

LEGGETT & PLATT INC  
Form 10-Q  
November 03, 2011

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-07845

**LEGGETT & PLATT, INCORPORATED**

(Exact name of registrant as specified in its charter)

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<b>Missouri</b> (State or other jurisdiction of incorporation or organization)	<b>44-0324630</b> (I.R.S. Employer Identification No.)
<b>No. 1 Leggett Road</b>  <b>Carthage, Missouri</b> (Address of principal executive offices)	<b>64836</b> (Zip Code)
<b>Registrant's telephone number, including area code (417) 358-8131</b>	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Common stock outstanding as of October 20, 2011: 139,132,140

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## LEGGETT &amp; PLATT, INCORPORATED

## CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Amounts in millions)	September 30, 2011	December 31, 2010
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 218.8	\$ 244.5
Accounts and other receivables, net	576.7	478.9
Inventories		
Finished goods	259.9	241.1
Work in process	45.1	47.7
Raw materials and supplies	231.2	218.2
LIFO reserve	(79.7)	(71.7)
Total inventories, net	456.5	435.3
Other current assets	39.3	60.4
Total current assets	1,291.3	1,219.1
<b>PROPERTY, PLANT AND EQUIPMENT AT COST</b>		
Machinery and equipment	1,143.1	1,136.6
Buildings and other	616.1	613.0
Land	45.5	48.5
Total property, plant and equipment	1,804.7	1,798.1
Less accumulated depreciation	1,203.8	1,173.9
Net property, plant and equipment	600.9	624.2
<b>OTHER ASSETS</b>		
Goodwill	924.8	930.3
Other intangibles, less accumulated amortization of \$119.4 and \$107.8 as of September 30, 2011 and December 31, 2010, respectively	139.7	152.3
Sundry	65.6	75.1
Total other assets	1,130.1	1,157.7
<b>TOTAL ASSETS</b>	<b>\$ 3,022.3</b>	<b>\$ 3,001.0</b>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 2.1	\$ 2.2
Accounts payable	274.2	226.4
Accrued expenses	218.9	209.5
Other current liabilities	108.8	84.9
Total current liabilities	604.0	523.0
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	897.3	762.2
Other long-term liabilities	113.2	121.9
Deferred income taxes	69.7	69.5

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Total long-term liabilities	1,080.2	953.6
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock	2.0	2.0
Additional contributed capital	452.3	463.2
Retained earnings	2,058.8	2,033.3
Accumulated other comprehensive income	76.4	101.8
Treasury stock	(1,261.3)	(1,093.0)
Total Leggett & Platt, Inc. equity	1,328.2	1,507.3
Noncontrolling interest	9.9	17.1
Total equity	1,338.1	1,524.4
TOTAL LIABILITIES AND EQUITY	\$ 3,022.3	\$ 3,001.0

See accompanying notes to consolidated condensed financial statements.

The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required for annual financial statements by generally accepted accounting principles in the United States of America.

## LEGGETT &amp; PLATT, INCORPORATED

## CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

(Amounts in millions, except per share data)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Net sales	\$ 2,781.9	\$ 2,557.2	\$ 940.9	\$ 866.5
Cost of goods sold	2,259.6	2,043.3	770.5	697.8
Gross profit	522.3	513.9	170.4	168.7
Selling and administrative expenses	287.8	268.7	93.9	87.6
Amortization of intangibles	14.4	14.8	4.7	4.9
Other (income) expense, net	(4.8)	(7.5)	.2	.6
Earnings from continuing operations before interest and income taxes	224.9	237.9	71.6	75.6
Interest expense	28.5	27.8	9.6	9.3
Interest income	5.2	4.0	1.4	1.7
Earnings from continuing operations before income taxes	201.6	214.1	63.4	68.0
Income taxes	54.5	63.1	18.1	18.1
Earnings from continuing operations	147.1	151.0	45.3	49.9
Earnings (loss) from discontinued operations, net of tax		(.7)		(.6)
Net earnings	\$ 147.1	\$ 150.3	\$ 45.3	\$ 49.3
(Earnings) loss attributable to noncontrolling interest, net of tax	(2.5)	(5.1)	(.4)	(1.9)
Net earnings attributable to Leggett & Platt, Inc.	\$ 144.6	\$ 145.2	\$ 44.9	\$ 47.4
Earnings per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$ .99	\$ .96	\$ .31	\$ .32
Diluted	\$ .98	\$ .95	\$ .31	\$ .31
Earnings per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$	\$ .00	\$	\$ .00
Diluted	\$	\$ (.01)	\$	\$ .00
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$ .99	\$ .96	\$ .31	\$ .31
Diluted	\$ .98	\$ .94	\$ .31	\$ .31
Cash dividends declared per share	\$ .82	\$ .79	\$ .28	\$ .27
Average shares outstanding				
Basic	146.2	151.6	143.8	150.7
Diluted	147.8	153.7	145.1	152.9

See accompanying notes to consolidated condensed financial statements.

## LEGGETT &amp; PLATT, INCORPORATED

## CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in millions)	Nine Months Ended September 30,	
	2011	2010
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$ 147.1	\$ 150.3
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	73.8	76.4
Amortization	14.4	14.8
Provision for losses on accounts and notes receivable	7.2	6.2
Writedown of inventory	7.9	8.8
Asset impairment charges	3.4	2.5
Net gain from sales of assets and businesses	(9.8)	(11.3)
Deferred income tax expense	7.2	23.6
Stock-based compensation	29.3	29.8
Other	(8.6)	(1.8)
Other changes, excluding effects from acquisitions and divestitures:		
Increase in accounts and other receivables	(100.7)	(102.9)
Increase in inventories	(29.1)	(54.0)
Increase in other current assets	(1.2)	12.2
Increase in accounts payable	47.0	35.8
Increase in accrued expenses and other current liabilities	14.1	18.0
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>202.0</b>	<b>208.4</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(56.7)	(48.6)
Purchases of companies, net of cash acquired	(6.6)	(.4)
Proceeds from sales of assets and businesses	20.3	27.2
Maturity of short-term investments	22.8	1.3
Other	(2.5)	1.4
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(22.7)</b>	<b>(19.1)</b>
<b>FINANCING ACTIVITIES</b>		
Additions to debt	140.1	76.3
Payments on debt	(14.9)	(47.0)
Dividends paid	(117.0)	(115.4)
Issuances of common stock	17.5	19.4
Purchases of common stock	(225.1)	(100.1)
Acquisition of noncontrolling interest	(13.1)	
Other	5.3	.2
<b>NET CASH USED FOR FINANCING ACTIVITIES</b>	<b>(207.2)</b>	<b>(166.6)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>2.2</b>	<b>(6.5)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(25.7)</b>	<b>16.2</b>
CASH AND CASH EQUIVALENTS January 1,	244.5	260.5
<b>CASH AND CASH EQUIVALENTS September 30,</b>	<b>\$ 218.8</b>	<b>\$ 276.7</b>

See accompanying notes to consolidated condensed financial statements.



**LEGGETT & PLATT, INCORPORATED****NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS****(Unaudited)****(Amounts in millions, except per share data)****1. INTERIM PRESENTATION**

The interim financial statements of Leggett & Platt, Incorporated ( we , us or our ) included herein have not been audited by an independent registered public accounting firm. The statements include all adjustments, including normal recurring accruals, which management considers necessary for a fair presentation of our financial position and operating results for the periods presented. We have prepared the statements pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The operating results for interim periods are not necessarily indicative of results to be expected for an entire year.

For further information, refer to the financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2010.

**2. NEW ACCOUNTING GUIDANCE**

In June 2011, the Financial Accounting Standards Board (FASB) issued guidance that removes the current presentation options for comprehensive income and requires presentation in either a single continuous statement of comprehensive income or in two separate but consecutive statements. The new guidance does not change the items that must be reported in other comprehensive income. The amendment is effective for our first quarter 2012 reporting, and we do not expect it to have a material impact on our financial statements.

The FASB has issued other accounting guidance effective for current and future periods (that we have not yet adopted), but we do not believe any of the other new guidance will have a material impact on our current or future financial statements.

**3. INVENTORIES**

About 60% of our inventories are valued using the Last-In, First-Out (LIFO) cost method and the remainder using the First-In, First-Out (FIFO) cost method.

We calculate our LIFO reserve (the excess of FIFO cost over LIFO cost) on an annual basis. During interim periods, we estimate the current year annual change in the LIFO reserve (i.e., the annual LIFO expense or benefit) and allocate that change ratably to the four quarters. Because accurately predicting inventory prices for the year is difficult, the change in the LIFO reserve for the full year could be significantly different from the amount currently estimated. In addition, a variation in expected ending inventory levels could also impact total change in the LIFO reserve for the year. Any change in the annual LIFO estimate will be reflected in the fourth quarter.

The following table contains the LIFO expense (income) included in earnings for each of the periods presented.

	<b>Nine Months Ended</b>		<b>Three Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
LIFO expense (income)	\$ 8.1	\$ 9.6	\$ (.9)	\$ 5.3

**4. SEGMENT INFORMATION**

We have four operating segments that are generally focused on broad end-user markets for our diversified products. Residential Furnishings derives its revenues from components for bedding, furniture and other furnishings, as well as related consumer products. Commercial Fixturing & Components derives its revenues from retail store fixtures, displays and components for office and institutional furnishings.



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Industrial Materials derives its revenues from drawn steel wire, specialty wire products and welded steel tubing sold to trade customers as well as our other segments. Specialized Products derives its revenues from automotive seating components, specialized machinery and equipment, and commercial vehicle interiors.

Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. Each reportable segment has a senior operating vice-president that reports to the chief operating decision maker. The operating results and financial information reported through the segment structure are regularly reviewed and used by the chief operating decision maker to evaluate segment performance, allocate overall resources and determine management incentive compensation.

Separately, we also utilize a role-based approach (Grow, Core, Fix or Divest) as a supplemental management tool to ensure capital (which is a subset of the overall resources referred to above) is efficiently allocated within the reportable segment structure.

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 4. SEGMENT INFORMATION (continued)

The accounting principles used in the preparation of the segment information are the same as those used for the consolidated financial statements, except that the segment assets and income reflect the FIFO basis of accounting for inventory. Certain inventories are accounted for using the LIFO basis in the consolidated financial statements. We evaluate performance based on earnings from operations before interest and income taxes (EBIT). Intersegment sales are made primarily at prices that approximate market-based selling prices. Centrally incurred costs are allocated to the segments based on estimates of services used by the segment. Certain of our general and administrative costs and miscellaneous corporate income and expenses are allocated to the segments based on sales and EBIT. These allocated corporate costs include depreciation and other costs and income related to assets that are not allocated or otherwise included in the segment assets.

A summary of segment results from continuing operations are shown in the following tables.

	External Sales	Inter- Segment Sales	Total Sales	EBIT
<b>Nine Months ended September 30, 2011:</b>				
Residential Furnishings	\$ 1,393.1	\$ 6.7	\$ 1,399.8	\$ 116.8
Commercial Fixturing & Components	405.6	3.9	409.5	22.4
Industrial Materials	468.6	187.5	656.1	39.3
Specialized Products	514.6	34.4	549.0	60.1
Intersegment eliminations				(5.6)
Change in LIFO reserve				(8.1)
	\$ 2,781.9	\$ 232.5	\$ 3,014.4	\$ 224.9
<b>Nine Months ended September 30, 2010:</b>				
Residential Furnishings	\$ 1,329.8	\$ 5.7	\$ 1,335.5	\$ 132.3
Commercial Fixturing & Components	429.9	3.1	433.0	26.6
Industrial Materials	374.4	180.6	555.0	44.8
Specialized Products	423.1	29.2	452.3	46.4
Intersegment eliminations				(2.6)
Change in LIFO reserve				(9.6)
	\$ 2,557.2	\$ 218.6	\$ 2,775.8	\$ 237.9
<b>Three Months ended September 30, 2011:</b>				
Residential Furnishings	\$ 470.2	\$ 2.1	\$ 472.3	\$ 33.5
Commercial Fixturing & Components	140.5	1.2	141.7	6.7
Industrial Materials	156.8	59.9	216.7	11.7
Specialized Products	173.4	14.3	187.7	20.6
Intersegment eliminations				(1.8)
Change in LIFO reserve				.9
	\$ 940.9	\$ 77.5	\$ 1,018.4	\$ 71.6

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**Three Months ended September 30 , 2010:**

Residential Furnishings	\$ 442.1	\$ 1.6	\$ 443.7	\$ 38.3
Commercial Fixturing & Components	148.5	1.0	149.5	10.0
Industrial Materials	126.8	56.4	183.2	14.6
Specialized Products	149.1	10.8	159.9	19.2
Intersegment eliminations				(1.2)
Change in LIFO reserve				(5.3)
	\$ 866.5	\$ 69.8	\$ 936.3	\$ 75.6

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 4. SEGMENT INFORMATION (continued)

Average assets for our segments are shown in the table below and reflect the basis for return measures used by management to evaluate segment performance. These segment totals include working capital (all current assets and current liabilities) plus net property, plant and equipment. Segment assets for all years are reflected at their estimated average for the periods presented.

	September 30, 2011	December 31, 2010
Residential Furnishings	\$ 631.4	\$ 645.3
Commercial Fixturing & Components	181.7	185.2
Industrial Materials	218.4	211.6
Specialized Products	227.0	207.9
Average current liabilities included in segment numbers above	434.5	381.1
Unallocated assets (1)	1,332.0	1,448.6
Difference between average assets and period-end balance sheet	(2.7)	(78.7)
Total assets	\$ 3,022.3	\$ 3,001.0

(1) Primarily goodwill, other intangibles, cash and notes receivable

## 5. DISCONTINUED OPERATIONS

Exit activities associated with an extensive review of our business portfolio in 2007 (which included the divestiture of seven businesses) were substantially complete by the end of 2008. However, a small amount of subsequent activity directly related to these divestitures continued into 2010.

The sale of the last business, the Storage Products unit (previously reported in Commercial Fixturing and Components) was completed in the third quarter of 2010. No significant gain or loss was realized on the sale of this unit.

Results from discontinued operations and activity directly related to divestitures subsequent to the date of sale were as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
External sales:				
Commercial Fixturing & Components Storage Products Unit	\$	\$ 37.1	\$	\$ 10.8
Earnings (loss):				

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Commercial Fixturing & Components Storage Products Unit (1)	\$	\$	(.5)	\$	\$	(.4)
Subsequent activity related to divestitures completed prior to 2010			(.5)			(.4)
Earnings (loss) before interest and income taxes			(1.0)			(.8)
Income tax benefit (expense)			.3			.2
Earnings (loss) from discontinued operations, net of tax	\$	\$	(.7)	\$	\$	(.6)

- (1) In the first quarter of 2010, pre-tax impairment charges of \$.9 were recorded to reflect an updated estimate of fair value less costs to sell.

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**6. EARNINGS PER SHARE**

Basic and diluted earnings per share were calculated as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
<b>Earnings:</b>				
Earnings from continuing operations	\$ 147.1	\$ 151.0	\$ 45.3	\$ 49.9
(Earnings) loss attributable to noncontrolling interest, net of tax	(2.5)	(5.1)	(.4)	(1.9)
Net earnings from continuing operations attributable to Leggett & Platt, Inc. common shareholders.	\$ 144.6	\$ 145.9	\$ 44.9	\$ 48.0
Earnings (loss) from discontinued operations, net of tax		(.7)		(.6)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	\$ 144.6	\$ 145.2	\$ 44.9	\$ 47.4
<b>Weighted average number of shares:</b>				
Weighted average number of common shares used in basic EPS	146.2	151.6	143.8	150.7
Additional dilutive shares principally from the assumed exercise of outstanding stock options	1.6	2.1	1.3	2.2
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	147.8	153.7	145.1	152.9
<b>Basic and Diluted EPS:</b>				
Basic EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	\$ .99	\$ .96	\$ .31	\$ .32
Discontinued operations		.00		.00
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	\$ .99	\$ .96	\$ .31	\$ .31
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	\$ .98	\$ .95	\$ .31	\$ .31
Discontinued operations		(.01)		.00
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	\$ .98	\$ .94	\$ .31	\$ .31
<b>Other information:</b>				
Shares issuable under employee and non-employee stock options	11.5	12.2	11.5	12.2
Anti-dilutive shares excluded from diluted EPS computation	2.3	2.9	2.8	2.8

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 7. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following:

	September 30, 2011		December 31, 2010	
	Current	Long-term	Current	Long-term
Trade accounts receivable	\$ 534.6	\$	\$ 438.3	\$
Customer-related and other notes	6.2	4.6	7.7	4.3
Notes received as partial payment for divestitures	7.4	10.4	8.0	11.1
Income tax receivables	28.1		25.2	
Other receivables	25.9		21.8	
<b>Total accounts and other receivables</b>	<b>602.2</b>	<b>15.0</b>	<b>501.0</b>	<b>15.4</b>
<b>Allowance for doubtful accounts:</b>				
Trade accounts receivable	(23.9)		(22.0)	
Customer-related and other notes	(.1)	(1.6)	(.1)	(1.1)
Notes received as partial payment for divestitures	(1.5)	(.4)		
<b>Total allowance for doubtful accounts</b>	<b>(25.5)</b>	<b>(2.0)</b>	<b>(22.1)</b>	<b>(1.1)</b>
<b>Total net receivables</b>	<b>\$ 576.7</b>	<b>\$ 13.0</b>	<b>\$ 478.9</b>	<b>\$ 14.3</b>

Notes are evaluated individually for impairment, and we had no significant impaired notes for the periods presented.

Our investment in notes receivable that were past due more than 90 days was less than \$3.5 at September 30, 2011, of which approximately \$1.0 had been placed on non-accrual status.

Activity related to the allowance for doubtful accounts is reflected below:

	Balance at December 31, 2010	2011 Charges	2011 Charge-offs, net of recoveries	Balance at September 30, 2011
Trade accounts receivable	\$ 22.0	\$ 4.9	\$ (3.0)	\$ 23.9
Customer-related and other notes	1.2	.4	.1	1.7
Notes received as partial payment for divestitures		1.9		1.9
	\$ 23.2	\$ 7.2	\$ (2.9)	\$ 27.5

## 8. STOCK-BASED COMPENSATION

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The following table recaps the components of stock-based compensation for each period presented:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Stock-based compensation expense:				
Amortization of the grant date fair value of stock options (1)	\$ 4.2	\$ 4.1	\$ .6	\$ .6
Stock-based retirement plans contributions (2)	5.0	4.9	1.5	1.3
Discounts on various stock awards:				
Deferred Stock Compensation Program	1.0	.8	.2	.2
Stock-based retirement plans	1.3	1.5	.1	.3
Discount Stock Plan	.6	.6	.2	.2
Performance Stock Unit awards (3)	5.4	5.7	1.8	1.9
Restricted Stock Unit awards	1.7	1.2	.6	.4
Other, primarily non-employee directors restricted stock	.8	1.1	.2	.3
<b>Total stock-based compensation expense</b>	<b>20.0</b>	<b>19.9</b>	<b>5.2</b>	<b>5.2</b>
Employee contributions for above stock plans	9.3	9.9	3.0	2.9
<b>Total stock-based compensation</b>	<b>\$ 29.3</b>	<b>\$ 29.8</b>	<b>\$ 8.2</b>	<b>\$ 8.1</b>
Recognized tax benefits on stock-based compensation expense	\$ 7.6	\$ 7.6	\$ 2.0	\$ 1.9



## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 8. STOCK-BASED COMPENSATION (continued)

## (1) Stock Option Grants

Our most significant stock options are granted annually in the first quarter of each year on a discretionary basis to a broad group of employees.

In connection with the January 2010 grant, we gave most participants the choice to receive stock options or to receive a cash payment in the first quarter in lieu of options. The value of the cash alternative was equal to approximately one-half of the Black Scholes value of the option grant the employee would have otherwise received.

In January 2011, we offered two different option choice programs. One group of employees was offered the same option/cash choice as in 2010, with the cash alternative being equal to approximately one-half of the Black-Scholes value of the option grant foregone. Another group of employees, generally higher level employees, were offered a choice between stock options or restricted stock units (RSUs), on a ratio of four options foregone for every one RSU offered. The RSUs vest in one-third increments at 12 months, 24 months and 36 months after the date of grant.

The following table summarizes fair values calculated (and assumptions utilized) using the Black-Scholes option pricing model for all options granted in the periods presented. There were no material stock option grants during the third quarter of either year.

	Nine Months Ended September 30,	
	2011	2010
Options granted (in millions)	1.0	1.3
Aggregate grant date fair value	\$ 4.9	\$ 5.1
Weighted-average per share grant date fair value	\$ 4.90	\$ 4.08
Risk-free interest rate	2.7%	3.1%
Expected life in years	7.1	6.9
Expected volatility (over expected life)	33.3%	33.2%
Expected dividend yield (over expected life)	4.7%	5.2%
Cash payments to employees elected in lieu of options	\$ .3	\$ .6

## (2) Stock-Based Retirement Plans

We have two stock-based retirement plans: the tax-qualified Stock Bonus Plan (SBP) for non-highly compensated employees, and the non-qualified Executive Stock Unit Program (ESUP) for highly compensated employees. We make matching contributions to both plans. In addition to the automatic 50% match, we will make another matching contribution of up to 50% of the employee's contributions for the year if certain profitability levels as defined in the SBP and the ESUP are obtained.

SBP participants may direct their contributions into Company stock or several other investment options. Company matching contributions are invested in Company stock until the participant is vested. After vesting, the participant may re-direct company matching contributions into any of the investments offered under the plan.

Since April 1, 2011, ESUP participant contributions are credited to a diversified investment account consisting of various mutual funds and retirement target funds selected by the participant. At every bi-weekly contribution date, we add a premium contribution equal to 17.65% of the

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participant's contribution to the diversified investment accounts. Participants may change investment elections in the diversified investment accounts, but cannot purchase Company common stock or stock units in these accounts. All company matching contributions are credited to participants' accounts in the form of Company stock units acquired at a 15% discount to the market value of the Company's stock on the date they are allocated to the account. Participants may not diversify this portion of their accounts.

We have purchased investments intended to mirror the diversified investments selected by the participants. These investments are a component of Other current assets and Sundry long-term assets in the accompanying Consolidated Condensed Balance Sheet. Investment returns of the actual funds, whether positive or negative, are eventually paid out in cash. All amounts deferred under this program are unfunded, unsecured obligations of the Company and are presented as a component of the Other current liabilities and Other long-term liabilities in the accompanying Consolidated Condensed Balance Sheet. Both the asset and liabilities associated with this program are presented in Note 11 and are adjusted to fair value at each reporting period.

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**8. STOCK-BASED COMPENSATION (continued)**

## (3) Performance Stock Unit Awards

We also grant Performance Stock Unit (PSU) awards in the first quarter of each year to selected officers and other key managers. These awards contain the following conditions:

A service requirement Awards generally cliff vest three years following the grant date; and

A market condition Awards are based on our Total Shareholder Return [TSR = (Change in Stock Price + Dividends) / Beginning Stock Price] as compared to the TSR of a group of peer companies. The peer group consists of all the companies in the Industrial, Materials and Consumer Discretionary sectors of the S&P 500 and S&P Midcap 400 (approximately 320 companies). Participants will earn from 0% to 175% of the base award depending upon how our Total Shareholder Return ranks within the peer group at the end of the 3-year performance period.

Grant date fair values are calculated using a Monte Carlo simulation of stock and volatility data for Leggett and each of the comparator companies and are based upon assumptions similar to those used for stock options. Grant date fair values are amortized using the straight-line method over the three-year vesting period.

Below is a summary of the number of shares and related grant date fair value of PSU s for the periods presented. There were no PSU s granted during the third quarter of either year.

	Nine Months Ended	
	September 30, 2011	September 30, 2010
Total shares base award (in millions)	.3	.3
Grant date per share fair value	\$ 25.41	\$ 21.96

The three-year performance cycle of the 2008 award was completed on December 31, 2010. Our TSR performance, relative to the peer group, ranked among the top one-tenth of the S&P 500 companies; accordingly, participants earned 175% of the base award and .9 million shares were distributed in January 2011.

Beginning with the 2010 award (that will be settled in 2013), thirty-five percent (35%) of awards will be paid out in cash. We intend to pay out the remaining sixty-five percent (65%) in shares of our common stock, although we reserve the right to pay up to one hundred percent (100%) in cash. The 35% portion is recorded as a liability and is adjusted to fair value at each reporting period.

	September 30, 2011	December 31, 2010
PSU liability to be settled in cash	\$ 2.1	\$ 1.1

**9. EMPLOYEE BENEFIT PLANS**

The following table provides interim information as to our domestic and foreign defined benefit pension plans. Expected 2011 employer contributions are not significantly different than the \$8.7 previously reported at December 31, 2010.

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	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Components of net pension expense				
Service cost	\$ 1.8	\$ 1.6	\$ .6	\$ .5
Interest cost	10.0	10.1	3.3	3.4
Expected return on plan assets	(10.2)	(9.6)	(3.5)	(3.2)
Recognized net actuarial loss	2.9	2.8	.9	1.0
Net pension expense	\$ 4.5	\$ 4.9	\$ 1.3	\$ 1.7

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 10. STATEMENT OF CHANGES IN EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

	Three Months Ended Sept. 30, 2011		Nine Months Ended September 30, 2011					
	Comprehensive Income Attributable to Leggett & Platt, Inc.	Comprehensive Income Attributable to Leggett & Platt, Inc.	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2011	\$	\$	\$ 1,524.4	\$ 2,033.3	\$ 465.2	\$(1,093.0)	\$ 17.1	\$ 101.8
Net earnings	45.3	147.1	147.1	147.1				
(Earnings) loss attributable to noncontrolling interest, net of tax	(.4)	(2.5)		(2.5)			2.5	
Dividends declared			(116.2)	(119.1)	2.9			
Acquisition of noncontrolling interest			(21.0)		(10.8)		(10.2)	
Treasury stock purchased			(229.7)			(229.7)		
Treasury stock issued			30.2		(31.2)	61.4		
Foreign currency translation adjustments	(42.5)	(6.1)	(5.6)				.5	(6.1)
Cash flow hedges, net of tax	(17.0)	(20.7)	(20.7)					(20.7)
Defined benefit pension plans, net of tax	.6	1.4	1.4					1.4
Stock options and benefit plan transactions, net of tax			28.2		28.2			
Ending balance, Sept. 30, 2011	\$ (14.0)	\$ 119.2	\$ 1,338.1	\$ 2,058.8	\$ 454.3	\$(1,261.3)	\$ 9.9	\$ 76.4

	Three Months Ended Sept. 30, 2010		Nine Months Ended September 30, 2010					
	Comprehensive Income Attributable to Leggett & Platt, Inc.	Comprehensive Income Attributable to Leggett & Platt, Inc.	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2010	\$	\$	\$ 1,575.5	\$ 2,013.3	\$ 469.7	\$(1,033.8)	\$ 21.5	\$ 104.8
Net earnings	49.3	150.3	150.3	150.3				
	(1.9)	(5.1)		(5.1)			5.1	

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(Earnings) loss attributable to noncontrolling interest, net of tax									
Dividends declared			(116.3)	(119.4)	3.1				
Dividends paid to noncontrolling interest			(2.8)					(2.8)	
Treasury stock purchased			(101.6)				(101.6)		
Treasury stock issued			29.3		(20.3)	49.6			
Foreign currency translation adjustments	24.8	(34.3)	(34.3)						(34.3)
Cash flow hedges, net of tax	(4.3)	(8.3)	(8.3)						(8.3)
Other			.1					.1	
Defined benefit pension plans, net of tax	.3	1.3	1.3						1.3
Stock options and benefit plan transactions, net of tax			22.3		22.3				
Ending balance, Sept. 30, 2010	\$ 68.2	\$ 103.9	\$ 1,515.5	\$ 2,039.1	\$ 474.8	\$ (1,085.8)	\$ 23.9	\$ 63.5	

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 10. STATEMENT OF CHANGES IN EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME (continued)

The following tables set forth the components of and changes in each component of accumulated other comprehensive income (loss) for each of the periods presented:

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance January 1, 2010	\$ 147.2	\$ .1	\$ (42.5)	\$ 104.8
Period change gross	(34.3)	(13.4)	2.1	(45.6)
Period change income tax effect		5.1	(.8)	4.3
Balance September 30, 2010	\$ 112.9	\$ (8.2)	\$ (41.2)	\$ 63.5
Balance January 1, 2011	\$ 151.1	\$ 1.4	\$ (50.7)	\$ 101.8
Period change gross	(6.1)	(33.3)	2.2	(37.2)
Period change income tax effect		12.6	(.8)	11.8
Balance September 30, 2011	\$ 145.0	\$ (19.3)	\$ (49.3)	\$ 76.4

## 11. FAIR VALUE

Fair value measurements are established using a three level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following categories:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Short-term investments in this category are valued using discounted cash flow techniques with all significant inputs derived from or corroborated by observable market data. Derivative assets and liabilities in this category are valued using models that consider various assumptions and information from market-corroborated sources. The models used are primarily industry-standard models that consider items such as quoted prices, market interest rate curves applicable to the instruments being valued as of the end of each period, discounted cash flows, volatility factors, current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

Level 3: Unobservable inputs that are not corroborated by market data.

**Items measured at fair value on a recurring basis**

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	As of September 30, 2011			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$	\$	\$	\$
Bank time deposits with original maturities of three months or less		96.5		96.5
Derivative assets		2.7		2.7
Diversified investments associated with the ESUP	1.5			1.5
<b>Total assets</b>	<b>\$ 1.5</b>	<b>\$ 99.2</b>	<b>\$</b>	<b>\$ 100.7</b>
<b>Liabilities:</b>				
Derivative liabilities	\$ 1.3	\$ 32.4	\$	\$ 33.7
Liabilities associated with the ESUP	1.7			1.7
<b>Total liabilities</b>	<b>\$ 3.0</b>	<b>\$ 32.4</b>	<b>\$</b>	<b>\$ 35.4</b>



## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 11. FAIR VALUE (continued)

	As of December 31, 2010			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 101.7	\$	\$	\$ 101.7
Bank time deposits with original maturities of three months or less		38.1		38.1
Short-term investments:				
Bank time deposits with original maturities of greater than three months		22.8		22.8
Derivative assets		5.3		5.3
<b>Total assets</b>	<b>\$ 101.7</b>	<b>\$ 66.2</b>	<b>\$</b>	<b>\$ 167.9</b>
<b>Liabilities:</b>				
Derivative liabilities	\$ 1.1	\$ .2	\$	\$ 1.3
<b>Total liabilities</b>	<b>\$ 1.1</b>	<b>\$ .2</b>	<b>\$</b>	<b>\$ 1.3</b>

The fair value for fixed rate debt was greater than its \$730.0 carrying value by \$38.4 at September 30, 2011 and greater than its \$730.0 carrying value by \$6.0 at December 31, 2010.

**Items measured at fair value on a non-recurring basis**

The primary areas in which we use fair value measurements of non-financial assets and liabilities are allocating purchase price to the assets and liabilities of acquired companies and evaluating long-term assets for potential impairment.

**Goodwill**

We perform an annual review for potential goodwill impairment in June of each year and as triggering events occur. The goodwill impairment review performed in June 2011 indicated no goodwill impairments.

The ten reporting units for goodwill purposes are one level below the operating segments, and are the same as the business groups disclosed in Item 1. Business in Form 10-K. Fair market values of the reporting units are estimated using a discounted cash flow model and comparable market values for similar entities using price to earnings ratios. Key assumptions and estimates used in the cash flow model include discount rate, internal sales growth, margins, capital expenditure requirements, and working capital requirements. Recent performance of the reporting unit is an important factor, but not the only factor, in the assessment.

Reporting units' fair values in relation to their respective carrying values and significant assumptions used in the June 2011 review are presented in the table below. If actual results differ from estimates used in these calculations, we could incur future impairment charges.

Percentage of fair value in excess of carrying value	Sept. 30, 2011 goodwill value	10-year compound annual growth rate range	Terminal values long-term growth rate	Discount rate ranges
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15-40%	\$	530.7	2.0% - 6.5%	3%	9.5% -11.5%
40%+		394.1	2.3% - 5.2%	3%	8.5%
	\$	924.8	2.0% - 6.5%	3%	8.5% -11.5%

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**11. FAIR VALUE (continued)***Fixed Assets*

We test long-lived assets for recoverability at year-end and whenever events or changes in circumstances indicate the carrying value may not be recoverable. The table below summarizes fixed asset impairments for the periods presented.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Continuing operations	\$ 3.4	\$ 1.6	\$	\$ .2
Discontinued operations		.9		
<b>Total asset impairments</b>	<b>\$ 3.4</b>	<b>\$ 2.5</b>	<b>\$</b>	<b>\$ .2</b>

Fair value and the resulting impairment charges were based primarily upon offers from potential buyers or third party estimates of fair value less selling costs.

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 12. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

*Risk Management Strategy & Objectives*

We are subject to market and financial risks related to interest rates, foreign currency, and commodities. In the normal course of business, we utilize derivative instruments (individually or in combinations) to manage these risks. We seek to use derivative contracts that qualify for hedge accounting treatment; however, some instruments may not qualify for this treatment. It is our policy not to speculate using derivative instruments.

We have recorded the following assets and liabilities representing the fair value for our most significant derivative financial instruments. The fair values of the derivatives reflect the change in the market value of the derivative from the date of the trade execution, and do not consider the offsetting underlying hedged item.

	Total USD Equivalent Notional Amount	As of September 30, 2011			
		Assets		Liabilities	
		Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
<b>Derivatives designated as hedging instruments</b>					
Cash flow hedges:					
Commodity hedges	\$ 7.2	\$	\$	\$ 1.1	\$ .2
Interest rate hedges	200.0			29.2	
Currency Hedges:					
Future USD sales of Canadian subsidiaries	38.0			.7	.5
Future USD sales of Chinese subsidiary	4.3	.1			
Future USD cost of goods sold of Canadian subsidiaries	10.0	.5	.2		
Future USD cost of goods sold of European subsidiary	1.4			.1	
Total cash flow hedges		.6	.2	31.1	.7
Fair value hedges:					
USD inter-company note receivable on a Canadian subsidiary	6.0			.6	
USD inter-company note receivable on a Swiss subsidiary	14.5			1.3	
Total fair value hedges				1.9	
<b>Derivatives not designated as hedging instruments</b>					
Hedge of EUR cash on a UK subsidiary	4.2	.3			
Hedge of EUR inter-company note receivable from a European subsidiary	28.0		1.6		
		\$ .9	\$ 1.8	\$ 33.0	\$ .7

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 12. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Total USD Equivalent Notional Amount	As of December 31, 2010			
		Assets		Liabilities	
		Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
<b>Derivatives designated as hedging instruments</b>					
Cash flow hedges:					
Commodity hedges	\$ 7.3	\$	\$	\$ .9	\$ .2
Interest rate hedges	200.0		3.1		
Currency hedges:					
Future USD cost of goods sold of Canadian subsidiaries	5.1			.1	
Future USD sales of a Chinese subsidiary	3.0			.1	
Future USD sales of Canadian subsidiaries	6.1	.4			
Total cash flow hedges		.4	3.1	1.1	.2
Fair value hedges:					
USD inter-company note receivable on a Canadian subsidiary	6.0	.1			
Total fair value hedges		.1			
<b>Derivatives not designated as hedging instruments</b>					
Hedge of EUR inter-company note receivable from a European subsidiary	28.0		1.7		
		\$ .5	\$ 4.8	\$ 1.1	\$ .2

*Cash Flow Hedges*

We had outstanding derivative financial instruments that hedged forecasted transactions and anticipated cash flows in the periods presented above. The effective changes in fair value of unexpired contracts are recorded in accumulated other comprehensive income and reclassified to income or expense in the period in which earnings are impacted and are presented as operating cash flows when the contracts are settled.

*Commodity Cash Flow Hedges*

The commodity cash flow hedges manage natural gas commodity price risk. All commodity hedges at September 30, 2011 had maturities of less than three years. We routinely hedge commodity price risk up to 36 months.

*Foreign Currency Cash Flow Hedges*

The foreign currency hedges manage risk associated with exchange rate volatility of various currencies. The foreign currency cash flow hedges outstanding as presented above had maturity dates within two years. In general, foreign currency cash flow hedges have maturities within two years.

*Interest Rate Cash Flow Hedges*

In anticipation of long-term debt maturing in April 2013, we entered into forward starting interest rate swaps in 2010. The swap contracts manage benchmark interest rate risk associated with \$200 of potential future debt issuance, and mature in August 2012. The swaps have a

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weighted average interest rate of 4.0%. They do not hedge the credit spread over treasuries, our credit worthiness, or the market price of credit related to any future debt issuances.

### ***Fair Value Hedges***

Our fair value hedges manage foreign currency risk associated with third party and subsidiaries' inter-company assets and liabilities. Hedges designated as fair value hedges recognize gain or loss currently in earnings and are presented as operating cash flows when the contracts are settled. These fair value hedges generally have a maturity date within one year.

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

## 12. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (continued)

*Hedge Effectiveness*

We have determined all ineffectiveness to be immaterial, and as a result, have not recorded any amounts for ineffectiveness. If a hedge was not highly effective, the portion of the change in fair value considered to be ineffective would be recognized immediately in the consolidated condensed statements of operations.

*Derivatives Not Designated as Hedging Instruments*

We had three derivative transactions that did not qualify for hedge accounting treatment in the periods presented. Gains or losses on these transactions are recorded directly to income and expense in the period impacted, and economically offset the gains or losses on the underlying Euro inter-company debt.

The following table sets forth the pre-tax gains (losses) from continuing operations for our hedging activities for the periods presented. This schedule includes reclassifications from accumulated other comprehensive income as well as derivative settlements recorded directly to income or expense.

	Income Statement Caption	Amount of Gain (Loss) Recorded in Income Nine Months Ended September 30		Amount of Gain (Loss) Recorded in Income Three Months Ended September 30	
		2011	2010	2011	2010
<b>Derivatives designated as hedging instruments</b>					
Commodity cash flow hedges	Cost of goods sold	\$ (.8)	\$ (.8)	\$ (.2)	\$ (.3)
Foreign currency cash flow hedges	Net Sales	.5	.8	.3	.4
Foreign currency cash flow hedges	Cost of goods sold	(.3)		(.3)	
Foreign currency cash flow hedges	Other expense				
	(income), net	(.2)		(.2)	
Total cash flow hedges		(.8)		(.4)	.1
Fair value hedges	Other expense				
	(income), net	(1.6)	.7	(1.4)	.6
<b>Derivatives not designated as hedging instruments</b>					
Hedge of EUR cash- UK subsidiary	Other expense				
	(income), net	.1		.2	
Hedge of EUR cash- USD subsidiary	Other expense				
	(income), net	.3		.3	
Hedge of EUR inter-company note receivable- European subsidiary	Other expense				
	(income), net	(.1)	4.5	2.0	(.6)

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Hedge of EUR inter-company note receivable- European subsidiary	Interest expense	(.2)	(.1)	(.1)
Total derivative instruments		\$ (2.3)	\$ 5.1	\$ .6

### 13. CONTINGENCIES

We are a defendant in various proceedings involving employment, antitrust, intellectual property, environmental, taxation and other laws. When it is probable, in management's judgment, that we may incur monetary damages or other costs resulting from these proceedings or other claims, and we can reasonably estimate the amounts, we record appropriate liabilities in the financial statements and make charges against earnings. For all periods presented, we have recorded no material charges against earnings, and the total liabilities recorded are not material to our financial position.

#### *NPI Lawsuit*

On January 18, 2008, National Products, Inc. ( NPI ) sued Gamber-Johnson, LLC ( Gamber ), our wholly-owned subsidiary, in Case C08-0049C-JLR, in the United States District Court, Western District of Washington, alleging that portions of a Gamber marketing video contained false and misleading statements. NPI and Gamber compete in the market for vehicle computer mounting systems. NPI sought: (a) injunctive relief requiring Gamber to stop using the video and to notify customers; (b) damages for its alleged lost profits; and (c) disgorgement of Gamber's profits in an unspecified amount.



**LEGGETT & PLATT, INCORPORATED**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**13. CONTINGENCIES (continued)**

Although part of the claims were dismissed by the Court before and during trial, a jury, on April 12, 2010, found four statements in the video were false and deliberate and awarded \$10 in disgorgement damages against Gamber. On August 16, 2010, the Court: (a) reduced the jury verdict to approximately \$0.5; (b) granted NPI attorney fees and costs in an amount to be determined; and (c) granted an injunction requiring Gamber to notify its distributors and resellers of the verdict. The Court subsequently awarded NPI \$2.0 in attorney fees and costs.

On September 17, 2010, NPI filed an appeal to the Ninth Circuit Court of Appeals. Gamber has also filed an appeal. On September 7, 2011, a three judge panel of the Court of Appeals affirmed the trial court's decision. Each party filed a request for rehearing en banc (a rehearing by the full court), which was denied on October 24, 2011. We established an accrual for this suit in an amount we believe is probable. Also, we believe that it is probable that at least part of the verdict, attorney fees and costs will be covered by insurance, but that coverage is subject to the insurance company's reservation of rights. We do not expect that the outcome of this suit will have a material adverse effect on our financial condition, operating cash flows or results of operations.

*Shareholder Derivative Lawsuit*

On August 10, 2010, a shareholder derivative suit was filed by the New England Carpenters Pension Fund in the Circuit Court of Jasper County, Missouri as Case No. 10AO-CC00284 ( 2010 Suit ). The 2010 Suit was substantially similar to a prior suit filed by the same plaintiff, in the same court, on February 5, 2009 ( 2009 Suit ). The 2009 Suit was dismissed without prejudice based on the plaintiff's failure to make demand on our Board and shareholders. As before, the plaintiff did not make such demand. On April 6, 2011, the 2010 Suit was dismissed without prejudice. On May 12, 2011, the plaintiff filed an appeal to the Missouri Court of Appeals. The briefing process is expected to begin in November, 2011.

The 2010 Suit was purportedly brought on our behalf, naming us as a nominal defendant, and certain current and former officers and directors as individual defendants including David S. Haffner, Karl G. Glassman, Matthew C. Flanigan, Ernest C. Jett, Harry M. Cornell, Jr., Felix E. Wright, Robert Ted Enloe, III, Richard T. Fisher, Judy C. Odom, Maurice E. Purnell, Jr., Ralph W. Clark and Michael A. Glauber.

The plaintiff alleged, among other things, that the individual defendants: breached their fiduciary duties; backdated and received backdated stock options violating our stock plans; caused or allowed us to issue false and misleading financial statements and proxy statements; sold our stock while possessing material non-public information; committed gross mismanagement; wasted corporate assets; committed fraud; violated the Missouri Securities Act; and were unjustly enriched.

The plaintiff was seeking, among other things: unspecified monetary damages against the individual defendants; certain equitable and other relief relating to the profits from the alleged improper conduct; the adoption of certain corporate governance proposals; the imposition of a constructive trust over the defendants' stock options and proceeds; punitive damages; the rescission of certain unexercised options; and the reimbursement of litigation costs. The plaintiff was not seeking monetary relief from us. We have director and officer liability insurance in force subject to customary limits and exclusions.

We and the individual defendants filed motions to dismiss the 2010 Suit in late October 2010, asserting: the plaintiff failed to make demand on our Board and shareholders as required by Missouri law, and, consistent with the Court's ruling in the 2009 Suit, this failure to make demand should not be excused; the plaintiff is not a representative shareholder; the 2010 Suit was based on a statistical analysis of stock option grants and our stock prices that we believe was flawed; the plaintiff failed to state a substantive claim; the common law fraud claim was not pled with sufficient particularity; and the statute of limitations has expired on the fraud claim and all the alleged challenged grants except the December 30, 2005 grant. As to this grant, the motions to dismiss advised the Court that it was made under our Deferred Compensation Program, which (i) provided that options would be dated on the last business day of December, and (ii) was filed with the SEC on December 2, 2005 setting out the pricing mechanism well before the grant date.

We do not expect that the outcome of this matter will have a material adverse effect on our financial condition, operating cash flows or results of operations.

*Antitrust Lawsuits*

Beginning in August 2010, a series of civil lawsuits was initiated in several U.S. federal courts against over 20 defendants alleging that competitors of our carpet underlay division and other manufacturers of polyurethane foam products had engaged in price fixing in violation of U.S. antitrust laws.

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**LEGGETT & PLATT, INCORPORATED**

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**13. CONTINGENCIES (continued)**

A number of these lawsuits have been voluntarily dismissed without prejudice. Of the cases remaining, we have been named as a defendant in (a) three direct purchaser class action cases (the first on November 15, 2010) and a consolidated amended class action complaint filed on February 28, 2011 on behalf of a class of all direct purchasers of polyurethane foam products; (b) an indirect purchaser class consolidated amended complaint filed on March 21, 2011 (although the underlying lawsuits do not name us as a defendant); and an indirect purchaser class action case filed on May 23, 2011; and (c) three individual direct purchaser cases, one filed on March 22, 2011, another amended on August 24, 2011 to remove class allegations, and the last amended on August 25, 2011 to name the company as a defendant.

All pending cases in which we have been named as a defendant have been filed in or transferred to the U.S. District Court for the Northern District of Ohio under the name *In re: Polyurethane Foam Antitrust Litigation*, Case No. 1:10-MD-02196.

In these actions, the plaintiffs, on behalf of themselves and/or a class of purchasers, seek three times the amount of unspecified damages allegedly suffered as a result of alleged overcharges in the price of polyurethane foam products from at least 1999 to the present. Each plaintiff also seeks attorney fees, pre-judgment and post-judgment interest, court costs, and injunctive relief against future violations. On April 15 and May 6, 2011, we filed motions to dismiss direct purchaser and indirect purchaser class actions, for failure to state a legally valid claim. On July 19, 2011, the Court denied the motions to dismiss.

We deny all of the allegations in these actions and will vigorously defend ourselves. This contingency is subject to many uncertainties. Therefore, based on the information available to date, we cannot estimate the amount or range of potential loss, if any. At this time, we do not believe it is probable that the outcome of these actions will have a material adverse effect on our financial condition, operating cash flows or results of operations.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### *What We Do*

Leggett & Platt is a diversified manufacturer, and member of the S&P 500 index, that conceives, designs, and produces a wide range of engineered components and products found in most homes, offices, automobiles, and many retail stores. We make components that are often hidden within, but integral to, our customers' products.

We are the leading U.S. manufacturer of: components for residential furniture and bedding, power foundations, carpet underlay, components for office furniture, drawn steel wire, automotive seat support and lumbar systems, and bedding industry machinery.

### *Our Segments*

Our continuing operations are comprised of 19 business units in four segments, with approximately 19,000 employees, and 140 production facilities located in 18 countries around the world. Our segments are described below.

*Residential Furnishings:* This segment supplies a variety of components mainly used by bedding and upholstered furniture manufacturers in the assembly of their finished products. We also sell carpet cushion, power foundations, bed frames, ornamental beds and geo components. This segment generated approximately 46% of total sales during the first nine months of 2011.

*Commercial Fixturing & Components:* Operations in this segment, which contributed approximately 14% of the first nine months 2011 total sales, manufacture and sell store fixtures and point-of-purchase displays used in retail stores. We also produce chair controls, bases, and other components for office furniture manufacturers, as well as select lines of private-label finished furniture.

*Industrial Materials:* These operations primarily supply steel rod, drawn steel wire, steel billets, and welded steel tubing to our other operations and to external customers. Our customers use this wire and tubing to make bedding, furniture, automotive seats, mechanical springs, and many other end products. This segment generated approximately 22% of our total sales during the first nine months of 2011.

*Specialized Products:* From this segment we supply lumbar support systems and seat suspension systems used by automotive seating manufacturers. We manufacture and install the racks, shelving and cabinets used to outfit fleets of service vans. We also produce quilting, sewing, and wire forming machinery, some of which is used by other Leggett operations as well as external customers, including bedding manufacturers. This segment contributed about 18% of the first nine months 2011 total sales.

### *Total Shareholder Return*

Total Shareholder Return (TSR), relative to peer companies, is the key financial measure that we use to assess long-term performance. TSR is driven by the change in our share price and the dividends we pay [TSR = (Change in Stock Price + Dividends) / Beginning Stock Price]. We seek to achieve TSR in the top one-third of the S&P 500 over the long-term through a balanced approach that employs all four TSR sources: revenue growth, margin expansion, dividends, and share repurchases.

We monitor our TSR performance (relative to the S&P 500) on a rolling three-year basis. To date, for the three-year measurement period that began January 1, 2009, we have so far (over the last 34 months) generated TSR of 24% per year on average, while the S&P 500 index generated average TSR of 14% per year. Accordingly, our 2009-2011 TSR ranks among the top half of the companies in the S&P 500 index.

Beginning in 2008, we introduced TSR-based incentives (based on our performance compared to the performance of a group of 320 peers) for senior executives and we modified business unit bonuses to give more importance to achieving higher returns on the assets under their direct control.

### *Customers*

We serve a broad suite of customers, with our largest customer representing about 6% of our sales as of year-end 2010. Many are companies whose names are widely recognized; they include most manufacturers of furniture and bedding, a variety of other manufacturers, and many major retailers.

### *Major Factors That Impact Our Business*

Many factors impact our business, but those that generally have the greatest impact are market demand, raw material cost trends, and competition.



### *Market Demand*

Market demand (including product mix) is impacted by several economic factors, with consumer confidence being particularly significant. Other important factors include disposable income levels, employment levels, housing turnover, and interest rates. All these factors influence consumer spending on durable goods, and therefore affect demand for our components and products. Some of these factors also influence business spending on facilities and equipment, which impacts approximately one-quarter of our sales.

Improved market demand led to higher sales and earnings in 2010. In the first nine months of 2011, unit volumes grew slightly.

### *Raw Material Costs*

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

We typically have short-term commitments from our suppliers; accordingly, our raw material costs generally move with the market. Our ability to recover higher costs (through selling price increases) is crucial. When we experience significant increases in raw material costs, we typically implement price increases to recover the higher costs. Conversely, when costs decrease significantly, we generally pass those lower costs through to our customers. The timing of our price increases or decreases is important; we typically experience a lag in recovering higher costs, so we also expect to realize a lag as costs decline. The margin pressure we experienced in the third quarter resulted in part from lowering our selling prices (selectively) in advance of our average cost of steel declining, in order to maintain market share.

Steel is our principal raw material and at various times in past years we have experienced extreme cost fluctuations in this commodity. In most cases, the major changes (both increases and decreases) were passed through to customers with selling price adjustments. In early 2011, we announced and began implementing price increases in response to rising commodity costs, with the magnitude of these increases varying by product category.

As a producer of steel rod, we are also impacted by volatility in metal margins (the difference in the cost of steel scrap and the market price for steel rod). Scrap costs increased in late 2010 and 2011, but market prices for steel rod have also increased.

Our other raw materials include woven and non-woven fabrics, foam scrap, and chemicals. We have experienced changes in the cost of these materials in recent years and, in most years, have been able to pass them through to our customers. In late 2010 these costs began increasing once again and in early 2011, we announced and began implementing price increases to recover the higher costs.

When we raise our prices to recover higher raw material costs, this sometimes causes customers to modify their product designs and replace higher cost components with lower cost components. We experienced this de-contenting effect in our Residential Furnishings segment in the third quarter. As our customers changed the quantity and mix of components in their finished goods to address commodity inflation, our profit margins were negatively impacted. We must continue to find ways to assist our customers in improving the functionality and reducing the cost of their products, while providing higher margin and profit contribution for our operations.

### *Competition*

Many of our markets are highly competitive with the number of competitors varying by product line. In general, our competitors tend to be smaller, private companies. Many of these companies (both domestic and foreign) compete primarily on the basis of price. Our success has stemmed from the ability to remain price competitive, while delivering product quality, innovation, and customer service.

We continue to face pressure from foreign competitors as some of our customers source a portion of their components and finished products offshore. In addition to lower labor rates, foreign competitors benefit (at times) from lower raw material costs. They may also benefit from currency factors and more lenient regulatory climates related to safety and environmental matters. We typically remain price competitive, even versus many foreign manufacturers, as a result of our highly efficient operations, low labor content, vertical integration in steel and wire, and large scale purchasing of raw materials and commodities. However, we have reacted to foreign competition in certain cases by selectively adjusting prices, and by developing new proprietary products that help our customers reduce total costs.

The margin pressure we experienced in the third quarter resulted in part from price competition as we reduced prices (selectively) to maintain market share in light of depressed industry volume in certain of our businesses.



In late 2007, we filed an antidumping suit related to innerspring imports from China, South Africa and Vietnam. We saw a distinct decline in unfair imports during 2008 after the antidumping investigations began. As a result, we regained market share and performance in our Bedding group improved. The investigations were brought to a favorable conclusion in early 2009. The current antidumping duty rates on innersprings from these countries are significant, ranging from 116% to 234%, and should remain in effect at least until early 2014. Imported innersprings from these countries are now supposed to be sold at fair prices, however the duties on certain innersprings are being evaded by various means including shipping the goods through a third country and falsely identifying the country of origin. Leggett, along with several U.S. manufacturers of products with active antidumping or antidumping/countervailing duty orders, formed a coalition and are working with Members of Congress, the U.S. Department of Commerce, and U.S. Customs and Border Protection to seek stronger enforcement of existing antidumping and/or countervailing duty orders.

## RESULTS OF OPERATIONS

### *Discussion of Consolidated Results*

#### Third Quarter:

Third quarter 2011 sales were \$941 million, a 9% (or \$74 million) increase versus the prior year. Sales growth is attributable to items that brought little incremental profit: inflation and currency rate fluctuation accounted for the bulk of the growth, and a change in sales at the company's steel mill (from intra-segment to trade) provided 3% unit growth. Across the remainder of the company as a whole, unit volume was flat.

Unit volume was essentially flat versus third quarter of 2010. Raw material costs increased during the third quarter in certain of our businesses, without offsetting price recovery. We also chose to accept some business at lower-than-typical margins in order to modestly improve plant utilization. When combined with an intentional decrease in production levels, aimed at reducing inventories in the face of persistent demand weakness, earnings and margins were under pressure.

EBIT (earnings before interest and income taxes) decreased year-over-year primarily as a result of higher selling and administrative costs, competitive pricing pressure in certain product categories, customer decontingent (as certain customers switched to lower cost and lower value components), and our effort to reduce inventory levels by curtailing production (which also reduced overhead absorption).

Earnings per share from continuing operations for the quarter were \$.31 per diluted share. In the third quarter of 2010, earnings per share from continuing operations were also \$.31.

#### Nine Months Ended September 30, 2011:

Sales for the first nine months of 2011 were \$2.8 billion, 9% higher than in the first nine months of 2010, due to raw material-related price inflation and modest unit volume growth across the Company as a whole.

Earnings per share for the first nine months of 2011 were \$.98 per diluted share, compared to \$.94 per diluted share for the same period of 2010. This increase includes \$.02 per share from a tax item that benefitted the second quarter of 2011.

### *LIFO/FIFO and the Effect of Changing Prices*

All of our segments use the first-in, first-out (FIFO) method for valuing inventory. In our consolidated financials, an adjustment is made at the corporate level (i.e., outside the segments) to convert about 60% of our inventories to the last-in, first-out (LIFO) method.

Our LIFO expense estimate for the full year is \$11 million and incorporates certain assumptions about year-end steel prices and inventory levels (both are very difficult to accurately predict). Therefore, LIFO expense for the full year could be significantly different from that currently estimated. Any further change in the annual estimate of LIFO expense will be reflected in the fourth quarter. A LIFO benefit was recorded in the third quarter 2011 as a result of lower market prices of steel expected at year-end.

The following table contains the LIFO expense (income) included in earnings for each of the periods presented:

Nine Months Ended September 30,	Three Months Ended September 30,
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	2011	2010	2011	2010
LIFO expense (income)	\$ 8.1	\$ 9.6	\$ (.9)	\$ 5.3

**Interest Expense and Income Taxes**

Third quarter 2011 interest expense from continuing operations was level with the third quarter of 2010. Interest expense for the full year 2011 is expected to be slightly higher than in 2010.

The reported third quarter consolidated worldwide effective tax rate was 29%, compared to 27% for the same quarter last year. The 2010 effective rate was lower than normal due to tax credit adjustments and other discrete items. In 2011, the tax rate has benefitted slightly from changes to our mix of earnings among taxing jurisdictions. We expect the 2011 full year tax rate to be substantially the same as our 27% effective tax rate for the first nine months of 2011, but is dependent upon factors such as our overall profitability, the mix of earnings among taxing jurisdictions, the type of income earned, the impact of tax audits and other discrete items, and the effect of any tax law changes.

**Discussion of Segment Results**

*Third Quarter Discussion*

A description of the products included in each segment, along with segment financial data, appear in Note 4 of the Notes to Consolidated Condensed Financial Statements.

A summary of the segment results are shown in the following tables.

	Three Months ended	Three Months ended	Change in Net Sales		% Change in
	September 30, 2011	September 30, 2010	\$	%	Same Location Sales(1)
	Net Sales	Net Sales			
Residential Furnishings	\$ 472.3	\$ 443.7	\$ 28.6	6.4%	6.2%
Commercial Fixturing & Components	141.7	149.5	(7.8)	(5.2)	(5.2)
Industrial Materials	216.7	183.2	33.5	18.3	18.3
Specialized Products	187.7	159.9	27.8	17.4	17.4
Total	1,018.4	936.3	82.1	8.8	
Intersegment sales	(77.5)	(69.8)	(7.7)		
External sales	\$ 940.9	\$ 866.5	\$ 74.4	8.6%	8.4%

	Three Months ended	Three Months ended	Change in EBIT		EBIT Margins(2)	
	September 30, 2011	September 30, 2010	\$	%	Three Months ended September 30, 2011	Three Months ended September 30, 2010
	EBIT	EBIT				
Residential Furnishings	\$ 33.5	\$ 38.3	\$ (4.8)	(12.5)%	7.1%	8.6%
Commercial Fixturing & Components	6.7	10.0	(3.3)	(33.0)	4.7	6.7
Industrial Materials	11.7	14.6	(2.9)	(19.9)	5.4	8.0
Specialized Products	20.6	19.2	1.4	7.3	11.0	12.0
Intersegment eliminations & other	(1.8)	(1.2)	(.6)			
Change in LIFO reserve	.9	(5.3)	6.2			
Total	\$ 71.6	\$ 75.6	\$ (4.0)	(5.3)%	7.6%	8.7%

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- (1) The change in sales not attributable to acquisitions or divestitures; sales that come from the same plants and facilities that we owned one year earlier.
- (2) Segment margins are calculated on total sales. Overall company margin is calculated on external sales.

### ***Residential Furnishings***

Third quarter sales in this segment grew 6%, largely from inflation and changes in currency exchange rates. Unit volumes were up slightly.

In our U.S. Spring business, innerspring unit volumes were flat and boxspring units were up slightly during the quarter. In our Furniture Hardware business, third quarter unit volume decreased 9% versus the prior year. Again this quarter, we had significant growth in Power Foundations, with unit shipments up 46%.

EBIT decreased versus the prior year primarily from higher raw material and restructuring-related costs, competitive pricing pressure, and less favorable sales mix.

**Commercial Fixturing & Components**

Total sales declined \$8 million, or 5%, as lower Fixture and Display sales were partially offset by continued growth in Office Furniture Components. Sales in our Fixture and Display business decreased approximately 10% versus the third quarter of 2010. Our major retail customers have significantly curtailed their current year remodeling activity.

We continue to be very pleased with the performance of our Office Furniture Components business, as that industry continues to recover. Our third quarter sales in that business unit grew approximately 7% versus a more difficult prior year comparison.

EBIT decreased in this segment versus third quarter of 2010 primarily from lower sales.

**Industrial Materials**

Total sales increased \$34 million, or 18%, reflecting steel-related price inflation and higher trade sales from our steel mill. Unit volumes decreased in both Wire and Tubing, primarily reflecting weakness in bedding, furniture and store fixtures demand. Sales growth largely reflects a shift in sales of steel rod and billet from intra-segment (last year) to trade (this year). Intra-segment sales are not recorded in external financial results, but trade sales are; EBIT, however, is recorded in either case. As a result, more sales were recognized this year but did not result in additional EBIT.

EBIT decreased versus third quarter of 2010, primarily due to lower unit volume in Wire and Tubing, and higher raw material costs.

**Specialized Products**

Total sales increased \$28 million, or 17%, primarily reflecting continued strength in global automotive demand, as well as growth in Machinery and Commercial Vehicle Products. Changes in currency exchange rates also added to year-over-year sales growth during the quarter.

Higher sales led to increased EBIT during the quarter, but these gains were largely offset by higher raw material costs and margin compression caused by cross currency impact.

**Discontinued Operations**

The sale of the last business reported as discontinued operations was completed in third quarter 2010. There was no discontinued operations activity in third quarter 2011. Earnings from discontinued operations in third quarter of 2010 were less than \$1 million.

**Nine-Month Discussion**

A description of the products included in each segment, along with segment financial data, appear in Note 4 of the Notes to Consolidated Condensed Financial Statements.

A summary of the segment results are shown in the following tables.

	Nine Months ended September 30, 2011	Nine Months ended September 30, 2010	Change in Net Sales		% Change in Same Location Sales(1)
	Net Sales	Net Sales	\$	%	
Residential Furnishings	\$ 1,399.8	\$ 1,335.5	\$ 64.3	4.8%	4.7%
Commercial Fixturing & Components	409.5	433.0	(23.5)	(5.4)	(5.4)
Industrial Materials	656.1	555.0	101.1	18.2	18.4
Specialized Products	549.0	452.3	96.7	21.4	21.3
Total	3,014.4	2,775.8	238.6	8.6	
Intersegment sales	(232.5)	(218.6)	(13.9)		
External sales	\$ 2,781.9	\$ 2,557.2	\$ 224.7	8.8%	8.8%

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	Nine Months ended		Change in EBIT		EBIT Margins(2)	
	Sept. 30, 2011	Sept. 30, 2010	\$	%	Nine Months ended Sept. 30, 2011	Nine Months ended Sept. 30, 2010
Residential Furnishings	\$ 116.8	\$ 132.3	\$ (15.5)	(11.7)%	8.3%	9.9%
Commercial Fixturing & Components	22.4	26.6	(4.2)	(15.8)	5.5	6.1
Industrial Materials	39.3	44.8	(5.5)	(12.3)	6.0	8.1
Specialized Products	60.1	46.4	13.7	29.5	10.9	10.3
Intersegment eliminations & other	(5.6)	(2.6)	(3.0)			
Change in LIFO reserve	(8.1)	(9.6)	1.5			
<b>Total</b>	<b>\$ 224.9</b>	<b>\$ 237.9</b>	<b>\$ (13.0)</b>	<b>(5.5)%</b>	<b>8.1%</b>	<b>9.3%</b>

- (1) The change in sales not attributable to acquisitions or divestitures; sales that come from the same plants and facilities that we owned one year earlier.
- (2) Segment margins are calculated on total sales. Overall company margin is calculated on external sales.

***Residential Furnishings***

Sales in this segment grew 5% during the first nine months of 2011, reflecting a combination of raw material-related price increases and currency factors. Unit volumes declined slightly.

EBIT decreased \$16 million versus the prior year primarily due to competitive pricing, a less favorable sales mix, and a reduction in the amount of income from building sales.

***Commercial Fixturing & Components***

Total sales declined \$24 million, or 5%, as lower Fixture and Display sales were partially offset by continued growth in Office Furniture Components.

EBIT declined \$4 million versus the first nine months of 2010. The impact from lower sales was partially offset by a gain associated with the sale of a building.

***Industrial Materials***

Total sales increased \$101 million, or 18%, reflecting steel-related price inflation and higher trade sales from our steel mill.

EBIT declined \$6 million, or 12%, primarily due to higher raw material costs, lower unit volume in wire and tubing, and the non-recurrence of a divestiture gain in the first quarter of last year.

***Specialized Products***

Total sales increased \$97 million, or 21%, reflecting continued strength in global automotive demand, as well as growth in Machinery and Commercial Vehicle Products. Changes in currency exchange rates also added to year-over-year sales growth.

Higher sales and a reduction in non-operating costs (including litigation reserves) led to increased EBIT during the first nine months of 2011. These improvements were partially offset by higher raw material costs and margin compression caused by cross currency impact.

***Discontinued Operations***

The sale of the last business reported as discontinued operations was completed in third quarter 2010. There was no discontinued operations activity in the first nine months of 2011. Losses from discontinued operations in first nine months of 2010 were less than \$1 million.

**LIQUIDITY AND CAPITALIZATION**

In this section, we provide details about our:

Uses of cash

Cash from operations

Working capital trends

Debt position and total capitalization

We use cash for the following:

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Finance capital requirements (e.g. productivity, growth and acquisitions)

Pay dividends

Repurchase our stock

Our operations provide most of the cash we require, and debt may also be used to fund a portion of our needs. For 2011, we expect cash flow from operations to approximate \$300 million. Net debt to net capital increased from 23.3% at year-end 2010 to 30.9% as of September 30, 2011. Our long-term target is to have net debt as a percent of net capital in the 30%-40% range. The calculation of net debt as a percent of net capital at September 30, 2011 and December 31, 2010 is presented on page 29.

## *Uses of Cash*

### *Finance Capital Requirements*

Cash is readily available to fund selective growth, both internally (through capital expenditures) and externally (through acquisitions). Capital expenditures include investments we make to maintain, modernize, and expand manufacturing capacity; they should approximate \$80 million in 2011. Capital expenditures have declined in recent years. In all our businesses, we continue to invest in the maintenance of facilities and equipment. However, with the sales volume contraction (versus 2008 levels) and the resulting excess productive capacity across our operations, we have significantly reduced spending on expansion projects.

Some of our long-term growth will likely occur through carefully screened acquisitions. During the past few years, acquisitions were a lower priority as we were primarily focused on completing the divestitures and improving margins and returns of our existing businesses. Beginning last fall, we stepped up our solicitation activity. Acquisition targets must meet stringent screening criteria, including high confidence in value creation and sustainable competitive advantage in attractive markets.

### *Pay Dividends*

We expect to continue returning cash to shareholders, and higher annual dividends are one means by which that should occur. In August 2011 we increased the quarterly dividend to \$.28 per share. Our targeted dividend payout is approximately 50-60% of net earnings, but actual payout has been higher recently and will likely remain above targeted levels in the near term. Maintaining and increasing the dividend remains a high priority. We anticipate spending approximately \$155 million on dividends in 2011, roughly the same as in 2010, with an expected reduction in number of shares offsetting dividend increases. Cash from operations has been, and is expected to continue to be, sufficient to readily fund both capital expenditures and dividends.

### *Repurchase Stock*

Share repurchases are the other means by which we return cash to shareholders. During the third quarter of 2011, we repurchased 2.6 million shares of our stock, bringing our year to date repurchases to 10.1 million shares (which includes .7 million shares from benefit transactions that are not counted against the 10 million share authorization). We also issued .2 million shares through employee benefit and stock purchase plans. Year to date issuances for these programs are at 2.9 million shares. As a result, shares outstanding decreased to 139.1 million. Although no specific repurchase schedule has been established, we have been authorized by the Board to repurchase up to 10 million shares in 2011.

### *Cash from Operations*

Cash from operations is our primary source of funds. Earnings and changes in working capital levels are the two broad factors that generally have the greatest impact on our cash from operations.

Cash from operations for the nine months ended September 30, 2011 was \$202 million compared to \$208 million for the same period last year. Working capital levels, primarily in inventory, decreased as we continue to closely monitor and optimize working capital levels in the face of ongoing market weakness. For the full year 2011, we expect cash from operations to approximate \$300 million.



**Working Capital Trends**

The following chart presents key working capital trends for the last five quarters:

	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Accounts Receivable, net	\$ 546.6	\$ 478.9	\$ 575.6	\$ 567.9	\$ 576.7
Inventory, net	\$ 448.9	\$ 435.3	\$ 462.2	\$ 507.1	\$ 456.5
Accounts Payable	\$ 232.1	\$ 226.4	\$ 301.8	\$ 282.3	\$ 274.2

- (1) *The accounts receivable ratio represents the days of sales outstanding calculated as: ending net accounts receivable ÷ (quarter-to-date net sales ÷ number of days in the quarter).*
- (2) *The inventory ratio represents days of inventory on hand calculated as: ending net inventory ÷ (quarter-to-date cost of goods sold ÷ number of days in the quarter).*
- (3) *The accounts payable ratio represents the days of payables outstanding calculated as: ending accounts payable ÷ (quarter-to-date cost of goods sold ÷ number of days in the quarter).*

With the exception of accounts receivable, the dollar value of our other key working capital components decreased in the third quarter of 2011:

**Accounts Receivable and Days Sales Outstanding (DSO)** Fluctuations in our quarterly DSO are consistent with our historical range, and are not indicative of any changes in payment trends or credit worthiness of customers. We continue to focus on collection efforts to ensure customer accounts are paid on time. As part of our quarterly accounts receivable review process, we evaluate individual customers' payment histories, financial health, industry prospects, and current macroeconomic events in determining if outstanding amounts are collectible.

**Inventory and Days Inventory on Hand (DIO)** DIO typically fluctuates within a reasonably narrow range as a result of differences in the timing of sales, production levels, and inventory purchases. Our DIO in Q3 2011 decreased slightly below our normal range due to an intentional decrease in production in order to contract inventory levels. We do not expect any significant changes in customer or industry trends that would materially increase the exposure to inventory obsolescence.

**Accounts Payable and Days Payable Outstanding (DPO)** We actively strive to optimize payment terms with our vendors, which, over the last few years, has increased our DPO by approximately ten days. The changes in our quarterly DPO fluctuate within an acceptable range based on normal operating activity.

**Capitalization**

The following table presents Leggett's key debt and capitalization statistics:

(Dollar amounts in millions)	September 30, 2011	December 31, 2010
Long-term debt outstanding:		
Scheduled maturities	\$ 762	\$ 762
Average interest rates*	4.6%	4.6%
Average maturities in years*	4.1	4.7
Revolving credit/commercial paper	135	
Total long-term debt	897	762
Deferred income taxes and other liabilities	183	192
Shareholders' equity and noncontrolling interest	1,338	1,524
Total capitalization	\$ 2,418	\$ 2,478
Unused committed credit:		
Long-term	\$ 465	\$ 522
Short-term	0	0
Total unused committed credit	\$ 465	\$ 522
Current maturities of long-term debt	\$ 2	\$ 2
Cash and cash equivalents	\$ 219	\$ 244
Ratio of earnings to fixed charges**	5.9x	5.8x

\* These calculations include current maturities, but exclude commercial paper to reflect the averages of outstanding debt with scheduled maturities.

\*\* Fixed charges include interest expense, capitalized interest, plus implied interest included in operating leases. Earnings consist principally of income from continuing operations before income taxes, plus fixed charges less capitalized interest.

The next table shows the percent of long-term debt to total capitalization, calculated in two ways:

Long-term debt to total capitalization as reported in the previous table.

Long-term debt to total capitalization each reduced by total cash and increased by current maturities of long-term debt. We believe that adjusting this measure for cash and current maturities allows a more meaningful comparison to periods during which cash fluctuates significantly. We use these adjusted measures to monitor our financial leverage.

(Amounts in millions)	September 30, 2011	December 31, 2010
Debt to total capitalization:		
Long-term debt	\$ 897	\$ 762
Current debt maturities	2	2

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Cash and cash equivalents	(219)	(244)
Net debt	\$ 680	\$ 520
Total Capitalization	\$ 2,418	\$ 2,478
Current debt maturities	2	2
Cash and cash equivalents	(219)	(244)
Net capitalization	\$ 2,201	\$ 2,236
Long-term debt to total capitalization	37.1%	30.8%
Net debt to net capitalization	30.9%	23.3%

Total debt (which includes long-term debt and current debt maturities) increased \$135 million from year-end 2010 levels, due entirely to increased commercial paper borrowings.

In anticipation of long-term debt maturing in April 2013, we entered into forward starting interest rate swaps in 2010. The swap contracts manage benchmark interest rate risk associated with \$200 million of potential future debt issuance, and mature in August 2012. The swaps have a weighted average interest rate of 4.0%. They do not hedge the credit spread over treasuries, our credit worthiness, or the market price of credit related to any future debt issuances.

For more information on our interest rate swaps, see Footnote 12 Risk Management and Derivative Financial Instruments beginning on page 16.

*Short Term Borrowings*

We can raise cash by issuing up to \$600 million of commercial paper through a program that is backed by a new \$600 million revolving credit agreement with a syndicate of 13 lenders that terminates on August 19, 2016. The credit agreement allows us to issue letters of credit up to \$250 million. When we issue letters of credit in this manner, our capacity under the agreement and, consequently, our ability to issue commercial paper is reduced by a corresponding amount. Amounts outstanding at quarter and year-end related to our commercial paper program were:

(Amounts in millions)	September 30, 2011	December 31, 2010
Total program authorized	\$ 600	\$ 600
Less: commercial paper outstanding (classified as long-term debt)	(135)	
Letters of credit issued under the credit agreement		(78)
Total program usage	(135)	(78)
Total program available	\$ 465	\$ 522

The average and maximum amount of commercial paper outstanding for the quarter were \$155.6 million and \$194.9 million, respectively. Commercial paper during the quarter fluctuated due to normal changes in working capital funding requirements. We had no letters of credit outstanding under the credit agreement at quarter-end. We had \$82 million of existing stand-by letters of credit outside the credit agreement to take advantage of better pricing.

We also maintain an active shelf registration with the Securities and Exchange Commission. With anticipated operating cash flows, our commercial paper program and our expected ability to issue debt through our active shelf, we believe we have sufficient funds available to support our ongoing operations, pay dividends, repurchase stock, fund future growth, and repay maturing debt.

*Accessibility of Cash*

At September 30, 2011 we had cash and cash equivalents of \$219 million primarily invested in interest-bearing bank accounts and in bank time deposits with original maturities of three months or less.

A substantial portion of these funds are held in international accounts and represent undistributed earnings from our foreign operations. The tax rules governing this area are complex. However, subject to constantly changing facts and laws, we believe we could access most of the cash without material incremental cost.

**NEW ACCOUNTING STANDARDS**

The FASB has issued accounting guidance effective for future periods (that we have not yet adopted), but we do not believe this new guidance will have a material impact on our future financial statements.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

*Interest rate*

Substantially all of our debt is denominated in United States dollars. The fair value for fixed rate debt was greater than its \$730.0 million carrying value by \$38.4 million at September 30, 2011 and greater than its \$730.0 million carrying value by \$6.0 million at December 31, 2010. The increase in the fair market value of our debt is primarily due to the decrease in credit spreads over risk-free rates as compared to year-end. The fair value of fixed rate debt at September 30, 2011 and December 31, 2010 was based upon a Bloomberg secondary market rate. The fair value of variable rate debt is not significantly different from its recorded amount.

*Interest Rate Cash Flow Hedges*

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In anticipation of long-term debt maturing in April 2013, we entered into forward starting interest rate swaps in 2010. The swap contracts manage benchmark interest rate risk associated with \$200 million of future debt issuance, and mature in August 2012. The swaps have a weighted average interest rate of 4.0%. They do not hedge the credit spread component of the future new debt coupon, which will continue to fluctuate until the debt issuance.

To the extent that the swaps are effective, changes in the fair values of the swap contracts are deferred in accumulated other comprehensive income ( AOCI ). The portion of the change in fair value considered to be ineffective is recognized immediately in Other expense in the accompanying consolidated condensed statements of operations. Amounts deferred in AOCI will be reclassified to interest expense over the same period of time that interest expense is recognized on the future borrowings.

### *Investment in Foreign Subsidiaries*

We view our investment in foreign subsidiaries as a long-term commitment, and do not hedge translation exposures. The investment in a foreign subsidiary may take the form of either permanent capital or notes. Our net investment (i.e., total assets less total liabilities subject to translation exposure) in foreign subsidiaries was \$839.7 million at September 30, 2011, compared to \$856.3 million at December 31, 2010.

### **FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q and our other public disclosures, whether written or oral, may contain forward-looking statements including, but not limited to: projections of revenue, income, earnings, capital expenditures, dividends, capital structure, cash flows or other financial items; possible plans, goals, objectives, prospects, strategies or trends concerning future operations; statements concerning future economic performance; and the underlying assumptions relating to the forward-looking statements. These statements are identified either by the context in which they appear or by use of words such as anticipate, believe, estimate, expect, intend, may, plan, project, should or shall. Such forward-looking statements, whether written or oral, and whether made by us or on our behalf, are expressly qualified by the cautionary statements described in this provision.

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

Readers should review Item 1A Risk Factors in this Form 10-Q and our Form 10-K filed February 24, 2011 for a description of important factors that could cause actual events or results to differ materially from forward-looking statements. It is not possible to anticipate and list all 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 materially from forward-looking statements. However, some of these risks and uncertainties include the following:

factors that could affect the industries or markets in which we participate, such as growth rates and opportunities in those industries;

adverse changes in inflation, currency, political risk, U.S. or foreign laws or regulations, interest rates, housing turnover, employment levels, consumer sentiment, trends in capital spending and the like;

factors that could impact raw materials and other costs, including the availability and pricing of steel rod and scrap and other raw materials, the availability of labor, wage rates, and energy costs;

our ability to pass along raw material cost increases through increased selling prices;

price and product competition from foreign (particularly Asian and European) and domestic competitors;

our ability to improve operations and realize cost savings (including our ability to fix under-performing operations);

our ability to maintain profit margins if our customers change the quantity and mix of our components in their finished goods;

our ability to achieve expected levels of cash flow;

a decline in the long-term outlook for any of our reporting units that could result in asset impairment; and

litigation including product liability and warranty, product advertising, taxation, environmental, intellectual property, anti-trust and workers' compensation expense.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See the Quantitative and Qualitative Disclosures About Market Risk section under Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

**ITEM 4. CONTROLS AND PROCEDURES**

An evaluation as of September 30, 2011 was carried out by the Company's management, with participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures are effective, as of September 30, 2011, to provide assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ending September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.



## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The information in Note 13 beginning on page 18 of the Notes to Consolidated Condensed Financial Statements is incorporated into this section by reference.

### ITEM 1A. RISK FACTORS

Our 2010 Annual Report on Form 10-K filed February 24, 2011 includes a detailed discussion of our risk factors in Item 1A Risk Factors. The information presented below updates and should be read in conjunction with the risk factors and information disclosed in that Form 10-K.

Investing in our securities involves risk. Set forth below and elsewhere in this report are risk factors that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. We may amend or supplement these risk factors from time to time by other reports we file with the SEC.

*Costs of raw materials could negatively affect our operating results.*

Raw material cost increases (and our ability to respond to cost increases through selling price increases) can significantly impact our earnings. We typically have short-term commitments from our suppliers; therefore, our raw material costs move with the market. When we experience significant increases in raw material costs, we implement price increases to recover the higher costs. Inability to recover cost increases (or a delay in the recovery time) can negatively impact our earnings. Also, if raw material costs decrease, we generally pass through reduced selling prices to our customers. Reduced selling prices tied to higher cost inventory reduces our segment margins and earnings. The margin pressure we experienced in the third quarter of 2011 resulted in part from lowering our selling prices selectively in advance of our average cost of steel declining, in order to maintain market share.

Steel is our most significant raw material. The global steel markets are cyclical in nature and have been volatile in recent years. This volatility can result in large swings in pricing and margins from year to year. Our operations can also be impacted by changes in the cost of fabrics and foam scrap. We experienced significant fluctuations in the cost of these commodities in recent years.

Higher raw material costs in recent years led some of our customers to modify their product designs, changing the quantity and mix of our components in their finished goods. In some cases, higher cost components were replaced with lower cost components. This has primarily impacted our Residential Furnishings and Industrial Materials product mix and decreased profit margins. This trend could further negatively impact our results of operations.

*Our goodwill and other long-lived assets are subject to potential impairment.*

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired.

	September 30, 2011 Book Value	% of Total Assets
Goodwill	\$ 924.8	
Other intangibles	139.7	
<b>Total goodwill and other intangibles</b>	<b>\$ 1,064.5</b>	<b>35%</b>
Net property, plant and equipment	\$ 600.9	
Other long-lived assets	65.7	
<b>Total net property, plant and equipment and other long-lived assets</b>	<b>\$ 666.6</b>	<b>22%</b>

We review our ten reporting units for potential goodwill impairment in June as part of our annual goodwill impairment testing, and more often if an event or circumstance occurs making it likely that impairment exists. In addition, we test for the recoverability of long-lived assets at year

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end, and more often if an event or circumstance indicates the carrying value may not be recoverable. We conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations. The annual goodwill impairment review performed in June 2011 indicated no goodwill impairments.

The ten reporting units for goodwill purposes are one level below the operating segments, and are the same as the business groups disclosed in Item 1. Business in Form 10-K. Fair market values of the reporting units are estimated using a discounted cash flow model and comparable market values for similar entities using price to earnings ratios. Key assumptions and estimates used in the cash flow model include discount rate, internal sales growth, margins, capital expenditure requirements, and working capital requirements. Recent performance of the reporting unit is an important factor, but not the only factor, in the assessment.

Reporting units fair values in relation to their respective carrying values and significant assumptions used in the June 2011 review are presented in the table below. If actual results differ from estimates used in these calculations, we could incur future impairment charges, which could negatively impact our results of operations.

Percentage of fair value in excess of carrying value	Sept. 30, 2011 goodwill value	10-year compound annual growth rate range	Terminal values long- term growth rate	Discount rate ranges
15-40%	\$ 530.7	2.0% - 6.5%	3%	9.5% - 11.5%
40%+	394.1	2.3% - 5.2%	3%	8.5%
	\$ 924.8	2.0% - 6.5%	3%	8.5% - 11.5%

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***Issuer Repurchases of Equity Securities*

The table below is a listing of our repurchases of the Company's common stock by calendar month during the third quarter of 2011.

<b>Period</b>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)</b>	<b>Maximum Number of Shares that may yet be Purchased Under the Plans or Programs (2)</b>
July 2011	50,000	\$ 21.83	50,000	3,228,731
August 2011	2,502,508	\$ 19.58	2,502,508	726,223
September 2011	85,412	\$ 22.04	85,412	640,811
Total	2,637,920	\$ 19.70	2,637,920	

(1) This number does not include forfeited stock units and shares withheld for taxes in stock unit conversions during the quarter.

(2) On August 4, 2004, the Board authorized management to repurchase up to 10 million shares each calendar year beginning January 1, 2005. This standing authorization was first reported in the quarterly report on Form 10-Q for the period ended June 30, 2004, filed August 5, 2004, and shall remain in force until repealed by the Board of Directors.

**ITEM 6. EXHIBITS**

Exhibit 10.1	Credit Agreement, dated August 19, 2011 among the Company, JPMorgan Chase Bank, N.A., as administrative agent, and the participating banking institutions named therein, filed August 19, 2011 as Exhibit 10.1 to the Company's Form 8-K is incorporated by reference. (SEC File No. 001-07845)
Exhibit 12*	Computation of Ratio of Earnings to Fixed Charges.
Exhibit 31.1*	Certification of David S. Haffner, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 3, 2011.
Exhibit 31.2*	Certification of Matthew C. Flanigan, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 3, 2011.
Exhibit 32.1*	Certification of David S. Haffner, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 3, 2011.
Exhibit 32.2*	Certification of Matthew C. Flanigan, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 3, 2011.
Exhibit 101.INS**	XBRL Instance Document.
Exhibit 101.SCH**	XBRL Taxonomy Extension Schema.
Exhibit 101.CAL**	XBRL Taxonomy Extension Calculation Linkbase.
Exhibit 101.DEF**	XBRL Taxonomy Extension Definition Linkbase.
Exhibit 101.LAB**	XBRL Taxonomy Extension Label Linkbase.
Exhibit 101.PRE**	XBRL Taxonomy Extension Presentation Linkbase.

\* Denotes filed herewith.

\*\* Furnished as Exhibit 101 to this report are the following formatted in XBRL (eXtensible Business Reporting Language):

- (i) Consolidated Condensed Balance Sheets at September 30, 2011 and December 31, 2010; (ii) Consolidated Condensed Statements of Operations for the nine and three months ended September 30, 2011 and September 30, 2010; (iii) Consolidated Condensed Statements of Cash Flows for the nine months ended September 30, 2011 and September 30, 2010; and (iv) Notes to Consolidated Condensed Financial Statements. In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be part of any registration statement, prospectus or other document filed under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEGGETT & PLATT, INCORPORATED

DATE: November 3, 2011

By: */s/ DAVID S. HAFNER*  
**David S. Haffner**  
**President and Chief Executive Officer**

DATE: November 3, 2011

By: */s/ MATTHEW C. FLANIGAN*  
**Matthew C. Flanigan**  
**Senior Vice President Chief Financial Officer**

**EXHIBIT INDEX**

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