

Engineered products
for everyday use...



nearly **everywhere.**

Profile

Leggett & Platt is a leading manufacturer of engineered products serving several major markets. The company's products, many of which are proprietary, are offered through expanding business platforms for – **Furnishings** – components for bedding, furniture and other furnishings, plus select lines of finished products for homes, offices and institutions – **Fixtures & Displays** – store shelving and fixtures, point-of-purchase displays, storage, material handling and other products for commercial use – **Aluminum Die Castings** – components, custom tooling, machining and other processes for manufacturers of consumer products, telecommunications and electrical equipment and other products – **Materials & Technologies** – specialized materials, manufacturing equipment, systems and technologies for Leggett operations and other manufacturers.



Founded by two partners in 1883, Leggett & Platt is in its fourth decade of growth as a public company. Approximately 26,000 employee-partners work in Leggett facilities throughout North America and in several international locations. The company's shares are traded on the New York and Pacific Stock Exchanges with the symbol LEG.

Financial Highlights

LEGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Dollar amounts in millions, except per share data)

Year ended December 31	1997	1996	% Change
Net sales	\$ 2,909.2	\$ 2,466.2	18%
Earnings before income taxes and non-recurring costs*	333.3	276.3	21
Net earnings before non-recurring costs*	208.3	169.4	23
Net earnings	208.3	140.5	48
Cash provided by operating activities	288.3	238.1	21
Earnings per share			
Net earnings before non-recurring costs – basic*	\$ 2.19	\$ 1.87	17%
Net earnings before non-recurring costs – diluted*	2.16	1.85	17
Net earnings – basic	2.19	1.55	41
Net earnings – diluted	2.16	1.53	41
Cash dividends declared per share	.54	.46	17
Book value per share	12.18	10.22	19
Pre-tax profit margin before non-recurring costs*			
	11.5%	11.2%	
Net profit margin before non-recurring costs*			
	7.2	6.9	
Net profit margin			
	7.2	5.7	
Return on average shareholders' equity*			
	19.7	20.1	
Long-term debt as a percent of total capital			
	26.9	27.4	
Return on average total capital*			
	14.5	14.3	
Average shares outstanding (in millions)			
Basic	95.1	90.5	
Diluted	96.6	91.8	

* 1996 amounts exclude merger related costs for the acquisition of Pace Holdings, Inc. (Pace) of \$26.6 pre-tax and \$16.4 after-tax, or \$.18 per basic and diluted share and an extraordinary charge from the refinancing of Pace debt of \$12.5 after-tax, or \$.14 per basic and diluted share.

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Harry M. Cornell, Jr.
*Chairman of the Board and
 Chief Executive Officer*

Leggett & Platt had its best year ever in 1997. Double-digit growth resulted in record sales and earnings. Operating cash flow grew similarly, providing substantial funds for internal growth and acquisitions. Leggett has achieved new highs in sales, earnings and cash flow from operations for six consecutive years.

We will continue to set high goals, believing they are essential to successful performance. Specifically, our objectives for long-term growth in sales and net earnings remain at 15% compounded annually. Over the 30-year period since we became publicly owned, from 1967 through 1997, Leggett's sales have grown at a compound annual rate of 19.7%. The growth rate in net earnings over this period was 23.1% compounded annually. During our last six record years, the compound annual growth rates were 15.6% in sales and 31.9% in net earnings.

Businesses acquired in 1997 expanded Leggett's annualized volume by about 15%, when compared to pre-acquisition levels. This year, to date, eight additional businesses have joined us as acquisition partners. With these

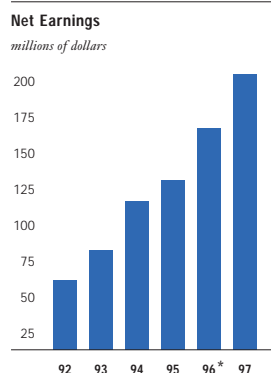
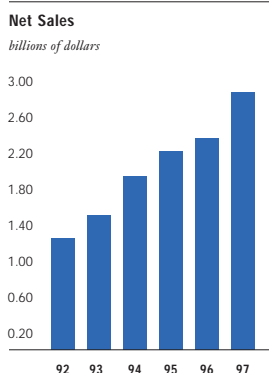
new Leggett companies in place, our annualized sales now exceed the \$3 billion mark.

We are aggressively pursuing myriad opportunities for advancing sales, earnings and cash flow. Our strategy couples internal growth initiatives with acquisitions to enhance shareholder value. Over the years, the returns on Leggett stock have reflected the success of our strategy, rewarding shareholders through attractive, long-term price appreciation.

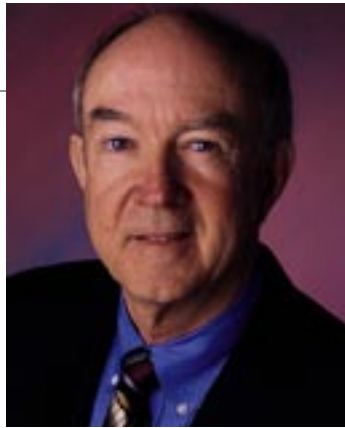
Our successful strategy has also allowed Leggett to sustain an exceptional 27-year record of increasing shareholder dividends. In each of the last five years, the quarterly dividend has been increased twice, first in February and then in August. In 1998, we again increased the first quarter dividend. The current quarterly rate is \$.15 per share, an indicated annual rate of \$.60 per share. Over the last 27 years, the quarterly dividend has increased 45-fold, or 15.2% compounded annually.

Consistent performance and a focus on the fundamentals of success remain top priorities. These fundamentals include:

- our constant dedication to the best in customer service
- product and machinery development
- quality and continuous improvement.



* See note to Financial Highlights on page 1.



Felix E. Wright
*President and
Chief Operating Officer*

Another key fundamental is faithful adherence to our capital policy. This policy mandates that we maintain a strong financial position to make funds available, as needed, for:

- internal improvements and expansions to plant and equipment
- development of vital human resources
- profitable external growth through acquisitions.

The employee-partners of Leggett & Platt contributed greatly to the excellent and improved performance of 1997. There are now approximately 26,000 men and women in our growing family of Leggett companies. We salute them and their families, individually and together as partners, for their continuing dedication to success. Customers, employee-partners and fellow shareholders have all benefited from their accomplishments.

Our confidence in Leggett's future is reinforced by our 1997 performance. We anticipate another good year in 1998, with increased sales and earnings. We also believe the outlook for the domestic economy remains positive. Our direct exposure to the recent economic turmoil in Asia and renewed instability in the Middle East is not significant. At the same time, we recognize that crises such as these add uncertainties to any business outlook. Overall inflationary pressures are benign, while total employment is at record levels and interest rates recently have been declining. These factors should bode well for our customers and for Leggett.

Our greatest challenge, throughout Leggett, is to remain focused on improving performance. We must take nothing for granted and continuously seek, find and develop an ever-stronger team to help us achieve outstanding results, in the new year and into the 21st century. Thus, we continue to encourage all employee-partners to take the lead in providing the best service and solutions for customers...every customer...everywhere.

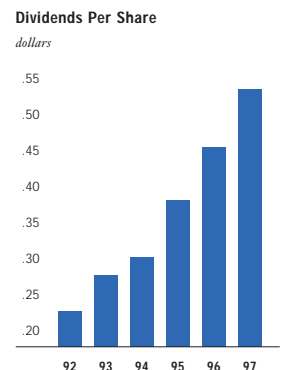
We urge you to read the following sections to learn more about our plans, opportunities and expectations. As always, we invite questions or comments about Leggett at any time.

Sincerely,

Harry M. Cornell, Jr.
*Chairman of the Board and
Chief Executive Officer*

Felix E. Wright
President and Chief Operating Officer

March 9, 1998



Chairman's Special Message

Our plans for executive management succession are right on schedule. In May 1998, I will begin my last year as Leggett's Chief Executive Officer, a position I have enjoyed immensely since 1960. My intentions for May 1999 anticipate continued service as Chairman of the Board of Directors. This intention assumes, of course, a continuation of the support from fellow shareholders, board members and management, plus the good health I have been blessed with all my life. Serving in this position, I would expect to remain relatively active in the company's affairs for several years, as long as I can make a solid contribution.

Our exciting succession plans for the new millennium anticipate Felix Wright continuing to serve as President and Chief Operating Officer until May 1999, when he will succeed me as Chief Executive Officer. Felix joined Leggett in 1959 and has enjoyed a distinguished career, serving in a number of key positions. He became Executive Vice President in 1976, Chief Operating Officer in 1979, and was elected President in 1985. Felix's excellent performance, coupled with his talent, experience and a strong management team, has led us to a seamless transition point, naturally and with great confidence.

We also anticipate that David Haffner, Executive Vice President, will succeed Felix as Chief Operating Officer. David, age 45, will come well prepared for his additional responsibilities. David joined Leggett in 1983 and is currently responsible for over 75% of operations.

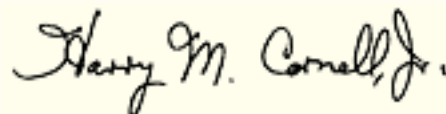
Leggett's accomplishments have been substantial since 1960, when at \$7 million in yearly revenues, we began to build the framework for our continuing growth strategy. Did we dream then

that the company would cross the \$3 billion mark in annualized sales and have a total market value of more than \$5 billion early in 1998? No, not specifically. However, we did foresee great opportunities to expand our business, while enhancing prospects for profitable growth and shareholder wealth. With ongoing refinements and assessments, these cornerstones of our strategy still guide us.

Long-term shareholders, employee-partners, customers and many of their families know of my absolute commitment to Leggett and its continued success. My personal rewards in leading our management team for nearly 40 years are immeasurable. They extend far beyond financial terms and investment returns on Leggett stock to countless business relationships and priceless personal friendships... worldwide. It has been particularly gratifying to see so many employee-partners succeed and benefit from the financial success of the company as shareholders.

My service with Leggett will forever be an unforgettable experience for me. Leggett's long-term outlook is brighter today than ever. We have a proven strategy, substantial capital resources, and a group of employee-partners second to none... all in place and dedicated to making it happen, day-in and day-out. Together, we will keep our expectations high and anticipate an exciting future.

Sincerely,



Harry M. Cornell, Jr.

*Chairman of the Board
and Chief Executive Officer*

everywhere

As a new century approaches, the name Leggett & Platt remains synonymous with innovation and technology...in new and improved products, advanced machinery development, and enhanced productivity. Leggett products often are unseen, but are engineered to be used by people every day...nearly everywhere.

The Leggett & Platt of today and tomorrow had a new beginning in the 1960's, when current executive management assumed leadership. Being substantially invested in Leggett stock, then and now, management developed a plan to enhance the company's long-term growth. The strategy proved successful, resulting in leading manufacturing, marketing and distribution capabilities, plus an outstanding record of profitable growth.

LEADERSHIP PERFORMANCE

Under current leadership, management has sustained consistent performance, benchmarking results to specific Leggett goals and other indices as well. For example, Leggett's long-term growth in earnings per share has consistently exceeded that of the S&P 500, a widely recognized and diversified index of large companies.



Executive team management shown left to right are; Michael Glauber, senior vice president – finance and administration; David Haffner, executive vice president; and Robert Jefferies, senior vice president – mergers, acquisitions and strategic planning.

The following table highlights two major yardsticks, comparing Leggett and the S&P 500 in earnings per share growth and stock price appreciation. The time periods shown cover the three decades since Leggett became publicly owned in 1967, and Leggett's last six record years.

LEGGETT/S&P 500		
Compound Annual Growth Rates		
Earnings Per Share	1967 to 1997	1991 to 1997
LEGGETT	15.7%	26.8%
S&P 500	7.0%	17.0%
Stock Price Appreciation		
LEGGETT	20.6%	28.1%
S&P 500	8.0%	15.1%

Additional recognition of Leggett's industry leadership is featured in FORTUNE® magazine's 1998 survey, "America's Most Admired Companies." This prestigious study ranks Leggett & Platt in the top 6% of nearly 500 companies. About 12,600 executives, outside directors, and securities analysts

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judged companies on innovativeness, quality of management, employee talent, quality of products and services, long-term investment value, financial soundness, social responsibility and use of corporate assets.



INNOVATIVE CULTURE

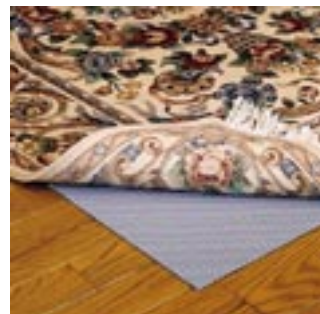
One of Leggett’s greatest assets in approaching the future is its innovative culture ...a “can-do” commitment to customers and shareholders. This culture has deep roots, extending to the company’s founding as a partnership in 1883. At that time, two brothers-in-law, J.P. Leggett and C.B. Platt, started their business in Carthage, Missouri. Their invention and patent of the L&P bed

spring and their proprietary production methods changed forever the way people sleep, while helping launch an industry.

There are several keys to Leggett’s achieved and expected success. Perhaps many more could be listed, but those that follow are the most vital. They include:

- an enduring spirit of partnership
- demonstrated leadership strengths
- responsibilities to customers
- evolving business platforms.

The Leggett spirit of partnership reflects management’s belief in the value of people... the customers and employee-partners of Leggett & Platt working together to achieve outstanding results. Leggett’s strength of



Furnishings

Acquisition Strengths

In 1997 and the first ten weeks of 1998, nineteen businesses joined the Leggett family of companies producing furnishings components and other products. These acquisitions expanded Leggett’s annualized sales by nearly \$200 million, strengthening opportunities for future growth in earnings, cash flow and enhanced shareholder value. Fifteen of the businesses are in the United States, two are in Canada, one is in England and one is in Mexico.



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Where

Furnishings



Since Leggett's growth era began in the 1960's, the company has gained recognition as the world's leading supplier of a broad line of components and related products for home, office and institutional furnishings. Manufacturers of bedding sets can buy almost all of their needs for mattress and boxspring components from Leggett & Platt. Furniture components, plus select lines of finished furnishings have been strategically added to product lines over the years. Other manufacturers, distributors, or retailers and institutions buy these Leggett designed furnishings products.



Sample products shown clockwise from upper left are; components for mattresses and boxsprings; steel bed frames; office chair bases, columns and controls; recliner chair mechanisms, wire seating constructions, fiber and foam cushioning, construction fabrics and other upholstery supplies; sofa sleeper mechanisms; automotive seating suspension and lumbar systems; coated slip-resistant fabrics for various home and commercial applications.

Fixtures & Displays



In the last several years, Leggett's rapidly growing business in commercial fixtures and displays has evolved into a platform for continued growth in complementary products. Early in 1998, product offerings were expanded into standardized metal shelving systems, or metal gondolas, mass merchandisers use to furnish their stores. Other Leggett companies produce custom and semi-custom store fixtures, point-of-purchase displays, as well as storage and material handling systems. Customers include a multitude of retailers, brand-name packagers of consumer products, restaurants and other companies in the foodservice industry, health care providers and others.



Sample products shown clockwise from upper left are; convenience store shelving and displays; storage and material handling systems; metal gondolas for mass merchandisers; custom designed store displays and lighting systems; formed wire fixtures.

leadership mirrors this spirit, as all partners are encouraged to take the lead in assuring consistent performance.

RESPONSIBILITIES TO CUSTOMERS

Leggett's responsibilities to customers are reflected in an ongoing commitment to innovative technology. In all business platforms, Leggett engineers and technicians design, develop, build and test new and improved products and machinery. This creativity contributes to increasing sales of proprietary products and enhanced productivity.

Similar benefits flow from Leggett's commitment to quality and continuous improvement. In these closely linked efforts, teams are formed to evaluate processes and products that will make Leggett and its



Fixtures & Displays

Acquisition Strengths

In 1997 and the first ten weeks of 1998, nine businesses joined the Leggett family of companies producing commercial fixtures and displays. These acquisitions expanded Leggett's annualized sales by over \$200 million, strengthening opportunities for future growth in earnings, cash flow and enhanced shareholder value. Seven of the businesses are in the United States and two are in Canada.

customers more efficient. Specialized training supports employee-partners, giving them the knowledge and tools necessary for success.

Engineering better products and better ways to make, sell and distribute them are Leggett hallmarks management expects to maintain. Evolving critical mass drives internal growth, with a constant customer focus. Growth objectives are achieved by anticipating, meeting and, whenever possible, exceeding customer expectations.

In recent years, management has widened its vision and strengthened Leggett's potential in expanded business platforms.

Broad and growing product lines in these platforms include:

- bedding and furniture components and related home, office and institutional furnishings
- retail store fixtures, displays and other commercial products
- aluminum die castings and value added services
- specialized materials and equipment for Leggett operations and other manufacturers.

Importantly, Leggett sells its engineered products to a wide range of manufacturers, distributors, retailers and institutions. While Leggett does not sell directly to consumers, many customers do.

Leggett is gaining and continues to seek recognition as the most dependable, premier supplier serving a substantial customer base.

Aluminum Die Castings

Acquisition Strengths

In 1997 and the first ten weeks of 1998, three businesses joined the Leggett family of companies producing aluminum die castings. These acquisitions expanded Leggett's annualized sales by approximately \$80 million, strengthening opportunities for future growth in earnings, cash flow and enhanced shareholder value. All three businesses are in the United States.



Potential North American demand across current business platforms approximates \$50 billion. With current annual sales of just over \$3 billion, Leggett continues to have expansive growth opportunities.

BALANCED, AGGRESSIVE STRATEGY

Management's strategy is balanced and aggressive, reflecting strong initiatives and team efforts to drive internal growth, as well as acquisitions. Markets served are targeted for both.

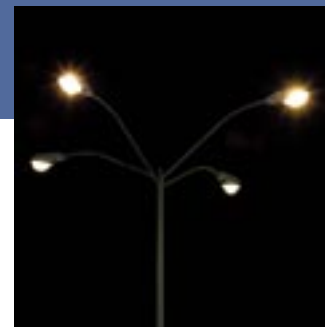
Leggett's team approach to acquisitions is essential, contributing greatly to the success achieved in more than 30 years of experience. Acquisition teams include executives from



Aluminum Die Castings



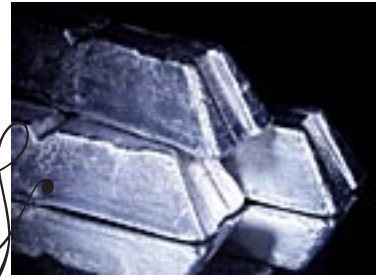
With the 1996 acquisition of Pace Industries, Leggett's largest acquisition to date, the L&P Aluminum Group became North America's leading independent supplier of aluminum die castings. Leggett's growth in die casting, like that of Pace, dates to the early 1970's. Several complementary die casters have subsequently been acquired, enhancing the group's potential for future growth, internally and through anticipated acquisitions. Die casting customers include many manufacturers of consumer products, telecommunications and electrical equipment, plus other commercial and industrial products. Custom tooling, machining, coating and other value added processes also are offered.



Sample products shown clockwise from upper left are; housings for cable line amplifiers; polished bases for appliances; components for gas barbecue grills and outdoor lighting fixtures; clean room flooring necessary for sterile environments; custom castings for diesel engines.

everywhere

where



Materials & Technologies

Some Leggett companies produce key materials for Leggett and other manufacturers, as well. These operations include several wire and welded steel tubing plants, aluminum smelting and refining mills, and dimension lumber processing facilities. Other Leggett companies design and build machinery and proprietary equipment, primarily for bedding and home furnishings manufacturers, domestically and internationally. Additional technologies are applied in research and development, commitments to quality systems and continuous improvement. Thus, Leggett engineers and technicians provide inventive product and process design, strategically supporting all business platforms.



Sample products shown clockwise from upper left are; welded steel tubing; secondary aluminum ingot; a specialized machine for manufacturing formed wire components; various gauges of wire and cut-to-size dimension lumber; Computer-assisted design capabilities and precise testing techniques for quality assurance and continuous improvement processes.

the operating group or business unit that the acquired business will join. Additional executives from Leggett's mergers and acquisitions, finance, legal and other supporting departments are also team members.

Acquisition ideas, candidate contacts and transitions into the family of Leggett companies are responsibilities shared by operating executives and senior management.

Strategically, acquisitions expand business platforms by adding new products, new markets and advanced technologies. They may strengthen Leggett's presence in existing markets, while adding talent and experience to management and the broad base of



employee-partners. Acquisitions also help reduce exposure to cyclical trends in the general economy, or specific industries.

A GLOBAL PERSPECTIVE

The evolution of Leggett's business platforms and an expanded view of the company's potential can be seen in a global perspective. In all business platforms, sales, production and distribution facilities are concentrated in North America. However, in recent years, several businesses in Europe have become Leggett companies. Additionally, new Leggett operations in China produce proprietary boxspring and mattress innerspring components for bedding manufacturers there.

Leggett's Global Systems Group and related companies are recognized as international leaders in the design and building of state-of-the-art machinery and equipment, primarily for bedding and home furnishings manufacturers. While sales outside of North America currently are a small percentage of yearly volume, Leggett is actively pursuing

Materials & Technologies

Acquisition Strengths

In 1997 and the first ten weeks of 1998, eight businesses joined the Leggett family of companies producing specialized materials and applied technologies. These acquisitions expanded Leggett's annualized sales by over \$80 million, strengthening opportunities for future growth in earnings, cash flow and enhanced shareholder value. Six of the businesses are in the United States, one is in Switzerland and one is in England.

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opportunities for growth worldwide, internally and externally. International expansion, like that achieved in North America, will be methodical and carefully planned to complement existing business and create value for Leggett shareholders.

SHARE OWNERSHIP ENCOURAGED

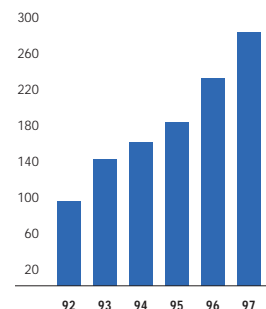
For many years, management has encouraged employee-partners to consistently invest in Leggett shares through company-sponsored purchase plans. This ownership forges an enduring interest between employee-shareholders and other shareholders that works to the advantage of all. In addition, share ownership has proved rewarding, helping Leggett attract, develop and retain a motivated team with a long record of working together as partners.

The people of Leggett & Platt are the company's greatest asset. They are serving more customers, more efficiently and with greater resources than ever before. Most importantly, they are focused on improving performance and dedicated to achieving continued success.

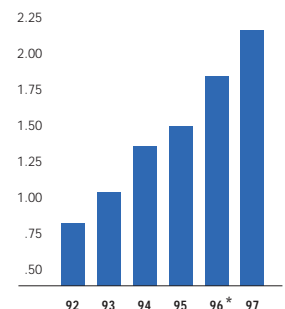


The teamwork spirit and inventive heritage of the people of Leggett & Platt are symbolized in the sculpture, Partners In Progress. To encourage these values and preserve them for future generations, a larger-than-life-size version of the sculpture stands outside the home office in Carthage, Missouri.

Cash Provided by Operating Activities
millions of dollars



Earnings Per Share – Diluted
dollars



Financial Reports and Review

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

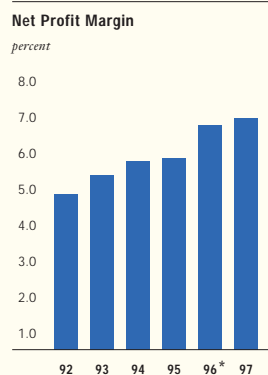
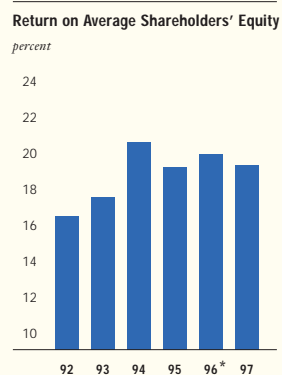
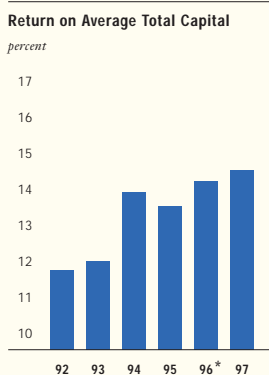
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* See note to Financial Highlights on page 1.

Financial Data 1997 – 1987

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Dollar amounts in millions, except per share data)

	1997	1996	1995
SUMMARY OF OPERATIONS			
Net sales	\$2,909.2	\$ 2,466.2	\$ 2,256.9
% change	18.0%	9.3%	12.3%
Gross profit	737.8	623.5	534.9
Interest expense	31.8	30.0	30.4
Earnings from continuing operations before income taxes and non-recurring costs ⁽¹⁾	333.3	276.3	220.6
Net earnings before non-recurring costs ⁽¹⁾	208.3	169.4	134.3
% change	23.0%	26.1%	12.4%
Net earnings	208.3	140.5	134.3
COMMON STOCK DATA			
Earnings per share			
Net earnings before non-recurring costs – basic ⁽¹⁾	\$ 2.19	\$ 1.87	\$ 1.52
Net earnings before non-recurring costs – diluted ⁽¹⁾	2.16	1.85	1.49
% change	16.8%	24.2%	9.6%
Net earnings – basic	2.19	1.55	1.52
Net earnings – diluted	2.16	1.53	1.49
Cash dividends declared per share	.54	.46	.38
Average number of shares outstanding			
Basic	95.1	90.5	88.6
Diluted	96.6	91.8	89.9
YEAR-END FINANCIAL POSITION			
Working capital	\$ 572.1	\$ 470.5	\$ 411.5
Property, plant and equipment, net	693.2	582.9	510.6
Total assets	2,106.3	1,712.9	1,478.1
Long-term debt	466.2	388.5	380.6
Shareholders' equity	1,174.0	941.1	746.8
Total capital ⁽²⁾	1,733.8	1,420.1	1,203.0
OTHER FINANCIAL DATA, PROFIT MEASURES AND RATIOS			
Earnings before interest, taxes and non-recurring costs ⁽¹⁾	\$ 365.1	\$ 306.3	\$ 251.0
Earnings before interest, taxes, depreciation, amortization and non-recurring costs ⁽¹⁾	470.7	398.5	329.0
Net cash provided by operating activities	288.3	238.1	187.8
Capital expenditures	119.4	96.2	106.8
Depreciation	88.3	75.8	62.6
Amortization	17.3	16.4	15.4
PERCENTAGES			
Net profit margin before non-recurring costs ⁽¹⁾	7.2	6.9	6.0
Return on average shareholders' equity ⁽¹⁾	19.7	20.1	19.5
Return on average total capital ⁽¹⁾⁽³⁾	14.5	14.3	13.5
Long-term debt as % of total capital	26.9	27.4	31.6
RATIOS			
Net sales/average working capital ⁽⁴⁾	5.6	5.7	6.0
Net sales/average total assets	1.5	1.5	1.6

⁽¹⁾ 1996 amounts exclude merger related costs of \$26.6 pre-tax and \$16.4 after-tax, or \$.18 per basic and diluted share, and an extraordinary charge of \$12.5 after-tax, or \$.14 per basic and diluted share. A restructuring charge of \$20.3 pre-tax and \$14.3 after-tax, or \$.20 per basic share and \$.18 per diluted share is excluded from 1990.

⁽²⁾ Total capital includes long-term debt, deferred taxes, other long-term liabilities and shareholders' equity.

⁽³⁾ This percentage is computed by adding the after-tax interest expense to net earnings and then dividing the sum by average total capital.

⁽⁴⁾ For the purposes of this ratio, average working capital excludes cash and cash equivalents.

1994	1993	1992	1991	1990	1989	1988	1987
\$ 2,009.1	\$ 1,526.7	\$ 1,315.0	\$ 1,221.4	\$ 1,231.3	\$ 1,117.4	\$ 859.3	\$ 678.9
31.6%	16.1%	7.7%	(.8%)	10.2%	30.0%	26.6%	10.4%
471.7	348.4	300.7	260.9	262.4	239.3	174.5	146.2
26.0	10.2	13.5	19.9	23.1	20.5	10.7	6.6
196.3	140.4	107.2	65.2	73.1	81.5	60.5	65.8
119.5	85.6	65.8	39.5	44.5	48.9	37.7	38.7
39.6%	30.1%	66.6%	(11.2%)	(9.0%)	29.7%	(2.6%)	20.9%
119.5	85.6	65.8	39.5	30.2	48.9	37.7	38.7
\$ 1.38	\$ 1.07	\$.84	\$.54	\$.61	\$.68	\$.55	\$.57
1.36	1.04	.82	.52	.59	.66	.53	.55
30.8%	26.8%	57.7%	(11.9%)	(10.6%)	24.5%	(3.6%)	5.8%
1.38	1.07	.84	.54	.41	.68	.55	.57
1.36	1.04	.82	.52	.41	.66	.53	.55
.31	.27	.23	.22	.21	.19	.16	.14
86.6	80.1	78.0	73.4	73.2	72.0	69.1	67.5
87.8	82.3	80.4	78.6	78.1	77.0	74.1	73.2
\$ 353.6	\$ 297.8	\$ 237.9	\$ 233.6	\$ 236.9	\$ 203.8	\$ 167.1	\$ 135.0
440.7	353.4	259.7	263.4	255.7	240.3	207.4	131.7
1,327.0	1,080.1	772.5	746.7	768.8	662.6	567.2	397.3
364.1	306.1	147.9	232.7	269.4	205.0	164.5	85.2
628.3	514.6	442.1	346.3	316.4	294.5	255.1	215.2
1,060.4	892.5	631.5	621.0	626.8	535.2	451.6	315.3
\$ 222.3	\$ 150.6	\$ 119.9	\$ 85.9	\$ 96.2	\$ 102.0	\$ 71.2	\$ 72.4
288.9	195.9	162.5	127.3	135.5	134.2	97.2	91.1
171.9	145.7	100.4	103.0	69.0	64.1	48.0	37.8
97.1	54.2	35.8	36.5	45.1	31.2	37.3	24.6
52.5	39.1	36.5	34.6	32.8	28.1	22.6	17.7
14.1	6.2	6.1	6.8	6.5	4.1	3.4	1.0
5.9	5.6	5.0	3.2	3.6	4.4	4.4	5.7
20.9	17.9	16.7	11.9	14.6	17.8	16.0	19.2
13.9	12.0	11.8	8.3	10.1	12.4	11.6	14.0
34.3	34.3	23.4	37.5	43.0	38.3	36.4	27.0
6.2	5.8	5.8	5.4	5.7	6.1	6.4	6.9
1.7	1.6	1.7	1.6	1.7	1.8	1.8	1.8

Management's Discussion and Analysis of Financial Condition and Results of Operations

LEGETT & PLATT, INCORPORATED AND SUBSIDIARIES

CAPITAL RESOURCES AND LIQUIDITY

The Company's financial position reflects several important principles and guidelines of management's capital policy. These include management's belief that corporate liquidity must always be adequate to support the Company's projected growth rate. At the same time, liquidity must assure management that the Company will be able to withstand any amount of financial adversity that can reasonably be anticipated. Management also intends to direct capital to strategic acquisitions and other investments that provide additional opportunities for expansion and enhanced profitability.

Financial planning to meet these needs reflects management's belief that the Company should never be forced to expand its capital resources, whether debt or equity, at a time not of its choosing. Management also believes that financial flexibility is more important than maximization of earnings per share through excessive leverage. Therefore, management continuously provides for available credit in excess of projected cash needs and has maintained a guideline for long-term debt as a percentage of total capitalization in a range of 30% to 40%.

TOTAL CAPITALIZATION

The following table shows the Company's total capitalization at the end of the three most recent years. The table also shows the amount of unused committed credit available through the Company's revolving bank credit agreements.

<i>(Dollar amounts in millions)</i>	1997	1996	1995
Long-term debt outstanding:			
Scheduled maturities	\$ 402.9	\$ 332.4	\$ 315.9
<i>Average interest rates</i>	6.6%	7.7%	8.4%
<i>Average maturities in years</i>	6.3	7.6	7.0
Revolving credit/commercial paper	63.3	56.1	64.7
Total long-term debt	466.2	388.5	380.6
Deferred income taxes and other liabilities	93.6	90.5	75.6
Shareholders' equity	1,174.0	941.1	746.8
Total capitalization	\$1,733.8	\$1,420.1	\$1,203.0

Unused committed credit **\$ 240.0** \$ 215.0 \$ 207.8

Cash provided by operating activities totaled \$714.2 million during the last three years. Long-term debt outstanding was 27% of total capitalization at the end of the last two years, which compares to 32% in 1995. As shown in the preceding table, obligations having scheduled maturities are the base "layer" of the Company's debt capital. At the end of 1997, these obligations consisted primarily of the Company's privately placed medium-term notes and tax-exempt industrial development bonds. In April 1997, the Company issued \$100 million in medium-term notes. Proceeds from the notes were used to repay commercial paper outstanding.

In June 1996, the Company also issued \$100 million in medium-term notes. Proceeds from these notes provided a majority of the funds required to redeem, at 113% of par value, all of the Pace Holdings, Inc. (Pace) publicly owned senior notes that were to mature in almost 7 years and had fixed interest rates of 10.625%. Funds required to refinance the balance of the senior notes and Pace's revolving credit initially were provided through the Company's revolving credit/commercial paper arrangements. In August 1996, the Company issued an additional \$25 million in medium-term notes. Proceeds from these notes were used to repay a portion of revolving credit/commercial paper outstanding.

In 1995, \$25 million in 10-year notes were issued. Proceeds from these medium-term notes were used to repay a portion of the Company's revolving credit. The Company's senior debt ratings have been maintained at single A by Standard & Poor's and single A2 by Moody's during each of the last three years.

The second "layer" of the Company's debt capital consists of revolving bank credit agreements and commercial paper issuances. Over the years, management has renegotiated the bank credit agreements and established a commercial paper program to continuously support the Company's projected growth and to maintain highly flexible sources of debt capital. The credit under these arrangements has been a long-term obligation. If needed,

however, the credit is available for short-term borrowings and repayments. Pace also had \$47.2 million in revolving credit outstanding at the end of 1995, which was included in the Company's total revolving credit/commercial paper outstanding. Additional details of long-term debt, including scheduled maturities, revolving credit and commercial paper are discussed in Note E of the Notes to Consolidated Financial Statements.

USES OF CAPITAL RESOURCES

The Company's internal investments to modernize and expand manufacturing capacity totaled \$322.4 million in the last three years. In 1998, management anticipates internal investments will approximate \$135 million. During the last three years, the Company employed \$289.9 million in cash (net of cash acquired) and issued 11.8 million shares of common stock in acquisitions, including 5.1 million shares to acquire Pace. During 1997, thirty businesses were acquired for \$171.6 million in cash (net of cash acquired) and 3.0 million shares of common stock. Additional details of acquisitions are discussed in Note B of the Notes to Consolidated Financial Statements. Company purchases of its common stock totaled \$5.7 million in 1997, \$10.1 million in 1996, and \$24.5 million in 1995. These purchases were made primarily for employee stock plans, to replace shares issued in purchase acquisitions and to satisfy contractual obligations. Cash dividends on the Company's common stock in the last three years totaled \$110.2 million.

Future commitments under lease obligations are described in Note F and contingencies are discussed in Note K of the Notes to Consolidated Financial Statements.

The Company has substantial capital resources to support projected internal cash needs and additional acquisitions consistent with management's goals and objectives. In addition, the Company has the availability of short-term uncommitted credit from several banks.

SHORT-TERM LIQUIDITY

Working capital has increased \$218.5 million in the last three years. To gain additional flexibility in capital management and to improve the return on shareholders' equity, the Company continuously seeks efficient use of working capital. The following table shows the annual turnover on average year-end working capital, trade receivables and inventories. The ratios may be affected by the timing of the Company's acquisitions.

	1997	1996	1995
Working capital turnover (excluding cash and cash equivalents)	5.6x	5.7x	6.0x
Trade receivables turnover	7.7	7.8	7.8
Inventory turnover	5.4	5.2	5.4

"YEAR 2000" COMPUTER ISSUE

Computer programs used by the Company for financial and operational purposes are being revised to be "Year 2000" compliant. The "Year 2000" issue refers to older computer programs that used only two digits to represent the year, rather than four digits. As a result, these older computer programs may not process information properly when using the year 2000, since that year will be indistinguishable from the year 1900. The revisions required to the Company's computer programs for the "Year 2000" were identified in prior years. These revisions are estimated to be over 50% complete as of December 31, 1997. The Company believes it has sufficient internal resources and commitments from external providers to have substantially all of its computer programs revised by the end of 1998. No significant impact to the Company's business operations is expected from the "Year 2000" issue, and the costs to revise the computer programs are not material.

Management's Discussion and Analysis of Financial Condition and Results of Operations

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

RESULTS OF OPERATIONS

The results of operations during the last three years reflect various elements of the Company's long-term growth strategy, along with general trends in the domestic economy and the markets the Company serves. The Company's growth strategy continues to include internal initiatives and acquisitions which broaden product lines and provide for increased market penetration and operating efficiencies. With a continuing emphasis on the development of new and improved products and advancements in production technologies, the Company is able to consistently offer high quality products, competitively priced.

Trends in the general economy were favorable during the last three years. In each year, acquisitions accounted for more of the Company's sales growth than other factors. The balance of the Company's sales growth during this period primarily reflected increases in unit volumes, as selling price increases were only a minor factor.

The following table shows various measures of earnings as a percentage of sales for the last three years. It also shows the effective income tax rate and the coverage of interest expense by pre-tax earnings plus interest.

	1997	1996	1995
Gross profit margin	25.4%	25.3%	23.7%
Pre-tax profit margin			
Excluding non-recurring costs	11.5	11.2	9.8
Including non-recurring costs	11.5	10.1	9.8
Net profit margin			
Excluding non-recurring costs	7.2	6.9	6.0
Including non-recurring costs	7.2	5.7	6.0
Effective income tax rate	37.5	38.7	39.1
Interest coverage ratio	11.5x	9.3x	8.3x

The Company's gross profit margins improved in the last two years. The slight increase in 1997 reflected several favorable factors. These included continued increases in production efficiencies, increased sales of products with above average margins, and better manufacturing overhead absorption. The pre-tax profit margin increased due to the factors noted, and a decrease in interest expense as a percentage of sales. Other factors, including a more favorable distribution of income among tax jurisdictions, resulted in a lower effective income tax rate.

In 1996, the gross profit margin reflected similar benefits from production efficiencies, increased sales of products with above average margins, better manufacturing overhead absorption, as well as reduced costs for raw materials. The pre-tax profit margin, before non-recurring costs, increased due to these favorable factors, but reflected a slight increase in total selling, distribution and administrative expenses. The 1996 non-recurring costs were associated with the Pace acquisition and are discussed in Note B of the Notes to Consolidated Financial Statements.

The slight increase in the 1995 gross profit margin primarily reflected the Company's continuing growth in niche markets with above average margins, increased production efficiencies and cost containment. The increase in the gross profit margin was offset by slight increases in total selling, distribution and administrative expenses and interest expense, as a percentage of sales. Therefore, the pre-tax profit margin was unchanged from the previous year.

NEW FINANCIAL ACCOUNTING STANDARDS BOARD STATEMENTS

During 1997 and 1998, the Financial Accounting Standards Board (FASB) issued new accounting standards on “Reporting Comprehensive Income” (FASB No. 130), “Disclosures about Segments of an Enterprise and Related Information” (FASB No. 131) and “Employers’ Disclosures about Pensions and Other Postretirement Benefits” (FASB No. 132). These new accounting standards will become effective for 1998 financial reporting. FASB No. 130 will require the Company to report separately from net income a “comprehensive income” amount which includes certain foreign currency translation gains and losses currently reflected in the cumulative translation adjustment account in shareholders’ equity. FASB No. 131 will require the Company to reconsider and likely change its reported industry segments in the 1998 annual report to conform to the new requirements. FASB No. 132 will revise the disclosures about pension and other postretirement benefit plans. The Company is analyzing these new accounting standards to determine their impact on its financial reports.

FORWARD-LOOKING STATEMENTS

This report and other public reports or statements made from time to time by the Company or its management may contain “forward-looking” statements concerning possible *future* events, objectives, strategies, trends or results. Such statements are identified either by the context in which they appear or by use of words such as “anticipate,” “believe,” “estimate,” “expect,” or the like.

Readers are cautioned that any forward-looking statement reflects only the *beliefs* of the Company or its management *at the time the statement is made*. In addition, readers should keep in mind that, 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, the Company does not have and does not undertake any duty to update 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 of the risks, uncertainties and developments which may affect the 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: general economic and market conditions and risks, such as the rate of economic growth, inflation, government regulation, interest rates, taxation, and the like; risks and uncertainties which could affect industries or markets in which the Company participates, such as growth rates and opportunities in those industries, or changes in demand for certain products, etc.; and factors which could impact costs, including but not limited to the availability and pricing of raw materials, the availability of labor and wage rates, and fuel and energy costs.

Report of Independent Accountants

LEGETT & PLATT, INCORPORATED AND SUBSIDIARIES

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF LEGETT & PLATT, INCORPORATED:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of Leggett & Platt, Incorporated and Subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles. 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 generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the opinion expressed above.

Price Waterhouse LLP

St. Louis, Missouri

February 4, 1998

Consolidated Statements of Earnings

LEGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Dollar amounts in millions, except per share data)

Year ended December 31	1997	1996	1995
Net sales	\$ 2,909.2	\$ 2,466.2	\$ 2,256.9
Cost of goods sold	2,171.4	1,842.7	1,722.0
Gross profit	737.8	623.5	534.9
Selling, distribution and administrative expenses	358.8	303.5	272.3
Amortization of excess cost of purchased companies and other intangibles	17.3	16.4	15.4
Interest expense	31.8	30.0	30.4
Merger expense	–	26.6	–
Other income, net of other deductions	3.4	2.7	3.8
Earnings before income taxes and extraordinary item	333.3	249.7	220.6
Income taxes	125.0	96.7	86.3
Net earnings before extraordinary item	208.3	153.0	134.3
Extraordinary item from the extinguishment of debt	–	12.5	–
Net earnings	\$ 208.3	\$ 140.5	\$ 134.3
Earnings per share			
Net earnings before extraordinary item – basic	\$ 2.19	\$ 1.69	\$ 1.52
Net earnings before extraordinary item – diluted	\$ 2.16	\$ 1.67	\$ 1.49
Net earnings – basic	\$ 2.19	\$ 1.55	\$ 1.52
Net earnings - diluted	\$ 2.16	\$ 1.53	\$ 1.49

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

Consolidated Balance Sheets

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Dollar amounts in millions, except per share data)

December 31	1997	1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 7.7	\$ 3.7
Accounts and notes receivable, less allowance of \$11.5 in 1997 and \$8.6 in 1996	438.6	335.3
Inventories		
Finished goods	228.0	204.2
Work in process	50.3	39.4
Raw materials and supplies	170.0	138.6
LIFO reserve	(15.1)	(11.7)
Total inventories	433.2	370.5
Other current assets	65.1	53.8
Total current assets	944.6	763.3
PROPERTY, PLANT AND EQUIPMENT – AT COST		
Machinery and equipment	767.8	646.7
Buildings and other	397.3	333.8
Land	47.2	34.6
Total property, plant and equipment	1,212.3	1,015.1
Less accumulated depreciation	519.1	432.2
Net property, plant and equipment	693.2	582.9
OTHER ASSETS		
Excess cost of purchased companies over net assets acquired, less accumulated amortization of \$38.2 in 1997 and \$28.4 in 1996	394.0	290.3
Other intangibles, less accumulated amortization of \$24.1 in 1997 and \$30.3 in 1996	31.6	30.2
Sundry	42.9	46.2
Total other assets	468.5	366.7
TOTAL ASSETS	\$2,106.3	\$ 1,712.9

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

	1997	1996
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 128.7	\$ 110.3
Accrued expenses	166.4	140.1
Other current liabilities	77.4	42.4
Total current liabilities	372.5	292.8
LONG-TERM DEBT	466.2	388.5
OTHER LIABILITIES	40.8	36.0
DEFERRED INCOME TAXES	52.8	54.5
SHAREHOLDERS' EQUITY		
Capital stock		
Preferred stock – authorized, 100,000,000 shares; none issued		
Common stock – authorized, 300,000,000 shares of \$.01 par value; issued 96,379,560 and 92,113,786 shares in 1997 and 1996, respectively		
	1.0	.9
Additional contributed capital	311.9	240.2
Retained earnings	871.3	704.4
Cumulative translation adjustment	(10.1)	(4.2)
Less treasury stock – at cost (2,387 and 6,270 shares in 1997 and 1996, respectively)	(.1)	(.2)
Total shareholders' equity	1,174.0	941.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,106.3	\$ 1,712.9

Consolidated Statements of Cash Flows

LEGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Dollar amounts in millions)

Year ended December 31	1997	1996	1995
OPERATING ACTIVITIES			
Net earnings	\$ 208.3	\$ 140.5	\$ 134.3
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation	88.3	75.8	62.6
Amortization	17.3	16.4	15.4
Merger expense (non-cash portion)	-	24.4	-
Extraordinary item (non-cash portion)	-	4.0	-
Stock and deferred compensation	7.9	14.2	4.9
Deferred income tax benefit	(1.5)	(13.4)	(1.9)
Other	(2.1)	.5	(2.8)
Other changes, excluding effects from purchases of companies			
(Increase) decrease in accounts receivable, net	(52.1)	(17.0)	1.0
(Increase) in inventories	(15.0)	(7.5)	(33.6)
(Increase) in other current assets	(5.1)	(2.1)	(7.2)
Increase in current liabilities	42.3	2.3	15.1
Net Cash Provided by Operating Activities	288.3	238.1	187.8
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(119.4)	(96.2)	(106.8)
Purchases of companies, net of cash acquired	(171.6)	(89.7)	(28.6)
Other	8.2	(3.1)	.5
Net Cash Used for Investing Activities	(282.8)	(189.0)	(134.9)
FINANCING ACTIVITIES			
Additions to debt	214.8	292.9	108.7
Payments on debt	(164.7)	(309.4)	(100.4)
Dividends paid	(48.0)	(30.3)	(31.9)
Issuances of common stock	6.6	5.0	3.0
Purchases of common stock	(5.7)	(10.1)	(24.5)
Other	(4.5)	(1.7)	(2.6)
Net Cash Used for Financing Activities	(1.5)	(53.6)	(47.7)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4.0	(4.5)	5.2
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	3.7	8.2	3.0
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ 7.7	\$ 3.7	\$ 8.2
SUPPLEMENTAL INFORMATION			
Interest paid	\$ 30.3	\$ 28.8	\$ 30.8
Income taxes paid	124.4	92.8	90.3
Liabilities assumed of acquired companies	81.1	47.3	21.7
Common stock issued for acquired companies	52.0	58.3	18.3
Common stock issued for employee stock plans	27.4	39.4	17.4

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

Consolidated Statements of Changes in Shareholders' Equity

LEGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Dollar amounts in millions, except per share data)

	Common Stock	Additional Contributed Capital	Retained Earnings	Cumulative Translation Adjustment	Treasury Stock	
					Cost	Shares
BALANCES – JANUARY 1, 1995	\$.4	\$ 133.6	\$ 500.7	\$ (6.1)	\$ (3)	11,065
Common stock issued for acquired companies and employee stock plans (890,257 shares)	.1	32.6				
Treasury stock issued for employee stock plans		(2.3)			11.4	(372,906)
Treasury stock purchased, primarily for employee stock plans and to replace shares issued for purchased companies					(25.8)	887,712
Tax benefit related to stock options		.5				
Additional shares issued in two-for-one stock split effected in the form of a stock dividend September 15, 1995 (42,194,946 shares)	.4	(.4)				118,668
Translation adjustment				1.1		
Retained earnings of pooled company at date of acquisition			(1.5)			
Net earnings for the year			134.3			
Cash dividends declared (\$.38 per share)			(31.9)			
BALANCES – DECEMBER 31, 1995	.9	164.0	601.6	(5.0)	(14.7)	644,539
Common stock issued for acquired companies and employee stock plans (2,994,676 shares)		90.2				
Treasury stock issued for employee stock plans		(5.7)			17.5	(747,033)
Treasury stock purchased, primarily shares received in stock-for-stock option exercises and shares to replace those issued for purchased companies					(3.0)	108,764
Treasury stock purchased under contractual agreements and effectively retired (287,993 shares)		(9.6)				
Tax benefit related to stock options		1.3				
Translation adjustment				.8		
Retained earnings of pooled company at date of acquisition			3.6			
Net earnings for the year			140.5			
Cash dividends declared (\$.46 per share)			(41.3)			
BALANCES – DECEMBER 31, 1996	.9	240.2	704.4	(4.2)	(.2)	6,270
Common stock issued for acquired companies and employee stock plans (4,265,774 shares)	.1	74.6				
Treasury stock issued for employee stock plans		(9.7)			17.4	(465,140)
Treasury stock purchased, primarily shares received in stock-for-stock option exercises and shares to replace those issued for purchased companies					(17.3)	461,257
Tax benefit related to stock options		6.8				
Translation adjustment				(5.9)		
Retained earnings of pooled companies at date of acquisition			9.2			
Net earnings for the year			208.3			
Cash dividends declared (\$.54 per share)			(50.6)			
BALANCES – DECEMBER 31, 1997	\$1.0	\$311.9	\$871.3	\$(10.1)	\$(1)	2,387

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

Notes to Consolidated Financial Statements

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Dollar amounts in millions, except per share data)

December 31, 1997, 1996 and 1995

A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Leggett & Platt, Incorporated (Leggett & Platt) and its majority-owned subsidiaries (the Company). All significant inter-company transactions and accounts have been eliminated in consolidation.

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.

INVENTORIES: All inventories are stated at the lower of cost or market. Cost includes materials, labor and production overhead. Cost is determined by the last-in, first-out (LIFO) method for approximately 55% of the inventories at December 31, 1997 and 1996. The first-in, first-out (FIFO) method is principally used for the remainder. The FIFO cost of inventories at December 31, 1997 and 1996 approximated replacement cost.

DEPRECIATION, AMORTIZATION AND ASSET IMPAIRMENT: Property, plant and equipment are depreciated by the straight-line method. The rates of depreciation range from 6.7% to 25% for machinery and equipment, 2.5% to 6.7% for buildings and 12.5% to 33% for other items. Accelerated methods are used for tax purposes. The excess cost of purchased companies over net assets acquired is amortized by the straight-line method over forty years. Other intangibles are amortized by the straight-line method over their estimated lives. Long-lived assets, including intangibles, are evaluated for probable recovery of their carrying amount. Appropriate adjustment, using current market prices, estimates of discounted future cash flows and other methods, is made when recovery of the carrying amount is not reasonably assured.

COMPUTATIONS OF EARNINGS PER SHARE: The computation of earnings per share has been restated for all periods in accordance with the requirements of FASB Statement No. 128, "Earnings per Share".

CONCENTRATION OF CREDIT RISKS, EXPOSURES AND FINANCIAL INSTRUMENTS: The Company specializes in manufacturing, marketing, and distributing components and other related products for furnishings and diversified markets. The Company's operations are principally in the United States, although the Company also has manufacturing subsidiaries in Canada, Europe, Mexico and China and marketing and distribution operations in other areas.

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.

From time to time, the Company will enter into forward exchange contracts to hedge equipment purchases and other transactions in foreign currencies. The amounts outstanding under the forward contracts at any point in time are not significant to the Company. The Company has minimal continuing exposures to other foreign currency transactions and interest rate fluctuations.

The carrying value of cash and short-term financial instruments approximates fair value due to the short maturity of those instruments. The fair value of long-term debt exceeds the carrying value by approximately \$10.

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. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims incurred. These estimates utilize the Company's prior experience and actuarial assumptions that are provided by the Company's insurance carriers.

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 contingent assets and liabilities. Actual results could differ from those estimates.

INCOME TAXES: The Company provides for taxes on undistributed earnings of foreign subsidiaries where appropriate. The tax effect of most distributions would be significantly offset by available foreign tax credits.

STOCK-BASED COMPENSATION: The Company applies 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 is 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.

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 shareholders' equity. 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 1997 presentation.

B – ACQUISITIONS

During 1997, the Company acquired the assets of 28 companies in exchange for \$171.6 in cash, net of cash acquired, and 1,090,050 shares of common stock in transactions accounted for as purchases. The Company also issued 1,868,480 shares to acquire two businesses in transactions accounted for as poolings of interests. The Company elected not to restate its financial statements as the effect of these poolings was not material. These acquired businesses manufacture and distribute products to furnishings and diversified markets.

The unaudited pro forma consolidated net sales for the years ended December 31, 1997 and 1996 as though the 1997 acquisitions had occurred on January 1 of each year presented were \$3,057.9 and \$2,798.1, 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.

On May 13, 1996, the Company issued 5,134,092 shares of common stock to acquire Pace Holdings, Inc. (Pace) in a transaction accounted for as a pooling of interests. Pace is a leading manufacturer and marketer of non-automotive aluminum die cast components. Previously issued financial statements were restated to reflect the pooling.

In connection with a 1993 leveraged buyout transaction, Pace adopted an employee stock option/bonus plan that provided for the granting of options, under certain conditions, at an exercise price of \$.01 per Pace share. In May 1996, prior to the acquisition, options were granted and exercised under the plan resulting in compensation expense of \$12 before taxes. Other merger expense, including costs for the accrual of commitments under contracts no longer benefiting the Company and legal and environmental issues, was \$14.6 before taxes in 1996.

Notes to Consolidated Financial Statements

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

Following the acquisition, the Company issued a tender offer to all holders of the Pace 10.625% senior notes. In June 1996, the notes were redeemed at approximately 113% of par value, plus accrued interest. The cash required for the redemption was provided through the issuance of medium-term notes and the Company's revolving credit agreements. The Company recognized an extraordinary charge, net of related tax benefits, of \$12.5 from the extinguishment of debt.

Also during 1996, the Company acquired the assets of twelve companies in transactions accounted for as purchases. These transactions required the use of \$89.7 in cash, net of cash acquired, and 2,128,124 shares of common stock and common stock equivalents. In addition, the Company issued 562,429 shares to acquire another business in a transaction accounted for as a pooling of interests. The Company elected not to restate its financial statements as the effect of this pooling was not material. These acquired businesses manufacture and distribute products to furnishings and diversified markets.

During 1995, the Company acquired the assets of nine companies that primarily manufacture and distribute components to the furnishings industry. These transactions, accounted for as purchases, resulted in the use of \$28.6 in cash, net of cash acquired, and 642,441 shares of common stock. The Company also issued 325,000 shares of common stock to acquire a business in a transaction accounted for as a pooling of interests. The Company elected not to restate its financial statements as the effect of the pooling was not material. This company manufactures and distributes formed wire products to the furnishings industry.

The results of operations of the above acquired companies, except the 1996 Pace pooling, have been included in the consolidated financial statements since the dates of acquisition.

C – EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	1997	1996	1995
Basic			
Weighted average shares outstanding, including shares issuable for little or no cash	95,134,258	90,536,359	88,629,019
Net earnings before extraordinary item	\$ 208.3	\$ 153.0	\$ 134.3
Earnings per share – basic	\$ 2.19	\$ 1.69	\$ 1.52
Diluted			
Weighted average shares outstanding, including shares issuable for little or no cash	95,134,258	90,536,359	88,629,019
Additional dilutive shares principally from the assumed exercise of outstanding stock options	1,460,554	1,308,328	1,246,686
	96,594,812	91,844,687	89,875,705
Net earnings before extraordinary item	\$ 208.3	\$ 153.0	\$ 134.3
Earnings per share – diluted	\$ 2.16	\$ 1.67	\$ 1.49

D – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 consist of the following:

	1997	1996
Accrued expenses		
Wages and commissions payable	\$ 41.8	\$ 33.9
Workers' compensation, medical, auto and product liability insurance	46.5	37.5
Income taxes	10.9	14.9
Other	67.2	53.8
	\$ 166.4	\$ 140.1
Other current liabilities		
Outstanding checks in excess of book balances	\$ 41.9	\$ 19.1
Current maturities of long-term debt	4.7	3.9
Other	30.8	19.4
	\$ 77.4	\$ 42.4

E – LONG-TERM DEBT

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

	1997	1996
Medium-term notes, fixed interest rates of 7.0% and 6.8% for 1997 and 1996, respectively, due dates through 2008	\$ 325.0	\$ 250.0
Commercial paper, variable interest rates of 6.6% for 1997 and 1996, due dates in 1998 and 1997	63.3	56.1
Industrial development bonds, principally variable interest rates of 4.2% and 4.6% for 1997 and 1996, respectively, due dates through 2030	38.9	38.9
Other, partially secured	43.7	47.4
	470.9	392.4
Less current maturities	4.7	3.9
	\$ 466.2	\$ 388.5

The current revolving credit agreements provide for a maximum line of credit of \$240. For any revolving credit

agreement, 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 agreements. The agreements will terminate during 2002, at which time all outstanding balances will become due. Annual facility fees are 1/10 of 1% of the total credit line, payable on a quarterly basis.

Commercial paper and medium-term notes that mature in the current year are classified as long-term debt since the Company intends to refinance them on a long-term basis either through continued issuance or unused credit available under the revolving credit agreements.

The revolving credit agreements and certain other long-term debt contain restrictive covenants which, among other restrictions, limit the amount of additional debt and require net earnings to meet or exceed specified levels of funded debt.

Maturities of long-term debt for each of the five years following 1997 are:

Year ended December 31	
1998	\$ 4.7
1999	43.6
2000	18.4
2001	57.4
2002	154.2

F – LEASE OBLIGATIONS

The Company conducts certain operations in leased premises and also leases most of its automotive and trucking equipment and some other assets. Terms of the leases, including purchase options, renewals and maintenance costs, vary by lease.

Total rental expense entering into the determination of results of operations was \$27.3, \$24.3 and \$22.7 for the years ended December 31, 1997, 1996 and 1995, respectively.

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

Year ended December 31	
1998	\$ 15.5
1999	12.0
2000	8.4
2001	5.9
2002	3.2
Later years	3.8
	<hr/>
	\$ 48.8

The above lease obligations expire at various dates through 2010. 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.

G – CAPITAL STOCK

At December 31, 1997, the Company had 6,852,670 common shares authorized for issuance under stock option plans. Generally, options become exercisable in varying installments, beginning 6 to 18 months after the date of grant, and have a maximum term of 5-15 years. Options may be issued with exercise prices at or below market price. Compensation cost charged against income related to the Company's stock option grants for each of the years ending December 31, 1997, 1996 and 1995 was \$6.6, \$13.7 and \$2.4, respectively. Compensation cost includes amounts for options granted under the deferred compensation plan for certain executives, which allows the executive to elect stock options in lieu of future salary and bonuses. Had compensation cost for the Company's stock-based compensation plans been determined based on the estimated fair value of the options at the grant dates, consistent with the method of FASB Statement No. 123, the Company's net income and earnings per share would not be significantly reduced. The Company does not anticipate that FASB Statement No. 123's method of determining compensation cost will have a significant impact in future years.

A summary of the Company's stock option plans as of December 31, 1997, 1996 and 1995, and changes during the years ending on those dates is presented below:

	Shares	Weighted Average Exercise Price per Share	
Outstanding at January 1, 1995	2,781,256	\$ 11.17	
Granted	344,800	9.44	
Exercised	(418,533)	10.55	
Forfeited	(75,134)	15.94	
Outstanding at December 31, 1995	2,632,389	10.87	
Granted	2,477,157	20.27	
Exercised	(671,310)	11.22	
Forfeited	(42,584)	20.89	
Outstanding at December 31, 1996	4,395,652	16.01	
Granted	714,751	20.36	
Exercised	(1,033,366)	12.90	
Forfeited	(80,740)	23.52	
Outstanding at December 31, 1997	3,996,297	17.43	
Options exercisable at			
December 31, 1997	1,744,011	12.31	
December 31, 1996	1,826,827	9.06	
December 31, 1995	1,656,270	10.27	
	1997	1996	1995
Weighted-average fair value of options:			
Granted at market price	\$ 8.87	\$ 5.05	\$ 4.62
Granted at below market price	24.54	16.87	14.27
Weighted-average exercise price of options:			
Granted at market price	40.62	23.77	21.03
Granted at below market price	9.08	13.52	6.57
Principal assumptions used in calculating fair value consistent with the method of FASB Statement No. 123:			
Risk-free interest rate	6.0%	5.9%	6.8%
Expected life in years	4.8	4.3	4.8
Expected volatility	19.0%	19.0%	19.0%
Expected dividend yield	1.7%	1.7%	1.7%

The following table summarizes information about stock options outstanding at December 31, 1997:

Options Outstanding			
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price
\$.01 – \$.50	712,634	13	\$.12
3.63 – 6.28	329,527	1	5.96
9.56 – 11.38	127,428	2	11.32
15.50 – 20.00	947,439	4	18.54
20.38 – 25.00	1,329,747	3	22.71
25.88 – 29.88	295,941	8	27.36
30.88 – 37.75	61,592	4	34.68
40.00 – 44.19	191,989	5	42.60
Options Exercisable			
Range of Exercise Prices	Number Exercisable	Weighted-Average Exercise Price	
\$.01 – \$.50	430,730	\$.19	
3.63 – 6.28	329,527	5.96	
9.56 – 11.38	127,428	11.32	
15.50 – 20.00	272,234	16.21	
20.38 – 25.00	492,941	22.45	
25.88 – 29.88	91,151	27.38	
30.88 – 37.75	–	–	
40.00 – 44.19	–	–	

The Company has also authorized shares for issuance in connection with certain employee stock benefit plans discussed in Note H.

In 1993, the Company's shareholders approved an amendment to the Company's Restated Articles of Incorporation reducing the par value of Common Stock to \$.01 from \$1. The amendment provided that the stated capital of the Company would not be affected as of the date of the amendment. Accordingly, stated capital of the Company exceeds the amount reported as common stock in the financial statements by approximately \$39.

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 may only become exercisable under certain circumstances involving actual or potential acquisitions of the Company's common stock. Depending upon the circumstances, if the 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. The Rights remain in existence until February 15, 1999, unless they are exercised, exchanged or redeemed at an earlier date.

H – EMPLOYEE BENEFIT PLANS

The Company sponsors contributory and non-contributory defined benefit retirement plans. Substantially all U.S. employees, other than union employees covered by multiemployer plans under collective bargaining agreements or non-union employees participating in isolated defined contribution plans, are eligible to participate in the Company sponsored benefit plans. Retirement benefits under the contributory plans are based on career average earnings. Retirement benefits under the non-contributory plan are based on years of service, employees' average compensation and social security benefits. It is the Company's policy to fund actuarially determined costs as accrued.

Information at December 31, 1997, 1996 and 1995 as to the funded status of Company sponsored defined benefit plans, net pension income from the plans for the years then ended and weighted average assumptions used in the calculations are as follows:

	1997	1996	1995
Funded Status			
Actuarial present value of benefit obligations			
Vested benefits	\$ (82.8)	\$ (64.5)	\$ (58.8)
Nonvested benefits	(1.6)	(.8)	(.6)
Accumulated benefit obligations	(84.4)	(65.3)	(59.4)
Provision for future compensation increases	(5.1)	(3.9)	(3.1)
Projected benefit obligations	(89.5)	(69.2)	(62.5)
Plan assets at fair value	127.6	98.8	87.1
Plan assets in excess of projected benefit obligations	38.1	29.6	24.6
Unrecognized net experience gain	(14.8)	(7.6)	(3.4)
Unrecognized net transition asset	(2.0)	(2.7)	(3.4)
Prepaid pension costs included in other assets	\$ 21.3	\$ 19.3	\$ 17.8
Components of Pension Income (Expense)			
Service cost	\$ (1.6)	\$ (1.7)	\$ (.8)
Interest cost	(5.0)	(4.5)	(4.1)
Actual return on plan assets	29.8	12.4	12.5
Net amortization and deferral	(21.2)	(4.7)	(5.8)
Net pension income from defined benefit plans	\$ 2.0	\$ 1.5	\$ 1.8
Weighted Average Assumptions			
Discount rate	7.25%	7.25%	7.25%
Rate of increase in compensation levels	5.20%	5.19%	5.18%
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%

Plan assets are invested in a diversified portfolio of equity, debt and government securities, including 588,000 shares of the Company's common stock at December 31, 1997.

Contributions to union sponsored, defined benefit, multiemployer pension plans were \$.2 in 1997, 1996 and 1995. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. As of 1997, the actuarially computed values of vested benefits for these plans were primarily equal to or less than the net assets of the plans. Therefore, the Company would have no material withdrawal liability. However, the Company has no present intention of withdrawing from any of these plans, nor has the Company been informed that there is any intention to terminate such plans.

Net pension (expense) income, including Company sponsored defined benefit plans, multiemployer plans and other plans, was \$(.8), \$(.4) and \$.2 in 1997, 1996 and 1995, respectively.

The Company also has a contributory stock purchase/stock bonus plan (SPSB Plan), a non-qualified executive stock purchase program (ESPP) and an employees' discount stock plan (DSP). The SPSB Plan provides Company pre-tax contributions of 50% of the amount of employee contributions. The ESPP provides cash payments of 50% of the employees' contributions, along with an additional payment to assist employees in paying taxes on the cash payments. To the extent possible, contributions to the ESPP are invested in the Company's common stock through the DSP. In addition, the Company matches its contributions when certain profitability levels, as defined in the SPSB Plan and the ESPP, have been attained. The Company's total contributions to the SPSB Plan and the ESPP were \$5.8, \$4.7 and \$4.3 for 1997, 1996 and 1995, respectively.

Under the DSP, eligible employees may purchase a maximum of 8,000,000 shares of Company common stock. The purchase price per share is 85% of the closing market price on the last business day of each month. Shares purchased under the DSP were 435,697, 504,605 and 506,613 during 1997, 1996 and 1995, respectively. Purchase prices ranged from \$15 to \$39 per share. Since inception of the DSP in 1982, a total of 6,103,149 shares have been purchased by employees.

1 – INCOME TAXES

The components of earnings before income taxes and extraordinary item are as follows:

Year ended December 31	1997	1996	1995
Domestic	\$ 292.2	\$ 218.0	\$ 198.7
Foreign	41.1	31.7	21.9
	\$ 333.3	\$ 249.7	\$ 220.6

Income tax expense is comprised of the following components:

Year ended December 31	1997	1996	1995
Current			
Federal	\$ 102.2	\$ 86.3	\$ 71.1
State and local	9.9	12.1	9.7
Foreign	14.4	11.7	7.4
	126.5	110.1	88.2
Deferred			
Federal	(5.5)	(12.8)	(3.7)
State and local	4.1	(.5)	1.2
Foreign	(.1)	(.1)	.6
	(1.5)	(13.4)	(1.9)
	\$ 125.0	\$ 96.7	\$ 86.3

In addition to the above income tax expense, the Company recognized a current benefit from an extraordinary item of \$7.7 in 1996.

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	1997	1996
Property, plant and equipment	\$ (53.7)	\$ (47.9)
Accrued expenses	55.2	42.8
Prepaid pension cost	(8.4)	(7.7)
Other, net	(14.0)	(11.8)
	\$ (20.9)	\$ (24.6)

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

December 31	1997	1996
Other current assets	\$ 31.9	\$ 29.9
Deferred income taxes	(52.8)	(54.5)
	\$ (20.9)	\$ (24.6)

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

Year ended December 31	1997	1996	1995
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increases in rate resulting primarily from state and other jurisdictions	2.5	3.7	4.1
Effective tax rate	37.5%	38.7%	39.1%

1 – SEGMENT INFORMATION

The Company's operations principally consist of manufacturing and marketing components and related finished products for the furnishings industry. In addition, the Company supplies a diversified group of industries with products which are similar in manufacturing technology to its furnishings operations. Other than furnishings, no industry segment is significant.

Operating profit is determined by deducting from net sales the cost of goods sold and the selling, distribution, administrative and other expenses attributable to the segment operations. Operating profit was reduced in the furnishings segment by \$18.8 and the diversified group by \$7.8 because of non-recurring merger costs for the Pace acquisition in 1996. Corporate expenses not allocated to the segments include corporate general and administrative expenses, interest expense and certain other income and deduction items which are incidental to the Company's operations. Capital expenditures, as defined herein, include property, plant and equipment of acquired businesses as well as existing operations. The identifiable assets of industry segments are those used in the Company's operations of each segment. Corporate identifiable assets include cash, land, buildings and equipment used in conjunction with corporate activities and sundry assets. Financial information by segment is as follows:

Year ended December 31	Furnishings	Diversified	Corporate	Consolidated
1997				
Net sales	\$2,228.9	\$ 680.3	\$ -	\$2,909.2
Operating profit	318.2	66.3	(51.2)	333.3
Capital expenditures	156.5	36.4	5.1	198.0
Depreciation and amortization expense	83.6	19.6	2.4	105.6
Identifiable assets	1,610.1	449.1	47.1	2,106.3
1996				
Net sales	\$1,900.5	\$ 565.7	\$ -	\$2,466.2
Operating profit	243.1	53.9	(47.3)	249.7
Capital expenditures	117.5	27.5	5.4	150.4
Depreciation and amortization expense	71.0	18.4	2.8	92.2
Identifiable assets	1,313.0	363.9	36.0	1,712.9
1995				
Net sales	\$1,727.8	\$ 529.1	\$ -	\$2,256.9
Operating profit	214.1	51.5	(45.0)	220.6
Capital expenditures	94.7	26.9	4.2	125.8
Depreciation and amortization expense	58.7	15.9	3.4	78.0
Identifiable assets	1,134.2	290.0	53.9	1,478.1

The Company's areas of operation outside of the United States principally include Canada, Europe and Mexico, none of which is significant to consolidated operations. Prior to 1996, net sales and identifiable assets were not significant. Information about the Company's operations in different geographic locations is as follows:

Year ended December 31	United States	Foreign	Corporate	Consolidated
1997				
Net sales	\$2,652.9	\$ 256.3	\$ -	\$2,909.2
Inter-area sales	8.2	81.5	-	89.7
Operating profit	338.2	46.3	(51.2)	333.3
Identifiable assets	1,759.4	299.8	47.1	2,106.3
1996				
Net sales	\$2,304.8	\$ 161.4	\$ -	\$2,466.2
Inter-area sales	7.5	65.6	-	73.1
Operating profit	261.3	35.7	(47.3)	249.7
Identifiable assets	1,446.1	230.8	36.0	1,712.9

K – 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 judgement that the Company will incur monetary damages or other costs in connection with such 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 has 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 cannot be predicted, management believes the possibility of a material adverse effect on the Company's consolidated financial position, results of operations and cash flows from these claims and proceedings is remote. The more significant claims and proceedings are briefly described in the following paragraphs.

One of the Company's subsidiaries is performing an environmental investigation at a Florida plant site pursuant to a negotiation with local and Federal environmental authorities. The costs of the investigation and any remediation actions will be shared equally by the Company and a former joint owner of the plant site.

In connection with an acquisition, one of the Company's subsidiaries is involved in an unfair labor complaint filed by the National Labor Relations Board. An administrative decision has been rendered against the subsidiary, which was recently upheld by the appellate court. The Company is currently pursuing additional legal and other actions to resolve this matter.

Disclosures About Market Risk

LEGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Unaudited)

(Dollar amounts in millions)

INTEREST RATE SENSITIVITY

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. The Company has not in the past used any derivative financial instruments to hedge its exposure to interest rate changes. Substantially all of the debt shown in the table below is

denominated in United States dollars (U.S. \$). The fair value of variable rate debt is not significantly different from its recorded amount. The fair value of the fixed rate debt was calculated using the U.S. Treasury Bond rate as of December 31, 1997 for similar remaining maturities, plus an estimated "spread" over such Treasury securities representing the Company's interest costs under its medium-term note program.

Long-term debt as of December 31, 1997:	Scheduled Maturity Date						Total	Fair Value
	1998	1999	2000	2001	2002	Thereafter		
Principal fixed rate debt	\$ 10.0*	\$ 35.0	\$ 15.0	\$ 50.0	\$ 75.0	\$ 165.2	\$ 350.2	\$ 360.0
Average interest rate	5.24%	6.77%	5.65%	7.22%	7.18%	6.96%	6.92%	
Principal variable rate debt	—	—	—	5.9	5.1	86.1	97.1	
Average interest rate	—	—	—	3.69%	3.66%	5.78%	5.54%	
Miscellaneous debt							23.6	
Total debt							470.9	
Less: current maturities*							(4.7)	
Total long-term debt							\$ 466.2	

*The 1998 scheduled maturity is not included in current maturities, as the Company intends to refinance this note on a long-term basis either through reissuance or unused credit available under its revolving credit agreements.

EXCHANGE RATE SENSITIVITY

The Company has not typically hedged foreign currency exposures related to transactions denominated in other than its functional currencies, although such transactions have not been material in the past. The Company does hedge firm commitments for certain machinery purchases, and occasionally may hedge amounts due in foreign currencies related to its acquisition program. 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, 1997 was approximately \$1.5 (pay U.S. \$/receive Swiss Francs) and the highest amount during 1997 was approximately \$35 (pay U.S. \$/receive Swiss Francs).

The Company views its investment in foreign subsidiaries as a long-term commitment and does not hedge any translation exposures. The investment in a foreign subsidiary may take the form of either permanent capital or notes. The Company's net investment (excluding goodwill) in foreign subsidiaries subject to translation exposure at December 31, 1997 is as follows:

Functional currency	
Canadian dollar	\$ 131.5
European currencies	50.3
Other	.2
Total	\$ 182.0

COMMODITY PRICE SENSITIVITY

The Company does not use derivative commodity instruments to hedge its exposures to changes in commodity prices. The principal commodity price exposure is aluminum, of which the Company had an estimated 67 million pounds, equivalent to \$46 at cost (\$49 fair value based on quoted market prices for similar metal), in inventory at December 31, 1997. The Company has purchasing procedures and arrangements with customers to mitigate its exposure to aluminum price changes. No other commodity exposures are significant to the Company.

Quarterly Summary of Earnings

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Unaudited)

(Dollar amounts in millions, except per share data)

	First	Second	Third	Fourth	Total
Year ended December 31, 1997					
Net sales	\$ 673.2	\$ 721.2	\$ 747.0	\$ 767.8	\$ 2,909.2
Gross profit	170.2	183.4	188.5	195.7	737.8
Earnings before income taxes	78.1	83.9	83.9	87.4	333.3
Net earnings	48.4	52.0	52.8	55.1	208.3
Earnings per share					
Net earnings – basic	\$.52	\$.55	\$.55	\$.57	\$ 2.19
Net earnings – diluted	\$.51	\$.55	\$.54	\$.56	\$ 2.16
Year ended December 31, 1996					
Net sales	\$ 591.2	\$ 620.0	\$ 628.6	\$ 626.4	\$ 2,466.2
Gross profit	144.6	157.6	157.3	164.0	623.5
Earnings before income taxes and extraordinary item	61.4	43.8	71.9	72.6	249.7
Net earnings before extraordinary item	37.7	26.6	44.0	44.7	153.0
Net earnings	37.7	14.1	44.0	44.7	140.5
Earnings per share					
Net earnings before extraordinary item – basic	\$.42	\$.30	\$.49	\$.48	\$ 1.69
Net earnings before extraordinary item – diluted	\$.42	\$.29	\$.48	\$.48	\$ 1.67
Net earnings – basic	\$.42	\$.16	\$.49	\$.48	\$ 1.55
Net earnings – diluted	\$.42	\$.15	\$.48	\$.48	\$ 1.53

Merger related costs of \$26.6 pre-tax and \$16.4 after-tax, or \$.18 per basic and diluted share are included in 1996 second quarter net earnings before extraordinary item.

Selected Financial Data

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Unaudited)

(Dollar amounts in millions, except per share data)

	1997	1996	1995	1994	1993
SUMMARY OF OPERATIONS					
Net sales	\$ 2,909.2	\$ 2,466.2	\$ 2,256.9	\$ 2,009.1	\$ 1,526.7
Earnings from continuing operations	208.3	153.0	134.3	119.5	85.6
Basic earnings per share from continuing operations	2.19	1.69	1.52	1.38	1.07
Diluted earnings per share from continuing operations	2.16	1.67	1.49	1.36	1.04
Cash dividends declared per share	.54	.46	.38	.31	.27
SUMMARY OF FINANCIAL POSITION					
Total assets	\$ 2,106.3	\$ 1,712.9	\$ 1,478.1	\$ 1,327.0	\$ 1,080.1
Long-term debt	466.2	388.5	380.6	364.1	306.1

Merger related costs of \$16.4 after-tax, or \$.18 per basic and diluted share are included in 1996 earnings from continuing operations.

Summary of Sales

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

(Unaudited)

(Dollar amounts in millions)

Year ended December 31	1997		1996		1995	
Furnishings products						
Bedding components	\$ 746.9	25.7%	\$ 632.5	25.7%	\$ 558.4	24.8%
Furniture and other components	846.6	29.1	766.7	31.1	736.4	32.6
Finished products	635.4	21.8	501.3	20.3	433.0	19.2
Total furnishings products	2,228.9	76.6	1,900.5	77.1	1,727.8	76.6
Diversified products	680.3	23.4	565.7	22.9	529.1	23.4
Net sales	\$ 2,909.2	100.0%	\$ 2,466.2	100.0%	\$ 2,256.9	100.0%

Stock Market and Ownership Data

LEGETT & PLATT, INCORPORATED AND SUBSIDIARIES

The Company's common stock is listed on The New York and Pacific Stock Exchanges with the trading symbol LEG. The table below highlights quarterly and annual stock market information for the last two years.

	Price Range		Volume of Shares Traded	Dividend Declared
	High	Low		
1997:				
Fourth Quarter	\$ 44.563	\$ 38.500	7,435,000	\$.14
Third Quarter	47.750	41.750	8,129,900	.14
Second Quarter	43.000	32.250	5,884,500	.13
First Quarter	37.375	31.500	7,811,300	.13
For the Year	\$ 47.750	\$ 31.500	29,260,700	\$.54
1996:				
Fourth Quarter	\$ 34.750	\$ 29.375	5,277,400	\$.12
Third Quarter	29.500	24.125	7,070,400	.12
Second Quarter	29.875	22.375	6,730,300	.11
First Quarter	25.750	20.625	6,039,000	.11
For the Year	\$ 34.750	\$ 20.625	25,117,100	\$.46

Price and volume data reflect composite transactions and prices as reported daily by The Wall Street Journal.

SHAREHOLDER DISTRIBUTION

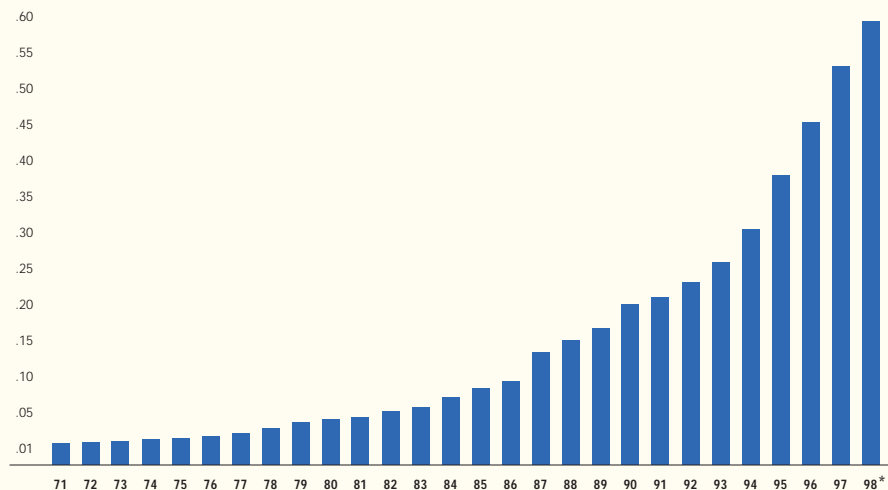
The Company estimates it has approximately 29,000 shareholders, including 12,338 shareholders of record on March 11, 1998. This estimate includes employees who are not shareholders of record but are participants in the Company's stock benefit plans. It also includes more than 16,000 beneficial shareholders whose shares are being held in brokerage firm accounts in "street name". Institutional shareholders hold an estimated 52% of the Company's shares.

DIVIDEND RECORD

Cash dividends have been paid on the Company's common stock in each year since 1939. The annual dividend rate has been increased for 27 consecutive years. The current indicated annual rate is \$.60 per share. Over the last 27 years, the quarterly dividend has increased at a compound annual rate of 15.2%.

27 Year Dividend Growth

dollars per share



* Indicated annual rate is based on 1998 first quarter dividend of \$.15 per share.

Directors

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

Raymond F. Bentele ⁽²⁾

Retired President and
Chief Executive Officer
of Mallinckrodt, Inc.

Harry M. Cornell, Jr. ⁽¹⁾

Chairman of the Board and
Chief Executive Officer
of the Company

R. Ted Enloe, III ⁽³⁾

Personal Investment Consultant

Richard T. Fisher ⁽²⁾⁽³⁾

Managing Director, Oppenheimer
& Company, investment banking

Bob L. Gaddy

Senior Vice President
of the Company

David S. Haffner

Executive Vice President
of the Company

Thomas A. Hays ⁽²⁾

Retired Deputy Chairman of
The May Department Stores Company

Robert A. Jefferies, Jr.

Senior Vice President
of the Company

Alexander M. Levine ⁽²⁾

Managing Director,
Waterline Capital LLC,
venture capital investing

Richard L. Pearsall ⁽²⁾⁽³⁾

Management and Business Consultant

Duane W. Potter

Senior Vice President
of the Company

Maurice E. Purnell, Jr. ⁽¹⁾⁽²⁾

Attorney at Law, Shareholder,
Locke Purnell Rain Harrell,
a professional corporation

Felix E. Wright ⁽¹⁾

President and Chief
Operating Officer of the Company

ADVISORY DIRECTORS

Herbert C. Casteel

Frank E. Ford, Jr.

Jack B. Morris

⁽¹⁾ *Member of the Executive Committee*

⁽²⁾ *Member of the Audit Committee*

⁽³⁾ *Member of the Compensation Committee*

Officers

LEGGETT & PLATT, INCORPORATED AND SUBSIDIARIES

Harry M. Cornell, Jr.*

Chairman of the Board
and Chief Executive Officer

Felix E. Wright*

President and Chief Operating Officer

David S. Haffner*

Executive Vice President

Duane W. Potter*

Senior Vice President – President,
Foam Components Group

Robert A. Jefferies, Jr.*

Senior Vice President – Mergers,
Acquisitions and Strategic Planning

Bob L. Gaddy*

Senior Vice President – Chairman
and CEO, Aluminum Group

Michael A. Glauber*

Senior Vice President – Finance
and Administration

Jerry H. Hudkins*

Vice President – President,
Wire Group

Ernest C. Jett*

Vice President – General Counsel
and Secretary

Allan J. Ross*

Vice President, Accounting

Lance G. Beshore

Vice President, Public Affairs
and Government Relations

Terrell L. Bowen

Vice President – President,
Consumer Products

Sheri L. Bradshaw

Treasurer

J. Richard Calhoon

Vice President, Investor Relations
and Assistant Treasurer

Jack D. Crusa

Vice President – President
Automotive Components

Richard P. Fanning

Vice President – President,
Western Region – Bedding Components

Roger D. Gladden

Business Development –
Commercial Fixtures and Display Group

Karl G. Glassman

Vice President – President,
Bedding Components

Robert G. Griffin

Vice President – President, Commercial
Fixtures and Display Group

John A. Hale

Vice President, Human Resources

Paul R. Hauser

Vice President – Director of Sales,
Bedding Components

Donald G. LaFerla

Vice President, Management Information
and Office Services

Eloise E. Nash

Vice President, National Internal Sales –
Bedding Components

Dennis S. Park

Vice President – President, Home
Furniture Components

Kenneth W. Purser

Vice President – Director of Taxation

Jay W. Sanders

Vice President – Director
of Marketing, Bedding Components

William S. Weil

Controller

Thomas J. Wells

Vice President, Manufacturing – Spring
Divisions; President – Machine & Tool
Division

Wayne R. Wickstrom

Vice President – Director,
Marketing and Sales,
Furniture and International
Export Components

Ralph H. Womble

Vice President – President,
Industrial Fabrics

David A. Young

Vice President – President,
Office Components

**Messrs. Cornell, Wright, Haffner, Potter, Jefferies,
Gaddy, Glauber, Hudkins, Jett and Ross are
“executive officers” for purposes of SEC Rule 3b-7.*

ANNUAL MEETING

The Annual Meeting of Shareholders will be held May 13, 1998 at 10:00 a.m. (local time), at the company's Cornell Conference Center, No. 1 Leggett Road, Carthage, Missouri.

FORM 10-K

To obtain a copy of the company's Form 10-K, as filed with the Securities and Exchange Commission for 1997, direct your requests to Investor Relations, Leggett & Platt, Incorporated, No. 1 Leggett Road, Carthage, MO 64836. This report, without exhibits, will be provided at no charge.

WEB SITE

www.leggett.com

COMMON STOCK

Registrar and Transfer Agent:
ChaseMellon Shareholder Services, L.L.C.
www.chasemellon.com

Listed:

The New York and
Pacific Stock Exchanges

Ticker Symbol:

LEG

INDEPENDENT ACCOUNTANTS

Price Waterhouse LLP
St. Louis, Missouri



LEGGETT & PLATT, INCORPORATED
NO. 1 LEGGETT ROAD
CARTHAGE, MO 64836
417-358-8131

FURNISHINGS

FIXTURES & DISPLAYS

ALUMINUM DIE CASTINGS

MATERIALS & TECHNOLOGIES

