LEGGETT & PLATT INC
Form 10-K
February 24, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

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 **(State or other jurisdiction of incorporation or organization)**	**44-0324630** **(I.R.S. Employer Identification No.)**
No. 1 Leggett Road	
Carthage, Missouri	**64836**

(Address of principal executive offices)	(Zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

Indicate by check mark whether the registrant 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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the voting stock held by non-affiliates of the registrant (based on the closing price of our common stock on the New York Stock Exchange) on June 30, 2010 was approximately $2,830,000,000.

There were 146,401,741 shares of the Registrant s common stock outstanding as of February 15, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Part of Item 10, and all of Items 11, 12, 13 and 14 of Part III are incorporated by reference from the Company s definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2011.

TABLE OF CONTENTS

LEGGETT & PLATT, INCORPORATED FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2010

Table of Contents

Forward-Looking Statements

This Annual Report on Form 10-K 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. forward-looking statements, whether written or oral, and whether made by us or on our behalf, are expressly qualified by the cautionary statements described in this provision.

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

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

- factors that could affect the industries or markets in which we participate, such as growth rates and opportunities in those industries;
- adverse changes in inflation, currency, political risk, U.S. or foreign laws or regulations, interest rates, housing turnover, employment levels, consumer sentiment, trends in capital spending and the like;
- factors that could impact raw materials and other costs, including the availability and pricing of steel rod and scrap and other raw materials, the availability of labor, wage rates and energy costs;
- our ability to pass along raw material cost increases through increased selling prices;
- price and product competition from foreign (particularly Asian and European) and domestic competitors;
- our ability to improve operations and realize cost savings (including our ability to fix under-performing operations);
- our ability to maintain profit margins if our customers change the quantity and mix of our components in their finished goods;
- our ability to achieve expected levels of cash flow;

Table of Contents

- a decline in the long-term outlook for any of our reporting units that could result in asset impairment; and
- litigation including product liability and warranty, product advertising, taxation, environmental, intellectual property, anti-trust and workers compensation expense.

PART I

Item 1. Business.

Summary

Leggett & Platt, Incorporated was founded as a partnership in Carthage, Missouri in 1883 and was incorporated in 1901. The Company, a pioneer of the steel coil bedspring, has become an international diversified manufacturer that conceives, designs and produces a wide range of engineered components and products found in many homes, offices, retail stores and automobiles. As discussed below, our operations are organized into 19 business units, which are divided into 10 groups under our four segments: Residential Furnishings; Commercial Fixturing & Components; Industrial Materials; and Specialized Products. In addition, certain of our former businesses are classified as discontinued operations.

Overview of Our Segments

Residential Furnishings Segment

Our Residential Furnishings segment began with an 1885 patent of the steel coil bedspring. Today, we supply a variety of components used by bedding and upholstered furniture manufacturers in the assembly of their finished products. Our range of products offers our customers a single source for many of their component needs.

Long production runs, internal production of key raw materials, and numerous manufacturing and assembly locations allow us to supply many customers with components at a lower cost than they can produce themselves. In addition to cost savings, sourcing components from us allows our customers to focus on designing, merchandising and marketing their products.

Table of Contents

PART I

Products

Products manufactured or distributed by our Residential Furnishings groups include:

Bedding Group

- Innersprings (sets of steel coils, bound together, that form the core of a mattress)
- Wire forms for mattress foundations

Furniture Group

- Steel mechanisms and hardware (enabling furniture to recline, tilt, swivel, rock and elevate) for reclining chairs and sleeper sofas
- Springs and seat suspensions for chairs, sofas and loveseats
- Steel tubular seat frames
- Bed frames, ornamental beds, and top-of-bed accessories
- Power foundations

Fabric & Carpet Underlay Group

- Structural fabrics for mattresses, residential furniture and industrial uses
- Carpet underlay materials (bonded scrap foam, felt, rubber and prime foam)
- Geo components (synthetic fabrics and various other products used in ground stabilization, drainage protection, erosion and weed control, as well as silt fencing)

Customers

Most of our Residential Furnishings customers are manufacturers of finished bedding products (mattresses and foundations) or upholstered furniture for residential use. We also sell many products, including ornamental beds, bed frames, power foundations, carpet underlay, and top-of-bed accessories, directly to retailers and distributors. We sell geo components products primarily to dealers, contractors, landscapers, road construction companies and government agencies.

Commercial Fixturing & Components Segment

Our Fixture & Display group designs, produces, installs and manages our customers store fixtures and point-of-purchase projects. Our Office Furniture Components group designs, manufactures, and distributes a wide range of engineered components targeted for the office seating market.

Table of Contents

PART I

Products

Products manufactured or distributed by our Commercial Fixturing & Components groups include:

Fixture & Display Group

- Custom-designed, full store fixture packages for retailers, including shelving, counters, showcases and garment racks
- Standardized shelving used by large retailers, grocery stores and discount chains
- Point-of-purchase displays

Office Furniture Components Group

- Bases, columns, back rests, casters and frames for office chairs, and control devices that allow office chairs to tilt, swivel and elevate

Customers

Customers of the Commercial Fixturing & Components segment include:

- Retail chains and specialty shops
- Brand name marketers and distributors of consumer products
- Office, institutional and commercial furniture manufacturers

Industrial Materials Segment

We believe that the quality of the Industrial Materials segment s products and services, together with low cost, have made us the leading U.S. supplier of drawn steel wire and a major producer of welded steel tubing. Our Wire group operates a steel rod mill with an annual output of approximately 500,000 tons, of which a substantial majority is used by our own wire mills. We have six wire mills that supply virtually all the wire consumed by our other domestic businesses. Our Tubing group operates two major plants that also supply nearly all of our internal needs for welded steel tubing. In addition to supporting our internal requirements, the Industrial Materials segment supplies many external customers with wire and tubing products.

Table of Contents

PART I

Products

Products manufactured or distributed by our Industrial Materials groups include:

Wire Group

- Steel rod
- Drawn wire
- Steel billets
- Fabricated wire products

Tubing Group

- Welded steel tubing
- Fabricated tube components

Customers

We use about half of our wire output and about one-quarter of our welded steel tubing output to manufacture our own products. For example, we use our wire and steel tubing to make:

- Bedding and furniture components
- Motion furniture mechanisms
- Commercial fixtures, point-of-purchase displays and shelving
- Automotive seat components and frames

The Industrial Materials segment also has a diverse group of external customers, including:

- Bedding and furniture makers
- Automotive seating manufacturers
- Lawn and garden equipment manufacturers
- Mechanical spring makers
- Waste recyclers and waste removal businesses
- Medical supply businesses

Specialized Products Segment

Our Specialized Products segment designs, produces and sells components for automotive seating, specialized machinery and equipment, and service van interiors. Our established design capability and focus on product development have made us a leader in innovation. We also benefit from our broad geographic presence and our internal production of key raw materials and components.

Products

Products manufactured or distributed by our Specialized Products groups include:

Automotive Group

- Manual and power lumbar support and massage systems for automotive seating
- Seat suspension systems
- Automotive control cables, such as shift cables, cruise-control cables, seat belt cables, accelerator cables, seat control cables and latch release cables
- Low voltage motors and actuation assemblies
- Formed metal and wire components for seat frames

Machinery Group

- Full range of quilting machines for mattress covers
- Machines used to shape wire into various types of springs
- Industrial sewing/finishing machines

Commercial Vehicle Products Group

- Van interiors (the racks, shelving and cabinets installed in service vans)
- Docking stations that mount computers and other electronic equipment inside vehicles
- Specialty trailers used by telephone, cable and utility companies

Customers

Our primary customers for the Specialized Products segment include:

- Automobile seating manufacturers
- Bedding manufacturers
- Telecom, cable, home service and delivery companies

Strategic Direction

In November 2007 we outlined significant changes to the Company s strategy. We adopted a new primary financial metric, Total Shareholder Return, *(TSR = (Change in Stock Price + Dividends Received) / Beginning Stock Price)*, changed the priorities for use of cash, adopted role-based portfolio management and implemented more rigorous strategic planning. Our goals were to: i) divest or fix low performing businesses, ii) return more cash to investors, iii) improve margins and returns on the businesses we keep, and iv) then begin to carefully and conservatively grow the Company (at 4-5% of annual revenue).

Table of Contents

PART I

We have made significant progress over the past three years. The divestitures were largely complete by the end of 2008; margins and returns have improved; and we have returned much of our excess cash to our shareholders through higher dividends and share repurchases. Our focus now is two-part: i) continue improving margins, and ii) begin laying the groundwork for long-term 4-5% growth.

Some of the activities associated with the change in strategy led to asset impairment and restructuring costs during the past three years. For information related to those costs, see Note C on page 86 and Note D on page 90 in the Notes to Consolidated Financial Statements.

Key Financial Metric

TSR is the primary financial metric we use to monitor performance. Our goal is to achieve TSR in the top 1/3 of the S&P 500, over the long term. For the three-year period ended December 31, 2010 we generated TSR of 16% per year, on average, which places us in the top 8% of the S&P 500.

We employ four key levers to achieve TSR: i) revenue growth, ii) margin expansion, iii) dividends, and iv) share repurchases. In 2008, dividends and stock buyback largely drove our TSR; during 2009, we benefited significantly from margin improvement; and in 2010, revenue growth (from improved market demand) boosted TSR. We expect that this balanced approach will generate consistently higher TSR.

Consistent with the change in our strategy, we modified some of our incentive plans to emphasize the importance of TSR. Beginning in January 2008, we introduced a new performance incentive for senior executives based solely on 3-year TSR relative to a group of 320 peers. We also modified business unit bonuses to give more importance to achieving higher returns on the assets under their direct control.

More Cash to Shareholders

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

During the past three years, we generated approximately $1.8 billion of cash flow from operations and divestitures. Furthermore, as anticipated, since 2007 we ve reduced combined annual spending for acquisitions and capital expenditures by over 70% (to $73 million in 2010).

Since late 2007, we have raised quarterly dividends by 50%, from $.18 per share to $.27 per share currently. During the past three years, we have also spent over $600 million to repurchase 33 million shares of our stock, which reduced outstanding shares by approximately 13%. In

2010, we repurchased over 6 million shares at an average per share price of $21.64 (and issued 4 million shares through employee benefit plans) (most of these shares are purchased by employees in lieu of cash compensation).

Table of Contents

PART I

Portfolio Management

We manage our business units as a portfolio, with different roles (Grow, Core, Fix, Divest) for each business unit based upon competitive advantages, strategic position, and financial health. We undergo a rigorous strategic planning process, in part to assess each business unit s portfolio role. Business units in the Grow category should provide avenues for profitable growth in competitively advantaged positions. Core business units are expected to enhance productivity, maintain market share, and generate cash flow from operations while using minimal capital. Business units in the Fix category will be given a limited time in which to significantly improve performance. Finally, a few small business units (or portions of business units) are considered non-strategic, and may be divested as the M&A market recovers and allows for reasonable sales prices.

To remain in the portfolio, business units are expected to consistently generate after-tax returns in excess of the Company s cost of capital. Each business unit has opportunity to improve, and may employ a variety of means to achieve higher returns including trimming expenses, introducing new products, improving productivity, adopting more disciplined pricing, reducing working capital, and consolidating assets. Business units that fail to consistently generate after-tax returns in excess of our cost of capital will move to the Fix or Divest categories.

During 2009 and 2010 significant effort went into improving margins. EBIT margin for 2009 was 7.5% on $3.06 billion of sales while EBIT margin for 2010 was 8.6% on sales of $3.36 billion. Gross margin for 2009 and 2010 was 20.6% and 19.5%, respectively.

Disciplined Growth

Consistent with the plan we unveiled in 2007, we are now beginning to devote resources to the next phase of our strategy. We aim to eventually achieve consistent, long-term, profitable growth of 4-5% annually. To achieve this goal, we will need to supplement the approximate 2%-3% growth that our markets typically produce (in normal economic times) with two additional areas of opportunity. First, we must enhance our success rate at developing and commercializing innovative new products within markets in which we already enjoy strong competitive positions. Second, we need to uncover new growth platforms; opportunities in markets new to us, and in which Leggett would possess a competitive advantage.

Both efforts are receiving significant management attention and priority, and we are making progress in both areas. We have had success this past year with new products introduced in our office components, automotive, and home furniture components businesses. Though individually those were modest successes, collectively they added to sales and earnings growth in 2010. In addition, we have instituted some of the processes that need to be in place to identify new market opportunities. Successful development of new growth platforms will take time; we do not anticipate significant contributions from these activities in the near term.

Table of Contents

PART I

Acquisitions and Divestitures

Historically, our typical acquisition targets have been small, private, profitable, entrepreneurial companies that manufacture goods either within our existing product lines or one step away from those product lines and complementary to our existing businesses. As part of our change in strategic direction, we expect fewer and more strategic acquisitions to be completed. All acquisitions should create value by enhancing TSR; they should have clear strategic rationale and sustainable competitive advantage in attractive markets.

Acquisitions

We have had no significant acquisitions in the last three years. For further information about acquisitions, see Note R on page 118 of the Notes to Consolidated Financial Statements.

Divestitures

During the past three years we divested seven businesses (as a part of our strategic realignment), including the entire Aluminum Products segment, for total after-tax cash proceeds of $433 million. The largest portion of these proceeds ($408 million) related to the divestitures completed in 2008.

2010 Divestiture

We divested the Storage Products business unit (previously in the Commercial Fixturing & Components segment) in the third quarter of 2010. No significant gains or losses were realized on the sale of this business unit. Storage Products is reflected as a discontinued operation with 2010 revenue of approximately $37 million.

2009 Divestiture

We divested the Coated Fabrics business unit (previously in the Residential Furnishings segment) in the third quarter of 2009. No significant gains or losses were realized on the sale of this unit. Coated Fabrics is reflected as a discontinued operation with 2009 revenue of approximately $12 million.

2008 Divestitures

We divested five significant businesses in 2008 with annualized sales of approximately $780 million. The largest divestiture (approximately $485 million in annualized revenue) was the Aluminum Products segment which was sold in July 2008. We also sold four other business units in 2008 Wood Products and Fibers (previously in the Residential Furnishings segment); Plastics (previously in the Commercial Fixturing & Components segment); and the dealer portion of Commercial Vehicle Products (previously in the Specialized Products segment). All of these businesses have been classified as discontinued operations.

For further information about divestitures and discontinued operations, see Note B on page 84 of the Notes to Consolidated Financial Statements.

Segment Financial Information

For information about sales to external customers, sales by product line, earnings before interest and taxes, and total assets of each of our segments, refer to Note F on page 94 of the Notes to Consolidated Financial Statements.

Foreign Operations

The percentages of our external sales from continuing operations related to products manufactured outside the United States for the previous three years are shown below.

Our international operations are principally located in China, Europe, Canada and Mexico. The products we make in these countries primarily consist of:

China

- Innersprings for mattresses
- Recliner mechanisms and bases for upholstered furniture
- Formed wire for upholstered furniture
- Retail store fixtures and gondola shelving
- Office furniture components, including chair bases and casters
- Formed metal products, lumbar and seat suspension systems for automotive seating
- Cables and small electric motors used in lumbar systems for automotive seating
- Machinery and replacement parts for machines used in the bedding industry

Europe

Innersprings for mattresses

Wire and wire products

Table of Contents

PART I

- Lumbar and seat suspension systems for automotive seating
- Machinery and equipment designed to manufacture innersprings for mattresses and other bedding-related components
- Design and distribution of point-of-purchase displays for retailers

Canada

- Innersprings for mattresses
- Fabricated wire for the bedding, furniture and automotive industries
- Chair bases, table bases and office chair controls
- Lumbar supports for automotive seats
- Wire and steel storage systems and racks for the interior of service vans and utility vehicles

Mexico

- Innersprings and fabricated wire for the bedding industry
- Retail shelving and point-of-purchase displays
- Automotive control cable systems and seating components
- Shafts for the appliance industry

Our international expansion strategy is to locate our operations where we believe demand for components is growing. Also, in instances where our customers move the production of their finished products overseas, we have located facilities nearby to supply them more efficiently.

Our international operations face the risks associated with any operation in a foreign country. These risks include:

- Foreign currency fluctuation
- Foreign legal systems that make it difficult to protect intellectual property and enforce contract rights
- Credit risks
- Increased costs due to tariffs, customs and shipping rates
- Potential problems obtaining raw materials, and disruptions related to the availability of electricity and transportation during times of crisis or war
- Nationalization of private enterprises
- Political instability in certain countries

Our Specialized Products segment, which derives 77% of its trade sales from foreign operations, is particularly subject to the above risks. These and other foreign-related risks could result in cost increases, reduced profits, the inability to carry on our foreign operations and other adverse effects on our business.

Table of Contents

PART I

Geographic Areas of Operation

We have production, warehousing and distribution facilities in countries around the world. Below is a list of countries where we have facilities associated with continuing operations:

	Residential Furnishings	Commercial Fixturing & Components	Industrial Materials	Specialized Products
North America				
Canada	n	n		n
Mexico	n		n	n
United States	n	n	n	n
Europe				
Austria				n
Belgium				n
Croatia	n			n
Denmark	n			
Germany				n
Hungary				n
Italy		n		n
Switzerland				n
United Kingdom	n	n		n
South America				
Uruguay	n			
Brazil	n			
Asia / Pacific				
Australia	n			
China	n	n		n
India				n
South Korea				n
Africa				
South Africa	n			

For further information concerning our external sales from continuing operations related to products manufactured outside the United States and our tangible long-lived assets outside the United States, refer to Note F on page 94 of the Notes to Consolidated Financial Statements.

Table of Contents

PART I

Sales by Product Line

The following table shows our approximate percentage of external sales from continuing operations by classes of similar products for the last three years:

Product Line	2010	2009	2008
Bedding Group	19%	21%	19%
Furniture Group	18	18	16
Fabric & Carpet Underlay Group	15	16	16
Wire Group	13	12	14
Fixture & Display Group	11	11	12
Automotive Group	11	8	8
Office Furniture Components Group	5	5	5
Commercial Vehicle Products Group	3	4	4
Machinery Group	3	3	3
Tubing Group	2	2	3

Distribution of Products

In each of our segments, we sell and distribute our products primarily through our own sales personnel. However, many of our businesses have relationships and agreements with outside sales representatives and distributors. We do not believe any of these agreements or relationships would, if terminated, have a material adverse effect on the consolidated financial condition or results of operations of the Company.

Raw Materials

The products we manufacture in continuing operations require a variety of raw materials. Among the most important are:

- Various types of steel, including scrap, rod, wire, coil, sheet and angle iron
- Foam scrap
- Woven and non-woven fabrics

We supply our own raw materials for many of the products we make. For example, we produce steel rod that we make into steel wire, which we then use to manufacture:

- Innersprings and foundations for mattresses
- Springs and seat suspensions for chairs and sofas

Displays, shelving and racks for retailers
Automotive seating components

We supply the majority of our steel rod requirements through our own rod mill. Our own wire drawing mills supply nearly all of our U.S. requirements for steel wire. We also produce welded steel tubing both for our own consumption and for sale to external customers. In addition, we believe that worldwide supply sources are available for all the raw materials we use.

We have experienced volatility in raw material prices over the past few years, most notably in steel. In most cases, the major changes (both increases and decreases) were

14

Table of Contents

passed through to customers with selling price adjustments. Significant steel cost increases in 2008 were followed by significant cost decreases in 2009 as global economies weakened. In both cases, we generally adjusted pricing to our customers to reflect the changes in commodity costs. In late 2009 and early 2010, steel costs increased, and again we implemented price increases to recover the majority of the higher costs. By the end of 2010, we were facing further inflation in steel costs, and announced and began implementing additional price increases in early 2011.

The degree to which we are able to mitigate or recover higher costs, should they occur, could influence our future earnings. Also, if raw material costs decrease there may be downward pressure on selling prices, temporarily resulting in lower segment margins, as we consume higher cost inventories.

Higher raw material costs in recent years have led some of our customers to modify their product designs, changing the quantity and mix of our components in their finished goods. In some cases, higher cost components have been replaced with lower cost components, causing us to shift production accordingly. This has primarily impacted profit margins in our Residential Furnishings and Industrial Materials segments. We are responding by developing new products (including new types of innersprings, box springs and reclining chair mechanisms) that enable our customers to reduce their total costs, and in certain instances, provide higher margin and profit contribution for our operations.

Customer Concentration

We serve thousands of customers worldwide, sustaining many long-term business relationships. In 2010, our largest customer accounted for approximately 6% of our consolidated revenues from continuing operations. Our top 10 customers accounted for approximately 22% of these consolidated revenues. The loss of one or more of these customers could have a material adverse effect on the Company, as a whole, or on the respective segment in which the customer s sales are reported, including our Residential Furnishings, Commercial Fixturing & Components and Specialized Products segments.

Table of Contents

PART I

Patents and Trademarks

The chart below shows the approximate number of patents issued, patents in process, trademarks registered and trademarks in process held by our operations. No single patent or group of patents, or trademark or group of trademarks, is material to our continuing operations.

Some of our most significant trademarks include:

Semi-Flex® (boxspring components and foundations)
Mira-Coil®, VertiCoil®, Lura-Flex® and **Superlastic®** (mattress innersprings)
Lifestyles , S-cape® and **Adjustables® by Leggett & Platt®** (power foundations)
Wall Hugger® (recliner chair mechanisms)
Super Sagless® (motion and sofa sleeper mechanisms)
No-Sag® (wire forms used in seating)
Tack & Jump® and **Pattern Link®** (quilting machines)
Hanes® (fiber materials)
Schukra®, Pullmaflex® and **Flex-O-Lator®** (automotive seating products)
Spuhl® (mattress innerspring manufacturing machines)
Gribetz and **Porter®** (quilting and sewing machines)
Quietflex® and **Masterack®** (equipment and accessories for vans and trucks)

Research and Development

We maintain research, engineering and testing centers in Carthage, Missouri and do additional research and development work at many of our other facilities. We are unable to calculate precisely the cost of research and development because the personnel involved in product and machinery development also spend portions of their time in other areas. However, we estimate the cost of research and development associated with continuing operations ranged from $20 to $30 million per year in each of the last three years.

Employees

As of December 31, 2010, we had approximately 19,000 employees, of which roughly 13,600 were engaged in production. Of the 19,000, approximately 8,700 were international employees (5,000 in China). Labor unions represented roughly 11% of our employees. We did not experience any material work stoppage related to contract negotiations with labor unions during 2010. Management is not aware of any circumstances likely to result in a material work stoppage related to contract negotiations with labor unions during 2011. The chart below shows the approximate number of employees by segment.

As of December 31, 2009, we had approximately 18,500 employees.

Competition

Many companies offer products that compete with those we manufacture and sell. The number of competing companies varies by product line, but many of the markets for our products are highly competitive. We tend to attract and retain customers through product quality, innovation, competitive pricing and customer service. Many of our competitors try to win business primarily on price but, depending upon the particular product, we experience competition based on quality, performance and availability as well.

We believe we are the largest U.S. manufacturer, in terms of revenue, of the following:

- Components for residential furniture and bedding
- Carpet underlay
- Power foundations
- Components for office furniture
- Drawn steel wire
- Automotive seat support and lumbar systems
- Bedding industry machinery for wire forming, sewing and quilting

Table of Contents

PART I

We continue to face pressure from foreign competitors as some of our customers source a portion of their components and finished products offshore. In addition to lower labor rates, foreign competitors benefit (at times) from lower raw material costs. They may also benefit from currency factors and more lenient regulatory climates related to safety and environmental matters. We typically remain price competitive, even versus many foreign manufacturers, as a result of our highly efficient operations, low labor content, vertical integration in steel and wire, and large scale purchasing of raw materials and commodities. However, we have also reacted to foreign competition in certain cases, by selectively adjusting prices, and by developing new proprietary products that help our customers reduce total costs. In instances where our customers move production of their finished products overseas, our operations must be located nearby to supply them efficiently. We currently operate 10 facilities in China.

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

We experienced a temporary loss of market share during the last half of 2010 as certain of our customers purchased a portion of their innerspring requirements from European suppliers. The opportunity to buy these components at a lower price resulted from a combination of factors that benefited European suppliers in the early summer: i) the weaker Euro, ii) temporarily lower raw material costs in Europe, and iii) greater excess capacity as a result of last summer s economic turmoil in Europe. Because of the slowing of consumer demand for mattresses in the last half of 2010, it took longer for these imported products to be consumed, but by year-end, we had regained the majority of the volume.

Seasonality

As a diversified manufacturer, we generally have not experienced significant seasonality. The timing of acquisitions, dispositions, and economic factors in any year can distort the underlying seasonality in certain of our businesses. Historically, for the Company as a whole, the second and third quarters typically have proportionately greater sales, while the first and fourth quarters are generally lower. However, in 2010, sales in the first and second quarters were higher on strength in our Residential Furnishings and Commercial Fixturing & Components segments. Consumer demand for bedding and furniture was stronger during the first half of the year, we believe in part due to larger income tax refunds and home purchasing incentives. Demand for store fixtures was also

Table of Contents

stronger in the first half of the year, as retailers increased store remodeling activity (a larger portion of which occurred in the earlier part of the year) and decreased new store construction. Notwithstanding 2010, our four segments tend to experience seasonality as follows:

Residential Furnishings: typically has the strongest sales in the second and third quarters due to increased consumer demand for bedding and furniture during those periods.

Commercial Fixturing & Components: generally has heavy third quarter sales of its store fixture products, with the first and fourth quarters normally lower. This aligns with the retail industry s normal construction cycle the opening of new stores and completion of remodeling projects in advance of the holiday season.

Industrial Materials: minimal variation in sales throughout the year.

Specialized Products: relatively little quarter-to-quarter variation in sales, although the automotive business is typically somewhat heavier in the second and fourth quarters of the year and lower in the third quarter due to model changeovers and plant shutdowns in the automobile industry during the summer.

Backlog

Our customer relationships and our manufacturing and inventory practices do not create a material amount of backlog orders for any of our segments. Production and inventory levels are geared primarily to the level of incoming orders and projected demand based on customer relationships.

Working Capital Items

For further information regarding working capital items, see the discussion of Cash from Operations in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations on page 48.

Environmental Regulation

Our operations are subject to federal, state, and local laws and regulations related to the protection of the environment. We have policies intended to ensure that our operations are conducted in compliance with applicable laws. While we cannot predict policy changes by various regulatory agencies, management expects that compliance with these laws and regulations will not have a material adverse effect on our competitive position, capital expenditures, financial condition, liquidity or results of operations.

The U.S. Congress has considered legislation to address climate change that is intended to reduce overall green house gas emissions, including carbon dioxide. Similar initiatives have also been pursued at the state level. In addition, the U.S. Environmental Protection Agency has made a determination that green house gas emissions may be a threat to human health and the environment. It is uncertain if, when, and in what form, a mandatory carbon dioxide emissions reduction program may be enacted either through legislation or regulation. However, if enacted, this type of program could materially

PART I

increase our operating costs, including costs of raw materials, transportation and electricity. In that event, our intent would be to raise prices in order to cover the cost increases.

Internet Access to Information

We routinely post information for investors to our website (www.leggett.com) under the Investor Relations section. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are made available, free of charge, on our website as soon as reasonably practicable after electronically filed with, or furnished to, the SEC. In addition to these reports, the Company s Financial Code of Ethics, Code of Business Conduct and Ethics and Corporate Governance Guidelines, as well as charters for its Audit, Compensation, and Nominating and Corporate Governance Committees of our Board of Directors can be found on our website. Information contained on our website does not constitute part of this Annual Report on Form 10-K.

Discontinued Operations

Several of our prior businesses are disclosed in our annual financial statements as discontinued operations since (i) the operations and cash flows of the businesses were clearly distinguished and have been eliminated from our ongoing operations; (ii) the businesses have been disposed of; and (iii) we do not have any significant continuing involvement in the operations of the businesses. The discontinued operations include:

Aluminum Products segment. We divested this segment in July 2008. It produced and sold non-automotive aluminum, zinc and magnesium die castings, and new and refurbished dies (also known as molds or tools) for all types and sizes of die casting machines. It also provided machining, coating, finishing, sub-assembly and other value-added services for die cast components. These products and services were sold into various end markets.

Wood Products unit, Fibers unit and the Coated Fabrics unit (each previously reported in the Residential Furnishings segment).

(i) We divested the Wood Products unit in the third quarter of 2008. It sold wood frames and cut-to-size dimension lumber to bedding manufacturers.
(ii) We divested the Fibers unit in the fourth quarter of 2008. It sold fiber cushioning material primarily to bedding and upholstered furniture manufacturers.
(iii) We divested the Coated Fabrics unit in the third quarter of 2009. It sold non-slip rug underlay and shelf liners primarily to retailers and distributors.

Plastics unit and the Storage Products unit (each previously reported in the Commercial Fixturing & Components segment).

(i)

The Plastics unit, which was divested in the third quarter of 2008, sold injection molded plastic components primarily for manufacturers of lawn care equipment and power tools.

(ii) The Storage Products unit was divested in the third quarter of 2010. It sold storage racks and carts used in the food service and healthcare industries.

PART I

An automotive seating components operation and the dealer portion of the Commercial Vehicle Products unit (each previously reported in the Specialized Products segment).

(i) The automotive seating components operation, which we divested in the first quarter of 2008, sold welded assemblies, and wire and tubular frames for automotive seating.

(ii) We divested the dealer portion of the Commercial Vehicle Products unit in the third quarter of 2008. It sold truck bodies for cargo vans, flatbed trucks, service trucks and dump trucks primarily to end-users of light-to-medium duty commercial trucks.

For further information on discontinued operations, see Note B on page 84 of the Notes to Consolidated Financial Statements.

Item 1A. Risk Factors.

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.

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

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

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

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

We serve customers in a variety of industries, some of which have and are continuing to experience low levels of demand due to a weak global economy. A sustained economic downturn increases the possibility that one or more of our significant customers, or a group of less significant customers, could become insolvent, which could adversely impact our sales, net earnings, financial condition, cash flow and liquidity.

Table of Contents

PART I

Costs of raw materials could negatively affect our operating results.

Raw material cost increases (and our ability to respond to cost increases through selling price increases) can significantly impact our earnings. We typically have short-term commitments from our suppliers; therefore, our raw material costs move with the market. When we experience significant increases in raw material costs, we implement price increases to recover the higher costs. Inability to recover cost increases (or a delay in the recovery time) can negatively impact our earnings. Also, if raw material costs decrease, we generally pass through reduced selling prices to our customers. Reduced selling prices tied to higher cost inventory reduces our segment margins and earnings.

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

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

We may not be able to realize deferred tax assets on our balance sheet depending upon the amount and source of future taxable income.

Our ability to realize deferred tax assets on our balance sheet is dependent upon the amount and source of future taxable income. Economic uncertainty or tax law changes could change our underlying assumptions on which valuation reserves are established and negatively affect future period earnings and balance sheets.

Asian and European competition could adversely affect our operating results.

We operate in markets that are highly competitive. We believe that most companies in our lines of business compete primarily on price, but, depending upon the particular product, we experience competition based on quality, performance and availability as well. We face ongoing pressure from foreign competitors as some of our customers source a portion of their components and finished products from Asia and Europe. If we are unable to purchase key raw materials, such as steel, at prices competitive with those of foreign suppliers, our ability to maintain market share and profit margins could be harmed.

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

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. At December 31, 2010, goodwill and other intangible assets represented approximately $1.08 billion, or approximately 36% of our total assets. In addition, net property, plant and equipment, sundry assets and non-current assets held for sale totaled approximately $700 million, or approximately 23% of total assets.

Table of Contents

PART I

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 2010 indicated no goodwill impairments. At December 31, 2010, goodwill associated with reporting units whose fair values exceeded the carrying value by 10-25% was approximately $190 million; and $740 million of goodwill was associated with reporting units that had fair values in excess of the carrying values by greater than 25%.

For the year ended 2010, other long-lived asset impairments were $2.4 million, of which $1.5 million was recognized in continuing operations.

If actual results differ from the assumptions and estimates used in the goodwill and long-lived asset calculations, we could incur impairment charges, which could negatively impact our results of operations.

We are exposed to foreign currency risk.

We expect that international sales will continue to represent a significant percentage of our total sales, which exposes us to currency exchange rate fluctuations. In 2010, 28% of our sales from continuing operations were generated by international operations. The revenues and expenses of our foreign operations are generally denominated in local currencies; however, certain of our operations experience currency-related gains and losses where sales or purchases are denominated in currencies other than their local currency. Further, our competitive position may be affected by the relative strength of the currencies in countries where our products are sold. Foreign currency exchange risks inherent in doing business in foreign countries may have a material adverse effect on our future operations and financial results.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company s corporate office is located in Carthage, Missouri. At December 31, 2010, we had 222 production, warehouse, sales and administrative facilities associated with continuing operations, of which 157 were located across the United States and 65 were located in foreign countries.

Table of Contents

PART I

Properties by Location and Segment

Locations	Company-Wide	Subtotals by Segment: Residential Furnishings	Commercial Fixturing & Components	Industrial Materials	Specialized Products
United States	157	98	18	22	19
Asia	23	8	4		11
Europe	18	5	2		11
Canada	12	4	3		5
Mexico	7	3		1	3
Other	5	5			
Total	222	123	27	23	49

Properties by Use and Segment

Use	Company-Wide	Subtotals by Segment: Residential Furnishings	Commercial Fixturing & Components	Industrial Materials	Specialized Products
Production[1]	138	67	19	16	36
Warehouse	49	37	4	4	4
Administration	21	12	2	2	5
Sales	14	7	2	1	4
Total	222	123	27	23	49

1 Includes some multi-purpose facilities with additional warehouse, sales and/or administrative uses.

Facilities that we own produced approximately 70% of our sales from continuing operations in 2010. We also lease many of our production, warehouse and other facilities on terms that vary by lease (including purchase options, renewals and maintenance costs). For additional information regarding lease obligations, see Note K on page 102 of the Notes to Consolidated Financial Statements.

In the opinion of management the Company s owned and leased facilities are suitable and adequate for the manufacture, assembly and distribution of our products. Our properties are located to allow quick and efficient delivery of products and services to our diverse customer base. Our productive capacity, in general, continues to exceed current operating levels. We face decisions about further facility consolidation but have chosen to retain excess capacity because we believe that eventually market demand will improve. With our currently low utilization levels, we should be able to readily accommodate that demand improvement up to approximately $4 billion in revenue (assuming current sales mix).

Item 3. Legal Proceedings.

The information in Note T on page 121 of the Notes to Consolidated Financial Statements is incorporated into this section by reference.

Item 4. (Removed and Reserved).

Not applicable.

Table of Contents

PART I

Supplemental Item. Executive Officers of the Registrant.

The following information is included in accordance with the provisions of Part III, Item 10 of Form 10-K and Item 401(b) of Regulation S-K.

The table below sets forth the names, ages and positions of all executive officers of the Company. Executive officers are normally appointed annually by the Board of Directors.

Name	Age	Position
David S. Haffner	58	President and Chief Executive Officer
Karl G. Glassman	52	Executive Vice President and Chief Operating Officer
Jack D. Crusa	56	Senior Vice President, Specialized Products
Joseph D. Downes, Jr.	66	Senior Vice President, Industrial Materials
Matthew C. Flanigan	49	Senior Vice President and Chief Financial Officer
Paul R. Hauser	59	Senior Vice President, Residential Furnishings
Dennis S. Park	56	Senior Vice President, Commercial Fixturing & Components
David M. DeSonier	52	Vice President, Strategy & Investor Relations
Scott S. Douglas	51	Vice President, General Counsel
John G. Moore	50	Vice President, Chief Legal & HR Officer and Secretary
William S. Weil	52	Vice President, Corporate Controller and Chief Accounting Officer

Subject to the employment and severance benefit agreements with Mr. Haffner and Mr. Glassman, and the employment agreement with Mr. Flanigan, listed as exhibits to this Report, the executive officers generally serve at the pleasure of the Board of Directors.

David S. Haffner was appointed Chief Executive Officer in 2006 and has served as President of the Company since 2002. He served as Chief Operating Officer from 1999 to 2006 and as the Company s Executive Vice President from 1995 to 2002. He has served the Company in other capacities since 1983.

Karl G. Glassman was appointed Chief Operating Officer in 2006 and has served as Executive Vice President of the Company since 2002. He served as President of the Residential Furnishings Segment from 1999 to 2006, as Senior Vice President of the Company from 1999 to 2002 and as President of Bedding Components from 1996 to 1998. He has served the Company in other capacities since 1982.

Jack D. Crusa has served the Company as Senior Vice President since 1999 and President of Specialized Products since 2003. He previously served as President of the Industrial Materials Segment from 1999 through 2004, as President of the Automotive Group from 1996 through 1999 and in various other capacities since 1986.

Joseph D. Downes, Jr. was appointed Senior Vice President of the Company in 2005 and President of the Industrial Materials Segment in 2004. He previously served the Company as President of the Wire Group from 1999 to 2004 and in various other capacities since 1976.

Matthew C. Flanigan has served the Company as Senior Vice President since 2005 and as Chief Financial Officer since 2003. Mr. Flanigan previously served the Company as Vice

Table of Contents

PART I

President from 2003 to 2005, as Vice President and President of the Office Furniture Components Group from 1999 to 2003 and as Staff Vice President of Operations from 1997 to 1999.

Paul R. Hauser became Senior Vice President of the Company in 2005 and President of the Residential Furnishings Segment in 2006. He previously served as Vice President of the Company and President of the Bedding Group from 1999 to 2006. He served in various capacities in the Company s Bedding Group since 1980.

Dennis S. Park became Senior Vice President and President of the Commercial Fixturing & Components Segment in 2006. In 2004, he was named President of the Home Furniture and Consumer Products Group and became Vice President of the Company and President of Home Furniture Components in 1996. He served the Company in various other capacities since 1977.

David M. DeSonier was appointed Vice President Strategy & Investor Relations in 2007. He served as Vice President Investor Relations and Assistant Treasurer from 2002 to 2007. He joined the Company as Vice President Investor Relations in 2000. Prior to his employment with Leggett & Platt, he worked for Atlantic Richfield (a major integrated oil company) from 1980 to 2000 in strategic planning, investor relations, financial management and analysis, and technical positions.

Scott S. Douglas has served the Company as Vice President since 2008, and General Counsel since May of 2010. He previously served as Vice President Law and Deputy General Counsel from 2008 to 2010, Associate General Counsel Mergers & Acquisitions from 2001 to 2007, and Assistant General Counsel from 1991 to 2001. He has served the Company in other capacities since 1987.

John G. Moore was appointed Secretary in January 2010, Chief Legal and HR Officer in 2009 and Vice President Corporate Affairs & Human Resources in 2008. He previously served as Vice President Corporate Governance from 2006 to 2008, as Vice President and Associate General Counsel from 2001 to 2006, and as Managing Counsel and Assistant General Counsel from 1998 to 2001. He has served the Company in other capacities since 1993.

William S. Weil has served the Company as Chief Accounting Officer since 2004. He became Vice President in 2000 and has served the Company as Corporate Controller since 1991. He previously served the Company in various other accounting capacities since 1983.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange (symbol LEG). The table below highlights quarterly and annual stock market information for the last two years.

	Price Range		Volume of Shares Traded (in Millions)	Dividend Declared
	High	Low		
2010				
First Quarter	$ 21.99	$ 17.89	97.3	$ .26
Second Quarter	25.15	19.99	121.0	.26
Third Quarter	23.33	18.83	90.2	.27
Fourth Quarter	24.33	19.71	103.5	.27
For the Year	$ 25.15	$ 17.89	412.0	$ 1.06
2009				
First Quarter	$ 15.87	$ 10.03	143.7	$ .25
Second Quarter	16.66	12.58	113.9	.25
Third Quarter	19.98	13.88	96.8	.26
Fourth Quarter	21.44	18.06	104.1	.26
For the Year	$ 21.44	$ 10.03	458.5	$ 1.02

Price and volume data reflect composite transactions; price range reflects intra-day prices; data source is Bloomberg.

Shareholders and Dividends

As of February 15, 2011, we had approximately 10,400 shareholders of record.

We are targeting a dividend payout ratio (annual dividends divided by net earnings) of 50-60%, though it has been and will likely be higher for the near term. Our dividend payout percentage was 161%, 146% and 92% in 2008, 2009 and 2010, respectively. See the discussion of the Company s targeted dividend payout under Pay Dividends in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations on page 46.

Table of Contents

PART II

Issuer Repurchases of Equity Securities

The table below is a listing of our repurchases of the Company s common stock during the fourth quarter of 2010.

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)
October 2010	160,000	$ 20.46	160,000	5,459,585
November 2010	67,886	$ 19.90	67,886	5,391,699
December 2010	982,963	$ 22.75	911,973	4,479,726
Total	**1,210,849**	**$ 22.29**	**1,139,859**	

(1) This number includes 70,990 shares which were not repurchased as part of a publicly announced plan or program, all of which were shares surrendered in transactions permitted under the Company s benefit plans. It does not include shares withheld for taxes in net option exercises and net stock unit conversions during the quarter.

(2) On August 4, 2004, the Board authorized management to repurchase up to 10 million shares each calendar year beginning January 1, 2005. This standing authorization was first reported in the quarterly report on Form 10-Q for the period ended June 30, 2004, filed August 5, 2004, and will remain in force until repealed by the Board of Directors. As such, effective January 1, 2011, the Company was authorized by the Board of Directors to repurchase up to 10 million shares in 2011.

Sale of Unregistered Shares of Common Stock

The Company issued 6,000 shares of common stock for $120,310 (at fair market value) to David S. Haffner, President and Chief Executive Officer in the fourth quarter of 2010 as set out below.

Name	Date of Issuance	Number of Shares	Price per Share	Administrative Fee	Total Purchase Price
David S. Haffner	10/25/10	1,000	$ 20.29	$ 20	$ 20,310
	11/02/10	5,000	$ 19.98	$ 100	$ 100,000
Totals		6,000		$ 120	$ 120,310

The shares were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, in that the transactions did not involve a public offering.

Table of Contents

PART II

Item 6. Selected Financial Data.

	2010	2009	2008[1, 3]	2007[2, 3]	2006[3]
(Unaudited)					
(Dollar amounts in millions, except per share data)					
Summary of Operations					
Net Sales from Continuing Operations	$ 3,359	$ 3,055	$ 4,076	$ 4,250	$ 4,267
Earnings from Continuing Operations	184	121	128	65	240
(Earnings) attributable to Noncontrolling Interest, net of tax	(6)	(3)	(5)	(6)	(4)
Earnings (loss) from Discontinued Operations, net of tax	(1)	(6)	(19)	(70)	64
Net Earnings (Loss)	177	112	104	(11)	300
Earnings per share from Continuing Operations					
Basic	1.17	.74	.73	.33	1.26
Diluted	1.16	.74	.73	.33	1.26
Earnings (Loss) per share from Discontinued Operations					
Basic	(.00)	(.04)	(.11)	(.39)	.35
Diluted	(.01)	(.04)	(.11)	(.39)	.35
Net Earnings (Loss) per share					
Basic	1.17	.70	.62	(.06)	1.61
Diluted	1.15	.70	.62	(.06)	1.61
Cash Dividends declared per share	1.06	1.02	1.00	.78	.67
Summary of Financial Position					
Total Assets	$ 3,001	$ 3,061	$ 3,162	$ 4,072	$ 4,265
Long-term Debt, including capital leases	$ 762	$ 789	$ 851	$ 1,001	$ 1,060

1 As discussed in Notes C and D beginning on pages 86 and 90 respectively, the Company incurred asset impairment and restructuring-related charges totaling $84 million in 2008. Of these charges, approximately $33 million were associated with continuing operations and $51 million related to discontinued operations.

2 As discussed in Notes C and D beginning on pages 86 and 90 respectively, the Company incurred asset impairment and restructuring-related charges totaling $305 million in 2007. Of these charges, approximately $159 million were associated with continuing operations and $146 million related to discontinued operations.

3 Amounts for 2006 through 2008 were retrospectively adjusted to reflect the reclassification of noncontrolling interests from Other expense (income), net to (Earnings) attributable to noncontrolling interest, net of tax in the Consolidated Statement of Operations.

Table of Contents

PART II

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

2010 HIGHLIGHTS

Demand improved in many of our markets during 2010. The automotive and office furniture markets experienced significant improvement from very depressed demand levels in 2009. Retail fixturing demand was also reasonably strong. Our residential bedding and furniture markets started 2010 strong but weakened in the last half of the year as consumer spending on larger-ticket items slowed.

Improved market demand led to higher sales and earnings in 2010. Activities completed over the past few years (including the divestiture of businesses under our strategic plan, closure of certain underperforming and underutilized facilities, elimination of sales with unacceptable margins, and other cost reduction initiatives) improved our cost position and enabled earnings to benefit notably from the higher volume.

During 2010, we completed the sale of the seventh, and final divestiture identified as a part of our strategic realignment. The seven divestitures collectively generated $433 million of after-tax cash proceeds (over the past three years), exceeding our original $400 million goal.

Operating cash for the full year significantly exceeded the amount required to fund capital expenditures and dividends. Our focus on return optimization was reflected in part through the low level of working capital that was maintained as sales began to recover. In August, we raised the quarterly dividend to $.27 per share and extended to 39 years our record of consecutive annual dividend increases at a 14% compound annual growth rate. We also repurchased over 6 million shares of our stock during 2010.

Our financial profile remains strong. We ended 2010 with net debt to net capital well below our long-term targeted range, no significant fixed term debt maturing until 2013, and over $500 million available under our existing commercial paper program and revolver facility.

We assess our overall performance by comparing our Total Shareholder Return (TSR), on a rolling three-year basis, to that of peer companies. We target TSR in the top one-third of the S&P 500 over the long-term, which we believe will require average TSR of 12-15% per year. For the three years ended December 31, 2010, we generated TSR of 16% per year on average, which places us in the top 8% of the S&P 500.

These topics are discussed in more detail in the sections that follow.

Table of Contents

PART II

INTRODUCTION

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, and automobiles, and many retail stores. We make components that are often hidden within, but integral to, our customers products.

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

Our Segments

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

Residential Furnishings

This segment supplies a variety of components mainly used by bedding and upholstered furniture manufacturers in the assembly of their finished products. We also sell carpet cushion, power foundations, bed frames, ornamental beds, and geo components.

Commercial Fixturing & Components

Operations in this segment 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.

PART II

Industrial Materials

These operations primarily supply steel rod, drawn steel wire, steel billets, and welded steel tubing to other Leggett operations and to external customers. Our customers use this wire and tubing to make bedding, furniture, automotive seats, mechanical springs, and many other end products. We also supply fabricated wire products, such as shaped wire for automotive and medical supply application; tying heads, boxed wire, and parts for automatic baling equipment; coated wire products, including dishwasher racks, and wire retail fixtures and point-of-purchase displays.

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.

Discontinued Operations and Divestitures

During the past three years, we divested seven businesses (approximately 15% of our portfolio) that we identified as a part of the strategic realignment announced in late 2007 (discussed below). In 2008, we sold our Aluminum Products segment and four smaller business units (Wood Products, Fibers, Plastics, and the dealer portion of Commercial Vehicle Products). In 2009, we sold the Coated Fabrics business unit, and in 2010 we divested the Storage Products business unit. We received after-tax cash proceeds of $433 million for these seven businesses, exceeding our original estimate of approximately $400 million. Results of operations for all of these businesses are classified as discontinued operations in our financial statements. For more information about discontinued operations and the divestitures, see Note B to the Consolidated Financial Statements on page 84.

Strategic Direction

In late 2007, we outlined significant changes to the Company s strategy. We adopted a new primary financial metric (Total Shareholder Return), adopted role-based portfolio management, implemented more rigorous strategic planning, and changed the priorities for use of cash. Our goals, in sequential order, were to i) divest low performing businesses, ii) return more cash to investors, iii) improve margins and returns, and iv) begin to carefully and conservatively grow the company at 4-5% of annual revenue. We have made significant progress over the past three years. The divestitures were largely complete by the end of 2008; margins and returns have improved; and we have returned much of our excess cash to our shareholders through higher dividends and share repurchases. Our focus now is two-part: i) continue improving margins, and ii) begin laying the groundwork for long-term 4-5% growth.

Total Shareholder Return (TSR) is the key financial measure that we use to monitor performance. TSR is driven by the change in our share price and the dividends we pay [TSR = (Change in Stock Price + Dividends) / Beginning Stock Price]. We seek to achieve TSR in the top one-third of the S&P 500 over the long-term through a balanced approach

32

that employs all four TSR sources: revenue growth, margin expansion, dividends, and share repurchases. In 2008, dividends and stock buybacks largely drove our TSR; during 2009, we benefited significantly from margin improvement; and in 2010, revenue growth (from improved market demand) boosted TSR. Beginning in 2008, we introduced TSR-based incentives (based on our performance compared to the performance of a group of 320 peers) for senior executives and we modified business unit bonuses to give more importance to achieving higher returns on the assets under their direct control. We monitor our TSR performance, relative to the S&P 500, on a rolling three-year basis. For the three-year period ended December 31, 2010, our TSR performance placed us within the top 8% of the S&P 500 companies. So far, for the first two years of the next three-year measurement period (which will end on December 31, 2011), our TSR performance ranks slightly above the midpoint (but not among the top one-third) of the companies in the S&P 500.

We utilize a rigorous strategic planning process to help guide future decisions regarding business unit roles, capital allocation priorities, and new areas in which to grow. We review the portfolio classification of each unit on an annual basis to determine its appropriate role (Grow, Core, Fix, or Divest). This review includes criteria such as competitive position, market attractiveness, business unit size, and fit within our overall objectives, as well as financial indicators such as EBITDA growth, operating cash flows, and return on assets. To remain in the portfolio, business units are expected to consistently generate after-tax returns in excess of our cost of capital. Business units that fail to consistently attain minimum return goals will be moved to the Fix or Divest categories.

The majority of our business units are categorized as Core . A smaller percentage are categorized as Grow ; consequently, we recognize as a strategic imperative the need to expand the Grow category by improving i) our success rate at developing innovative new products and ii) our abilities to identify new growth platforms. A few small business units are considered Fix , and must improve their performance within a reasonable time frame. Finally, a few small business units (or portions of business units) are considered non-strategic, and may be divested as the M&A market recovers and allows for reasonable sales prices.

Long-term, we aim to eventually achieve consistent, profitable growth of 4-5% annually. To attain this goal, we will need to supplement the approximate 2%-3% growth that our markets typically produce (in normal economic times) with two additional areas of opportunity. First, we must enhance our success rate at developing and commercializing innovative new products within markets in which we already enjoy strong competitive positions. Second, we need to uncover new growth platforms; opportunities in markets new to us, and in which Leggett would possess a competitive advantage. These growth efforts are receiving significant management attention and priority, and we are making progress in both areas. We have had success this past year, with new products introduced in our office components, automotive, and home furniture components businesses. Though individually those were modest successes, collectively they added to 2010 s sales and earnings growth. In addition, we have instituted some of the processes that need to be in place to identify new market opportunities. Successful development of new growth platforms will take time; we do not anticipate significant contributions from these activities in the near term.

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

PART II

Customers

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

Major Factors That Impact Our Business

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

Market Demand

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

Demand improved in many of our markets during 2010. The automotive and office furniture markets experienced significant improvement from very depressed demand levels in 2009. Retail fixturing demand was also reasonably strong. Our residential bedding and furniture markets started 2010 strong but weakened in the last half of the year as consumer spending on larger-ticket items slowed.

Improved market demand led to higher sales and earnings in 2010. Activities completed over the past few years (including the divestiture of businesses under our strategic plan, closure of certain underperforming and underutilized facilities, elimination of sales with unacceptable margins, and other cost reduction initiatives) improved our cost position and enabled earnings to benefit notably from higher sales. Capacity utilization levels in the majority of our operations remain low. We face decisions about possible further facility consolidation but have chosen to retain excess capacity because we believe that market demand will continue to improve. Our current productive capacity should readily accommodate sales of approximately $4 billion (assuming current sales mix), or levels roughly 20% higher than those of 2010. Until our productive capacity is fully utilized, each additional $100 million of sales (from incremental unit volume) should generate approximately $25 million to $35 million of additional pre-tax earnings.

Raw Material Costs

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

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

Our ability to recover higher costs (through selling price increases) is crucial. When we experience significant increases in raw material costs, we typically implement price increases to recover the higher costs. Conversely, when costs decrease significantly, we generally pass 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. Significant steel cost increases in 2008 were followed by significant cost decreases in 2009 as global economies weakened. In both cases, we generally adjusted pricing to our customers to reflect the changes in commodity costs. In late 2009 and early 2010, steel costs increased, and again we implemented price increases to recover the majority of the higher costs. By the end of 2010, we were facing further inflation in steel costs, and announced and began implementing additional price increases in early 2011.

As a producer of steel rod, we are also impacted by volatility in metal margins (the difference in the cost of steel scrap and the market price for steel rod). Scrap costs increased in 2010, and while market prices for steel rod also increased, those increases did not keep pace with escalating scrap costs. As a result, metal margins within the steel industry (and in our rod producing operation) were lower during 2010. We anticipate further compression in these margins in early 2011 as scrap costs have increased again in recent months.

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

When we raise our prices to recover higher raw material costs, this sometimes causes customers to modify their product designs and replace higher cost components with lower cost components. We experienced this de-contenting effect in our Residential Furnishings and Industrial Materials segments in recent years. As our customers changed the quantity and mix of components in their finished goods to address steel and chemical inflation, our profit margins were negatively impacted. We are responding by developing new products (including new types of mattress innersprings, boxsprings, and reclining chair mechanisms) that enable our customers to reduce their total costs, and in certain instances, provide higher margin and profit contribution for our operations.

Competition

Many of our markets are highly competitive with the number of competitors varying by product line. In general, our competitors tend to be smaller, private companies.

We believe we gain competitive advantage in our global markets through low cost operations, significant internal production of key raw materials, manufacturing expertise

PART II

and product innovation, higher quality products, extensive customer service capabilities, and financial strength. Many of our competitors, both domestic and foreign, compete primarily on the basis of price. Our success has stemmed from the ability to remain price competitive, while delivering product quality, innovation, and customer service.

We continue to face pressure from foreign competitors as some of our customers source a portion of their components and finished products offshore. In addition to lower labor rates, foreign competitors benefit (at times) from lower raw material costs. They may also benefit from currency factors and more lenient regulatory climates related to safety and environmental matters. We typically remain price competitive, even versus many foreign manufacturers, as a result of our highly efficient operations, low labor content, vertical integration in steel and wire, and large scale purchasing of raw materials and commodities. However, we have also reacted to foreign competition in certain cases by selectively adjusting prices, and by developing new proprietary products that help our customers reduce total costs. In instances where our customers move production of their finished products overseas, our operations must be located nearby to supply them efficiently. We currently operate 10 facilities in China.

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

We experienced a temporary loss of market share during the last half of 2010 as certain of our customers purchased a portion of their innerspring requirements from European suppliers. The opportunity to buy these components at a lower price resulted from a combination of factors that benefited European suppliers in the early summer: i) the weaker Euro; ii) temporarily lower wire costs; and iii) greater excess capacity as a result of economic turmoil in Europe. Because of the slowing of consumer demand for mattresses in the last half of 2010, it took longer for these imported products to be consumed, but by year-end, we had regained the majority of the lost volume.

Table of Contents

PART II

RESULTS OF OPERATIONS 2010 vs. 2009

During 2010, sales from continuing operations increased 10%, reflecting improved market demand in several of our businesses. Full-year earnings from continuing operations also increased, from $121 million in 2009 to $184 million in 2010.

Further details about our consolidated and segment results from continuing operations are discussed below.

Consolidated Results (continuing operations)

The following table shows the changes in sales and earnings from continuing operations during 2010, and identifies the major factors contributing to the changes.

(Dollar amounts in millions, except per share data)	Amount	%
Net sales from continuing operations:		
Year ended December 31, 2009	$ 3,055	
Acquisition sales growth	1	%
Small divestitures	(24)	(0.7)%
Internal sales increase:		
Approximate inflation		
Approximate unit volume increase	327	10.7%
Internal sales increase	327	10.7%
Year ended December 31, 2010	$ 3,359	10.0%
Earnings from continuing operations:		
(Dollar amounts, net of tax)		
Year ended December 31, 2009	$ 121	
Non-recurrence of divestiture note write-down	7	
Non-recurrence of bad debt expense associated with a customer bankruptcy	6	
Non-recurrence of unusual tax items	6	
Benefit associated with the sale of a building	8	
Lower effective tax rate	16	
Other factors, including higher unit volume offset by lower metal margins	20	
Year ended December 31, 2010	$ 184	

Earnings Per Share (continuing operations) 2009	$ 0.74
Earnings Per Share (continuing operations) 2010	$ 1.16

In 2010, sales from continuing operations increased 10% versus 2009. Demand improved in many of our end markets during the year. The automotive and office furniture markets experienced significant improvement from very depressed demand levels in 2009. Retail fixturing demand was also reasonably strong. Our residential bedding and furniture markets started 2010 strong but weakened in the last half of the year as consumer spending on larger-ticket items slowed.

PART II

Full-year earnings from continuing operations increased in 2010, primarily reflecting higher unit volumes, a lower effective tax rate, and the non-recurrence of three significant expense items from 2009 (detailed in the table above). These earnings improvements were partially offset by lower metal margins. As a producer of steel rod, we are impacted by volatility in metal margins (the difference in the cost of steel scrap and the market price for steel rod). Scrap costs increased in 2010, and while market prices for steel rod also increased, those increases did not keep pace with escalating scrap costs. As a result, metal margins within the steel industry (and in our rod producing operation) were lower during 2010.

LIFO Impact

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. These are primarily our domestic, steel-related inventories. We experienced a large swing in the LIFO impact during the past two years. In 2009, significant steel cost decreases resulted in a LIFO benefit of $67 million. In 2010, moderate inflation led to full-year LIFO expense of $15 million. The LIFO impact recognized at the corporate level is generally offset each year by FIFO impacts at the segment level. Segment-level earnings in 2009 were significantly burdened (primarily in the first half of the year) as we consumed higher cost steel while selling prices decreased. In 2010, segment-level earnings benefitted under the FIFO method from the effect of rising commodity costs.

For further discussion of inventories, see Note A to the Consolidated Financial Statements on page 79.

Interest and Income Taxes

Net interest expense was roughly flat with 2009.

The consolidated worldwide effective income tax rate for 2010 was lower, at 28.1%, versus 39.0% in 2009. In 2010, the tax rate benefitted from the higher level of earnings, changes in the mix of earnings among tax jurisdictions, and tentative settlements of tax examinations. During the year, we reached tentative agreement with the IRS on their examination of certain tax credit claims, and recognized tax benefits of $5 million associated with those claims. These benefits were partially offset by incremental taxes resulting from the repatriation of certain foreign earnings. During 2010, we repatriated $108 million of foreign earnings, which resulted in a net tax charge of $5 million. In 2009, the higher tax rate reflected unfavorable tax adjustments resulting from Mexican tax law changes, which caused us to re-evaluate our deferred tax assets and liabilities in that jurisdiction. As a result, we recorded a $6 million tax charge to earnings related to 2009 and prior year losses that might expire before they could be utilized to reduce taxable earnings.

Segment Results (continuing operations)

In the following section we discuss 2010 sales and earnings before interest and taxes (EBIT) from continuing operations for each of our segments. We provide additional detail about segment results and a reconciliation of segment EBIT to consolidated EBIT in Note F to the Consolidated Financial Statements on page 94.

Residential Furnishings

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2010	$ 1,747	$ 160	9.1%
Year ended December 31, 2009	1,693	90	5.3%
Increase	$ 54	$ 70	
% increase	3%	78%	
Internal sales increase	3%		
Acquisitions (net of small divestitures)	%		

Residential Furnishings sales increased in 2010, primarily due to market share gains in our furniture components business. Demand in most of our residential markets was relatively strong during the first half of the year but weakened noticeably in the last half as consumer demand for large ticket items (such as mattress sets and upholstered furniture) slowed.

EBIT and EBIT margins increased versus 2009, with the earnings impact from higher unit volumes augmented by pricing discipline, significantly reduced bad debt expense, and a benefit associated with the sale of a building.

Commercial Fixturing & Components

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2010	$ 535	$ 23	4.3%
Year ended December 31, 2009	491	8	1.6%

Increase	$ 44	$ 15
% increase	9%	188%
Internal sales increase	9%	
Acquisitions (net of small divestitures)	%	

Sales increased in 2010 due to relatively strong demand in our Store Fixtures business by value-oriented retailers, and improved market demand in Office Furniture Components.

EBIT and EBIT margins also increased versus the prior year, largely due to higher sales.

Table of Contents

PART II

Industrial Materials

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2010	$ 725	$ 55	7.6%
Year ended December 31, 2009	647	60	9.3%
Increase (decrease)	$ 78	$ (5)	
% increase (decrease)	12%	(8)%	
Internal sales increase	16%		
Small divestitures (net of acquisitions)	(4)%		

2010 sales increased, reflecting steel-related price inflation and improved market demand.

EBIT and EBIT margins decreased versus 2009, as higher sales were more than offset by lower metal margins within the steel industry.

Specialized Products

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2010	$ 629	$ 66	10.5%
Year ended December 31, 2009	501	17	3.4%
Increase	$ 128	$ 49	
% increase	26%	288%	
Internal sales increase	26%		
Acquisitions (net of small divestitures)	%		

Sales increased in 2010, reflecting improved demand across all the major businesses in the segment.

EBIT and EBIT margins increased versus the prior year with the impact of higher sales bolstered by cost reductions.

Results from Discontinued Operations

Full year earnings from discontinued operations, net of tax, increased $5 million, from a loss of $6 million in 2009 to a loss of $1 million in 2010. This earnings increase was primarily due to the non-recurrence of $3 million (net of tax) of environmental charges related to an aluminum property and lower long-lived asset and goodwill impairment charges associated with the divestitures (which are now complete).

Table of Contents

PART II

RESULTS OF OPERATIONS 2009 vs. 2008

During 2009, sales from continuing operations decreased 25%, reflecting a combination of weak market demand, steel-related price deflation, and our decision to exit some specific sales with unacceptable margins. In the majority of our global markets, demand stabilized at low levels in early 2009.

Despite the significant sales decline, full-year earnings from continuing operations decreased only modestly, from $128 million in 2008 to $121 million in 2009. Cost structure improvements and pricing discipline offset nearly all the impact from lower sales.

Further details about our consolidated and segment results from continuing operations are discussed below.

Consolidated Results (continuing operations)

The following table shows the changes in sales and earnings from continuing operations during 2009, and identifies the major factors contributing to the changes.

(Dollar amounts in millions, except per share data)	**Amount**	**%**
Net sales from continuing operations:		
Year ended December 31, 2008	$ 4,076	
Acquisition sales growth	1	%
Small divestitures	(36)	(0.9)%
Internal sales decline:		
Approximate deflation	(90)	(2.2)%
Approximate exited volume	(175)	(4.3)%
Approximate unit volume decline	(721)	(17.7)%
Internal sales decline	(986)	(24.2)%
Year ended December 31, 2009	$ 3,055	(25.1)%
Earnings from continuing operations:		
(Dollar amounts, net of tax)		
Year ended December 31, 2008	$ 128	
Lower restructuring-related charges	5	
Lower asset impairments	8	

Bad debt expense associated with a customer bankruptcy	(6)
Divestiture note write-down	(7)
Lower net interest expense	5
Unusual tax items	(6)
Other factors, including lower unit volume offset by cost savings and pricing discipline	(6)
Year ended December 31, 2009	$ 121
Earnings Per Share (continuing operations) 2008	$ 0.73
Earnings Per Share (continuing operations) 2009	$ 0.74

Sales from continuing operations decreased 25% versus 2008, reflecting weak market demand, inflation-related price decreases, and our decision to exit specific customer

Table of Contents

PART II

programs with unacceptable profit margins (the largest portion in our Store Fixtures business).

Full-year earnings from continuing operations also decreased in 2009. The earnings impact from lower unit volume was largely offset by cost reduction initiatives and pricing discipline. Other factors impacting the year-over-year earnings comparison are presented in the table above. The divestiture note write-down (identified in the table) occurred when we learned in 2009 that the aluminum operations divested in July 2008 needed a capital infusion from the buyer due to deterioration in business conditions. This led to a reduction in the value of the note we accepted in 2008 as partial payment for the divesture. Leggett accepted a more subordinate position in the capital structure of the divested operations.

LIFO Impact

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. These are primarily our domestic, steel-related inventories. We experienced large swings in the LIFO impact in recent years. In 2008, significant steel cost inflation along with moderately higher inventory levels resulted in LIFO expense from continuing operations of $62 million. In 2009, steel cost decreases and lower inventory levels resulted in a LIFO benefit from continuing operations of $67 million. The LIFO impact recognized at the corporate level is generally offset each year by FIFO impacts at the segment level. Segment-level earnings in 2008 generally benefited under the FIFO method from the effect of rising commodity costs, but in the first half of 2009, were significantly burdened as we consumed higher cost steel while selling prices decreased.

For further discussion of inventories, see Note A to the Consolidated Financial Statements on page 79.

Interest and Income Taxes

Net interest expense decreased $8 million versus 2008, primarily the result of lower commercial paper borrowings and lower interest rates in 2009.

The consolidated worldwide effective income tax rate for 2009 was higher, at 39.0%, versus 33.8% in 2008. This increase is primarily due to i) tax adjustments resulting from Mexican tax law changes, and ii) the lower level of earnings and mix among tax jurisdictions. In 2009, tax law changes in Mexico caused us to re-evaluate our deferred tax assets and liabilities in that jurisdiction. As a result of our analysis, we recorded a $6 million tax charge to earnings related to 2009 and prior year losses that may expire before they can be utilized to reduce taxable earnings. In 2008, a tax benefit associated with the write-off of an acquired company s stock was offset by increased reserves for uncertain tax positions and valuation allowances against deferred tax assets for certain foreign entities.

Segment Results (continuing operations)

In the following section we discuss 2009 sales and earnings before interest and taxes (EBIT) from continuing operations for each of our segments. We provide additional detail about segment results and a reconciliation of segment EBIT to consolidated EBIT in Note F to the Consolidated Financial Statements on page 94.

Residential Furnishings

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2009	$ 1,693	$ 90	5.3%
Year ended December 31, 2008	2,120	151	7.1%
Decrease	$ (427)	$ (61)	
% decrease	(20)%	(40)%	
Internal sales decrease	(19)%		
Small divestitures	(1)%		

Residential Furnishings sales decreased in 2009, reflecting weak market demand and steel-related price deflation. Demand in our residential markets was weak throughout 2009 as consumers world-wide continued to defer purchases of large ticket items (such as mattress sets and upholstered furniture) that contain our products.

EBIT and EBIT margins decreased versus 2008, with the earnings impact from significantly lower unit volumes partially offset by cost reductions, pricing discipline, elimination of poorly performing operations, and the absence of 2008 s restructuring-related and other costs ($18 million).

Commercial Fixturing & Components

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2009	$ 491	$ 8	1.6%
Year ended December 31, 2008	711	14	2.0%

Decrease	$ (220)	$ (6)
% decrease	(31)%	(43)%
Internal sales decrease	(31)%	
Acquisitions (net of small divestitures)	%	

Sales decreased in 2009 due to our decision in the Store Fixtures business to exit specific customer programs with unacceptable margins, reduced capital spending by retailers, and market softness in Office Furniture Components.

EBIT and EBIT margins also decreased versus the prior year, as the impact from lower sales more than offset benefits from cost reductions, prior elimination of poorly performing facilities, and other operating improvements, as well as the absence of 2008 s restructuring-related costs ($11 million).

Table of Contents

PART II

Industrial Materials

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2009	$ 647	$ 60	9.3%
Year ended December 31, 2008	966	96	9.9%
Decrease	$ (319)	$ (36)	
% decrease	(33)%	(38)%	
Internal sales decrease	(33)%		
Acquisitions (net of small divestitures)	%		

2009 sales decreased, reflecting weak demand in many of our markets (including bedding, furniture, and automotive) and steel-related price deflation.

EBIT and EBIT margins also decreased versus 2008, as lower sales more than offset cost reductions.

Specialized Products

(Dollar amounts in millions)	Sales	EBIT	EBIT Margins
Year ended December 31, 2009	$ 501	$ 17	3.4%
Year ended December 31, 2008	682	45	6.6%
Decrease	$ (181)	$ (28)	
% decrease	(27)%	(62)%	
Internal sales decrease	(27)%		
Acquisitions (net of small divestitures)	%		

Sales decreased in 2009, reflecting weak global demand in our markets.

EBIT and EBIT margins decreased versus the prior year, as the impact from lower sales more than offset benefits from cost reduction initiatives and other operating improvements, as well as the absence of 2008 s restructuring-related costs ($5 million).

Results from Discontinued Operations

Full year earnings from discontinued operations, net of tax, increased $13 million, from a loss of $19 million in 2008 to a loss of $6 million in 2009. This earnings increase was primarily due to lower asset impairments and restructuring-related charges, partially offset by $3 million (net of tax) of environmental charges related to an aluminum property.

Table of Contents

PART II

LIQUIDITY AND CAPITALIZATION

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

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

We use cash for the following:

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

Our operations provide most of the cash we require, and debt may also be used to fund a portion of our needs. In 2008, cash proceeds from completed divestitures were an additional significant source of funds. In 2009, we generated our second highest level of cash from operations in our history, at $565 million, which included a significant reduction in working capital as sales contracted. With a slight increase in working capital in 2010 (due to sales growth), operating cash was $363 million, still readily exceeding our annual requirement for capital expenditures and dividends. For 2011, we expect cash flow from operations to again exceed $300 million. We ended 2010 with net debt to net capital of 23.3%, its lowest level since 2004 and well below our long-term target of 30%-40%. Page 51 presents a table of the calculation of net debt as a percent of net capital at the end of the past two years.

Uses of Cash

Finance Capital Requirements

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

Table of Contents

PART II

Capital expenditures include investments we make to maintain, modernize, and expand manufacturing capacity. The chart above shows that capital expenditures have declined in recent years; they should approximate $85 million in 2011. In all of our businesses, we continue to invest in the maintenance of facilities and equipment. However, with the sales volume contraction (versus 2008 levels) and the resulting excess productive capacity across our operations, we have significantly reduced spending on expansion projects in recent years.

With the move to role-based portfolio management, we changed our long-term priorities for allocating capital and this has also impacted capital spending levels. We are actively pursuing disciplined growth within our Grow business units. Expansion capital is predominantly earmarked for these opportunities. Operations designated as Core business units receive capital primarily for productivity enhancements.

We are also seeking acquisitions within our growth businesses, and are looking for opportunities to enter new, higher growth markets (carefully screened for sustainable competitive advantage). During the past few years, acquisitions were a lower priority as we were primarily focused on completing the divestitures and improving margins and returns of our existing businesses. As a result of this temporarily lower priority, and more stringent screening criteria, no significant acquisitions were completed in 2008, 2009, and 2010. We have recently turned our focus back toward acquisitions and have begun actively soliciting opportunities while maintaining our screening discipline. We expect acquisitions to contribute modestly to our long-term growth. Additional details about acquisitions can be found in Note R to the Consolidated Financial Statements on page 118.

Pay Dividends

With continued improvement in margins and returns, a decrease in capital spending and acquisitions, and the completion of the divestitures, we expect (and since 2008 have had) more available cash to return to shareholders. Higher annual dividends are one means by which that should continue to occur. In 2010 we modestly increased the quarterly dividend, to $.27 per share, and extended to 39 years our record of consecutive annual dividend increases, at an average compound growth rate of 14%. Our targeted dividend payout is approximately 50-60% of net earnings, but has been higher recently and will likely remain above targeted levels in the near term. Maintaining and increasing the dividend remains a high priority. We anticipate spending approximately $155 million on dividends in 2011, roughly the same as in 2010, with expected share repurchases offsetting expected dividend increases. Cash from operations has been, and is expected to continue to be, sufficient to readily fund both capital expenditures and dividends.

Repurchase Stock

Share repurchases are the other means by which we return cash to shareholders. During the past three years, we repurchased a total of 33 million shares of our stock and reduced outstanding shares by 13%. In 2010, we repurchased over 6 million shares at an average per-share price of $21.64 and issued 4 million shares through employee benefit plans (most of these shares were purchased by employees in lieu of cash compensation). We expect to repurchase additional shares in 2011, with the amount of purchases dependent on factors such as general economic conditions, level of demand in our end markets, and the availability of excess cash. Although no specific repurchase schedule has been established, we have been authorized by the Board to repurchase up to 10 million shares in 2011.

Table of Contents

PART II

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.

Meaningful sales and earnings improvement contributed to our 2010 cash from operations, and was partially offset by increased working capital levels associated with those higher sales. Although working capital dollars increased, working capital as a percent of sales decreased slightly from year-end 2009 levels. Cash from operations in 2009 benefitted from a $186 million reduction in working capital during that year (that occurred as a result of the economy-induced sales contraction).

The following table presents key working capital measures at the end of the past two years.

	Amount (in millions)			# Days Outstanding		
	2010	2009	Change	2010	2009	Change
Accounts Receivable, net [(1)]	$ 479	$ 469	$10	52	56	(4)
Inventory, net [(2)]	$ 435	$ 409	$26	59	62	(3)
Accounts Payable [(3)]	$ 226	$ 199	$27	31	30	1

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

Accounts Receivable The dollar amount of accounts receivable increased from year-end 2009 levels, primarily due to higher sales. As part of our accounts receivable review process, we evaluate individual customers payment histories, financial health, industry prospects, and current macroeconomic events in

48

determining if outstanding amounts are collectible. In 2010, we incurred $7 million of bad debt expense as compared to $30 million in 2009. The higher expense in 2009 was primarily due to a single customer bankruptcy in the Residential Furnishings segment ($10 million) and the write-down of the aluminum segment divestiture note receivable ($11 million) as discussed on page 42.

Days Sales Outstanding (DSO) We experienced an increase in our DSO in 2009 as customers slowed payments during the economic downturn. Our DSO decreased in 2010 as our markets began to improve, and we continued to focus on collection efforts to ensure customer accounts were paid on time. We do not believe the decrease in DSO indicates a significant change in credit risk or has material implications on our liquidity, but instead is caused by normal differences (from year to year) in the timing of sales and cash receipts.

Inventory The dollar value of our inventories increased from year-end 2009 levels, primarily due to inflation in raw material costs. During 2010, we recognized expense of $13 million associated with obsolete and slow moving inventories; in 2009 this expense totaled $16 million. We do not expect significant changes in customer or industry trends that would materially increase the exposure to inventory obsolescence.

Days Inventory on Hand (DIO) Our DIO decreased compared to the prior year as our operations continue to focus on optimizing return on assets.

Accounts Payable The dollar value of accounts payable increased in 2010 compared to year-end 2009, primarily due to inflation in raw material costs and also from our continued efforts to optimize payment terms with our vendors.

Days Payable Outstanding (DPO) Our DPO has increased slightly in 2010 as we continue to work with vendors to extend our standard payment terms.

Cash from operations in 2008 was strong despite weak market demand in the latter part of that year. Lower working capital (versus the prior year) contributed favorably to operating cash. Fourth quarter production cuts led to lower inventory levels (compared to year-end 2007). Accounts receivable also declined primarily due to extremely weak sales late in that year.

Working capital levels vary by segment. The Commercial Fixturing & Components segment typically has relatively higher accounts receivable balances due to the longer credit terms required to service certain customers of the Fixture & Display group. This business group also generally requires higher inventory investments due to the custom nature of its products, longer manufacturing lead times (in certain cases), and the needs of many customers to receive large volumes of product within short periods of time.

Table of Contents

PART II

Capitalization

This table presents key debt and capitalization statistics at the end of the three most recent years.

(Dollar amounts in millions)	2010	2009	2008
Long-term debt outstanding:			
Scheduled maturities	$ 762	$ 764	$ 774
Average interest rates [1]	*4.6%*	*4.6%*	*4.7%*
Average maturities in years [1]	*4.7*	*5.6*	*6.4*
Revolving credit/commercial paper		25	77
Total long-term debt	762	789	851
Deferred income taxes and other liabilities	192	161	116
Equity	1,524	1,576	1,671
Total capitalization	$ 2,478	$ 2,526	$ 2,638
Unused committed credit:			
Long-term	$ 522	$ 491	$ 523
Short-term			
Total unused committed credit	$ 522	$ 491	$ 523
Current maturities of long-term debt	$ 2	$ 10	$ 22
Cash and cash equivalents	$ 244	$ 260	$ 165
Ratio of earnings to fixed charges [2]	5.8 x	4.6 x	3.7 x

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

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

The next table shows the percent of long-term debt to total capitalization at December 31, 2010 and 2009, 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.

(Dollar amounts in millions)	2010	2009
Long-term debt	$ 762	$ 789
Current debt maturities	2	10
Cash and cash equivalents	(244)	(260)
Net debt	$ 520	$ 539
Total capitalization	$ 2,478	$ 2,526
Current debt maturities	2	10
Cash and cash equivalents	(244)	(260)
Net capitalization	$ 2,236	$ 2,276
Long-term debt to total capitalization	30.8%	31.2%
Net debt to net capitalization	23.3%	23.7%

Total debt (which includes long-term debt and current debt maturities) decreased $35 million in 2010. During the year, we reduced our commercial paper borrowings by $25 million and paid off $10 million of other long-term debt that came due.

In anticipation of long-term debt maturing in April 2013, we entered into forward starting interest rate swaps in 2010. The swap contracts manage benchmark interest rate risk associated with $200 million of future debt issuance, and mature in August 2012. The swaps have a weighted average interest rate of 4.0% and hedge the benchmark rate of the future issuance of $200 million of debt. The credit spread over the benchmark bonds will continue to fluctuate until the contracts are settled (either upon an issuance of debt or upon their expiration). For more information on our interest rate swaps, see Note S to the Consolidated Financial Statements on page 119.

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 14 lenders that terminates in 2012. The credit agreement allows us to issue letters of credit up to $250 million. When we issue these letters of credit, 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:

(Dollar amounts in millions)	2010	2009
Total program authorized	$ 600	$ 600
Less: commercial paper outstanding (classified as long-term debt)		(25)
Letters of credit issued under the credit agreement	(78)	(84)
Total program usage	(78)	(109)
Total program available	$ 522	$ 491

PART II

The average and maximum amount of commercial paper outstanding during 2010 was $99 million and $198 million, respectively. Commercial paper amounts fluctuated during the year due to normal changes in working capital funding requirements. The amounts of letters of credit outstanding throughout the year were not materially different from the amounts outstanding at year-end.

Based on the information currently available to us, we believe that the participating banks continue to have the ability to meet their obligations under the revolving credit agreement. In the unlikely event that a disruption in the credit market was to become so severe that we were unable to issue commercial paper, we have the contractual right to draw funds directly on the revolving credit agreement. In such event, the cost of borrowing under the revolving credit agreement could be higher than the cost of commercial paper borrowing.

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

Accessibility of Cash

At December 31, 2010, we had cash and cash equivalents of $244 million primarily invested in money market funds and interest-bearing bank accounts. A smaller portion was invested in bank time deposits with original maturities of three months or less.

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

Table of Contents

PART II

CONTRACTUAL OBLIGATIONS

The following table summarizes our future contractual cash obligations and commitments:

		Payments Due by Period			
Contractual Obligations	**Total**	**Less Than 1 Year**	**1-3 Years**	**3-5 Years**	**More Than 5 Years**
(Dollar amounts in millions)					
Long-term debt *	$ 759	$ 1	$ 201	$ 381	$ 176
Capitalized leases	5	1	3	1	
Operating leases	112	34	44	25	9
Purchase obligations **	278	278			
Interest payments ***	161				