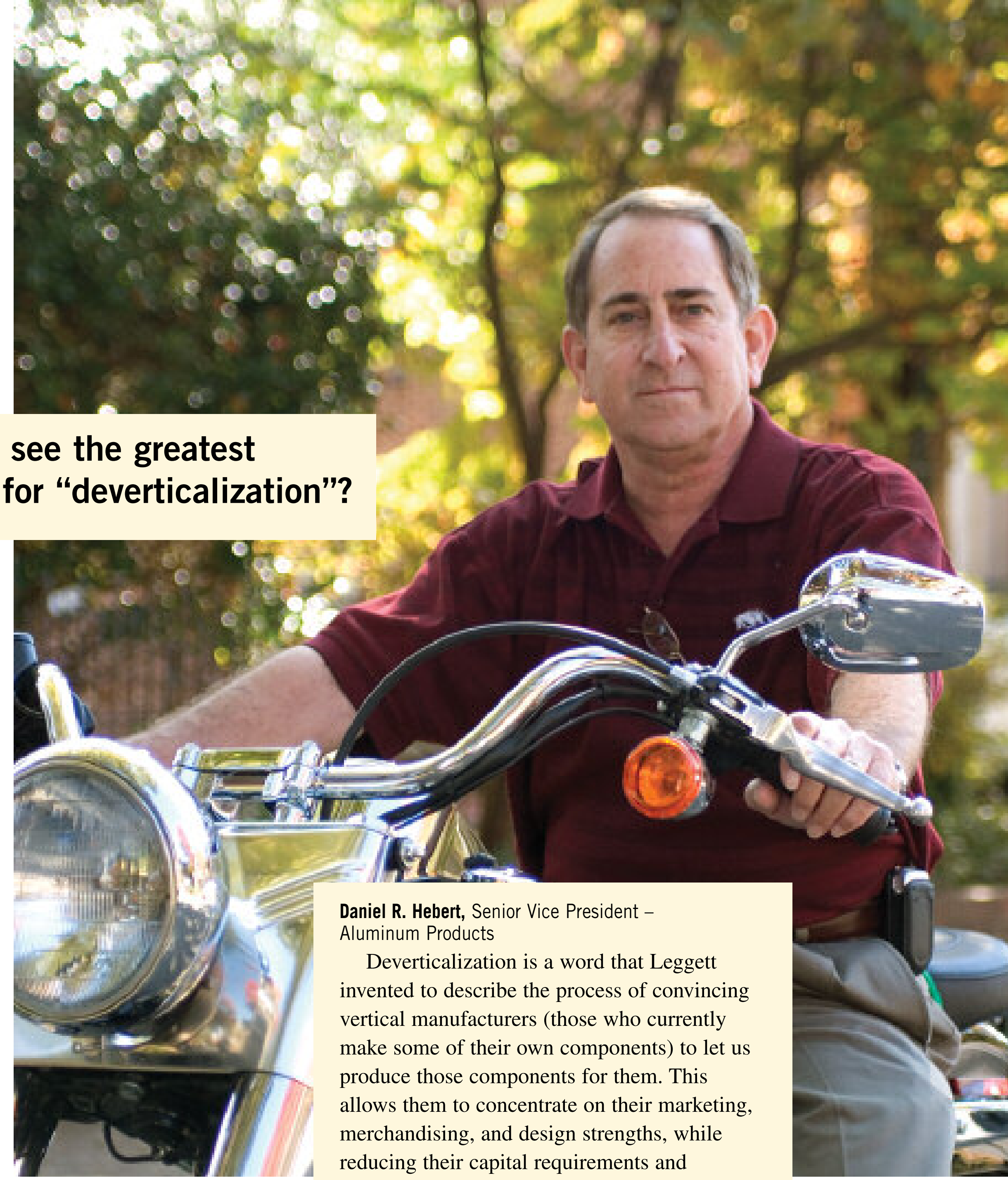
Russell J. Iorio, Vice President – Mergers and Acquisitions

Yes, it will be harder as we grow. It's certainly more difficult for a $20 billion company to grow at that rate than for a $2 billion company. But at our current size (of $5 billion) we believe our growth target is reasonable and attainable.

It's important to remember that the North American markets in which we participate have annual revenues that total about $30 billion. We currently have less than a 20% share of those markets. As we look for acquisitions, there are still many possibilities within markets we already know.

Even so, we also look for acquisition opportunities in related businesses or markets that are "one step away" from something we're already doing. A recent example of this is the acquisition of America's Body Company, a designer, manufacturer, and supplier of equipment for light and medium duty commercial trucks. Another example is Ikex / Jarex, a converter and distributor of geotextiles, silt fencing, erosion control and soil stabilization products.

We're also continually considering opportunities to expand internationally, taking expertise and strategies that have been proven in the U.S. and applying them to overseas markets.



Where do you see the greatest opportunities for "deverticalization"?

Daniel R. Hebert, Senior Vice President – Aluminum Products

Deverticalization is a word that Leggett invented to describe the process of convincing vertical manufacturers (those who currently make some of their own components) to let us produce those components for them. This allows them to concentrate on their marketing, merchandising, and design strengths, while reducing their capital requirements and increasing their returns on investment. A recent example is the new facility we built to supply aluminum die-cast engine components to Briggs & Stratton.

We have similar possibilities in many of our businesses. For example, there are significant opportunities with large manufacturers of bedding, residential furniture, office furniture, large appliances, and small engines – many still make some of their own components.

How has Leggett maintained such impressive growth in its furniture components business despite lackluster industry results?

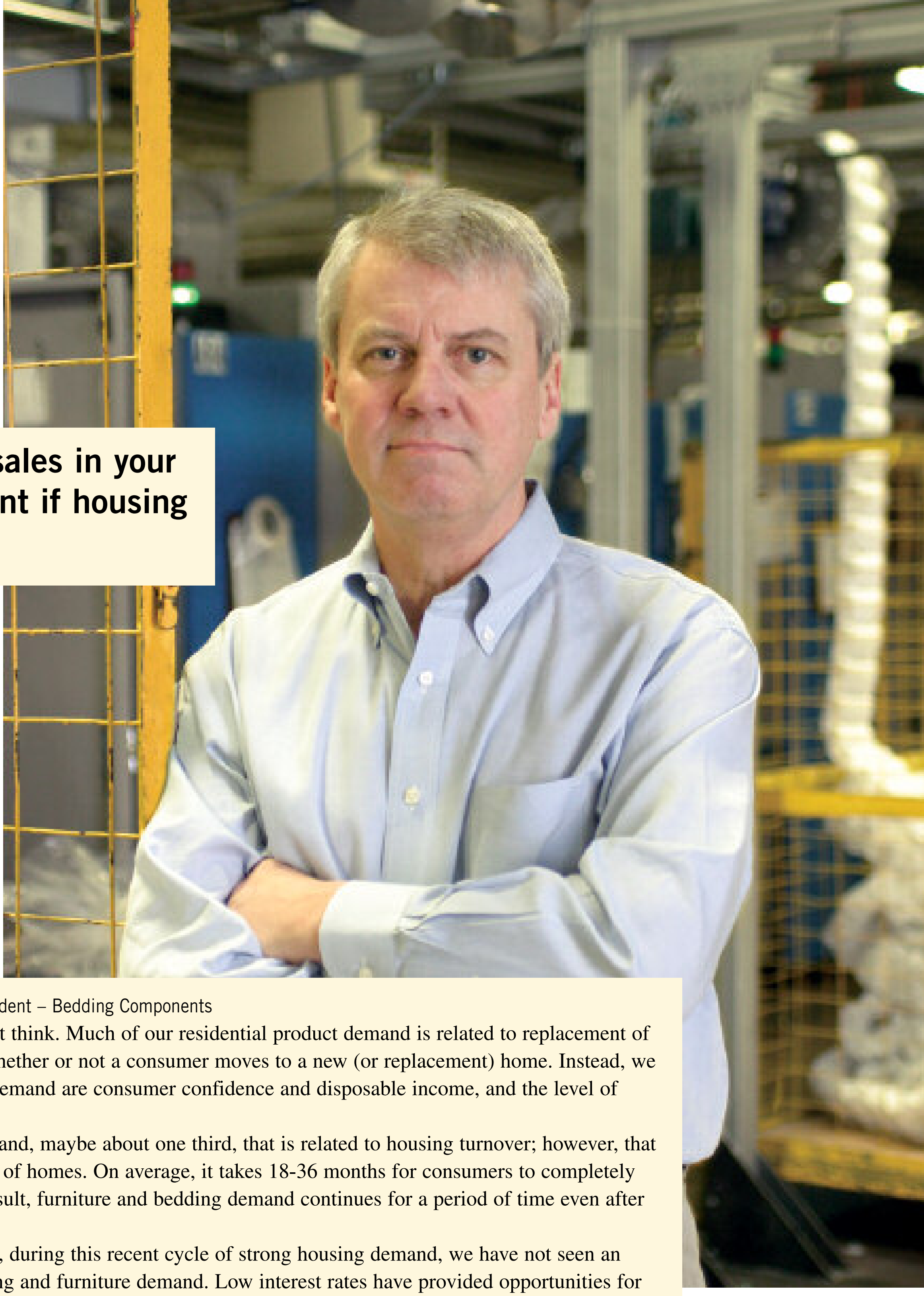
Dennis S. Park, Vice President – Home Furnishings & Consumer Products

First, it's important to remember that we supply components only for upholstered furniture. We're not involved in case goods (wood furniture). The furniture industry has been significantly impacted in recent years by Asian competition in the case goods business, but that does not affect us.

Second, over the past few years, we've gained market share due to our mix of customers. We sell components to nearly all manufacturers of motion upholstered furniture (e.g. recliners). Some of the less vertically integrated, privately owned manufacturers are doing quite well, and we've benefited from their growth.

Third, our international presence and depth of product line allow us to efficiently supply upholstered furniture manufacturers wherever their facilities are located, whether in the U.S., Asia, Europe, or elsewhere.

Finally, we've benefited from a strong industry trend to incorporate motion features into more lines of furniture.



What happens to sales in your Residential segment if housing growth slows?

Paul R. Hauser, Senior Vice President – Bedding Components

Not as much as you might think. Much of our residential product demand is related to replacement of furnishings, which occurs whether or not a consumer moves to a new (or replacement) home. Instead, we believe the main drivers of demand are consumer confidence and disposable income, and the level of industry advertising.

There is a portion of demand, maybe about one third, that is related to housing turnover; however, that demand tends to lag the sale of homes. On average, it takes 18-36 months for consumers to completely furnish a new home. As a result, furniture and bedding demand continues for a period of time even after housing slows.

It's important to note that, during this recent cycle of strong housing demand, we have not seen an equivalent increase in bedding and furniture demand. Low interest rates have provided opportunities for home ownership by new buyers (who could not previously afford homes). Though these buyers have contributed to housing demand, they've had less impact on demand for furniture and bedding. After stretching to buy a home, they've apparently had little discretionary income left to spend on furnishing their house. If housing growth slows, it's possible that the falloff will be due to these buyers exiting the market; in that case, demand for furniture and bedding may see little impact.

Why isn't your Fixtures & Display business doing better?

Robert G. Griffin, Senior Vice President – Fixture & Display

Beginning in late 2000, retailer spending on remodeling programs and new store construction declined significantly, resulting in much lower market demand for the custom display fixtures that we manufacture and sell. Retail bankruptcies (e.g. Kmart, Wards) intensified this problem. Although the declines have stopped, we have yet to see any sustained improvements in demand.

In addition, over the past few years several of our competitors have declared bankruptcy (and are no longer in business). As they struggled to survive, they reduced their prices, and impacted margins and profitability across the industry.

Finally, we've also had our own internal operating issues and inefficiencies. In response, we have effected changes in key personnel and manufacturing systems. We are doing a better job of coordinating group-wide purchasing to realize cost reductions. And a considerable portion of our current restructuring activity is aimed at improving this part of the company. We're committed to improving our performance; margins must increase appreciably from recent levels or we'll likely initiate further restructuring.

Long-term, we strongly believe our Fixture & Display business represents a good strategic opportunity for the company. We are well positioned with a broad base of customers and see opportunities to grow our business in new markets. Although our near-term focus is on completing the restructuring and accomplishing margin improvements, we will also continue to consider attractive opportunities for growth, both internally and through acquisitions.

How hard will it be to get margins to your target levels?

James L. Hess, Vice President – Operations Services

We fully intend to achieve those targets, but we realize it will require significant effort. We successfully increased EBIT margins (by about 600 basis points) throughout the decade of the 1990s. Those were hard-won gains that occurred over a number of years. That's also how we'll achieve future margin improvement. We anticipate gradual increases rather than an immediate return to prior margin levels.

In 2006, we expect EBIT margins to improve in four of our five segments by about 200 basis points (margins should decline in the Industrial Materials segment due to narrowing of the steel scrap-to-rod price spread). Over the longer term, we should attain our target margins (e.g. 12% company-wide EBIT margin) as several initiatives improve profitability. We must complete the restructuring activity and achieve the cost savings we envision, increase sales and improve plant utilization, and reduce costs via purchasing and continuous improvement initiatives.

Company Overview

Leggett & Platt was founded as a partnership in Carthage, Missouri in 1883 and became incorporated in 1901. The company's stock was first publicly traded in 1967; Leggett & Platt joined The New York Stock Exchange in 1979. Leggett was a pioneer in the development of steel coil bedsprings, and is now 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.

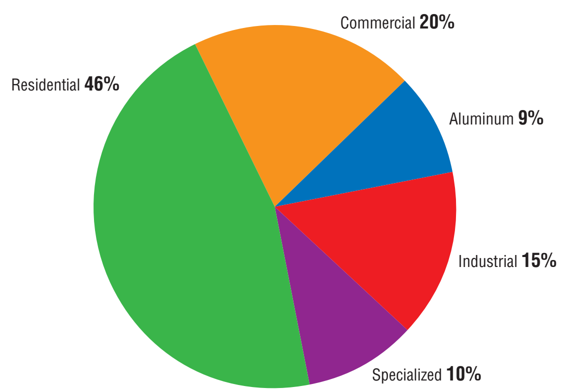
We serve thousands of customers worldwide, sustaining many long-term business relationships. No single customer contributes even 5% of the company's revenues. Our top ten customers collectively accounted for less than 17% of the company's revenues in 2005.

We have approximately 33,000 active employees, of which approximately 24,600 are engaged in production. Of the total active employees, approximately 5,400 are represented by labor unions and roughly 10,700 are international employees.

Our business is organized into 29 business units, which roll up into 11 business groups and five segments, as indicated below.

Residential Furnishings	• Bedding • Home Furniture & Consumer Products • Fabric, Foam & Fiber
Commercial Fixturing and Components	• Fixture & Display • Office Furniture Components
Aluminum Products	• Aluminum Products
Industrial Materials	• Wire • Tubing
Specialized Products	• Automotive • Machinery • Commercial Vehicle Products

2005 Sales



Additional information about each segment can be found on the following pages.

Residential Furnishings

Leggett's beginnings stem from our 1885 patent of the steel coil bedspring. Today, we are the leading worldwide supplier of a wide range of components used by bedding and upholstered furniture manufacturers in the assembly of their finished products. We also design and produce select lines of consumer products that we sell primarily to retailers and distributors.

Competitive Advantages

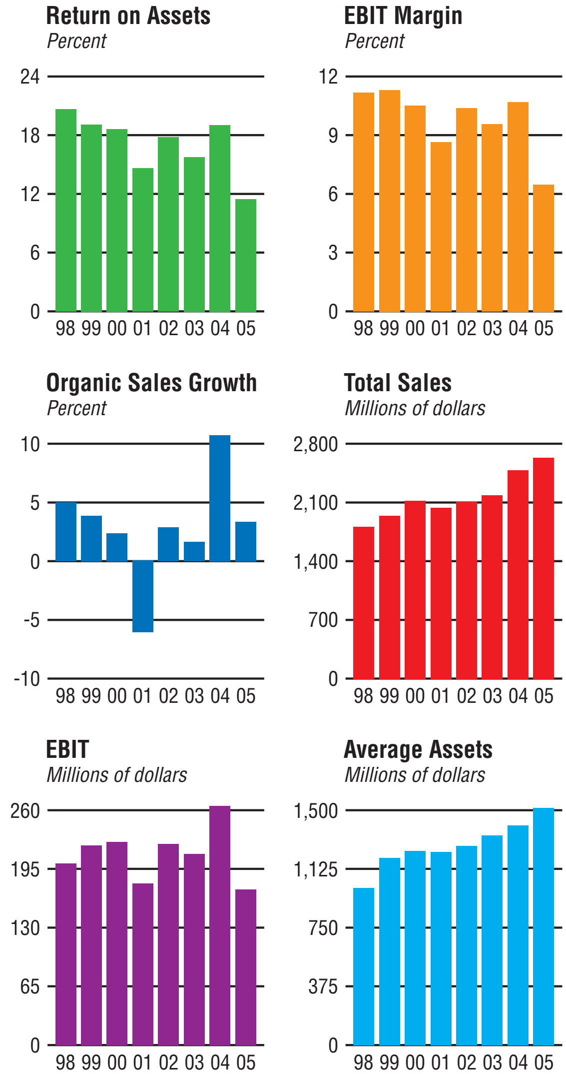
We are the low-cost producer in many of our markets, due to internal production of key raw materials, high volume manufacturing, superior technology, and a culture of continuous improvement. Ongoing research and development and design expertise make us leaders in product innovation. In some cases, we also develop and build the machines used to make these new products. Finally, a global presence allows us to participate in worldwide economic growth and to continue supplying customers in instances when they move production to lower-cost regions of the world. These advantages, along with unequalled customer service, have resulted in long-term relationships with many customers.

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 successfully employed as we move into new regions of the world. Internationally, we locate our operations where demand for components is growing. 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.

Major Product Groups

- Bedding components
- Furniture components
- Adjustable beds
- Ornamental beds
- Fabrics
- Carpet cushion
- Geo components



** Return on Assets = EBIT / Average Assets*

** EBIT Margin = EBIT / Total Sales*

Commercial Fixturing & Components

Our second largest segment encompasses three areas. We are the market leader in design and production of store fixtures, point-of-purchase displays, and storage products used by retailers. In addition, we are the leading independent producer of chair controls, bases and other components for office furniture manufacturers. We also produce injection molded plastic components used in a wide variety of end products.

Competitive Advantages

Our Fixture & Display group is the industry's only one-stop supplier, with broad capabilities that include design, production, installation, and project management. We are by far the largest producer in the industry, with internal production of key raw materials and flexibility in sourcing through our own nationwide network of facilities and established relationships with foreign manufacturers. Our financial stability ensures customers that we can weather economic downturns and be there for them in the future.

Technical and design capabilities allow us to develop new, innovative products in our businesses that supply office furniture components. Other advantages include a broad product line, low-cost production capability, longstanding customer relationships, and a leading market position.

In our plastics businesses, we are a leader in manufacturing technology with full service capability (we can fulfill our customers' requirements from tool design and mold building to production and finishing of parts).

Key Strategies

Our Fixture & Display business strategy is to be the industry's premier, 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 to look for opportunities to expand into new, related markets.

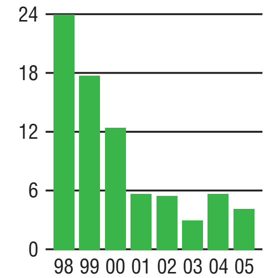
In our businesses serving office furniture manufacturers, we will continue to develop new products and pursue opportunities to supply more components to customers. We will also continue to make strategic acquisitions that add new products or expand operations into new regions of the world.

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 Leggett's internal requirements.

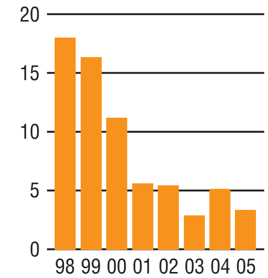
Major Product Groups

- Shelving, racks, and display cases
- Point-of-purchase displays
- Chair controls and bases
- Plastic components

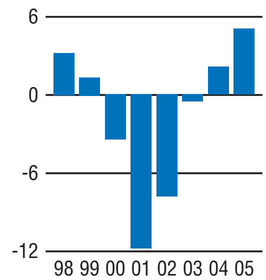
Return on Assets
Percent



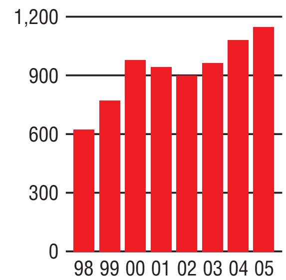
EBIT Margin
Percent



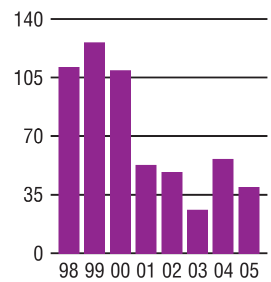
Organic Sales Growth
Percent



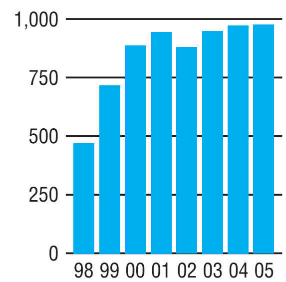
Total Sales
Millions of dollars



EBIT
Millions of dollars



Average Assets
Millions of dollars



** Return on Assets = EBIT / Average Assets*
** EBIT Margin = EBIT / Total Sales*

Aluminum Products

Leggett's Aluminum group is the leading independent producer of non-automotive die castings in North America. Our components are used in a wide range of products across many industries. Major customers include manufacturers of motorcycles, small engines, electric motors, outdoor lighting, appliances, gas barbeque grills, power tools, consumer electronics, telecommunications, and other products that use aluminum, zinc and magnesium die cast components. In addition to die-casting, we offer additional processes such as machining, finishing, and assembly of components and sub-systems. We also provide full service tool and die manufacturing to support our customers' tooling needs.

Competitive Advantages

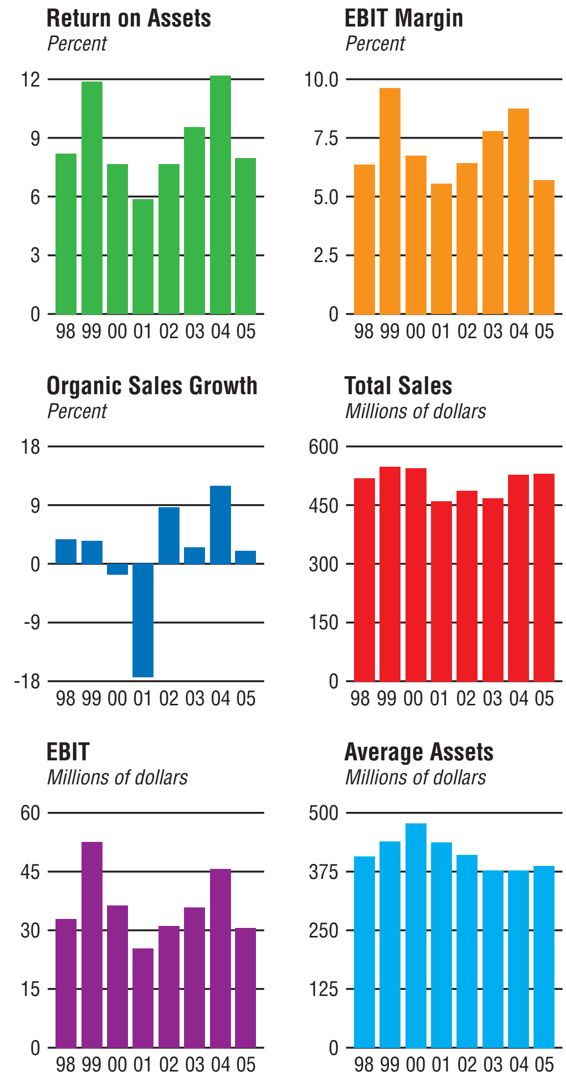
As the market leader in technological and manufacturing capabilities, we are a one-stop shop for die cast components. We work with customers from design concept to market introduction and then through the product lifecycle to continually refine functionality and reduce cost. We are focused on offering the best value and are committed to excellence in customer service. Finally, our financial stability reassures customers that we will be there for them in the future.

Key Strategies

Market share growth is a major focus. We pursue large users of castings, target customers who currently make their own aluminum components, and look for opportunities to expand into new markets where die cast components are used. We continue 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 in instances when they move their production overseas. Acquisitions may play a part in accomplishing these plans.

Major Product Groups

- Aluminum die castings
- Magnesium and zinc die castings
- Tooling and dies



** Return on Assets = EBIT / Average Assets*

** EBIT Margin = EBIT / Total Sales*

Industrial Materials

We are North America's leading supplier of drawn steel wire, and a major producer of welded steel tubing. About half of the wire we produce and roughly one-quarter of our tubing is used by other Leggett businesses. Other customers include bedding and furniture makers, mechanical spring producers, and automotive seat manufacturers. Our businesses also produce specialty wire products (things like cotton bale ties, and boxed and shaped wire), and equipment used for baling agricultural products and recyclable waste. We also cut, form, and paint steel tubing used for automotive seat and ATV frames, components, and recreational vehicle accessories.

Competitive Advantages

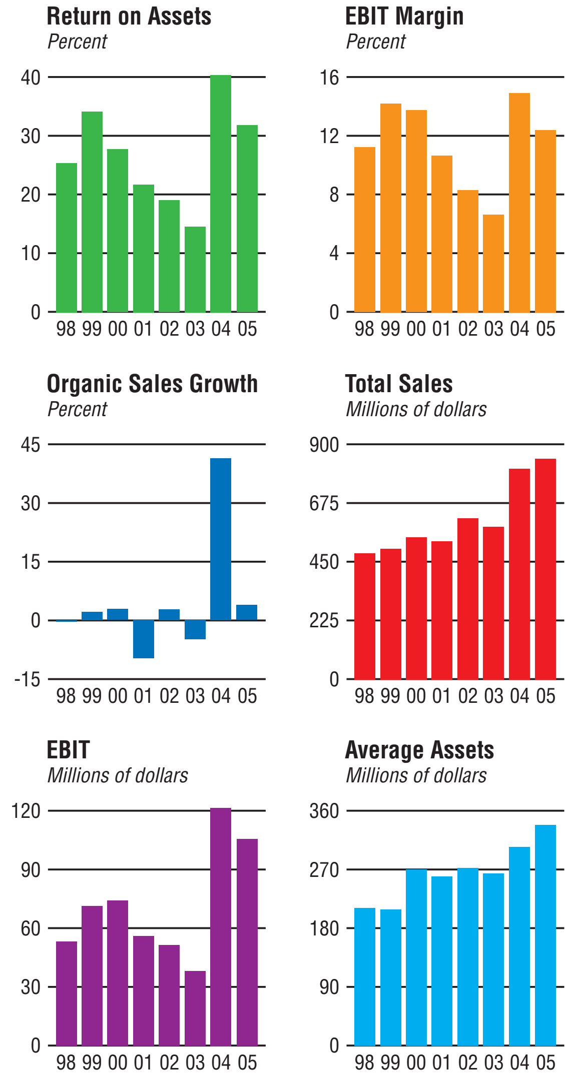
High quality products and service, and low cost make us the leading producer in the markets we serve. Cost advantages result from our internal production of steel rod (the material used to make wire), high volume purchasing and manufacturing, efficient facilities, use of automation, and low labor content. Consistently delivering one of the industry's highest levels of product acceptance, coupled with our focus on customer service, allows us to meet and exceed customer expectations.

Key Strategies

The core strategy of our wire and tubing businesses is to efficiently supply consistent, high-quality raw material to other Leggett businesses. Growth will occur as our internal requirements increase, both domestically and abroad. We will also expand our capabilities to add value through forming, shaping, and welding of our wire and tube. This may occur through start-up operations or acquisitions.

Major Product Groups

- Steel wire
- Specialty wire products
- Welded steel tubing
- Fabricated tube components



** Return on Assets = EBIT / Average Assets*

** EBIT Margin = EBIT / Total Sales*

Specialized Products

This segment is comprised of three businesses. We design, produce and sell:

- Lumbar systems and wire seating components, sold primarily to automotive seating manufacturers.
- Van interiors and truck bodies used in light-to-medium duty commercial trucks, and sold primarily to truck manufacturers and dealers, fleet owners (utility, telecom, and other service and delivery companies), and other commercial end-users
- Wire forming equipment, industrial quilting and sewing machinery, and other automation equipment, both for our own use and for external customers such as bedding manufacturers and makers of home accessories.

Competitive Advantages

Our automotive businesses are innovation leaders, focused on product development and cost reduction. We are the low-cost producer due to our continuous improvement programs, worldwide supply sources, and internal production of certain materials and components.

In our commercial vehicle products business, we benefit from a wide range of products and service locations, special delivery relationships with the OEM's, design and product development capabilities, purchasing leverage, and internal production of key raw materials.

Our machinery operations, with more than 100 years of engineering experience, are recognized as the industry's technical and design leader.

Key Strategies

In our automotive operations, we will continue the focus on research and development, looking for ways to improve the function and cost of our products. Growing our global presence will remain a priority, as will assisting our customers with vendor consolidation (to reduce the complexity and cost of their supply chain).

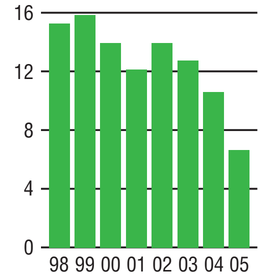
Geographic expansion (into markets which have high concentrations of end-users) and new product development (to improve product functionality and cost) are key growth strategies of our commercial vehicle products business.

Providing proprietary machinery (to support product development in our bedding operations) is a critical function of our machinery businesses. We will continue to develop technology to improve efficiency in our own plants and our customers' operations.

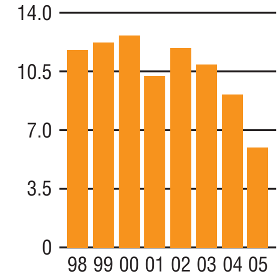
Major Product Groups

- Automotive seating components and lumbar systems
- Service van interiors (racks, shelving, and cabinets, installed in service vans)
- Truck bodies (for cargo vans, flatbed trucks, service trucks, and dump trucks)
- Machinery for wire forming, quilting, and automation

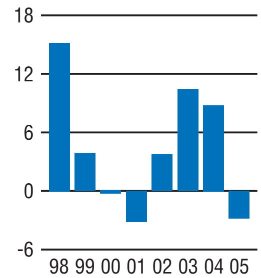
Return on Assets
Percent



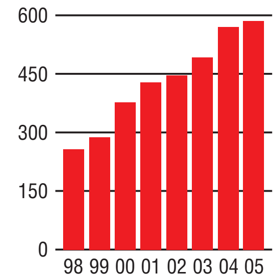
EBIT Margin
Percent



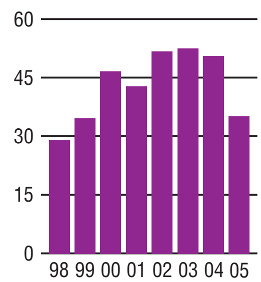
Organic Sales Growth
Percent



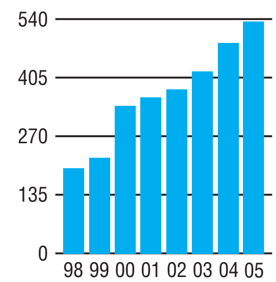
Total Sales
Millions of dollars



EBIT
Millions of dollars



Average Assets
Millions of dollars



** Return on Assets = EBIT / Average Assets*
** EBIT Margin = EBIT / Total Sales*

Financial Data 2005 – 1995

Leggett & Platt, Incorporated

(Dollar amounts in millions, except per share data)	10-Year CAGR[7]	**2005**	2004	2003[1]	2002
Summary of Operations					
Net sales	8.9%	**$5,299**	$5,086	$4,388	$4,272
% change		**4.2%**	15.9%	2.7%	3.8%
Gross profit	7.5%	**913**	916	772	822
Earnings before interest and taxes (EBIT)	4.7%	**396**	462	355	401
Interest expense, net		**40**	39	40	37
Income taxes		**105**	137	109	130
Tax rate		**29.5%**	32.5%	34.7%	35.9%
Net earnings		**251**	285	206	233
% change		**(11.9)%**	38.6%	(11.7)%	24.3%
Adjusted to exclude goodwill amortization	6.1%	**251**	285	206	233
Gross margin		**17.2%**	18.0%	17.6%	19.2%
EBIT margin		**7.5%**	9.1%	8.1%	9.4%
Net profit margin		**4.7%**	5.6%	4.7%	5.5%
Common Stock Data					
Earnings per share – diluted					
As originally reported		**$ 1.30**	$ 1.45	$ 1.05	$ 1.17
Adjusted to exclude goodwill amortization	5.4%	**1.30**	1.45	1.05	1.17
Cash dividends declared per share	12.7%	**.63**	.58	.54	.50
Dividend payout ratio[3]		**49.7%**	47.4%	51.3%	43.7%
Book value per share	11.3%	**12.32**	12.12	11.00	10.16
Stock price range–High		**29.61**	30.68	23.69	27.40
Low		**18.19**	21.19	17.16	18.60
P/E range[4]		**14 – 23**	15 – 21	16 – 23	16 – 23
Average diluted shares outstanding (in millions)	0.7%	**193.6**	196.9	197.0	199.8
Year-End Financial Position					
Cash and cash equivalents		**$ 65**	$ 491	$ 444	$ 225
Total assets	10.6%	**4,053**	4,197	3,890	3,501
Long-term debt	9.2%	**922**	779	1,012	809
Shareholders' equity	11.7%	**2,249**	2,313	2,114	1,977
Total capital[5]	10.7%	**3,315**	3,238	3,264	2,903
Cash Flow Components					
Net cash provided by operating activities	9.1%	**$ 448**	$ 339	$ 393	$ 456
Capital expenditures	4.4%	**164**	157	137	124
Acquisitions, net of cash acquired		**181**	46	120	46
Dividends paid	14.0%	**118**	110	103	96
Stock repurchases, net		**227**	74	79	81
Depreciation and amortization	8.2%	**171**	175	167	165
Percentages					
Net debt to net capital		**28.5%**	21.9%	23.4%	25.4%
Return on average total capital[6]		**8.7**	9.7	7.7	8.9
Return on average shareholders' equity		**11.0**	12.9	10.1	12.1

(1)As discussed in Note A of the Notes to Consolidated Financial Statements, the Company began recognizing stock option expense under SFAS 123 in 2003 for any options granted after January 1, 2003.

(2)1996 amounts include merger related costs of $26.6 and a $20.2 charge for early extinguishment of debt. The net earnings impact was $28.9, or $.16 per basic and diluted share. The charge for early extinguishment of debt was previously reported as an extraordinary item, which accounting was changed by FASB Statement No. 145.

(3)Dividend payout ratio is computed by dividing current year dividends by the three-year average net earnings per diluted share.

2001	2000	1999	1998	1997	1996[2]	1995
$4,114	$4,276	$3,779	$3,370	$2,909	$2,466	$2,257
(3.8)%	13.2%	12.1%	15.9%	18.0%	9.3%	12.3%
817	912	870	737	621	522	444
351	481	503	429	363	257	249
54	62	40	34	29	28	29
110	155	172	148	125	89	86
36.9%	36.9%	37.2%	37.3%	37.5%	38.8%	39.1%
188	264	291	248	208	141	134
(29.0)%	(9.1)%	17.1%	19.1%	48.3%	4.6%	12.4%
208	283	306	259	217	146	139
19.9%	21.3%	23.0%	21.9%	21.4%	21.2%	19.7%
8.5%	11.2%	13.3%	12.7%	12.5%	10.4%	11.0%
4.6%	6.2%	7.7%	7.4%	7.2%	5.7%	6.0%
$ .94	$ 1.32	$ 1.45	$ 1.24	$ 1.08	$ .77	$ .75
1.04	1.41	1.53	1.29	1.12	.80	.77
.48	.42	.36	.315	.27	.23	.19
38.8%	31.4%	28.6%	30.6%	31.2%	31.4%	29.2%
9.51	9.15	8.36	7.27	6.09	5.11	4.21
24.45	22.56	28.31	28.75	23.88	17.38	13.44
16.85	14.19	18.63	16.88	15.75	10.31	8.50
18 – 26	11 – 17	13 – 20	14 – 23	15 – 22	13 – 23	11 – 18
200.4	200.4	200.9	200.7	193.2	183.7	179.7
$ 187	$ 37	$ 21	$ 84	$ 8	$ 4	$ 8
3,413	3,373	2,978	2,535	2,106	1,713	1,478
978	988	787	574	466	389	381
1,867	1,794	1,646	1,437	1,174	941	747
2,956	2,897	2,546	2,134	1,734	1,420	1,203
$ 535	$ 441	$ 371	$ 355	$ 288	$ 238	$ 188
128	170	159	148	119	96	107
95	252	290	117	172	90	29
93	79	69	60	48	30	32
51	49	78	9	(1)	5	22
197	173	149	128	106	92	78
28.7%	33.4%	30.5%	24.1%	26.8%	27.4%	31.6%
7.7	11.2	13.6	14.1	14.5	12.1	13.5
10.3	15.4	18.8	19.0	19.7	16.6	19.5

(4) P/E = high (or low) stock price divided by earnings per share for that year.
(5) Total capital includes long-term debt, deferred taxes, other long-term liabilities and shareholders' equity.
(6) This percentage is computed by adding the after-tax interest expense to net earnings and then dividing the sum by average total capital.
(7) 10-Year CAGR = Compound Annual Growth Rate from 1995 to 2005

2005 HIGHLIGHTS

For the full year 2005, we posted record sales but earnings declined mainly due to charges associated with our restructuring activities. Sales increased primarily from acquisitions and inflation.

In September, we launched a significant broad-based initiative (the Restructuring Plan) to reduce excess capacity and improve performance in a number of our businesses. We made significant progress on the restructuring in the fourth quarter and expect to have most of this activity completed by mid-2006. Future years' earnings should benefit from the cost savings and improved asset utilization this restructuring activity is expected to bring.

Acquisition activity increased in 2005 as we completed 12 transactions, including the third largest in our history. These acquisitions should benefit Leggett by enhancing our position in current markets, increasing our product offerings and expanding our geographic presence.

Our use of cash in 2005 was consistent with our stated priorities:

- We funded capital expenditures at levels slightly higher than 2004.
- Spending on acquisitions increased due to the size and number of opportunities we brought to completion.
- We raised our dividend for the 34th consecutive year.
- Cash used for share repurchases increased significantly; we bought back more shares than in any previous year.

Cash from operations, our primary source of funds, was significantly higher in 2005 than in 2004. We also issued debt during the year and increased our percentage of net debt to net capital toward our long-term, targeted range.

These topics are discussed in more detail in the sections that follow.

EXECUTIVE OVERVIEW

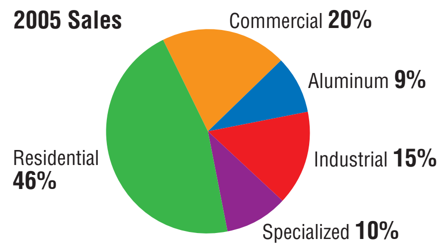
What We Do

Leggett & Platt is a FORTUNE 500 diversified manufacturer that conceives, designs, and produces a broad range of engineered components and products that can be found in many homes, retail stores, offices, and automobiles. We make components that are often hidden within, but integral to, our customers' products.

We are North America's leading independent manufacturer of: components for residential furniture and bedding, adjustable beds, carpet underlay, 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, and machinery used by the bedding industry for wire forming, sewing, and quilting.

Our Segments

Our 122-year-old company is composed of 29 business units under five reportable segments, with approximately 33,000 employee-partners, and more than 300 facilities located in over 20 countries around the world. Our five segments are Residential Furnishings, Commercial Fixturing & Components, Aluminum Products, Industrial Materials, and Specialized Products.



Residential Furnishings: This segment supplies a variety of components mainly used by bedding and upholstered furniture manufacturers in the assembly of their finished products. We also sell adjustable beds, bed frames, ornamental beds, carpet cushion, geo components, and other finished products.

Commercial Fixturing & Components: Operations in this segment produce: a) store fixtures, point-of-purchase displays, and storage products used by retailers; b) chair controls, bases, and other components for office furniture manufacturers; and c) injection molded plastic components used in a variety of end products.

Aluminum Products: This segment provides die cast aluminum components for customers that manufacture many products including motorcycles, diesel and small engines, outdoor lighting fixtures, gas barbeque grills, appliances, power tools, and consumer electronics, among others.

Industrial Materials: These operations primarily supply steel rod, drawn steel wire, and welded steel tubing to other Leggett operations and to external customers. Our wire and tubing is used to make bedding, furniture, automotive seats, retail store fixtures and displays, mechanical springs, and many other end products.

Specialized Products: From this segment we supply lumbar systems and wire components used by automotive seating manufacturers. We design, produce, and sell van interiors (the racks, shelving, cabinets, etc. installed in service vans) and truck bodies (for cargo vans, flatbed trucks, service trucks, and dump trucks) used in light-to-medium duty commercial trucks. We also design and produce machinery, both for our own use and for others, including bedding manufacturers.

Customers

We serve a broad suite of customers, with no single one representing 5% of our sales. Many are companies whose names are widely recognized; they include most manufacturers of furniture, bedding, and automobiles, many major retailers, and a variety of other manufacturers.

We primarily sell our products through our own sales employees, although we also use independent sales representatives and distributors in some of our businesses.

Competition

Most of our markets are highly competitive with the number of competitors varying by product line (they tend to be smaller, private companies).

We believe we gain competitive advantage in our global markets through low 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. Many of our competitors, both domestic and foreign, compete primarily on the basis of price. Our success has stemmed from the ability to remain price competitive, while delivering product quality, innovation, and customer service.

We face increasing pressure from foreign competitors as some of our customers source a portion of their components or finished products from Asia. When prices for key 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, Leggett operated 11 facilities in China.

Asian manufacturers are currently thought to benefit from lower commodity costs (we believe certain commodities are sometimes 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. When exporting to the U.S., Asian manufacturers must overcome higher transportation costs, increased working capital needs, and difficulty matching U.S. manufacturers' level of service, flexibility, and logistics.

Major Factors That Impact Our Business

Many factors impact our business every year, but those that generally have the greatest impact are: market demand for our products, raw material cost trends, energy costs, and changes in foreign currency exchange rates. In recent years, weak performance by our Fixture & Display operations has also impacted our results.

Market Demand

Market demand is impacted by many broad economic factors, including consumer confidence, employment levels, housing turnover, energy costs, and interest rates. These factors influence consumer spending on durable goods, and therefore affect demand for our components and products. Some of these factors also influence the level of business spending on facilities and equipment, which impacts approximately one-quarter of our sales. Market demand can also be affected by inflation in raw materials (discussed below) when cost increases cause customers to change the design of their products (and the type of components they use) to offset higher costs.

Raw Materials

In many of our businesses we have a cost advantage from buying large quantities of raw materials. This purchasing leverage is a benefit that many of our competitors do not enjoy. Still, our costs can vary significantly as market prices for raw materials (many of which are commodities) increase and decrease.

Purchasing arrangements vary considerably across the company. Because we typically have short-term commitments from vendors, our raw material costs generally fluctuate with the market. In certain of our businesses, we have longer-term contracts with pricing terms that provide stability under reasonable market conditions. However, when commodities experience extreme inflation, vendors may not honor those contracts. This situation occurred in 2004 when steel costs nearly doubled, and again in 2005 when the cost of chemicals, fibers, and resins increased significantly. Vendors were unable to honor the pricing terms in purchase contracts due to extreme market conditions.

Our ability to recover higher costs (through selling price increases) is a critical factor when we experience inflation. We have few long-term, fixed-pricing contracts with customers. When we experience significant increases in raw material costs, we implement price increases to recover the higher costs. Although we are generally able to pass through most cost increases, we encounter greater difficulty in businesses where we have a smaller market share and in products that are of a commodity nature. Inability to recover cost increases (or a delay in the recovery time) can impact our earnings.

Steel is our largest raw material. During 2004, the price of certain types of steel nearly doubled, but we were able to recover most of these higher costs through selling price increases. In 2005, market prices for most types of steel were slightly lower at the end of the year than at the beginning of the year.

Unprecedented price increases in the steel market during 2004 led to an above average spread between scrap costs and rod prices. This spread continued throughout 2005, enhancing the earnings of our steel rod mill. While we expect the average spread to be lower in 2006, scrap costs have been volatile and the spread is difficult to predict.

In 2005, we experienced significant inflation in chemicals, fibers, and resins (generally driven by changes in oil prices). By year end, the majority of these cost increases had been passed through to our customers.

In addition to steel and oil-based materials, we also use significant amounts of aluminum. However, we are generally less exposed to cost changes in this commodity because of the pricing arrangements we have with our customers.

Energy Costs

Higher prices for natural gas, electricity, and fuel increase our production and delivery costs. Many of our large manufacturing operations are heavy users of natural gas and electricity. In addition, certain of our sales are made with terms such that we incur the fuel cost associated with delivering the product to our customer's facility. Our ability to respond to these cost increases (by raising selling prices) affects our operating results.

Higher energy costs can also reduce consumer demand for our products. As consumers pay more for fuel and utilities, they have less disposable income available to purchase products that contain our components.

Energy costs increased throughout 2005 but especially in the last half of the year, in part due to supply disruptions caused by the hurricanes. We continuously monitor natural gas trends and have locked in prices on a portion of our natural gas requirements for the next three years. The details of those arrangements are discussed in Note P to the financial statements (on page 56).

Foreign Currency

As we expand internationally, our exposure to foreign currencies grows. Our greatest exposures are currently to the Canadian dollar and the Euro. We occasionally use various types of contracts, options, and other arrangements to mitigate some of this exposure. The details of these arrangements are also discussed in Note P to the financial statements (on page 56). However, since these arrangements are used on a limited basis, our earnings are generally impacted by variability in the currency exchanges rates of countries where we operate.

In recent years, we've been particularly impacted by the weakening of the U.S. dollar versus the Canadian dollar. In certain operations, we incur costs in Canadian dollars and sell products in U.S. dollars. The decline of the U.S. dollar in recent years has reduced earnings of these operations.

Fixture & Display Performance

Two years ago, we initiated an effort to improve the performance of the Commercial segment and specifically the Fixture & Display operations. We made progress in 2004, as Commercial segment margins improved to 5.1% (from 2.8% in 2003). We expected further improvement in 2005 but it did not occur. Excluding restructuring, asset impairment, and inventory obsolescence charges, Commercial segment margins in 2005 were essentially unchanged from those of 2004. In 2005, benefits from our prior cost savings initiatives were offset by higher start-up costs associated with new fixture programs and operating inefficiencies related to the ongoing integration of RHC Spacemaster (a company we acquired in July 2003). We're committed to improving the segment margins and expect to accomplish gains through our current restructuring efforts. However, earnings must improve appreciably from current levels or further restructuring may be initiated.

Restructuring and Asset Impairments

In 2005, we incurred restructuring-related and asset impairment charges totaling $55 million, compared to $9 million in 2004, and ($1) million in 2003. Through June 30, 2005, the level of restructuring activity was not unusual. However in the third quarter, we launched a significant broad-based restructuring project (Restructuring Plan) to reduce excess capacity and improve performance in a number of our businesses. We had maintained spare capacity for several years—expecting market demand to increase—but that incremental demand has not materialized. We made significant progress on the Restructuring Plan activities by year end.

As part of the Restructuring Plan, we identified 36 under-utilized or underperforming facilities to be closed, consolidated, or sold (the Closure and Consolidation Initiative). We also took a more critical look at other underperforming operations; as a result, we modified or accelerated restructuring activities that were previously underway, and identified other operations with impaired assets.

Total expenses associated with the Restructuring Plan should approximate $78 million, of which about half will be non-cash charges. This estimate includes the cost of plant closures (building cleanup and repair), equipment relocation, employee severance pay, asset impairment, inventory obsolescence, and similar expenses. We incurred $55 million of these costs in 2005 and expect to incur the remaining $23 million in 2006, primarily in the first half of the year. These estimates do not include future benefits from the sales of buildings, real estate, or equipment, so our final net costs will be lower. More detail regarding the breakdown of these charges is shown below.

(Dollar amounts in millions)	Amount	Cash	Non-Cash
Restructuring charges	$11.9		
Asset impairment charges	16.0		
Inventory obsolescence and other costs	12.4		
2005 Closure & Consolidation Initiative	40.3	$13.6	$26.7
Costs related to other activity	14.6	9.8	4.8
2005 costs for Restructuring Plan	54.9	23.4	31.5
2006 expected costs for Restructuring Plan	23.0	19.0	4.0
Total anticipated Restructuring Plan costs	$77.9	$42.4	$35.5

Of the 36 facilities under the Closure and Consolidation Initiative, about half are in Residential Furnishings, one-quarter are in Commercial Fixturing & Components, and the remainder are in Industrial Materials and Specialized Products. These operations had total revenue of roughly $400 million. Most of this volume should shift to surviving facilities, but a $90 million sales reduction is expected as we divest small, non-core operations and walk away from unprofitable business. The majority of this volume reduction should occur in the Residential and Commercial segments. We have determined which of our remaining locations will absorb displaced volume, and are addressing issues related to relocating equipment, inventory, and customer service.

We estimate an ongoing annual pre-tax earnings benefit from the Restructuring Plan of approximately $30-$35 million. At least half of this improvement should be realized in 2006 with the full benefit expected in subsequent years. This benefit results from the elimination of fixed costs associated with closed facilities, a reduction in the number of employees, and improved overhead absorption from increased volume at our remaining facilities. The Restructuring Plan should yield improved margins and returns in all segments. About one-half of the expected benefit should occur in Residential Furnishings, 15-20% of the benefit should impact Commercial Fixturing & Components, and approximately 10-15% of the benefit should occur in each of our other three segments.

Acquisitions

We completed 12 acquisitions in 2005 that should add about $320 million to annual sales. The two largest, America's Body Company and Ikex/Jarex, establish sizeable new business platforms with opportunities for future growth.

America's Body Company (ABC), was acquired in late October and generates annual revenue of approximately $150 million (this is the third largest acquisition in our history). ABC is a designer, manufacturer, and supplier of equipment for light-to-medium duty commercial trucks. Major product categories include van interiors (racks, shelving, and cabinets installed in service vans) and truck bodies (for cargo vans, flatbed trucks, service trucks, and dump trucks). This business joined our existing van interiors operations to form the Commercial Vehicle Products group (in our Specialized Products segment). With combined group sales of approximately $250 million, we are now the second largest supplier in a $1.5 billion U.S. market. While the industry is highly fragmented and contains many small, regional manufacturers, only a few competitors provide as wide a range of products and service locations.

Through the acquisition of Ikex/Jarex, we significantly expanded our presence in the conversion and distribution of geo components. This transaction was completed in early October and should add roughly $65 million in revenue, bringing our total annual sales in this business unit to approximately $80 million (this business unit is in our Residential Furnishings segment). Geo components include geotextiles, or synthetic fabrics (typically polypropylene, polyethylene, or polyester) used in a variety of applications such as ground stabilization, drainage protection, erosion control and weed control. These products are sold primarily into the construction, landscaping, and agricultural industries. The highly-fragmented U.S. market for geotextiles is believed to approximate $900 million annually, consisting mostly of small, regional suppliers. This acquisition should enhance our competitive position in the geo component market through national presence, high volume purchasing and manufacturing, and established distribution and marketing infrastructure.

We provide additional details about acquisitions in Note B to the financial statements on page 46.

RESULTS OF OPERATIONS – 2005 VS. 2004

We achieved record sales in 2005, exceeding the prior year by 4%. Earnings for the year decreased primarily due to restructuring, asset impairment, and inventory obsolescence charges (related to the Restructuring Plan). Inflation was a challenge during the year, primarily in oil-based raw materials, but by year end we had recovered most of these higher costs through selling price increases. Further details about these items and our consolidated and segment results are discussed below.

Consolidated Results

The following table shows the changes in sales and earnings from 2004 to 2005 and identifies the major factors contributing to the changes:

(Dollar amounts in millions except per share data)	Amount	%
Net sales:		
Year ended December 31, 2004	$5,086	
Acquisition sales growth (net of divestitures)	107	2.1%
Internal sales growth	106	2.1%
Year ended December 31, 2005	$5,299	4.2%
Net earnings:		
Year ended December 31, 2004	$ 285	
Restructuring-related charges	(37)	
Higher workers' compensation expense	(14)	
Lower tax rate	10	
Increased sales and other	7	
Year ended December 31, 2005	$ 251	
Earnings Per Share December 31, 2004	$ 1.45	
Earnings Per Share December 31, 2005	$ 1.30	

Internal growth and acquisitions each contributed about half the net sales increase. Internal sales growth (i.e. excluding acquisitions and divestitures) was mainly due to inflation—we implemented price increases to recover higher raw material costs. These increases related primarily to higher costs for steel early in the year (versus lower levels in early 2004) and for chemicals, fibers, and resins throughout 2005. By late 2005, steel costs had declined (versus peak levels in the last half of 2004) and we experienced modest deflation in a few businesses.

Unit volumes were mixed across our various markets. For the full year, we posted solid growth in our businesses supplying upholstered furniture components, but these gains were offset by declines in our bedding and automotive businesses. Volume was essentially flat in many of our other markets. These trends are discussed in the segment results below.

Inflation was a significant challenge again in 2005. The largest impact resulted from higher oil prices which affect the cost of raw materials such as chemicals, fibers, and resins. Many of these costs rose throughout the year, but the increases accelerated following last year's hurricanes. In response, we raised prices to our customers, and by year end had recovered most of the higher costs.

Net earnings and earnings per share decreased versus 2004 primarily due to:

- Restructuring-related charges: As shown in the table above, restructuring-related charges represent the majority of the decrease in 2005 earnings. These charges include the cost of plant closures, equipment relocation, employee severance pay, asset impairment, inventory obsolescence, and other similar costs associated with the Restructuring Plan discussed on page 26.
- Higher workers' compensation expense: In 2005, we significantly increased our reserves for workers' compensation to reflect higher cost of medical care and longer duration of claims (more treatment options are available and can continue over longer periods of time).
- Earnings were also affected by higher energy and transportation costs, and a weaker U.S. dollar (which caused margin declines in our Canadian operations that sell in U.S. dollars but incur costs in Canadian dollars).
- These declines were partially offset by benefits from sales growth and a tax benefit from a planned foreign entity restructuring and cash repatriation transaction. This transaction generated a net tax benefit of approximately $10 million.

Segment Results

In the following section we discuss 2005 sales and earnings before interest and taxes (EBIT) for each of our segments. A reconciliation of segment EBIT to consolidated EBIT is provided in Note L to the financial statements on page 53.

All of our segments use the first-in, first-out (FIFO) method for valuing inventory. In 2004, segment margins generally benefited under the FIFO method from the effect of rising commodity costs. In 2005, declining steel costs caused margins (mainly in Residential and Industrial) to decrease under this same method. In our consolidated financials, we use the last-in, first-out (LIFO) method for determining cost of about half of our inventories. An adjustment is made at the corporate level (i.e. outside the segments) to convert the appropriate operations to the LIFO inventory method.

Residential Furnishings

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2005	$2,622	$170	6.5%
Year ended December 31, 2004	2,482	265	10.7%
Increase (decrease)	$ 140	$ (95)	
% increase (decrease)	6%	(36)%	
Internal sales growth	3%		
Acquisition sales growth	3%		

Sales in Residential Furnishings increased in 2005 from a combination of internal growth and acquisitions. Inflation contributed the bulk of the internal sales growth. During the first half of 2005, sales increased over last year due to price increases (for the pass through of higher steel costs) implemented in the latter part of 2004. In the last half of 2005, declining steel costs (which were also passed through to our customers) resulted in slight deflation in certain businesses. When combined, these price-related factors led to higher full year sales.

Unit volume declines and changes in product mix partially offset sales growth from inflation in 2005. Unit volumes were down slightly, with decreases in bedding more than offsetting gains in upholstered furniture components. In addition, inflation in the raw materials used to produce finished bedding and upholstered furniture has, in certain cases, led our customers to change their product design, which has reduced the quantity and changed the mix of components they buy from us.

Market demand for bedding was weak for much of the year, but began to improve in early September and continued on a positive track through year end. For the past few years, bedding industry unit volume, including all types of mattresses, has been flat to slightly down. Overall consumer spending has been solid, but consumers have not been purchasing or replacing mattresses at historic rates. Bedding purchases are deferrable and are influenced by consumer confidence and the amount of cash consumers have available to spend on discretionary items. Higher gasoline and energy costs (as seen throughout 2005) reduce this discretionary spending. In addition, advertising expenditures by bedding manufacturers have also been lower in recent years. As the cost of materials (such as steel components and foam) increased significantly, these manufacturers cut expenditures in other areas (including advertising). Lower advertising levels negatively impact consumer demand for bedding.

For the full year 2005, we posted solid growth in our businesses supplying upholstered furniture components. We sell to most manufacturers of motion upholstered furniture. These customers include major public furniture producers as well as privately owned manufacturers. We also benefit from increased world-wide demand. Our international presence and depth of product line allow us to efficiently supply upholstered furniture manufacturers in many parts of the world. In addition, we've benefited from an industry trend to incorporate high quality motion features into more lines of furniture. Our consistent growth in this business since 2002 reflects all these factors.

EBIT and EBIT margins decreased versus 2004 due to several factors:

- Restructuring-related and asset impairment charges ($26 million)
- Selling price decreases related to lower steel costs—We reduced selling prices (to reflect lower steel costs) more quickly than we were able to consume our higher cost inventories.
- Higher energy and transportation costs
- Increased workers' compensation expense ($11 million)
- Changes in product mix (increased sales of lower margin components)
- Currency impacts (approximately $6 million)—In certain operations, we incur costs in Canadian dollars and sell products in U.S. dollars. The weaker U.S. dollar caused margin declines in these operations.
- Unit volume declines in bedding, which resulted in lower utilization rates and reduced overhead absorption
- Inflation in certain raw materials

Commercial Fixturing & Components

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2005	$1,147	$ 39	3.4%
Year ended December 31, 2004	1,078	55	5.1%
Increase (decrease)	$ 69	$(16)	
% increase (decrease)	6%	(29)%	
Internal sales growth	5%		
Acquisition sales growth	1%		

Internal growth accounted for the bulk of the sales increase in 2005. Inflation (primarily related to higher steel costs) and higher unit volumes each contributed about half of the internal sales growth.

Our Fixture & Display businesses experienced modest increases in unit volume during the year. Although volume declines have stopped, we have not yet seen notable, sustained improvements in demand. Many retailers remained reluctant to increase spending for remodeling programs and new store construction.

We also posted slight unit volume gains in office furniture components, which continued a trend of stable to improving market conditions that began mid-year 2003.

EBIT and EBIT margins decreased versus 2004 primarily due to:

- Restructuring-related and asset impairment charges ($14 million)
- Currency impacts (approximately $6 million)
- Higher workers' compensation expense ($5 million)

These items were partially offset by benefits related to slightly higher unit volume and gains from assets sales (approximately $3 million).

Aluminum Products

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2005	$531	$ 31	5.8%
Year ended December 31, 2004	522	46	8.7%
Increase (decrease)	$ 9	$(15)	
% increase (decrease)	2%	(33)%	
Internal sales growth	2%		
Acquisition sales growth	–		

Higher sales in 2005 were entirely due to internal growth. Unit volumes were up slightly, but inflation contributed most of the increase (as we passed through higher raw material costs). The rate of internal growth in this segment slowed as the year progressed and we reached the one year anniversary of the start-up of major new programs from 2004.

EBIT and EBIT margins decreased versus 2004 due to:

- Restructuring-related and asset impairment charges ($3 million)
- Inefficiencies at some plants—primarily losses at a facility that is now closed and costs associated with the start-up of new programs
- Higher energy costs
- A work stoppage at one facility

Industrial Materials

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2005	$844	$104	12.3%
Year ended December 31, 2004	818	122	14.9%
Increase (decrease)	$ 26	$ (18)	
% increase (decrease)	3%	(15)%	
Internal sales growth	3%		
Acquisition sales growth	–		

Internal growth contributed the entire sales increase in 2005, with inflation more than offsetting lower unit volumes. During the first half of 2005, sales increased over last year due to price increases (for the pass through of higher steel costs) implemented in the latter part of 2004. In the last half of 2005, declining steel costs (which were also passed through to our customers) resulted in deflation. When combined, these price-related factors led to higher full year sales.

Unit volumes declined for the year primarily due to weaker bedding demand (which impacts our wire operations) and lower production levels in the automotive industry (which impacts our tubing businesses). As bedding demand improved late in the year, unit volumes in this segment increased slightly.

EBIT and EBIT margins decreased versus 2004 due to several factors including:

- Restructuring-related and asset impairment charges ($4 million)
- Higher energy and transportation costs
- Increased workers' compensation expense ($3 million)
- Unit volume declines, which resulted in lower utilization rates and reduced overhead absorption

Specialized Products

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2005	$579	$ 34	5.8%
Year ended December 31, 2004	564	51	9.0%
Increase (decrease)	$ 15	$(17)	
% increase (decrease)	3%	(34)%	
Internal sales growth	(3)%		
Acquisition sales growth	6%		

In 2005, a decline in internal sales was more than offset by acquisition growth. Volume decreased in our automotive and machinery businesses. Lower production levels in the automotive industry during 2005 led to reduced volume in our businesses that supply that industry. In addition, bedding manufacturers (the primary customers of our machinery business) reduced their capital spending in 2005 due to lower market demand for bedding throughout most of the year. This restricted spending impacted our machinery volume during the year.

EBIT and EBIT margins decreased versus 2004 primarily due to:

- Restructuring-related and asset impairment charges ($8 million)
- Unit volume declines, which resulted in lower utilization rates and reduced overhead absorption
- Currency impacts (approximately $3 million)
- Higher workers' compensation expense ($2 million)

RESULTS OF OPERATIONS – 2004 VS. 2003

Sales in 2004 exceeded our prior record (posted in 2003) by 16% and earnings increased substantially. Margins also improved for the full year. We were challenged during the year by rapidly escalating steel costs, but we were successful in recovering most of the higher costs through selling price increases. Our steel rod mill operated at full capacity for the year and brought significant earnings benefits. Improved performance of our Fixture & Display operations also contributed to our earnings growth. Further details about these items and our consolidated and segment results are discussed below.

Consolidated Results

The following table shows the changes in sales and earnings from 2003 to 2004 and identifies the major factors contributing to the changes:

(Dollar amounts in millions except per share data)	Amount	%
Net sales:		
Year ended December 31, 2003	$4,388	
Acquisition sales growth	189	4.3%
Internal sales growth	509	11.6%
Year ended December 31, 2004	$5,086	15.9%
Net earnings:		
Year ended December 31, 2003	$ 206	
Increased sales, operating improvements, and other	71	
Gains from asset sales	9	
Lower inventory obsolescence	6	
Lower tax rate	9	
Weaker U.S. dollar	(11)	
Higher restructuring costs	(5)	
Year ended December 31, 2004	$ 285	
Earnings Per Share December 31, 2003	$ 1.05	
Earnings Per Share December 31, 2004	$ 1.45	

Sales in 2004 increased 16% over 2003 levels. Internal sales growth (i.e. excluding acquisitions and divestitures) resulted from the combined effect of inflation, higher unit volumes, and currency rate changes.

- Approximately two-thirds of the internal sales growth came from inflation—we raised prices to pass along higher raw material costs.
- Unit volumes improved in many businesses, but were strongest in upholstered furniture components, carpet underlay, aluminum components, and machinery. For the year, world-wide bedding units were roughly flat. Volume declined slightly in our Fixture & Display operations.
- Foreign currency rate changes also added to internal sales growth, but to a much lesser extent than inflation and unit volume gains.

Rising steel costs were our largest challenge in 2004. We purchase roughly 1.3 million tons of steel each year, accounting for about 17% of our cost of goods sold. During 2004, prices increased significantly, and for the year we paid over $200 million more for steel than in 2003. Due to the magnitude of these increases, we were compelled to pass along our higher costs.

We experienced inflation in other raw materials during 2004. Chemical, fiber, and resin costs increased as oil prices rose. Aluminum costs also increased, but our earnings exposure to this commodity is currently limited by the pricing arrangements we have with our customers.

Net earnings and earnings per share also increased versus 2003 with several factors contributing to the improvement:

- Sales increase: Internal sales growth was the primary factor behind 2004's earnings improvement. Higher unit volumes led to improved overhead absorption in many of our businesses. In addition, prior years' plant consolidations and cost cutting helped lower our fixed costs and allowed us to utilize capacity more efficiently as volume increased. Selling and administrative expenses increased at a slower rate than sales, also benefiting 2004 earnings.
- Gains from our steel rod mill: Earnings benefited in 2004 from full production at our steel rod mill. Operating efficiency improved significantly year-over-year since we were ramping up production in 2003. In addition, we benefited from an above-average market spread between scrap costs and rod selling prices.
- Improvements in our Fixture & Display operations: Steps taken under the 2003 Fixture & Display tactical plan contributed to the earnings growth we saw in 2004.
- Earnings also benefited from gains related to the sale of buildings, lower inventory obsolescence, and a lower income tax rate. The income tax rate fell from 34.7% in 2003 to 32.5% in 2004, due to our mix of domestic and foreign income and certain one-time factors.
- These benefits were partially offset by impacts from a weaker U.S. dollar and slightly higher costs associated with plant closings and consolidations. The U.S. dollar weakened in 2004, causing margin declines in our Canadian operations (that sell in U.S. dollars but incur their costs in Canadian dollars).

Residential Furnishings

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2004	$2,482	$265	10.7%
Year ended December 31, 2003	2,186	209	9.5%
Increase (decrease)	$ 295	$ 57	
% increase (decrease)	14%	27%	
Internal sales growth	11%		
Acquisition sales growth	3%		

Sales in Residential Furnishings increased in 2004, with more than half the internal growth coming from inflation. Unit volumes gains were strongest in upholstered furniture components and carpet underlay, but these improvements were mitigated slightly by approximately flat world-wide bedding demand.

In 2004, we posted double-digit, world-wide unit sales growth in mechanisms for upholstered furniture. We benefited from market share gains (as our customers gain share), an industry trend to incorporate motion components into more lines of upholstered furniture, and a well-established international presence.

World-wide demand for bedding components was strong in early 2004, but moderated in the second and third quarters, and declined in the fourth quarter (primarily from weakness in the U.S. market). We believe that reduced advertising expenditures by bedding manufacturers during the fourth quarter led to less promotion by retailers and, in turn, lower demand for bedding. In early 2005, most bedding manufacturers implemented price increases to recover the higher costs they were absorbing late in 2004.

Earnings before interest and taxes (EBIT) also increased versus 2003 and EBIT margins improved. Gains came from:

- Sales growth, which resulted in higher utilization rates and improved overhead absorption in certain businesses
- Prior cost reduction and plant consolidation efforts
- Selling price increases, primarily to recover escalating steel costs
- Gains related to the sale of buildings no longer used in operations ($7 million)

These improvements were partially offset by higher raw material costs, the impact of a weaker U.S. dollar—primarily versus the Canadian dollar (approximately $9 million), and modest charges associated with plant closings and consolidations ($4 million).

Commercial Fixturing & Components

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2004	$1,078	$55	5.1%
Year ended December 31, 2003	965	27	2.8%
Increase (decrease)	$ 113	$28	
% increase (decrease)	12%	106%	
Internal sales growth	2%		
Acquisition sales growth	10%		

For the full year 2004, acquisitions accounted for the bulk of the sales increase. Internal sales growth came from inflation, but was partially offset by a 2% decline in unit volumes. Slight unit declines in our Fixture & Display operations were partially offset by mid-single-digit unit growth in our office furniture components businesses. Weak demand for store fixtures reflected the continued reluctance on the part of many retailers to increase spending for construction of new stores and renovation of existing stores. The gains in office furniture components volume continued a trend of stable to improving market conditions.

EBIT increased and EBIT margins improved versus 2003 primarily due to:

- Benefits from the 2003 Fixture & Display tactical plan, including cost savings and improved operational efficiency
- Non-recurrence of 2003's inventory write-downs
- Higher sales in our office furniture components businesses
- Gains related to the sale of buildings no longer used in operations ($3 million)

These items were partially offset by higher raw material costs, currency rate impacts (approximately $4 million), and modest restructuring charges ($3 million).

Aluminum Products

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2004	$522	$46	8.7%
Year ended December 31, 2003	467	36	7.6%
Increase (decrease)	$ 55	$10	
% increase (decrease)	12%	28%	
Internal sales growth	12%		
Acquisition sales growth	–		

Higher unit volumes contributed about three-quarters of the 2004 internal sales improvement. This growth reflected new programs for producers of motorcycles, small engines, large appliances, and others.

EBIT and EBIT margins also increased versus 2003. Earnings gains from higher sales were partially offset by inflation in aluminum costs.

Industrial Materials

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2004	$818	$122	14.9%
Year ended December 31, 2003	579	38	6.5%
Increase (decrease)	$239	$ 84	
% increase (decrease)	41%	222%	
Internal sales growth	41%		
Acquisition sales growth	–		

The 2004 sales increase was almost entirely due to inflation, which resulted from the pass-through of higher steel costs. Unit volumes were up modestly in the first three quarters but declined in the fourth quarter due to weaker bedding demand. For the full year, unit volume was essentially flat.

EBIT and EBIT margins increased significantly versus 2003 levels. Earnings benefited from higher sales, full utilization of our steel rod mill, and an above average market spread between scrap costs and selling prices for rod (this spread benefited our rod mill).

Specialized Products

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2004	$564	$51	9.0%
Year ended December 31, 2003	486	52	10.8%
Increase (decrease)	$ 77	$ (2)	
% increase (decrease)	16%	(3)%	
Internal sales growth	9%		
Acquisition sales growth	7%		

Higher unit volumes and changes in currency rates each contributed about half of 2004's internal sales growth. Our machinery operations posted double-digit gains for the full year, as bedding manufacturers increased spending on new equipment. In addition, we saw modest growth in our automotive businesses, reflecting benefits of new programs and increased product placement.

EBIT and EBIT margins decreased versus 2003. The earnings decline resulted from:

- Currency impacts (approximately $2 million)—In certain automotive operations, we incur costs in Canadian dollars and sell products in U.S. dollars. The weaker U.S. dollar caused margin declines in these operations.
- Higher raw material costs—Due to the longer-term supply contracts we have with many automotive customers, we experienced lags in recovering higher steel costs.
- Other factors, including higher depreciation ($2 million), costs associated with plant closings and consolidations ($1 million), and new product development costs.

These declines were partially offset by gains from higher sales.

LIQUIDITY AND CAPITALIZATION

In this section, we provide details about our

- Uses of cash
- Cash from operations
- Debt position and total capitalization

Our priorities for use of cash, in order of importance, are:

- Finance internal growth and acquisitions
- Pay dividends and extend our record of annual increases
- Repurchase our stock

Our operations provide much of the cash required to fund these priorities. In 2005, we also increased net debt and used excess cash to fund a portion of these items, including higher levels of acquisitions and share repurchases. Our long-term goal is to have net debt as a percent of net capital in the 30%–40% range while maintaining our longstanding "single A" debt rating. At the end of 2005, we were approaching the lower end of that range.

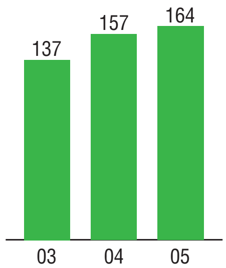
Uses of Cash

Finance Growth

We use cash to fund growth, both internally through capital expenditures and externally through acquisitions.

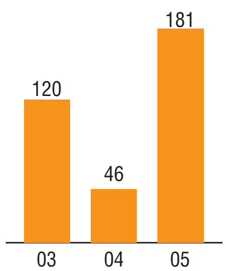
Capital expenditures are investments we make to modernize, maintain, and expand manufacturing capacity. We expect 2006 capital spending to be at about the same level as 2005.

Capital Expenditures
Millions of dollars



Acquisitions add to our business by expanding our markets, product lines, or manufacturing capabilities. Our level of spending increased in 2005 as we were able to complete several acquisitions (including the third largest in our history). In addition to the initial cash outlays for acquisitions (shown in the accompanying chart), we also assumed debt of $5 million, $2 million, and $35 million in our 2003, 2004 and 2005 transactions.

Cash Used for Acquisitions
Millions of dollars



Our 2005 acquisitions (12 companies in three of our business segments) should contribute about $320 million in annual revenues.

- Residential Furnishings: We added sales of about $170 million from 10 acquisitions. The largest acquisition in the segment in 2005 was Ikex/Jarex, the geo components business discussed on page 27. The other acquisitions in the segment:
  - established, early in the year, a small foothold in geo components
  - broadened our product offerings to include all major types of carpet underlay
  - expanded our base of operations producing furniture mechanisms in China
  - added to our businesses that produce and sell bedding components, upholstered furniture components, and top-of-the-bed products
- Commercial Fixturing & Components: We acquired one company which had been a key supplier to our Fixture & Display operations for many years. This company produces retail store fixtures and gondola shelving. Importantly, it gives us an operating presence in China from which to serve the growing domestic Chinese market. The acquisition expands our manufacturing capacity by $20 million but does not increase our reported sales since nearly all the product is sold to other Leggett operations for distribution in the U.S.
- Specialized Products: We added sales of about $150 million through the acquisition of America's Body Company, a manufacturer of van interiors and truck bodies discussed on page 26.

We provide additional details about acquisitions in Note B to the financial statements on page 46.

Pay Dividends

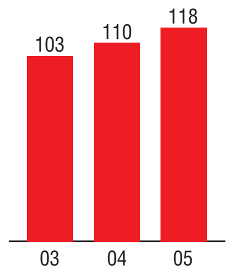
In 2005, we increased our annual dividend for the 34th consecutive year. Over the last three years, dividends have grown at an 8% compound annual rate. Our long-term target for dividend payout is approximately one-third of the prior three years' average earnings. We've been well above those levels in recent years, but as earnings grow, we expect to move back toward that target.

Repurchase Stock

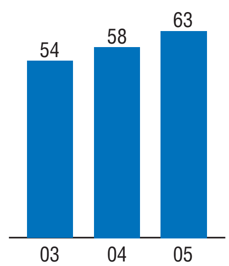
In 2005, we purchased 10.3 million of our shares, considerably more than in any previous year. This was an opportunistic move that was driven by two main factors: 1) additional cash was available as we increased net debt, and 2) a lower stock price in the last few months of the year presented an attractive buying opportunity. Almost six million shares were purchased during a nine week period in the third and fourth quarters, at an average price of about $20.25 per share. Share repurchases should be lower in 2006 (versus 2005), in part because we do not expect as large an increase in our net debt levels.

As we first mentioned in September 2004, we planned to increase our net debt levels toward the lower end of our targeted range and use the cash to fund growth, pay dividends, and repurchase shares. Going forward, the cash available to repurchase shares will fluctuate each year with earnings, capital spending, and the pace of acquisitions. At a minimum we typically repurchase shares to replace those issued for employee stock plans (approximately two million shares each year). Although no specific repurchase schedule has been established, we have been authorized by the Board of Directors to repurchase up to 10 million shares in 2006.

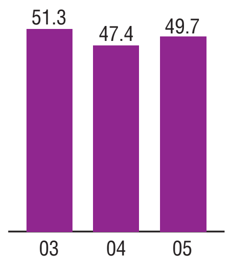
Dividends Paid
Millions of dollars



Annual Dividend Rate
Cents per share

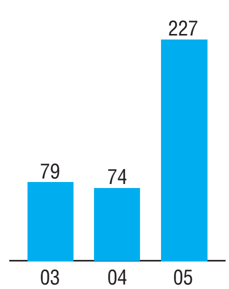


Annual Dividend Payout
Percent



Payout = annual dividend rate / average EPS for prior 3 years

Stock Repurchases, Net
Millions of dollars

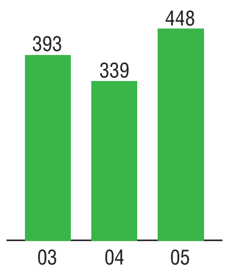


Cash from Operations

Cash from operations is our primary source of funds. Changes in earnings and working capital levels are the two broad factors that generally have the greatest impact on our cash from operations. Cash from operations in 2005 was 32% higher than in 2004 despite lower earnings. Working capital decreased in 2005 due to two main factors:

- Accrued expenses and other current liabilities increased primarily from higher workers' compensation accruals and restructuring liabilities.
- This impact was partially offset by higher inventories. Inventories increased primarily due to inflation in certain raw material costs, increased purchases in anticipation of rising costs, and new programs in certain businesses.

Cash From Operations
Millions of dollars



Working capital management remains a priority and we expect to further improve these levels in 2006.

In 2004, cash from operations benefited from stronger earnings, but was reduced overall by an increase in working capital. The higher working capital levels were primarily the result of inflation. In 2003, cash from operations was relatively strong despite weak earnings, in part due to our ability to reduce working capital.

Working capital levels vary by segment, with the requirements of Aluminum Products and Commercial Fixturing & Components generally higher than company averages. Accounts receivable balances in these segments are typically higher due to the longer credit terms required to service certain customers of the Aluminum Die Casting and Fixture & Display businesses. These same businesses also require higher inventory investments due to the custom nature of their products, longer manufacturing lead times (in certain cases), and the needs of many customers to receive large volumes of product within short periods of time.

Capitalization

This table presents key debt and capitalization statistics at the end of the three most recent years.

(Dollar amounts in millions)	**2005**	2004	2003
Long-term debt outstanding:			
Scheduled maturities	**$ 922**	$ 779	$1,012
Average interest rates	**5.0%**	4.1%	4.1%
Average maturities in years	**7.8**	5.6	6.0
Revolving credit/commercial paper	**–**	–	–
Total long-term debt	**922**	779	1,012
Deferred income taxes and other liabilities	**144**	145	138
Shareholders' equity	**2,249**	2,313	2,114
Total capitalization*	**$3,315**	$3,237	$3,264
Unused committed credit:			
Long-term	**$ 400**	$ 342	$ 213
Short-term	**–**	–	127
Total unused committed credit	**$ 400**	$ 342	$ 340
Current maturities of long-term debt	**$ 99**	$ 401	$ 119
Cash and cash equivalents	**$ 65**	$ 491	$ 444
Ratio of earnings to fixed charges**	**6.7x**	8.0x	6.2x

** Our calculation of "total capitalization," may be different from similarly titled measures of other companies.*

*** Fixed charges include interest expense, capitalized interest, and implied interest included in operating leases.*

The next table shows the percent of long-term debt to total capitalization at December 31, 2005 and 2004. We show this calculation in two ways:

- Long-term debt to total capitalization as reported in the previous table.
- Long-term debt to total capitalization each reduced by total cash and increased by current maturities of long-term debt.

We believe that adjusting this measure for cash and current maturities allows more meaningful comparison to recent historical periods, during which cash has ranged from $65 million to $491 million. We use these adjusted measures to monitor our financial leverage.

(Dollar amounts in millions)	**2005**	2004
Long-term debt	**$ 922**	$ 779
Current debt maturities	**99**	401
Cash and cash equivalents	**(65)**	(491)
Net debt	**$ 956**	$ 689
Total capitalization	**$3,315**	$3,237
Current debt maturities	**99**	401
Cash and cash equivalents	**(65)**	(491)
Net capitalization	**$3,349**	$3,147
Long-term debt to total capitalization	**27.8%**	24.1%
Net debt to net capitalization	**28.5%**	21.9%

Total debt (which includes long-term debt and current debt maturities) decreased $161 million in 2005. During the year we repaid $433 million of debt that came due, and added $272 million, including $200 million of 10-year notes at a 5.0% coupon rate.

Since 2003, we've issued $730 million of fixed rate debt with an average remaining life at the end of 2005 of 9.5 years, and a weighted average coupon rate of 4.7%. To further facilitate the issuance of debt and other securities, $300 million remains available under a shelf registration.

In addition to issuing long-term notes, we can also raise cash by issuing up to $400 million in commercial paper through a program that is backed by a $400 million, five year revolving credit commitment. We expect any commercial paper issued under this agreement to be classified as long-term debt since we intend to maintain or increase the balance until it is replaced with long-term notes. At year-end, no commercial paper was outstanding.

With both the shelf registration and the commercial paper program in place, we believe we have sufficient funds available to support our ongoing operations and take advantage of growth opportunities.

Most of our debt has fixed repayment dates. At the end of 2005, this debt consisted primarily of term notes. Our term notes and public debt currently carries a Moody's rating of A2 and a Standard & Poor's rating of A+. Our commercial paper program carries a Moody's rating of P-1 and a Standard & Poor's rating of A-1. We have maintained a single A rating on our debt for over a decade.

CONTRACTUAL OBLIGATIONS

The following table summarizes our future contractual obligations and commitments:

(Dollar amounts in millions)		Payments Due by Period			
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	After 5 Years
Long-term debt*	$ 999	$ 85	$114	$ 43	$ 757
Capitalized leases	21	14	4	2	1
Operating leases	161	50	61	34	16
Purchase obligations**	463	463	–	–	–
Interest payments***	376	48	84	73	171
Deferred income taxes	59	–	–	–	59
Other obligations (including pension)	85	5	9	8	63
Total contractual cash obligations	$2,164	$665	$272	$160	$1,067

** The long-term debt payment schedule presented above could be accelerated if we were not able to make the principal and interest payments when due.*

*** Purchase obligations primarily include open short-term (30-120 days) purchase orders that arise in the normal course of operating our facilities.*

**** Interest payments are calculated on debt outstanding at December 31, 2005 at rates in effect at the end of the year.*

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. To do so requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. We periodically evaluate these estimates and judgments using historical experience and various assumptions that we believe to be reasonable under the circumstances. Different amounts could have been reported if we had used different assumptions. Actual amounts may differ from the estimates and judgments reflected in our financial statements and future changes to these estimates could have a material effect on our financial condition and results of operations.

We consider accounting estimates to be critical if the estimates require us to make assumptions about matters that are highly uncertain, and if different estimates (that management could have reasonably used in the current period) or changes in the estimates (that are reasonably likely to occur) could materially impact the financial statements. The judgments and estimates we make which we believe could have a significant effect on our financial statements are discussed below. Critical judgments and estimates impacting our ongoing results relate to:

- Asset and goodwill impairment
- Inventory reserves
- Workers' compensation, general liability and employee benefit programs
- Credit losses
- Pension accounting
- Income taxes
- Contingencies, including litigation

More information regarding our significant accounting policies can be found in Note A to the financial statements on page 44.

Asset and Goodwill Impairment

Long-lived assets (primarily fixed assets and amortizable intangible assets) are tested annually and whenever there are indications that the book value of an asset may exceed the expected future cash flows from the use of the asset. In performing these tests, we must make judgments and estimates about the future cash flows expected to result from the use and eventual disposition of the assets and their fair market values. If actual future cash flows are less than our estimates, or our estimates change, we could incur future (unanticipated) impairment charges.

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. We assess goodwill of each of our reporting units for impairment on an annual basis and whenever events and circumstances warrant. Our reporting units for goodwill purposes are one level below our operating segments and are the same as the "Groups" disclosed in "Item 1. Business" of our 2005 Form 10-K.

We estimated the fair market values of our reporting units using a discounted cash flow model. Key assumptions and estimates used in the cash flow model include discount rate, internal sales growth, margins, capital expenditure requirements, and working capital requirements. Recent performance of the reporting unit is an important factor (but not the only factor) in our assessment. Fair market values calculated for each reporting unit may go up or down each year based on a re-evaluation of the key assumptions. To date, none of our assessments has determined a goodwill impairment for any of our reporting units.

The excess, as a percent, of fair value over net carrying value for each of our reporting units as of June 30, 2005 (our annual testing date) ranged from approximately 50% to 300%, with an overall average of 136%. The total carrying value of goodwill as of December 31, 2005, was $1.1 billion.

One of our reporting units, the Fixture & Display Group, has experienced deterioration in profitability in recent years compared to historical levels. If profitability does not continue to improve, there may be a future goodwill impairment in this reporting unit. About $300 million of goodwill is associated with these operations.

Inventory

We value our inventory at the lower of cost or fair market value by maintaining reserves for slow-moving and obsolete items. These reserves are based on turnover ratios (calculated by item) that reflect historical customer demand. Inventory with no activity (i.e. that has not been used or sold) in the previous 12 months are generally reserved at 100%, while active items with quantities exceeding 12 months usage are reserved at net realizable value. Obsolete and slow moving inventory reserves totaled $49 million as of December 31, 2005, or approximately 6% of total inventory valued on a FIFO basis.

Workers' Compensation, General Liability and Employee Benefit Programs

We are self-insured for certain losses related to workers' compensation, automobile, product and general liability, property, and medical insurance. Our self-insurance deductibles range from $1 million to $5 million per occurrence. Workers' compensation losses in excess of self-insured levels are fully insured by third parties. Losses in excess of self-insured levels for automobile, product, and general liability are insured up to an aggregate annual maximum of $75 million, subject to certain limitations and exclusions. When estimating our self-insurance liabilities we consider a number of factors, including historical claim experience, demographic factors, and valuations provided by independent, third-party actuaries. Our self-insurance liabilities include estimates for both reported claims and for claims incurred but not yet reported. These estimates are subject to change from period to period if claim patterns differ from historical trends. Changes can have a material affect on our results of operations.

The average variation in the estimated yearly ultimate losses for worker's compensation and general liability claims over the past five years has been approximately $5 million or 20%. A 20% change in our estimated self-insurance liabilities at December 31, 2005, would have affected pre-tax earnings for the year by approximately $13 million.

Credit Losses

Our customers are diverse. Many are small-to-medium sized companies, and some are highly leveraged. Bankruptcy can occur with some of these customers relatively quickly and with little warning, particularly in a changing economic environment. We regularly evaluate the collectibility of our accounts receivable based on a combination of factors. Significant customer accounts are evaluated individually. When we become aware of a specific customer's inability to meet its financial obligations to us (such as in the case of a bankruptcy filing or deterioration in the customer's operating results or financial position) we record a bad debt reserve to reflect the amount we reasonably believe is uncollectible. For smaller customers, we record bad debt reserves based on a variety of factors, including the length of time the receivables are past due, the financial health of the customer, industry and macroeconomic considerations, and historical experience.

The total amount of credit losses over the last three years is $20 million. At December 31, 2005, our reserves totaled $21 million against total consolidated accounts and other receivables of $868 million. In our year end evaluation, we identified $32 million in receivables considered to be less than fully collectible. Of the total reserved amount, $14 million relates to these accounts.

Pension Accounting

Accounting for our pension and postretirement benefit plans requires us to estimate the cost of benefits to be provided well into the future and the current value of our benefit obligations. The two most critical assumptions affecting these estimates are the discount rate and the expected return on assets. Other assumptions include rates of future compensation increases, participant withdrawal and mortality rates, and participant retirement ages. These estimates and assumptions impact the amount of net pension expense or income we recognize each year and the measurement of our reported benefit obligations under the plans. We use a September 30 measurement date for the majority of our plans.

To reflect market interest rates, in 2005 we reduced the discount rate for our major pension plans to 5.5% from the 6.0% which had been used in 2004 and 2003. We continued to assume long-term returns of 8.0% on the assets of these plans, the same as our assumptions for 2004 and 2003 and consistent with our experience over the past 10 years. Plan assets are invested in a diversified portfolio of equity, debt, and government securities. While we have historically targeted a weighted average portfolio of 70% equities and 30% bonds, the portfolio mix at year end (as well as the target going forward) was 75% equities and 25% bonds.

Sensitivity to changes in the critical assumptions for our major plans is as follows:

- Discount rate—a 25 basis point decrease in the discount rate would increase pension expense in 2006 by approximately $.7 million and decrease the plans' funded status by approximately $5.3 million.
- Expected return on assets—a 50 basis point reduction in the expected return on assets would increase pension expense in 2006 by $.9 million but have no effect on the plans' funded status.

The total of the unrecognized net actuarial losses of our major plans was $43 million for the year ended December 31, 2005, compared to $25 million for the year ended December 31, 2004. These losses are primarily the result of decreases in the discount rate since the implementation (in 1987) of the pension accounting rules established by Statement of Financial Accounting Standards No. 87. In 2006 net pension expense will reflect the amortization of approximately $23 million of these losses over an average of approximately 10 years. Approximately $10 million of the current year increase (in the unrecognized net actuarial losses) is due to a change in the life expectancies used in the calculation of the plans' projected benefit obligations. The remainder of the increase is primarily due to the current year change in the discount rate from 6.0% to 5.5%. We do not expect any near-term significant funding requirements for our major plans. For 2006, we are projecting a $2 million contribution requirement, primarily for our foreign plans.

Income Taxes

In the ordinary course of business, many transactions occur for which the ultimate tax outcome is uncertain. In addition, respective tax authorities periodically audit our income tax returns. These audits examine our significant tax filing positions, including the timing and amounts of deductions and the allocation of income among tax jurisdictions. We adjust our income tax provision in the period in which we determine that the actual outcomes will likely be different from our estimates. As of December 31, 2005, six open years were either undergoing or subject to audit by the United States Internal Revenue Service and Canada Revenue Agency. Audits in both countries for 2000 and 2001 have been settled in all material respects with no significant adjustments.

At December 31, 2005 and 2004 we had $38.0 million and $18.5 million of net deferred tax assets on our balance sheet related to operating loss and tax credit carry-forwards. The ultimate realization of these net deferred tax assets is dependent on the amount and source of future taxable income. Valuation reserves are established against future potential tax benefits in order to reflect the amounts that we believe are more likely than not to be realized. In addition, certain assumptions have been made regarding the non-repatriation of earnings from certain subsidiaries. Those assumptions may change in the future, thereby affecting future period results for the tax impact of such earnings. Finally, income taxes are recorded at the rates in effect in the various tax jurisdictions in which we operate. Tax law and rate changes are reflected in the income tax provision in the period in which such changes are enacted.

Contingencies

Our disclosure and accrual of loss contingencies is based on an assessment of whether the likelihood of loss is remote, reasonably possible, or probable and whether the amount of potential loss can be estimated. Loss contingency assessments involve judgments that are subjective and can involve matters in litigation, the results of which are generally very unpredictable. Although we believe our assessment of the likelihood of loss contingencies is accurate, the resolution of any contingency is inherently uncertain and our assessment may ultimately prove to be materially incorrect.

In 2005, we recorded a deposit receivable of $4.8 million related to an on-going international dispute over countervailing duties (CVD) and anti-dumping duties (ADD) imposed by the United States on softwood lumber imported from Canada. This deposit receivable is our estimate of refunds due to the Company as a result of this dispute. See Note M to the financial statements on page 54 for further information regarding these actions.

NEW ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board issued revised Statement of Financial Accounting Standards No. 123, "Share-Based Payment" (SFAS No. 123R). SFAS 123R clarifies and expands Statement 123's guidance in several areas, including recognizing share-based compensation cost, measuring fair value, classifying an award as equity or as a liability, and attributing compensation cost to reporting periods. SFAS 123R is effective for Leggett & Platt beginning January 1, 2006, and applies to all awards granted, modified, repurchased or cancelled on or after that date. We adopted, as of January 1, 2003, the provisions of Statement 123 as originally issued and, having evaluated SFAS No. 123R, concluded it will not have a material impact on our financial condition or results of operations.

In December 2004, the Financial Accounting Standards Board issued FASB Staff Positions FAS 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004" and FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004." Although we will benefit from qualified production activities deductions provided under the Act, FASB Staff Position 109-1 has not had, nor is it expected to have, a material impact on our financial reporting or disclosures. Regarding FAS 109-2, we did not remit any amounts under the repatriation provision of the American Jobs Creation Act and, therefore, the provisions of this FASB staff position had no impact on our financial reporting or disclosures.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations—an Interpretation of FASB Statement No. 143" (FIN-47), which clarifies the term *conditional asset retirement obligation* as used in FASB No. 143 and requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred, if the fair value of the liability can be reasonably estimated. FIN-47 was effective for our fiscal year ended December 31, 2005 and did not have a material impact on our financial condition or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," which replaces APB Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 applies to all voluntary changes in accounting principle and requires retrospective application (a term defined by the statement) to prior periods' financial statements, unless it is impracticable to determine the effect of a change. It also applies to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We will adopt SFAS No. 154 as of January 1, 2006, and do not expect its adoption will have a material impact on our financial condition or results of operations.

FORWARD-LOOKING STATEMENTS AND RELATED MATTERS

This report and our other public disclosures, whether written or oral, may contain "forward-looking" statements including, but not limited to, estimates of the amounts and timing of charges resulting from our Restructuring Plan, as described beginning on page 26, and related reductions in revenues and the number of facilities to be closed pursuant to this plan; projections of revenue, income, earnings, capital expenditures, dividends, capital structure, cash flows or other financial items; possible plans, goals, objectives, prospects, strategies or trends concerning future operations; statements concerning future economic performance; and statements of the underlying assumptions relating to the forward-looking statements. These statements are identified either by the context in which they appear or by use of words such as "anticipate," "believe," "estimate," "expect," "intends," "may," "plans," "should" or the like. All such forward-looking statements, whether written or oral, and whether made by us or on our behalf, are expressly qualified by the cautionary statements described in this provision.

Any forward-looking statement reflects only the beliefs of the Company or its management at the time the statement is made. Because all forward-looking statements deal with the future, they are subject to risks, uncertainties and developments which might cause actual events or results to differ materially from those envisioned or reflected in any forward-looking statement. Moreover, we do not have, and do not undertake, any duty to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement was made. For all of these reasons, forward-looking statements should not be relied upon as a prediction of actual future events, objectives, strategies, trends or results.

It is not possible to anticipate and list all risks, uncertainties and developments which may affect our future operations or performance of the Company, or which otherwise may cause actual events or results to differ from forward-looking statements. However, some of these risks and uncertainties include the following:

- our ability to implement our Restructuring Plan, reduce overhead costs and maintain market share relating to the operations that are sold, consolidated or closed
- our ability to improve operations and realize cost savings (including our ability to improve the profitability of the Fixture & Display group)
- a significant decline in the long-term outlook for any given reporting unit (particularly our Fixture & Display group) that could result in goodwill impairment
- factors that could impact raw material costs, including the availability and pricing of steel rod and scrap, and other raw materials (including chemicals, fibers and resins), the reduction in the spread between the pricing of steel rod and steel scrap, energy costs (including natural gas, electricity and fuel) and the availability of labor
- our ability to pass along raw material cost increases to our customers through increased selling prices and our ability to maintain profit margins if our customers change the quantity and mix of our components in their finished goods because of increased raw materials costs
- price and product competition from foreign (particularly Asian) and domestic competitors
- future growth of acquired companies
- our ability to increase debt and maintain our current public debt and commercial paper credit ratings
- our ability to bring start up operations on line as budgeted in terms of expense and timing
- litigation risks, including litigation regarding product liability and warranty, intellectual property and workers compensation expense
- risks and uncertainties that could affect industries or markets in which we participate, such as growth rates and opportunities in those industries, changes in demand for certain products or trends in business capital spending
- changes in competitive, economic, legal and market conditions and related factors, such as the rate of economic growth in the United States and abroad, inflation, currency fluctuation, political risk, U.S. or foreign laws or regulations, interest rates, housing turnover, employment levels, consumer sentiment, taxation and the like

Furthermore, we have made and expect to continue to make acquisitions. Acquisitions present significant challenges and risks, and depending upon market conditions, pricing and other factors, there can be no assurance that we can successfully negotiate and consummate acquisitions or successfully integrate acquired businesses into the Company.

This MD&A contains a disclosure on page 34 of the security ratings of the Company's public debt. This discussion is not a recommendation to buy, sell or hold securities. Also, the security ratings are subject to revisions and withdrawal at any time by the rating organizations. Each rating should be evaluated independently of any other rating.

Management's Report on Internal Control Over Financial Reporting

Leggett & Platt, Incorporated

Management of Leggett & Platt, Incorporated is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Leggett & Platt's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those written policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Leggett & Platt;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of Leggett & Platt are being made only in accordance with authorizations of management and directors of Leggett & Platt; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management (including ourselves), we conducted an evaluation of the effectiveness of Leggett & Platt's internal controls over financial reporting, as of December 31, 2005, based on the criteria in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation under this framework, we concluded that Leggett & Platt's internal control over financial reporting was effective as of December 31, 2005.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Felix E. Wright
Chairman and
Chief Executive Officer

Matthew C. Flanigan
Senior Vice President and
Chief Financial Officer

February 24, 2006

Report of Independent Registered Public Accounting Firm

Leggett & Platt, Incorporated

To the Board of Directors and Shareholders of Leggett & Platt, Incorporated:

We have completed integrated audits of Leggett & Platt, Incorporated's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial Statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, cash flows and changes in shareholders' equity present fairly, in all material respects, the financial position of Leggett & Platt, Incorporated and its subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal Control Over Financial Reporting

Also, in our opinion, management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control – Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

St. Louis, Missouri
February 24, 2006

Consolidated Statements of Earnings

Leggett & Platt, Incorporated

(Amounts in millions, except per share data)

Year ended December 31	**2005**	2004	2003
Net sales	**$ 5,299.3**	$ 5,085.5	$ 4,388.2
Cost of goods sold	**4,386.5**	4,169.7	3,616.5
Gross profit	**912.8**	915.8	771.7
Selling and administrative expenses	**468.8**	460.2	409.9
Amortization of intangibles	**10.3**	10.5	8.4
Other expense (income), net	**37.5**	(16.6)	(1.9)
Earnings before interest and income taxes	**396.2**	461.7	355.3
Interest expense	**46.7**	45.9	46.9
Interest income	**6.7**	6.8	6.7
Earnings before income taxes	**356.2**	422.6	315.1
Income taxes	**104.9**	137.2	109.2
Net earnings	**$ 251.3**	$ 285.4	$ 205.9
Earnings per share			
Basic	**$ 1.30**	$ 1.46	$ 1.05
Diluted	**$ 1.30**	$ 1.45	$ 1.05

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets

Leggett & Platt, Incorporated

(Amounts in millions, except per share data)

December 31	**2005**	2004
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 64.9**	$ 491.3
Accounts and other receivables	**847.6**	790.7
Inventories		
Finished goods	**391.2**	365.0
Work in process	**97.7**	96.7
Raw materials and supplies	**341.9**	331.6
LIFO reserve	**(63.7)**	(87.6)
Total inventories	**767.1**	705.7
Other current assets	**83.7**	77.1
Total current assets	**1,763.3**	2,064.8
Property, Plant and Equipment – at cost		
Machinery and equipment	**1,493.9**	1,415.2
Buildings and other	**716.0**	681.1
Land	**70.8**	65.0
Total property, plant and equipment	**2,280.7**	2,161.3
Less accumulated depreciation	**1,309.6**	1,200.6
Net property, plant and equipment	**971.1**	960.7
Other Assets		
Goodwill	**1,102.5**	1,028.9
Other intangibles, less accumulated amortization of $31.3 in 2005 and $32.5 in 2004	**133.5**	68.4
Sundry	**82.2**	74.4
Total other assets	**1,318.2**	1,171.7
TOTAL ASSETS	**$ 4,052.6**	$ 4,197.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	**$ 98.6**	$ 401.3
Accounts payable	**254.2**	224.4
Accrued expenses	**279.3**	239.5
Other current liabilities	**105.9**	94.4
Total current liabilities	**738.0**	959.6
Long-Term Debt	**921.6**	779.4
Other Liabilities	**84.6**	79.7
Deferred Income Taxes	**59.4**	65.4
Shareholders' Equity		
Capital stock		
Preferred stock – authorized, 100.0 shares; none issued		
Common stock – authorized, 600.0 shares of $.01 par value; issued 198.8 shares in 2005 and 2004	**2.0**	2.0
Additional contributed capital	**464.4**	452.5
Retained earnings	**2,093.1**	1,961.5
Accumulated other comprehensive income		
Foreign currency translation adjustments	**71.3**	89.6
Fair market value of natural gas hedges	**3.5**	–
Minimum pension liability adjustments	**(8.5)**	(7.3)
Less treasury stock – at cost (16.2 and 7.9 shares in 2005 and 2004, respectively)	**(376.8)**	(185.2)
Total shareholders' equity	**2,249.0**	2,313.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 4,052.6**	$ 4,197.2

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Leggett & Platt, Incorporated

(Amounts in millions)

Year ended December 31	**2005**	2004	2003
Operating Activities			
Net earnings	**$ 251.3**	$ 285.4	$ 205.9
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation	**160.8**	164.3	158.6
Amortization	**10.3**	10.5	8.4
Losses on writedown of inventories	**24.9**	11.6	16.8
Asset impairment	**24.3**	2.4	1.3
(Gain) loss from sales of assets	**(6.3)**	(16.3)	1.9
Deferred income tax (benefit) expense	**(35.6)**	3.4	15.9
Other	**9.5**	(13.8)	(19.4)
Other changes, excluding effects from purchases of companies			
(Increase) in accounts receivable	**(18.0)**	(96.5)	(64.3)
(Increase) decrease in inventories	**(50.4)**	(68.7)	29.0
Decrease (increase) in other current assets	**9.9**	(11.0)	1.0
Increase in accounts payable	**–**	17.4	.2
Increase in accrued expenses and other current liabilities	**67.6**	50.2	37.9
Net Cash Provided by Operating Activities	**448.3**	338.9	393.2
Investing Activities			
Additions to property, plant and equipment	**(164.2)**	(157.1)	(136.6)
Purchases of companies, net of cash acquired	**(181.0)**	(46.4)	(120.4)
Proceeds from liquidation of interest-rate swap agreement	**–**	–	39.9
Proceeds from sales of assets	**14.9**	42.0	6.7
Other	**(8.2)**	(8.9)	4.3
Net Cash Used for Investing Activities	**(338.5)**	(170.4)	(206.1)
Financing Activities			
Additions to debt	**246.0**	189.5	355.2
Payments on debt	**(433.0)**	(130.5)	(143.8)
Dividends paid	**(118.4)**	(109.9)	(102.7)
Issuances of common stock	**9.5**	26.1	3.8
Purchases of common stock	**(236.4)**	(99.9)	(82.8)
Net Cash (Used for) Provided by Financing Activities	**(532.3)**	(124.7)	29.7
Effect of Exchange Rate Changes on Cash	**(3.9)**	3.6	2.1
(Decrease) Increase in Cash and Cash Equivalents	**(426.4)**	47.4	218.9
Cash and Cash Equivalents – Beginning of Year	**491.3**	443.9	225.0
Cash and Cash Equivalents – End of Year	**$ 64.9**	$ 491.3	$ 443.9
Supplemental Information			
Interest paid	**$ 56.5**	$ 66.9	$ 53.8
Income taxes paid	**138.9**	137.1	93.7
Property, plant and equipment acquired through capital leases	**5.0**	3.2	3.3
Liabilities assumed of acquired companies	**99.7**	16.9	21.2
Common stock issued for employee stock plans	**38.4**	36.4	33.1

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Leggett & Platt, Incorporated

(Amounts in millions, except per share data)

Year ended December 31	**2005**	2004	2003
Common Stock			
Balance, beginning and end of period	**$ 2.0**	$ 2.0	$ 2.0
Additional Contributed Capital			
Balance, beginning of period	**$ 452.5**	$ 433.7	$ 422.9
Stock options and benefit plans transactions	**18.8**	20.4	14.2
Treasury stock issued	**(9.0)**	(10.6)	(4.1)
Tax benefit related to stock options	**2.1**	9.0	.7
Balance, end of period	**$ 464.4**	$ 452.5	$ 433.7
Retained Earnings			
Balance, beginning of period	**$ 1,961.5**	$ 1,788.3	$ 1,687.3
Net earnings	**251.3**	285.4	205.9
Cash dividends declared (per share: 2005 – $.63; 2004 – $.58; 2003 – $.54)	**(119.7)**	(112.2)	(104.9)
Balance, end of period	**$ 2,093.1**	$ 1,961.5	$ 1,788.3
Treasury Stock			
Balance, beginning of period	**$ (185.2)**	$ (144.4)	$ (96.3)
Treasury stock purchased	**(238.9)**	(103.6)	(83.3)
Treasury stock issued	**47.3**	62.8	35.2
Balance, end of period	**$ (376.8)**	$ (185.2)	$ (144.4)
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of period	**$ 82.3**	$ 34.4	$ (39.0)
Foreign currency translation adjustment	**(18.3)**	55.2	73.4
Change in fair market value of natural gas hedges	**3.5**	–	–
Minimum pension liability adjustment	**(1.2)**	(7.3)	–
Balance, end of period	**$ 66.3**	$ 82.3	$ 34.4
Total Shareholders' Equity	**$ 2,249.0**	$ 2,313.1	$ 2,114.0
Comprehensive Income			
Net earnings	**$ 251.3**	$ 285.4	$ 205.9
Foreign currency translation adjustment, net of income tax expense (benefit): 2005 – $2.2; 2004 – $(.9); 2003 – $1.6	**(18.3)**	55.2	73.4
Change in fair market value of natural gas hedges, net of income tax expense: 2005 – $2.2	**3.5**	–	–
Minimum pension liability adjustments, net of income tax (benefit): 2005 – $(.9); 2004 – $(4.0)	**(1.2)**	(7.3)	–
Total Comprehensive Income	**$ 235.3**	$ 333.3	$ 279.3

The accompanying notes are an integral part of these financial statements.

(Dollar amounts in millions, except per share data)
December 31, 2005, 2004 and 2003

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Leggett & Platt, Incorporated and its majority-owned subsidiaries (the Company). To facilitate timely financial reporting, many of the Company's subsidiaries outside of the United States are consolidated as of a fiscal year which ended November 30. All intercompany transactions and accounts have been eliminated in consolidation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingencies. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents include cash in excess of daily requirements which is invested in various financial instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and generally do not bear interest. The allowance for doubtful accounts is an estimate of the amount of probable credit losses determined from individual account reviews by management. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Inventories

All inventories are stated at the lower of cost or market. Cost includes materials, labor and production overhead. The cost for approximately $425, or 51%, of the Company's inventories is determined by the last-in, first-out (LIFO) method. Finished goods of $221, work-in-process of $50 and raw materials of $154 are valued under the LIFO method. Approximately 40% of these inventories are composed of materials and products the cost of which is closely linked to steel costs. Another 40% are part of a pool closely linked to the cost of raw wire and wire products. The remainder consists primarily of wood and plastics related products and materials. The first-in, first-out (FIFO) method is principally used for the remainder of our inventories. The FIFO cost of inventories at December 31, 2005 and 2004 approximated their expected replacement cost. Obsolete and slow moving inventory reserves valued on a FIFO basis totaled $48.5 and $40.2, as of December 31, 2005 and 2004, respectively.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, less accumulated depreciation. Assets are depreciated by the straight-line method over their estimated useful lives and in the case of leasehold improvements over their respective lease terms, if shorter. Depreciable lives primarily range from 3 to 18 years for machinery and equipment with a weighted average life of 9 years; 10 to 40 years for buildings with a weighted average of 27 years; and 3 to 15 years for other items with a weighted average of 7 years. Accelerated methods are used for tax purposes.

Intangible Assets

Goodwill and other intangible assets with indefinite lives are not amortized, but, instead, are reviewed for impairment annually and whenever events or circumstances indicate there may be an impairment. Other intangible assets are amortized by the straight-line method over their estimated lives ranging from 2 to 50 years with a weighted average of 12 years.

The Company has selected June in which to do its annual evaluation of goodwill impairment. As of June 30, 2005 and 2004, it was determined that the carrying value of goodwill did not exceed its fair value and, accordingly, no impairment loss existed. There were no indicators of impairment subsequent to this annual review that required further assessment.

Long-lived Assets and Asset Impairment

The Company accounts for impairments of long-lived assets subject to amortization in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets." As such, the Company evaluates long-lived assets for impairment annually and whenever events or circumstances indicate that the carrying amount may not be recoverable. When undiscounted future cash flows are not expected to be sufficient to recover the carrying amount, the asset or asset group is written down to its fair value.

Stock-based Compensation

Prior to 2003, the Company applied the intrinsic value based method of accounting prescribed by APB Opinion No. 25 and related interpretations in accounting for stock-based compensation plans. Accordingly, compensation cost for stock options granted prior to 2003 was measured as the excess, if any, of the quoted market price of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock.

Effective January 1, 2003, the Company adopted the preferable fair value recognition provisions of SFAS No. 123, "Accounting For Stock-Based Compensation." The Company selected the prospective transition method permitted by SFAS No. 148, "Accounting For Stock-Based Compensation—Transition and Disclosures." Accordingly, after January 1, 2003 the Company began expensing the fair value of stock options granted and began expensing the 15% and 20% purchase discounts allowed for under its employee stock plans. The following table illustrates the effect on net income and earnings per share as if the fair value method had been applied to all outstanding and unvested awards in each period:

	2005	2004	2003
Net earnings – as reported	**$ 251.3**	$ 285.4	$ 205.9
Add: Stock-based compensation cost, net of taxes, included in net earnings as reported	**9.6**	9.6	7.5
Deduct: Stock-based compensation cost, net of taxes, if the fair value based method had been applied to all awards	**(9.9)**	(11.0)	(9.2)
Pro forma net income	**$ 251.0**	$ 284.0	$ 204.2
Earnings per share			
Basic – as reported	**$ 1.30**	$ 1.46	$ 1.05
Basic – pro forma	**1.30**	1.45	1.04
Diluted – as reported	**1.30**	1.45	1.05
Diluted – pro forma	**1.30**	1.44	1.04

Sales Recognition

The Company recognizes sales when title and risk of loss pass to the customer. The terms of the Company's sales are split approximately evenly between FOB shipping point and FOB destination. The timing of the Company's recognition of FOB destination sales is determined based on shipping date and distance to the destination. The Company has no significant and unusual price protection, right of return or acceptance provisions with its customers nor is it the Company's practice to replace goods damaged or lost in transit. Sales allowances and discounts can be reasonably estimated throughout the period and are deducted from sales in arriving at net sales. Certain aluminum segment customers have fixed pricing arrangements covering specified aggregate quantities of aluminum contained in their purchases over the terms of the agreements. The Company generally purchases in advance sufficient quantities of aluminum inventory to "hedge" this fixed pricing commitment.

Shipping and Handling Fees and Costs

The Company reports Shipping and Handling Fees and Costs in accordance with Emerging Issues Task Force ("EITF") issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." As such, in the Consolidated Statement of Earnings all amounts billed to customers by the Company related to shipping and handling are included in "Net Sales" and the Company's shipping and handling costs are included in "Cost of goods sold".

Restructuring Costs

In accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," except for certain one-time termination benefits the Company recognizes a liability for costs associated with an exit or disposal activity when the liability is incurred. Certain termination benefits for which employees are required to render service are recognized ratably over the respective future service periods.

Income Taxes

The Company records, using enacted rates, deferred tax assets and liabilities for the future tax consequences of temporary differences between the financial reporting and tax bases of its assets and liabilities. A valuation allowance is provided to the extent realization of deferred tax assets is not considered likely.

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examinations of prior year tax returns; however, the amount ultimately paid may differ from the amounts accrued. The Company accrues for tax contingencies when it is probable that a liability has been incurred and the amount of the contingency can be reasonably estimated. Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested. The tax effect of most distributions would be offset by available foreign tax credits.

Concentration of Credit Risks, Exposures and Financial Instruments

The Company manufactures, markets, and distributes engineered products for the various end markets described in Note L. Operations are principally located in the United States, although the Company also has operations in Canada, Europe, Latin America, Asia, Australia and South Africa.

The Company performs ongoing credit evaluations of its customers' financial conditions and generally requires no collateral from its customers, some of which are highly leveraged. The Company maintains allowances for potential credit losses and such losses have generally been within management's expectations.

The Company has no material guarantees or liabilities for product warranties which would require disclosure under Financial Accounting Standards Board Interpretation (FIN) No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others."

From time to time, the Company will enter into contracts to hedge foreign currency denominated transactions, natural gas purchases, and interest rates related to the Company's debt. To minimize the risk of counter party default, we only use highly-rated financial institutions that meet certain requirements. We do not anticipate that any of the financial institution counter parties that we deal with will default on their obligations.

The carrying value of cash and short-term financial instruments approximates fair value due to the short maturity of those instruments.

Other Risks

The Company obtains insurance for workers' compensation, automobile, product and general liability, property loss and medical claims. However, the Company has elected to retain a significant portion of expected losses through the use of deductibles. Our self-insurance liabilities include estimates for both reported claims and for claims incurred but not yet reported. Provisions for losses are recorded based upon the Company's estimates of the aggregate liability for claims incurred utilizing the Company's prior experience and information provided by its third-party administrators and insurance carriers.

Foreign Currency Translation

The functional currency for most foreign operations is the local currency. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for income and expense accounts using monthly average exchange rates. The cumulative effects of translating the functional currencies into the U.S. dollar are included in comprehensive income. Foreign entities whose functional currency is the U.S. dollar are not significant.

Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the 2005 presentation.

New Accounting Standards

In December 2004, the Financial Accounting Standards Board issued revised Statement of Financial Accounting Standards No. 123, "Share-Based Payment" (SFAS No. 123R). SFAS 123R clarifies and expands Statement 123's guidance in several areas, including recognizing share-based compensation cost, measuring fair value, classifying an award as equity or as a liability, and attributing compensation cost to reporting periods. SFAS 123R is effective for Leggett & Platt beginning January 1, 2006, and applies to all awards granted, modified, repurchased or cancelled on or after that date. We adopted, as of January 1, 2003, the provisions of Statement 123 as originally issued and, having evaluated SFAS No. 123R, concluded it will not have a material impact on our financial condition or results of operations.

In December 2004, the Financial Accounting Standards Board issued FASB Staff Positions FAS 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004" and FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004." Although we will benefit from qualified production activities deductions provided under the Act, FASB Staff Position 109-1 has not had, nor is it expected to have, a material impact on our financial reporting or disclosures. Regarding FAS 109-2, we did not remit any amounts under the repatriation provision of the American Jobs Creation Act and, therefore, the provisions of this FASB staff position had no impact on our financial reporting or disclosures.

In March 2005, the FASB issued Interpretation No. 47 "Accounting for Conditional Asset Retirement Obligations—an Interpretation of FASB Statement No. 143" (FIN-47), which clarifies the term *conditional asset retirement obligation* as used in FASB No. 143 and requires recognition of a liability for the fair value of a conditional asset retirement obligation when incurred, if the fair value of the liability can be reasonably estimated. FIN-47 was effective for our fiscal year ended December 31, 2005 and did not have a material impact on our financial condition or results of operations.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," which replaces APB Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 applies to all voluntary changes in accounting principle and requires retrospective application (a term defined by the statement) to prior periods' financial statements, unless it is impracticable to determine the effect of a change. It also applies to changes required by an accounting pronouncement that does not include specific transition provisions. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We will adopt SFAS No. 154 as of January 1, 2006, and do not expect its adoption will have a material impact on our financial condition or results of operations.

B. ACQUISITIONS

During 2005, the Company acquired 12 businesses for $174.3 in cash (net of cash acquired) plus assumed debt of $35.4, of which $34.6 was repaid shortly after closing. Including debt assumed, the total cost of current year acquisitions was $209.7. In addition, $6.7 was paid as additional consideration for prior year acquisitions bringing the total cash paid in 2005 for acquisitions to $181.0. The excess of the purchase price over the fair value of the net identifiable assets acquired, and reclassifications for prior year acquisitions, increased goodwill by $85.4, of which $64.0 is expected to provide an income tax benefit.

The Company has not yet obtained all information required to complete the purchase price allocation related to certain recent acquisitions. The Company does not believe that the additional information will materially modify the preliminary purchase price allocations. In Residential Furnishings, the Company acquired ten businesses. The largest converts and/or distributes geotextiles, erosion control products and silt fencing for the geotextile, landscape, and agricultural markets. The second largest manufactures rubber and felt carpet underlay. In Specialized Products, the Company acquired a business that designs, manufactures and supplies equipment for light and medium duty commercial trucks. In Commercial Fixturing & Components, the Company acquired a business that manufactures metal fixtures and displays.

The unaudited pro forma consolidated net sales, as though the 2005 acquisitions had occurred on January 1 of each year presented, were $5,544.0 and $5,362.1 for the years ended December 31, 2005 and 2004, respectively. The unaudited pro forma consolidated net earnings and earnings per share are not materially different from the amounts reflected in the accompanying financial statements. These pro forma amounts are not necessarily indicative of either results of operations that would have occurred had the purchases been made on January 1 of each year or of future results of the combined companies.

During 2004, the Company acquired nine businesses for $38.9 in cash (net of cash acquired) plus assumed debt of $2.2, all of which was repaid shortly after closing. Including debt assumed, the total cost of 2004 acquisitions was $41.1. In addition, $7.5 was paid as additional consideration for prior year acquisitions bringing the total cash paid in 2004 for acquisitions to $46.4. The excess of the purchase price over the fair value of the net assets acquired and reclassifications for prior year acquisitions increased goodwill by $13.3, of which $13.2 is expected to provide an income tax benefit. In Residential Furnishings, the Company acquired three businesses. The largest designs and produces comforters, decorative pillows, and other "top-of-bed" accessories. In Commercial Fixturing & Components, the Company added three businesses. Two of these businesses produce injection-molded plastic components used primarily in office furniture. The Company added three businesses to the Specialized Products segment. The largest makes tubing and wire products used primarily in automotive seating.

During 2003, the Company acquired 15 businesses for $120.4 in cash (net of cash acquired) plus assumed debt of $5.3 of which $4.5 was repaid shortly after closing. Including debt assumed, the total cost of 2003 acquisitions was $125.7. The excess of the purchase price over the fair value of the net assets acquired and reclassifications for prior year acquisitions increased goodwill by $54.5, of which $43.7 is expected to provide an income tax benefit. In Residential Furnishings, the Company acquired nine businesses. The largest designs, manufactures and markets adjustable beds in the "leisure" product category. In Commercial Fixturing & Components, the Company acquired three businesses. The largest manufactures a broad range of standard and custom metal and wood store fixtures. In Specialized Products, the Company acquired three businesses.

The results of operations of the above acquired companies have been included in the consolidated financial statements since the dates of acquisition. The terms of certain of the Company's acquisition agreements provide for additional consideration to be paid if the acquired company's performance exceeds certain targeted levels. Such additional consideration may be paid in cash, and is recorded when earned as additional purchase price. At December 31, 2005, the maximum remaining amount of additional consideration is approximately $17 and will be payable, if earned, through 2008.

C. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill are as follows:

	Residential Furnishings	Commercial Fixturing & Components	Aluminum Products	Industrial Materials	Specialized Products	Total
Balance as of January 1, 2004	$336.1	$372.4	$83.3	$29.9	$167.8	$ 989.5
Additions	2.4	8.7	–	–	8.5	19.6
Adjustments to finalize purchase price allocation	(6.5)	(.2)	–	.3	.1	(6.3)
	(4.1)	8.5	–	.3	8.6	13.3
Goodwill written off related to sale of facilities	–	–	–	–	(.1)	(.1)
Foreign currency translation adjustment/other	6.9	5.6	–	.4	13.3	26.2
Balance as of December 31, 2004	338.9	386.5	83.3	30.6	189.6	1,028.9
Additions	37.2	2.2	–	–	45.2	84.6
Adjustments to finalize purchase price allocation	–	.4	–	–	.4	.8
	37.2	2.6	–	–	45.6	85.4
Goodwill written off related to sale of facilities	(1.1)	–	–	–	(.8)	(1.9)
Foreign currency translation adjustment/other	(1.7)	.7	–	(.4)	(8.5)	(9.9)
Balance as of December 31, 2005	**$373.3**	**$389.8**	**$83.3**	**$30.2**	**$225.9**	**$1,102.5**

Intangible assets acquired during the year and included in "Other intangibles" on the Consolidated Balance Sheets are as follows:

	2005		2004	
	Gross Carrying Amount	Weighted Average Amortization Period in Years	Gross Carrying Amount	Weighted Average Amortization Period in Years
Non-compete agreements	**$ 9.6**	**7.6**	$ 7.3	6.9
Customer-related intangibles	**52.7**	**12.1**	7.9	9.5
Patents and trademarks	**9.3**	**11.3**	12.6	18.6
Deferred financing and other costs	**7.8**	**7.0**	3.3	7.9
	$79.4	**10.9**	$31.1	11.8

Out of $79.4 additions to intangibles, $68.5 is related to business acquisitions.

The gross carrying amount and accumulated amortization by major amortized intangible asset class is as follows:

December 31	**2005**		2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Non-compete agreements	**$ 29.5**	**$ 9.5**	$ 26.8	$12.7
Customer-related intangibles	**64.7**	**3.6**	12.7	1.5
Patents and trademarks	**48.0**	**11.4**	42.6	9.8
Deferred financing and other costs	**22.6**	**6.8**	18.8	8.5
	$164.8	**$31.3**	$100.9	$32.5

Aggregate amortization expense for other intangible assets was $10.3, $10.5 and $8.4 for the years ended December 31, 2005, 2004 and 2003, respectively.

Estimated amortization expense for each of the five years following 2005 is as follows:

Year ended December 31	
2006	$16.0
2007	15.3
2008	13.7
2009	12.5
2010	11.1

D. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following at December 31, 2005 and 2004:

	2005	2004
Trade	**$832.4**	$779.2
Other	**36.0**	29.5
Total accounts and other receivables	**868.4**	808.7
Allowance for doubtful accounts	**(20.8)**	(18.0)
Total	**$847.6**	$790.7

E. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	2005	2004	2003
Basic			
Weighted average shares outstanding, including shares issuable for little or no cash	**192,637,308**	195,699,972	196,548,473
Net earnings	**$251.3**	$285.4	$205.9
Earnings per share	**$ 1.30**	$ 1.46	$ 1.05
Diluted			
Weighted average shares outstanding, including shares issuable for little or no cash	**192,637,308**	195,699,972	196,548,473
Additional dilutive shares principally from the assumed exercise of outstanding stock options	**937,379**	1,175,643	405,403
	193,574,687	196,875,615	196,953,876
Net earnings	**$251.3**	$285.4	$205.9
Earnings per share	**$ 1.30**	$ 1.45	$ 1.05

In 2005, approximately 3.5 million of the total 12.4 million shares issuable under employee and non-employee stock options were excluded from the calculation of diluted earnings per share as their inclusion would have been anti-dilutive.

F. SUPPLEMENTAL BALANCE SHEET INFORMATION

Sundry assets, accrued expenses, and other current liabilities at December 31 consist of the following:

	2005	2004
Sundry assets		
Prepaid pension costs	**$ 35.1**	$ 35.0
Other	**47.1**	39.4
	$ 82.2	$ 74.4
Accrued expenses		
Wages and commissions payable	**$ 69.1**	$ 68.7
Workers' compensation, medical, auto and product liability	**68.4**	42.1
Sales promotions	**42.9**	37.5
Other	**98.9**	91.2
	$279.3	$239.5
Other current liabilities		
Outstanding checks in excess of book balances	**$ 57.7**	$ 46.5
Dividends payable	**29.3**	28.5
Other	**18.9**	19.4
	$105.9	$ 94.4

G. LONG-TERM DEBT

Long-term debt, weighted average interest rates and due dates at December 31 are as follows:

	2005	2004
Term notes, net—average interest rates of 5.2% and 4.2% for 2005 and 2004, respectively, due dates through 2018	**$ 913.0**	$1,089.5
Industrial development bonds, principally variable interest rates of 4.0% and 2.5% for 2005 and 2004, respectively, due dates through 2030	**40.2**	40.7
Bank note, variable interest rate based on 90-day Euribor plus .25%, principal and interest due quarterly through 2010	**37.1**	–
Capitalized leases	**20.5**	34.5
Other, partially secured	**9.4**	16.0
	1,020.2	1,180.7
Less current maturities	**98.6**	401.3
	$ 921.6	$ 779.4

On August 12, 2005, the Company issued $200 of 10-year notes with a coupon rate of 5.0%. The Company had treasury lock agreements in the amount of $80 attached to this issuance, a $2.3 gain on which is being amortized over the life of the notes. This was the Company's fourth debt offering since early 2003. These four issuances comprise $730 of long-term debt, with a weighted average remaining life of 9.5 years and a weighted average coupon of 4.7%.

During the first quarter of 2003, the Company liquidated an interest rate swap agreement it had entered into in February 2000 on a $350 term note, and received $39.9 in cash proceeds. The market value adjustment at the date the swap was liquidated (equivalent to the proceeds from liquidation of the swap agreement) was amortized over the remaining life of the term note, which matured on February 15, 2005. The unamortized market value adjustment of the liquidated swap agreement was $2.5 at December 31, 2004.

On December 16, 2003, the Company entered into a cross-currency rate swap agreement with Wachovia Bank, N.A. See Note P for more discussion of this agreement.

At December 31, 2005, the Company had $400 of debt capital available through a commercial paper program supported by $400 in syndicated revolving credit agreements. Under the syndicated agreements, the Company may elect to pay interest based on 1) the bank's base lending rate, 2) LIBOR, 3) an adjusted certificate of deposit rate, or 4) the money market rate, as specified in the revolving credit agreements. These agreements will terminate on July 31, 2010, at which time any outstanding balances will become due. There were no amounts outstanding under any revolving credit agreements at December 31, 2005 and 2004.

The revolving credit agreements and certain other long-term debt contain restrictive covenants which, among other restrictions, limit the amount of debt in relation to the Company's total capitalization, the total amount of secured debt, and asset sales. The Company remained in compliance with all such covenants during the years ended December 31, 2005 and 2004.

Maturities of long-term debt are as follows:

Year ended December 31	
2006	$ 98.6
2007	36.1
2008	82.5
2009	25.7
2010	19.3
Thereafter	758.0
	$1,020.2

H. LEASE OBLIGATIONS

The Company leases certain operating facilities, most of its automotive and trucking equipment and various other assets. Lease terms, including purchase options, renewals and maintenance costs, vary by lease.

Total rental expense included in the results of operations was $62.0, $59.0 and $55.4 for the years ended December 31, 2005, 2004 and 2003, respectively.

Future minimum rental commitments for all long-term noncancelable operating leases are as follows:

Year ended December 31	
2006	$ 49.6
2007	35.3
2008	25.9
2009	19.3
2010	14.5
Later years	16.0
	$160.6

The above lease obligations expire at various dates through 2014. Certain leases contain renewal and/or purchase options. Aggregate rental commitments above include renewal amounts where it is the intention of the Company to renew the lease.

I. CAPITAL STOCK AND STOCK BASED COMPENSATION

Stock Activity

Activity in the Company's stock accounts for each of the three years ended December 31 is as follows:

	Common Stock	Treasury Stock
Balance, January 1, 2003	198,799,543	(4,300,923)
Shares issued	–	1,614,003
Treasury stock purchased	–	(4,009,929)
Balance, December 31, 2003	198,799,543	(6,696,849)
Shares issued	–	2,813,791
Treasury stock purchased	–	(4,030,467)
Balance, December 31, 2004	198,799,543	(7,913,525)
Shares issued	–	1,960,433
Treasury stock purchased	–	(10,269,917)
Balance, December 31, 2005	**198,799,543**	**(16,223,009)**

The Company issues shares for employee and director stock plans and acquisitions. The Company purchases its common stock to replace shares issued under the employee stock plans and those issued in acquisitions, to satisfy contractual obligations, and for investment purposes. The Company also receives shares surrendered to pay the exercise price in stock option exercises.

At December 31, 2005, a combined total of 23,353,005 common shares were authorized for issuance under employee and non-employee stock plans. This amount represents 12,449,938 unexercised options, 2,145,733 outstanding stock units, and 8,757,334 shares available for grant under the Company's Flexible Stock Plan. All stock units are considered equivalent to outstanding common shares for accounting and earnings per share purposes.

Stock-Based Compensation Plans

The Company's total expense related to its stock-based compensation plans was $14.1, $12.0 and $11.9 for 2005, 2004 and 2003, respectively. Upon the adoption of SFAS No. 123 on January 1, 2003, we began expensing both the fair value of granted options and the purchase discounts provided for under our various stock-based programs as described below. As such, these amounts reflect the options granted and discounts provided after that date.

The Company has a stock plan, the Flexible Stock Plan, that provides for the grant of various types of equity awards to employees, non-employee directors, and consultants. We grant stock options annually on a discretionary basis to a broad group of employees. Options generally become exercisable over 42 months in one-third increments beginning 18 months after the date of grant, have a maximum term of ten years, and are issued with exercise prices at market. We currently limit our use of restricted stock to non-employee directors.

The Company offers a deferred compensation program under which senior management may elect to receive stock options and/or stock units in lieu of cash compensation. Prior to 2005, options granted under the program were below market. In 2005, the Company began to exclusively grant "at market" stock options under the program. Options granted after December 31, 2003, have a maximum term of ten years. Previously, the options had 15-year terms. Options granted under the program vest as the associated compensation is earned and are exercisable beginning 15 months after the date of grant. Stock units are issued under the program at a 20% discount to the market price of the Company's common stock and vest as the associated compensation is earned.

The Company has two stock-based retirement plans: the tax-qualified Stock Bonus Plan (SBP) and the non-qualified Executive Stock Unit Program (ESUP). The Company makes contributions of 50% of the amount of employee contributions under both plans. In addition, the Company fully matches its contributions when certain profitability levels, as defined in the SBP and the ESUP, have been attained. Contributions to the ESUP acquire stock units at 85% of the market price while contributions to the SBP are used to purchase the Company's common stock at market prices.

Finally, the Company offers a tax-qualified employee stock purchase plan, the Discount Stock Plan (DSP). Under the DSP, eligible employees may purchase shares of Company common stock at 85% of the closing market price on the last business day of each month. Shares purchased under the DSP were 654,283 in 2005, 636,842 in 2004, and 765,388 in 2003. Purchase prices ranged from $16 to $25 per share. Since inception of the DSP in 1982, a total of 19,284,048 shares have been purchased by employees. A maximum of 23,000,000 shares may be purchased under the plan.

Stock Options

A summary of the Company's employee stock option plans as of December 31, 2005, 2004 and 2003, and changes during the years then ended, is as follows:

	Shares	Weighted Average Exercise Price per Share
Outstanding at January 1, 2003	10,051,727	$14.49
Granted	2,237,727	14.39
Exercised	(344,051)	11.84
Forfeited	(609,805)	21.64
Outstanding at December 31, 2003	11,335,598	14.17
Granted	1,951,475	22.80
Exercised	(1,682,967)	16.87
Forfeited	(240,835)	19.31
Outstanding at December 31, 2004	11,363,271	15.31
Granted	1,941,472	25.87
Exercised	(748,668)	17.17
Forfeited	(273,265)	21.26
Outstanding at December 31, 2005	**12,282,810**	**$16.75**
Options exercisable at		
December 31, 2005	**9,117,447**	**$14.35**
December 31, 2004	7,912,044	12.47
December 31, 2003	7,716,615	12.89

The following table summarizes information about employee stock options outstanding at December 31, 2005:

Options Outstanding			
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life In Years	Weighted-Average Exercise Price
$ .01–$ .25	1,104,568	5.5	$ .06
3.09– 4.82	2,240,963	10.5	3.90
10.00– 15.00	35,222	2.9	13.85
15.31– 20.00	3,728,107	4.8	18.79
20.03– 28.67	5,263,950	8.0	24.01
$ .01–$28.67	12,282,810	7.3	$16.75

Options Exercisable		
Range of Exercise Prices	Number Exercisable	Weighted-Average Exercise Price
$ .01–$ .25	1,014,568	$ .06
3.09– 4.82	2,240,963	3.90
10.00– 15.00	35,222	13.85
15.31– 20.00	3,331,993	18.90
20.03– 28.67	2,494,701	23.48
$ .01–$28.67	9,117,447	$14.35

The following table summarizes the weighted-average fair value per share of each option granted during the years 2005, 2004 and 2003 as of the grant date. These values are calculated using the Black-Scholes option pricing model based on these weighted-average assumptions.

	2005	2004	2003
Weighted-average fair value of options:			
Granted at market price	**$ 5.35**	$ 4.65	$ 3.35
Granted below market price	**N/A**	16.85	9.44
Weighted-average exercise price of options:			
Granted at market price	**$25.87**	$22.99	$18.27
Granted below market price	**N/A**	3.63	4.09
Principal assumptions:			
Risk-free interest rate	**4.0%**	3.2%	2.9%
Expected life in years	**6.3**	6.0	6.4
Expected volatility (over expected life)	**25.7%**	28.3%	29.3%
Expected dividend yield (over expected life)	**3.3%**	3.7%	4.4%

Shareholder Protection Rights Plan

In 1989, the Company declared a dividend distribution of one preferred stock purchase right (a Right) for each share of common stock. The Rights are attached to and traded with the Company's common stock. The Rights become exercisable only under certain circumstances involving actual or potential acquisitions of the Company's common stock. The Rights currently remain in existence until February 2009, unless they are exercised, exchanged or redeemed at an earlier date. Depending upon the circumstances, if these Rights become exercisable, the holder may be entitled to purchase shares of Series A junior preferred stock of the Company, shares of the Company's common stock or shares of common stock of the acquiring entity.

J. EMPLOYEE BENEFIT PLANS

This footnote provides information at December 31 as to the Company's sponsored domestic and foreign defined benefit pension plans as required by the Statement of Financial Accounting Standards 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits." The Company uses a September 30 measurement date for the majority of its plans.

	2005	2004	2003
Change in Benefit Obligation			
Benefit obligation, beginning of period	**$ 192.2**	$ 168.2	$ 155.5
Service cost	**5.2**	5.2	4.2
Interest cost	**10.9**	10.2	9.0
Plan participants' contributions	**6.2**	5.9	5.6
Actuarial losses	**25.9**	11.1	1.1
Benefits paid	**(10.8)**	(10.9)	(9.9)
Foreign currency exchange rate changes	**(2.1)**	2.5	2.7
Benefit obligation, end of period	**227.5**	192.2	168.2
Change in Plan Assets			
Fair value of plan assets, beginning of period	**189.1**	174.5	154.2
Actual return on plan assets	**21.9**	16.0	21.3
Employer contributions	**1.8**	2.2	1.5
Plan participants' contributions	**6.2**	5.9	5.6
Benefits paid	**(10.8)**	(10.9)	(9.9)
Foreign currency exchange rate changes	**(1.1)**	1.4	1.8
Fair value of plan assets, end of period	**207.1**	189.1	174.5
Plan Assets (Under) Over Benefit Obligations	**(20.4)**	(3.1)	6.3
Unrecognized net actuarial losses	**50.5**	33.2	24.8
Unrecognized net transition asset	**–**	–	.1
Unrecognized prior service cost	**2.0**	2.5	2.6
Net prepaid pension cost	**$ 32.1**	$ 32.6	$ 33.8

The net prepaid pension cost amount recognized in the Consolidated Balance Sheets at December 31 is as follows:

	2005	2004	2003
Prepaid pension costs	**$ 35.1**	$ 35.0	$ 40.4
Accrued pension benefit liabilities	**(18.8)**	(17.0)	(6.6)
Intangible assets	**2.6**	3.3	–
Accumulated other comprehensive income	**13.2**	11.3	–
Net amount recognized	**$ 32.1**	$ 32.6	$ 33.8

	2005	2004	2003
Components of Net Pension (Expense) Income			
Service cost	**$ (5.2)**	$ (5.2)	$ (4.2)
Interest cost	**(10.9)**	(10.2)	(9.0)
Expected return on plan assets	**14.8**	14.0	12.4
Amortization of net transition asset	**–**	(.1)	(.1)
Recognized net actuarial loss	**(1.0)**	(1.9)	(1.4)
Net pension (expense) income	**$ (2.3)**	$ (3.4)	$ (2.3)
Weighted Average Assumptions*			
Discount rate	**5.5%**	5.9%	6.0%
Expected return on plan assets	**7.9%**	7.9%	7.9%
Rate of compensation increase	**4.1%**	4.5%	4.5%

**Used in the calculation of both benefit obligations and net pension costs.*

The Company uses the average of the Citigroup Pension Liability Index rate and Merrill Lynch AA-AAA 10 yr. Bond Index rate to determine the discount rate used for its major pension plans (rounded to the nearest 25 basis points). The Citigroup Index rate is a calculated rate using yearly spot rates matched against expected future benefit payments. The Merrill Lynch Index rate is based on the weighted average yield of a portfolio of high grade Corporate Bonds with an average duration approximating the plans' projected benefit payments, adjusted for any callable bonds included in the portfolio. In 2005, we reduced the discount rate for our major pension plans to 5.5% from the 6.0% which had been used in 2004 and 2003. The discount rates used for the Company's other, primarily foreign, plans are based on rates appropriate for the respective country and plan obligations.

The overall expected long-term rate of return is based on each plans' historical experience and the Company's expectations of future returns based upon each plans' investment holdings.

The accumulated benefit obligation for all defined benefit pension plans was $207.0, $174.6 and $152.4 at December 31, 2005, 2004 and 2003, respectively.

Those plans that have benefit obligations in excess of plan assets at December 31 are recapped below.

	2005	2004	2003
Aggregated plans with accumulated benefit obligations in excess of plan assets:			
Projected benefit obligation	**$ 74.0**	$ 66.9	$ 47.8
Accumulated benefit obligation	**71.5**	64.0	46.7
Fair value of plan assets	**52.3**	47.5	35.2
Aggregated plans with projected benefit obligations in excess of plan assets:			
Projected benefit obligation	**123.7**	99.8	87.6
Accumulated benefit obligation	**108.6**	87.3	75.6
Fair value of plan assets	**115.0**	100.6	93.5

The increase in minimum pension liability included in other comprehensive income is $1.2, net of tax of $.9.

Included in the above plans is a subsidiary's unfunded supplemental executive retirement plan. The subsidiary owns insurance policies with cash surrender values of $2.0, $1.8 and $2.0 at December 31, 2005, 2004 and 2003, respectively, for the participants in this non-qualified plan. These insurance policies are not included in the plan's assets.

Plan assets are invested in diversified portfolios of equity, debt and government securities. The aggregate allocation of these investments is as follows:

	2005	2004	2003
Asset Category			
Equity securities	**69%**	66%	58%
Debt securities	**22**	26	27
Other, including cash	**9**	8	15
Total	**100%**	100%	100%

The Company's investment policy and strategies are established with a long-term view in mind. The Company strives for a sufficiently diversified asset mix to minimize the risk of a material loss to a portfolio's value due to the devaluation of any single investment. In determining the appropriate asset mix, the Company's financial strength and ability to fund potential shortfalls that might result from poor investment performance are considered. The Company's weighted average target percentages of the asset portfolios are 75% equities and 25% bonds.

The Company expects to contribute $2.1 to its defined benefit pension plans in 2006.

Estimated benefit payments, which reflect expected future service, to be paid over the next ten years are: 2006—$11.6; 2007—$12.4; 2008—$12.8; 2009—$13.9; 2010—$14.6; and 2011-2015—$88.7.

Total net pension expense, including multiemployer plans and other defined contribution plans, was $7.9, $8.8 and $7.0 in 2005, 2004 and 2003, respectively.

Contributions to union sponsored, defined benefit, multi-employer pension plans were less than $1.5 in 2005, 2004 and 2003. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. While the Company has no present intention of withdrawing from any of these plans, nor has it been informed that there is an intention to terminate any such plan, the Company does not believe there would be a material withdrawal liability in such event.

K. INCOME TAXES

The components of earnings before income taxes are as follows:

Year ended December 31	**2005**	2004	2003
Domestic	**$317.8**	$347.7	$247.6
Foreign	**38.4**	74.9	67.5
	$356.2	$422.6	$315.1

Income tax expense is comprised of the following components:

Year ended December 31	**2005**	2004	2003
Current			
Federal	**$113.1**	$100.4	$ 66.3
State and local	**9.1**	11.3	4.1
Foreign	**18.3**	22.1	22.9
	140.5	133.8	93.3
Deferred			
Federal	**(21.8)**	11.3	14.2
State and local	**(3.0)**	(6.5)	3.5
Foreign	**(10.8)**	(1.4)	(1.8)
	(35.6)	3.4	15.9
	$104.9	$137.2	$109.2

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The major temporary differences that give rise to deferred tax assets or liabilities are as follows:

December 31	**2005**		2004	
	Assets	**Liabilities**	Assets	Liabilities
Property, plant and equipment	**$ 8.3**	**$ (84.5)**	$ –	$ (83.5)
Accrued expenses	**105.3**	**–**	81.9	–
Net operating loss and tax credit carryforwards	**74.9**	**–**	47.5	–
Pension cost	**7.2**	**(15.4)**	–	(10.6)
Intangible assets	**8.0**	**(75.1)**	9.2	(50.8)
Other	**13.7**	**(40.0)**	10.1	(25.8)
Gross deferred tax assets (liabilities)	**217.4**	**(215.0)**	148.7	(170.7)
Valuation allowance	**(38.0)**	**–**	(29.0)	–
Total deferred taxes	**$179.4**	**$(215.0)**	$119.7	$(170.7)
Net deferred tax liability		**$ (35.6)**		$ (51.0)

The valuation allowance primarily relates to net operating loss and tax credit carryforwards for which utilization is uncertain. Cumulative tax losses in certain state and foreign jurisdictions during recent years, and limited carryforward periods in certain jurisdictions were factors considered in determining the valuation allowance. Generally, no significant amount of carryforwards expire in any one year. However, $16.2 of the carryforwards will expire in 2016.

The Company recognized excess tax benefits of approximately $2.2, $4.4 and $.6 in 2005, 2004 and 2003, respectively, related to the exercise of employee stock options, which have been recorded as increases to additional contributed capital.

In 2005, the Company completed a foreign entity restructuring and cash repatriation transaction that resulted in the recognition of a deferred tax asset related to foreign losses and foreign taxes. Overall, the transaction generated a gross Foreign Tax Credit (FTC) benefit of $17.5 which was reduced by an $8 valuation allowance. The valuation allowance was recorded due to significant uncertainty regarding the Company's ability to realize all of the FTC benefit. It is reasonably possible that changes in facts and circumstances will occur within the next year that will require an adjustment to the valuation allowance.

Deferred income taxes and withholding taxes have been provided on earnings of the Company's foreign subsidiaries to the extent it is anticipated that the earnings will be remitted in the future as dividends. The tax effect of most distributions would be significantly offset by available foreign tax credits.

Deferred income taxes and withholding taxes have not been provided on undistributed earnings which management has deemed to be permanently reinvested. The cumulative undistributed earnings as of December 31, 2005 which the Company has deemed to be permanently reinvested are approximately $84.1. If such earnings were distributed, the resulting incremental taxes would be approximately $10.7 based on present income tax laws, which are subject to change.

Deferred tax assets and liabilities included in the consolidated balance sheets are as follows:

December 31	**2005**	2004
Other current assets	**$ 23.8**	$ 14.4
Deferred income taxes	**(59.4)**	(65.4)
	$(35.6)	$(51.0)

Income tax expense, as a percentage of earnings before income taxes, differs from the statutory federal income tax rate as follows:

Year ended December 31	**2005**	2004	2003
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
Increases (decreases) in rate resulting from:			
State taxes, net of federal benefit	**1.2**	.9	1.6
Taxes on foreign earnings	**(1.8)**	(1.1)	(.7)
Recognition of foreign deferred tax assets	**(2.6)**	(.9)	(1.3)
Permanent differences	**(1.2)**	(.8)	(.5)
Other	**(1.1)**	(.6)	.6
Effective tax rate	**29.5%**	32.5%	34.7%

L. SEGMENT INFORMATION

Reportable segments are primarily based upon the Company's management organizational structure. This structure is generally focused on broad end-user markets for the Company's diversified products. Residential Furnishings derives its revenues from components for bedding, furniture and other furnishings, as well as related consumer products. Commercial Fixturing & Components derives its revenues from retail store fixtures, displays, storage and material handling systems, components for office and institutional furnishings, and plastic components. The Aluminum Products revenues are derived from die castings, custom tooling and secondary machining and coating. Industrial Materials derives its revenues from drawn steel wire, steel rod, specialty wire products and welded steel tubing sold to trade customers as well as other Leggett segments. Specialized Products derives its revenues from the automotive industry, specialized machinery and equipment, and van interiors and truck bodies.

The accounting principles used in the preparation of the segment information are the same as used for the consolidated financial statements, except that the segment assets and income reflect the FIFO basis of accounting for inventory. Certain inventories are accounted for using the LIFO basis in the consolidated financial statements. The Company evaluates performance based on earnings from operations before interest and income taxes (EBIT). Intersegment sales are made primarily at prices that approximate market-based selling prices. Centrally incurred costs are allocated to the segments based on estimates of services used by the segment. Certain general and administrative costs and miscellaneous corporate income and expense of the Company are allocated to the segments based on sales and EBIT. Asset information for the segments includes only inventory, trade receivables, net property, plant and equipment and unamortized purchased intangibles. These segment assets are reflected in the segment information at their estimated average for the year.

Acquired companies' long-lived assets as disclosed include property, plant and equipment, goodwill and other intangibles, and long-term assets. Centrally incurred costs, allocated general and administrative costs and miscellaneous corporate income and expense include depreciation and other costs and income related to assets that are not allocated or otherwise included in the segment assets.

Summarized financial information concerning the Company's reportable segments is shown in the following tables:

Year ended December 31	External Sales	Inter-Segment Sales	Total Sales	EBIT
2005				
Residential Furnishings	**$2,598.8**	**$ 22.7**	**$2,621.5**	**$170.4**
Commercial Fixturing & Components	**1,134.6**	**12.8**	**1,147.4**	**39.1**
Aluminum Products	**516.0**	**15.4**	**531.4**	**30.6**
Industrial Materials	**533.4**	**310.4**	**843.8**	**104.2**
Specialized Products	**516.5**	**62.5**	**579.0**	**33.5**
Intersegment eliminations				**(5.5)**
Adjustment to LIFO method				**23.9**
	$5,299.3	**$423.8**	**$5,723.1**	**$396.2**
2004				
Residential Furnishings	$2,467.5	$ 14.1	$2,481.6	$265.0
Commercial Fixturing & Components	1,072.2	6.0	1,078.2	55.3
Aluminum Products	505.7	16.0	521.7	45.5
Industrial Materials	530.3	287.2	817.5	121.5
Specialized Products	509.8	54.0	563.8	50.5
Intersegment eliminations				.4
Adjustment to LIFO method				(76.5)
	$5,085.5	$377.3	$5,462.8	$461.7
2003				
Residential Furnishings	$2,180.1	$ 6.3	$2,186.4	$208.5
Commercial Fixturing & Components	957.8	7.2	965.0	26.8
Aluminum Products	453.5	13.2	466.7	35.6
Industrial Materials	369.2	209.6	578.8	37.7
Specialized Products	427.6	58.8	486.4	52.3
Intersegment eliminations				(3.8)
Adjustment to LIFO method				(1.8)
	$4,388.2	$295.1	$4,683.3	$355.3

Year ended December 31	Assets	Additions to Property Plant and Equipment	Acquired Companies' Long-Lived Assets	Depreciation and Amortization
2005				
Residential Furnishings	**$1,504.4**	**$ 60.1**	**$ 81.0**	**$ 74.2**
Commercial Fixturing				
& Components	**969.9**	**14.6**	**15.5**	**25.1**
Aluminum Products	**387.2**	**40.2**	**–**	**22.1**
Industrial Materials	**338.2**	**15.7**	**–**	**14.3**
Specialized Products	**530.2**	**23.2**	**94.6**	**24.9**
Unallocated assets	**218.9**	**10.4**	**–**	**10.5**
Adjustment to year-end vs.				
average assets	**103.8**			
	$4,052.6	**$164.2**	**$191.1**	**$171.1**
2004				
Residential Furnishings	$1,395.7	$ 59.9	$ 3.6	$ 70.4
Commercial Fixturing				
& Components	964.9	17.7	15.2	32.1
Aluminum Products	375.8	22.3	–	23.4
Industrial Materials	303.3	14.9	.3	14.5
Specialized Products	480.0	31.9	26.3	23.1
Unallocated assets	626.8	10.4	–	11.3
Adjustment to year-end vs.				
average assets	50.7			
	$4,197.2	$157.1	$ 45.4	$174.8
2003				
Residential Furnishings	$1,328.0	$ 50.7	$ 45.7	$ 70.2
Commercial Fixturing				
& Components	950.2	20.8	24.6	30.2
Aluminum Products	376.3	18.5	–	23.0
Industrial Materials	263.2	14.7	–	17.2
Specialized Products	414.2	23.0	14.4	16.8
Unallocated assets	615.3	8.9	–	9.6
Adjustment to year-end vs.				
average assets	(57.5)			
	$3,889.7	$136.6	$ 84.7	$167.0

Revenues from external customers, by product line, are as follows:

Year Ended December 31	2005	2004	2003
Residential Furnishings			
Bedding components	**$ 915.3**	$ 895.2	$ 778.7
Residential furniture components	**895.0**	805.1	697.1
Finished & consumer products	**669.4**	643.0	606.4
Other residential furnishings products	**119.1**	124.2	97.9
	2,598.8	2,467.5	2,180.1
Commercial Fixturing & Components			
Store displays, fixtures & storage products	**810.2**	824.2	744.0
Office furnishings & plastic components	**324.4**	248.0	213.8
	1,134.6	1,072.2	957.8
Aluminum Products			
Die cast products	**481.5**	474.6	422.4
Tool & die operations	**34.5**	31.1	31.1
	516.0	505.7	453.5
Industrial Materials			
Wire, wire products & steel tubing	**533.4**	530.3	369.2
Specialized Products			
Automotive products, commercial vehicle products & specialized machinery	**516.5**	509.8	427.6
	$5,299.3	$5,085.5	$4,388.2

The Company's operations outside of the United States are principally in Canada, Europe and Mexico. The geographic information that follows regarding sales is based on the area of manufacture.

Year Ended December 31	2005	2004	2003
External sales			
United States	**$4,163.4**	$4,029.3	$3,467.7
Canada	**458.7**	412.5	424.0
Europe	**373.8**	403.2	315.1
Mexico	**155.0**	145.7	135.3
Other	**148.4**	94.8	46.1
	$5,299.3	$5,085.5	$4,388.2
Long-lived assets			
United States	**$1,694.0**	$1,553.9	$1,551.8
Canada	**231.3**	227.9	207.8
Europe	**197.9**	228.2	198.5
Mexico	**83.8**	71.9	68.0
Other	**82.3**	50.5	44.2
	$2,289.3	$2,132.4	$2,070.3

M. CONTINGENCIES

The Company is involved in various legal proceedings including matters which involve claims against the Company under employment, intellectual property, environmental and other laws. When it appears probable in management's judgment that the Company will incur monetary damages or other costs in connection with claims and proceedings, and the costs can be reasonably estimated, appropriate liabilities are recorded in the financial statements and charges are made against earnings. No claim or proceeding resulted in a material charge against earnings, nor are the total liabilities recorded material to the Company's financial position. While the results of any ultimate resolution are uncertain, management believes the possibility of a material adverse effect on the Company's consolidated financial position, results of operations and cash flows from claims and proceedings is remote.

Countervailing and Anti-Dumping Duties

On April 2, 2001, the Coalition for Fair Lumber Imports filed two petitions with the U.S. Department of Commerce (Commerce) and the International Trade Commission (ITC), claiming that production of softwood lumber in Canada was being subsidized by Canada and that imports from Canada were being "dumped" into the U.S. market (sold at less than fair value). As a result, beginning on May 22, 2002, Commerce began imposing countervailing duty (CVD) and anti-dumping (AD) duty deposit requirements on softwood lumber imported from Canada. Through December 2005, the Company has paid or accrued approximately $21.0 million in CVD and AD deposits related to this action. Deposits are expensed when paid or accrued.

The CVD and AD tariff rates are determined by Commerce on an annual basis, with the actual final rate established at the end of each rate period via an annual review process. The annual CVD periods run from April 1 through March 31 and the annual AD periods run from May 1 through April 30. Any difference between the deposit rates and the final assessment rates are to be settled at the time of finalization. Subsequent deposit rates are subject to adjustment by Commerce based on the findings of the most recent administrative review. The annual review process will be repeated in successive one-year periods. After five years, both the CVD and AD orders will be automatically reviewed in a "sunset" proceeding to determine whether the tariffs should be continued or revoked.

As noted above, the Company began making cash deposits relating to the CVD and AD actions beginning in May 2002. The Company's initial combined deposit rate for the CVD and AD tariffs was 27.22% for the first and second administrative review periods. Based upon the results of the first and second administrative reviews, the Company's combined duty rates have been finalized at 21.15% for the first administrative review period and 11.35% for the second administrative review period.

Legal challenges have been filed by Canadian and U.S. parties before various authorities including the Court of International Trade, the North American Free Trade Agreement, dispute panels, and the WTO Dispute Settlement Body. The appeal and challenge processes are on-going and the parties, primarily the U.S. and Canadian governments, continue to discuss the possibility of a negotiated settlement. Until this dispute is ultimately resolved, the Company cannot be entirely certain what the ultimate costs to the Company will be, if any. AD and CVD rates could rise or fall and will not be final until the conclusion of the litigation. The Company expects that whatever the ultimate resolution is, the CVD and AD rates for the periods covered by the first and second administrative reviews will be no higher than the final rates that have been set by Commerce in those reviews. As such, in 2005 the Company recorded $4.8 million as a receivable and a partial reversal of the previously recorded expense which represents the difference between the deposit rates and final rates for the 2002 through 2004 periods covered by the first and second administrative reviews.

Following is a summary of the CVD and AD charges/deposits and reversal/receivable recorded in the Company's consolidated financial statements through December 2005:

	2005	2004	2003	2002	Total
Charges for CVD and anti-dumping duties	**$ 5.1**	$5.6	$5.9	$4.4	$21.0
Reversal associated with first and second administrative reviews	**(4.8)**	–	–	–	(4.8)
Net charges	**$ 0.3**	$5.6	$5.9	$4.4	$16.2

N. SPECIAL CHARGES

In each of the three years ending December 31, 2005, the Company has implemented various cost reduction initiatives to improve its operating cost structures. These cost initiatives have, among other actions, included workforce reductions and the closure or consolidation of certain operations. Except for the 2005 Closure and Consolidation Initiative described below, none of these initiatives have individually resulted in a material charge to earnings for any of the periods presented.

In the Company's fourth quarter 2005 press release issued January 26, 2006, we disclosed that the total expected cost of certain recent restructuring activities would be approximately $76. This cost is now estimated to total $77.9. The details regarding all of our restructuring activities are provided below.

Restructuring and other special charges for each of the three years ended December 31 were comprised of:

December 31	**2005**	2004	2003
Severance and other restructuring costs	**$20.0**	$6.9	$ .6
Asset impairment charges	**24.3**	2.4	1.3
Inventory obsolescence and other	**14.1**	—	—
(Gains) on sales	**(3.5)**	—	(2.5)
Total restructuring and other special charges	**$54.9**	$9.3	$ (.6)

2005 Closure and Consolidation Initiative

In September 2005, the Company launched a significant broad-based restructuring initiative to reduce excess capacity and improve performance in a number of its businesses. As a result, management identified 36 operations to be closed, consolidated or sold and which currently constitute the "2005 Closure and Consolidation Initiative." The Company's current estimate of the charges it expects to incur in connection with this initiative is $58.2, of which $40.3 was expensed in 2005 and $17.9 is expected to be incurred in 2006. These amounts do not incorporate any offsets from potential gains on the sale of equipment, buildings or real estate. The extent of any potential offsetting gains will not be known until such time as the Company has made a final determination of which assets will be sold, and has prepared or obtained estimates of the related fair market values.

The following table contains, by each major type of cost associated with the 2005 Closure and Consolidation Initiative, the total amount of costs expected to be incurred and the cumulative amount incurred to date:

	Total Amount Expected to be Incurred	Total Amount Incurred in 2005
Type of charge:		
Employee termination costs	$12.7	$ 8.4
Contract termination costs	1.9	.8
Other exit costs, primarily plant closure and asset relocation	12.6	2.7
Total restructuring costs (1)	27.2	11.9
Asset impairment charges (2)	18.3	16.0
Inventory obsolescence and other (3)	12.7	12.4
Total costs	$58.2	$40.3

(1)Restructuring costs associated with the 2005 Closure and Consolidation Initiative are reported on the Statement of Earnings in "Other expense (income), net."
(2)Asset impairment charges relate primarily to the write down of property, plant and equipment at the impacted facilities. These facilities include six in the Fixture & Display group; four in Bedding; four in Fabric, Foam & Fiber; four in Wire; two in Automotive and one in Home Furniture & Consumer Products. Current fair market values were estimated based primarily on prices for similar assets. Asset impairment charges for the 2005 Closure and Consolidation Initiative are reported in "Other expense (income), net."
(3)Inventory obsolescence and other charges for the 2005 Closure and Consolidation Initiative are reported in "Cost of Goods Sold."

These amounts are good faith estimates, and the amounts of actual charges may vary due to a variety of factors. Other than the inventory obsolescence and asset impairment charges, the costs associated with the 2005 Closure and Consolidation Initiative primarily represent cash charges. The Company currently anticipates that the remaining $17.9 will be incurred by the end of 2006, at which time the 2005 Closure and Consolidation Initiative activities are expected to be essentially complete.

The following table contains information, by segment, regarding the total amount of costs expected to be incurred in connection with the 2005 Closure and Consolidation Initiative and the amount incurred in the current year:

		Amounts Incurred in 2005			
	Total Estimated Cost at Completion	Restructuring Charges	Asset Impairment Charges	Inventory Obsolescence and Other Charges	Total Amount Incurred Year-to-Date
Residential Furnishings	$23.3	$ 2.4	$11.5	$ 2.0	$15.9
Commercial Fixturing & Components	18.4	8.4	1.5	4.7	14.6
Aluminum Products	—	—	—	—	—
Industrial Materials	4.1	.5	2.3	.4	3.2
Specialized Products	12.4	.6	.7	5.3	6.6
Total	$58.2	$11.9	$16.0	$12.4	$40.3

At December 31, 2005, the accrued liability associated with the 2005 Closure and Consolidation Initiative consisted of the following:

	Balance at September 19, 2005	Subsequent Accruals	Non-Cash Settlements and Other Adjustments	Payments	Balance at December 31, 2005
Termination benefits	$ —	$ 8.4	$ —	$(1.7)	$6.7
Contract termination costs	—	.8	—	(.1)	.7
Other restructuring costs	—	2.7	—	(1.3)	1.4
	$ —	$11.9	$ —	$(3.1)	$8.8

All remaining payments relating to the 2005 Closure and Consolidation Initiative are expected to be paid in 2006.

Other Initiatives

Apart from the 2005 Closure and Consolidation Initiative, the Company has implemented various cost reduction initiatives over the last three years to improve its operating cost structures. None of these actions has individually resulted in a material charge to earnings. In 2006, the Company expects to incur an additional $5.1, primarily composed of $4.5 in employee termination costs, to complete these initiatives. Costs associated with these activities have had the following impact on the Company's financial statements:

Year ended December 31	**2005**	2004	2003
Charged to other (income) expense, net:			
Severance and other restructuring costs	**$ 8.1**	$3.9	$ .6
Write-downs of property, plant and equipment	**8.3**	.2	1.3
(Gains) on sales	**(3.5)**	–	(2.5)
	$12.9	$4.1	$ (.6)
Charged to cost of goods sold:			
Severance and other restructuring costs	**$ 1.7**	$3.0	$ –
Write-down of property, plant and equipment	**–**	2.2	–
	$ 1.7	$5.2	$ –
Total of Other Initiatives	**$14.6**	$9.3	$ (.6)
Restructuring liabilities at year-end	**$ 2.1**	$1.4	$ .6

Adjustments of previously established liabilities relating to these activities have been negligible.

Net sales for the 12-month period prior to divestiture for businesses sold were $22 in 2005, $0 in 2004, and $23 in 2003. The earnings impact from these divested businesses is not material; as such, the Company has chosen not to report them as discontinued operations.

O. OTHER (INCOME) EXPENSE

The components of other (income) expense were as follows:

Year ended December 31	**2005**	2004	2003
(Gain) loss on asset sale	**$ (6.3)**	$(16.3)	$ 1.9
Restructuring charges	**20.0**	3.9	(1.9)
Asset impairments	**24.3**	.2	1.3
Currency (gain)	**(1.2)**	(2.1)	(.1)
Other	**.7**	(2.3)	(3.1)
	$37.5	$(16.6)	$(1.9)

P. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's risk management strategies include the use of derivative instruments to manage the fixed/variable interest rate mix of its debt portfolio, to hedge its exposure to fluctuating natural gas prices, and to hedge against its exposure to variability in interest and foreign exchange rates. It is the Company's policy not to speculate in derivative instruments.

The Company has managed a portion of the fixed/variable interest rate risk of its debt portfolio through the use of interest rate swap agreements. During 2000, $350 of 7.65% fixed rate debt which matured on February 15, 2005 was issued and converted to variable rate debt by use of an interest rate swap agreement. In March 2003, the Company sold its rights under the interest rate swap agreement for $39.9 in cash proceeds. The unamortized market value of the swap agreement was $2.5 at December 31, 2004.

Other than for planned purchases of natural gas, the Company does not generally use derivative commodity instruments to hedge its exposure to changes in commodity prices. At December 31, 2005, approximately $13.0 of natural gas forward contracts were outstanding at an average price of $7.47 per mmbtu, of which the contracts hedging January and February 2006 usage totaled approximately $3.1. At December 31, 2005, the total unrealized gain recorded in other comprehensive income on natural gas contracts was approximately $3.5, net of tax.

Subsequent to year-end, the Company entered into an additional $22.0 of natural gas forward contracts at an average price of $9.19 per mmbtu. At February 28, 2006, the Company had contracts in place hedging approximately 75% of its anticipated natural gas consumption for March 2006, approximately 65% of its anticipated monthly consumption for the 6-month period beginning April 2006, approximately 50% of its anticipated monthly consumption for the 3-month period beginning October 2006, approximately 20% of its anticipated monthly consumption for 2007, and approximately 5–15% of its anticipated monthly consumption for 2008. Contracts in place at February 28, 2006 totaled $31.9 at an average price of $8.40 per mmbtu.

The Company may use forward contracts, options and currency swaps in the normal course of business to mitigate foreign currency exposures. Where appropriate, the Company may designate forward currency contracts as hedges against the Company's exposure to variability in exchange rates on certain cash flows denominated in foreign currencies. In December 2003, the Company hedged a portion of anticipated Mexican peso expenses for certain subsidiaries through 2004. During 2004, hedges were used to reduce exposure from anticipated U.S. dollar (USD) raw material purchases at certain United Kingdom subsidiaries, and again to hedge a portion of its Mexican peso (MXN) needs for 2005. The amount of foreign currency forward contracts outstanding at December 31, 2005 was approximately $15.9 (pay USD/receive MXN). At December 31, 2005, the unrealized gain recorded in other comprehensive income on these contracts was approximately $.8, net of tax.

The changes in fair value of the unexpired natural gas and foreign currency contracts are recorded in other comprehensive income and reclassified to cost of goods sold in the period in which earnings are impacted by the hedged items.

In December 2003, the Company entered into a 38.3 Swiss Francs (CHF) five-year cross-currency swap agreement with Wachovia Bank, N.A. This agreement is designated as a net investment hedge of the Company's Swiss subsidiaries. In addition, the terms of this agreement include that the Company will receive interest on $30 USD at a fixed rate of 6.35% and pay interest on 38.3 CHF at a fixed rate of 4.71%. At December 31, 2005, the unrealized loss on this agreement was approximately $.1, net of tax, and is included in the foreign currency translation component of accumulated other comprehensive income.

All derivative financial instruments accorded hedge accounting treatment are considered highly effective. There were no transactions that ceased to qualify for hedge accounting treatment in the years ended December 31, 2005 and 2004.

Selected Financial Data

Leggett & Platt, Incorporated

(Unaudited)
(Dollar amounts in millions, except per share data)

	2005	2004	2003	2002	2001
Summary of Operations					
Net sales	**$5,299.3**	$5,085.5	$4,388.2	$4,271.8	$4,113.8
Net earnings	**251.3**	285.4	205.9	233.1	187.6
Net earnings per share					
Basic	**1.30**	1.46	1.05	1.17	.94
Diluted	**1.30**	1.45	1.05	1.17	.94
Cash dividends declared per share	**.63**	.58	.54	.50	.48
Summary of Financial Position					
Total assets	**$4,052.6**	$4,197.2	$3,889.7	$3,501.1	$3,412.9
Long-term debt	**921.6**	779.4	1,012.2	808.6	977.6

Net earnings and earnings per share for 2001 and 2002 do not include stock option expense. As discussed in Note A of the Notes to Consolidated Financial Statements, the Company began recognizing stock option expense under SFAS No. 123 in 2003 for options granted after January 1, 2003. In addition, net earnings and earnings per share in 2001 include the amortization of goodwill. Beginning in 2002, under the provisions of SFAS No. 142, goodwill is no longer amortized into expense. Excluding goodwill amortization, but including stock option expense for options granted after January 1, 2001, net earnings for 2001 would have been $201.3; basic earnings per share would have been $1.01; and diluted earnings per share would have been $1.00. Including stock option expense under SFAS No. 123 for options granted after January 1, 2002, net earnings in 2002 would have been $226.9; basic earnings per share would have been $1.14; and diluted earnings per share would have been $1.14.

(Unaudited)
(Dollar amounts in millions)

INTEREST RATES

The table below provides information about the Company's debt obligations sensitive to changes in interest rates. The Company has no other significant financial instruments sensitive to changes in interest rates. During 2000, $350 of 7.65% fixed rate debt maturing in February 2005 and, in 1999, $14 of 6.90% fixed rate debt maturing in June 2004 were issued and converted to variable rate debt by use of interest rate swap agreements. These swap agreements, which contained the same payment dates as the original issues, were used primarily by the Company to manage the fixed/variable interest rate mix of its debt portfolio. In March 2003, the Company sold its rights under the $350 interest rate swap agreement for $39.9.

Substantially all of the debt shown in the table below is denominated in United States dollars. The fair value of fixed rate debt was less than its carrying value by $23.5 at December 31, 2005, and greater than its carrying value by $6.6 at December 31, 2004. The fair value of fixed rate debt was calculated using the U.S. Treasury Bond rate as of December 31, 2005 and December 31, 2004 for similar remaining maturities, plus an estimated "spread" over such Treasury securities representing the Company's interest costs under its medium-term note program. The fair value of variable rate debt is not significantly different from its recorded amount.

	Scheduled Maturity Date							
Long-term debt as of December 31,	2006	2007	2008	2009	2010	Thereafter	2005	2004
Principal fixed rate debt	$75.0	$25.0	$71.5	$15.0	$ 0.0	$735.2	$ 921.7	$1,096.7
Average interest rate	7.12%	7.40%	6.31%	7.26%	0.00%	4.74%	5.17%	4.22%
Principal variable rate debt	3.3	9.1	9.0	9.0	19.2	22.5	72.1	35.5
Average interest rate	2.77%	2.96%	2.74%	2.74%	3.01%	3.56%	3.10%	1.80%
Miscellaneous debt							26.4	48.5
Total debt							1,020.2	1,180.7
Less: current maturities							(98.6)	(401.3)
Total long-term debt							$ 921.6	$ 779.4

EXCHANGE RATES

The Company does not hedge all net foreign currency exposures related to transactions denominated in other than its associated functional currencies. The Company may occasionally hedge firm specific commitments or other anticipated foreign currency cash flows. The decision by management to hedge any such transactions is made on a case-by-case basis. The amount of forward contracts outstanding at December 31, 2005 was approximately $15.9 (Pay USD/Receive MXN). The highest amount during 2005 was approximately $168.2 ($95.0 Pay EUR/Receive USD; $52.5 Pay USD/Receive EUR; $19.3 Pay USD/Receive MXN; $1.4 Pay GBP/Receive USD). In 2005, these contracts were primarily used to hedge known Euro-denominated purchases and receivables, about 70% of expected Mexican peso needs, and known British pound receivables.

The Company views its investment in foreign subsidiaries as a long-term commitment, and, except for the cross-currency swap agreement disclosed below, does not hedge translation exposures. The investment in a foreign subsidiary may take the form of either permanent capital or notes. The Company's net investment in foreign subsidiaries subject to translation exposure at December 31 is as follows:

Functional Currency	**2005**	2004
Canadian Dollar	**$311.2**	$280.9
European Currencies	**270.0**	344.5
Mexican Peso	**80.0**	56.7
Chinese Renminbi	**79.1**	38.2
Other	**40.5**	37.3
Total	**$780.8**	$757.6

CROSS-CURRENCY SWAP AGREEMENT

In December 2003, the Company entered into a 38.3 million Swiss Francs (CHF) five year cross-currency rate swap agreement with Wachovia Bank, N.A. This agreement is designated as a net investment hedge. The purpose of this swap is to hedge CHF denominated assets, thereby reducing exposure to volatility in the exchange rate. In addition, the terms of this agreement include that the Company will receive interest on $30 USD at a fixed rate of 6.35% and pay interest on 38.3 million CHF at a fixed rate of 4.71%. During 2005, the Company paid interest of $1.4 on the CHF portion and received interest of $1.9 on the USD portion of the agreement. At December 31, 2005, the market value loss on the cross-currency swap was approximately $.2.

COMMODITY PRICES

Other than for planned purchases of natural gas, the Company does not generally use derivative commodity instruments to hedge its exposure to changes in commodity prices. At December 31, 2005, approximately $13.0 of natural gas forward contracts were outstanding at an average price of $7.47 per mmbtu, of which the contracts hedging January and February 2006 usage totaled approximately $3.1. At December 31, 2005, the total unrealized gain recorded in other comprehensive income on natural gas contracts was approximately $3.5, net of tax.

Subsequent to year-end, the Company entered into an additional $22.0 of natural gas forward contracts at an average price of $9.19 per mmbtu. At February 28, 2006, the Company had contracts in place hedging approximately 75% of its anticipated natural gas consumption for March 2006, approximately 65% of its anticipated monthly consumption for the 6-month period beginning April 2006, approximately 50% of its anticipated monthly consumption for the 3-month period beginning October 2006, approximately 20% of its anticipated monthly consumption for 2007, and approximately 5–15% of its anticipated monthly consumption for 2008. Contracts in place at February 28, 2006 totaled $31.9 at an average price of $8.40 per mmbtu.

Quarterly Summary of Earnings

Leggett & Platt, Incorporated

(Unaudited)
(Dollar amounts in millions, except per share data)

Year ended December 31	First	Second	Third	Fourth	Total
2005					
Net sales	**$1,301.3**	**$1,309.8**	**$1,348.6**	**$1,339.6**	**$5,299.3**
Gross profit	**232.4**	**246.2**	**215.1**	**219.1**	**912.8**
Earnings before income taxes	**107.7**	**118.2**	**77.6**	**52.7**	**356.2**
Net earnings	**72.8**	**79.2**	**54.0**	**45.3**	**251.3**
Earnings per share					
Basic	**$.37**	**$.41**	**$.28**	**$.24**	**$1.30**
Diluted	**$.37**	**$.41**	**$.28**	**$.24**	**$1.30**
2004					
Net sales	$1,187.2	$1,278.1	$1,338.0	$1,282.2	$5,085.5
Gross profit	215.1	243.4	242.5	214.8	915.8
Earnings before income taxes	93.0	116.4	121.1	92.1	422.6
Net earnings	62.8	76.8	80.2	65.6	285.4
Earnings per share					
Basic	$.32	$.39	$.41	$.34	$1.46
Diluted	$.32	$.39	$.41	$.33	$1.45

In the third quarter of 2005, the Company launched a broad-based restructuring initiative resulting in unusually high restructuring and other special charges in both the third and fourth quarters of 2005. Restructuring and other special charges totaled $14.2 and $37.3 for the 2005 third and fourth quarters, respectively. See Note N to the Consolidated Financial Statements for further discussion of these charges.

Stock Market and Ownership Data

Leggett & Platt, Incorporated

Leggett & Platt's common stock is listed on The New York Stock Exchange (symbol LEG), and is a component of the S&P 500 Index. The table below highlights quarterly and annual stock market information.

	Stock Price Range			Millions of Shares		Dividends	
	High	Low	Close	Traded	Outstanding (avg. diluted)	Declared	Yield
1998:	$28.75	$16.88	$22.00	71.3	200.7	$.315	1.4%
1999:	$28.31	$18.63	$21.44	108.4	200.9	$ .36	1.7%
2000:	$22.56	$14.19	$18.94	122.1	200.4	$ .42	2.2%
2001:	$24.45	$16.85	$23.00	106.5	200.4	$ .48	2.1%
2002:	$27.40	$18.60	$22.44	128.3	199.8	$ .50	2.2%
2003:	$23.69	$17.16	$21.63	140.6	197.0	$ .54	2.5%
2004:							
First Quarter	$25.74	$21.19	$23.71	33.4	197.1	$ .14	2.4%
Second Quarter	27.24	21.80	26.71	43.8	197.0	.14	2.1%
Third Quarter	28.81	25.56	28.10	35.2	196.8	.15	2.1%
Fourth Quarter	30.68	26.05	28.43	35.1	196.6	.15	2.1%
For the Year	$30.68	$21.19	$28.43	147.5	196.9	$ .58	2.0%
2005:							
First Quarter	$29.61	$27.03	$28.88	32.4	196.5	$ .15	2.1%
Second Quarter	29.35	25.53	26.58	39.1	195.0	.16	2.4%
Third Quarter	28.60	19.54	20.20	57.0	193.8	.16	3.2%
Fourth Quarter	24.44	18.19	22.96	56.7	189.0	.16	2.8%
For the Year	$29.61	$18.19	$22.96	185.2	193.6	$ .63	2.7%

Price and volume data reflect composite transactions; price range reflects intra-day prices; data source is Bloomberg.

SHAREHOLDERS

The Company estimates it has approximately 55,000 shareholders, which includes 15,000 shareholders of record (i.e. stock certificates are issued in the name of the owner) and 40,000 beneficial shareholders (i.e. stock is held for the owner by their stockbroker in the name of the brokerage firm). At year end, institutional investors (e.g. mutual funds, pension funds) as a group held an estimated 64% of the Company's shares; the ten largest positions held 32%. In addition, management and employees, directors, retirees, merger partners, and their family members collectively held approximately 20% of the Company's shares.

DIVIDEND RECORD

- 34 Consecutive Annual Increases
- 14% Compound Annual Growth

Cash dividends have been paid on the Company's common stock each year since 1939. At the current indicated annual dividend of $.64 per share, 2006 will mark 35 consecutive years of increase in Leggett's annual dividends. Over this period dividends have doubled about every 5 years, yielding an average compound growth rate of over 14%. To our knowledge, only one other S&P 500 firm has achieved as long a string of consecutive dividend increases at the growth rate we have sustained.

DIVIDEND POLICY

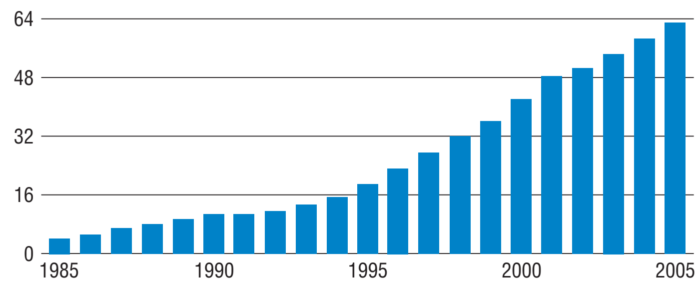
The Company targets dividend payout of roughly one-third the average net earnings for the most recent three years. Payout has been well above those levels in recent years, but Leggett expects to move back toward the target as earnings grow. Leggett believes in consistently paying cash dividends, is proud of its dividend growth record, and intends to extend that record far into the future. Quarterly cash dividends are usually declared in February, May, August, and November, and paid about two weeks after the start of the following quarter. For 2006, the Company's anticipated record dates are March 15, June 15, Sept. 15, and Dec. 15; anticipated payments dates are April 13, July 14, Oct. 13, and Jan. 15, 2007.

NYSE CERTIFICATION

The New York Stock Exchange requires that the CEO file an annual certification indicating that there are no violations of the NYSE listing standards. This certification was executed by our CEO on May 17, 2005 and filed after last year's annual meeting.

The Company has not notified the NYSE of any listing standards violation because, to the best of our knowledge, none exist. Furthermore, the CEO and CFO filed certifications with the SEC, as required by the Sarbanes-Oxley Act, regarding the quality of the Company's public disclosure. These certifications can be found as Exhibits 31.1 and 31.2 in the 10-K filed on March 1, 2006.

Dividend History
Cents per share



Board of Directors

Standing, left to right: Karl G. Glassman, Raymond F. Bentele, Phoebe A. Wood, Ralph W. Clark, Richard T. Fisher, R. Ted Enloe, III, Felix E. Wright, Maurice E. Purnell, Jr., and David S. Haffner. Seated, left to right: Joseph W. McClanathan, Harry M. Cornell, Jr., and Judy C. Odom.

Non-Management Directors

Raymond F. Bentele, 69, served as President and Chief Executive Officer of Mallinckrodt, Inc., a manufacturer of medical and specialty chemical products, from 1981 until his retirement in 1992. He serves as a director of The Mosaic Company, and of AMCON Distributing Company. He was first elected as a director of the Company in 1995.

Ralph W. Clark, 65, was a Vice President of International Business Machines Corporation ("IBM") from 1988 until 1994. He also served as Chairman of Frontec AMT Inc., a software company, until his retirement in 1998. Mr. Clark was first elected as a director of the Company in 2000.

Harry M. Cornell, Jr., 77, is Chairman Emeritus of the Company's Board of Directors. He has served the Company in various capacities since 1950. He served as President from 1960 to 1982 and as Chief Executive Officer from 1960 to 1999. Mr. Cornell was Chairman of the Board from 1982 to 2002. He was first elected as a director of the Company in 1958.

R. Ted Enloe, III, 67, has been Managing General Partner of Balquita Partners, Ltd., a family securities and real estate investment partnership, since 1996. He also served as President and Chief Executive Officer of Optisoft, Inc., a manufacturer or intelligent traffic systems, from 2003 to 2005. Mr. Enloe serves as a director of Silicon Laboratories Inc. He was first elected as a director of the Company in 1969.

Richard T. Fisher, 67, is Senior Managing Director, Midwest Division, of Oppenheimer & Co., an investment banking firm. He served as Managing Director of CIBC World Markets Corp., an investment banking firm, from 1990 to 2002. Mr. Fisher was first elected as a director of the Company in 1972.

Joseph W. McClanathan, 53, has served as President and Chief Executive Officer of the Energizer Battery Division of Energizer Holdings, Inc., since January 2004. Prior to his current position he served as President, North America, from 2002 to 2004, and as Vice President, North America, from 2000 to 2002. He was first elected as a director of the Company in 2005.

Judy C. Odom, 53, served as Chairman of the Board and Chief Executive Officer of Software Spectrum, Inc., a computer software company, until 2002. She is a director of Harte Hanks Inc., a direct marketing company. Ms. Odom was first elected as a director of the Company in 2002.

Maurice E. Purnell, Jr., 66, is Of Counsel to the law firm of Locke Liddell & Sapp LLP. He was a partner of Locke Liddell from 1972 to 2002. Mr. Purnell was first elected as a director of the Company in 1988.

Phoebe A. Wood, 52, has served as Executive Vice President and Chief Financial Officer of Brown-Forman Corporation, a diversified consumer products manufacturer, since 2001. She previously served as Chief Financial Officer of Propel, Inc., a subsidiary of Motorola, from 2000 to 2001. She also held various positions at Atlantic Richfield Corporation, an oil and gas company, from 1976 to 2000. The Board elected Ms. Wood as a director in November 2005.

Management Directors

Karl G. Glassman, 47, was elected Executive Vice President of the Company in 2002 and has served as President of the Residential Furnishings Segment since 1999. He previously served the Company as Senior Vice President from 1999 to 2002 and President of Bedding Components from 1996 through 1998. Mr. Glassman has served the Company in various capacities since 1982. He was first elected as a director of the Company in 2002.

David S. Haffner, 53, was elected President of the Company in 2002 and has served as Chief Operating Officer of the Company since 1999. He previously served as the Company's Executive Vice President from 1995 to 2002 and has served the Company in other capacities since 1983. Mr. Haffner serves as a director of Bemis Company, Inc. Mr. Haffner was first elected as a director of the Company in 1995.

Felix E. Wright, 70, is Chairman of the Company's Board of Directors and Chief Executive Officer. He also served as Vice Chairman of the Company's Board of Directors from 1999 to 2002 and as Chief Operating Officer from 1979 to 1999. Mr. Wright has served in various other capacities since 1959. He was first elected as a director of the Company in 1977.

Corporate Officers

Senior Corporate Executives

Felix E. Wright, 70, Chairman of the Board and Chief Executive Officer, was appointed CEO in 1999, and became Chairman in 2002. Served as Vice Chairman of the Company's Board of Directors from 1999 to 2002 and as Chief Operating Officer from 1979 to 1999. Joined the Company directly from college in 1959.

David S. Haffner, 53, President and Chief Operating Officer, was elected President in 2002 and has served as Chief Operating Officer since 1999. Previously served as the Company's Executive Vice President from 1995 to 2002, and served the Company in other capacities since 1983. Prior experience includes nine years with Schreiber Foods, where he served as Director of Engineering.

Karl G. Glassman, 47, Executive Vice President, was appointed Executive Vice President in 2002. Has served as President of the Residential Furnishings Segment since 1999. Previously served as Senior Vice President of the Company from 1999 to 2002, as President of Bedding Components from 1996 to 1998, and in various other capacities since 1982. Prior to Leggett, he worked for Federal Express and DeLamar Bed Spring.

Matthew C. Flanigan, 44, Senior Vice President and Chief Financial Officer, was promoted to Senior Vice President in 2005, and appointed CFO in 2003. Joined the Company in 1997 and served as President of the Office Furniture Components Group from 1999 to 2003. Previous work experience includes 13 years in the banking industry at Société Générale and InterFirst Bank, both in Dallas.

John A. Hale, 57, Senior Vice President – Human Resources, was named a Senior Vice President of the Company in 2004. Has led the Human Resources department since 1988. Previously served the Company as Staff Vice President of Personnel, and as manager of various human resource functions. Prior to joining Leggett (in 1979) he was a personnel manager for Eagle Picher Industries, and a high school teacher in Afton, IL.

Ernest C. Jett, 60, Senior Vice President – General Counsel & Secretary, was promoted to Senior Vice President in 2004. Was appointed General Counsel in 1997, and Vice President and Secretary in 1995. Previously served the Company as Assistant General Counsel from 1979 to 1995 and as Managing Director of the Legal Department from 1991 to 1997. Before joining the Company (in 1979), he held positions at both Tenneco, Inc. and Cooper Industries.

Key Board Committees:

Audit:
Bentele (Chair), Clark, Fisher, McClanathan, Odom, Wood

Compensation:
Enloe (Chair), Fisher, Odom

Nominating and Corporate Governance:
Fisher, Odom, Purnell (Chair)

Mr. Fisher serves as Presiding Director at meetings of the non-management directors.

Mr. Bentele, Ms. Odom, and Ms. Wood are the Audit Committee's financial experts.

Senior Operating Vice Presidents

Jack D. Crusa, 51, Senior Vice President – Specialized Products, assumed responsibility, in 2004, for both the Specialized Products segment and the Company's procurement efforts. Became a Senior Vice President of the Company in 1999, and served as head of the Industrial Materials segment from 1999 to 2004. Served in a variety of other capacities since 1986. Before joining Leggett he worked as a CPA for BKD, LLP.

Joseph D. Downes, Jr., 61, Senior Vice President – Industrial Materials, was appointed Senior Vice President of the Company in January 2005 and President of the Industrial Materials Segment in 2004. He previously served the Company as President of the Wire Group from 1999 to 2004, and in various other capacities since 1976. Prior industry experience includes 12 years in wire and steel sales.

Robert G. Griffin, 53, Senior Vice President – Fixture & Display, has served as head of the Company's fixture & display operations since 1998, and was named senior vice president in 1999. Served as Director of Mergers, Acquisitions & Strategic Planning from 1995 to 1998. Joined the Company in 1992. Previous work experience includes positions with Mennen Company, AMF Inc. and A&P Tec. Co.

Paul R. Hauser, 54, Senior Vice President – Bedding Components, was promoted to Senior Vice President of the Company in 2004. Has served as head of bedding operations since 1999. Served in a variety of other positions since 1980. Prior to joining Leggett he worked in sales for Penn Dixie Steel and Hauser Tractor & Equipment.

Daniel R. Hebert, 62, Senior Vice President – Aluminum Products, was appointed Senior Vice President, heading the Aluminum Segment, in 2002. Joined the Company in 1996 as vice president of our aluminum operations. Prior experience includes five years as vice president of operations at Midwest Fabrication, and 25 years at GE Lighting.

Operating Vice Presidents

Arnold E. Berney	Int'l Home Furniture Components
J. Scott Bull	Aluminum Products
Perry E. Davis	U.S. Innersprings
Robert W. Doerner	Office Chair Components
Klaus W. Dohring	Automotive
Randall M. Ford	Home Furniture Components
Russell N. Fugate	Office and Plastic Components
John A. Garrett	Machinery and Technology
Jerry W. Greene, Jr.	Fabric and Geo Components
Larry R. Heppe	Foam and Carpet Underlay
Charles A. Kallil, Sr.	Digital Printing
Dennis S. Park	Home Furnishings & Consumer Products
Frederick J. Rocchio, Jr.	Sterling Steel
Michael S. Walters	Fabric, Foam, Fiber
David A. Young	Office Furniture Components

Corporate Vice Presidents

Lance G. Beshore	Government Relations
Michael W. Blinzler	Information Technology
Raymond J. Cavanaugh	Internal Audit and Due Diligence
Peter W. Connelly	Procurement
David M. DeSonier	Investor Relations, Assistant Treasurer
James L. Hess	Operations Services
Russell J. Iorio	Mergers and Acquisitions
John G. Moore	Associate General Counsel, Associate Secretary
Sheri L. Mossbeck	Treasurer
Kenneth W. Purser	Tax
Mark L. Smith	Associate General Counsel – Law
William S. Weil	Corporate Controller, Chief Accounting Officer

Annualize: Take a measurement covering a period of less than one year, and extrapolate it to cover a full year.

Basis Point: A unit of measure equal to 1/100th of 1%.

Bolt-On: An acquisition, usually fairly small, that is quite similar to existing operations, and can therefore easily be integrated into (or "bolted on" to) an existing business unit. Most of Leggett's acquisitions are "bolt-ons".

Book Value per share: Another term for per share shareholder equity, or net worth. The company's total assets minus total liabilities, divided by the number of shares of stock.

Business Group or Unit: An organizational subset of Leggett's operations; there are currently 11 business groups and 29 business units.

Capital Expenditure: Funds used to purchase physical assets including property, plant, and equipment.

Cash Equivalents: Highly liquid assets; assets that can be readily converted into cash.

Credit Rating: An evaluation of a company's ability to repay debt. Ratings are issued by Moody's, S&P, and Fitch. Investors and analysts use these ratings to assess the risk of an investment.

Commercial Paper: Unsecured (i.e. no collateral required), unregistered short-term debt that typically comes due within 270 days.

Debt To Cap: An indicator of financial leverage; the ratio of long-term debt to total capitalization. Companies with significant cash positions will often calculate Net Debt to Cap, which modifies the figures as if cash had been used (first) to repay current maturities of long term debt and (second) to reduce long term debt.

Deverticalization: Leggett's term for encouraging customers to cease making their own components. Leggett becomes their component supplier, freeing them to concentrate on retailing, marketing and assembly.

Die Casting: Process for producing engineered parts by forcing molten metal under high pressure into reusable steel molds (called dies).

Dividend: The portion of a company's profit paid (usually in cash) to shareholders.

Dividend Yield: The fraction of the stock price returned to shareholders annually as dividends (equals dividends paid divided by stock price). A stock selling for $30 that pays shareholders $.60 in annual dividends has a dividend yield of 2.0% (= 0.60 / 30.00).

EBIT: Earnings before interest and taxes.

EBIT Margin: EBIT divided by sales, equals the amount of EBIT earned per dollar of sales.

EPS: Earnings per share. A company's after-tax profit divided by the weighted average number of shares of stock. If a company earning $6 million had 3 million shares of stock, its EPS would be $2 per share.

Form 10-K: An annual report filed with the SEC by all corporations having at least 500 shareholders and assets of over $10 million.

Forward Looking Statements: Comments the company makes regarding beliefs or expectations about the future.

Geo Components: a group of products that includes geotextiles (synthetic fabrics used in ground stabilization, drainage protection, erosion and weed control), silt fencing, seed and fertilizer.

Goodwill: The premium paid for an acquisition; amount paid in excess of the fair market value of the assets acquired.

Gross Margin: Gross profit (which is net sales less cost of goods sold) divided by net sales.

Innerspring: The set of steel coil springs, bound together, that form the core of about 90% of mattresses in North America.

Intangible Asset: A non-financial asset lacking physical substance; examples include goodwill, patents, trademarks and licenses.

Interest Rate Swap: Agreement under which two parties agree to exchange one type of interest rate cash flows for another. One party typically pays a fixed interest amount, but receives variable payments computed using a published index.

Internal Sales Growth: see Organic Sales Growth.

Inter-segment Sales: Sales of product from one segment of the company to another (e.g. sales of wire from Leggett's Industrial Materials segment to the Residential Furnishings segment).

LIFO: Stands for "Last In, First Out"; an inventory accounting method that assumes the products acquired last are the ones sold first.

Long-Term Debt: Liability (e.g. bond or note) that comes due (i.e. must be repaid) more than one year into the future.

Maker/User: Leggett's term for a customer that makes its own components for use in the assembly of a product it manufactures.

Motion Mechanism: The highly-engineered (usually steel) component that enables furniture to recline, tilt, swivel, elevate, etc.

Net Debt: The amount of debt remaining if all cash and cash equivalents are used to pay off debt.

Net Debt to Net Capital: A measure of leverage that allows meaningful comparison to historical periods of higher cash balances; equal to (Long Term Debt + Current Debt Maturities - Cash & Equivalents) / (Total Capitalization + Current Debt Maturities - Cash & Equivalents).

Net Margin: Net earnings divided by net sales; a measure of after-tax profitability per dollar of sales. Also called net earnings margin.

Net Sales: Overall sales to third parties adjusted for discounts and/or return of product. Excludes inter-segment sales.

One Stop Supplier: A vendor that can provide the full variety of products the customer needs, enabling the customer to deal with only one supplier, rather than having to deal with many separate manufacturers.

Organic Sales Growth: Also called "same location sales growth" or "internal sales growth." The amount of sales increase not attributable to acquisitions. Sales growth that comes from the same plants and facilities that the company owned one year earlier.

Payout Ratio: The percentage of earnings that is paid to shareholders in the form of dividends.

Point-of-Purchase Display: Temporary or semi-permanent, brand-specific, promotional exhibit located in a retail store.

Revolving Credit: Contractual agreement to loan up to a specified amount of money, for a specified period of time; any amounts repaid can be borrowed again.

Return On Shareholders' Equity: Net earnings divided by shareholders' equity; a measure of the amount earned on the investment of the stockholders.

Return On Total Capital: The sum of (net earnings + after-tax interest expense) divided by total capitalization; a measure of the amount earned on the investment of both the stockholders and the debt holders.

Same Location Sales Growth: See "Organic Sales Growth."

Segment: A major subset of the company's operations that contains business groups and units. Leggett reports results in five segments.

Shareholders' Equity: Another term for net worth. The company's total assets minus total liabilities.

Shelf Registration: SEC rule that allows a company to comply with registration requirements up to two years prior to issuing debt or equity; once filed, the shelf allows the company to issue securities as conditions become favorable.

Store Fixture: Shelving, display case, rack, cart, kiosk, partition, or cabinet used to hold or present a product in a retail environment.

Steel Rod: Commodity product produced at steel mills. Rod looks like a coil of thick wire, is rolled (or formed) from a billet (a long bar of steel), and is commonly used to make wire, bolts and nails. Leggett is the largest consumer of steel rod in the U.S.

Total Capitalization: The sum of four items on the balance sheet: long-term debt, other liabilities, deferred income taxes, and shareholder's equity. In essence it is a measure of the total amount invested in the firm by both shareholders and lenders.

Total Sales: Net sales plus inter-segment sales.

Working Capital: The strict accounting definition is: current assets less current liabilities. Many companies, including Leggett, exclude cash and equivalents, and current maturities of long term debt, when analyzing how efficiently working capital is being utilized.

Corporate Information

Mailing Address:
Leggett & Platt, Incorporated
PO Box 757
Carthage, MO 64836-0757
(417) 358-8131

Annual Meeting:
May 10, 2006, at 10:00 a.m. (local time), at the Company's Cornell Conference Center, No. 1 Leggett Road, Carthage, Missouri.

Stockholder Inquiries:
Inquiries regarding dividend payments, lost dividend checks, stock transfers, address or name changes, duplicate mailings, lost stock certificates, or Form 1099 information should be directed to the Registrar and Transfer Agent.

Direct Deposit of Dividends:
The Company strongly encourages shareholders to have dividends deposited directly to their checking account, as this reduces expenses. Please contact the Transfer Agent for more information.

Registrar and Transfer Agent:
UMB Bank, n.a.
Securities Transfer Division
P.O. Box 419064
Kansas City, MO 64141-6064, or
928 Grand Blvd., 5th Floor
Kansas City, MO 64106
Phone: (800) 884-4225
www.umb.com/business/shareholder/faq.html

Independent Registered Public Accounting Firm:
PricewaterhouseCoopers LLP
St. Louis, Missouri

Form 10-K:
To obtain a copy of the Company's Form 10-K, as filed with the Securities and Exchange Commission, direct requests to Investor Relations. This report, without exhibits, will be provided at no charge, and is also available on Leggett's website.

Web Site:
www.leggett.com
Corporate news releases, Forms 10-K and 10-Q, the Annual Report, specifics regarding corporate governance, and a variety of additional information is available through the Company's website.

Listed:
The New York Stock Exchange
(ticker = LEG)

Investor Relations:
General information about Leggett and its common stock may be obtained from the Investor Relations department:
David M. DeSonier, Vice President
Susan R. McCoy, Director
C. David Brown, Analyst
Bonnie S. Young, Specialist
Janna M. Fields, Secretary
Phone: (417) 358-8131
Fax: (417) 359-5114
Email: invest@leggett.com
Web: www.leggett.com

Stock Analyst Coverage:
Avondale Partners
BB&T Capital Markets
Edward Jones
Ferris Baker Watts
Longbow Research
Morgan Keegan
Raymond James
Stifel Nicolaus
SunTrust Robinson Humphrey
UBS

Contacting the Audit Committee:
Should you become aware of any questionable accounting, internal controls or auditing matters, you may report your concerns confidentially to the Company's Audit Committee by any of the options listed below. You may request written acknowledgment of your written complaint or concern.
Call: (888) 401-0536
Write: L&P Audit Committee
Attn: Ray Cavanaugh
P.O. Box 757
Carthage, MO 64836
Email: auditcommittee@leggett.com

Contacting the Board of Directors:
Individuals may communicate with the Board via email at presidingdirector@leggett.com or in writing at: L&P Presiding Director, P.O. Box 637, Carthage, MO 64836. Mr. Fisher, the Board's Presiding Director, will receive all communications directly.

www.leggett.com

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Leggett & Platt at a Glance

Leggett & Platt®

Leggett Distinctives
• Outstanding track record
• Strong market positions
• Abundant growth opportunities
• Financial stability
• Consistent dividend growth
• Management "skin in the game"
• High quality earnings

Track Record
• Dividends increased at 14% annual average for 34 consecutive years (second-best record among the S&P 500)
• High quality earnings; conservative accounting
• Single A credit rating for more than a decade
• Net debt to net capital generally at or below 30%
• Return on equity averaged 15% over last decade

Strategic Direction
• Profitable growth remains the top priority
• Extend our dividend growth record
• After funding growth and dividends, use remaining cash flow (if any) to repurchase shares of stock
• Modestly increase leverage

Financial Goals
• 15% annual EPS growth
• 10% – 15% annual sales growth
• Return on equity (ROE) in the high teens
• 30% – 40% Net Debt to Net Capital
• Single "A" debt rating
• Top quartile performance vs. Peers

Dividend Policy
• Aim to pay about 1/3 the trailing 3-year average earnings

Recognition
• Standard & Poor's list of 2006 "Dividend Aristocrats"
• Among the top 70 firms in *Mergent's Dividend Achievers*, as ranked by ten-year dividend growth rate
• Top-half performance rankings among the Fortune 500, per *Fortune* magazine
• Again included in *Fortune*'s list (March 2006) of America's Most Admired Companies; scored in the top third of the 580 companies listed

Peer Group
Eleven large, diversified manufacturing peers.

Ticker	Sales	Name
• CSL	2.2	Carlisle Companies
• CBE	4.7	Cooper Industries
• DHR	8.0	Danaher Corporation
• DOV	6.1	Dover Corporation
• ETN	11.1	Eaton Corporation
• EMR	17.3	Emerson Electric Company
• ITW	12.9	Illinois Tool Works
• IR	10.5	Ingersoll-Rand
• MAS	12.6	Masco
• PNR	2.9	Pentair
• PPG	10.2	PPG Industries

Sales are in billions of dollars, for full year 2005.

2005 Accomplishments
• Sales grew 4% to record of $5.3 billion
• EPS of $1.30 (including $.20 of non-recurring net costs)
• Cash from Operations grew 32%, to $448 million
• New billet welder added 20% capacity at steel rod mill
• 34th consecutive annual dividend increase
• "Deverticalization" project with Briggs & Stratton
• Issued $200 million of 10-year debt at a 5% coupon
• Repurchased 10 million shares, or 5%, of Leggett's stock
• Acquired 12 companies, about $320 million of revenue
• Added two new independent Directors to the Board

Quick Facts
• Sales of $5.3 billion; 21% international
• #384 in revenues on Fortune 500 list (April 2005)
• Broad customer base; mainly manufacturers, retailers
• Few large competitors; almost none are public
• 5 Reporting Segments; 29 Business Units
• 33,000 employee-partners
• 300 facilities in over 20 countries
• 160 acquisitions in last decade

Stock Information
• Listed on NYSE; ticker = LEG
• 189 million (diluted) shares outstanding
• Approximately 55,000 shareholders
• About 20% of stock owned by management and employees, directors, retirees, merger partners, and family members
• Current indicated annual dividend of $.64 per share
• Dividend Yield = 2.7% (on $24 stock price)
• 2005 price range of $18.19 - $29.61
• 2005 daily volume averaged 760,000 shares
• Compound annual total return of 15% since 1967 IPO
• Authorized to repurchase up to 10 million shares annually

Profile
Fortune 500 diversified manufacturer that conceives, designs and produces a broad variety of engineered components and products that can be found in virtually every home, office, retail store, and automobile. North America's largest independent manufacturer of a variety of products including:
• components for bedding and residential furniture
• carpet padding
• adjustable beds
• 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
• bedding industry machinery

Brief History
• 1883: Partnership founded in Carthage, Missouri
• 1901: Incorporated
• 1967: Company went public; revenues of $13 million
• 1979: Listed on New York Stock Exchange
• 1990: Revenues exceed $1 billion
• 1998: Added to the Fortune 500
• 1999: Included in the S&P 500 index
• 2004: Revenues exceed $5 billion