LEGGETT & PLATT INC
Form 10-Q
August 07, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2008

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 1-7845

LEGGETT & PLATT, INCORPORATED

(Exact name of registrant as specified in its charter)

Missouri	**44-0324630**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

No. 1 Leggett Road	
Carthage, Missouri	**64836**
(Address of principal executive offices)	**(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 x 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	x		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 x

Common stock outstanding as of July 31, 2008: 160,740,585

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LEGGETT & PLATT, INCORPORATED

CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Amounts in millions)	**June 30, 2008**	**December 31, 2007**
CURRENT ASSETS		
Cash and cash equivalents	$ 203.1	$ 205.4
Accounts and other receivables	706.7	658.4
Allowance for doubtful accounts	(23.1)	(18.2)
Inventories, net	669.2	599.2
Other current assets	100.9	104.6
Current assets held for sale	309.1	285.0
Total current assets	1,965.9	1,834.4
NET PROPERTY, PLANT & EQUIPMENT	739.6	726.9
OTHER ASSETS		
Goodwill	938.7	931.3
Other intangibles, less accumulated amortization of $75.7 at June 30, 2008 and $65.9 at December 31, 2007	223.7	232.2
Sundry	94.5	78.2
Non-current assets held for sale	256.2	269.5
Total other assets	1,513.1	1,511.2
TOTAL ASSETS	$ 4,218.6	$ 4,072.5
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 11.4	$ 88.7
Accounts payable	278.8	227.6
Accrued expenses	258.3	258.7
Other current liabilities	130.7	152.2
Current liabilities held for sale	66.2	72.4
Total current liabilities	745.4	799.6
LONG-TERM LIABILITIES		
Long-term debt	1,227.9	1,000.6
Other long-term liabilities	109.0	96.3
Deferred income taxes	55.4	42.3
Non-current liabilities held for sale	.3	1.0
Total long-term liabilities	1,392.6	1,140.2
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Common stock	2.0	2.0
Additional contributed capital	496.0	500.0
Retained earnings	2,127.8	2,122.3
Accumulated other comprehensive income	211.0	193.5

Treasury stock	(756.2)	(685.1)
Total shareholders equity	2,080.6	2,132.7
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 4,218.6	$ 4,072.5

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 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)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
Net sales	$ 2,061.4	$ 2,118.1	$ 1,063.1	$ 1,070.5
Cost of goods sold	1,687.9	1,714.6	866.7	863.5
Gross profit	373.5	403.5	196.4	207.0
Selling and administrative expenses	211.5	213.8	107.6	113.4
Amortization of intangibles	12.3	11.3	6.3	6.4
Other expense, net	(.1)	(.2)	1.8	.4
Earnings from continuing operations before interest and income taxes	149.8	178.6	80.7	86.8
Interest expense	26.4	27.9	13.1	14.2
Interest income	4.4	3.6	2.1	1.7
Earnings from continuing operations before income taxes	127.8	154.3	69.7	74.3
Income taxes	45.1	41.6	26.2	18.0
Earnings from continuing operations	82.7	112.7	43.5	56.3
Earnings from discontinued operations, net of tax	7.0	23.0	2.8	3.7
Net earnings	$ 89.7	$ 135.7	$ 46.3	$ 60.0
Earnings per share from continuing operations				
Basic	$ .48	$ .62	$ .25	$ .31
Diluted	$ .48	$ .62	$ .25	$ .31
Earnings per share from discontinued operations				
Basic	$ .04	$ .12	$ .02	$ .02
Diluted	$ .04	$ .12	$ .02	$ .02
Earnings per share - net				
Basic	$ .52	$ .74	$ .27	$ .33
Diluted	$ .52	$ .74	$ .27	$ .33
Cash dividends declared per share	$ .50	$ .35	$ .25	$ .18
Average shares outstanding				
Basic	172.2	182.5	171.3	181.9
Diluted	172.3	183.2	171.5	182.6

See accompanying notes to consolidated condensed financial statements.

LEGGETT & PLATT, INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

(Amounts in millions)	**Six Months Ended June 30, 2008**	**2007**
OPERATING ACTIVITIES		
Net earnings	$ 89.7	$ 135.7
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation	58.9	77.4
Amortization	12.3	12.8
Asset impairment charges	5.8	2.3
Net gain from sales of assets	(2.0)	(30.8)
Deferred income taxes (benefit)	17.6	(8.8)
Stock-based compensation	24.3	25.1
Other	6.8	1.3
Other changes, excluding effects from acquisitions and divestitures:		
Increase in accounts and other receivables	(56.7)	(2.1)
(Increase) decrease in inventories	(81.3)	11.4
Decrease (increase) in other current assets	4.2	(9.0)
Increase in accounts payable	42.8	16.5
Increase in accrued expenses and other current liabilities	4.1	9.5
NET CASH PROVIDED BY OPERATING ACTIVITIES	126.5	241.3
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(64.8)	(71.1)
Purchases of companies, net of cash acquired	(1.1)	(83.7)
Proceeds from sales of assets	16.2	101.6
Other	(8.4)	(7.2)
NET CASH USED FOR INVESTING ACTIVITIES	(58.1)	(60.4)
FINANCING ACTIVITIES		
Additions to debt	228.4	93.9
Payments on debt	(106.3)	(97.1)
Dividends paid	(85.7)	(61.5)
Issuances of common stock	.9	6.2
Purchases of common stock	(111.8)	(90.7)
Other	.7	1.2
NET CASH USED FOR FINANCING ACTIVITIES	(73.8)	(148.0)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	3.1	3.4
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2.3)	36.3
CASH AND CASH EQUIVALENTS - January 1,	205.4	131.9
CASH AND CASH EQUIVALENTS - June 30,	$ 203.1	$ 168.2

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 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 conform to the 2008 presentation:

- In the Consolidated Condensed Balance Sheets certain current liabilities have been reclassified between Accrued expenses and Other current liabilities.

- In the Consolidated Condensed Statements of Operations and all related notes the 2007 amounts have been retrospectively adjusted to reflect the effect of discontinued operations (see Note 3).

For further information, refer to the financial statements of the Company and footnotes thereto included in the annual report on Form 10-K of the Company for the year ended December 31, 2007.

2. NEW ACCOUNTING STANDARDS

On January 1, 2008, the Company adopted the Financial Accounting Standards Board (FASB) Statement of Accounting Standards (SFAS) No. 158 (SFAS 158), Employers Accounting for Defined Benefit Pension and Other Postretirement Plans provision which requires it to measure the funded status of its plans as of year end beginning with its December 31, 2008 balance sheet. The Company previously used September 30 as the measurement date for its most significant plans. The Company has chosen to perform a measurement that covers the 15-month period of October 1, 2007 through December 31, 2008. Upon implementation, a proportionate allocation was made to cover the net benefit income for the transition period and the Company recorded a $.5 (net of tax) increase to beginning retained earnings on January 1, 2008.

As discussed in Note 13, the Company also adopted the provisions of SFAS No. 157 (SFAS 157), Fair Value Measurements on January 1, 2008. SFAS 157 provides guidance for using fair value to measure assets and liabilities and requires additional disclosure.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

2. NEW ACCOUNTING STANDARDS (continued)

In February 2007, the FASB issued SFAS No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 . SFAS 159 permits entities to choose to measure many financial instruments and certain other instruments at fair value, with the objective of improving financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. As the Company did not elect to fair value any of its financial instruments under the provisions of SFAS 159, the adoption of this statement effective January 1, 2008 did not have an impact on the financial statements.

In December 2007, the FASB issued SFAS No. 141 (R) (SFAS 141R), Business Combinations, which replaces SFAS 141. The new standard requires the acquiring entity in a business combination to recognize all the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed. SFAS 141R is effective on a prospective basis for all business combinations for which the acquisition date is on or after January 1, 2009, with the exception of the accounting for valuation allowances on deferred taxes and acquired tax contingencies. SFAS 141R amends SFAS 109 such that adjustments made to valuation allowances on deferred taxes and acquired tax contingencies associated with acquisitions that closed prior to the effective date of SFAS 141R would also apply the provisions of SFAS 141R. Because the adoption of SFAS 141R will be applied prospectively, it is not expected to have a material impact on the Company s financial statements.

In December 2007, the FASB also issued SFAS No. 160 (SFAS 160), Noncontrolling Interests in Consolidated Financial Statements, which seeks to improve the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way, as equity in their consolidated financial statements. SFAS 160 is also effective for the Company beginning January 1, 2009, and its adoption is not expected to have a material impact on the Company s financial statements.

In March 2008, the FASB issued SFAS No. 161 (SFAS 161), Disclosures about Derivative Instruments and Hedging Activities. The new standard requires enhanced disclosures about derivative instruments and hedging activities and their effects on an entity s financial position, financial performance, and cash flows. The Statement requires disclosure of objectives and strategies for derivative instruments, disclosure of the fair values of derivative instruments and their gains and losses in a tabular format, disclosure of contingent derivative features that are credit-risk related, and requires cross-referencing within footnotes if the required disclosures are presented in more than one footnote. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Its adoption is not expected to have a material impact on the Company s financial statements.

In May 2008, the FASB issued SFAS No. 162 (SFAS 162), The Hierarchy of Generally Accepted Accounting Principles. This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. It is effective 60 days following the Security and Exchange Commission s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. The Company does not expect that this statement will result in a change in its current practice.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

2. NEW ACCOUNTING STANDARDS (continued)

In April 2008, FASB Staff Position (FSP) FAS No. 142-3, Determination of the Useful Life of Intangible Assets was issued. This FSP amends the factors that must be considered in developing renewal or extension assumptions used to determine the useful life over which to amortize the cost of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. The FSP requires an entity to consider its own assumptions about renewal or extension of the term of the arrangement, consistent with its expected use of the asset, and is an attempt to improve consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under FAS No. 141, Business Combinations. The FSP is effective for the Company beginning January 1, 2009, and the guidance for determining the useful life of a recognized intangible asset must be applied prospectively to intangible assets acquired after the effective date. The Company does not expect the adoption of FSP FAS No. 142-3 to have a material effect on its consolidated financial statements.

3. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

The Company sold no operations in the second quarter of 2008 or the second quarter of 2007.

The Company sold the following operations in the first quarter of 2008:

- One automotive seating components operation The sale of this business resulted in a pre-tax loss of $2.4 ($1.5 net of tax) that is reported within earnings from discontinued operations. This business was previously part of the Specialized Products segment and produced wire forms, tubular forms, and welded assemblies for automotive seating.

- 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 in either 2007 or 2008. The results for this operation (including a pre-tax gain of $1.5) are included in the Commercial Fixturing & Components segment.

The Company sold the following operation in the first quarter of 2007:

- The Prime Foam Products unit The sale of this unit resulted in a pre-tax gain of $23.7 ($12.1 net of tax) that is reported within earnings from discontinued operations. This business was previously part of the Residential Furnishings segment and produced foam primarily used for cushioning by upholstered furniture and bedding manufacturers.

During 2007 the Company completed an extensive review of its business portfolio and determined that it will exit certain of its business activities. This includes the divestiture of some operations, the pruning of some business and the closure of certain underperforming plants, referred to as the 2007 Strategic Plan.

The largest portion of the exit activities is the divestiture of the Company s Aluminum Products segment and all or a portion of six additional business units (detailed in the table on page 9.). The Aluminum Products segment was sold on July 16, 2008 for $300 in cash, a subordinated note with a face value of $25, and shares of preferred stock (with value not to exceed $25, dependent upon future performance of the divested business). The Company is still finalizing the calculation of gain or loss on the transaction (including income tax effects), but does not anticipate a significant financial statement impact, which will be reflected in third quarter 2008 results.

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LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

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

The pre-tax proceeds generated from the remaining divestitures are expected to recover the carrying value of the assets held for sale as presented on the following tables. The net assets held for sale may fluctuate due to changes in working capital until these businesses are divested.

In addition to these divestitures, the Company has eliminated some of its least profitable revenue, and anticipates the elimination of additional revenue and the closure or disposition of unprofitable facilities. None of these facilities have met the requirements to be classified as held for sale or discontinued operations other than discussed above. The Company anticipates that the exit activities will be completed by the end of 2008.

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:

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
External sales:				
Residential Furnishings:				
Prime Foam Products Unit	$	$ 44.4	$	$
Wood Products Unit	27.7	25.8	13.0	12.9
Fibers Unit	40.5	40.6	19.5	19.9
Coated Fabrics Unit (1)	20.3	28.5	9.3	12.6
Commercial Fixturing & Components:				
Plastics Unit	22.8	22.5	11.1	11.3
Storage Products Unit	40.5	47.5	21.8	23.8
Aluminum Products Segment	252.5	259.5	123.8	131.1
Specialized Products:				
Dealer portion of the Commercial Vehicle Products Unit	35.1	48.0	17.2	23.8
An automotive seating components operation	3.9	19.9		10.2
External sales	$ 443.3	$ 536.7	$ 215.7	$ 245.6
Earnings (loss):				
Residential Furnishings:				
Prime Foam Products Unit	$ (2.4)	$ 25.4	$ (.4)	$
Wood Products Unit	.8	2.6	.3	1.3
Fibers Unit	1.4	1.9	.3	.8
Coated Fabrics Unit (1)	(.1)	(1.3)	.2	(1.6)
Commercial Fixturing & Components:				
Plastics Unit	3.5	2.6	1.7	1.4
Storage Products Unit	1.7	2.9	1.4	1.5
Aluminum Products Segment	21.3	11.1	11.0	4.5
Specialized Products:				
Dealer portion of the Commercial Vehicle Products Unit (2)	(9.2)	(2.4)	(7.7)	(1.0)
An automotive seating components operation	(3.1)	(2.2)	(.4)	(1.1)
Earnings before interest and income taxes	13.9	40.6	6.4	5.8
Interest expense	(.9)	(1.1)	(.3)	(.5)
Income tax expense	(6.0)	(16.5)	(3.3)	(1.6)
Earnings from discontinued operations, net of tax	$ 7.0	$ 23.0	$ 2.8	$ 3.7

(1)

In the first quarter 2008, the Coated Fabrics unit, previously in the Residential Furnishings segment, met the criteria for held for sale and discontinued operations. All others met the criteria in the fourth quarter 2007.

(2) During the second quarter 2008, a $5.6 asset impairment charge was recorded for the dealer portion of Commercial Vehicle Products to reflect an updated estimate of fair value less cost to sell.

The above amounts include the impact of restructuring and other special charges discussed in Note 4.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

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

The tables below include $14.7 and $15.1 of property, plant and equipment held for sale at June 30, 2008 and December 31, 2007, respectively, from the closings of various operations and prior year restructurings not associated with the exit activities described earlier.

Net assets held for sale by segment were as follows:

	June 30, 2008		
	Assets	**Liabilities**	**Net Assets**
Residential Furnishings	$ 94.7	$ 11.0	$ 83.7
Commercial Fixturing & Components	80.5	9.0	71.5
Aluminum Products	355.4	40.8	314.6
Industrial Materials	3.8		3.8
Specialized Products	30.9	5.7	25.2
Net assets held for sale	$ 565.3	$ 66.5	$ 498.8

	December 31, 2007		
	Assets	**Liabilities**	**Net Assets**
Residential Furnishings	$ 69.3	$ 6.8	$ 62.5
Commercial Fixturing & Components	91.9	9.3	82.6
Aluminum Products	332.7	49.2	283.5
Industrial Materials	3.8		3.8
Specialized Products	56.8	8.1	48.7
Net assets held for sale	$ 554.5	$ 73.4	$ 481.1

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

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

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

	June 30, 2008	December 31, 2007
Receivables, net	$ 141.3	$ 121.2
Inventories, net	151.8	147.9
Prepaid expenses and other current assets	16.0	15.9
Total current assets held for sale	309.1	285.0
Property, plant and equipment, net	217.2	226.8
Goodwill	36.8	33.6
Patents and other intangible assets, net	1.9	7.9
Other assets	.3	1.2
Total non-current assets held for sale	256.2	269.5
Total assets held for sale	$ 565.3	$ 554.5
Current maturities of long-term debt	$ .1	$ .1
Accounts payable	46.3	59.3
Accrued expenses	18.8	11.8
Other current liabilities	1.0	1.2
Total current liabilities held for sale	66.2	72.4
Long-term debt		.4
Other long-term liabilities	.3	.6
Total non-current liabilities held for sale	.3	1.0
Total liabilities held for sale	$ 66.5	$ 73.4
Net assets held for sale	$ 498.8	$ 481.1

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

4. RESTRUCTURING AND SPECIAL CHARGES

Total restructuring and other special charges for the six and three months ended June 30 were comprised of:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2008	**2007**	**2008**	**2007**
Continuing operations:				
Charged to other expense, net:				
Severance and other restructuring costs	$ 3.1	$ 4.9	$ 2.2	$ 4.2
Asset impairments	.2	2.3		2.2
Gain from sale of assets	(2.5)	(7.8)	(0.3)	(7.6)
	.8	(.6)	1.9	(1.2)
Charged to cost of goods sold:				
Inventory obsolescence and other	.8	1.0		1.0
Total continuing operations	1.6	.4	1.9	(.2)
Discontinued operations:				
Severance and other restructuring costs	1.9	.5	1.1	.4
Asset impairments	5.6		5.6	
Loss from sale of assets	2.5		.1	
Inventory obsolescence and other		.4		.4
Total discontinued operations	10.0	.9	6.8	.8
Total restructuring and other special charges	$ 11.6	$ 1.3	$ 8.7	$ .6
Cash charges included in totals	$ 5.0	$ 5.4	$ 3.3	$ 4.6

The table above includes charges for the 2007 Strategic Plan discussed in Note 3, as well as other unrelated small initiatives. In the first six months of 2008, $1.8 of restructuring-related charges (primarily all in continuing operations) and $5.6 of asset impairment charges (all in discontinued operations) were related to the strategic plan. In the fourth quarter 2007, the Company recognized $287 of impairment and restructuring-related charges associated with the strategic plan. Restructuring-related charges represented $10.7 of the fourth quarter 2007 total ($4.5 in continuing operations and $6.2 in discontinued operations.)

The Company anticipates that these exit activities will be completed by the end of 2008. Total restructuring-related charges (excluding gains from the sale of assets) for continuing operations for the full year 2008 are expected to be approximately $25.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

4. RESTRUCTURING AND SPECIAL CHARGES (continued)

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

	Balance at December 31, 2007	2008 Charges and Adjustments to Previous Accruals	Payments	Balance at June 30, 2008
Termination benefits	$ 1.9	$ 2.0	$ 3.0	$ .9
Contract termination costs	6.0	(.3)	3.8	1.9
Other restructuring costs	.1	3.3	3.1	.3
	$ 8.0	$ 5.0	$ 9.9	$ 3.1

5. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
Earnings from continuing operations	$ 82.7	$ 112.7	$ 43.5	$ 56.3
Earnings from discontinued operations, net of tax	7.0	23.0	2.8	3.7
Net earnings	$ 89.7	$ 135.7	$ 46.3	$ 60.0
Weighted average number of common shares used in basic EPS	172.2	182.5	171.3	181.9
Additional dilutive shares principally from the assumed exercise of outstanding stock options	.1	.7	.2	.7
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	172.3	183.2	171.5	182.6
Basic EPS				
Continuing operations	$ .48	$ .62	$ .25	$ .31
Discontinued operations	.04	.12	.02	.02
Basic earnings per common share	$ .52	$ .74	$ .27	$ .33
Diluted EPS				
Continuing operations	$ .48	$ .62	$ .25	$ .31
Discontinued operations	.04	.12	.02	.02

Diluted earnings per common share	$ .52	$ .74	$ .27	$ .33
Shares issuable under employee and non-employee stock options	14.7	13.9	14.7	13.9
Anti-dilutive shares excluded from diluted EPS computation	11.3	4.2	11.0	4.2

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

6. INVENTORIES

Inventories, about 60% of which 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:

	June 30, 2008	**December 31, 2007**
At FIFO cost		
Finished goods	$ 362.4	$ 348.3
Work in process	83.1	54.2
Raw materials and supplies	304.9	260.4
LIFO reserve	(81.2)	(63.7)
	$ 669.2	$ 599.2

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 income) and allocates that change proportionally to the four quarters. Because accurately predicting inventory prices for the year is difficult, LIFO expense 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 LIFO expense for the year. Any change in the annual estimate of LIFO expense will be reflected in the remaining interim periods.

7. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment is comprised of the following:

	June 30, 2008	**December 31, 2007**
Property, plant and equipment, at cost	$ 1,848.5	$ 1,811.0
Less accumulated depreciation	1,108.9	1,084.1
	$ 739.6	$ 726.9

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

8. STOCK-BASED COMPENSATION

There were no material options granted during the second quarters of 2008 and 2007.

During the six months ended June 30, 2008 and 2007, 1.8 million and 1.5 million options were granted and the Company recorded stock compensation expense of $4.9 and $5.1, respectively related to current year grants and vesting of options previously granted to employees. The weighted-average per-share fair value of the options granted was $2.44 and $5.21, respectively.

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.

	Six Months Ended	
Key Assumptions	**June 30, 2008**	**June 30, 2007**
Risk-free interest rate	3.4%	4.7%
Expected life in years	6.6	6.6
Expected volatility (over expected life)	26.9%	23.9%
Expected dividend yield (over expected life)	5.9%	3.3%

Beginning January 1, 2007, the Company amended its standard stock option terms to increase the post-employment vesting and exercise period for employees who terminate due to retirement. A retirement termination occurs if the employee is either age 65 or age 55 with 20 years of Company service at termination. For retirement terminations, options continue to vest and remain exercisable for 3 years and 6 months after termination of employment. Therefore, the expense for these options is recognized as soon as the employee is retirement-eligible.

Beginning in 2008, the Company granted Performance Stock Unit (PSU) awards to selected officers and other key managers. These awards contain the following conditions:

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

- A market condition Awards are based on the Company s total shareholder return as compared to that of a group of peer companies. The peer group consists of all the companies in the Industrial, Materials and Consumer Products sectors of the S&P 900 (approximately 330 companies). Participants will earn from 0% to 175% of the base award (the base award is 516,525 total shares) depending upon how the Company s total shareholder return ranks within the peer group.

During the six months and three months ending June 30, 2008, expenses incurred for this plan were $1.3 and $.6, respectively.

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

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9. EMPLOYEE BENEFIT PLANS

The following table provides interim information as to the Company s domestic and foreign defined benefit pension plans. Expected 2008 employer contributions are not significantly different than the $1.8 previously reported at year-end 2007.

	Six Months Ended June 30,		Three Months Ended June 30,	
	2008	**2007**	**2008**	**2007**
Components of net pension (income) expense				
Service cost	$ 1.5	$ 2.2	$ .8	$ 1.1
Interest cost	6.6	6.6	3.3	3.4
Expected return on plan assets	(9.6)	(8.7)	(4.8)	(4.5)
Recognized net actuarial loss	.2	.8	.1	.4
Net pension (income) expense	$ (1.3)	$ .9	$ (.6)	$ .4

10. SEGMENT INFORMATION

Reportable segments are based upon the Company s management organizational structure. This structure is generally focused on broad end-user markets for the Company s diversified products. Residential Furnishings derives its revenues from components for bedding, furniture and other furnishings, as well as related consumer products. Commercial Fixturing & Components derives its revenues from retail store fixtures, displays 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.

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 are allocated to the segments based on sales and EBIT (earnings before interest and income taxes). 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.

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. Segment assets are reflected in the segment information at their estimated average for the year.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

10. SEGMENT INFORMATION (continued)

A summary of segment results from continuing operations are shown in the following tables. Amounts for 2007 have been retrospectively adjusted to reflect discontinued operations as discussed in Note 3.

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Six Months ended June 30, 2008:				
Residential Furnishings	$ 1,070.2	$ 10.1	$ 1,080.3	$ 85.9
Commercial Fixturing & Components	366.5	9.5	376.0	16.3
Industrial Materials	309.6	150.2	459.8	41.7
Specialized Products	315.1	33.3	348.4	28.3
Intersegment eliminations				(7.3)
Change in LIFO reserve				(15.1)
	$ 2,061.4	$ 203.1	$ 2,264.5	$ 149.8

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Six Months ended June 30, 2007:				
Residential Furnishings	$ 1,145.0	$ 8.4	$ 1,153.4	$ 98.7
Commercial Fixturing & Components	402.4	10.1	412.5	22.6
Industrial Materials	252.4	134.8	387.2	26.5
Specialized Products	318.3	22.6	340.9	31.7
Intersegment eliminations				(2.5)
Change in LIFO reserve				1.6
	$ 2,118.1	$ 175.9	$ 2,294.0	$ 178.6

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Three Months ended June 30, 2008:				
Residential Furnishings	$ 551.9	$ 5.9	$ 557.8	$ 48.6
Commercial Fixturing & Components	179.2	4.8	184.0	8.6
Industrial Materials	169.7	77.6	247.3	23.2
Specialized Products	162.3	17.2	179.5	14.4
Intersegment eliminations				(2.6)
Change in LIFO reserve				(11.5)
	$ 1,063.1	$ 105.5	$ 1,168.6	$ 80.7

LEGGETT & PLATT, INCORPORATED

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

10. SEGMENT INFORMATION (continued)

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Three Months ended June 30, 2007:				
Residential Furnishings	$ 561.5	$ 3.9	$ 565.4	$ 42.3
Commercial Fixturing & Components	211.4	6.3	217.7	14.7
Industrial Materials	131.4	64.7	196.1	13.4
Specialized Products	166.2	11.9	178.1	17.4
Intersegment eliminations				(1.8)
Change in LIFO reserve				.8
	$ 1,070.5	$ 86.8	$ 1,157.3	$ 86.8

Average assets for the Company s segments at June 30, 2008 and December 31, 2007 is shown in the first table below. Beginning in 2008, management changed the measure of segment assets used in evaluating segment performance. Segment assets for December 31, 2007 have been retrospectively adjusted and the second table below summarizes the impact of this change. Return measures now include working capital (all current assets and current liabilities) plus net property, plant and equipment. The previous measure included inventory, trade receivables, net property, plant and equipment and unamortized purchased intangibles.

	June 30, 2008	December 31, 2007
Residential Furnishings	$ 790.2	$ 801.9
Commercial Fixturing & Components	313.2	340.3
Industrial Materials	280.7	276.8
Specialized Products	274.7	275.5
Segment subtotal	1,658.8	1,694.5
Reconciliation to consolidated assets:		
Average current liabilities included in segment numbers above	346.2	318.3
Assets held for sale	565.3	554.5
Unallocated assets	1,546.2	1,577.4
Adjustment to period-end vs. average assets	102.1	(72.2)
	$ 4,218.6	$ 4,072.5

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS CONTINUED

(Unaudited)

10. SEGMENT INFORMATION (continued)

	December 31, 2007 segment assets as previously reported	Less average gross goodwill and other intangibles	Net average other assets and liabilities included in return measures	December 31, 2007 segment assets
Residential Furnishings	$ 1,493.6	$ (573.4)	$ (118.3)	$ 801.9
Commercial Fixturing & Components	703.8	(318.1)	(45.4)	340.3
Industrial Materials	376.4	(75.2)	(24.4)	276.8
Specialized Products	676.7	(339.2)	(62.0)	275.5
Average current liabilities included in segment numbers above			318.3	318.3
Assets held for sale	554.5			554.5
Unallocated assets	410.5	1,318.2	(151.3)	1,577.4
Adjustment to year-end vs average assets	(143.0)	(12.3)	83.1	(72.2)
	$ 4,072.5	$	$	$ 4,072.5