

LEGGETT & PLATT INC
Form 10-Q
November 05, 2009

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, 2009

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)

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

Missouri
(State or other jurisdiction of
incorporation or organization)

44-0324630
(I.R.S. Employer
Identification No.)

No. 1 Leggett Road

Carthage, Missouri
(Address of principal executive offices)

64836
(Zip Code)

Registrant's telephone number, including area code (417) 358-8131

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 27, 2009: 152,108,042

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LEGGETT & PLATT, INCORPORATED

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Amounts in millions)	September 30, 2009	December 31, 2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 221.5	\$ 164.7
Accounts and other receivables	575.9	578.0
Allowance for doubtful accounts	(27.2)	(27.5)
Inventories, net	397.4	495.0
Other current assets	64.8	65.6
Current assets held for sale	18.5	31.0
Total current assets	1,250.9	1,306.8
PROPERTY, PLANT AND EQUIPMENT		
Property, plant & equipment, at cost	1,785.1	1,740.8
Less accumulated depreciation	1,121.1	1,059.4
Net property, plant & equipment	664.0	681.4
OTHER ASSETS		
Goodwill	917.9	875.6
Other intangibles, less accumulated amortization of \$92.2 at September 30, 2009 and \$76.9 at December 31, 2008	176.2	197.4
Sundry	44.2	70.5
Non-current assets held for sale	42.2	30.2
Total other assets	1,180.5	1,173.7
TOTAL ASSETS	\$ 3,095.4	\$ 3,161.9
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 1.9	\$ 22.4
Accounts payable	209.3	175.3
Accrued expenses	243.8	234.9
Other current liabilities	80.1	84.2
Current liabilities held for sale	4.0	7.4
Total current liabilities	539.1	524.2
LONG-TERM LIABILITIES		
Long-term debt	772.4	851.2
Other long-term liabilities	109.6	98.4
Deferred income taxes	45.4	17.2
Total long-term liabilities	927.4	966.8
COMMITMENTS AND CONTINGENCIES		

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

EQUITY		
Common stock	2.0	2.0
Additional contributed capital	471.5	496.1
Retained earnings	2,017.8	2,062.1
Accumulated other comprehensive income	83.8	11.4
Treasury stock	(965.7)	(918.6)
Total Leggett & Platt, Inc. shareholders' equity	1,609.4	1,653.0
Noncontrolling interest	19.5	17.9
Total equity	1,628.9	1,670.9
TOTAL LIABILITIES AND EQUITY	\$ 3,095.4	\$ 3,161.9

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 & 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,	
	2009	2008	2009	2008
Net sales	\$ 2,285.4	\$ 3,193.6	\$ 809.9	\$ 1,132.2
Cost of goods sold	1,825.9	2,613.0	622.6	925.1
Gross profit	459.5	580.6	187.3	207.1
Selling and administrative expenses	275.7	317.0	84.8	105.5
Amortization of intangibles	15.3	18.5	5.5	6.2
Other expense (income), net	14.8	(3.8)	2.0	(.8)
Earnings from continuing operations before interest and income taxes	153.7	248.9	95.0	96.2
Interest expense	27.8	38.3	9.3	11.9
Interest income	3.8	6.7	1.3	2.3
Earnings from continuing operations before income taxes	129.7	217.3	87.0	86.6
Income taxes	51.1	82.2	30.8	37.1
Earnings from continuing operations	78.6	135.1	56.2	49.5
Earnings (loss) from discontinued operations, net of tax	(.7)	(8.7)	(.5)	(15.7)
Net earnings	\$ 77.9	\$ 126.4	\$ 55.7	\$ 33.8
(Earnings) loss attributable to noncontrolling interest, net of tax	(1.3)	(4.0)	(1.4)	(1.1)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	\$ 76.6	\$ 122.4	\$ 54.3	\$ 32.7
Earnings per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$.48	\$.77	\$.34	\$.29
Diluted	\$.48	\$.77	\$.34	\$.29
Earnings (loss) per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$	\$ (.05)	\$	\$ (.09)
Diluted	\$	\$ (.05)	\$	\$ (.09)
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$.48	\$.72	\$.34	\$.20
Diluted	\$.48	\$.72	\$.34	\$.20
Cash dividends declared per share	\$.76	\$.75	\$.26	\$.25
Weighted Average shares outstanding				
Basic	160.8	170.0	159.7	165.6
Diluted	161.2	170.2	160.5	166.1

See accompanying notes to consolidated condensed financial statements.

LEGGETT & PLATT, INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in millions)	Nine Months Ended September 30,	
	2009	2008
OPERATING ACTIVITIES		
Net earnings	\$ 77.9	\$ 126.4
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	82.0	87.1
Amortization	15.3	18.5
Provision for losses on accounts and notes receivables	29.6	12.6
Inventory write-off	12.0	11.7
Asset impairment charges	1.2	32.4
Net (gain) loss from sales of assets	(.3)	2.0
Deferred income tax expense	26.2	42.4
Stock-based compensation	30.0	34.3
Other	(.1)	(4.8)
Other changes, excluding effects from acquisitions and divestitures:		
Decrease (increase) in accounts and other receivables	26.0	(102.8)
Decrease (increase) in inventories	99.9	(67.7)
Decrease in other current assets	6.1	5.3
Increase in accounts payable	30.1	26.7
Decrease in accrued expenses and other current liabilities	(5.5)	(21.0)
NET CASH PROVIDED BY OPERATING ACTIVITIES	430.4	203.1
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(65.4)	(90.8)
Purchases of companies, net of cash acquired	(2.8)	(9.3)
Proceeds from sales of assets	9.1	386.0
Other	1.7	(18.2)
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	(57.4)	267.7
FINANCING ACTIVITIES		
Additions to debt	19.1	242.9
Payments on debt	(120.9)	(329.5)
Dividends paid	(117.5)	(127.7)
Issuances of common stock	2.6	5.4
Purchases of common stock	(107.1)	(256.9)
Other	(1.1)	.9
NET CASH USED FOR FINANCING ACTIVITIES	(324.9)	(464.9)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	8.7	.1
INCREASE IN CASH AND CASH EQUIVALENTS	56.8	6.0
CASH AND CASH EQUIVALENTS January 1,	164.7	205.4
CASH AND CASH EQUIVALENTS September 30,	\$ 221.5	\$ 211.4

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. STATEMENT

The interim financial statements of the Company 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 the financial position and operating results of the Company for the periods presented. The statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in annual 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.

Certain reclassifications have been made to the prior year's consolidated condensed financial statements to reflect the adoption of the FASB guidance for noncontrolling interest, as discussed in Note 2 below; and to reflect separate presentation of Provision for losses on accounts and notes receivables on the Consolidated Condensed Statements of Cash Flows.

For further information, refer to the financial statements of the Company and footnotes included in the annual report on Form 10-K of the Company for the year ended December 31, 2008.

2. NEW ACCOUNTING GUIDANCE

In June 2009, the FASB issued authoritative guidance codifying generally accepted accounting principles in the United States (GAAP). While the guidance was not intended to change GAAP, it did change the way the Company references these accounting principles in the Notes to the Consolidated Condensed Financial Statements. This guidance was effective for interim and annual reporting periods ending after September 15, 2009. The Company's adoption of this authoritative guidance as of September 30, 2009 changed how it references GAAP in its disclosures.

In December 2007, the FASB issued guidance for presentation of noncontrolling interest in consolidated financial statements, which was effective for the Company beginning January 1, 2009. The adoption of this guidance did not have a material impact on the Company's financial statements, but as required by the guidance, noncontrolling interest is now presented as a component of equity. Also, net income attributable to the parent and to the noncontrolling interest is presented separately. Prior year information has been retrospectively adjusted as follows:

In the Consolidated Condensed Balance Sheets noncontrolling interests have been reclassified from Other long-term liabilities to Noncontrolling interest within Equity.

In the Consolidated Condensed Statements of Operations noncontrolling interests have been reclassified from Other expense (income), net to (Earnings) loss attributable to noncontrolling interest, net of tax.

In the Consolidated Condensed Statements of Cash Flows noncontrolling interests have been reclassified from Net earnings to Other adjustments to reconcile net earnings to net cash provided by operating activities.

In Note 9 of Notes to Consolidated Condensed Financial Statements Segment Information, EBIT for Commercial Fixturing & Components and Specialized Products has been retrospectively adjusted to include noncontrolling interest. There was no significant activity impacting noncontrolling interest balances in the nine and three months ended September 30, 2009 or 2008 other than comprehensive income disclosed in Note 11.

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

In December 2008, the FASB issued guidance for additional disclosure surrounding plan assets of defined benefit pension plans in the Company's December 31, 2009 financial statements. Additional disclosures related to benefit plan assets include information about investment policies and strategies, the fair value of each major category of plan assets, and information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets. Its adoption is not expected to have a material impact on the Company's financial statements.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

During 2007 the Company completed an extensive review of its business portfolio and determined that it would exit certain of its business activities. This included the divestiture of some operations, the pruning of some business and the closure of certain underperforming plants, referred to as the 2007 Strategic Plan. Details related to completed divestitures are discussed below.

Third quarter 2009

Coated Fabrics unit No significant gains or losses were realized on the sale of this unit, which was previously reported in the Residential Furnishings segment.

Fourth quarter 2008

Fibers unit The sale of this unit resulted in a pre-tax loss of \$8.6 (\$7.8 loss net of tax) that is reported within earnings from discontinued operations. This unit was previously reported in the Residential Furnishings segment.

Third quarter 2008

Aluminum Products segment This segment was sold for \$300 in cash, a \$25 subordinated promissory note (fair value of \$14.1), and shares of preferred stock (no book value, with face value not to exceed \$25, dependent upon future performance of the divested business). The sale of this business resulted in a pre-tax gain of \$7.6 (\$16.0 gain after taxes) that is reported within earnings from discontinued operations.

Late in the second quarter of 2009, the Company learned that this business needed a capital infusion due to deterioration in business conditions and determined that the collectability of the promissory note was not reasonably assured. The Company recorded a \$10.6 non-cash reduction in the value of the promissory note that is reported in Other expense (income), net on the Consolidated Condensed Statements of Operations. On June 30, 2009, the Company surrendered the promissory note, and in exchange, received \$15 face amount (fair value of \$3.5) of redeemable preferred stock. Management believes it was in the best interest of the Company to accept the preferred stock in exchange for the promissory note due to the higher likelihood of recovery resulting from the modification to the buyer's capital structure.

Wood Products unit The sale of this unit resulted in a pre-tax loss of \$4.1 (\$4.4 loss net of tax) that is reported within earnings from discontinued operations. This unit was previously part of the Residential Furnishings segment.

Plastics unit The sale of this unit resulted in a pre-tax loss of \$9.4 (\$6.7 loss net of tax) that is reported within earnings from discontinued operations. This unit was previously reported in the Commercial Fixturing & Components segment.

The dealer portion of the Commercial Vehicle Products unit The sale of this business resulted in a pre-tax gain of \$.4 (\$.3 gain after taxes) that is reported within earnings from discontinued operations. This business was previously reported in the Specialized Products segment.

First quarter 2008

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

One automotive seating components operation The sale of this business resulted in a pre-tax loss of \$2.5 (\$1.7 loss net of tax) that is reported within earnings from discontinued operations. This business was previously part of the Specialized Products segment.

One metal store fixture operation This operation was classified as held for sale at December 31, 2007, but did not meet the requirements for discontinued operations. The results for this operation (including a pre-tax gain on sale of \$1.5) are included in the Commercial Fixturing & Components segment. The pre-tax gain is reported in Other expense (income), net on the Consolidated Condensed Statements of Operations.

In 2007 the Company sold its Prime Foam Products unit which was previously part of the Residential Furnishings segment. Activity directly related to this unit subsequent to the date of sale is reflected in the table below.

At September 30, 2009 the Company had one remaining business held for sale (Storage Products). Pre-tax proceeds (fair value less costs to sell) from Storage Products are expected to recover the carrying value of the assets held for sale as presented in the following tables. Although market conditions have delayed the timing of this disposition we are fully committed to selling and actively marketing this business. The net assets held for sale may fluctuate due to changes in working capital until this business is divested.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (continued)

Results from discontinued operations were as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
External sales:				
Residential Furnishings:				
Prime Foam Products Unit	\$	\$	\$	\$
Wood Products Unit		42.3		14.6
Fibers Unit		65.8		25.3
Coated Fabrics Unit	12.4	29.3	1.5	9.0
Commercial Fixturing & Components:				
Plastics Unit		33.4		10.6
Storage Products Unit	42.8	62.8	15.0	22.3
Aluminum Products Segment		270.5		18.0
Specialized Products:				
Dealer portion of the Commercial Vehicle Products Unit		45.4		10.3
An automotive seating components operation		3.9		
External sales	\$ 55.2	\$ 553.4	\$ 16.5	\$ 110.1
Earnings (loss):				
Residential Furnishings:				
Prime Foam Products Unit	\$.2	\$ (2.5)	\$	\$ (.1)
Wood Products Unit	(.1)	(2.0)	(.1)	(2.8)
Fibers Unit	(.2)	(8.2)	(.2)	(9.6)
Coated Fabrics Unit	(.6)	(4.8)		(4.7)
Commercial Fixturing & Components:				
Plastics Unit	(.2)	(3.9)	(.1)	(7.4)
Storage Products Unit	3.4	(8.2)	2.0	(9.9)
Aluminum Products Segment	(.8)	26.5	(.4)	5.2
Specialized Products:				
Dealer portion of the Commercial Vehicle Products Unit	(.4)	(12.7)		(3.5)
An automotive seating components operation		(3.1)		
Earnings (loss) before interest and income taxes	1.3	(18.9)	1.2	(32.8)
Interest expense		(.9)		
Income tax (expense) benefit	(2.0)	11.1	(1.7)	17.1
Earnings (loss) from discontinued operations, net of tax	\$ (.7)	\$ (8.7)	\$ (.5)	\$ (15.7)

Net assets held for sale by segment were as follows:

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

	September 30, 2009		
	Assets	Liabilities	Net Assets
Residential Furnishings	\$ 19.0	\$	\$ 19.0
Commercial Fixturing & Components	30.0	4.0	26.0
Aluminum Products	1.1		1.1
Industrial Materials	2.1		2.1
Specialized Products	8.5		8.5
Net assets held for sale	\$ 60.7	\$ 4.0	\$ 56.7

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (continued)

	December 31, 2008		
	Assets	Liabilities	Net Assets
Residential Furnishings	\$ 14.2	\$ 3.1	\$ 11.1
Commercial Fixturing & Components	33.9	4.3	29.6
Aluminum Products	1.4		1.4
Industrial Materials	3.6		3.6
Specialized Products	8.1		8.1
Net assets held for sale	\$ 61.2	\$ 7.4	\$ 53.8

These tables include \$34.2 and \$21.9 of property, plant and equipment held for sale at September 30, 2009 and December 31, 2008, respectively, primarily associated with the closings of various operations and prior year restructurings not associated with the 2007 Strategic Plan. These amounts also include land and buildings retained when the Company divested the Aluminum Products segment.

The major classes of assets and liabilities held for sale included in the Company's Consolidated Condensed Balance Sheets were as follows:

	September 30, 2009	December 31, 2008
Receivables, net	\$ 6.0	\$ 10.4
Inventories, net	12.3	20.4
Prepaid expenses and other current assets	.2	.2
Total current assets held for sale	18.5	31.0
Property, plant and equipment, net	39.2	27.0
Goodwill	3.0	3.0
Patents and other intangible assets, net		.2
Total non-current assets held for sale	42.2	30.2
Total assets held for sale	\$ 60.7	\$ 61.2
Accounts payable	\$ 2.7	\$ 4.6
Accrued expenses	1.3	2.8
Total current liabilities held for sale	4.0	7.4
Total liabilities held for sale	\$ 4.0	\$ 7.4
Net assets held for sale	\$ 56.7	\$ 53.8

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

4. RESTRUCTURING AND SPECIAL CHARGES

The Company has historically implemented various cost reduction initiatives to improve its operating cost structures. These cost initiatives have, among other actions, included workforce reductions and the closure or consolidation of certain operations. The Company's total restructuring-related costs for the nine and three months ended September 30, 2009 and 2008 were comprised of:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
Continuing operations:				
Charged to other expense, net:				
Severance and other restructuring costs	\$ 7.3	\$ 4.3	\$ 3.1	\$ 1.2
Other long-lived asset impairments	.9	.8	.2	.6
Loss (gain) from sale of assets	.4	(2.1)	.2	.4
	8.6	3.0	3.5	2.2
Charged to cost of goods sold:				
Inventory obsolescence and other	.2	3.1		2.3
Total continuing operations	8.8	6.1	3.5	4.5
Discontinued operations:				
Severance and other restructuring costs	.1	2.7		.8
Goodwill impairments		25.6		25.6
Asset impairments	.3	6.0	.3	.4
Loss from sale of assets	.5	6.9	.3	4.4
Total discontinued operations	.9	41.2	.6	31.2
Total restructuring and other special charges	\$ 9.7	\$ 47.3	\$ 4.1	\$ 35.7
Cash charges included in totals	\$ 7.4	\$ 7.0	\$ 3.1	\$ 2.0

Total restructuring and other special charges associated with discontinued operations are reported on the Consolidated Condensed Statements of Operations in Earnings (loss) from discontinued operations, net of tax.

Exit activities associated with the 2007 Strategic Plan discussed in Note 3 were substantially complete by the end of 2008. The above table contains the following charges associated with this plan:

Nine months ended September 30, 2009 - \$1.4 (\$.9 continuing operations, \$.5 discontinued operations)

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

Three months ended September 30, 2009 - \$.3 (\$.1 continuing operations, \$.2 discontinued operations)

Nine months ended September 30, 2008 - \$9.5 of restructuring-related charges (\$1.8 continuing operations, \$7.7 discontinued operations) and \$31.7 of asset impairment and goodwill impairment charges (primarily all in discontinued operations)

Three months ended September 30, 2008 - \$7.6 of restructuring-related charges (\$2.6 continuing operations, \$5.0 discontinued operations) and \$26.0 of asset impairment and goodwill impairment charges (all in discontinued operations)

The accrued liability associated with all these restructuring activities consisted of the following:

	Balance at December 31, 2008	Charges	2009 Payments	Balance at September 30, 2009
Termination benefits	\$ 2.3	\$ 3.8	\$ 4.4	\$ 1.7
Contract termination costs	3.1	.2	2.4	.9
Other restructuring costs	2.1	3.4	4.6	.9
	\$ 7.5	\$ 7.4	\$ 11.4	\$ 3.5

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

5. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2009	2008	2009	2008
Earnings from continuing operations	\$ 78.6	\$ 135.1	\$ 56.2	\$ 49.5
Earnings (loss) from discontinued operations, net of tax	(.7)	(8.7)	(.5)	(15.7)
(Earnings) loss attributable to noncontrolling interest, net of tax	(1.3)	(4.0)	(1.4)	(1.1)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	\$ 76.6	\$ 122.4	\$ 54.3	\$ 32.7
Weighted average number of common shares used in basic EPS	160.8	170.0	159.7	165.6
Additional weighted dilutive shares principally from the assumed exercise of outstanding stock options	.4	.2	.8	.5
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	161.2	170.2	160.5	166.1
Basic EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	\$.48	\$.77	\$.34	\$.29
Discontinued operations		(.05)		(.09)
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	\$.48	\$.72	\$.34	\$.20
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	\$.48	\$.77	\$.34	\$.29
Discontinued operations		(.05)		(.09)
Diluted EPS share attributable to Leggett & Platt, Inc. common shareholders	\$.48	\$.72	\$.34	\$.20
Shares issuable under employee and non-employee stock options	13.4	13.8	13.4	13.8
Anti-dilutive shares excluded from diluted EPS computation	11.1	9.3	7.6	5.3

6. INVENTORIES

Inventories, of which about 60% are valued using the Last-In, First-Out (LIFO) cost method and the remainder using the First-In, First-Out (FIFO) cost method, are comprised of the following:

	September 30, 2009	December 31, 2008
At FIFO cost		
Finished goods	\$ 220.8	\$ 309.4
Work in process	49.7	46.8
Raw materials and supplies	200.4	266.1

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

LIFO reserve	(73.5)	(127.3)
	\$ 397.4	\$ 495.0

The Company calculates its LIFO reserve (the excess of FIFO cost over LIFO cost) on an annual basis. During interim periods, the Company estimates the current year annual change in the LIFO reserve (i.e., the annual LIFO expense or benefit) and allocates that change proportionally 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 that 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.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

7. STOCK-BASED COMPENSATION

During the nine months ended September 30, 2009 and 2008, 1.9 million and 1.8 million options were granted. The weighted-average per-share fair value of the options granted was \$2.22 and \$2.46, for the nine months ended September 30, 2009 and 2008, respectively. The majority of the Company's stock option activity typically occurs in the first quarter of each year. There was no material activity during the third quarter. For the nine and three months ended September 30, 2009 and 2008, the Company recorded stock compensation expense of \$4.5 and \$5.9, and \$.6 and \$1.0, respectively, related to current year grants and vesting of options previously granted for employees.

The following table summarizes the weighted-average assumptions used to calculate the grant date fair value of options granted during the periods presented. Fair values were calculated using the Black-Scholes option pricing model.

Key Assumptions	Nine Months Ended	
	September 30, 2009	September 30, 2008
Risk-free interest rate	1.9%	3.4%
Expected life in years	6.7	6.6
Expected volatility (over expected life)	31.4%	27.0%
Expected dividend yield (over expected life)	6.4%	5.9%

The following table recaps the components of stock-based compensation (including discontinued operations) for each period presented:

	Nine Months Ended		Three Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Amortization of the grant date fair value of stock options	\$ 4.5	\$ 5.9	\$.6	\$ 1.0
Stock-based retirement plans, discounts on various stock programs and other	14.2	11.0	4.1	3.5
Stock-based compensation elected by employees in lieu of cash compensation	11.3	17.4	3.7	5.5
	\$ 30.0	\$ 34.3	\$ 8.4	\$ 10.0

8. EMPLOYEE BENEFIT PLANS

The following table provides interim information as to the Company's domestic and foreign defined benefit pension plans. Expected 2009 employer contributions are not significantly different than the \$2.6 previously reported at year-end 2008.

Components of net pension expense (income)	Nine Months Ended		Three Months Ended	
	September 30, 2009	September 30, 2008	September 30, 2009	September 30, 2008
Service cost	\$ 1.7	\$ 2.2	\$.6	\$.7
Interest cost	10.0	9.9	3.2	3.3
Expected return on plan assets	(9.9)	(14.4)	(2.8)	(4.8)
Recognized net actuarial loss	3.1	.4	1.1	.2

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

Net pension expense (income)	\$ 4.9	\$ (1.9)	\$ 2.1	\$ (.6)
------------------------------	--------	----------	--------	---------

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. SEGMENT INFORMATION

The Company has four operating segments that are generally focused on broad end-user markets for the Company's diversified products. Residential Furnishings derives its revenues from components for bedding, furniture and other furnishings, as well as related consumer products. Commercial Fixturing & Components derives its revenues from retail store fixtures, displays and components for office and institutional furnishings. Industrial Materials derives its revenues from drawn steel wire, specialty wire products and welded steel tubing sold to trade customers as well as other Leggett segments. Specialized Products derives its revenues from automotive seating components, specialized machinery and equipment, and van interiors.

The Company's reportable segments are the same as its operating segments, which also correspond with the Company's 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, the Company also utilizes 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.

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. The Company evaluates performance based on earnings from operations before interest and income taxes (EBIT). Intersegment sales are made primarily at prices that approximate market-based selling prices. Centrally incurred costs are allocated to the segments based on estimates of services used by the segment. Certain general and administrative costs and miscellaneous corporate income and expense of the Company are allocated to the segments based on sales and EBIT. 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.

To comply with the FASB guidance regarding noncontrolling interest discussed under "New Accounting Guidance" in Note 2, the nine months ended September 30, 2008 EBIT has been retrospectively adjusted as follows to include noncontrolling interest: Commercial Fixturing & Components (from \$25.5 to \$26.0); Specialized Products (from \$39.1 to \$42.6). The three months ended September 30, 2008 EBIT has also been retrospectively adjusted to include noncontrolling interest: Commercial Fixturing & Components (from \$9.2 to \$9.3); Specialized Products (from \$10.8 to \$11.8).

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. SEGMENT INFORMATION (continued)

	External Sales	Inter- Segment Sales	Total Sales	EBIT
Nine Months ended September 30, 2009:				
Residential Furnishings	\$ 1,271.0	\$ 6.6	\$ 1,277.6	\$ 56.1
Commercial Fixturing & Components	387.1	3.1	390.2	9.4
Industrial Materials	322.3	167.3	489.6	48.6
Specialized Products	305.0	44.0	349.0	2.1
Write-down of divestiture note (as discussed in Note 3)				(10.6)
Intersegment eliminations				(3.9)
Change in LIFO reserve				52.0
	\$ 2,285.4	\$ 221.0	\$ 2,506.4	\$ 153.7

Nine Months ended September 30, 2008:

Residential Furnishings	\$ 1,646.0	\$ 14.3	\$ 1,660.3	\$ 147.7
Commercial Fixturing & Components	561.6	13.9	575.5	26.0
Industrial Materials	513.0	240.1	753.1	75.7
Specialized Products	473.0	47.4	520.4	42.6
Intersegment eliminations				(8.3)
Change in LIFO reserve				(34.8)
	\$ 3,193.6	\$ 315.7	\$ 3,509.3	\$ 248.9

	External Sales	Inter- Segment Sales	Total Sales	EBIT
Three Months ended September 30, 2009:				
Residential Furnishings	\$ 441.1	\$ 2.2	\$ 443.3	\$ 39.1
Commercial Fixturing & Components	142.1	1.2	143.3	11.0
Industrial Materials	115.1	57.1	172.2	21.8
Specialized Products	111.6	13.1	124.7	8.9
Intersegment eliminations				(1.8)
Change in LIFO reserve				16.0
	\$ 809.9	\$ 73.6	\$ 883.5	\$ 95.0

Three Months ended September 30, 2008:

Residential Furnishings	\$ 575.8	\$ 4.2	\$ 580.0	\$ 61.8
Commercial Fixturing & Components	195.1	4.4	199.5	9.3
Industrial Materials	203.4	89.9	293.3	34.0
Specialized Products	157.9	14.1	172.0	11.8
Intersegment eliminations				(1.0)
Change in LIFO reserve				(19.7)

\$ 1,132.2 \$ 112.6 \$ 1,244.8 \$ 96.2

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

9. SEGMENT INFORMATION (continued)

Average assets for the Company's segments at September 30, 2009 and December 31, 2008 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 (current assets and current liabilities) plus net property, plant and equipment, and utilize a month-end average for the periods presented.

	September 30, 2009	December 31, 2008
Residential Furnishings	\$ 707.1	\$ 801.9
Commercial Fixturing & Components	223.0	301.5
Industrial Materials	242.4	306.1
Specialized Products	213.5	265.0
Average current liabilities included in segment numbers above	331.3	348.1
Assets held for sale	60.7	61.2
Unallocated assets (1)	1,363.8	1,310.3
Difference between average assets and period-end balance sheet	(46.4)	(232.2)
Total assets	\$ 3,095.4	\$ 3,161.9

(1) Primarily goodwill, other intangibles, cash and long-term notes receivable.

10. CONTINGENCIES

The Company is involved in various legal proceedings including matters which involve claims against the Company under employment, intellectual property, environmental and other laws. When it appears probable in management's judgment that the Company will incur monetary damages or other costs in connection with claims and proceedings, and the costs can be reasonably estimated, appropriate liabilities are recorded in the financial statements and charges are made against earnings. No claim or proceeding has resulted in a material charge against earnings, nor are the total liabilities recorded material to the Company's financial position for any of the periods presented. While the results of any ultimate resolution cannot be predicted with certainty, management believes the possibility of a material adverse effect on the Company's consolidated financial position, results of operations and cash flows from claims and proceedings is remote.

The Company has been named as one of numerous defendants in several cases consolidated as Gray v. Derderian, Case No. 1:04-CV-312-L, U.S.D.C. R.I. This litigation resulted from a nightclub fire in West Warwick, Rhode Island involving multiple deaths and injuries. Along with other foam manufacturing defendants, the Company is alleged to have manufactured and sold bulk polyurethane foam to a foam fabricator in Rhode Island, who in turn, is alleged to have fabricated and sold foam sheets to the nightclub. The foam was among other materials alleged to have caught fire when pyrotechnics were ignited inside the nightclub.

The Company believes it did not manufacture the foam subject to the lawsuit and that it has valid defenses to the claims. Nevertheless, with the Company's consent, the Company's primary insurance carrier reached a tentative settlement with counsel for all plaintiffs on April 29, 2008 and the Company executed the final settlement agreement on October 6, 2009. The settlement agreement is subject to various court approvals and the signature of all plaintiffs. Pursuant to the settlement agreement, the Company would pay a \$2 self-insured retention. The remainder of the \$18.2 settlement would be paid by the Company's insurance carrier. Management does not believe the settlement or the outcome will have a material effect on the Company's financial condition, operating cash flows or results of operations. The Company recorded \$2 of expense in 2008 and currently has a \$16.2 receivable from the insurance carrier and an \$18.2 liability related to this matter, that is included in current assets and current liabilities, respectively, in the Consolidated Condensed Balance Sheets.

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

On February 5, 2009, a shareholder derivative complaint was filed by the New England Carpenters Pension Fund, which represented that it owns 3,000 shares of Leggett stock, in the Circuit Court of Jasper County, Missouri. On August 12, the Court dismissed the suit without prejudice to the plaintiff's right to refile, based on the plaintiff's failure to make demand on the Company's Board and shareholders. The normal period of time for appeal has expired. The action was purportedly brought on behalf of the Company, naming it as a nominal defendant and naming as defendants certain current and former officers and directors of the Company 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.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

10. CONTINGENCIES (continued)

The plaintiff alleged, among other things, that the individual defendants participated in the backdating of stock options, breached fiduciary duties, caused or allowed the Company to issue false and misleading financial statements and proxy statements, and sold Company stock while in possession of material non-public information. The plaintiff sought, 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 Company 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 did not seek any monetary relief from the Company. Policies of directors and officers liability insurance are in force, subject to customary limits and exclusions.

The Company and the other defendants filed motions to dismiss the suit in early April, asserting defenses including: (1) the plaintiff failed to make demand on the Company's Board and shareholders as required by Missouri law and the court should not excuse the failure to make demand; (2) the plaintiff is not a representative shareholder because plaintiff is a professional plaintiff and does not have a significant economic stake in the litigation, (3) the lawsuit is based on a statistical analysis of stock option grants and Leggett stock prices that the Company believes is flawed, (4) the plaintiff fails to state a legally cognizable claim, and (5) the statute of limitations has expired on all the challenged grants except the December 30, 2005 deferred compensation grant. As to this grant, the motions to dismiss also advised the Court that it was made under the Company's 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.

11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table sets forth the components of and changes in each component of accumulated other comprehensive income (loss):

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance Jan. 1, 2009	\$ 52.0	\$ (.3)	\$ (40.3)	\$ 11.4
Period change - gross	71.1	1.0	1.7	73.8
Period change - income tax effect		(.7)	(.7)	(1.4)
Balance September 30, 2009	\$ 123.1	\$	\$ (39.3)	\$ 83.8

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

11. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (continued)

	2009		Nine Months Ended September 30,			2008
	Attributable to Leggett & Platt, Inc. before Noncontrolling Interest	Attributable to Noncontrolling Interest	Total Attributable to Leggett & Platt, Inc.	Attributable to Leggett & Platt, Inc. before Noncontrolling Interest	Attributable to Noncontrolling Interest	
Comprehensive (loss) income:						
Net earnings	\$ 77.9	\$ (1.3)	\$ 76.6	\$ 126.4	\$ (4.0)	\$ 122.4
Foreign currency translation adjustments	71.8	(.7)	71.1	(10.2)	(1.0)	(11.2)
Net investment hedges				2.3		2.3
Cash flow hedges	.3		.3	(.8)		(.8)
Defined benefit pension plans	1.0		1.0	.3		.3
Comprehensive (loss) income:	\$ 151.0	\$ (2.0)	\$ 149.0	\$ 118.0	\$ (5.0)	\$ 113.0

	2009		Three Months Ended September 30,			2008
	Attributable to Leggett & Platt, Inc. before Noncontrolling Interest	Attributable to Noncontrolling Interest	Total Attributable to Leggett & Platt, Inc.	Attributable to Leggett & Platt, Inc. before Noncontrolling Interest	Attributable to Noncontrolling Interest	
Comprehensive (loss) income:						
Net earnings	\$ 55.7	\$ (1.4)	\$ 54.3	\$ 33.8	\$ (1.1)	\$ 32.7
Foreign currency translation adjustments	20.5	(.1)	20.4	(30.2)	(.1)	(30.3)
Net investment hedges				4.5		4.5
Cash flow hedges	1.0		1.0	(1.2)		(1.2)
Defined benefit pension plans	.1		.1	.1		.1
Comprehensive (loss) income:	\$ 77.3	\$ (1.5)	\$ 75.8	\$ 7.0	\$ (1.2)	\$ 5.8

12. FAIR VALUE

Effective January 1, 2008, the Company adopted the FASB guidance for fair value measurements, except as it applies to nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis, for which this guidance was effective January 1, 2009.

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

The areas in which the Company utilizes fair value measures that were included in the January 1, 2008 adoption are cash equivalents, short-term investments and derivatives hedging financial risks primarily related to interest rates, foreign currency, and commodities.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

12. FAIR VALUE (continued)

The FASB guidance does not require any new fair value measurements, but requires expanded disclosure about fair value measurements and establishes 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.

The following tables present assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2009 and December 31, 2008:

As of September 30, 2009

	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 158.1	\$	\$	\$ 158.1
Short-term investments:				
Bank time deposits		11.4		11.4
Derivative assets		1.2		1.2
Total assets	\$ 158.1	\$ 12.6	\$	\$ 170.7
Liabilities:				
Derivative liabilities	\$ 1.2	\$.9	\$	\$ 2.1
Total liabilities	\$ 1.2	\$.9	\$	\$ 2.1

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

As of December 31, 2008

	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Money market funds	\$ 76.8	\$	\$	\$ 76.8
Short-term investments:				
Bank time deposits		2.7		2.7
Other		4.0		4.0
Derivative assets		2.1		2.1
Total assets	\$ 76.8	\$ 8.8	\$	\$ 85.6
Liabilities:				
Derivative liabilities	\$ 1.7	\$ 1.1	\$	\$ 2.8
Total liabilities	\$ 1.7	\$ 1.1	\$	\$ 2.8

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

12. FAIR VALUE (continued)

The primary areas in which the Company utilizes fair value measures of non-financial assets and liabilities that were included in the January 1, 2009 effective date are allocating purchase price to the assets and liabilities of acquired companies and evaluating long-term assets for potential impairment.

Goodwill

The Company performs an annual review for potential goodwill impairment in June of each year and tests long-lived assets for recoverability at year end and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The annual goodwill impairment review performed in June 2009 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.

Significant assumptions used in the June 2009 review included (i) 10-year compound annual growth rates ranging from 2%-9%; (ii) terminal values for each reporting unit using a long-term growth rate of 3%; and (iii) discount rates ranging from 10.5-12.0%. Goodwill associated with reporting units whose fair values exceeded the carrying value by 10-20% was \$364.2; \$108.5 of goodwill was associated with reporting units that had 20-30% excess fair value; and \$433.1 of goodwill was associated with reporting units that had fair values in excess of the carrying values by greater than 30%. If actual results differ from estimates used in these calculations, the Company could incur future impairment charges.

Fixed Assets

The Company incurred impairment charges of \$1.2 and \$.5 for the nine and three months ended September 30, 2009 related to fixed assets. Fair value and the resulting impairment charges were based primarily upon offers from potential buyers.

Other Long-Term Assets

As discussed in Note 3, the Company recorded an impairment on a note accepted as part of the July 2008 divestiture of the aluminum operations. The fair value of this note was determined to be \$3.5. The Company accepted \$15 face amount of redeemable preferred stock in exchange for this promissory note. The Company's estimate of the promissory note's fair value is the same as the preferred stock's fair value as of June 30, 2009, the date of the exchange. The fair value estimate incorporated various inputs related to the aluminum operations including: historical financial information, assumptions about future revenue, earnings, and cash flows and earnings ratios for comparable publicly-traded companies with similar characteristics.

13. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Strategy & Objectives

The Company is subject to market and financial risks related to interest rates, foreign currency, and commodities. In the normal course of business, the Company utilizes derivative instruments (individually or in combinations) to manage these risks. The Company seeks to use derivative contracts that qualify for hedge accounting treatment; however, some instruments may not qualify for hedge accounting treatment. It is the Company's policy not to speculate using derivative instruments.

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

As of September 30, 2009 and December 31, 2008, the Company has recorded the following assets and liabilities representing the fair value of 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.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

13. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (continued)

As of September 30, 2009

	Total USD				
	Equivalent Notional Amount	Other Assets	Current Assets Sundry	Other Liabilities	Current Other Long-Term Liabilities
Derivatives designated as hedging instruments					
Cash flow commodity hedges	\$ 6.0	\$	\$	\$ 1.0	\$.2
Cash flow currency hedges:					
Future USD sales of a Canadian subsidiary	10.1	.9	.1		
Future USD purchases of a Canadian subsidiary	2.3				
Total cash flow hedges		.9	.1	1.0	.2
Fair value hedges:					
MXN payables to a Mexican subsidiary	1.0			.1	
USD inter-company note receivable on a Canadian subsidiary	5.0	.2			
Total fair value hedges		.2		.1	
Derivatives not designated as hedging instruments					
Hedge of EUR inter-company note receivable from a European subsidiary	28.0				.8
		\$ 1.1	\$.1	\$ 1.1	\$ 1.0

As of December 31, 2008

	Total USD				
	Equivalent Notional Amount	Other Assets	Current Assets Sundry	Other Liabilities	Current Other Long-Term Liabilities
Derivatives designated as hedging instruments					
Cash flow commodity hedges	\$ 9.2	\$	\$	\$ 1.6	\$.1
Cash flow currency hedges:					
Future USD purchases of a UK subsidiary	.5				
CAD interest payments from Canadian subsidiary	5.1	1.2			
Future USD sales of a Canadian subsidiary	25.3	.3		.8	
Total cash flow hedges		1.5		2.4	.1
Fair value hedges:					
MXN payables to a Mexican subsidiary	1.6			.3	
HUF inter-company note receivable from Hungarian subsidiary	1.9	.3			

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

Total fair value hedges		.3		.3		
Derivatives not designated as hedging instruments						
Hedge of USD prepaid account on a UK subsidiary		.6				
Hedge of EUR inter-company note receivable from a European subsidiary		28.0		.3		
			\$ 1.8	\$.3	\$ 2.7	\$.1

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

13. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cash Flow Hedges

At September 30, 2009 and December 31, 2008, the Company had outstanding derivative financial instruments that hedge forecasted transactions and anticipated cash flows. 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 primarily manage natural gas commodity price risk. There were \$6.0 in outstanding notional amounts related to commodity hedges at September 30, 2009, all of which had maturities less than three years. The Company routinely hedges 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 at September 30, 2009 primarily hedged Canadian dollar exposures and had maturity dates within two years. In general, it is the Company's policy to have foreign currency cash flow hedges with maturities within two years.

Fair Value Hedges

The Company's fair value hedges manage foreign currency risk associated with 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.

Net Investment Hedges

The Company had no net investment hedge activity in 2009. Investment hedge settlements are presented as investing cash flows when contracts are settled.

Hedge Effectiveness

The Company has determined all hedges to be highly effective and as a result, has not recorded any material amounts for ineffectiveness.

Derivatives Not Designated as Hedging Instruments

At September 30, 2009, the Company had one derivative transaction that did not qualify for hedge accounting treatment. Gains or losses on this transaction are recorded directly to income and expense in the period impacted and economically offset gains or losses on the underlying hedged item.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

13. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The following table sets forth the pre-tax gains (losses) from the Company's hedging activities for the nine and three months ended September 30, 2009 and 2008. This schedule includes reclassifications from accumulated other comprehensive income as well as derivative settlements recorded directly to income or expense. See Note 11 Accumulated Other Comprehensive Income (Loss) for the amount of derivative gains (losses) included in other comprehensive income.

	Income Statement Classification of Gain (Loss) on Derivatives	Amount of Gain (Loss) Recorded in Income		Amount of Gain (Loss) Recorded in Income	
		Nine Months Ended		Three Months Ended	
		September 30 2009	September 30 2008	September 30 2009	September 30 2008
Derivatives designated as hedging instruments					
Commodity cash flow hedges	Cost of goods sold	\$ (2.9)	\$ 1.6	\$ (1.0)	\$.4
Foreign currency cash flow hedges	Net sales	.6	(.5)	.3	.1
Foreign currency cash flow hedges	Cost of goods sold		(.2)		(.1)
Foreign currency cash flow hedges	Other expense (income), net	(.2)			.1
Foreign currency cash flow hedges	Interest expense	1.2	.7		.1
Total cash flow hedges		(1.3)	1.6	(.7)	.6
Fair value hedges	Other expense (income), net	.9	(.1)	.4	
Derivatives not designated as hedging instruments					
Hedge of EUR inter-company note receivable-European subsidiary	Other expense (income), net	(2.9)	(.3)	(.3)	2.0
Hedge of EUR inter-company note receivable-European subsidiary	Interest expense		(.3)		(.1)
Total derivative instruments		\$ (3.3)	\$.9	\$ (.6)	\$ 2.5

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the time the financial statements were issued on November 5, 2009.

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

What We Do

Leggett & Platt is a diversified manufacturer that conceives, designs, and produces a broad variety 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 North America's leading independent manufacturer of: components for residential furniture and bedding, 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 composed of 19 business units in four segments, with approximately 19,000 employee-partners, and more than 160 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, adjustable beds, bed frames, ornamental beds and geo components. This segment generated approximately 47% of total sales during 2008 and about 51% during the first nine months of 2009.

Commercial Fixturing & Components: These operations 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. This segment generated approximately 16% of our total sales both in 2008 and during the first nine months of 2009.

Industrial Materials: These operations primarily supply steel rod, drawn steel wire, steel billets, and welded steel tubing to other Leggett operations and to external customers. Our wire and tubing is used to make bedding, furniture, automotive seats, wire retail fixtures, mechanical springs, and many other end products. This segment generated approximately 22% of our total sales in 2008 and about 19% during the first nine months of 2009.

Specialized Products: From this segment we supply lumbar systems and wire components used by automotive seating manufacturers. We manufacture and install the racks, shelving and cabinets used to outfit fleets of service vans. We also produce machinery, both for ourselves and for others, including bedding manufacturers. This segment contributed about 15% of total sales during 2008 and about 14% during the first nine months of 2009.

Discontinued Operations and Divestitures

We have completed six of the seven targeted divestitures announced in November of 2007 and realized after-tax cash proceeds of \$420 million for the completed divestitures, already surpassing our original estimate. The six businesses sold to date include the Aluminum Products segment and four smaller business units (Wood Products, Fibers, Plastics, and the dealer portion of Commercial Vehicle Products) sold in 2008 and the Coated Fabrics business unit sold on July 31, 2009. One additional business unit (Storage Products) is also targeted for divestiture. Although recent market conditions have delayed the timing of this disposition, we are fully committed to selling and actively marketing this business. All of these business units, including the remaining unit, are disclosed in our financial statements as discontinued operations.

We expect to recover the carrying value of net assets held for sale. Net assets classified as held for sale totaled \$57 million at September 30, 2009 (this includes \$34 million of property, plant and equipment associated with the closings of various operations and prior year restructurings not associated with the above mentioned divestitures.)

Strategic Direction

Total Shareholder Return (TSR) is the key success measure that we use to monitor 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]. There are four key sources of TSR: revenue growth, margin expansion, dividends, and share repurchases. Historically, our primary objective was profitable growth. Going forward, we intend to generate higher TSR through a balanced approach that employs all four sources of TSR. Our incentive plans emphasize the importance of, and reward, TSR. Beginning in 2008, we introduced TSR-based incentives for senior executives and modified business unit bonuses to give more importance to achieving higher returns on the assets under their direct control. From the end of 2007 through October 21, 2009, our TSR performance places us within the top 3% of the S&P 500 companies.

We have adopted role-based portfolio management and will concentrate future investments in businesses with strong competitive advantages and financial health. Certain of our businesses (categorized as Grow) are positioned to generate value through further growth, while others (categorized as Core) are positioned to drive value by improving EBITDA (earnings before interest, taxes, depreciation and amortization) and optimizing operating cash flow while employing minimal amounts of capital. We allocate capital to each business unit based upon its role in the portfolio. We plan to invest in Grow businesses that hold strong competitive positions and consistently achieve compelling returns on those investments. We plan to maintain or improve our competitive position in Core businesses that typically hold stable positions in solid markets, and focus on improving returns but limit further investment in these operations. This discipline has contributed to lower anticipated capital expenditures and fewer acquisitions in 2009.

We have implemented a more rigorous strategic planning process to continually assess our business units and help guide future decisions regarding the role of each business unit, capital allocation priorities, and new areas in which to grow. We review the portfolio classification of each unit at least on an annual basis to determine its appropriate role. This review includes several different criteria such as competitive position, market attractiveness, business unit size, and fit within our overall objectives, as well as financial indicators such as EBITDA and operating cash flows relative to the amount of capital employed. To remain in the portfolio, business units are expected to consistently generate after-tax returns in excess of our cost of capital. Business units may employ a variety of means to achieve higher returns, including trimming expenses, introducing new products, improving productivity, adopting more disciplined pricing, reducing working capital, and consolidating assets. Business units that fail to consistently attain minimum return goals will be moved to the Fix or Divest categories.

We narrowed our focus and eliminated approximately 15% of our portfolio through the divestiture of the Aluminum Products segment and five additional business units (one other divestiture remains). We also narrowed the scope of the Store Fixtures unit to focus primarily on the metals part of the fixtures industry, in alignment with Leggett's core competency of producing steel and steel-related products. These activities resulted in charges that impacted our operating results (primarily in 2008). Those charges are discussed under the section titled Asset Impairments and Restructuring-related Charges.

The strategic changes have increased available cash. We expect to continue returning much of this cash to shareholders through dividends and share repurchases.

Customers

We serve a broad suite of customers. In 2008, no single customer represented even 5% of our sales. 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, recent economic events, raw material cost trends and competition.

Market Demand

Market demand (including product mix) is impacted by several economic factors, with consumer confidence being most 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.

Recent Economic Events

In light of the distress in the U.S. and global economies, we have been impacted, and may continue to be impacted, in several different areas as discussed below.

Lower Market-Wide Demand Demand weakness in the majority of our markets led to lower unit order activity, sales and earnings. Several factors, including a weak global economy, a depressed housing market, and low consumer confidence contributed to conservative spending habits by consumers around the world. Short lead times in most of our markets allow for very limited long-term visibility into demand trends; however, we currently expect market demand to stabilize at these lower levels.

Customers We serve customers in a variety of industries, some of which are experiencing unprecedented decreases in demand that began in late 2008 and have continued into 2009. While we currently expect markets to stabilize, a sustained economic downturn increases the possibility that one or more of our significant customers, or a group of less significant customers, could become insolvent.

Management's Response to Recent Economic Events Activities completed over the past few years (including the divestiture of businesses under our strategic plan, closure of underperforming and underutilized facilities, elimination of sales with unacceptable margins, and other cost reduction initiatives) improved our cost position in advance of the late 2008 economic contraction. We continue to tightly constrain spending in 2009. As we make spending cuts, we are not sacrificing long-term opportunities. We remain focused on new product development and recognize that this important function is critical to our future success.

While the items discussed above could adversely impact our sales, net earnings, financial condition, cash flow and liquidity, we expect to effectively endure an extended downturn in market demand given our strong balance sheet, operating cash flow and access to credit.

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.

Purchasing arrangements vary across the Company. We typically have short-term commitments from our suppliers; accordingly our raw material costs generally move with the market. In certain of our businesses, we have longer-term purchase contracts with pricing terms that provide stability under reasonable market conditions. However, when commodities experience extreme inflation, vendors do not always honor those contracts.

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 a portion of those lower costs through to our customers. The timing of our price increases or decreases is a critical factor; we typically experience a lag in recovering higher costs, so we also expect to realize a lag as costs decline.

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 via selling price adjustments.

There has been significant variability in our quarterly earnings this year as a result of steel-related issues. Market prices for steel began to decrease in late 2008, but with the precipitous drop in demand late in the year and our inability to cancel or return higher-priced earlier purchases, we entered 2009 with high steel costs in inventory. Earnings in the first two quarters were significantly impacted as we consumed the majority of the higher cost steel, which was only partially offset by LIFO benefits. In the third quarter we consumed the remainder of the higher cost steel inventory (approximately \$5 million) and recognized a LIFO benefit of \$16 million. In the fourth quarter of 2009, we expect no further impact from higher cost steel inventory (our cost of goods sold now reflects contemporary market prices for steel) and we expect to recognize an additional \$17 million LIFO benefit. We implemented selective price reductions in 2009, but at current commodity cost levels, we have enhanced our margins.

Our other raw materials include woven and non-woven fabrics, foam scrap, fibers, and chemicals. We have experienced changes in the cost of these materials in recent years, and typically pass them through to our customers.

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 and Industrial Materials segments in recent years, as our customers changed the quantity and mix of components in their finished goods to address steel and chemical inflation. Our profit margins were negatively impacted by this de-contenting. We are responding by developing new products (including new types of innersprings and boxsprings) that enable our customers to reduce their total costs, and in certain instances, provide 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.

We believe we gain competitive advantage in our global markets through low cost operations, significant internal production of key raw materials, superior manufacturing expertise and product innovation, higher quality products, extensive customer service capabilities, and greater financial strength. Many of our competitors, both domestic and foreign, compete primarily on the basis of price. Our success has stemmed from the ability to remain price competitive, while delivering product quality, innovation, and customer service.

We continue to face pressure from foreign competitors as some of our customers source a portion of their components and finished products from Asia. In instances where our customers move production of their finished products overseas, our operations must be located nearby to supply them efficiently. We currently operate 10 facilities in China.

In recent years we experienced increased competition in the U.S. from foreign bedding component manufacturers. We reacted to this competition by selectively adjusting prices, and by developing new proprietary products that help our customers reduce total costs. The increased price competition for bedding components was partially due to lower wire costs in China. Foreign manufacturers benefit from lenient regulatory climates related to safety and environmental matters. 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, and as a result, we regained market share. The investigations were brought to a favorable conclusion in early 2009. We have seen improved performance in our Bedding group as imported innersprings from these countries now have to be sold at fair prices. The current antidumping duty rates on innersprings from these countries are significant, ranging from 116% to 234%, and will remain in effect for at least another four years.

Asset Impairments and Restructuring-related Charges

Exit activities associated with the 2007 Strategic Plan discussed in Note 3 of the Notes to Consolidated Condensed Financial Statements were substantially complete by the end of 2008. We incurred \$1 million and \$41 million of restructuring-related and asset impairment costs related to this plan in the first nine months of 2009 and 2008, respectively. To date, we have incurred total costs associated with this plan of \$341 million (\$154 million in continuing operations and \$187 million in discontinued operations) and do not anticipate additional significant charges. Other asset impairments and restructuring-related charges incurred outside of the strategic plan for the third quarters of 2009 and 2008 were not significant. For more information about restructuring, see Note 4 of the Notes to Consolidated Condensed Financial Statements.

We perform an annual review for potential goodwill impairment in June of each year and test long-lived assets for recoverability at year end and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The annual goodwill impairment review performed in June 2009 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.

Significant assumptions used in the June 2009 review included (i) 10-year compound annual growth rates ranging from 2%-9%; (ii) terminal values for each reporting unit using a long-term growth rate of 3%; and (iii) discount rates ranging from 10.5-12.0%. Goodwill associated with reporting units whose fair values exceeded the carrying value by 10-20% was \$364.2; \$108.5 of goodwill was associated with reporting units that had 20-30% excess fair value; and \$433.1 of goodwill was associated with reporting units that had fair values in excess of the carrying values by greater than 30%. If actual results differ from estimates used in these calculations, the Company could incur future impairment charges.

RESULTS OF OPERATIONS

Discussion of Consolidated Results

Third Quarter:

Third quarter sales of \$810 million (from continuing operations) were 28% lower than in the third quarter of 2008, due to continuing weak global market demand, steel-related price deflation, and our decision to exit some specific customer programs with unacceptable margins. Price deflation represented approximately one-quarter of the sales decrease.

Earnings per share from continuing operations for the quarter were \$.34 per diluted share. In the third quarter of 2008, earnings per share from continuing operations were \$.29. Despite much lower sales, earnings from continuing operations improved primarily due to ongoing benefits from the past year's cost reduction initiatives, pricing discipline, a net LIFO benefit, and the absence of certain tax items.

Discontinued operations had no effect on earnings per share in the third quarter of 2009. In the third quarter of 2008, losses from discontinued operations were \$.09 per share.

Nine-Months:

Sales for the first nine months of 2009 (from continuing operations) were \$2,285 million, 28% lower than in the first nine months of 2008, also due to extremely weak global market demand and our decision to exit some specific customer programs with unacceptable margins.

Earnings per share from continuing operations for the first nine months of 2009 were \$.48 per diluted share, compared to \$.77 per diluted share from continuing operations in the first nine months of 2008. The first nine months of 2009 were negatively impacted by lower unit sales volumes, increased provision for bad debts associated with a customer bankruptcy, and a non-cash write-down of the note received in last year's aluminum segment divestiture. These items were partially offset by cost reduction efforts and pricing discipline.

Discontinued operations had no effect on earnings per share in the first nine months of 2009. In the first nine months of 2008, losses from discontinued operations were \$.05 per share.

Divestiture Note Write-down

Late in the second quarter of 2009, the Company learned that the aluminum operations divested in July 2008 needed a capital infusion due to deterioration in business conditions and determined that the collectability of the promissory note was not reasonably assured. The write-down of the note resulted in a \$10.6 million non-cash reduction in EBIT (\$.04 per share after tax) for the second quarter reported in Other expense (income), net on the Consolidated Condensed Statements of Operations, and generated a \$6.4 million cash flow benefit in the last half of this year due to lower taxes. On June 30, 2009, the Company surrendered the promissory note, and in exchange, received \$15 million face amount (fair value of \$3.5 million) of redeemable preferred stock in the divested operations. Management believes it was in the best interest of the Company to accept the preferred stock in exchange for the promissory note due to the higher likelihood of recovery resulting from the modification to the buyer's capital structure.

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. Steel cost decreases contribute to an anticipated full year LIFO benefit of \$69 million (for continuing operations). Of this annual benefit, \$16.0 million was recognized in the third quarter of 2009 (versus LIFO expense of \$19.7 million in the third quarter of 2008). A LIFO benefit of \$52.0 million was recognized in the nine months ended September 30, 2009 (versus LIFO expense of \$34.8 million in the nine months ending September 30, 2008). Our LIFO estimate for the full year incorporates certain assumptions about year-end steel prices and inventory levels (both are very difficult to accurately predict). Therefore, LIFO benefit for the full year could be significantly different from that currently estimated. Any further change in the annual estimate of LIFO benefit will be reflected in the fourth quarter. See Note 6 of the Notes to Consolidated Condensed Financial Statements for further discussion of inventories.

Interest and Income Taxes

Third quarter 2009 interest expense from continuing operations decreased \$2.6 million compared to the third quarter of 2008, due primarily to a lower level of term notes, less commercial paper issued and lower rates in 2009 compared to 2008. Interest expense for the full year 2009 is expected to be lower than in 2008.

The reported third quarter consolidated worldwide effective income tax rate on continuing operations was 35.4%, compared to 42.8% for the same quarter last year. The majority of the decrease was attributable to the establishment of certain valuation allowances and the write-off of other deferred tax assets in 2008 that did not recur in 2009.

Discussion of Segment Results

Third Quarter Discussion

A description of the products included in each segment, along with segment financial data, appear in Note 9 of the Notes to Consolidated Condensed Financial Statements.

A summary of the segment results (in millions) from continuing operations for the quarters ended September 30, 2009 and September 30, 2008 are shown in the following tables. To comply with FASB guidance for presentation of noncontrolling interest discussed in New Accounting Guidance on page 32, EBIT (earnings before interest and income taxes) amounts for 2008 have been retrospectively adjusted to include noncontrolling interest. (Commercial Fixturing & Components EBIT from \$9.2 million to \$9.3 million; Specialized Products EBIT from \$10.8 million to \$11.8 million).

	Three Months ended		Change in Sales		% Change in Same Location Sales(1)
	September 30, 2009	September 30, 2008			
	Sales	Sales	\$	%	
Residential Furnishings	\$ 443.3	\$ 580.0	\$ (136.7)	(23.6)%	(22.5)%
Commercial Fixturing & Components	143.3	199.5	(56.2)	(28.2)	(28.3)
Industrial Materials	172.2	293.3	(121.1)	(41.3)	(41.3)
Specialized Products	124.7	172.0	(47.3)	(27.5)	(27.5)
Total	883.5	1,244.8	(361.3)	(29.0)	
Intersegment sales	(73.6)	(112.6)	39.0		
External sales	\$ 809.9	\$ 1,132.2	\$ (322.3)	(28.5)%	(28.0)%

	Three Months ended		Change in EBIT		EBIT Margins(2)	
	September 30, 2009	September 30, 2008			Three Months ended September 30, 2009	Three Months ended September 30, 2008
	EBIT	EBIT	\$	%		
Residential Furnishings	\$ 39.1	\$ 61.8	\$ (22.7)	(36.7)%	8.8%	10.7%
Commercial Fixturing & Components	11.0	9.3	1.7	18.3	7.7	4.7
Industrial Materials	21.8	34.0	(12.2)	(35.9)	12.7	11.6
Specialized Products	8.9	11.8	(2.9)	(24.6)	7.1	6.9
Intersegment eliminations	(1.8)	(1.0)	(.8)			
Change in LIFO reserve	16.0	(19.7)	35.7			
Total	\$ 95.0	\$ 96.2	\$ (1.2)	(1.2)%	11.7%	8.5%

(1) The percentage change in sales not attributable to acquisitions or divestitures; sales change that comes from the same plants and facilities that the Company owned one year earlier.

(2) Segment margins are calculated on total sales. Overall company margin is calculated on external sales.

Residential Furnishings

Total sales from continuing operations decreased \$137 million, or 24%, as a result of weak market demand and steel-related price deflation.

EBIT from continuing operations decreased \$23 million, with the earnings impact from significantly lower unit volumes partially offset by cost reductions, pricing discipline and prior elimination of poorly performing operations.

Commercial Fixturing & Components

Total sales from continuing operations decreased \$56 million, or 28%, primarily due to the Company's decision in the Store Fixtures business to walk away from sales with unacceptable profit margins, and market softness in Office Furniture Components.

EBIT from continuing operations increased \$2 million, with the earnings impact of lower sales more than offset by cost reductions, prior elimination of poorly performing operations and manufacturing improvements.

Industrial Materials

Total sales decreased \$121 million, or 41%, as a result of weak demand across major markets, including bedding and automotive, and steel-related price deflation.

EBIT decreased \$12 million primarily due to lower unit volume, offset by cost reductions.

Specialized Products

Total sales from continuing operations decreased \$47 million, or 28%. Weak global demand in all parts of the segment — automotive, machinery, and commercial vehicle products — led to the decline.

EBIT from continuing operations decreased \$3 million due to lower sales, partially offset by cost reductions (including lower steel costs).

Discontinued Operations

Earnings (losses) from discontinued operations are presented net of tax on the Consolidated Condensed Statements of Operations. Losses from discontinued operations in the third quarter of 2009 were \$.5 million, compared to losses from discontinued operations of \$15.7 million in the third quarter of 2008. The 2008 amount included \$21.6 million (\$25.6 million pre-tax) related to goodwill and asset impairments, partially offset by a \$7.4 million gain after taxes from the completion of four targeted divestitures (Aluminum Products, Wood Products, Plastics and the dealer portion of Commercial Vehicle Products).

Nine-Month Discussion

A description of the products included in each segment, along with segment financial data, appear in Note 9 of the Notes to Consolidated Condensed Financial Statements.

A summary of the segment results (in millions) from continuing operations for the nine months ended September 30, 2009 and September 30, 2008 are shown in the following tables. To comply with FASB guidance for presentation of noncontrolling interest discussed in *New Accounting Guidance* on page 32, EBIT amounts for 2008 have been retrospectively adjusted to include noncontrolling interest. (Commercial Fixturing & Components EBIT from \$25.5 million to \$26.0 million; Specialized Products EBIT from \$39.1 million to \$42.6 million).

	Nine Months ended September 30, 2009	Nine Months ended September 30, 2008	Change in Sales		% Change in Same Location Sales (1)		
			Sales	Sales		\$	%
Residential Furnishings	\$ 1,277.6	\$ 1,660.3	\$ (382.7)	(23.1)%	(21.7)%		
Commercial Fixturing & Components	390.2	575.5	(185.3)	(32.2)	(31.8)		
Industrial Materials	489.6	753.1	(263.5)	(35.0)	(35.0)		
Specialized Products	349.0	520.4	(171.4)	(32.9)	(32.9)		
Total	2,506.4	3,509.3	(1,002.9)	(28.6)			
Intersegment sales	(221.0)	(315.7)	94.7				
External sales	\$ 2,285.4	\$ 3,193.6	\$ (908.2)	(28.4)%	(27.7)%		

	Nine Months ended September 30, 2009	Nine Months ended September 30, 2008	Change in EBIT		EBIT Margins (2)			
			EBIT	EBIT	\$	%	Nine Months ended September 30, 2009	Nine Months ended September 30, 2008
Residential Furnishings	\$ 56.1	\$ 147.7	\$ (91.6)	(62.0)%	4.4%	8.9%		
Commercial Fixturing & Components	9.4	26.0	(16.6)	(63.8)	2.4	4.5		
Industrial Materials	48.6	75.7	(27.1)	(35.8)	9.9	10.1		
Specialized Products	2.1	42.6	(40.5)	(95.1)	.6	8.2		
Intersegment eliminations & other (3)	(14.5)	(8.3)	(6.2)					
Change in LIFO reserve	52.0	(34.8)	86.8					
Total	\$ 153.7	\$ 248.9	\$ (95.2)	(38.2)%	6.7%	7.8%		

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

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

(3) This amount includes the divestiture note write-down discussed on page 26.

Residential Furnishings

Total sales from continuing operations decreased \$383 million, or 23%. Extremely weak demand more than offset inflation-related price increases and market share gains in specific product categories.

EBIT from continuing operations decreased \$92 million. The earnings impact from lower unit volumes across all business units and increased provision for bad debts associated with a customer bankruptcy were partially offset by cost reductions, pricing discipline, and prior elimination of poorly performing operations.

Commercial Fixturing & Components

Total sales from continuing operations decreased \$185 million, or 32%, due to the Company's decision in the Store Fixtures business to walk away from sales with unacceptable profit margins, market softness in Office Furniture Components, and reduced spending by retailers.

EBIT from continuing operations decreased \$17 million, largely due to lower unit volumes, partially offset by cost reductions, the prior elimination of poorly performing operations and manufacturing improvements.

Industrial Materials

Total sales decreased \$264 million, or 35%, as a result of weak demand across major markets, including bedding and automotive, and steel-related price deflation.

EBIT decreased \$27 million primarily due to lower unit volume, partially offset by cost reductions.

Specialized Products

Total sales from continuing operations decreased \$171 million, or 33%. Weak global demand in all parts of the segment—automotive, machinery, and commercial vehicle products—led to the decline.

EBIT from continuing operations decreased \$41 million due to lower unit volume, partially offset by cost reductions.

Discontinued Operations

Earnings (losses) from discontinued operations are presented net of tax on the Consolidated Condensed Statements of Operations. Losses from discontinued operations in the nine months ended September 30, 2009 were \$.7 million, compared to losses from discontinued operations of \$8.7 million in the nine months ended September 30, 2008. The 2008 amount included \$28.9 million (\$31.2 million pre-tax) related to goodwill and asset impairments, partially offset by a \$5.9 million gain after taxes from the completion of four targeted divestitures (Aluminum Products, Wood Products, Plastics and the dealer portion of Commercial Vehicle Products), and the sale of an automotive seating components operation.

LIQUIDITY AND CAPITALIZATION

In this section, we provide details, reflecting both continuing and discontinued operations, about our:

Uses of cash

Cash from operations

Debt position and total capitalization

We use cash for the following:

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

Pay dividends

Repurchase our stock

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

Our operations provide much of the cash we require, and debt may also be used to fund a portion of our needs. Net debt to net capital decreased from 28.4% as of December 31, 2008 to 23.7% as of September 30, 2009. 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, 2009 and December 31, 2008 is presented on page 31.

Uses of Cash

Finance Capital Requirements

Improving returns of the existing asset base will continue to be a key focus. However, cash is available to fund selective growth, both internally (through capital expenditures) and externally (through acquisitions).

Capital expenditures include investments we make to modernize, maintain, and expand manufacturing capacity. With our move to role-based portfolio management, we are more restrictive in funding capital projects. Capital spending in 2009 is expected to be less than \$100 million, a decrease from \$118 million in 2008. Growth capital, which has historically been available to all our businesses, is now predominantly earmarked for our Grow business units. Operations designated as Core business units receive capital primarily for productivity enhancements, but expansion capital is limited.

We have also set a higher bar for acquisitions, and plan to pursue disciplined growth through fewer, but more strategic, opportunities. We will seek acquisitions within our growth businesses, and will also look for longer-term opportunities to enter new, higher growth markets that meet strict criteria.

Pay Dividends

With planned improvements in returns, a decrease in capital spending and acquisitions, and the completion of the divestitures, we expect (and have recently had) more available cash to return to shareholders. Higher annual dividends are one means by which that will occur. We declared a third quarter dividend of \$0.26 per share (paid on October 15). Our targeted dividend payout is approximately 50-60% of net earnings, but 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 expect to spend approximately \$155 million on dividends in 2009. Cash from operations has been in recent years, and is expected to continue to be, sufficient to fund both capital expenditures and dividends. In 2009, we expect to generate more than \$500 million of operating cash flow.

Repurchase Stock

Share repurchases are the other means by which we return cash to shareholders. During the third quarter of 2009, we repurchased 4.4 million shares of our stock, and issued .3 million shares through employee benefit plans. As a result, shares outstanding decreased by 4.1 million shares to 152.3 million.

Although no specific repurchase schedule has been established, we have been authorized by the Board to repurchase up to 10 million shares in 2009. We could purchase up to an additional 4.1 million shares by year end under the 2009 authorization.

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 provided by operating activities for the nine months ended September 30, 2009 increased to \$430 million (\$227 million over the prior year) despite a drop in net earnings, primarily as a result of improving working capital trends. We continue to aggressively manage our operations in an effort to further improve our working capital position discussed below:

Accounts receivable While the dollar amount of accounts receivable has decreased primarily due to weak sales, our days of sales outstanding has increased slightly as customers have slowed payments during the continued economic downturn. We continue to focus on collection efforts to ensure customer accounts are paid on time.

Inventory Specific actions to reduce raw material purchases and production levels where appropriate have resulted in lower inventory and a reduced number of days of inventory on hand over prior year. Price deflation has also contributed to the dollar amount of inventory decrease.

Accounts payable We continue efforts to optimize payment terms with our vendors and as a result have seen an increase in both dollars of accounts payable and number of days of payables outstanding.

Key working capital ratios as discussed above, compared to the first nine months of last year are presented in the table below:

	September 30, 2009 (9 Months)	# Days Outstanding September 30, 2008 (9 months)	Increase (Decrease)
Accounts Receivable, net ⁽¹⁾	66	62	4
Inventory, net ⁽²⁾	59	68	(9)

Accounts Payable ⁽³⁾	31	28	3
---------------------------------	----	----	---

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

Capitalization

The following table presents Leggett's key debt and capitalization statistics at September 30, 2009 and December 31, 2008.

(Dollar amounts in millions)	September 30, 2009	December 31, 2008
Long-term debt outstanding:		
Scheduled maturities	\$ 772	\$ 774
Average interest rates*	4.6%	4.7%
Average maturities in years*	5.9	6.4
Revolving credit/commercial paper		77
Total long-term debt	772	851
Deferred income taxes and other liabilities	155	116
Shareholders' equity and noncontrolling interest	1,629	1,671
Total capitalization	2,556	\$ 2,638
Unused committed credit:		
Long-term	\$ 600	\$ 523
Short-term		
Total unused committed credit	\$ 600	\$ 523
Current maturities of long-term debt	\$ 2	\$ 22
Cash and cash equivalents	\$ 221	\$ 165
Ratio of earnings to fixed charges**	3.7x	3.7x

* 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.

The next table shows the percent of long-term debt to total capitalization at September 30, 2009 and December 31, 2008, 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, 2009	December 31, 2008
Debt to total capitalization:		
Long-term debt	\$ 772	\$ 851
Current debt maturities	2	22
Cash and cash equivalents	(221)	(165)

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

Net debt	\$	553	\$	708
Total Capitalization	\$	2,556	\$	2,638
Current debt maturities		2		22
Cash and cash equivalents		(221)		(165)
Net capitalization	\$	2,337	\$	2,495
Long-term debt to total capitalization		30.2%		32.2%
Net debt to net capitalization		23.7%		28.4%

Total debt (which includes long-term debt and current debt maturities) decreased \$99 million from year-end 2008 levels. During the nine-month period, we decreased our commercial paper borrowings by \$77 million and paid off \$15 million of term notes and \$7 million of other debt that came due. At September 30, 2009, there was no commercial paper outstanding.

We can raise cash by issuing up to \$600 million in commercial paper through a program that is backed by a \$600 million revolving credit agreement with a syndicate of 14 lenders that terminates in 2012. Over the last two years the list of specific banks

participating in our revolving credit agreement has modestly changed as we have allowed some banks to assign all or part of their lending commitments under the agreement to other participating banks or new participants, all of which have assumed the respective lending obligations. These assignments and assumptions have had no material impact on the availability of credit under the agreement or on the terms or covenants of the agreement. Based on the information currently available to us, we believe that the participating banks continue to have the ability to meet their obligations under the agreement.

With anticipated operating cash flows and the commercial paper program in place, we believe we have sufficient funds available to support our ongoing operations, pay dividends, repurchase stock and fund future growth.

During the disruption of global credit markets experienced late in 2008 our commercial paper program continued to operate efficiently. Credit markets have stabilized during the first nine months of 2009, however in the event that a disruption in the credit markets was to become so severe that we were unable to issue commercial paper, we have the contractual right to draw funds directly on our revolving credit agreement. In such event, the cost of borrowing under the credit agreement could be higher than the cost of commercial paper borrowing. The revolving credit agreement provides for the ability to issue letters of credit up to an aggregate of \$250 million. Although we have not utilized any of these commitments for letters of credit, any future utilization would reduce our commercial paper/loan capacity by a corresponding amount.

Changes in the credit market and other events of the last year have not had a material impact on our weighted average effective borrowing rate for commercial paper.

NEW ACCOUNTING GUIDANCE

In June 2009, the FASB issued authoritative guidance codifying generally accepted accounting principles in the United States (GAAP). While the guidance was not intended to change GAAP, it did change the way the Company references these accounting principles in the Notes to the Consolidated Condensed Financial Statements. This guidance was effective for interim and annual reporting periods ending after September 15, 2009. The Company's adoption of this authoritative guidance as of September 30, 2009 changed how it references GAAP in its disclosures.

In December 2007, the FASB issued guidance for presentation of noncontrolling interest in consolidated financial statements, which was effective for the Company beginning January 1, 2009. The adoption of this guidance did not have a material impact on the Company's financial statements, but as required by the guidance, noncontrolling interest is now presented as a component of equity. Also, net income attributable to the parent and to the noncontrolling interest is presented separately. Prior year information has been retrospectively adjusted as follows:

In the Consolidated Condensed Balance Sheets noncontrolling interests have been reclassified from Other long-term liabilities to Noncontrolling interest within Equity.

In the Consolidated Condensed Statements of Operations noncontrolling interests have been reclassified from Other expense (income), net to (Earnings) loss attributable to noncontrolling interest, net of tax.

In the Consolidated Condensed Statements of Cash Flows noncontrolling interests have been reclassified from Net earnings to Other adjustments to reconcile net earnings to net cash provided by operating activities.

In Note 9 of Notes to Consolidated Condensed Financial Statements Segment Information, EBIT for Commercial Fixturing & Components and Specialized Products has been retrospectively adjusted to include noncontrolling interest.

There was no significant activity impacting noncontrolling interest balances in the nine and three months ended September 30, 2009 or 2008 other than comprehensive income disclosed in Note 11.

In December 2008, the FASB issued guidance for additional disclosure surrounding plan assets of defined benefit pension plans in the Company's December 31, 2009 financial statements. Additional disclosures related to benefit plan assets include information about investment policies and strategies, the fair value of each major category of plan assets, and information that enables users of financial statements to assess the inputs and valuation techniques used to develop fair value measurements of plan assets. Its adoption is not expected to have a material impact on the Company's financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate

Substantially all of the Company's debt is denominated in United States dollars. The fair value for fixed rate debt was less than its \$730 million carrying value by \$16 million at September 30, 2009, and less than its \$745 million carrying value by \$107 million at December 31, 2008. The increase in the fair market value of the Company's 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, 2009 and December 31, 2008 was based upon a Bloomberg secondary market rate. The fair value of variable rate debt is not significantly different from its recorded amount.

Investment in Foreign Subsidiaries

The Company views its investment in foreign subsidiaries as a long-term commitment, and does not currently hedge translation exposures. The investment in a foreign subsidiary may take the form of either permanent capital or notes. The Company's net investment (i.e., total assets less total liabilities subject to translation exposure) in foreign subsidiaries was \$794 million at September 30, 2009, compared to \$749 million at December 31, 2008.

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, intends, may, plans, should or the like. Forward-looking statements, whether written or oral, and whether made by us or on our behalf, are expressly qualified by the cautionary statements described in this provision.

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

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

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;

our ability to accurately predict steel prices and inventory levels which impact our projections for LIFO expense and benefit;

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

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

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

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

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

our ability to collect receivables from our customers;

our ability to achieve expected levels of cash flow from operations;

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

litigation including product liability and warranty, intellectual property and workers' compensation expense.

WEBSITE INFORMATION

We routinely post important information for investors on our website (www.leggett.com) under the Investor Relations section. The information contained on, or that may be accessed through, our website is not incorporated by reference into, and is not a part of, this report.

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, 2009 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, 2009, to provide reasonable 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, 2009 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

On February 5, 2009, a shareholder derivative complaint was filed by the New England Carpenters Pension Fund, which represented that it owns 3,000 shares of Leggett stock, in the Circuit Court of Jasper County, Missouri. On August 12, the Court dismissed the suit without prejudice to the plaintiff's right to refile, based on the plaintiff's failure to make demand on the Company's Board and shareholders. The normal period of time for appeal has expired. The action was purportedly brought on behalf of the Company, naming it as a nominal defendant and naming as defendants certain current and former officers and directors of the Company 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 participated in the backdating of stock options, breached fiduciary duties, caused or allowed the Company to issue false and misleading financial statements and proxy statements, and sold Company stock while in possession of material non-public information. The plaintiff sought, 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 Company 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 did not seek any monetary relief from the Company. Policies of directors and officers liability insurance are in force, subject to customary limits and exclusions.

The Company and the other defendants filed motions to dismiss the suit in early April, asserting defenses including: (1) the plaintiff failed to make demand on the Company's Board and shareholders as required by Missouri law and the court should not excuse the failure to make demand; (2) the plaintiff is not a representative shareholder because plaintiff is a professional plaintiff and does not have a significant economic stake in the litigation, (3) the lawsuit is based on a statistical analysis of stock option grants and Leggett stock prices that the Company believes is flawed, (4) the plaintiff fails to state a legally cognizable claim, and (5) the statute of limitations has expired on all the challenged grants except the December 30, 2005 deferred compensation grant. As to this grant, the motions to dismiss also advised the Court that it was made under the Company's 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.

For additional information regarding contingencies, please refer to Note 10 on page 14 of the Notes to Consolidated Condensed Financial Statements.

ITEM 1A. RISK FACTORS

Our 2008 Annual Report on Form 10-K filed February 25, 2009 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 risks and uncertainties 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.

Deteriorating financial condition of our customers could negatively affect our financial position, results of operations, cash flows or liquidity.

We serve customers in a variety of industries, some of which are experiencing unprecedented decreases in demand that began in late 2008 and have continued into 2009, due to the weak global economy. While we currently expect markets to stabilize, a sustained economic downturn increases the possibility that one or more of our significant customers, or a group of less significant customers, could become insolvent, which could adversely impact our sales, net earnings, financial condition, cash flow and liquidity.

Costs of raw materials could adversely 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, raw material cost decreases generally allow us to pass through reduced selling prices to our customers. Reduced selling prices tied to higher cost inventory reduces our segment margins and earnings. 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. Steel cost decreases in late 2008 were significant; and contributed to an anticipated full year LIFO benefit of \$69 million (for continuing operations). Our LIFO estimate for the full year incorporates certain assumptions about year-end steel prices and inventory levels (both are very difficult to accurately predict). Therefore, LIFO benefit for the full year could be significantly different from that currently estimated.

Steel is our most significant raw material. Market prices for steel began to decrease in late 2008. The global steel markets are very cyclical in nature, and 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 foam scrap. We experienced significant fluctuations in the cost of this commodity in recent years.

Also, higher raw material costs 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 debt instrument ratings may be further downgraded which may increase our cost of borrowing.

On August 13, 2009 Moody's Investors Service downgraded our long-term debt rating from A3 to Baa1, affirmed our commercial paper rating at P-2, and assigned a Stable rating outlook. Moody's stated that the downgrade reflects continued weakness in discretionary consumer spending, notably in residential and automotive, and Moody's expectation of the impact on our cash flow for the foreseeable future. Currently, Standard & Poor's Ratings Services rates our long-term corporate credit and senior unsecured debt A- and our short-term and commercial paper A-2, with a negative rating outlook. If the rating agencies were to further downgrade our debt instruments, this may have a negative effect on our cost of borrowing.

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 2009.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs (1)
July 2009	338,117	\$ 16.88	338,117	8,136,074
August 2009	2,077,091	\$ 18.11	2,077,091	6,058,983
September 2009	1,927,010	\$ 18.89	1,927,010	4,131,973
Total	4,342,218	\$ 18.36	4,342,218	

- (1) 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 5. OTHER INFORMATION***Approval of Form of 2010 Performance Stock Unit Award Agreement***

On November 4, 2009 the Compensation Committee of the Board approved the terms of the 2010 Performance Stock Unit Award Agreement (2010 Award). The 2010 Award is authorized by the Company's Flexible Stock Plan, amended and restated, effective as of May 8, 2008 filed March 27, 2008 as Appendix C to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders.

As of the date of this filing, no performance stock unit had been granted under the terms of the 2010 Award. It is anticipated that awards will be granted in January 2010, to certain officers and operating executives including David S. Haffner, President & CEO; Karl G. Glassman, EVP & COO; Matthew C. Flanigan, SVP & CFO; Joseph D. Downes, Jr., SVP & President Industrial Materials Segment; and Paul R. Hauser, SVP & President Residential Furnishing Segment.

With limited exceptions, the 2010 Awards will vest at the end of a 3-year performance period, beginning January 1, 2010 and ending December 31, 2012, based upon on the Company's Total Shareholder Return (TSR) compared to a peer group consisting of all the companies in the Industrial, Consumer Discretionary and Materials sectors of the S&P 500 and S&P 400. TSR is calculated as (Stock Price at End of Period Stock Price at Beginning of Period + Reinvested Dividends) / Stock Price at Beginning of Period. At the beginning of the performance period, the executive is granted a base award of a certain number of performance stock units. Depending on how the Company's TSR ranks within the peer group at the end of the performance period, the 2010 Award will pay out at a percentage of the base award. The percentage ranges from 0% for performance below the 25th percentile to 175% for performance at or above the 75th percentile, as illustrated below.

PAYOUT SCHEDULE

Percentile	Payout %
Rank of	of Your

Edgar Filing: LEGGETT & PLATT INC - Form 10-Q

L&P TSR	Base Award
25%	25%
30%	35%
35%	45%
40%	55%
45%	65%
50%	75%
55%	95%
60%	115%
65%	135%
70%	155%
75%	175%

Payouts will be interpolated for percentile ranks falling between the levels shown.

Thirty-five percent (35%) of the vested 2010 Award will be paid out in cash and the Company intends to pay out the remaining sixty-five percent (65%) in shares of the Company's common stock, although the Company reserves the right to pay up to one hundred percent (100%) in cash. The Awards will be paid following the end of the performance period. Cash will be paid equal to the number of vested performance stock units multiplied by the closing market price of L&P shares on the last business day of the performance period, subject to reduction for tax withholding. Shares will be issued in a number equal to the vested performance stock units, subject to reduction for tax withholding. Performance stock units may not be transferred, assigned or pledged, and have no voting or dividend rights.

If the executive has a separation from service other than for retirement, death or disability, before the 2010 Award is vested, it is forfeited. In the event of retirement, death or disability, the 2010 Award will vest on a pro-rata basis for each full calendar year of service performed. Under certain circumstances, if a change of control of the Company occurs and the executive's employment is terminated, the 2010 Award vests and the executive will receive a 175% payout.

The foregoing is only a summary of certain terms and conditions of the 2010 Award and is qualified in its entirety by reference to the Form of 2010 Performance Stock Unit Award Agreement attached hereto as Exhibit 10.1 and incorporated herein by reference. Because this quarterly report on Form 10-Q is being filed within four business days from November 4, 2009, the adoption of the Form of 2010 Performance Stock Unit Award Agreement is being disclosed hereunder rather than under Item 5.02(e) of Form 8-K.

ITEM 6. EXHIBITS

- Exhibit 10.1 Form of 2010 Performance Stock Unit Award Agreement pursuant to the Company's Flexible Stock Plan.
- 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 5, 2009.
- 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 5, 2009.
- 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 5, 2009.
- 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 5, 2009.

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 5, 2009

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

DATE: November 5, 2009

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

EXHIBIT INDEX

Exhibit	Description
10.1	Form of 2010 Performance Stock Unit Award Agreement pursuant to the Company's Flexible Stock Plan.
12	Computation of Ratio of Earnings to Fixed Charges.
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 5, 2009.
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 5, 2009.
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 5, 2009.
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 5, 2009.