LEGGETT & PLATT INC
Form 10-Q
November 08, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2012
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)

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 ý 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 ý 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	ý	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 ý

Common stock outstanding as of October 25, 2012: 141,280,401

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
LEGGETT & PLATT, INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS
(Unaudited)

(Amounts in millions)	September 30, 2012	December 31, 2011
CURRENT ASSETS		
Cash and cash equivalents	$264.9	$236.3
Accounts and other receivables, net	589.7	503.6
Inventories		
Finished goods	263.1	261.3
Work in process	51.1	41.5
Raw materials and supplies	234.9	223.9
LIFO reserve	(77.9)	(85.7)
Total inventories, net	471.2	441.0
Other current assets	52.9	43.1
Total current assets	1,378.7	1,224.0
PROPERTY, PLANT AND EQUIPMENT—AT COST		
Machinery and equipment	1,151.6	1,120.1
Buildings and other	618.7	608.5
Land	45.9	45.2
Total property, plant and equipment	1,816.2	1,773.8
Less accumulated depreciation	1,240.8	1,193.2
Net property, plant and equipment	575.4	580.6
OTHER ASSETS		
Goodwill	985.1	926.6
Other intangibles, less accumulated amortization of $125.5 and $106.2 as of September 30, 2012 and December 31, 2011, respectively	205.3	116.6
Sundry	101.4	67.3
Total other assets	1,291.8	1,110.5
TOTAL ASSETS	$3,245.9	$2,915.1
CURRENT LIABILITIES		
Current maturities of long-term debt	$201.8	$2.5
Accounts payable	292.0	256.6
Accrued expenses	234.0	209.6
Other current liabilities	67.9	117.3
Total current liabilities	795.7	586.0
LONG-TERM LIABILITIES		
Long-term debt	860.2	833.3
Other long-term liabilities	127.5	130.3
Deferred income taxes	61.7	57.8
Total long-term liabilities	1,049.4	1,021.4
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock	2.0	2.0
Additional contributed capital	456.0	456.9
Retained earnings	2,079.4	2,027.4
Accumulated other comprehensive income	75.2	65.2

Treasury stock	(1,224.1)	(1,254.3)
Total Leggett & Platt, Inc. equity	1,388.5	1,297.2
Noncontrolling interest	12.3	10.5
Total equity	1,400.8	1,307.7
TOTAL LIABILITIES AND EQUITY	$3,245.9	$2,915.1

See accompanying notes to consolidated condensed financial statements.

LEGGETT & PLATT, INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
(Amounts in millions, except per share data)	2012	2011	2012	2011
Net sales	$2,867.8	$2,781.9	$982.2	$940.9
Cost of goods sold	2,296.8	2,259.6	776.7	770.5
Gross profit	571.0	522.3	205.5	170.4
Selling and administrative expenses	285.1	287.8	94.7	93.9
Amortization of intangibles	19.1	14.4	6.5	4.7
Other expense (income), net	1.1	(4.8)	(.6)	.2
Earnings from continuing operations before interest and income taxes	265.7	224.9	104.9	71.6
Interest expense	30.4	28.5	11.3	9.6
Interest income	4.9	5.2	1.6	1.4
Earnings from continuing operations before income taxes	240.2	201.6	95.2	63.4
Income taxes	66.1	54.5	28.6	18.1
Earnings from continuing operations	174.1	147.1	66.6	45.3
Earnings from discontinued operations, net of tax	2.4	—	—	—
Net earnings	176.5	147.1	66.6	45.3
(Earnings) loss attributable to noncontrolling interest, net of tax	(1.8)	(2.5)	(.8)	(.4)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$174.7	$144.6	$65.8	$44.9
Earnings per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	$1.20	$.99	$.46	$.31
Diluted	$1.18	$.98	$.45	$.31
Earnings per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	$.02	$—	$—	$—
Diluted	$.02	$—	$—	$—
Net Earnings per share attributable to Leggett & Platt, Inc. common shareholders				
Basic	$1.21	$.99	$.46	$.31
Diluted	$1.20	$.98	$.45	$.31
Cash dividends declared per share	$.85	$.82	$.29	$.28
Average shares outstanding				
Basic	144.0	146.2	144.4	143.8
Diluted	145.5	147.8	146.1	145.1

See accompanying notes to consolidated condensed financial statements.

LEGGETT & PLATT, INCORPORATED
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Nine Months Ended September 30,		Three Months Ended September 30,	
(Amounts in millions)	2012	2011	2012	2011
Net earnings	$176.5	$147.1	$66.6	$45.3
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	12.0	(5.6)	19.4	(42.4)
Cash flow hedges	(4.5)	(20.7)	(.2)	(17.0)
Defined benefit pension plans	2.5	1.4	.7	.6
Other comprehensive income (loss)	10.0	(24.9)	19.9	(58.8)
Comprehensive income	186.5	122.2	86.5	(13.5)
Less: comprehensive (income) loss attributable to noncontrolling interest	(1.8)	(3.0)	(.9)	(.5)
Comprehensive income (loss) attributable to Leggett & Platt, Inc.	$184.7	$119.2	$85.6	$(14.0)

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, 2012	2011
OPERATING ACTIVITIES		
Net earnings	$176.5	$147.1
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	68.6	73.8
Amortization	19.1	14.4
Provision for losses on accounts and notes receivable	4.3	7.2
Writedown of inventory	8.4	7.9
Asset impairment charges	1.0	3.4
Net gain from sales of assets and businesses	(3.0)	(9.8)
Deferred income tax (income) expense	(3.5)	7.2
Stock-based compensation	26.0	29.3
Other, net	(1.3)	(8.6)
Other changes, excluding effects from acquisitions and divestitures:		
Increase in accounts and other receivables	(87.2)	(100.7)
Increase in inventories	(20.2)	(29.1)
Increase in other current assets	(3.2)	(1.2)
Increase in accounts payable	34.7	47.0
Increase in accrued expenses and other current liabilities	20.8	14.1
NET CASH PROVIDED BY OPERATING ACTIVITIES	241.0	202.0
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(53.5)	(56.7)
Purchases of companies, net of cash acquired	(190.3)	(6.6)
Proceeds from sales of assets and businesses	9.3	20.3
Maturity of short-term investments	—	22.8
Investment in unconsolidated entity	(22.4)	—
Other, net	(6.4)	(2.5)
NET CASH USED FOR INVESTING ACTIVITIES	(263.3)	(22.7)
FINANCING ACTIVITIES		
Additions to long-term debt	299.1	—
Payments on long-term debt	(10.5)	(2.4)
Change in commercial paper and short-term debt	(77.2)	127.6
Dividends paid	(117.5)	(117.0)
Issuances of common stock	14.4	17.5
Purchases of common stock	(15.7)	(225.1)
Liquidation of interest rate swap agreement	(42.7)	—
Acquisition of noncontrolling interest	—	(13.1)
Excess tax benefits from stock-based compensation	2.7	6.9
Other, net	(3.1)	(1.6)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	49.5	(207.2)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	1.4	2.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28.6	(25.7)
CASH AND CASH EQUIVALENTS—January 1,	236.3	244.5
CASH AND CASH EQUIVALENTS—September 30,	$264.9	$218.8

See accompanying notes to consolidated condensed financial statements.

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

1. INTERIM PRESENTATION

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

The December 31, 2011 financial position data included herein was derived from the audited consolidated financial statements included in Form 10-K, but does not include all disclosures required by accounting principles generally accepted in the United States of America. For further information, refer to the financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2011.

Reclassifications

Certain reclassifications have been made to prior year's statements to conform to the 2012 presentation.

2. NEW ACCOUNTING GUIDANCE

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

3. INVENTORIES

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

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

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
LIFO (income) expense	$(7.8)	$8.1	$(5.7)	$(.9)

4. SEGMENT INFORMATION

We have four operating segments that are generally focused on broad end-user markets for our diversified products.

- Residential Furnishings—components for bedding, furniture and other furnishings, as well as related consumer products
- Commercial Fixturing & Components—retail store fixtures, displays and components for office and institutional furnishings
- Industrial Materials—drawn steel wire, specialty wire products, titanium and nickel tubing for the aerospace industry and welded steel tubing sold to trade customers as well as other Leggett segments
- Specialized Products—automotive seating components, specialized machinery and equipment, and commercial vehicle interiors

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

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

The accounting principles used in the preparation of the segment information are the same as those used for the consolidated financial statements, except that the segment assets and income reflect the FIFO basis of accounting for inventory. Certain inventories are accounted for using the LIFO basis in the consolidated financial statements. We evaluate performance based on earnings from operations before interest and income taxes (EBIT). Intersegment sales are made primarily at prices that approximate market-based selling prices. Centrally incurred costs are allocated to the segments based on estimates of services used by the segment. Certain of our general and administrative costs and miscellaneous corporate income and expenses are allocated to the segments based on sales. 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.

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Nine Months Ended September 30, 2012:				
Residential Furnishings	$1,442.7	$6.3	$1,449.0	$119.9
Commercial Fixturing & Components	388.4	3.5	391.9	29.5
Industrial Materials	497.6	194.1	691.7	48.9
Specialized Products	539.1	33.1	572.2	66.6
Intersegment eliminations				(7.0)
Change in LIFO reserve				7.8
	$2,867.8	$237.0	$3,104.8	$265.7
Nine Months Ended September 30, 2011:				
Residential Furnishings	$1,393.1	$6.7	$1,399.8	$116.8
Commercial Fixturing & Components	405.6	3.9	409.5	22.4
Industrial Materials	468.6	187.5	656.1	39.3
Specialized Products	514.6	34.4	549.0	60.1
Intersegment eliminations				(5.6)
Change in LIFO reserve				(8.1)
	$2,781.9	$232.5	$3,014.4	$224.9
Three Months Ended September 30, 2012:				
Residential Furnishings	$479.7	$2.0	$481.7	$39.7
Commercial Fixturing & Components	161.5	1.3	162.8	19.2
Industrial Materials	159.6	58.4	218.0	19.3
Specialized Products	181.4	9.6	191.0	22.8
Intersegment eliminations				(1.8)
Change in LIFO reserve				5.7
	$982.2	$71.3	$1,053.5	$104.9
Three Months Ended September 30, 2011:				
Residential Furnishings	$470.2	$2.1	$472.3	$33.5
Commercial Fixturing & Components	140.5	1.2	141.7	6.7
Industrial Materials	156.8	59.9	216.7	11.7
Specialized Products	173.4	14.3	187.7	20.6
Intersegment eliminations				(1.8)
Change in LIFO reserve				.9
	$940.9	$77.5	$1,018.4	$71.6

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

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

	September 30, 2012	December 31, 2011
Residential Furnishings	$612.0	$624.1
Commercial Fixturing & Components	164.8	176.1
Industrial Materials	242.4	218.1
Specialized Products	228.1	226.6
Average current liabilities included in segment numbers above	443.0	417.7
Assets held for sale	20.5	19.6
Unallocated assets (1)	1,514.2	1,328.3
Difference between average assets and period-end balance sheet	20.9	(95.4)
Total assets	$3,245.9	$2,915.1

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

5. DISCONTINUED OPERATIONS

In March 2007, we sold our Prime Foam Products Unit and reported the business as 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 the second quarter of 2012, we received a cash litigation settlement related to this business as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
Earnings before interest and income taxes:				
Residential Furnishings—Prime Foam Products Unit	$3.9	$—	$—	$—
Income tax expense	(1.5)	—	—	—
Earnings from discontinued operations (net of tax)	$2.4	$—	$—	$—

6. RESTRUCTURING

We have historically implemented various cost reduction initiatives to improve our operating cost structures. These cost initiatives have, among other actions, included workforce reductions and the closure or consolidation of certain operations.

In December 2011, we adopted the 2011 Restructuring Plan, which included the closure of four underperforming manufacturing facilities. We incurred a $37 pre-tax (largely non-cash) charge in the 4th quarter of 2011 primarily related to this plan, which included $31 of long-lived asset impairments and $6 of other restructuring-related costs. Approximately $2.2 in restructuring costs, and approximately $.9 of long-lived asset impairments during the first nine months of 2012 were related to this plan. We expect plant closures to be complete by the end of the year, with no additional material costs expected.

Our total restructuring-related costs (excluding long-lived asset impairments) for the periods presented were comprised of:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
Charged to other expense (income), net:				
Severance and other restructuring costs	$5.7	$4.8	$1.3	$2.6
(Gain) from sale of assets	(1.8)	(.1)	(.1)	—

Total restructuring and restructuring-related costs	$3.9	$4.7	$1.2	$2.6

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

7. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
Earnings:				
Earnings from continuing operations	$174.1	$147.1	$66.6	$45.3
(Earnings) loss attributable to noncontrolling interest, net of tax	(1.8)	(2.5)	(.8)	(.4)
Net earnings from continuing operations attributable to Leggett & Platt, Inc. common shareholders	$172.3	$144.6	$65.8	$44.9
Earnings from discontinued operations, net of tax	2.4	—	—	—
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$174.7	$144.6	$65.8	$44.9
Weighted average number of shares:				
Weighted average number of common shares used in basic EPS	144.0	146.2	144.4	143.8
Additional dilutive shares principally from the assumed exercise of outstanding stock options	1.5	1.6	1.7	1.3
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	145.5	147.8	146.1	145.1
Basic and Diluted EPS:				
Basic EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	$1.20	$.99	$.46	$.31
Discontinued operations	.02	—	—	—
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	$1.21	$.99	$.46	$.31
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	$1.18	$.98	$.45	$.31
Discontinued operations	.02	—	—	—
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	$1.20	$.98	$.45	$.31
Other information:				
Shares issuable under employee and non-employee stock options	10.6	11.5	10.6	11.5
Anti-dilutive shares excluded from diluted EPS computation	2.5	2.3	1.7	2.8

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

8. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following:

	September 30, 2012		December 31, 2011	
	Current	Long-term	Current	Long-term
Trade accounts receivable	$577.5	$—	$461.3	$—
Notes receivable:				
Customer-related	1.3	2.9	2.9	2.4
Notes received as partial payment for divestitures	.5	10.3	3.5	10.4
Other	.5	4.7	3.4	2.3
Income tax receivables	4.3	—	29.1	—
Other receivables	25.4	—	27.7	—
Total accounts and other receivables	609.5	17.9	527.9	15.1
Allowance for doubtful accounts:				
Trade accounts receivable	(19.5)	—	(21.9)	—
Notes receivable:				
Customer-related	—	(.8)	—	(.7)
Notes received as partial payment for divestitures	—	(.8)	(2.3)	(.4)
Other	(.3)	(.6)	(.1)	(.6)
Total allowance for doubtful accounts	(19.8)	(2.2)	(24.3)	(1.7)
Total net receivables	$589.7	$15.7	$503.6	$13.4

Notes are evaluated individually for impairment, and we had no significant impaired notes for the periods presented. Our investment in notes that were past due more than 90 days was less than $2.0 at September 30, 2012 and less than $5.0 at December 31, 2011, of which approximately $1.0 and $4.0 had been placed on non-accrual status, respectively.

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

	Balance at December 31, 2011	2012 Charges	2012 Charge-offs, net of recoveries	Balance at September 30, 2012
Trade accounts receivable	$21.9	$3.5	$(5.9)	$19.5
Notes receivable:				
Customer-related	.7	.1	—	.8
Notes received as partial payment for divestitures	2.7	.4	(2.3)	.8
Other	.7	.3	(.1)	.9
	$26.0	$4.3	$(8.3)	$22.0

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

9. STOCK-BASED COMPENSATION

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
Stock-based compensation expense:				
Amortization of the grant date fair value of stock options (1)	$3.8	$4.2	$.6	$.6
Stock-based retirement plans contributions (2)	4.8	5.0	1.5	1.5
Discounts on various stock awards:				
Deferred Stock Compensation Program	.9	1.0	.3	.2
Stock-based retirement plans	.9	1.3	.2	.1
Discount Stock Plan	.7	.6	.2	.2
Performance Stock Unit awards (3)	4.9	5.4	1.6	1.8
Restricted Stock Unit awards	1.7	1.7	.3	.6
Other, primarily non-employee directors restricted stock	.7	.8	.3	.2
Total stock-based compensation expense	18.4	20.0	5.0	5.2
Employee contributions for above stock plans	7.6	9.3	2.7	3.0
Total stock-based compensation	$26.0	$29.3	$7.7	$8.2
Recognized tax benefits on stock-based compensation expense	$7.0	$7.6	$1.9	$2.0

(1) Stock Option Grants

Our most significant stock options have historically been granted annually on a discretionary basis to a broad group of employees.

We have offered two different option choice programs. One group of employees has been offered the choice to receive stock options or to receive a cash alternative being equal to approximately one-half of the Black-Scholes value of the option grant foregone. Another group of employees, generally higher level employees, has been offered a choice between stock options or restricted stock units (RSUs), on a ratio of four options foregone for every one RSU offered. The RSUs vest in one-third increments at 12 months, 24 months and 36 months after the date of grant.

The following table summarizes fair values calculated (and assumptions utilized) using the Black-Scholes option pricing model for all options granted in the periods presented:

	Nine Months Ended September 30,			
	2012		2011	
Options granted (in millions)	.9		1.0	
Aggregate grant date fair value	$4.0		$4.9	
Weighted-average per share grant date fair value	$4.68		$4.90	
Risk-free interest rate	1.9	%	2.7	%
Expected life in years	7.2		7.1	

Expected volatility (over expected life)	34.4 %	33.3 %
Expected dividend yield (over expected life)	4.8 %	4.7 %
Cash payments to employees elected in lieu of options	$ .3	$ .3

LEGGETT & PLATT, INCORPORATED
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

(2) Stock-Based Retirement Plans

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

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

Since April 1, 2011, ESUP participant contributions are credited to a diversified investment account consisting of various mutual funds and retirement target funds selected by the participant. At every bi-weekly contribution date, we add a premium contribution equal to 17.65% of the participant's contribution to the diversified investment accounts. Participants may change investment elections in the diversified investment accounts, but cannot purchase Company common stock or stock units in these accounts. All company matching contributions are credited to participant's accounts in the form of Company stock units. Participants may not diversify this portion of their accounts.

We have purchased investments intended to mirror the diversified investments selected by the participants that are a component of "Sundry" long-term assets in the accompanying Consolidated Condensed Balance Sheet. Investment experience of the actual funds, whether positive or negative, are eventually paid out in cash. All amounts deferred under this program are unfunded, unsecured obligations of the Company and are presented as a component of the "Other long-term liabilities" in the accompanying Consolidated Condensed Balance Sheet. Both the asset and liabilities associated with this program are presented in Note 13 and are adjusted to fair value at each reporting period.

(3) Performance Stock Unit Awards

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

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

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

Below is a summary of the number of shares and related grant date fair value of PSU's for the periods presented:

	Nine Months Ended September 30,	
	2012	2011
Total shares base award (in millions)	.3	.3
Grant date per share fair value	$23.79	$25.41

The three-year performance cycle of the 2009 award was completed on December 31, 2011. Our TSR performance, relative to the peer group, ranked at 51^{st} percentile; accordingly, participants earned 73.6% of the base award and .4 million shares were distributed in January 2012.

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

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	September 30, 2012	December 31, 2011
PSU liability to be settled in cash	$4.9	$3.1

10. ACQUISITIONS

On January 12, 2012, we acquired 100% of Western Pneumatic Tube Holding, LLC (Western). Western is a leading provider of integral components for critical aircraft systems, and forms the new Aerospace Products business unit within the Tubing Group. Western specializes in fabricating thin-walled, large diameter, welded tubing and specialty formed products from titanium, nickel and other specialty materials for leading aerospace suppliers and OEMs. The cash purchase price of $188 was financed with proceeds from the sale of commercial paper notes under our existing commercial paper program.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition during the periods presented, and any additional consideration paid for prior years' acquisitions:

	Nine Months Ended September 30,	
	2012	2011
Accounts receivable	$8.8	$1.5
Inventory	18.9	1.8
Property, plant and equipment	12.0	1.1
Goodwill	54.3	1.9
Other intangible assets (average weighted amortization period of 16.5 years)	102.4	—
Accounts payable and accrued liabilities	(6.8)	(1.2)
Other assets and liabilities, net	.6	(.4)
Additional consideration for prior year's acquisitions	.1	1.9
Net cash consideration	$190.3	$6.6

The following table presents acquisitions for the periods presented. We are finalizing all of the information required to complete the purchase price allocations related to the most recent acquisitions and do not anticipate material modifications. Preliminary information used in the fair value assessments in the Western acquisition is primarily related to certain accruals and contingencies and the tax basis of assets acquired.

				Goodwill	
Nine Months Ended	Number of Acquisitions	Segment	Product	In Year of Acquisition	Expected to Provide Income Tax Benefit
September 30, 2012	2	Industrial Materials	Tubing for the aerospace industry; Tube fabrication	$54.3	$54.3
September 30, 2011	2	Residential Furnishings	Geo Textiles; Furniture Hardware	$1.9	$1.9

Factors that contributed to a purchase price resulting in the recognition of goodwill included Western's competitive position, and its fit with our strategy to seek businesses with secure, leading positions in growing, profitable, attractive markets.

The results of operations of the above acquired companies have been included in the consolidated financial statements since the dates of acquisition. While we expect future activity to be incremental to the Industrial Materials segment, the unaudited pro forma consolidated net sales, net earnings and earnings per share as though the 2012 acquisitions had occurred on January 1 of the prior period presented is not materially different from the amounts reflected in the accompanying financial statements.

Certain of our acquisition agreements provide for additional consideration to be paid in cash at a later date and are recorded as a liability at the acquisition date. At September 30, 2012, there was no substantial remaining consideration payable.
In the third quarter 2012, we invested $22.4 to acquire a non-controlling interest in a potential acquisition. This amount is

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included in "Sundry" long-term assets in the accompanying balance sheet. We have no contractual right or obligation to make any additional investment. At the time of the investment, we secured certain rights that allow us to liquidate our position without loss if we decide to no longer pursue this business as an acquisition.

11. EMPLOYEE BENEFIT PLANS

The following table provides interim information as to our domestic and foreign defined benefit pension plans. Expected 2012 employer contributions are not significantly different than the $7 previously reported at December 31, 2011.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
Components of net pension expense				
Service cost	$2.2	$1.8	$.8	$.6
Interest cost	9.5	10.0	3.2	3.3
Expected return on plan assets	(11.0)	(10.2)	(3.7)	(3.5)
Recognized net actuarial loss	4.7	2.9	1.6	.9
Net pension expense	$5.4	$4.5	$1.9	$1.3

12. STATEMENT OF CHANGES IN EQUITY AND ACCUMULATED OTHER COMPREHENSIVE INCOME

	Nine Months Ended September 30, 2012					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2012	$1,307.7	$2,027.4	$458.9	$(1,254.3)	$ 10.5	$ 65.2
Net earnings	176.5	176.5	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(1.8)	—	—	1.8	—
Dividends declared	(119.4)	(122.7)	3.3	—	—	—
Treasury stock purchased	(24.1)	—	—	(24.1)	—	—
Treasury stock issued	29.5	—	(24.8)	54.3	—	—
Foreign currency translation adjustments	12.0	—	—	—	—	12.0
Cash flow hedges, net of tax	(4.5)	—	—	—	—	(4.5)
Defined benefit pension plans, net of tax	2.5	—	—	—	—	2.5
Stock options and benefit plan transactions, net of tax	20.6	—	20.6	—	—	—
Ending balance, September 30, 2012	$1,400.8	$2,079.4	$458.0	$(1,224.1)	$ 12.3	$ 75.2

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

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

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance January 1, 2012	$147.6	$(21.5)	$(60.9)	$65.2
Period change—Gross	12.0	(7.4)	4.1	8.7
Period change—Attributable to noncontrolling interest	—	—	—	—
Period change—Income tax effect	—	2.9	(1.6)	1.3
Balance September 30, 2012	$159.6	$(26.0)	$(58.4)	$75.2
Balance January 1, 2011	$151.1	$1.4	$(50.7)	$101.8
Period change—Gross	(5.6)	(33.3)	2.2	(36.7)
Period change—Attributable to noncontrolling interest	(.5)	—	—	(.5)
Period change—Income tax effect	—	12.6	(.8)	11.8

Balance September 30, 2011	$145.0	$(19.3)	$(49.3)	$76.4

13. FAIR VALUE

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

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Short-term investments in this category are valued using discounted cash flow techniques with all significant inputs derived from or corroborated by observable market data. Derivative assets and liabilities in this category are valued using models that consider various assumptions and information from market-corroborated sources. The models used are primarily industry-standard models that consider items such as quoted prices, market interest rate curves applicable to the instruments being valued as of the end of each period, discounted cash flows,

volatility factors, current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

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

Items measured at fair value on a recurring basis

	As of September 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	$—	$123.4	$—	$123.4
Derivative assets	—	1.5	—	1.5
Diversified investments associated with the ESUP	6.3	—	—	6.3
Total assets	$6.3	$124.9	$—	$131.2
Liabilities:				
Derivative liabilities	$.9	$.7	$—	$1.6
Liabilities associated with the ESUP	6.3	—	—	6.3
Total liabilities	$7.2	$.7	$—	$7.9

	As of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	$—	$111.8	$—	$111.8
Derivative assets	—	3.2	—	3.2
Diversified investments associated with the ESUP	2.5	—	—	2.5
Total assets	$2.5	$115.0	$—	$117.5
Liabilities:				
Derivative liabilities	$2.2	$34.8	$—	$37.0
Liabilities associated with the ESUP	2.5	—	—	2.5
Total liabilities	$4.7	$34.8	$—	$39.5

The fair value for fixed rate debt (Level 2) was greater than its $1,030.0 carrying value by $54.1 at September 30, 2012 and greater than its $730.0 carrying value by $29.2 at December 31, 2011. We value this debt using discounted cash flow and secondary market rates provided by Bloomberg.

Items measured at fair value on a non-recurring basis

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

Goodwill

We perform an annual review for potential goodwill impairment in June of each year and as triggering events occur. The goodwill impairment review performed in June 2012 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. If actual results differ from estimates used in these calculations, we could incur future impairment charges.

Reporting units' fair values in relation to their respective carrying values and significant assumptions used in the June 2012 review are presented in the table below. The 10-25% category below includes information for one reporting unit (Fixture & Display). The fair value of this unit exceeded its book value by 10% at June 30, 2012.

Percentage of fair value in excess of carrying value	September 30, 2012 goodwill value	Sales 10-year compound annual growth rate range	Terminal values long-term growth rate	Discount rate ranges
10-25%	$ 111.8	3.9%	3%	11.0%
25%+	873.3	1.4 % - 6.4%	3%	7.5 % - 9.5%
	$ 985.1	1.4 % - 6.4%	3%	7.5 % - 11%

Fixed Assets

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
Total asset impairments	$ 1.0	$ 3.4	$—	$—

2012 impairments costs were primarily associated with the 2011 Restructuring Plan as discussed in Note 6. Fair value and the resulting impairment charges were based primarily upon offers from potential buyers or third party estimates of fair value less selling costs.

14. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Strategy & Objectives

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

Cash Flow Hedges

Derivative financial instruments that we use to hedge forecasted transactions and anticipated cash flows are as follows:

- Commodity Cash Flow Hedges—The commodity cash flow hedges manage natural gas commodity price risk. We are no longer hedging our commodity price risk so these hedges will continue to get smaller until all of the current hedges expire.
- Interest Rate Cash Flow Hedges—On August 15, 2012, we issued $300 of 10-year notes with a coupon rate of 3.40%. As a part of this transaction, we settled our $200 forward starting interest rate swaps we had entered into during 2010 and recognized a loss of $42.7, which will be amortized over the life of the notes.
- Currency Cash Flow Hedges—The currency hedges manage risk associated with exchange rate volatility of various foreign currencies.

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. Cash flows from settled contracts are presented in the category consistent with the nature of the item being hedged. (Settlements associated with the sale or production of product are presented in operating cash flows and settlements associated with debt issuance are presented in financing cash flows.)

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Fair Value Hedges
Our 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. Cash flows from settled contracts are presented in the category consistent with the nature of the item being hedged.
Hedge Effectiveness
We have deemed all ineffectiveness to be immaterial, and as a result, have not recorded any amounts for ineffectiveness. If a hedge was not highly effective, the portion of the change in fair value considered to be ineffective would be recognized immediately in the consolidated condensed statements of operations.
Derivatives Not Qualifying for Hedge Accounting Treatment
At December 31, 2011, we had derivative transactions that did not qualify for hedge accounting treatment, which we liquidated in second quarter 2012. Gains or losses on these transactions are recorded directly to income and expense in the period impacted, and offset the majority of gains and losses on the underlying Euro inter-company debt.

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

	Maturity	Total USD Equivalent Notional Amount	As of September 30, 2012			
			Assets		Liabilities	
			Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedging instruments						
Cash flow hedges:						
Commodity hedges	Dec 2013	$3.4	$—	$—	$.8	$ .1
Currency Hedges:						
Future USD sales of Canadian subsidiaries	Dec 2013	21.0	.7	.1	—	—
Future USD sales of Chinese subsidiaries	Oct 2013	14.0	—	—	.1	—
Future USD cost of goods sold of European subsidiary	Dec 2013	7.1	.1	—	—	—
Total cash flow hedges			.8	.1	.9	.1
Fair value hedges:						
USD inter-company note receivable on a Canadian subsidiary	Oct 2012	8.8	.3	—	—	—
ZAR asset on a USD subsidiary	Oct 2012	22.1	—	—	.4	—
USD inter-company note receivable on a European subsidiary	Nov 2012	3.5	—	—	.2	—
USD inter-company note receivables on a Swiss subsidiary	Jan 2013	14.5	.3	—	—	—
Total fair value hedges			.6	—	.6	—

$1.4	$.1	$1.5	$ .1

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	Maturity	Total USD Equivalent Notional Amount		As of December 31, 2011			
				Assets		Liabilities	
				Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedging instruments							
Cash flow hedges:							
Commodity hedges	Dec 2013	$6.2		$—	$—	$1.9	$ .3
Interest rate hedges	Aug 2012	200.0		—	—	32.4	—
Currency Hedges:							
Future USD cost of goods sold of Canadian subsidiaries	Dec 2012	7.6		.5	—	—	—
Future USD sales of a Chinese subsidiary	Dec 2012	44.1		.1	—	—	—
Future MXP cost of goods sold of a US subsidiary	Dec 2012	1.1		—	—	.1	—
Future EUR cost of goods sold of a US subsidiary	June 2012	1.6		—	—	.1	—
Future USD sales of Canadian subsidiaries	Dec 2012	33.4	Future USD sales of Canadian subsidiaries	.1	—	.5	—
Total cash flow hedges				.7	—	35.0	.3
Fair value hedges:							
USD inter-company note receivable on a Canadian subsidiary	Jan 2012	11.5		—	—	.1	—
USD inter-company note receivable on a Switzerland subsidiary	Oct 2012	14.5		—	—	1.6	—
Total fair value hedges				—	—	1.7	—
Derivatives not designated as hedging instruments							
Hedge of EUR inter-company note receivable from a European subsidiary	Dec 2012	28.0		2.5	—	—	—
				$3.2	$—	$36.7	$ .3

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

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	Income Statement Caption	Amount of (Gain) Loss Recorded in Income Nine Months Ended September 30		Amount of (Gain) Loss Recorded in Income Three Months Ended September 30	
		2012	2011	2012	2011
Derivatives designated as hedging instruments					
Commodity cash flow hedges	Cost of goods sold	$ 2.0	$ .8	$ .5	$ .2
Interest rate cash flow hedges	Interest expense	.7	—	.7	—
Currency cash flow hedges	Net Sales	(.3)	(.5)	(.1)	(.3)
Currency cash flow hedges	Cost of goods sold	(.4)	.3	(.2)	.3
Currency cash flow hedges	Other expense (income), net	.2	.2	.1	.2
Total cash flow hedges		2.2	.8	1.0	.4
Fair value hedges	Other expense (income), net	—	1.6	—	1.4
Derivatives not designated as hedging instruments					
Hedge of EUR cash—UK subsidiary	Other expense (income), net	—	(.1)	—	(.2)
Hedge of USD cash—UK subsidiary	Other expense (income), net	—	(.3)	—	(.3)
Hedge of EUR inter-company note receivable- European subsidiary	Other expense (income), net	(.8)	.1	—	(2.0)
Hedge of EUR inter-company note receivable- European subsidiary	Interest expense	.1	.2	—	.1
Total derivative instruments		$ 1.5	$ 2.3	$ 1.0	$ (.6)

15. CONTINGENCIES

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

Shareholder Derivative Lawsuit

On August 10, 2010, a shareholder derivative suit was filed by the New England Carpenters Pension Fund in the Circuit Court of Jasper County, Missouri as Case No. 10AO-CC284 ("2010 Suit"). The 2010 Suit was substantially similar to a prior suit filed by the same plaintiff, in the same court, on February 5, 2009 ("2009 Suit"). The 2009 Suit was dismissed without prejudice based on the plaintiff's failure to make demand on our Board and shareholders. As before, the plaintiff did not make such demand. On April 6, 2011, the 2010 Suit was dismissed without prejudice. On May 12, 2011, the plaintiff filed an appeal to the Missouri Court of Appeals. On January 17, 2012 plaintiff filed its appellate brief, and we filed our brief on March 21, 2012. Oral argument was held on September 5, 2012. We expect a decision from the Court of Appeals in the next few months.

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

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

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

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

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

Antitrust Lawsuits

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

A number of these lawsuits have been voluntarily dismissed without prejudice. Of the U.S. cases remaining, we have been named as a defendant in (a) three direct purchaser class action cases (the first on November 15, 2010) and a consolidated amended class action complaint filed on February 28, 2011 on behalf of a class of all direct purchasers of polyurethane foam products; (b) an indirect purchaser class consolidated amended complaint filed on March 21, 2011 (although the underlying lawsuits do not name us as a defendant); and an indirect purchaser class action case filed on May 23, 2011; and (c) 35 individual direct purchaser cases, (i) one filed March 22, 2011, (ii) another amended August 24, 2011 to remove class allegations, (iii) one amended August 25, 2011 to name us as a defendant, (iv) three others filed October 31, 2011, (v) one filed November 4, 2011, (vi) three filed December 6, 19 and 30, 2011, respectively, (vii) one filed January 27, 2012, (viii) five filed March 19, 2012, (ix) one amended March 30, 2012 to name us as a defendant, (x) one filed April 27, 2012, (xi) three filed April 30, 2012, (xii) two filed May 11, 2012, (xiii) one filed May 17, 2012, (xiv) four filed May 25, 2012, (xv) one filed June 12, 2012, (xvi) five filed August 8, 2012, and (xvii) one filed September 21, 2012. All of the pending U.S. cases in which we have been named as a defendant, have been filed in or have been transferred to the U.S. District Court for the Northern District of Ohio under the name In re: Polyurethane Foam Antitrust Litigation, Case No. 1:10-MD-2196.

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

We have been named in two Canadian class action cases (for direct and indirect purchasers of polyurethane foam products), both under the name Hi Neighbor Floor Covering Co. Limited and Hickory Springs Manufacturing Company, et.al. in the Ontario Superior Court of Justice (Windsor), Court File Nos. CV-10-15164 (amended November 2, 2011) and CV-11-17279 (issued December 30, 2011). In each of the Canadian cases, the plaintiffs, on behalf of themselves and/or a class of purchasers, seek from over 15 defendants restitution of the amount allegedly overcharged, general and special damages in the amount of $100, punitive damages of $10, pre-judgment and post-judgment interest, and the costs of the investigation and the action. We are not yet required to file our defenses in the Canadian actions. In addition, on July 10, 2012, plaintiff in a class action case (for direct and indirect purchasers of polyurethane foam products) styled Option Consommateurs and Karine Robillard v. Produits Vitafoam Canada Limitée, et. al. in the Quebec Superior Court of Justice (Montréal), Court File No. 500-6-524-104, filed an amended motion for authorization seeking to add us and other manufacturers of polyurethane foam products as defendants in this case.

On June 22, 2012, we were also made party to a lawsuit brought in the 16th Judicial Circuit Court, Jackson County, Missouri, Case Number 1216-CV15179 under the caption "Dennis Baker, on Behalf of Himself and all Others Similarly Situated vs. Leggett & Platt, Incorporated – Polyurethane Foam Class Action." The plaintiff, on behalf of himself and/or a class of indirect purchasers of polyurethane foam products in the State of Missouri, alleged that we violated the Missouri Merchandising Practices Act based upon our alleged illegal price inflation of flexible polyurethane foam products. The plaintiffs seek unspecified actual damages, punitive damages and the recovery of reasonable attorney fees. We have filed a motion to dismiss this action which is pending.

We deny all of the allegations in all of these actions and will vigorously defend ourselves. This contingency is subject to many uncertainties. Therefore, based on the information available to date, we cannot estimate the amount or range of potential loss, if any.

Brazilian Value-Added Tax Matters

On December 22, 2011, the Brazilian Finance Ministry, Federal Revenue Office issued a notice of violation against our wholly-owned subsidiary, Leggett & Platt do Brasil Ltda. ("L&P Brazil") in the amount of approximately $4, under Case No. 10855.724660/2011-43. The Brazilian Revenue Office claimed that for the period beginning November 2006 and continuing through December 2007, L&P Brazil used an incorrect tariff code for the collection and payment of value-added tax primarily on the sale of mattress innerspring units in Brazil. The Brazilian Revenue Office has communicated that it will likely expand the audit to the tax years 2008 through January 2011. As a result, it is possible that we may receive an additional notice of violation on the same subject matter. L&P Brazil responded to the notice of violation on January 25, 2012 denying the violation.

In addition, L&P Brazil received assessments in July 2012 from the Brazilian Revenue Office where the Revenue Office challenged L&P Brazil's use of certain tax credits in the years 2008 through 2010. Such credits are generated based upon the tariff classification and rate used by L&P Brazil for value-added tax on the sale of mattress innersprings. Combined with prior assessments, L&P Brazil has received assessments totaling approximately $1 on the same or similar denial of tax credit matters.

L&P Brazil is also party to a proceeding involving the State of Sao Paulo, Brazil where the State of Sao Paulo, on April 16, 2009, issued a Notice of Tax Assessment and Imposition of Fine to L&P Brazil seeking approximately $3.3 for the tax years 2006 and 2007. The State of Sao Paulo argued that L&P Brazil was using an incorrect tax rate for the collection and payment of value-added tax on sales of mattress innerspring units in the State of Sao Paulo. On September 29, 2010, the Court of Tax and Fees of the State of Sao Paulo ruled in favor of L&P Brazil nullifying the tax assessment. The State filed a special appeal and the Special Appeals court remanded the case back to the Court of Tax and Fees for further findings.

We were informed on October 4, 2012 that the State of Sao Paulo issued an Auto-Infringement and Imposition of a Fine dated May 29, 2012 under Procedure Number 4.003.484 against L&P Brazil in the amount of approximately $2.3 for the tax years 2009 through 2011. Similar to the prior assessment, the State of Sao Paulo argues that L&P Brazil was using an incorrect tax rate for the collection and payment of value-added tax on sales of mattress innerspring units in the State of Sao Paulo.

We deny all of the allegations in these actions. We believe that we have valid bases upon which to contest such actions and will vigorously defend ourselves. However, these contingencies are subject to many uncertainties. At this time, we do not believe it is probable that this matter will have a material adverse effect on our financial condition, operating cash flows or results of operations.

Patent Infringement Claim

On January 24, 2012, in a case in the United States District Court for the Central District of California, the jury entered a verdict against us in the amount of $5 based upon an allegation by plaintiff that we infringed three patents on an automatic stapling machine and on methods used to assemble box springs. This action was originally filed on October 4, 2010, as case number CV10-7416 RGK (SSx) under the caption Imaginal Systematic, LLC v. Leggett & Platt, Incorporated; Simmons Bedding Company; and Does 1 through 10, inclusive. Leggett is contractually obligated to defend and indemnify Simmons Bedding Company against a claim for infringement.

On summary judgment motions, we unsuccessfully disputed each patent's validity and denied that we infringed any patent. At the jury trial on damages issues, the plaintiff alleged damages of $16.2. The plaintiff might also request royalties for post-verdict use of the machines. We intend to object to such request. At a bench trial, the court denied plaintiff's attempt to win triple damages and attorney fees.

On April 9, 2012 we appealed the case to the Federal Circuit Court of Appeals and believe we have valid bases upon which to appeal. We do not believe that it is probable that the judgment will be upheld on appeal in its current form. We also filed reexamination proceedings in the Patent Office (Case Nos. 95/001,543 filed February 11, 2011; 95/001,546 and 95/001,547 filed February 16, 2011), challenging the validity of each patent at issue. The Patent Office examiner ruled in our favor on the pertinent claims of one of the three patents. The Patent Office examiner initially ruled in our favor on the pertinent claims of the second patent, but subsequently reversed that decision. With respect to the third patent, the Patent Office examiner's decision upheld the validity of all claims. All three of these proceedings are currently on appeal before the Board of Patent Appeals. Due to a change made to all of the machines, we do not believe that the machines currently use the feature alleged to have infringed the third patent.

At this time, we do not believe it is probable that this matter will have a material adverse effect on our financial condition, operating cash flows or results of operations.

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

What We Do

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

We are the leading U.S. manufacturer of: components for residential furniture and bedding, adjustable bed bases, carpet underlay, components for office furniture, drawn steel wire, thin-walled titanium and nickel tubing for the aerospace industry, automotive seat support and lumbar systems, and bedding industry machinery.

Our Segments

Our continuing operations are comprised of 20 business units in four segments, with approximately 18,000 employees, and 130 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 bed bases, bed frames, ornamental beds and geo components. This segment generated approximately 47% of total sales during the first nine months of 2012.

Commercial Fixturing & Components: Operations in this segment, which contributed approximately 13% of first nine months' 2012 total sales, manufacture and sell store fixtures and point-of-purchase displays used in retail stores. We also produce chair controls, bases, and other components for office furniture manufacturers, as well as select lines of private-label finished furniture.

Industrial Materials: These operations primarily supply steel rod, drawn steel wire, steel billets, and welded steel tubing to our other operations and to external customers. Our customers use this wire and tubing to make bedding, furniture, automotive seats, mechanical springs, and many other end products. We also supply titanium and nickel tubing for the aerospace industry. This segment generated approximately 22% of our total sales during the first nine months of 2012.

Specialized Products: From this segment we supply lumbar support systems and seat suspension systems used by automotive seating manufacturers. We manufacture and install the racks, shelving and cabinets used to outfit fleets of service vans. We also produce quilting, sewing, and wire forming machinery, some of which is used by other Leggett operations as well as external customers, including bedding manufacturers. This segment contributed about 18% of first nine months 2012 total sales.

Total Shareholder Return

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

We monitor our TSR performance (relative to the S&P 500) on a rolling three-year basis. To date, for the three-year period that began January 1, 2010, we have so far (over the last 34 months) generated TSR of 42%, compared to TSR of 34% for the S&P 500 index; accordingly, our TSR performance ranks in the upper half of the S&P 500 companies over this time period.

Senior executives participate in a TSR-based incentive program (based on our performance compared to the performance of a group of approximately 320 peers). Business unit bonuses emphasize the achievement of higher returns on the assets under the unit's direct control.

Customers

We serve a broad suite of customers, with our largest customer representing less than 6% of our sales in 2011. 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.

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Major Factors That Impact Our Business

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

Market Demand

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

Over the last few years we have significantly reduced our fixed cost structure, but purposely retained spare production capacity. Accordingly, unit sales can rebound appreciably without the need for large capital investment. We have meaningful operating leverage that should continue to benefit earnings as market demand rebounds. Until our spare capacity is fully utilized, each additional $100 million of sales from incremental unit volume is expected to generate approximately $25 million to $35 million of additional pre-tax earnings.

Raw Material Cost Trends

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

We typically have short-term commitments from our suppliers; accordingly, our raw material costs generally move with the market. Our ability to recover higher costs (through selling price increases) is crucial. When we experience significant increases in raw material costs, we typically implement price increases to recover the higher costs. Conversely, when costs decrease significantly, we generally pass those lower costs through to our customers. The timing of our price increases or decreases is important; we typically experience a lag in recovering higher costs, so we also expect to realize a lag as costs decline.

Steel is our principal raw material and at various times in past years we have experienced extreme cost fluctuations in this commodity. In most cases, the major changes (both increases and decreases) were passed through to customers with selling price adjustments.

As a producer of steel rod, we are also impacted by volatility in metal margins (the difference in the cost of steel scrap and the market price for steel rod). Metal margins within the steel industry have been volatile during certain periods in recent years.

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

When we raise our prices to recover higher raw material costs, this sometimes causes customers to modify their product designs and replace higher cost components with lower cost components. We experienced this de-contenting effect in our Residential Furnishings segment in the last half of 2011 (however, selective selling price reductions helped contain this activity). As our customers changed the quantity and mix of components in their finished goods to address commodity inflation, our profit margins were negatively impacted. We must continue to find ways to assist our customers in improving the functionality and reducing the cost of their products, while providing higher margin and profit contribution for our operations.

Competition

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

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

customers reduce total costs.
The margin pressure we experienced in the last half of 2011 resulted in part from price competition in certain of our businesses as we reduced prices (selectively) to maintain market share in light of depressed industry volume.
Premium non-innerspring mattresses (those that have either a foam or air core) have experienced rapid growth in the U.S. bedding market in recent years. While still a relatively small portion of the total market in units (approximately 10%-15%), these products represent a much larger portion of the total market in dollars (approximately 25%-30%) due to their higher average selling prices. We expect these products to continue to grow. Some of our traditional bedding customers are now offering mattresses that combine an innerspring core with top layers comprised of specialty foam and gel. These hybrid products, which allow our bedding customers to address a consumer preference for the feel of a specialty mattress and the characteristics of an innerspring, are being well received by consumers.

We filed an antidumping suit related to innerspring imports from China, South Africa and Vietnam which was brought to a favorable conclusion in 2009. The current antidumping duty rates on innersprings from these countries are significant, ranging from 116% to 234%, and should remain in effect at least until early 2014. Imported innersprings from these countries are now supposed to be sold at fair prices, however the duties on certain innersprings are being evaded by various means including shipping the goods through a third country and falsely identifying the country of origin. In 2009, Leggett, along with several U.S. manufacturers of products with active antidumping or antidumping/countervailing duty orders, formed a coalition and are working with Members of Congress, the U.S. Department of Commerce, and U.S. Customs and Border Protection to seek stronger enforcement of existing antidumping and/or countervailing duty orders.

2011 Restructuring Plan

In December 2011, we approved a restructuring plan to reduce our overhead costs and improve ongoing profitability. The activities primarily entailed the closure of four underperforming facilities. We incurred a $37 million pre-tax (largely non-cash) charge in the 4th quarter of 2011 primarily related to this plan, which included $31 million of long-lived asset impairments and $6 million of other restructuring-related costs. During the first nine months of 2012, we incurred an additional $2 million in restructuring costs and $1 million of long-lived asset impairments related to this plan. We expect plant closures to be complete by the end of the year, with no additional material costs expected.
Earnings should benefit in 2012 from the cost savings associated with the 2011 Restructuring Plan and other restructuring activity initiated in the latter part of 2011. Our 2012 forecast anticipates an approximate $15-$20 million pre-tax earnings benefit ($.07-$.10 per share, net of tax) from these activities.

RESULTS OF OPERATIONS

Discussion of Consolidated Results

Third Quarter:

Third quarter sales of $982 million were 4% higher than in the third quarter of 2011. Acquisitions, net of divestitures, increased sales by 1%. Third quarter same location unit volumes increased 7%, but were partially offset by a 4% revenue decline, primarily caused by lower trade sales from our rod mill and changes in currency rates.
EBIT (earnings before interest and income taxes) improved 47% during the quarter as a result of unit volume growth in several businesses (including Store Fixtures, Automotive, U.S. Spring, Furniture Components, Adjustable Bed, Carpet Underlay and Commercial Vehicle Products), lower raw material costs in certain operations, late-2011 restructuring activity, and the Western Pneumatic Tube acquisition.
Earnings per share (EPS) for the quarter were $.45 per diluted share, an increase of 45% compared to $.31 during the third quarter of last year.

Nine Months Ended September 30, 2012:

Sales for the first nine months of 2012 were $2.9 billion, 3% higher than the same period of 2011. Acquisitions, net of divestitures, increased sales by 1%. Same location sales grew 2%, with 4% unit volume growth partially offset by lower rod mill trade sales and changes in currency rates.
EPS for the first nine months of 2012 were $1.20 per diluted share, compared to $.98 in the same period of 2011. Current year EPS reflects a $.04 benefit from a special tax item and a $.02 benefit from discontinued operations (both

in the second quarter). EPS for the prior year included a $.02 benefit from special tax items (in the second quarter) and a $.03 benefit from other items, including gains from building sales (in the first quarter). The increase in EPS primarily reflects higher unit volumes, lower raw material costs in certain businesses, savings associated with the restructuring activities initiated in late 2011, and the Western Pneumatic Tube acquisition.

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.

For the full year 2012, we estimate a LIFO benefit of $10 million. This estimate incorporates certain assumptions about year-end steel prices and inventory levels (both are very difficult to accurately predict). Therefore, the LIFO estimate for the full year could be significantly different from that currently estimated. Any further change in the annual estimate of LIFO will be reflected in the fourth quarter.

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2012	2011	2012	2011
LIFO (income) expense	$(7.8)	$8.1	$(5.7)	(.9)

Interest Expense and Income Taxes

Third quarter 2012 interest expense from continuing operations was higher than in the third quarter of 2011 primarily due to the issuance in August 2012 of $300 million of long-term notes. Interest expense for the full year 2012 is expected to be higher than in 2011 by approximately $6 million.

The reported third quarter consolidated worldwide effective tax rate was 30%, compared to 29% for the same quarter last year. The slight increase in the 2012 effective rate was primarily attributable to a change in the composition of earnings among taxing jurisdictions.

We expect our 2012 fourth quarter tax rate to approximate 30%, but that is contingent upon factors such as our overall profitability, the mix of earnings among taxing jurisdictions, the type of income earned, the effect of tax law changes and prudent tax planning strategies, and the impact of tax audits and other discrete items.

We have approximately $40 million of Canadian deferred tax assets comprised primarily of tax loss carryforwards that expire in varying amounts between 2014 and 2032. There is a full valuation allowance against these deferred tax assets. We weigh all available evidence to determine if it is more likely than not that some or all of the deferred tax assets will be realized, however realization ultimately depends on the existence of future taxable income. Although uncertain, it is reasonably possible that we could reverse a portion or all of the valuation allowance in the foreseeable future, perhaps as early as the fourth quarter of 2012, which, in turn, would reduce our income tax expense and increase net earnings in the period the reversal is recorded. However, such an adjustment is contingent upon several factors, including our ability to amalgamate certain Canadian subsidiaries, enactment of pending Canadian tax legislation, forecasts of our future Canadian taxable income, and a determination of the amount, if any, that must be recorded as a liability for unrecognized tax benefits. At this time, because of these uncertainties, we cannot reasonably estimate the amount or range of amounts, if any, of any possible reversal of the valuation allowance. Any such reversal would be a non-cash adjustment in the year recorded.

Discussion of Segment Results

Third Quarter Discussion

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

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

(Dollar amounts in millions)	Three Months ended September 30, 2012 Net Sales	Three Months ended September 30, 2011 Net Sales	Change in Net Sales $	Change in Net Sales %	% Change in Same Location Sales(1)
Residential Furnishings	$ 481.7	$ 472.3	$9.4	2.0 %	1.9 %
Commercial Fixturing & Components	162.8	141.7	21.1	14.9	21.2
Industrial Materials	218.0	216.7	1.3	.6	(8.1)
Specialized Products	191.0	187.7	3.3	1.8	1.8
Total	1,053.5	1,018.4	35.1	3.4	
Intersegment sales	(71.3)	(77.5)	6.2		
External sales	$ 982.2	$ 940.9	$41.3	4.4 %	3.1 %

(Dollar amounts in millions)	Three Months ended September 30, 2012 EBIT	Three Months ended September 30, 2011 EBIT	Change in EBIT $	Change in EBIT %	EBIT Margins(2) Three Months ended September 30, 2012	EBIT Margins(2) Three Months ended September 30, 2011
Residential Furnishings	$39.7	$33.5	$6.2	18.5 %	8.2 %	7.1 %
Commercial Fixturing & Components	19.2	6.7	12.5	186.6	11.8	4.7
Industrial Materials	19.3	11.7	7.6	65.0	8.9	5.4
Specialized Products	22.8	20.6	2.2	10.7	11.9	11.0
Intersegment eliminations & other	(1.8)	(1.8)	—			
Change in LIFO reserve	5.7	.9	4.8			
Total	$104.9	$71.6	$33.3	46.5 %	10.7 %	7.6 %

(1) The change in sales not attributable to acquisitions or divestitures. These are sales that come from the same plants and facilities that we owned one year earlier.

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

Residential Furnishings

Third quarter sales in this segment increased $9 million, or 2%, all from same location sales. Unit volume increased 4%, but was partially offset by currency rate changes.

In our U.S. Spring business, sales were up 5%; innerspring unit volumes increased 5% and boxspring units increased 3%. European Spring sales were down 10%, from a combination of 4% lower unit volumes and currency impacts. Furniture Group sales increased 4%, with flat unit volumes in our Furniture Hardware business augmented by continued solid performance in our Seating and Distribution business. We had significant growth in Adjustable Bed again this quarter, with unit shipments up 21%. We also had meaningful growth in Carpet Underlay.

EBIT increased $6 million, from unit volume growth and lower raw material costs in certain businesses.

Commercial Fixturing & Components

Total sales increased $21 million, or 15%; same location sales increased 21%, but were partially offset by a decline attributable to a small divestiture. Fixture and Display sales increased significantly, as anticipated, primarily due to a large store remodel program. Sales in Office Furniture Components were down slightly during the quarter, which we believe is roughly in line with the overall market for office seating.

EBIT increased $13 million primarily due to higher sales, with a smaller benefit from cost improvements.

The seasonality of our store fixtures business this year is expected to be consistent with the historical pattern in which fourth quarter sales, EBIT, and margins are significantly lower than third quarter. Retailers generally plan the majority of their remodeling and new store activity so that it is complete ahead of the holiday season. This results in lower

volume levels within the store fixture industry during the fourth quarter.
Industrial Materials
Total sales increased $1 million, or 1%. The Western Pneumatic Tube acquisition increased sales by 9%; however, same

location sales decreased 8%. Lower trade sales from our steel rod mill more than offset a 2% unit volume increase. The decrease in trade sales of steel rod during the quarter was largely offset by an increase in intercompany rod sales, so total rod production in the quarter was roughly flat with the prior year. The rod mill continues to run at 100% capacity utilization.

EBIT improved by $8 million, as a result of lower steel costs in certain businesses, the Western Pneumatic Tube acquisition and cost savings from the 2011 restructuring activity.

Specialized Products

Total sales increased $3 million, or 2%; unit volume grew by 5%, but was partially offset by the impact of currency exchange rates. Unit volumes increased in both Automotive and Commercial Vehicle Products during the quarter. These improvements were partially offset by lower Machinery sales. The increase in automotive sales reflects strong growth in both North America and Asia, but sales decreased in Europe, from a combination of currency exchange rates and lower volume.

EBIT improved $2 million, or 11%, largely due to higher sales.

Nine-Month Discussion

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

(Dollar amounts in millions)	Nine Months ended September 30, 2012 Net Sales	Nine Months ended September 30, 2011 Net Sales	Change in Net Sales $	Change in Net Sales %	% Change in Same Location Sales(1)
Residential Furnishings	$ 1,449.0	$ 1,399.8	$49.2	3.5 %	3.2 %
Commercial Fixturing & Components	391.9	409.5	(17.6)	(4.3)	1.4
Industrial Materials	691.7	656.1	35.6	5.4	(2.4)
Specialized Products	572.2	549.0	23.2	4.2	4.3
Total	3,104.8	3,014.4	90.4	3.0	
Intersegment sales	(237.0)	(232.5)	(4.5)		
External sales	$ 2,867.8	$ 2,781.9	$85.9	3.1 %	1.9 %

(Dollar amounts in millions)	Nine Months ended September 30, 2012 EBIT	Nine Months ended September 30, 2011 EBIT	Change in EBIT $	Change in EBIT %	EBIT Margins(2) Nine Months Ended September 30, 2012	EBIT Margins(2) Nine Months ended September 30, 2011
Residential Furnishings	$119.9	$116.8	$3.1	2.7 %	8.3 %	8.3 %
Commercial Fixturing & Components	29.5	22.4	7.1	31.7	7.5	5.5
Industrial Materials	48.9	39.3	9.6	24.4	7.1	6.0
Specialized Products	66.6	60.1	6.5	10.8	11.6	10.9
Intersegment eliminations & other	(7.0)	(5.6)	(1.4)			
Change in LIFO reserve	7.8	(8.1)	15.9			
Total	$265.7	$224.9	$40.8	18.1 %	9.3 %	8.1 %

(1) The change in sales not attributable to acquisitions or divestitures. These are sales that come from the same plants and facilities that we owned one year earlier.

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

Residential Furnishings

Sales in this segment increased 4% during the first nine months of 2012 largely from unit volume growth.

EBIT increased $3 million versus the prior year, primarily due to higher unit volumes, partially offset by the absence of a $4 million gain from a building sale that occurred in early 2011, and a shift in sales mix to lower margin products in certain businesses.

Commercial Fixturing & Components

Total sales declined $18 million, or 4%. The decline resulted primarily from the divestiture of a UK-based point-of-purchase operation in January 2012, partially offset by a 1% increase in same location sales.

EBIT increased $7 million versus the first nine months of 2011, primarily due to benefits from restructuring activity and other cost savings, along with slightly higher same location sales.

Industrial Materials

Total sales increased $36 million, or 5%. Sales growth from the Western Pneumatic Tube acquisition was partially offset by a 2% decline in same location sales. Lower trade sales at the steel rod mill more than offset a modest improvement in unit volumes in other parts of the segment.

EBIT increased $10 million, or 24%, primarily due to earnings benefits from the Western acquisition and plant consolidations announced in late 2011, along with lower raw material costs in certain businesses. These benefits were partially offset by a $5 million acquisition-related fair value adjustment to Western's inventory.

Specialized Products

Total sales increased $23 million, or 4%, reflecting continued strength in global automotive demand, partially offset by declines in Machinery and Commercial Vehicle Products.

EBIT improved $7 million, or 11% during the first nine months of 2012. This increase was due primarily to higher sales.

Discontinued Operations

The discontinued operations activity in 2012 was related to a $2.4 million (after tax) gain from a cash litigation settlement associated with a previously divested business.

LIQUIDITY AND CAPITALIZATION

In this section, we provide details about our:

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

We use cash for the following:

- Finance capital requirements (e.g. productivity, growth and acquisitions)
- Pay dividends
- Repurchase our stock

Our operations provide most of the cash we require, and debt may also be used to fund a portion of our needs. For 2012, we expect cash flow from operations to exceed $350 million. With the $188 million cash outlay to acquire Western Pneumatic Tube in January, net debt to net capital increased from 29% at year-end 2011 to 33% as of September 30, 2012. 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, 2012 and December 31, 2011 is presented on page 34.

Uses of Cash

Finance Capital Requirements

Cash is readily available to fund selective growth, both internally (through capital expenditures) and externally (through acquisitions). Capital expenditures include investments we make to maintain, modernize, and expand manufacturing capacity; they should approximate $80 million in 2012. In all our businesses, we continue to invest in the maintenance of facilities and equipment. However, with excess productive capacity across our operations (from continued low demand levels), we have reduced spending on expansion projects.

Our strategic, long-term, 4-5% annual growth objective envisions periodic acquisitions. We are seeking acquisitions within our growth businesses, and are looking for opportunities to enter new, higher growth markets (carefully screened for sustainable competitive advantage). During the years 2008-2010, acquisitions were a lower priority as we primarily focused on completing divestitures of certain underperforming businesses and improving margins and returns of our existing businesses. However, in 2011 we turned our focus again to acquisitions, as one of the levers we will use to achieve our TSR goal, and have begun actively soliciting opportunities while maintaining our screening discipline. In January 2012 we purchased Western Pneumatic Tube for $188 million. This acquisition aligns extremely well with our strategy to seek businesses with secure, leading positions in growing, profitable, attractive markets.

Pay Dividends

We expect to continue returning cash to shareholders through dividends and share repurchases. In August 2012 we increased the quarterly dividend, to $.29 per share, and extended to 41 years our record of consecutive annual dividend increases, at an average compound growth rate of 13%. Our targeted dividend payout is approximately 50-60% of net earnings, but actual payout has been higher recently and will likely remain above targeted levels in the near term. Maintaining and increasing the dividend remains a high priority. We anticipate spending approximately $160 million on dividends in 2012. Cash from operations has been, and is expected to continue to be, more than sufficient to readily fund both capital expenditures and dividends.

Repurchase Stock

Share repurchases are the other means by which we return cash to shareholders. During the third quarter of 2012, we repurchased .6 million shares of our stock and issued 1.1 million shares through employee benefit and stock purchase plans. So far this year, we have purchased 1.0 million shares and issued 2.6 million shares. As a result, shares outstanding has modestly increased to 141.0 million. For the past several years, we have made few acquisitions; instead, we used excess cash (including divestiture proceeds) largely to repurchase shares. Given the cash outlay earlier in the year to acquire Western Pneumatic Tube, our share repurchases have been at levels well below those of recent years. However, consistent with our stated priorities for use of excess cash flow, we will prudently buy back our stock, subject to the outlook for the economy, our level of cash generation, and other potential opportunities to strategically grow the company. We have been authorized by the Board to repurchase up to 10 million shares each year, but we have established no specific repurchase commitment or timetable.

Cash from Operations

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

Cash from operations for the nine months ended September 30, 2012 was $241 million compared to $202 million for the same period last year. The increase in 2012 operating cash was due primarily to increased earnings. We continue to closely monitor our working capital levels, and ended the quarter with working capital as a percent of annualized sales favorable to our target. For the full year 2012, we expect cash from operations to exceed $350 million.

Working Capital Trends

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

(Dollar amounts in millions)	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
Accounts Receivable, net	$576.7	$503.6	$571.6	$557.6	$589.7
Inventory, net	$456.5	$441.0	$473.3	$517.6	$471.2
Accounts Payable	$274.2	$256.6	$298.2	$320.2	$292.0

(1) The accounts receivable ratio represents the days of sales outstanding calculated as: ending net accounts receivable ÷ (quarter-to-date net sales ÷ number of days in the quarter).

(2) The inventory ratio represents days of inventory on hand calculated as: ending net inventory ÷ (quarter-to-date cost of goods sold ÷ number of days in the quarter).

(3) The accounts payable ratio represents the days of payables outstanding calculated as: ending accounts payable ÷ (quarter-to-date cost of goods sold ÷ number of days in the quarter).

The dollar value (and days) of inventory and accounts payable increased in the second quarter of 2012 primarily due to increased production for a major program in the Commercial Fixturing & Components segment that shipped in the third quarter of 2012, and normal seasonal trends.

- Accounts Receivable and Days Sales Outstanding (DSO): DSO fluctuates quarterly from normal differences in the timing of sales and cash receipts. Changes in the DSO reflected in the table above are consistent with our historical range, and are not indicative of changes in payment trends or credit worthiness of customers. We continue to focus on collection efforts to ensure customer accounts are paid on time. As part of our accounts receivable review process, we evaluate individual customers' payment histories, financial health, industry prospects, and current macroeconomic events in determining if outstanding amounts are collectible. In the third quarter of 2012, we incurred $.8 million of bad debt expense as compared to $1.8 million in third quarter 2011.
- Inventory and Days Inventory on Hand (DIO): Our DIO typically fluctuates within a reasonably narrow range as a result of differences in the timing of sales, production levels, and inventory purchases. During the third quarter of 2012, we recognized expense of $2.7 million associated with obsolete and slow moving inventories as compared to $2.6 million in the third quarter of 2011. We do not expect significant changes in customer or industry trends that would materially increase our exposure to inventory obsolescence.
- Accounts Payable and Days Payable Outstanding (DPO): Changes in the DPO reflected in the table above are the result of normal fluctuation in our operating activity. We actively strive to optimize payment terms with our vendors, and over the last few years, have increased our DPO by more than ten days.

Capitalization

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

(Dollar amounts in millions)	September 30, 2012	December 31, 2011
Long-term debt outstanding:		
Scheduled maturities	$853	$763
Average interest rates*	4.7 %	4.6 %
Average maturities in years*	5.0	3.8
Revolving credit/commercial paper	7	70
Total long-term debt	860	833
Deferred income taxes and other liabilities	189	188
Shareholders' equity and noncontrolling interest	1,401	1,308
Total capitalization	$2,450	$2,329
Unused committed credit:		
Long-term	$593	$530
Short-term	—	—
Total unused committed credit	$593	$530
Current maturities of long-term debt	$202	$3
Cash and cash equivalents	$265	$236
Ratio of earnings to fixed charges**	6.6	4.8

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

** As presented in Exhibit 12, fixed charges include interest expense, capitalized interest, plus implied interest included in operating leases. Earnings consist principally of income from continuing operations before income taxes, plus fixed charges less capitalized interest.

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

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

We believe that adjusting this measure for cash and current maturities allows a more meaningful comparison to periods during which cash fluctuates significantly. We use these adjusted measures to monitor our financial leverage.

(Amounts in millions)	September 30, 2012	December 31, 2011
Debt to total capitalization:		
Long-term debt	$860	$833
Current debt maturities	202	3
Cash and cash equivalents	(265)	(236)
Net debt	$797	$600
Total Capitalization	$2,450	$2,329
Current debt maturities	202	3
Cash and cash equivalents	(265)	(236)
Net capitalization	$2,387	$2,096
Long-term debt to total capitalization	35.1 %	35.8 %
Net debt to net capitalization	33.4 %	28.6 %

Total debt (which includes long-term debt and current debt maturities) increased $226 million from year-end 2011 levels, primarily from the $188 million cash outlay to acquire Western Pneumatic Tube in January 2012.

On August 15, 2012, we issued $300 million aggregate principal of 3.40% Senior Notes due 2022 (the "Notes"). The Notes mature on August 15, 2022 unless earlier redeemed. The Notes bear interest at a rate of 3.40% per year, payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2013. The net proceeds of the Notes were used to pay down commercial paper for general corporate purposes, which in turn provides borrowing capacity under our commercial paper program for the repayment or refinancing of existing indebtedness, the funding of possible future acquisitions and/or stock repurchases. Reference is made to Exhibit 4.3 "Form of 3.40% Senior Notes due 2022," for more information regarding the terms of the Notes.

As a part of the above transaction, we also unwound the $200 million forward starting interest rate swaps we had entered into during 2010 and recognized a loss of approximately $43 million, which will be amortized over the life of the notes. This results in a fully weighted effective interest rate of 5.0% associated with the notes. In 2012, we expect an increase in interest costs of approximately $6 million from the issuance of the notes and the unwinding of the swaps.

Short Term Borrowings

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 13 lenders. This agreement was renewed in 2011, with a five-year term ending in 2016. The credit agreement allows us to issue letters of credit up to $250 million. When we issue letters of credit in this manner, our capacity under the agreement, and consequently, our ability to issue commercial paper, is reduced by a corresponding amount. Amounts outstanding related to our commercial paper program were:

(Amounts in millions)	September 30, 2012	December 31, 2011
Total program authorized	$600	$600
Commercial paper outstanding (classified as long-term debt)	(7)	(70)
Letters of credit issued under the credit agreement	—	—
Total program usage	(7)	(70)
Total program available	$593	$530

The average and maximum amount of commercial paper outstanding during the third quarter of 2012 was $195 million and $382 million, respectively. Commercial paper amounts fluctuated during the quarter due to normal changes in working capital funding requirements. At quarter end, we had no letters of credit outstanding under the credit agreement, but we had $82 million of stand-by letters of credit outside the agreement to take advantage of more attractive fee pricing.

Accessibility of Cash

At September 30, 2012 we had cash and cash equivalents of $265 million primarily invested in interest-bearing bank accounts and in bank time deposits with original maturities of three months or less.

A substantial portion of these funds are held in the international accounts of our foreign operations. Though we do not rely on this foreign cash as a source of funds to support our ongoing domestic liquidity needs, we believe we could bring most of this cash back to the U.S. over a period of two to three years without material cost. However, if we had to bring all the foreign cash back immediately, we could incur incremental taxes of up to $59 million.

In 2010, we brought back $121 million of foreign cash at an incremental tax cost of $5 million. In 2011, we brought back an additional $89 million through payments on intercompany loans at no added tax cost.

Maturing Senior Notes

On April 1, 2013, we have $200 million of 4.7% Senior Notes that mature. With anticipated operating cash flows, our commercial paper program, and our expected ability to issue debt in the capital markets, we believe we have sufficient funds available to repay maturing debt, support our ongoing operations, pay dividends, fund future growth and repurchase stock.

NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board has issued accounting guidance effective for current and future periods (that we have not yet adopted), but we do not believe any of the new guidance will have a material impact on our current or future

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financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate

Substantially all of our debt is denominated in United States dollars. The fair value for fixed rate debt was greater than its $1,030 million carrying value by $54 million at September 30, 2012 and greater than its $730 million carrying value by $29 million at December 31, 2011. The increase in the fair market value of our debt is primarily due to the decrease in credit spreads and benchmark interest rates since year-end. The fair value of fixed rate debt at September 30, 2012 and December 31, 2011 was based upon Bloomberg secondary market rates. The fair value of variable rate debt is not significantly different from its recorded amount.

Interest Rate Cash Flow Hedges

On August 15, 2012, we issued $300 million of 10-year notes with a coupon rate of 3.40%. As a part of this transaction, we settled our $200 million forward starting interest rate swaps we had entered into during 2010 and recognized a loss of $42.7 million, which was recorded in accumulated other comprehensive income (“AOCI”), and will be amortized to interest expense over the life of the note.

Investment in Foreign Subsidiaries

We view our investment in foreign subsidiaries as a long-term commitment, and do not hedge translation exposures. The investment in a foreign subsidiary may take the form of either permanent capital or notes. Our net investment (i.e., total assets less total liabilities subject to translation exposure) in foreign subsidiaries was $925 million at September 30, 2012, compared to $859 million at December 31, 2011.

FORWARD-LOOKING STATEMENTS

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

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

Readers should review Item 1A Risk Factors in our Form 10-K, filed February 24, 2012 and in this Form 10-Q for a description of important factors that could cause actual events or results to differ materially from forward-looking statements. It is not possible to anticipate and list all risks, uncertainties and developments which may affect the future operations or performance of the Company, or which otherwise may cause actual events or results to differ materially from forward-looking statements. However, some of these risks and uncertainties include the following:

- factors that could affect the industries or markets in which we participate, such as growth rates and opportunities in those industries;
- adverse changes in inflation, currency, political risk, U.S. or foreign laws or regulations, consumer sentiment, housing turnover, employment levels, interest rates, trends in capital spending and the like;
- factors that could impact raw materials and other costs, including the availability and pricing of steel scrap and rod and other raw materials, the availability of labor, wage rates and energy costs;
- our ability to pass along raw material cost increases through increased selling prices;
- price and product competition from foreign (particularly Asian and European) and domestic competitors;

- our ability to improve operations and realize cost savings (including our ability to fix under-performing operations and to generate future earnings from restructuring-related activities);
- our ability to maintain profit margins if our customers change the quantity and mix of our components in their finished goods;

- our ability to achieve expected levels of cash flow;
- our ability to maintain and grow the profitability of acquired companies;
- our ability to maintain the proper functioning of our internal business processes and information systems and avoid modification or interruption of such systems, through cyber-security breaches or otherwise;
- a decline in the long-term outlook for any of our reporting units that could result in asset impairment; and
- litigation including product liability and warranty, taxation, environmental, intellectual property, anti-trust and workers' compensation expense.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

An evaluation as of September 30, 2012 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, 2012, to provide assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There was no change in the Company's internal control over financial reporting that occurred during the quarter ending September 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS
The information in Note 15 beginning on page 21 of the Notes to Consolidated Condensed Financial Statements is incorporated into this section by reference.
ITEM 1A. RISK FACTORS
Our 2011 Annual Report on Form 10-K filed February 24, 2012 includes a detailed discussion of our risk factors in Item 1A "Risk Factors." The information presented below updates and should be read in conjunction with the risk factors and information disclosed in that Form 10-K.
Investing in our securities involves risk. Set forth below and elsewhere in this report are risk factors that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. We may amend or supplement these risk factors from time to time by other reports we file with the SEC.
Our goodwill and other long-lived assets are subject to potential impairment.
A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired.

(Dollar amounts in millions)	September 30, 2012 Book Value	% of Total Assets	
Goodwill	$985.1		
Other intangibles	205.3		
Total goodwill and other intangibles	$1,190.4	37	%
Net property, plant and equipment	$575.4		
Other long-lived assets	101.4		
Total net property, plant and equipment and other long- lived assets	$676.8	21	%

We review our ten reporting units for potential goodwill impairment in June as part of our annual goodwill impairment testing, and more often if an event or circumstance occurs making it likely that impairment exists. In addition, we test for the recoverability of long-lived assets at year end, and more often if an event or circumstance indicates the carrying value may not be recoverable. We conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations.
The annual goodwill impairment review performed in June 2012 indicated no goodwill impairments, but fair market value for one of our ten reporting units (Fixture & Display) only exceeded book value by approximately 10%. The fair market values of all other reporting units exceeded book value by more than 35%.
The goodwill associated with the Fixture & Display reporting unit was approximately $112 million at September 30, 2012. The unit is dependent upon capital spending by retailers on both new stores and remodeling of existing stores. Over the last few years, we have narrowed the scope of the Fixtures and Display reporting unit, effected changes to senior management, reduced overhead, and purged customer accounts with unacceptable margins. Recent performance has met expectations. However, actual performance needs to continue to improve or future goodwill impairments could be possible.
In December 2011, management approved a restructuring plan which primarily related to the closure of four underperforming plants. This resulted in long-lived asset impairment of $31 million.
If actual results differ from the assumptions and estimates used in the goodwill and long-lived asset calculations, we could incur impairment charges, which could negatively impact our results of operations.

Reporting units' fair values in relation to their respective carrying values and significant assumptions used in the June 2012 goodwill review are presented in the table below.

Percentage of fair value in excess of carrying value	September 30, 2012 goodwill value (in millions)	Sales 10-year compound annual growth rate range	Terminal values long-term growth rate	Discount rate ranges
10-25%	$ 111.8	3.9%	3%	11.0%
25%+	873.3	1.4% - 6.4%	3%	7.5% - 9.5%
	$ 985.1	1.4% - 6.4%	3%	7.5% - 11.0%

We have exposure to economic and other factors that affect market demand for our products.

As a supplier of products to a variety of industries, we are adversely affected by general economic downturns. Our operating performance is heavily influenced by market demand for our components and products. Market demand for the majority of our products is most heavily influenced by consumer confidence. To a lesser extent, market demand is impacted by other broad economic factors, including disposable income levels, employment levels, housing turnover, energy costs and interest rates. All of these factors influence consumer spending on durable goods, and drive demand for our products. Some of these factors also influence business spending on facilities and equipment, which impacts approximately one-quarter of our sales.

Demand improved in certain of our markets during the third quarter of 2012. We saw significant volume gains in several businesses, including Store Fixtures, Automotive, U.S. Spring, Furniture Components, Adjustable Bed, Carpet Underlay and Commercial Vehicle Products. The most notable volume declines occurred in International Spring and Machinery.

Demand weakness in our markets can lead to lower unit orders, sales and earnings in our businesses. Several factors, including a weak global economy, low consumer confidence, or a depressed housing market could contribute to conservative spending habits by consumers around the world. Short lead times in most of our markets allow for limited visibility into demand trends. If economic and market conditions deteriorate, we may experience material negative impacts on our business, financial condition, operating cash flows and results of operations.

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 2012.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs (2)
July 2012	0	$—	0	9,974,012
August 2012	226,512	$23.35	172,895	9,801,117
September 2012	341,018	$24.44	144,668	9,656,449
Total	567,530	$24.01	317,563	

(1) This number includes 249,967 shares which were not repurchased as part of a publicly announced plan or program, all of which were outstanding shares surrendered to exercise stock options. It does not include shares withheld for taxes in option exercises and stock unit conversions, or forfeited stock units during the quarter.

(2)

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

ITEM 6. EXHIBITS

Exhibit		
Exhibit 4.1	-	Senior Indenture dated May 6, 2005 between the Company and U.S. Bank National Association (successor in interest to the Bank of New York Mellon Trust Company, NA which was successor in interest to JPMorgan Chase Bank, N.A.), as Trustee, filed May 10, 2005 as Exhibit 4.1 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845)
Exhibit 4.2	-	Tri-Party Agreement under the May 6, 2005 Senior Indenture, between the Company, The Bank of New York Mellon Trust Company, NA (successor in interest to JPMorgan Chase Bank, N.A.) (as Prior Trustee) and U.S. Bank National Association (as Successor Trustee), dated February 20, 2009, filed February 25, 2009 as Exhibit 4.3.1 to the Company's Form 10-K, is incorporated by reference. (SEC File No. 001-07845)
Exhibit 4.3	-	Form of 3.40% Senior Notes due 2022, filed August 15, 2012 as Exhibit 4.3 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845)
Exhibit 12*	-	Computation of Ratio of Earnings to Fixed Charges.
Exhibit 31.1*	-	Certification of David S. Haffner, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 8, 2012.
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 8, 2012.
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Exhibit 101.INS**	-	XBRL Instance Document.
Exhibit 101.SCH**	-	XBRL Taxonomy Extension Schema.
Exhibit 101.CAL**	-	XBRL Taxonomy Extension Calculation Linkbase.
Exhibit 101.DEF**	-	XBRL Taxonomy Extension Definition Linkbase Document.
Exhibit 101.LAB**	-	XBRL Taxonomy Extension Label Linkbase.
Exhibit 101.PRE**	-	XBRL Taxonomy Extension Presentation Linkbase.

* Denotes filed herewith.

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

(i) Consolidated Condensed Balance Sheets at September 30, 2012 and December 31, 2011; (ii) Consolidated Condensed Statements of Operations for the nine and three months ended September 30, 2012 and September 30, 2011; (iii) Consolidated Statements of Comprehensive Income (Loss) for the nine and three months ended September 30, 2012 and September 30, 2011; (iv) Consolidated Condensed Statements of Cash Flows for the nine months ended September 30, 2012 and September 30, 2011; and (v) Notes to Consolidated Condensed Financial Statements.

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 8, 2012	By:	/s/ DAVID S. HAFFNER David S. Haffner President and Chief Executive Officer
DATE: November 8, 2012	By:	/s/ MATTHEW C. FLANIGAN Matthew C. Flanigan Senior Vice President – Chief Financial Officer

EXHIBIT INDEX

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