

LEGGETT & PLATT INC  
Form 10-Q  
May 09, 2013

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

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

For the quarterly period ended March 31, 2013  
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 (I.R.S. Employer  
incorporation or organization) Identification No.)

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

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

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

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

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

Large accelerated filer  Accelerated filer

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

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

Common stock outstanding as of April 30, 2013: 142,894,273

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## LEGGETT &amp; PLATT, INCORPORATED

## CONSOLIDATED CONDENSED BALANCE SHEETS

(Unaudited)

(Amounts in millions)	March 31, 2013	December 31, 2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$449.4	\$359.1
Trade receivables, net	495.7	412.6
Other receivables, net	32.9	33.6
Inventories		
Finished goods	270.1	275.7
Work in process	59.0	55.0
Raw materials and supplies	242.0	229.4
LIFO reserve	(68.6	) (71.1
Total inventories, net	502.5	489.0
Other current assets	44.2	44.8
Total current assets	1,524.7	1,339.1
<b>PROPERTY, PLANT AND EQUIPMENT—AT COST</b>		
Machinery and equipment	1,164.9	1,161.7
Buildings and other	602.5	603.2
Land	45.1	45.3
Total property, plant and equipment	1,812.5	1,810.2
Less accumulated depreciation	1,245.7	1,237.4
Net property, plant and equipment	566.8	572.8
<b>OTHER ASSETS</b>		
Goodwill	984.2	991.5
Other intangibles, less accumulated amortization of \$129.4 and \$129.1 as of March 31, 2013 and December 31, 2012, respectively	211.3	206.3
Sundry	140.9	145.2
Total other assets	1,336.4	1,343.0
<b>TOTAL ASSETS</b>	<b>\$3,427.9</b>	<b>\$3,254.9</b>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$201.4	\$201.5
Accounts payable	320.0	285.4
Accrued expenses	207.8	218.9
Other current liabilities	63.4	25.2
Total current liabilities	792.6	731.0
<b>LONG-TERM LIABILITIES</b>		
Long-term debt	953.8	853.9
Other long-term liabilities	162.3	158.2
Deferred income taxes	79.3	69.6
Total long-term liabilities	1,195.4	1,081.7
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Common stock	2.0	2.0
Additional contributed capital	460.6	458.6
Retained earnings	2,117.2	2,109.6

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Accumulated other comprehensive income	56.9	71.0	
Treasury stock	(1,204.9	) (1,206.7	)
Total Leggett & Platt, Inc. equity	1,431.8	1,434.5	
Noncontrolling interest	8.1	7.7	
Total equity	1,439.9	1,442.2	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$3,427.9</b>	<b>\$3,254.9</b>	

See accompanying notes to consolidated condensed financial statements.

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

(Amounts in millions, except per share data)	Three Months Ended March 31,	
	2013	2012
Net sales	\$936.0	\$946.8
Cost of goods sold	746.6	768.5
Gross profit	189.4	178.3
Selling and administrative expenses	107.7	97.9
Amortization of intangibles	5.7	6.2
Other (income) expense, net	(3.6	) (.4
Earnings before interest and income taxes	79.6	74.6
Interest expense	12.8	9.5
Interest income	2.7	1.7
Earnings before income taxes	69.5	66.8
Income taxes	20.0	22.3
Net earnings	49.5	44.5
(Earnings) loss attributable to noncontrolling interest, net of tax	(.4	) (.5
Net earnings attributable to Leggett & Platt, Inc. common shareholders	\$49.1	\$44.0
Earnings per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders		
Basic	\$.34	\$.31
Diluted	\$.33	\$.30
Cash dividends declared per share	\$.29	\$.28
Average shares outstanding		
Basic	145.9	143.6
Diluted	148.0	145.1
See accompanying notes to consolidated condensed financial statements.		

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

(Amounts in millions)	Three Months Ended		
	March 31,		
	2013	2012	
Net earnings	\$49.5	\$44.5	
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustments	(16.3	) 16.3	
Cash flow hedges	.8	2.9	
Defined benefit pension plans	1.4	.7	
Other comprehensive (loss) income	(14.1	) 19.9	
Comprehensive income	35.4	64.4	
Less: comprehensive (income) loss attributable to noncontrolling interest	(.4	) (.5	)
Comprehensive income (loss) attributable to Leggett & Platt, Inc.	\$35.0	\$63.9	
See accompanying notes to consolidated condensed financial statements.			

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

(Amounts in millions)	Three Months Ended	
	March 31, 2013	2012
<b>OPERATING ACTIVITIES</b>		
Net earnings	\$49.5	\$44.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	22.3	22.8
Amortization	5.7	6.2
Provision for losses on accounts and notes receivable	1.6	2.8
Writedown of inventory	2.0	3.1
Asset impairment charges	.2	.1
Net gain from sales of assets and businesses	(3.2)	(2.0)
Deferred income tax expense	7.1	2.7
Stock-based compensation	11.5	10.5
Other, net	(.8)	1.2
Other changes, excluding effects from acquisitions and divestitures:		
Increase in accounts and other receivables	(79.7)	(56.5)
Increase in inventories	(17.0)	(14.6)
Decrease in other current assets	2.4	.3
Increase in accounts payable	33.5	39.9
(Decrease) increase in accrued expenses and other current liabilities	(11.1)	4.1
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>24.0</b>	<b>65.1</b>
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	(19.8)	(17.6)
Purchases of companies, net of cash acquired	(.1)	(188.8)
Proceeds from sales of assets and businesses	1.9	4.2
Other, net	(3.2)	(4.6)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(21.2)</b>	<b>(206.8)</b>
<b>FINANCING ACTIVITIES</b>		
Payments on long-term debt	(.8)	(1.0)
Change in commercial paper and short-term debt	99.0	205.2
Dividends paid	—	(39.0)
Issuances of common stock	28.4	3.5
Purchases of common stock	(41.6)	(6.0)
Excess tax benefits from stock-based compensation	5.0	1.0
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>90.0</b>	<b>163.7</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(2.5)</b>	<b>2.9</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>90.3</b>	<b>24.9</b>
<b>CASH AND CASH EQUIVALENTS—January 1,</b>	<b>359.1</b>	<b>236.3</b>
<b>CASH AND CASH EQUIVALENTS—March 31,</b>	<b>\$449.4</b>	<b>\$261.2</b>
See accompanying notes to consolidated condensed financial statements.		



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

(Amounts in millions, except per share data)

1. INTERIM PRESENTATION

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

The December 31, 2012 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, 2012.

2. NEW ACCOUNTING GUIDANCE

In February 2013 the Financial Accounting Standards Board (FASB) issued ASU 2013-02 "Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires separate disclosure about amounts reclassified out of accumulated other comprehensive income by component. We adopted this guidance in first quarter 2013 and have included all required disclosures in Note 10.

The FASB has issued other accounting guidance effective for current and future periods (that we have not yet adopted), but we do not believe any of the 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 remaining quarters.

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

	Three Months Ended	
	March 31,	
	2013	2012
LIFO (benefit) expense	\$(2.6	) \$ .5

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
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Specialized Products—automotive seating components, specialized machinery and equipment, and commercial vehicle interiors

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## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

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.

	External Sales	Inter- Segment Sales	Total Sales	EBIT
Three Months Ended March 31, 2013:				
Residential Furnishings	\$484.9	\$1.9	\$486.8	\$42.3
Commercial Fixturing & Components	114.6	1.0	115.6	1.6
Industrial Materials	162.5	63.2	225.7	22.2
Specialized Products	174.0	12.7	186.7	15.4
Intersegment eliminations				(4.5 )
Change in LIFO reserve				2.6
	\$936.0	\$78.8	\$1,014.8	\$79.6
Three Months Ended March 31, 2012:				
Residential Furnishings	\$490.6	\$2.0	\$492.6	\$40.2
Commercial Fixturing & Components	113.2	1.0	114.2	7.2
Industrial Materials	167.5	70.2	237.7	11.8
Specialized Products	175.5	9.8	185.3	17.9
Intersegment eliminations				(2.0 )
Change in LIFO reserve				(.5 )
	\$946.8	\$83.0	\$1,029.8	\$74.6

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

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.

	March 31, 2013	December 31, 2012	
Residential Furnishings	\$576.1	\$602.9	
Commercial Fixturing & Components	144.9	159.1	
Industrial Materials	248.9	243.3	
Specialized Products	219.7	227.4	
Average current liabilities included in segment numbers above	440.7	440.7	
Unallocated assets (1)	1,758.1	1,678.2	
Difference between average assets and period-end balance sheet	39.5	(96.7	)
Total assets	\$3,427.9	\$3,254.9	

(1) Primarily goodwill, other intangibles, cash and deferred tax assets.

#### 5. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Three Months Ended March 31,		
	2013	2012	
Earnings:			
Net earnings	\$49.5	\$44.5	
(Earnings) loss attributable to noncontrolling interest, net of tax	(.4	) (.5	)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	\$49.1	\$44.0	
Weighted average number of shares:			
Weighted average number of common shares used in basic EPS	145.9	143.6	
Additional dilutive shares principally from the assumed exercise of outstanding stock options	2.1	1.5	
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	148.0	145.1	
Basic and Diluted EPS:			
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	\$.34	\$.31	
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	\$.33	\$.30	
Other information:			
Shares issuable under employee and non-employee stock options	6.9	11.6	
Anti-dilutive shares excluded from diluted EPS computation	—	2.7	



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

## 6. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following:

	March 31, 2013		December 31, 2012		
	Current	Long-term	Current	Long-term	
Trade accounts receivable	\$514.3	\$—	\$430.4	\$—	
Trade notes receivable	.9	2.3	1.1	2.9	
Total trade receivables	515.2	2.3	431.5	2.9	
Other notes receivable:					
Notes received as partial payment for divestitures	.5	5.9	.5	6.1	
Other	.2	4.5	.5	4.3	
Income tax receivables	2.8	—	8.6	—	
Other receivables	29.5	—	24.3	—	
Subtotal other receivables	33.0	10.4	33.9	10.4	
Total accounts and other receivables	548.2	12.7	465.4	13.3	
Allowance for doubtful accounts:					
Trade accounts receivable	(19.5	) —	(18.9	) —	
Trade notes receivable	—	(.3	) —	(.8	)
Total trade receivables	(19.5	) (.3	) (18.9	) (.8	)
Other notes receivable:					
Other	(.1	) (.8	) (.3	) (.6	)
Total allowance for doubtful accounts	(19.6	) (1.1	) (19.2	) (1.4	)
Total net receivables	\$528.6	\$11.6	\$446.2	\$11.9	

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 March 31, 2013 and December 31, 2012, of which approximately \$1.0 had been placed on non-accrual status. Activity related to the allowance for doubtful accounts is reflected below:

	Balance at December 31, 2012	2013 Charges	2013 Charge- offs, net of recoveries	Balance at March 31, 2013
Trade accounts receivable	\$18.9	\$1.6	\$1.0	\$19.5
Trade notes receivable	.8	—	.5	.3
Total trade receivables	19.7	1.6	1.5	19.8
Other notes receivable:				
Other	.9	—	—	.9
Total allowance for doubtful accounts	\$20.6	\$1.6	\$1.5	\$20.7



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

## 7. STOCK-BASED COMPENSATION

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

	Three Months Ended			
	March 31, 2013		2012	
	To be settled with stock	To be settled in cash	To be settled with stock	To be settled in cash
Options (1):				
Amortization of the grant date fair value	\$ .5	\$—	\$2.3	\$—
Cash payments in lieu of options	—	.8	—	.3
Stock-based retirement plans contributions	2.3	.5	1.9	.4
Discounts on various stock awards:				
Deferred Stock Compensation Program	.7	—	.5	—
Stock-based retirement plans	.5	—	.5	—
Discount Stock Plan	.3	—	.2	—
Performance Stock Unit awards (2)	1.6	4.3	1.7	(.1)
Profitable Growth Incentive awards (1)	.2	.2	—	—
Restricted Stock Unit awards	1.7	—	.8	—
Other, primarily non-employee directors restricted stock	.5	—	.2	—
Total stock-related compensation expense	8.3	\$5.8	8.1	\$0.6
Employee contributions for above stock plans	3.2		2.4	
Total stock-based compensation	\$11.5		\$10.5	
Recognized tax benefits on stock-based compensation expense	\$3.1		\$3.1	

### (1) Stock Option Grants and Profitable Growth Incentive Awards

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

Previous to 2013, we offered two different option choice programs. One group of employees was offered the choice to receive stock options or to receive a cash alternative equal to approximately one-half of the Black-Scholes value of the option grant foregone. Another group of employees, generally higher level employees, was offered a choice between stock options or restricted stock units (RSUs), on a ratio of four options foregone for each RSU offered. The RSUs vest in one-third increments at 12 months, 24 months and 36 months after the date of grant.

Starting in 2013, options will only be offered in conjunction with the Deferred Compensation Program. Certain key management employees will participate in a new Profitable Growth Incentive (PGI) program. Options for other employees will be replaced with either cash awards or RSUs as offered in 2011 and 2012.

The PGI awards will be issued as growth performance stock units (GPSUs). The number of GPSUs that will ultimately vest (from 0% to 250%) will depend upon the Revenue Growth adjusted by an external GDP factor when applicable and EBITDA Margin of the Company or applicable profit center at the end of a two-year performance period. The 2013 base PGI award was 130,920 shares. We intend to pay half in shares of our common stock and half in cash, although we reserve the right to pay up to 100% in cash. Both components are adjusted to fair value at each reporting period.

### (2) 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

## LEGGETT &amp; PLATT, INCORPORATED

## NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS—(Continued)

(Unaudited)

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.

Below is a summary of the number of shares and related grant date fair value of PSU's for the periods presented. 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 listed below. Grant date fair values are amortized using the straight-line method over the three-year vesting period.

	Three Months Ended			
	March 31,			
	2013	2012		
Total shares base award	234,117	282,040		
Grant date per share fair value	\$ 27.60	\$ 23.79		
Risk-free interest rate	0.4	% 0.4		%
Expected life in years	3.0	3.0		
Expected volatility (over expected life)	29.1	% 35.0		%
Expected dividend yield (over expected life)	4.2	% 4.8		%

The three-year performance cycle of the 2010 award was completed on December 31, 2012. Our TSR performance, relative to the peer group, ranked at 46th percentile (with 1% being best); accordingly, participants earned 91.0% of the base award and .3 million shares were distributed in January 2013.

The above information represents the 65% portion of the award that we intend to pay in shares of our common stock, although we reserve the right to pay up to 100% in cash. There is also an additional amount that represents 35% of the award that we will settle in cash. It is recorded as a liability and is adjusted to fair value at each reporting period.

## 8. ACQUISITIONS

The following table contains the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions during the periods presented, and any additional consideration paid for prior years' acquisitions. All goodwill included in the table below is expected to provide an income tax benefit.

	Three Months Ended		
	March 31,		
	2013	2012	
Accounts receivable	\$—	\$8.5	
Inventory	—	18.8	
Property, plant and equipment	—	12.5	
Goodwill	—	54.3	
Other intangible assets	—	101.9	
Other current and long-term assets	—	.6	
Current liabilities	—	(7.8	)
Additional consideration for prior years' acquisitions	.1	—	
Net cash consideration	\$ .1	\$ 188.8	



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

The following table summarizes acquisitions for the periods presented. There were no acquisitions during the first quarter of 2013.

Three Months Ended	Number of Acquisitions	Segment	Product/Service
March 31, 2012	2	Industrial Materials	Tubing for the aerospace industry; Tube fabrication

On January 12, 2012, we acquired Western Pneumatic Tube Holding, LLC (Western) for a cash purchase price of \$188. 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. 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. The unaudited pro forma consolidated net sales, net earnings and earnings per share are 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 March 31, 2013, there was no substantial remaining consideration payable.

#### 9. EMPLOYEE BENEFIT PLANS

The following table provides interim information as to our domestic and foreign defined benefit pension plans. Expected 2013 employer contributions are not significantly different than the \$1.5 previously reported at December 31, 2012.

	Three Months Ended	
	March 31, 2013	2012
Components of net pension expense		
Service cost	\$ .9	\$ .7
Interest cost	3.0	3.2
Expected return on plan assets	(3.8	) (3.7
Recognized net actuarial loss	1.5	1.6
Net pension expense	\$ 1.6	\$ 1.8



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

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

Three Months Ended March 31, 2013

	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2013	\$1,442.2	\$2,109.6	\$460.6	\$(1,206.7 )	\$ 7.7	\$ 71.0
Net earnings	49.5	49.5	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(.4 )	—	—	.4	—
Dividends declared	(41.5 )	(41.5 )	—	—	—	—
Treasury stock purchased	(50.1 )	—	—	(50.1 )	—	—
Treasury stock issued	38.9	—	(13.0 )	51.9	—	—
Foreign currency translation adjustments	(16.3 )	—	—	—	—	(16.3 )
Cash flow hedges, net of tax	.8	—	—	—	—	.8
Defined benefit pension plans, net of tax	1.4	—	—	—	—	1.4
Stock options and benefit plan transactions, net of tax	15.0	—	15.0	—	—	—
Ending balance, March 31, 2013	\$1,439.9	\$2,117.2	\$462.6	\$(1,204.9 )	\$ 8.1	\$ 56.9

Three Months Ended March 31, 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	44.5	44.5	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(.5 )	—	—	.5	—
Dividends declared	(39.2 )	(40.3 )	1.1	—	—	—
Treasury stock purchased	(7.7 )	—	—	(7.7 )	—	—
Treasury stock issued	7.3	—	(15.2 )	22.5	—	—
Foreign currency translation adjustments	16.3	—	—	—	—	16.3
Cash flow hedges, net of tax	2.9	—	—	—	—	2.9
	.7	—	—	—	—	.7

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Defined benefit pension plans, net of tax						
Stock options and benefit plan transactions, net of tax	10.7	—	10.7	—	—	—
Ending balance, March 31, 2012	\$1,343.2	\$2,031.1	\$455.5	\$(1,239.5 )	\$ 11.0	\$ 85.1

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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, 2013	\$ 163.5	\$(25.5	) \$(67.0	) \$71.0	
Other comprehensive income (loss) before reclassifications, pretax	(16.3	) —	.5	(15.8	)
Amounts reclassified from accumulated other comprehensive income, pretax:					
Cost of goods sold; selling and administrative expenses	—	.2	1.5	1.7	
Interest expense	—	1.0	—	1.0	
Subtotal of reclassifications, pretax	—	1.2	1.5	2.7	
Other comprehensive income (loss), pretax	(16.3	) 1.2	2.0	(13.1	)
Income tax effect	—	(0.4	) (.6	) (1.0	)
Balance March 31, 2013	\$ 147.2	\$(24.7	) \$(65.6	) \$56.9	
Balance January 1, 2012	\$ 147.6	\$(21.5	) \$(60.9	) \$65.2	
Other comprehensive income (loss) before reclassifications, pretax	15.6	3.8	(.4	) 19.0	
Amounts reclassified from accumulated other comprehensive income, pretax:					
Cost of goods sold; selling and administrative expenses	—	.8	1.6	2.4	
Other income/expense, net	.7	—	—	.7	
Subtotal of reclassifications, pretax	.7	.8	1.6	3.1	
Other comprehensive income (loss), pretax	16.3	4.6	1.2	22.1	
Income tax effect	—	(1.7	) (.5	) (2.2	)
Balance March 31, 2012	\$ 163.9	\$(18.6	) \$(60.2	) \$85.1	

#### 11. FAIR VALUE

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

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

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



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

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## Items measured at fair value on a recurring basis

	As of March 31, 2013			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	\$—	\$124.2	\$—	\$124.2
Derivative assets	—	.4	—	.4
Diversified investments associated with the Executive Unit Stock Program (ESUP)	9.7	—	—	9.7
Total assets	\$9.7	\$124.6	\$—	\$134.3
Liabilities:				
Derivative liabilities	\$ .2	\$ .6	\$—	\$ .8
Liabilities associated with the ESUP	9.7	—	—	9.7
Total liabilities	\$9.9	\$ .6	\$—	\$10.5

	As of December 31, 2012			Total
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	\$—	\$125.6	\$—	\$125.6
Derivative assets	—	1.2	—	1.2
Diversified investments associated with the ESUP	7.0	—	—	7.0
Total assets	\$7.0	\$126.8	\$—	\$133.8
Liabilities:				
Derivative liabilities	\$ .5	\$1.3	\$—	\$1.8
Liabilities associated with the ESUP	7.1	—	—	7.1
Total liabilities	\$7.6	\$1.3	\$—	\$8.9

The fair value for fixed rate debt (Level 2) was greater than its \$1,030.0 carrying value by \$40.2 at March 31, 2013 and \$45.7 at December 31, 2012. 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

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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 (Store Fixtures). 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	March 31, 2013 goodwill value	Sales 10-year compound annual growth rate range	Terminal values long-term growth rate	Discount rate ranges
10-25%	\$ 110.6	3.9%	3%	11.0%
25%+	873.6	1.4 %- 6.4%	3%	7.5 %- 9.5%
	\$984.2	1.4 %- 6.4%	3%	7.5 %- 11.0%

#### 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. We had no material fixed asset impairments for the periods presented.

## 12. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

### Risk Management Strategy & Objectives

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

### 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.

**Interest Rate Cash Flow Hedges**—In August 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.)

### 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 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.



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## Derivatives Not Qualifying for Hedge Accounting Treatment

At March 31, 2013 and December 31, 2012, we had derivative transactions that did not qualify for hedge accounting treatment. 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 hedged item.

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 March 31, 2013	
			Assets Other Current Assets	Liabilities Other Current Liabilities
Derivatives designated as hedging instruments				
Cash flow hedges:				
Commodity hedges	Dec 2013	\$1.2	\$—	\$.2
Currency Hedges:				
Future USD sales of Canadian subsidiaries	Dec 2013	16.5	.1	—
Future USD sales of Chinese subsidiaries	Dec 2013	45.0	—	.2
Future MXP cost of goods sold of US subsidiary	Dec 2013	1.6	.1	—
Future EUR sales of Chinese subsidiary	Dec 2013	3.0	.1	—
Future CHF cost of goods sold of UK subsidiary	Jun 2013	2.1	.1	—
Total cash flow hedges			.4	.4
Fair value hedges:				
ZAR asset on a USD subsidiary	Apr 2013	20.2	—	.1
USD inter-company note receivables on a Switzerland subsidiary	Jun 2013	14.5	—	.3
Total fair value hedges			—	.4
			\$ .4	\$.8

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	Maturity	Total USD Equivalent Notional Amount	As of December 31, 2012	
			Assets Other Current Assets	Liabilities Other Current Liabilities
Derivatives designated as hedging instruments				
Cash flow hedges:				
Commodity hedges	Dec 2013	\$1.7	\$—	\$ .5
Currency Hedges:				
Future USD sales of Canadian subsidiaries	Dec 2013	22.2	.5	—
Future USD sales of Chinese subsidiaries	Dec 2013	16.7	—	.1
Future USD cost of goods sold of European subsidiary	Dec 2013	7.9	—	.2
Total cash flow hedges			.5	.8
Fair value hedges:				
ZAR asset on a USD subsidiary	Jan 2013	21.2	—	.9
USD inter-company note receivable on a European subsidiary	Feb 2013	3.5	—	.1
USD inter-company note receivable on a Switzerland subsidiary	Jan 2013	14.5	.7	—
Total fair value hedges			.7	1.0
			\$1.2	\$1.8

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.

	Income Statement Caption	Amount of (Gain) Loss Recorded in Income Three Months Ended March 31	
		2013	2012
Derivatives designated as hedging instruments			
Commodity cash flow hedges	Cost of goods sold	\$ .2	\$ .8
Interest rate cash flow hedges	Interest Expense	1.0	—
Foreign currency cash flow hedges	Net Sales	(.2 )	(.1 )
Foreign currency cash flow hedges	Other (income) expense, net	—	.1
Total cash flow hedges		1.0	.8
Fair value hedges	Other (income) expense, net	(1.1 )	(.6 )
Derivatives not designated as hedging instruments			
Hedge of EUR inter-company note receivable - USD denominated subsidiary	Other (income) expense, net	—	.6
Total derivative instruments		\$(.1 )	\$.8

### 13. CONTINGENCIES

We are a defendant in various proceedings involving employment, antitrust, intellectual property, environmental, taxation and other laws. When it is probable, in management's judgment, that we may incur monetary damages or

other

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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. The 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 is 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 is not seeking monetary relief from us. We have director and officer liability insurance in force subject to customary limits and exclusions.

We and the individual defendants filed motions to dismiss the suit in late October 2010, asserting: the plaintiff failed to make demand on our Board and shareholders as required by Missouri law, and this failure to make demand should not be excused; the dismissal of the substantially similar suit in 2009 precludes the 2010 suit; the plaintiff is not a representative shareholder; the 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. On April 6, 2011, the suit was dismissed without prejudice.

On May 12, 2011, the plaintiff filed an appeal to the Missouri Court of Appeals. On November 28, 2012, the Missouri Court of Appeals reversed the trial court's dismissal finding that plaintiff sufficiently pleaded it would be futile to make demand on the Board and shareholders. The Court of Appeals did not address the other grounds that had been raised in the motions to dismiss. We filed a request for transfer to the Missouri Supreme Court on December 12, 2012, which was denied by the Court of Appeals. On January 3, 2013, we filed a transfer petition to the Missouri Supreme Court. On February 26, 2013, the Missouri Supreme Court denied our request. The case was sent back to Jasper County, Missouri for further proceedings.

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, most 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 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; and an indirect purchaser class action case filed on May 23, 2011; (c) 36 individual direct purchaser cases filed between March 22, 2011 and May 3, 2013; and (d) two individual cases alleging direct and indirect purchaser claims under the Kansas Restraint of Trade Act, one filed on November 29, 2012 and the other on April 11, 2013. All of the pending U.S. federal cases in which we have

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been named as a defendant, have been filed in, transferred to, or are expected to be 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 13 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 16<sup>th</sup> 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.” 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 plaintiff seeks unspecified actual damages, punitive damages and the recovery of reasonable attorney fees. We filed a motion to dismiss this action, which was denied on November 5, 2012. Discovery has commenced.

We deny all of the allegations in all of the above actions and will vigorously defend ourselves. These contingencies are subject to many uncertainties. Therefore, based on the information available to date, we cannot estimate the amount or range of potential loss, if any, because, at this juncture of the proceedings, the damages sought by plaintiffs are unspecified, unsupported, and unexplained; discovery is incomplete (class certification issues are not yet ripe, expert liability reports have not been exchanged); and because the litigation involves unsettled legal theories.

#### 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. L&P Brazil responded to the notice of violation on January 25, 2012 denying the violation. On December 17, 2012, the Brazilian Revenue Office issued an additional notice of violation in the amount of approximately \$6.2 under MPF Case No. 0811000.2011.00438 covering the period from January 1, 2008 through December 31, 2010 on the same subject matter. L&P Brazil

responded to the notice of violation on January 17, 2013 denying the violation. It is possible that we may receive an additional notice of violation for years 2011 and 2012.

In addition, L&P Brazil received assessments on December 22, 2011, and June 26, July 2 and November 5, 2012 from the Brazilian Revenue Office where the Revenue Office challenged L&P Brazil's use of certain tax credits in the years 2006 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 \$2.0 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, under Case No. 3.111.006 (DRT n°.04-256.169/2009). The State of Sao Paulo argued that L&P Brazil was using an incorrect tariff code for the collection and payment of value-added tax on sales of

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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. On November 9, 2012, the Court of Tax and Fees again ruled in favor of L&P Brazil and nullified the tax assessment. On November 28, 2012, the State filed another special appeal. The determination to accept the special appeal was made on December 26, 2012, and L&P responded to this special appeal on January 24, 2013.

We were also 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.

On December 18, 2012, the State of Minas Gerais, Brazil issued a tax assessment to L&P Brazil relating to L&P Brazil's classifications of innersprings for the collection and payment of value-added tax on the sale of mattress innersprings in Minas Gerais from March 1, 2008 through August 31, 2012 in the amount of approximately \$.7, under PTA Case No. 01.000.182756-62. L&P Brazil filed its response denying any violation on January 17, 2013.

On February 1, 2013, the Brazilian Finance Ministry filed suit against L&P Brazil in the Camanducaia Judicial District Court, Case No. 0002222-35.2013.8.13.0878, alleging the untimely payment of \$.2 of social contributions (social security and social assistance payments). L&P Brazil has yet to file its response, but intends to deny the allegations. L&P Brazil intends to argue the payments were not required to be made because of the application of certain tax credits that were generated by L&P Brazil's use of a tariff code for the classification of value-added tax on the sale of mattress innersprings (i.e., the same underlying issue at stake in the other Brazilian matters).

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 court denied plaintiff's attempt to win an attorney fee award and triple the pre-verdict damages.

On April 9, 2012 we appealed the case to the Federal Circuit Court of Appeals. Oral argument was held on February 6, 2013 before a three judge appeal panel in the Federal Circuit in Washington D.C. On February 14, 2013, the Court of Appeals issued a judgment affirming the \$5 verdict against us, which was fully accrued for in the first quarter of 2013. We filed a petition for a rehearing of the Court of Appeals decision on March 18, 2013, which was denied by the Court of Appeals. We intend to file a Petition for a Writ of Certiorari to the U.S. Supreme Court on or before July 17, 2013. The U.S. Supreme Court's review is discretionary.

The plaintiff has requested royalties for post-verdict use of the machines, which to date approximate \$2, and has requested pre-judgment interest in the amount of \$.7. We believe we have valid bases to object to such requests, and

intend to do so. 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

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that the machines currently use the feature alleged to have infringed the third patent. On April 25, 2013, the plaintiff filed a petition to terminate all re-examination proceedings based on the final ruling of the Federal Circuit Court of Appeals.

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.

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

### What We Do

Leggett & Platt is a diversified manufacturer, and member of the S&P 500 index, that conceives, designs, and produces a wide range of engineered components and products found in most homes, offices, automobiles, and 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 17 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 48% of total sales during the first quarter of 2013.

**Commercial Fixturing & Components:** Operations in this segment, which contributed approximately 11% of first quarter 2013 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 quarter of 2013.

**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 19% of first quarter 2013 total sales.

### Total Shareholder Return

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

We monitor our TSR performance (relative to the S&P 500) on a rolling three-year basis. To date, for the three-year measurement period that began January 1, 2011, we have so far (over the last 28 months) generated annual average TSR of 24%, compared to TSR of 13% for the S&P 500 index; accordingly, our TSR performance ranks in the top 21% 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 approximately 6% of our sales in 2012. Many are companies whose names are widely recognized; they include most manufacturers of furniture and bedding, a variety of other manufacturers, and many major retailers.





### Major Factors That Impact Our Business

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

#### Market Demand

Market demand (including product mix) is impacted by several economic factors, with consumer confidence being 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-third 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 further benefit earnings as market demand continues to improve. With our current utilization levels, we should be able to readily accommodate well over \$4 billion in revenue (assuming current sales mix). 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 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 our competitors, both domestic and foreign, compete primarily on the basis of price. Our success has stemmed from the ability to remain price competitive, while delivering product quality, innovation, and customer service.

We continue to face pressure from foreign competitors as some of our customers source a portion of their components and finished products 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.

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. We intend to participate in a Sunset Review of the innerspring order before the Department of Commerce and International Trade Commission, beginning in late 2013. If extended, the current antidumping duty rates on innersprings would remain in effect through 2018.

#### Restructuring

There were no significant restructuring-related costs incurred in either the first quarter of 2013 or 2012.

### RESULTS OF OPERATIONS

#### Discussion of Consolidated Results

First quarter sales of \$936 million were 1% lower than in the first quarter of 2012. Same location sales declined 2%, due in significant part to lower rod mill trade sales. Unit volumes were essentially flat, with lower volumes in bedding, portions of residential furniture, office furniture and machinery offset by growth in carpet underlay, store fixtures and commercial vehicle products. Acquisitions improved sales by 1%.

EBIT (earnings before interest and income taxes) improved 7% during the quarter primarily as a result of cost improvements and favorable product mix within certain business units. These improvements were partially offset by a higher accrual for our TSR-driven and other stock-based incentive compensation plans, which was primarily due to the significant increase in stock price from \$27 to \$34 during the quarter.

Earnings per share (EPS) for the quarter were \$.33 per diluted share, an increase of 10% compared to \$.30 during the first quarter of last year.

#### 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 2013, we estimate a LIFO benefit of \$10.3 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 remaining quarters.

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

	Three Months Ended March 31,	
	2013	2012
LIFO (benefit) expense	\$(2.6	) .5



## Interest Expense and Income Taxes

First quarter 2013 interest expense from continuing operations was higher than in the first quarter of 2012 primarily due to the issuance in August 2012 of \$300 million of long-term notes. Interest expense for the full year 2013 is expected to approximate 2012 levels, due to the maturity on April 1, 2013 of \$200 million notes.

The reported first quarter consolidated worldwide effective tax rate was 29%, compared to 33% for the same quarter last year. The decrease in the 2013 effective rate was primarily attributable to certain first quarter tax benefits associated with the American Taxpayer Relief Act, signed by President Obama on January 2, 2013, as well as certain unfavorable discrete tax items recorded in the first quarter 2012 that did not recur.

We anticipate that the effective rate for the remainder of 2013 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.

## Discussion of Segment Results

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		Change in Net Sales		% Change in	
	March 31, 2013	March 31, 2012	\$	%	Same Location Sales(1)	
Residential Furnishings	\$ 486.8	\$ 492.6	\$ (5.8 )	(1.2 )%	(1.5 )%	
Commercial Fixturing & Components	115.6	114.2	1.4	1.2	1.3	
Industrial Materials	225.7	237.7	(12.0 )	(5.0 )	(7.0 )	
Specialized Products	186.7	185.3	1.4	.8	.7	
Total	1,014.8	1,029.8	(15.0 )	(1.5 )		
Intersegment sales	(78.8 )	(83.0 )	4.2			
External sales	\$ 936.0	\$ 946.8	\$ (10.8 )	(1.1 )%	(1.8 )%	

(Dollar amounts in millions)	Three Months ended		Change in EBIT		EBIT Margins(2)	
	March 31, 2013	March 31, 2012	\$	%	Three Months ended March 31, 2013	Three Months ended March 31, 2012
Residential Furnishings	\$42.3	\$40.2	\$2.1	5.2 %	8.7 %	8.2 %
Commercial Fixturing & Components	1.6	7.2	(5.6 )	(77.8 )	1.4	6.3
Industrial Materials	22.2	11.8	10.4	88.1	9.8	5.0
Specialized Products	15.4	17.9	(2.5 )	(14.0 )	8.2	9.7
Intersegment eliminations & other	(4.5 )	(2.0 )	(2.5 )			
Change in LIFO reserve	2.6	(.5 )	3.1			
Total	\$79.6	\$74.6	\$5.0	6.7 %	8.5 %	7.9 %

(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

First quarter sales in this segment decreased \$6 million, or 1%, from reduced unit volumes.

In our U.S. Spring business, sales decreased 3% compared to a relatively strong first quarter of 2012. Innerspring unit volumes were down 9% and boxspring units were down 1%, primarily from market weakness at promotional price

points. Growth of our pocketed coil product line continued, with those units up 32% in the quarter. This category shift is driving higher average unit selling prices and a favorable product mix, and offset some of the decline in unit volumes in the quarter.

Furniture component sales decreased 7% in the first quarter. Combined volume in our seating and sofa sleeper businesses was roughly flat during the quarter, but motion hardware unit volumes declined 14%, primarily from weak market demand at promotional price points.

Adjustable Bed units decreased for the first time in several years, with volume down 4% in the first quarter. However, in Carpet Underlay we had significant growth. Margins in Carpet Underlay remain under pressure from rising scrap foam costs, and we have implemented price increases to recover these higher costs.

EBIT increased \$2 million, with the effect of lower sales more than offset by a \$3 million gain related to a hurricane insurance claim, cost improvements, and favorable product mix in the U.S. Spring business unit.

#### Commercial Fixturing & Components

Total sales increased \$1 million, or 1%, during the quarter. Store Fixtures sales increased 6%, but were largely offset by a 6% decrease in Office Furniture Components.

EBIT decreased \$6 million, due to the absence of last year's \$2 million divestiture gain, costs incurred for programs that will ship in the second quarter, competitive pricing, and lower sales of office furniture components.

Performance of the Store Fixtures group should improve in the second quarter as a result of higher expected sales. However, we will face a very strong third quarter comparison from large programs that shipped last fall. Fourth quarter sales, EBIT, and margins are expected to decline sequentially, consistent with the typical seasonality of this business.

#### Industrial Materials

Total sales decreased \$12 million, or 5%. Same location sales declined 7%, as slightly higher unit volumes were more than offset by reduced trade sales at the rod mill and price deflation in wire and rod.

The decrease in trade sales of steel rod during the quarter was more than offset by an increase in intercompany rod sales, and the rod mill continues to run at 100% capacity utilization. A change in the mix of rod sales from trade to intercompany is generally positive to earnings since that change tends to also shift the production mix to higher-value high carbon rods.

EBIT improved by \$10 million, primarily due to the absence of last year's \$4 million of acquisition-related costs, cost improvements, and higher unit volume in certain businesses.

#### Specialized Products

Total sales increased \$1 million, or 1%, during the quarter. Sales growth in Commercial Vehicle Products was largely offset by lower Machinery volume. Automotive sales were essentially flat, with growth in North America and Asia offset by lower demand in Europe.

EBIT declined by \$3 million, or 14%, with the benefit from cost reductions and higher sales more than offset by a \$5 million charge related to a patent infringement verdict.

#### Portfolio Management

As part of our ongoing strategic planning process to help guide decisions regarding business unit roles, we are currently reviewing the Commercial Vehicle Products (CVP) Group in the Specialized Products Segment. Although future plans for this group have not yet been finalized, we are exploring possible strategic alternatives, one of which is the possibility of divesting this business.

#### LIQUIDITY AND CAPITALIZATION

Our operations provide most of the cash we require, and debt may also be used to fund a portion of our needs. For 2013, we expect cash flow from operations to exceed \$350 million. Net debt to net capital increased from 29.4% at year-end 2012 to 29.6% as of March 31, 2013. 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 March 31, 2013 and December 31, 2012 is presented on page 31.





## 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. In all our businesses, we invest to maintain facilities and equipment. We also invest to support new product introductions and specific product categories that are rapidly growing. However, with excess productive capacity across our operations (from continued low demand levels), we have reduced spending on expansion projects. We expect capital expenditures of no more than \$100 million in 2013. The expected increase versus 2012 primarily relates to new programs that we have been awarded, and that should contribute to earnings and cash flow beginning in 2014.

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 2008 through 2010, acquisitions were a lower priority as we primarily focused on improving margins and returns of our existing businesses. In 2011, we again turned our focus to acquisitions, and began 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. Western established for us a strong competitive position in the higher return, higher growth aerospace market.

### Pay Dividends

Dividends are the primary means by which we return cash to shareholders. During 2012, we declared four quarterly dividends, but paid five, given our decision to accelerate into December 2012 the dividend typically paid in January 2013 (of \$41 million) in anticipation of individual tax rate increases. In 2013, we expect to return to our typical dividend schedule (and pay the fourth quarter dividend in 2014), therefore the cash requirement for dividends in 2013 will be lower, at approximately \$125 million.

Maintaining and increasing the dividend remains a high priority. In February 2013, our Board of Directors declared a quarterly dividend of \$.29 per share, and extended to 42 years our record of consecutive annual dividend increases, at an average compound annual growth rate of 13%. Our targeted dividend payout is approximately 50-60% of net earnings. Actual payout has been higher in recent years, but as earnings continue to grow, we expect to move into that target range.

### Repurchase Stock

Share repurchases are the other means by which we return cash to shareholders. During the first quarter of 2013, we repurchased 1.6 million shares of our stock and issued 2.4 million shares. Approximately two-thirds of the issuances related to employee stock option exercises, which have increased in recent quarters with the significant share price appreciation. The number of shares outstanding rose .8 million during the quarter, to 142.9 million.

As has been typical since 2007, after funding dividends and capital expenditures, any excess cash flow should be targeted toward acquisitions or stock repurchases. We have a standing authorization from the Board of Directors to repurchase up to 10 million shares each year; however, no specific repurchase commitment or timetable has been established. We expect during 2013 to issue approximately 4 million shares via employee benefit plans, given the high level of stock option exercises.

### 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. For the full year 2013, we expect cash from operations to exceed \$350 million.

Cash from operations for the three months ended March 31, 2013 was \$24 million compared to \$65 million for the same period last year. This decrease was consistent with our internal expectations, and results primarily from changes in working capital, with the largest impact from an increase in accounts receivable since the beginning of the year. We continue to closely monitor our working capital levels, and ended the quarter with adjusted working capital at 12.9% of annualized sales, well below our 15% target. The table below shows this calculation. We eliminate cash and current debt maturities from working capital to monitor our operating efficiency and believe this provides a more useful measurement.

(Amounts in millions)	March 31, 2013	December 31, 2012
Current assets	\$ 1,525	\$ 1,339
Current liabilities	(793 )	(731 )
Working capital	732	608
Cash and cash equivalents	(449 )	(359 )
Current debt maturities	201	202
Adjusted working capital	\$ 484	\$ 451
Annualized sales (1)	\$ 3,744	\$ 3,412
Adjusted working capital as a percent of annualized sales	12.9 %	13.2 %

Annualized sales equal 1st quarter sales (\$936 million) multiplied by 4. We believe measuring our working capital (1) against this sales metric is more useful, since efficient management of working capital includes adjusting those net asset levels to reflect current business volume.

#### Working Capital Trends

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

(Dollar amounts in millions)	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Trade Receivables, net	\$514.6	\$512.4	\$559.3	\$412.6	\$495.7
Inventory, net	\$473.3	\$517.6	\$471.2	\$489.0	\$502.5
Accounts Payable	\$298.2	\$320.2	\$292.0	\$285.4	\$320.0

- (1) The trade receivables ratio represents the days of sales outstanding calculated as: ending net trade receivables ÷ (quarterly net sales ÷ number of days in the quarter).
- (2) The inventory ratio represents days of inventory on hand calculated as: ending net inventory ÷ (quarterly 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 ÷ (quarterly cost of goods sold ÷ number of days in the quarter).

Days Sales Outstanding (DSO): Changes in the quarterly DSO reflect normal seasonal fluctuations due to the timing of cash collections and other factors. Accelerated payments by some of our large customers in late 2012 resulted in much lower levels of accounts receivable at year-end. In the first quarter, receivables returned to more normal levels, with DSO back to 48 days at the end of March, which is in line with the same quarter last year. 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. In the first quarter of 2013, we incurred \$1.6 million of bad debt expense as compared to \$2.8 million in first quarter 2012.

Days Inventory Outstanding (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. After inventory increased at year-end 2012 primarily due to decisions to take advantage of temporarily lower commodity costs, inventory has since returned to more normal levels. During the first quarter of 2013, we recognized expense of \$2.0 million associated with obsolete and slow moving inventories as compared to \$3.1 million in the first quarter of 2012.

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)	March 31, 2013	December 31, 2012
Long-term debt outstanding:		
Scheduled maturities	\$854	\$854
Average interest rates*	4.7	% 4.7 %
Average maturities in years*	4.7	4.9
Revolving credit/commercial paper	100	—
Total long-term debt	954	854
Deferred income taxes and other liabilities	241	228
Shareholders' equity and noncontrolling interest	1,440	1,442
Total capitalization	\$2,635	\$2,524
Unused committed credit:		
Long-term	\$500	\$600
Short-term	—	—
Total unused committed credit	\$500	\$600
Current maturities of long-term debt	\$201	\$202
Cash and cash equivalents	\$449	\$359
Ratio of earnings to fixed charges**	5.0 x	6.1 x

\* These rates include current maturities, but exclude commercial paper to reflect the averages of outstanding debt with scheduled maturities. The rates also include amortization of interest rate swaps.

\*\* 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.



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)	March 31, 2013	December 31, 2012		
Debt to total capitalization:				
Long-term debt	\$954	\$854		
Current debt maturities	201	202		
Cash and cash equivalents	(449	) (359	)	
Net debt	\$706	\$697		
Total Capitalization	\$2,635	\$2,524		
Current debt maturities	201	202		
Cash and cash equivalents	(449	) (359	)	
Net capitalization	\$2,387	\$2,367		
Long-term debt to total capitalization	36.2	%	33.8	%
Net debt to net capitalization	29.6	%	29.4	%

Total debt (which includes long-term debt and current debt maturities) increased \$99 million from year-end 2012 levels from an increase in commercial paper borrowing.

In August 2012, we issued \$300 million aggregate principal of notes that mature in 2022 unless redeemed earlier. The notes bear interest at a rate of 3.4% per year, with interest payable semi-annually beginning on February 15, 2013. The net proceeds of the notes were used to pay down commercial paper, which in turn provided borrowing capacity under our commercial paper program for general corporate purposes, the repayment of existing indebtedness, the funding of possible future acquisitions and/or stock repurchases.

As a part of the above issuance, 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.

On April 1, 2013, we repaid \$200 million of 4.7% notes that matured. To fund a portion of the payoff, in late March we issued \$100 million of commercial paper (shown in the table below).

#### 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)	March 31, 2013	December 31, 2012		
Total program authorized	\$600	\$600		
Commercial paper outstanding (classified as long-term debt)	(100	) —		
Letters of credit issued under the credit agreement	—	—		
Total program usage	(100	) —		
Total program available	\$500	\$600		



The average and maximum amount of commercial paper outstanding during the first quarter of 2013 was \$8 million and \$100 million, respectively. At quarter end, we had no letters of credit outstanding under the credit agreement, but we had \$68 million of stand-by letters of credit outside the agreement to take advantage of more attractive fee pricing. With operating cash flows, our commercial paper program, and our ability to issue debt in the capital markets, we had more than sufficient funds available to repay maturing debt, and have sufficient capital resources to support our ongoing operations, pay dividends, fund future growth and repurchase stock.

#### Accessibility of Cash

At March 31, 2013 we had cash and cash equivalents of \$449 million primarily invested in interest-bearing bank accounts and in bank time deposits with original maturities of three months or less. This amount included \$200 million in cash that was used on April 1, 2013 for the note payoff discussed above.

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 \$42 million. In 2011, we brought back an additional \$89 million of cash, and in 2012 we brought back \$50 million, in each case at no added tax cost.

#### NEW ACCOUNTING STANDARDS

In February 2013 the Financial Accounting Standards Board (FASB) issued ASU 2013-02 "Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires separate disclosure about amounts reclassified out of accumulated other comprehensive income by component. We adopted this guidance in first quarter 2013 and have included all required disclosures in Note 10.

The FASB has also issued other 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.

#### 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 \$40 million at March 31, 2013 and by \$46 million at December 31, 2012. The changes in credit spreads and benchmark interest rates since year-end were not significant. The fair value of fixed rate debt at March 31, 2013 and December 31, 2012 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 \$912 million at March 31, 2013, compared to \$946 million at December 31, 2012.

#### 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

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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 28, 2013 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 (including tax law changes), 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;

- our ability to control expenses related to "conflict mineral" regulations and to effectively manage our supply chains to avoid loss of customers; and

- litigation including product liability and warranty, taxation, environmental, intellectual property, anti-trust, option backdating 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 March 31, 2013 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 March 31, 2013, 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 March 31, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

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

## Environmental Matter Involving Potential Monetary Sanctions of \$100,000 or More

On March 27, 2013, Region 5 of the U.S. Environmental Protection Agency issued a Notice of Violation and Finding of Violation alleging that our subsidiary, Sterling Steel Company violated the Clean Air Act and the Illinois State Implementation Plan currently in place. Sterling operates a steel rod mill in Sterling, Illinois. The NOV alleges that Sterling, since 2008, has exceeded the allowable annual particulate matter and manganese emission limits for its arc furnace. Sterling requested a conference with the EPA to discuss the alleged violations. The conference has been scheduled for May 20, 2013.

Sterling intends to vigorously defend this matter in any enforcement action that may be pursued by the EPA. The EPA did not specify any amount of penalty or injunctive relief being sought in the NOV. Any settlement or adverse finding could result in the payment by Sterling of fines, penalties, capital expenditures, or some combination thereof.

Although the outcome of this matter cannot be predicted with certainty, we do not expect it to have a material adverse effect on our financial position, cash flows or results of operations.

## ITEM 1A. RISK FACTORS

Our 2012 Annual Report on Form 10-K filed February 28, 2013 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 which could negatively impact our earnings.

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)	March 31, 2013 Book Value	% of Total Assets	
Goodwill	\$984.2		
Other intangibles	211.3		
Total goodwill and other intangibles	\$1,195.5	35	%
Net property, plant and equipment	\$566.8		
Other long-lived assets	140.9		
Total net property, plant and equipment and other long-lived assets	\$707.7	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 (Store Fixtures) only exceeded book value by approximately 10%. The fair market values of all other reporting units exceeded book value by more than 35%. 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 earnings.

The goodwill associated with the Store Fixtures reporting unit was approximately \$111 million at March 31, 2013.

The unit is dependent upon capital spending by retailers on both new stores and remodeling of existing stores.

Although recent

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performance has met expectations, the predictability of future results is less certain than that of our other reporting units due to the project nature of this business. If we are not able to maintain recent performance levels, future impairments could be possible.

As part of our ongoing strategic planning process to help guide decisions regarding business unit roles, we are currently reviewing the Commercial Vehicle Products (CVP) Group in the Specialized Products Segment. Although future plans for this group have not yet been finalized, we are exploring possible strategic alternatives, one of which is the possibility of divesting this business. As we work through the future expectations and various scenarios related to this business, the assumptions used in estimating fair value for this group could change significantly, and future impairments could be possible. The goodwill associated with the CVP group was \$76 million at March 31, 2013.

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	March 31, 2013 goodwill value (in millions)	Sales 10-year compound annual growth rate range	Terminal values long-term growth rate	Discount rate ranges
10-25%	\$110.6	3.9%	3%	11.0%
25%+	873.6	1.4% - 6.4%	3%	7.5% - 9.5%
	\$984.2	1.4% - 6.4%	3%	7.5% - 11.0%

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### Issuer Purchases of Equity Securities

The table below is a listing of our purchases of the Company's common stock by calendar month during the first quarter of 2013.

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)
January 2013	—	\$—	—	10,000,000
February 2013	730,695	\$30.13	606,077	9,393,923
March 2013	612,076	\$32.28	545,000	8,848,923
Total	1,342,771	\$31.11	1,151,077	

This number includes 191,694 shares which were not repurchased as part of a publicly announced plan or program, (1) 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.

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 (2) 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 2.1 - Purchase Agreement for Western Pneumatic Tube Holding, LLC by and among Leggett & Platt, Incorporated; Tincum Capital Partners II, L.P.; Tincum Capital Partners II Parallel Fund, L.P.; Tincum Capital Partners II Executive Fund, L.L.C.; and various other entities and individuals named on the signature pages of the Purchase Agreement, dated December 20, 2011, filed December 21, 2011 as Exhibit 2.1 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845) Schedules to the Purchase Agreement have been omitted pursuant to Item 601 (b)(2) of Regulation S-K. Exhibit 2.1 contains a list briefly identifying the contents of all omitted schedules. The Company agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.
- Exhibit 10.1 - Form of Restricted Stock Unit Award, filed March 6, 2013 as Exhibit 10.1 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845)
- Exhibit 10.2 - Employment Agreement between the Company and David S. Haffner, dated March 1, 2013, filed March 6, 2013 as Exhibit 10.2 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845)
- Exhibit 10.3 - Employment Agreement between the Company and Karl G. Glassman, dated March 1, 2013, filed March 6, 2013 as Exhibit 10.3 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845)
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- Exhibit 10.9 - Award Formula for 2013-2014 Profitable Growth Incentive Program, filed March 6, 2013 as Exhibit 10.9 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845)



- Exhibit 10.10 - 2013 Award Formula under the Company's 2009 Key Officers Incentive Plan, filed April 1, 2013 as Exhibit 10.1 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845)
- Exhibit 10.11 - Summary Sheet for Executive Cash Compensation, filed April 1, 2013 as Exhibit 10.2 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845)
- Exhibit 10.12 - The Company's 2009 Key Officers Incentive Plan, effective as of January 1, 2009, filed March 26, 2009 as Appendix B to the Company's Proxy Statement, is incorporated by reference. (SEC File No. 001-07845)

Exhibit 10.13	-	Form of Indemnification Agreement approved by the shareholders of the Company and entered into between the Company and its directors and executive officers, filed March 28, 2002 as Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 2001, 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 May 9, 2013.
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 May 9, 2013.
Exhibit 32.1*	-	Certification of David S. Haffner, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 9, 2013.
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Exhibit 101.SCH**	-	XBRL Taxonomy Extension Schema.
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\* 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 March 31, 2013 and December 31, 2012; (ii) Consolidated Condensed Statements of Operations for the three months ended March 31, 2013 and March 31, 2012;
- (iii) Consolidated Statements of Comprehensive Income (Loss) for the three months ended March 31, 2013 and March 31, 2012; (iv) Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 2013 and March 31, 2012; 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: May 9, 2013

By: /s/ DAVID S. HAFFNER  
David S. Haffner  
Chief Executive Officer

DATE: May 9, 2013

By: /s/ MATTHEW C. FLANIGAN  
Matthew C. Flanigan  
Executive Vice President – Chief Financial  
Officer

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