LEGGETT & PLATT INC
Form 10-Q
May 06, 2015

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

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

For the quarterly period ended March 31, 2015
OR

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

for the transition period from to
Commission File Number 001-07845
LEGGETT & PLATT, INCORPORATED
(Exact name of registrant as specified in its charter)

Missouri	44-0324630
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
No. 1 Leggett Road Carthage, Missouri	64836
(Address of principal executive offices)	(Zip Code)

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

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

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

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

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

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

Common stock outstanding as of April 24, 2015: 137,779,784

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

(Amounts in millions)	March 31, 2015	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	$262.2	$332.8
Trade receivables, net	482.5	470.4
Other receivables, net	49.5	52.9
Total receivables, net	532.0	523.3
Inventories		
Finished goods	257.1	252.1
Work in process	51.2	55.5
Raw materials and supplies	259.6	247.0
LIFO reserve	(61.7)	(73.0)
Total inventories, net	506.2	481.6
Other current assets	108.9	91.9
Total current assets	1,409.3	1,429.6
PROPERTY, PLANT AND EQUIPMENT—AT COST		
Machinery and equipment	1,101.7	1,161.5
Buildings and other	529.9	551.1
Land	39.9	40.1
Total property, plant and equipment	1,671.5	1,752.7
Less accumulated depreciation	1,138.3	1,193.8
Net property, plant and equipment	533.2	558.9
OTHER ASSETS		
Goodwill	809.0	819.0
Other intangibles, less accumulated amortization of $133.6 and $129.7 as of March 31, 2015 and December 31, 2014, respectively	211.9	204.7
Sundry	139.8	128.4
Total other assets	1,160.7	1,152.1
TOTAL ASSETS	$3,103.2	$3,140.6
CURRENT LIABILITIES		
Current maturities of long-term debt	$202.2	$201.7
Accounts payable	357.5	369.8
Accrued expenses	304.6	337.6
Other current liabilities	88.8	83.1
Total current liabilities	953.1	992.2
LONG-TERM LIABILITIES		
Long-term debt	798.0	766.7
Other long-term liabilities	184.9	185.0
Deferred income taxes	50.8	41.8
Total long-term liabilities	1,033.7	993.5
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock	2.0	2.0
Additional contributed capital	506.8	502.4
Retained earnings	2,089.0	2,061.3

Accumulated other comprehensive loss	(40.8)	(2.6)
Treasury stock	(1,450.1)	(1,416.6)
Total Leggett & Platt, Inc. equity	1,106.9	1,146.5
Noncontrolling interest	9.5	8.4
Total equity	1,116.4	1,154.9
TOTAL LIABILITIES AND EQUITY	$3,103.2	$3,140.6

See accompanying notes to consolidated condensed financial statements.

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

	Three Months Ended March 31,	
(Amounts in millions, except per share data)	2015	2014
Net sales	$966.2	$875.5
Cost of goods sold	748.4	698.7
Gross profit	217.8	176.8
Selling and administrative expenses	97.5	92.1
Amortization of intangibles	5.2	4.8
Other (income) expense, net	3.4	(5.9)
Earnings (loss) from continuing operations before interest and income taxes	111.7	85.8
Interest expense	11.0	10.4
Interest income	1.3	1.4
Earnings (loss) from continuing operations before income taxes	102.0	76.8
Income taxes	28.7	20.8
Earnings (loss) from continuing operations	73.3	56.0
Earnings (loss) from discontinued operations. net of tax	(.5)	(2.3)
Net earnings (loss)	72.8	53.7
(Earnings) attributable to noncontrolling interest, net of tax	(1.1)	(.6)
Net earnings (loss) attributable to Leggett & Platt, Inc. common shareholders	$71.7	$53.1
Earnings (loss) per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders		
Basic	$.51	$.39
Diluted	$.50	$.38
Earnings (loss) per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders		
Basic	$—	$(.02)
Diluted	$—	$(.02)
Net earnings (loss) per share attributable to Leggett & Platt, Inc. common shareholders		
Basic	$.51	$.37
Diluted	$.50	$.37
Cash dividends declared per share	$.31	$.30
Average shares outstanding		
Basic	141.9	142.4
Diluted	143.8	144.0

See accompanying notes to consolidated condensed financial statements.

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

	Three Months Ended March 31,	
(Amounts in millions)	2015	2014
Net earnings	$72.8	$53.7
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(37.8)	(15.1)
Cash flow hedges	(1.7)	(.1)
Defined benefit pension plans	1.3	.6
Other comprehensive loss	(38.2)	(14.6)
Comprehensive income	34.6	39.1
Less: comprehensive (income) attributable to noncontrolling interest	(1.1)	(.4)
Comprehensive income attributable to Leggett & Platt, Inc.	$33.5	$38.7

See accompanying notes to consolidated condensed financial statements.

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

	Three Months Ended March 31,	
(Amounts in millions)	2015	2014
OPERATING ACTIVITIES		
Net earnings	$72.8	$53.7
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	22.5	22.1
Amortization of intangibles and debt issuance costs	7.1	6.8
Provision for losses on accounts and notes receivable	1.5	1.1
Writedown of inventories	2.5	2.4
Goodwill impairment	4.1	—
Long-lived asset impairments	1.8	.5
Net gain from sales of assets and businesses	(1.5)	(4.1)
Deferred income tax expense	9.9	10.7
Stock-based compensation	12.2	10.5
Excess tax benefits from stock-based compensation	(11.4)	(1.3)
Other, net	4.9	1.6
Increases/decreases in, excluding effects from acquisitions and divestitures:		
Accounts and other receivables	(28.5)	(96.5)
Inventories	(36.8)	(27.6)
Other current assets	(.1)	(1.7)
Accounts payable	(5.0)	18.0
Accrued expenses and other current liabilities	(23.9)	(15.9)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	32.1	(19.7)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(21.7)	(15.1)
Purchases of companies, net of cash acquired	(12.2)	(2.0)
Proceeds from sales of assets and businesses	6.3	8.5
Other, net	(4.8)	(5.7)
NET CASH USED FOR INVESTING ACTIVITIES	(32.4)	(14.3)
FINANCING ACTIVITIES		
Payments on long-term debt	(2.5)	(6.0)
Additions to long-term debt	.4	—
Change in commercial paper and short-term debt	32.8	126.4
Dividends paid	(42.7)	(42.0)
Issuances of common stock	3.5	4.3
Purchases of common stock	(63.9)	(50.0)
Excess tax benefits from stock-based compensation	11.4	1.3
Other, net	(1.8)	(.4)
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(62.8)	33.6
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(7.5)	(3.7)
DECREASE IN CASH AND CASH EQUIVALENTS	(70.6)	(4.1)
CASH AND CASH EQUIVALENTS—January 1,	332.8	272.7
CASH AND CASH EQUIVALENTS—March 31,	$262.2	$268.6

See accompanying notes to consolidated condensed financial statements.

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

1. INTERIM PRESENTATION

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

The December 31, 2014 financial position data included herein was derived from the audited consolidated financial statements included in Form 10-K, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). For further information, refer to the financial statements and footnotes included in our annual report on Form 10-K for the year ended December 31, 2014.

Reclassifications

Certain reclassifications have been made to the prior year's information in the Notes to Consolidated Condensed Financial Statements to conform to the first quarter 2015 presentation as a result of changes in our management organizational structure and all related internal reporting (See Note 4 - Segment Information).

2. NEW ACCOUNTING GUIDANCE

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires those costs to be presented in the balance sheet as a direct deduction from the associated debt liability. We will adopt this guidance on January 1, 2016, and we do not believe it will have a material impact on our future financial statements.

In April 2014, the FASB issued updated guidance, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This guidance changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. We adopted this guidance on January 1, 2015, and we do not believe it will have a material impact on our future financial statements.

In May 2014, the FASB issued new authoritative literature, Revenue from Contracts with Customers, which supersedes much of the existing authoritative literature for revenue recognition. This guidance will be effective January 1, 2017. We are currently evaluating the newly issued guidance and the impact on our future financial statements.

3. INVENTORIES

About 50% of our inventories are valued using the Last-In, First-Out (LIFO) cost method and the remainder using the First-In, First-Out (FIFO) cost method. We calculate our LIFO reserve (the excess of FIFO cost over LIFO cost) on an annual basis. During interim periods, we estimate the current year annual change in the LIFO reserve (i.e., the annual LIFO expense or benefit) and allocate that change ratably to the four quarters. Because accurately predicting inventory prices for the year is difficult, the change in the LIFO reserve for the full year could be significantly different from the amount currently estimated. In addition, a variation in expected ending inventory levels could also impact total change in the LIFO reserve for the year. Any change in the annual LIFO estimate will be reflected in future quarters.

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

	Three Months Ended March 31,	
	2015	2014
LIFO benefit (expense)	$5.0	$(.2)

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

4. SEGMENT INFORMATION

Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. Because of the recent divestiture of the majority of the Store Fixtures business unit (formerly in the Commercial Products segment) along with the retirement of the senior operating vice president of the Industrial Materials segment, our management organizational structure and all related internal reporting changed during the first quarter of 2015. As a result, the composition of our four reportable segments changed to reflect the new structure beginning in the first quarter of 2015. The segment changes include: (i) the Adjustable Bed and Fashion Bed (formerly named Consumer Products) business units moved from Residential Furnishings to Commercial Products; (ii) the Aerospace Products business unit moved from Industrial Materials to Specialized Products; and (iii) the Spuhl machinery division moved from Specialized Products to Residential Furnishings. These segment changes were retrospectively applied to all prior periods presented.

We have four operating segments that supply a wide range of products:

- Residential Furnishings—components for bedding and furniture, fabric and carpet cushion
- Commercial Products—components for office and institutional furnishings, adjustable beds and consumer products
- Industrial Materials—drawn steel wire, fabricated wire products, steel rod and welded steel tubing
- Specialized Products—automotive seating components; titanium, nickel alloy and stainless steel tubing for the aerospace industry; specialized machinery and equipment; and commercial vehicle interiors

Each reportable segment has a senior operating vice-president that reports to the chief operating officer. The chief operating officer in turn reports directly to the chief operating decision maker. The operating results and financial information reported through the segment structure are regularly reviewed and used by the chief operating decision maker to evaluate segment performance, allocate overall resources and determine management incentive compensation.

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

The accounting principles used in the preparation of the segment information are the same as those used for the consolidated financial statements, except that the segment assets and income reflect the FIFO basis of accounting for inventory. Certain inventories are accounted for using the LIFO basis in the consolidated financial statements. We evaluate performance based on earnings from operations before interest and income taxes (EBIT). Intersegment sales are made primarily at prices that approximate market-based selling prices. Centrally incurred costs are allocated to the segments based on estimates of services used by the segment. Certain of our general and administrative costs and miscellaneous corporate income and expenses are allocated to the segments based on sales. These allocated corporate costs include depreciation and other costs and income related to assets that are not allocated or otherwise included in the segment assets.

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

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Three Months Ended March 31, 2015				
Residential Furnishings	$511.7	$17.8	$529.5	$52.1
Commercial Products	123.5	17.5	141.0	8.0
Industrial Materials	112.0	80.4	192.4	8.0
Specialized Products	219.0	9.5	228.5	39.3
Intersegment eliminations and other				(.7)

Change in LIFO reserve				5.0
	$966.2	$125.2	$1,091.4	$111.7
Three Months Ended March 31, 2014				
Residential Furnishings	$432.8	$15.6	$448.4	$46.8
Commercial Products	111.4	5.2	116.6	5.7
Industrial Materials	123.2	57.5	180.7	7.7
Specialized Products	208.1	7.8	215.9	27.6
Intersegment eliminations and other				(1.8)
Change in LIFO reserve				(.2)
	$875.5	$86.1	$961.6	$85.8

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

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

	March 31, 2015	December 31, 2014
Residential Furnishings	$626.3	$588.1
Commercial Products	97.6	96.2
Industrial Materials	188.0	200.9
Specialized Products	258.5	260.5
Other (1)	44.8	90.4
Average current liabilities included in segment numbers above	522.8	520.2
Unallocated assets (2)	1,347.1	1,451.4
Difference between average assets and period-end balance sheet	18.1	(67.1)
Total assets	$3,103.2	$3,140.6

(1) Businesses sold or classified as discontinued operations.
(2) Unallocated assets consist primarily of goodwill, other intangibles, cash and deferred tax assets.

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

During 2014 we engaged an investment banker and began exploring strategic alternatives regarding the Store Fixtures reporting unit, including the possibility of divestiture of this business. During the third quarter of 2014, all of the criteria to classify this unit as held for sale and discontinued operations were met. On November 1, 2014, we sold the majority of the Store Fixtures reporting unit for total consideration of $59.2 and recorded an after-tax loss of $4.7, which was recognized in discontinued operations. We continue to pursue the sale of the remaining portion of the reporting unit. Store Fixtures was previously part of the Commercial Products Segment and is classified as discontinued operations, net of income taxes, in the Consolidated Condensed Statements of Operations for the periods presented.

The table below includes activity related to these operations:

	Three Months Ended March 31,	
	2015	2014
External sales:		
Commercial Products - Store Fixtures	$6.2	$43.6
Earnings (loss):		
Commercial Products - Store Fixtures	.4	(3.3)
Subsequent activity related to previous divestitures	(.8)	—
Earnings (loss) before interest and income taxes	(.4)	(3.3)
Income tax (expense) benefit	(.1)	1.0
Earnings (loss) from discontinued operations, net of tax	$(.5)	$(2.3)

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

Net assets held for sale by segment were as follows:

	March 31, 2015			December 31, 2014		
	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
Residential Furnishings	$2.5	$—	$2.5	$4.1	$—	$4.1
Commercial Products	18.5	2.7	15.8	20.1	5.6	14.5
Industrial Materials	39.7	8.7	31.0	3.4	—	3.4
Specialized Products	5.2	—	5.2	5.2	—	5.2
	$65.9	$11.4	$54.5	$32.8	$5.6	$27.2

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

	March 31, 2015	December 31, 2014
Current assets associated with discontinued operations:		
Trade receivables, net	$4.5	$7.0
Other receivables, net	.1	.3
Inventories, net	2.8	3.0
Other current assets	.1	.1
Total current assets held for sale associated with discontinued operations	7.5	10.4
Current assets held for sale not associated with discontinued operations (1)	22.5	—
Total current assets held for sale	30.0	10.4
Non-current assets associated with discontinued operations:		
Property, plant and equipment, net	4.8	5.2
Other intangibles, net	.9	.6
Sundry	1.4	1.4
Total non-current assets held for sale associated with discontinued operations	7.1	7.2
Non-current assets held for sale not assoc.with discontinued operations (1) (2)	28.8	15.2
Total non-current assets held for sale	35.9	22.4
Total assets held for sale	65.9	32.8
Current liabilities associated with discontinued operations:		
Accounts payable	1.9	3.7
Accrued expenses	.5	1.5
Other current liabilities	.2	.3
Total current liabilities held for sale associated with discontinued operations	2.6	5.5
Total current liabilities held for sale not assoc. with discontinued operations (1)	8.7	—
Total current liabilities held for sale	11.3	5.5
Long term liabilities associated with discontinued operations:		
Deferred income tax	.1	.1
Total liabilities held for sale	11.4	5.6
Net assets held for sale	$54.5	$27.2

(1) The Steel Tubing business reached held for sale status in the first quarter of 2015, but did not qualify for discontinued operations treatment.
(2) This table includes $14.9 and $15.2 of property, plant and equipment held for sale at March 31, 2015 and December 31, 2014, respectively, primarily associated with the closings of various operations and prior year restructurings.

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

6. IMPAIRMENT CHARGES

Pre-tax impact of impairment charges is summarized in the following table.

Other long-lived asset impairments are reported in "Other (income) expense, net." Charges associated with discontinued operations are reported on the Statements of Operations in “Earnings (loss) from discontinued operations, net of tax.”

	Three Months Ended March 31,		
	2015		2014
	Goodwill Impairment	Other Long-Lived Asset Impairments	Other Long-Lived Asset Impairments
Continuing operations:			
Residential Furnishings	$—	$.2	$.4
Industrial Materials - Steel Tubing	4.1	1.4	—
Total continuing operations	4.1	1.6	.4
Discontinued operations:			
Subsequent activity related to previous divestitures	—	.2	.1
Total discontinued operations	—	.2	.1
Total impairment charges	$4.1	$1.8	$.5

Other Long-Lived Assets

We test other long-lived assets for recoverability at year-end and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Fair value and the resulting impairment charges noted above were based primarily upon offers from potential buyers or third party estimates of fair value less selling costs.

Goodwill

Goodwill is required to be tested for impairment at least once a year and as triggering events may occur. We perform our annual goodwill impairment review in the second quarter of each year.

We have not had any triggering events since the last annual goodwill impairment review in the second quarter of 2014. As discussed in Note 4, our internal management organizational structure and all related internal reporting changed during the first quarter of 2015. We reassigned the assets and liabilities of the reporting units affected, and also reassigned goodwill using a relative fair value approach. The results in the table below reflect the updated reporting unit structure.

The Steel Tubing unit met the held for sale criteria during the first quarter of 2015, and is not reflected in the table below. Because fair value less costs to sell had fallen below recorded book value, we fully impaired this unit's goodwill and incurred a $4.1 goodwill impairment charge in the first quarter of 2015.

The reassigned fair values of reporting units in relation to their respective carrying values and significant assumptions used in the June 2014 review are presented in the table below.

Percentage of Fair Value in Excess of Carrying Value	March 31, 2015 Goodwill Value	10-year Compound Annual Growth Rate Range for Sales	Terminal Values Long-term Growth Rate for Debt-Free Cash Flow		Discount Rate Ranges
< 25%	$—				
25% - 49%	150.7	4.0% - 5.5%	3.0	%	10.0%
50% - 74%	435.1	.5% - 3.8%	3.0	%	9.0% - 12.0%
75%+	223.2	3.7% - 8.2%	3.0	%	9.0% - 9.5%
	$809.0	.5% - 8.2%	3.0	%	9.0% - 12.0%

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

7. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Earnings:		
Earnings from continuing operations	$73.3	$56.0
(Earnings) attributable to noncontrolling interest, net of tax	(1.1)	(.6)
Net earnings from continuing operations attributable to Leggett & Platt, Inc. common shareholders	72.2	55.4
Earnings (loss) from discontinued operations, net of tax	(.5)	(2.3)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$71.7	$53.1
Weighted average number of shares (in millions):		
Weighted average number of common shares used in basic EPS	141.9	142.4
Dilutive effect of equity-based compensation	1.9	1.6
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	143.8	144.0
Basic and Diluted EPS:		
Basic EPS attributable to Leggett & Platt, Inc. common shareholders		
Continuing operations	$.51	$.39
Discontinued operations	—	(.02)
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	$.51	$.37
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders		
Continuing operations	$.50	$.38
Discontinued operations	—	(.02)
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	$.50	$.37
Other information:		
Anti-dilutive shares excluded from diluted EPS computation	—	—

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

8. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following:

	March 31, 2015		December 31, 2014	
	Current	Long-term	Current	Long-term
Trade accounts receivable	$495.5	$—	$484.0	$—
Trade notes receivable	1.1	2.9	1.1	2.9
Total trade receivables	496.6	2.9	485.1	2.9
Other notes receivable:				
Notes received as partial payment for divestitures	—	—	.9	—
Other	—	3.3	—	3.3
Income tax receivables	18.9	—	14.0	—
Other receivables	30.6	—	38.0	—
Subtotal other receivables	49.5	3.3	52.9	3.3
Total trade and other receivables	546.1	6.2	538.0	6.2
Allowance for doubtful accounts:				
Trade accounts receivable	(14.0)	—	(14.7)	—
Trade notes receivable	(.1)	(2.3)	—	(2.1)
Total trade receivables	(14.1)	(2.3)	(14.7)	(2.1)
Other notes receivable	—	(.4)	—	(.4)
Total allowance for doubtful accounts	(14.1)	(2.7)	(14.7)	(2.5)
Total net receivables	$532.0	$3.5	$523.3	$3.7

Notes that were past due more than 90 days or had been placed on non-accrual status were not significant for the periods presented.

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

	Balance at December 31, 2014	2015 Charges	2015 Charge-offs, Net of Recoveries	Balance at March 31, 2015
Trade accounts receivable	$14.7	$1.2	$1.9	$14.0
Trade notes receivable	2.1	.3	—	2.4
Total trade receivables	16.8	1.5	1.9	16.4
Other notes receivable	.4	—	—	.4
Total allowance for doubtful accounts	$17.2	$1.5	$1.9	$16.8

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9. STOCK-BASED COMPENSATION

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

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	To be settled with stock	To be settled in cash	To be settled with stock	To be settled in cash
Options:				
Amortization of the grant date fair value	$.1	$—	$.2	$—
Cash payments in lieu of options	—	1.0	—	.9
Stock-based retirement plans contributions	2.2	.4	1.6	.5
Discounts on various stock awards:				
Deferred Stock Compensation Program	.6	—	.7	—
Stock-based retirement plans	.4	—	.7	—
Discount Stock Plan	.3	—	.3	—
Performance Stock Unit awards (1)	1.6	2.9	1.5	1.2
Restricted Stock Unit awards	.9	—	.8	—
Profitable Growth Incentive awards (2)	1.9	1.7	.4	.4
Other, primarily non-employee directors restricted stock	.4	—	.3	—
Total stock-related compensation expense	8.4	$6.0	6.5	$3.0
Employee contributions for above stock plans	3.8		4.0	
Total stock-based compensation	$12.2		$10.5	
Recognized tax benefits on stock-based compensation expense	$3.2		$2.5	

Included below is the activity in our most significant stock-based plans:

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

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

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

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

	Three Months Ended March 31,			
	2015		2014	
Total shares base award	.2		.2	
Grant date per share fair value	$ 42.22		$ 30.45	
Risk-free interest rate	1.1	%	.8	%
Expected life in years	3.0		3.0	
Expected volatility (over expected life)	19.8	%	25.9	%
Expected dividend yield (over expected life)	2.9	%	3.9	%

Three-Year Performance Cycle

Award Year	Completion Date	TSR Performance Relative to the Peer Group (1%=Best)	Payout as a Percent of the Base Award	Number of Shares Distributed	Distribution Date
2011	December 31, 2013	55th percentile	64.2%	.2 million	January 2014
2012	December 31, 2014	30th percentile	157.0%	.4 million	January 2015

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

(2) Profitable Growth Incentive Awards

Starting in 2013, certain key management employees participated in a new Profitable Growth Incentive (PGI) program in lieu of the annual option grant. The PGI awards are issued as growth performance stock units (GPSUs). The GPSUs vest (0% to 250%) at the end of a two-year performance period. Vesting is based on the Company's or applicable profit center's revenue growth (adjusted by a GDP factor when applicable) and EBITDA margin at the end of a two-year performance period. The 2015 and 2014 base target PGI awards were each .1 shares. If earned, we intend to pay half in shares of our common stock and half in cash, although we reserve the right to pay up to 100% in cash. Both components are adjusted to fair value at each reporting period.

Two-Year Performance Cycle

Award Year	Completion Date	Average Payout as a Percent of the Base Award	Number of Shares Distributed	Cash Portion	Distribution Date
2013	December 31, 2014	127.0%	.1 million	$3.5	February 2015

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10. ACQUISITIONS

The following table contains the estimated fair values (using inputs as discussed in Note 13) of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions during the periods presented, and any additional consideration paid for prior years' acquisitions. We are finalizing all the information required to complete the purchase price allocations related to certain recent acquisitions and do not anticipate any material modifications.

	Three Months Ended March 31,	
	2015	2014
Accounts receivable	$3.7	$—
Inventory	4.9	.3
Property, plant and equipment	1.9	1.5
Goodwill (1)	8.4	5.5
Other intangible assets	14.8	.6
Current liabilities	(11.1)	(5.9)
Long-term liabilities	(10.4)	—
Net cash consideration	$12.2	$2.0

(1) Goodwill associated with the 2015 and 2014 acquisitions are expected to provide an income tax benefit.

The following table summarizes acquisitions for the periods presented.

Three Months Ended	Number of Acquisitions	Segment	Product/Service
March 31, 2015	1	Commercial Products	Upholstered office furniture
March 31, 2014	1	Residential Furnishings	Foam carpet underlay

In March 2015 we acquired a 70% interest in a European private-label manufacturer of high-end upholstered furniture for office, commercial and other settings. This business, which will be included in the Work Furniture Group of our Commercial Products segment, is complimentary to our existing North American private-label operation and allows us to support our Work Furniture customers as they expand globally. We will acquire the remaining 30% over the next five years and have recorded a long-term liability of approximately $10.0 for the future payments.

The results of operations of the above acquired companies have been included in the consolidated financial statements since the dates of acquisition. The unaudited pro forma consolidated net sales, net earnings and earnings per share as though the 2015 and 2014 acquisitions had occurred on January 1 of each year presented are not materially different from the amounts reflected in the accompanying financial statements. Certain of our acquisition agreements provide for additional consideration to be paid in cash at a later date and are recorded as a liability at the acquisition date. At March 31, 2015, there was no substantial remaining consideration payable other than the liability discussed above.

11. EMPLOYEE BENEFIT PLANS

The following table provides interim information as to our domestic and foreign defined benefit pension plans. Expected 2015 employer contributions are not significantly different than the $1.9 previously reported at December 31, 2014.

	Three Months Ended March 31,	
	2015	2014
Components of net pension expense		
Service cost	$1.0	$.8
Interest cost	3.3	3.2

Expected return on plan assets	(4.2)	(3.9)
Recognized net actuarial loss	1.5	.8
Net pension expense	$1.6	$.9

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

	Three Months Ended March 31, 2015					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2015	$1,154.9	$2,061.3	$504.4	$(1,416.6)	$ 8.4	$ (2.6)
Net earnings	72.8	72.8	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(1.1)	—	—	1.1	—
Dividends declared	(42.7)	(44.0)	1.3	—	—	—
Treasury stock purchased	(68.9)	—	—	(68.9)	—	—
Treasury stock issued	15.9	—	(19.5)	35.4	—	—
Foreign currency translation adjustments	(37.8)	—	—	—	—	(37.8)
Cash flow hedges, net of tax	(1.7)	—	—	—	—	(1.7)
Defined benefit pension plans, net of tax	1.3	—	—	—	—	1.3
Stock options and benefit plan transactions, net of tax	22.6	—	22.6	—	—	—
Ending balance, March 31, 2015	$1,116.4	$2,089.0	$508.8	$(1,450.1)	$ 9.5	$ (40.8)

	Three Months Ended March 31, 2014					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2014	$1,399.2	$2,136.4	$481.1	$(1,320.7)	$ 7.9	$ 94.5
Net earnings	53.7	53.7	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(.6)	—	—	.6	—
Dividends declared	(41.5)	(42.7)	1.2	—	—	—
Treasury stock purchased	(46.4)	—	—	(46.4)	—	—
Treasury stock issued	9.1	—	(17.0)	26.1	—	—
Foreign currency translation adjustments	(15.1)	—	—	—	(.2)	(14.9)
Cash flow hedges, net of tax	(.1)	—	—	—	—	(.1)
	.6	—	—	—	—	.6

Defined benefit pension plans, net of tax						
Stock options and benefit plan transactions, net of tax	11.4	—	11.4	—	—	—
Ending balance, March 31, 2014	$1,370.9	$2,146.8	$476.7	$(1,341.0)	$ 8.3	$ 80.1

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

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Beginning balance, January 1, 2015	$86.8	$(20.1)	$(69.3)	$(2.6)
Other comprehensive income (loss) before reclassifications, pretax	(37.8)	(2.8)	.4	(40.2)
Amounts reclassified from accumulated other comprehensive income, pretax:				
Net Sales	—	(.2)	—	(.2)
Cost of goods sold; selling and administrative expenses	—	—	1.5	1.5
Interest expense	—	1.0	—	1.0
Subtotal of reclassifications, pretax	—	.8	1.5	2.3
Other comprehensive income (loss), pretax	(37.8)	(2.0)	1.9	(37.9)
Income tax effect	—	.3	(.6)	(.3)
Attributable to noncontrolling interest	—	—	—	—
Ending balance, March 31, 2015	$49.0	$(21.8)	$(68.0)	$(40.8)
Beginning balance, January 1, 2014	$158.3	$(23.5)	$(40.3)	$94.5
Other comprehensive income (loss) before reclassifications, pretax	(15.1)	(1.0)	.1	(16.0)
Amounts reclassified from accumulated other comprehensive income, pretax:				
Net Sales	—	.1	—	.1
Cost of goods sold; selling and administrative expenses	—	—	.8	.8
Interest expense	—	1.0	—	1.0
Subtotal of reclassifications, pretax	—	1.1	.8	1.9
Other comprehensive income (loss), pretax	(15.1)	.1	.9	(14.1)
Income tax effect	—	(.2)	(.3)	(.5)
Attributable to noncontrolling interest	.2	—	—	.2
Ending balance, March 31, 2014	$143.4	$(23.6)	$(39.7)	$80.1

13. FAIR VALUE

We utilize fair value measures for both financial and non-financial assets and liabilities.

Items measured at fair value on a recurring basis

The areas in which we utilize fair value measures of financial assets and liabilities are presented in the table below. Fair value measurements are established using a three level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following categories:

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly. Short-term investments in this category are valued using discounted cash flow techniques with all significant inputs derived from or corroborated by observable market data. Derivative assets and liabilities in this category are valued using models that consider various assumptions and information from market-corroborated

sources. The models used are primarily industry-standard models that consider items such as quoted prices, market interest rate curves applicable to the instruments being valued as of the end of each period, discounted cash flows, volatility factors, current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

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

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	As of March 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	$—	$107.7	$—	$107.7
Derivative assets (Note 14)	—	2.7	—	2.7
Diversified investments associated with the Executive Stock Unit Program (ESUP)* (Note 9)	20.9	—	—	20.9
Total assets	$20.9	$110.4	$—	$131.3
Liabilities:				
Derivative liabilities* (Note 14)	$—	$6.0	$—	$6.0
Liabilities associated with the ESUP* (Note 9)	20.7	—	—	20.7
Total liabilities	$20.7	$6.0	$—	$26.7

	As of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	$—	$140.7	$—	$140.7
Derivative assets (Note 14)	—	2.0	—	2.0
Diversified investments associated with the ESUP* (Note 9)	18.8	—	—	18.8
Total assets	$18.8	$142.7	$—	$161.5
Liabilities:				
Derivative liabilities* (Note 14)	$—	$2.7	$—	$2.7
Liabilities associated with the ESUP* (Note 9)	18.6	—	—	18.6
Total liabilities	$18.6	$2.7	$—	$21.3

* - Includes both current and long-term amounts combined.

There were no transfers between Level 1 and Level 2 for any of the periods presented.

The fair value for fixed rate debt (Level 2) was greater than its $950 carrying value by $22 at March 31, 2015 and was not significantly different from its $950 carrying value at December 31, 2014. We value this debt using discounted cash flow and secondary market rates provided by Bloomberg.

Items measured at fair value on a non-recurring basis

The primary areas in which we use fair value measurements of non-financial assets and liabilities are allocating purchase price to the assets and liabilities of acquired companies as discussed in Note 10, and evaluating long-term assets (including goodwill) for potential impairment as discussed in Note 6. Determination of fair values for these items requires significant judgment and are calculated utilizing a variety of methods and models that utilize significant Level 3 inputs.

Long lived assets, acquisitions and the second step of a goodwill impairment test utilize the following methodologies in determining fair value: (i) Buildings and machinery are valued at an estimated replacement cost for an asset of comparable age and condition. Market pricing of comparable assets is used to estimate replacement cost where available. (ii) The most common identified intangible assets are customer relationships and tradenames. Customer relationships are valued using an excess earnings method, using various inputs such as the estimated customer attrition rate, future earnings forecast, the amount of contributory asset charges, and a discount rate. Tradenames are valued using a relief from royalty method, which is based upon comparable market royalty rates for tradenames of similar value. (iii) Inventory is valued at current replacement cost for raw materials, with a step-up for work in process and finished goods items that reflects the amount of ultimate profit earned as of the valuation date. (iv) Other working capital items are generally recorded at face value, unless there are known conditions that would impact the ultimate settlement amount of the particular item.

14. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Strategy & Objectives

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

Cash Flow Hedges

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

- Interest Rate Cash Flow Hedges - In August 2012, we issued $300 of 10-year notes with a coupon rate of 3.40%. As a part of this transaction, we settled our $200 forward starting interest rate swaps we had entered into during 2010 and recognized a loss of $42.7, which will be amortized out of accumulated other comprehensive income to interest expense over the life of the notes.

- Currency Cash Flow Hedges—The foreign currency hedges manage risk associated with exchange rate volatility of various currencies.

The effective changes in fair value of unexpired contracts are recorded in accumulated other comprehensive income and reclassified to income or expense in the period in which earnings are impacted. Cash flows from settled contracts are presented in the category consistent with the nature of the item being hedged. (Settlements associated with the sale or production of product are presented in operating cash flows and settlements associated with debt issuance are presented in financing cash flows.)

Fair Value Hedges

Our fair value hedges typically manage foreign currency risk associated with subsidiaries' inter-company assets and liabilities. Hedges designated as fair value hedges recognize gain or loss currently in earnings. Cash flows from settled contracts are presented in the category consistent with the nature of the item being hedged.

Hedge Effectiveness

We have deemed ineffectiveness to be immaterial, and as a result, have not recorded any amounts for ineffectiveness. If a hedge was not highly effective, the portion of the change in fair value considered to be ineffective would be recognized immediately in the consolidated statements of operations.

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

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	Expiring at various dates through:	Total USD Equivalent Notional Amount	As of March 31, 2015		
			Assets	Liabilities	
			Other Current Assets	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedging instruments					
Cash flow hedges:					
Currency Hedges:					
-Future USD sales of Canadian, Chinese and Swiss subsidiaries	Dec 2016	$153.9	$—	$3.0	$1.8
-Future MXN purchases of a USD subsidiary	Dec 2016	4.3	—	.3	.1
-Future USD purchases of Canadian, European, and Korean subsidiaries	Dec 2015	9.9	1.3	.1	—
-Future EUR sales of Chinese and Swiss subsidiaries	Dec 2015	5.6	.8	—	—
-Future JPY sales of Chinese subsidiary	Dec 2015	5.3	.3	—	—
Total cash flow hedges			2.4	3.4	1.9
Fair value hedges:					
DKK inter-company note receivable on a USD subsidiary	May 2015	3.0	.2	—	—
USD inter-company note receivable on a CAD subsidiary	Apr 2015	10.0	.1	—	—
USD inter-company note receivable on a Swiss subsidiary	Sep 2015	18.5	—	.7	—
Total fair value hedges			.3	.7	—
			$2.7	$4.1	$1.9

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	Expiring at various dates through:	Total USD Equivalent Notional Amount	As of December 31, 2014 Assets Other Current Assets	Liabilities Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedging instruments					
Cash flow hedges:					
Currency Hedges:					
-Future USD sales of Canadian and Chinese subsidiaries	Dec 2016	$153.3	$.3	$1.0	$.2
-Future USD purchases of Canadian and European subsidiaries	Dec 2015	10.4	.9	—	—
-Future MXN purchases of a USD subsidiary	Dec 2016	5.3	—	.3	.1
-Future JPY sales of a Chinese subsidiary	Dec 2015	6.9	.5	—	—
-Future EUR sales of a Chinese subsidiary	Dec 2015	6.0	.3	—	—
Total cash flow hedges			2.0	1.3	.3
Fair value hedges:					
USD inter-company note receivable on a Swiss subsidiary	Sep 2015	18.5	—	1.1	—
			$2.0	$2.4	$.3

The following table sets forth the pre-tax (gains) losses from continuing operations for our hedging activities for the years presented. This schedule includes reclassifications from accumulated other comprehensive income (see Note 12) as well as derivative settlements recorded directly to income or expense.

	Income Statement Caption	Amount of (Gain) Loss Recorded in Income Three Months Ended March 31 2015	2014
Derivatives designated as hedging instruments			
Interest rate cash flow hedges	Interest expense	$1.0	$1.0
Foreign currency cash flow hedges	Net sales	—	.3
Foreign currency cash flow hedges	Cost of goods sold	(.4)	—
Foreign currency cash flow hedges	Other (income) expense, net	—	.1
Total cash flow hedges		.6	1.4
Fair value hedges	Other (income) expense, net	.7	(.5)
Derivatives not designated as hedging instruments			
Hedge of USD cash-UK and Swiss subsidiaries	Other (income) expense, net	(.1)	—
Hedge of EUR cash-Swiss subsidiary	Other (income) expense, net	.7	—
Total derivative instruments		$1.9	$.9

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15. CONTINGENCIES

We are a party to various proceedings and matters involving employment, antitrust, intellectual property, environmental, taxation and other laws. When it is probable, in management's judgment, that we may incur monetary damages or other costs resulting from these proceedings or other claims, and we can reasonably estimate the amounts, we record appropriate liabilities in the financial statements and make charges against earnings. For all periods presented, we have recorded no material charges against earnings other than as indicated below.

Foam Antitrust Lawsuits

We deny all allegations in all pending antitrust proceedings. We will vigorously defend ourselves in all proceedings and believe that we have valid bases to contest all claims. However, we have established an accrual for the estimated amount that we believe is necessary to resolve all antitrust matters. We also believe and expect, based on current facts and circumstances, that any reasonably possible losses incremental to the recorded accrual will not have a material impact on our consolidated financial position, results of operations or cash flows. For specific information regarding accruals please see “Accrual for Loss Contingencies” below.

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

U.S. Direct Purchaser Class Action Cases. We were named as a defendant in three pending direct purchaser class action cases (the first on November 15, 2010) on behalf of a class of all direct purchasers of polyurethane foam products. The direct purchaser class action cases were all filed in or were transferred to the U.S. District Court for the Northern District of Ohio under the name In re: Polyurethane Foam Antitrust Litigation, Case No. 1:10-MD-2196. The plaintiffs, on behalf of themselves and/or a class of direct purchasers, seek three times the amount of damages allegedly suffered as a result of alleged overcharges in the price of polyurethane foam products from at least 1999 to the present. Each plaintiff also seeks attorney fees, pre-judgment and post-judgment interest, court costs, and injunctive relief against future violations. We filed motions to dismiss the U.S. direct purchaser class actions in the consolidated case in Ohio, for failure to state a legally valid claim, which were denied by the Ohio Court. A motion for class certification was filed on behalf of the direct purchasers. A hearing on the motion was held and the Court certified the direct purchaser class. We filed a Petition for Permission to Appeal from Class Certification Order to the United States Court of Appeals for the Sixth Circuit which was denied. The Court ordered all parties to attend non-binding mediation with a mediator of their choosing.

Settlement of U.S. Direct Purchaser Class Action Cases. We reached a tentative settlement in the U.S. direct purchaser class action cases on August 14, 2014, by agreeing to pay an aggregate amount of $39.8, inclusive of plaintiff attorneys' fees and costs. We continue to deny all allegations in the cases, but settled the direct purchaser class cases to avoid the risk, uncertainty, expense and distraction of litigation. The settlement was subject to Court approval. We recorded a $39.8 (pre-tax) accrual for the settlement in the third quarter 2014. In the fourth quarter of 2014, we paid $4 to the Court related to the settlement. Since the accrual is partially attributable to our former Prime Foam Products business, which was sold in the first quarter of 2007, $8.3 of expense was reflected in discontinued operations. The deadline for direct purchasers to exclude themselves from the litigation and settlement classes was January 26, 2015. A final fairness hearing was held on February 3, 2015, and on February 26, 2015, the Court entered a memorandum opinion and order granting the motion for final approval of the class settlement. Subsequently, final judgments of dismissal with prejudice were entered on March 13, 2015. On March 20, 2015, an objector filed a notice of appeal of the order approving the class settlement to the Federal Circuit Court of Appeals. The direct purchaser class plaintiffs filed a motion to dismiss or, in the alternative, transfer the appeal on March 27, 2015. On May 1, 2015, the Federal Circuit Court of Appeals denied the motion to dismiss and transferred the appeal to the United States Court of Appeals for the Sixth Circuit.

U.S. Indirect Purchaser Class Action Cases. We were named as a defendant in an indirect purchaser class consolidated amended complaint filed on March 21, 2011 and were subsequently sued in an indirect purchaser class action case filed on May 23, 2011, in the U.S. District Court for the Northern District of Ohio under the name In re: Polyurethane Foam Antitrust Litigation, Case No. 1:10-MD-2196. The plaintiffs, on behalf of themselves and/or a class of indirect purchasers, bring damages claims under various states' antitrust and consumer protection statutes, and are seeking three times an amount of damages allegedly suffered as a result of alleged overcharges in the price of polyurethane foam products from at least 1999 to the present. Each plaintiff also seeks attorney fees, pre-judgment and post-judgment interest, court costs, and injunctive relief against future violations. We filed motions to dismiss the indirect

purchaser class action, for failure to state a legally valid claim. The Ohio Court denied the motions to dismiss. Discovery is substantially complete in this case. A motion for class certification was filed on behalf of the indirect purchasers. A
hearing on the motion was held and the Court certified the indirect purchaser class. The deadline for indirect purchasers to exclude themselves from the litigation was March 13, 2015. We filed a Petition for Permission to Appeal from Class Certification Order to the United States Court of Appeals for the Sixth Circuit, which was denied. On November 18, 2014, we filed a Petition for a Writ of Certiorari in the U.S. Supreme Court, which was denied on March 2, 2015. The Ohio Court ordered all parties to attend non-binding mediation with a mediator of their choosing. Trial is tentatively set to begin in mid-October 2015.

U.S. Individual Direct Purchaser Cases. We have been named as a defendant in 34 pending individual direct purchaser cases filed between March 22, 2011 and October 16, 2013, which were filed in or transferred to the U.S. District Court for the Northern District of Ohio under the name In re: Polyurethane Foam Antitrust Litigation, Case No. 1:10-MD-2196. The claims in the individual direct purchaser cases are generally the same as those asserted in the direct purchaser class action case. Additionally, several individual direct purchaser plaintiffs bring state claims under individual states' consumer protection and/or antitrust statutes in addition to their federal claims. Once pretrial practice concludes, some of the individual direct purchaser cases are scheduled to be tried in the U.S. District Court for the Northern District of Ohio and others will be remanded back to the federal district courts where the cases were originally filed for trial. Trial in 12 of the individual direct purchaser cases is set to begin on August 18, 2015.

Kansas Restraint of Trade Act Cases. We have been named as a defendant in two individual cases alleging direct and indirect purchaser claims under the Kansas Restraint of Trade Act, one filed on November 29, 2012 and the other on April 11, 2013. These two cases were filed in the U.S. District Court for the District of Kansas and then transferred to the U.S. District Court for the Northern District of Ohio under the name In re: Polyurethane Foam Antitrust Litigation, Case No. 1:10-MD-2196. The claims and allegations of these plaintiffs are generally the same as the other direct and indirect purchaser plaintiffs, with the exception that the Kansas plaintiffs seek full consideration damages (their total purchase amounts for the allegedly price-fixed polyurethane foam products). On April 6, 2015, the plaintiffs in these two actions filed a motion for immediate remand of those actions back to the District of Kansas federal district court for further pretrial practice and trial. On May 5, 2015, the Ohio Court entered an order suggesting to the U.S. Judicial Panel on Multidistrict Litigation that the Kansas case be remanded to the U.S. District Court for the District of Kansas.

Canadian Class Action Cases. We were named in two Canadian class action cases (for direct and indirect purchasers of polyurethane foam products), both under the name Hi Neighbor Floor Covering Co. Limited and Hickory Springs Manufacturing Company, et.al. in the Ontario Superior Court of Justice (Windsor), Court File Nos. CV-10-15164 (amended November 2, 2011) and CV-11-17279 (issued December 30, 2011). In each of these Canadian cases, the plaintiffs, on behalf of themselves and/or a class of purchasers, seek from over 13 defendants restitution of the amount allegedly overcharged, general and special damages in the amount of $100, punitive damages of $10, pre-judgment and post-judgment interest, and the costs of the investigation and the action. The first issued class action is on behalf of a class of purchasers of polyurethane foam. The second issued class action is on behalf of purchasers of carpet underlay. We are not yet required to file our defenses in these or any other Canadian actions. In addition, on July 10, 2012, plaintiff in a class action case (for direct and indirect purchasers of polyurethane foam products) styled Option Consommateurs and Karine Robillard v. Produits Vitafoam Canada Limitée, et. al. in the Quebec Superior Court of Justice (Montréal), Court File No. 500-6-524-104, filed an amended motion for authorization seeking to add us and other manufacturers of polyurethane foam products as defendants in this case, which was granted. This action has a pending motion for certification, which has been postponed indefinitely. We also were notified in June 2014 of two motions to add us as parties to two class proceedings in British Columbia. Those proceedings are similar to the

Ontario proceedings in that one proposes a class of purchasers of polyurethane foam (Majestic Mattress Mfg. Ltd. v. Vitafoam Products et al., No. VLC-S-S-106362 Vancouver Registry) and one proposes a class of purchasers of carpet underlay (Trillium Project Management Ltd. v. Hickory Springs Manufacturing Company et al., No.S106213 Vancouver Registry). The motion to add us as parties to these actions was heard on April 7, 2015 and the British Columbia Supreme Court ordered our addition as parties to the two actions in British Columbia. The British Columbia actions involve British Columbia purchasers only whereas the Ontario actions propose classes of Canadian purchasers.
Missouri Class Action Case. On June 22, 2012, we were made a party to a lawsuit brought in the 16^{th} Judicial Circuit Court, Jackson County, Missouri, Case Number 1216-CV15179 under the caption “Dennis Baker, on Behalf of Himself and all Others Similarly Situated vs. Leggett & Platt, Incorporated.” The plaintiff, on behalf of himself and/or a class of indirect purchasers of polyurethane foam products in the State of Missouri, alleged that we violated the Missouri Merchandising Practices Act based upon our alleged illegal price inflation of flexible polyurethane foam products. The plaintiff seeks unspecified actual damages, punitive damages and the recovery of reasonable attorney fees. We filed a

motion to dismiss this action, which was denied. Discovery has commenced and plaintiff has filed a motion for class certification. A hearing on the motion was held, and the Court subsequently entered an order denying plaintiff's motion for
class certification on March 18, 2015. Plaintiff filed a motion for reconsideration of that order on March 30, 2015, but we have yet to receive ruling.

Brazilian Value-Added Tax Matters

We deny all of the allegations in all of the below Brazilian actions. We believe that we have valid bases upon which to contest such actions and will vigorously defend ourselves. However, these contingencies are subject to many uncertainties, and based on current facts and circumstances, we believe that it is reasonably possible (but not probable) that we may incur losses with respect to these assessments. Therefore, no accrual has been recorded for Brazilian VAT matters.

Brazilian Federal Cases. On December 22, 2011, the Brazilian Finance Ministry, Federal Revenue Office issued a notice of violation against our wholly-owned subsidiary, Leggett & Platt do Brasil Ltda. ("L&P Brazil") in the amount of $2.5, under Case No. 10855.724660/2011-43. The Brazilian Revenue Office claimed that for the period beginning November 2006 and continuing through December 2007, L&P Brazil used an incorrect tariff code for the collection and payment of value-added tax primarily on the sale of mattress innerspring units in Brazil. L&P Brazil responded to the notice of violation denying the violation. The Federal Revenue Office denied L&P Brazil's defenses and upheld the assessment at the first administrative level. L&P Brazil has filed an appeal.

On December 29, 2011, L&P Brazil received another assessment in the amount of $.1, under case No. 10855.724509/2011-13 on the same subject matter in connection to certain import transactions carried out between 2007 and 2011. L&P Brazil has filed its defense.

On December 17, 2012, the Brazilian Revenue Office issued an additional notice of violation in the amount of $4.4 under MPF Case No. 10855.725260/2012-36 covering the period from January 1, 2008 through December 31, 2010 on the same subject matter. L&P Brazil responded to the notice of violation denying the violation. The Brazilian Revenue Office denied L&P Brazil's defenses and upheld the assessment at the first administrative level. L&P Brazil has appealed this decision, but the appeal was denied by the second administrative level on January 27, 2015. L&P Brazil filed a motion for clarification on March 27, 2015.

In addition, L&P Brazil received assessments on December 22, 2011, and June 26, July 2 and November 5, 2012, and September 13, 2013 from the Brazilian Federal Revenue Office where the Revenue Office challenged L&P Brazil's use of certain tax credits in the years 2005 through 2010. Such credits are generated based upon the tariff classification and rate used by L&P Brazil for value-added tax on the sale of mattress innersprings. On September 4, 2014, the tax authorities issued five additional assessments regarding this same issue (use of credits), covering certain periods of 2011 and 2012. L&P Brazil has filed its defense to all of these assessments. Combined with the prior assessments, L&P Brazil has received assessments totaling $3.0 on the same or similar denial of tax credit matters.

On February 1, 2013, the Brazilian Finance Ministry filed a Tax Collection action against L&P Brazil in the Camanducaia Judicial District Court, Case No. 0002222-35.2013.8.13.0878, alleging the untimely payment of $.2 of social contributions (social security and social assistance payments) for the period September to October 2010. L&P Brazil filed its response, a Motion to Stay of Execution. L&P Brazil argued the payments were not required to be made because of the application of certain tax credits that were generated by L&P Brazil's use of a correct tariff code for the classification of value-added tax on the sale of mattress innersprings (i.e., the same underlying issue at stake in the other Brazilian matters).

On June 26, 2014, the Brazilian Revenue Office issued a new notice of violation against L&P Brazil in the amount of $.8, under Case No. 10660.721523/2014-87, covering the period from 2011 through 2012 on the same subject matter. L&P Brazil has filed its defense denying the assessments.

On July 1, 2014, the Brazilian Finance Ministry rendered a preliminary decision to reject certain offsetting requests presented by L&P Brazil, which originated with Administrative Proceeding No. 10660.720850/2014-11. The Brazilian Finance Ministry alleges that L&P Brazil improperly offset $.1 of social contributions otherwise due in 2011. L&P Brazil filed its response denying the allegations. L&P Brazil is defending on the basis that the social contribution debts were correctly offset with certain tax credits that were generated by L&P Brazil's use of a correct tariff code classification for value-added tax on the sale of mattress innersprings (i.e., the same underlying issue at stake in the other Federal Brazilian matters).

On September 4, 2014, the Brazilian Federal Revenue issued an assessment against L&P Brazil in the amount of $.2, for the period of April 2011 through June 2012, as a penalty for L&P Brazil's requests to offset certain tax credits. We have filed our defense.

State of São Paulo, Brazil Cases. L&P Brazil is party to a proceeding involving the State of São Paulo, Brazil where the State of São Paulo, on April 16, 2009, issued a Notice of Tax Assessment and Imposition of Fine to L&P Brazil seeking $2.0 for the tax years 2006 and 2007, under Case No. 3.111.006 (DRT n°.04-256.169/2009). The State of São Paulo argued that L&P Brazil was using an incorrect tariff code for the collection and payment of value-added tax on sales of mattress innerspring units in the State of São Paulo. The Court of Tax and Fees of the State of São Paulo ruled in favor of L&P Brazil nullifying the tax assessment. The State filed a special appeal and the Special Appeals Court remanded the case back to the Court of Tax and Fees for further findings. The Court of Tax and Fees again ruled in favor of L&P Brazil and nullified the tax assessment. The State filed another special appeal. On April 17, 2014, the Court of Tax and Fees ruled in the State's favor upholding the original assessment of $2.0. On July 31, 2014, L&P Brazil filed an annulment action, Case No. 101712346.2014.8260602 in the Sorocaba State Court, seeking to have the Court of Tax and Fees ruling annulled for an updated assessment amount of $3.9. On December 3, 2014, the State of São Paulo filed a Tax Collection action against L&P Brazil in Sorocaba Judicial District Court, Case No. 1501115-34.2014.8.26.0602, seeking to collect the same amounts at issue in annulment action No. 101712346.2014.8260602. The original assessment amount of $3.9 was increased by 10% to include attorneys' fees.

On October 4, 2012, the State of São Paulo issued a Tax Assessment under Procedure Number 4.003.484 against L&P Brazil in the amount of $1.6 for the tax years 2009 through 2011. Similar to the 2009 assessment, the State of São Paulo argues that L&P Brazil was using an incorrect tax rate for the collection and payment of value-added tax on sales of mattress innerspring units in the State of São Paulo. On June 21, 2013, the State of São Paulo's attorneys converted the Tax Assessment No. 4.003.484 to a tax collection action against L&P Brazil in the amount of $2.1, under Sorocaba Judicial District Court, Case No. 3005528-50.2013.8.26.0602. L&P Brazil filed its response, a Motion to Stay of Execution denying the allegations.

L&P Brazil also received a Notice of Tax Assessment and Imposition of a Fine from the State of São Paulo dated March 27, 2014, under Procedure Number 4.038.746-0 against L&P Brazil in the amount of $1.0 for the tax years January 2011 through August 2012 regarding the same subject matter. L&P filed its response denying the allegations. The first administrative level denied L&P Brazil's defense and upheld the assessment. L&P Brazil filed its appeal of this decision.

State of Minas Gerais, Brazil Cases. On December 18, 2012, the State of Minas Gerais, Brazil issued a tax assessment to L&P Brazil relating to L&P Brazil's classifications of innersprings for the collection and payment of value-added tax on the sale of mattress innersprings in Minas Gerais from March 1, 2008 through August 31, 2012 in the amount of $.5, under PTA Case No. 01.000.182756-62. L&P Brazil filed its response denying any violation. The first administrative level ruled against us but did reduce the tax to $.2 (plus interest and penalties). We appealed to the second administrative level, which affirmed the first administrative level ruling. The case will now proceed judicially under Case No. 0003673-61.2014.8.13.0878 in Camanducaia Judicial District Court for the updated amount of $.5. L&P Brazil filed its response, a Motion to Stay of Execution, on June 5, 2014.

Patent Infringement Claim

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

First Lawsuit. On January 24, 2012, in a case in the United States District Court for the Central District of California, the jury entered a verdict against us in the amount of $5 based upon an allegation by plaintiff that we infringed three patents on an automatic stapling machine and on methods used to assemble boxsprings. This action was originally filed on October 4, 2010, as case number CV10-7416 RGK (SSx) under the caption Imaginal Systematic, LLC v.

Leggett & Platt, Incorporated; Simmons Bedding Company; and Does 1 through 10, inclusive. Leggett is contractually obligated to defend and indemnify Simmons Bedding Company against a claim for infringement.

On summary judgment motions, we unsuccessfully disputed each patent's validity and denied that we infringed any patent. At the jury trial on damages issues, the plaintiff alleged damages of $16.2. The court denied plaintiff's attempt to win an attorney fee award and triple the pre-verdict damages. We appealed the case to the Federal Circuit Court of Appeals. Oral argument was held before a three judge appeal panel in the Federal Circuit in Washington D.C. The Court of Appeals issued a judgment affirming the $5 verdict against us, which was fully accrued for in the first quarter of 2013 and then paid in the second quarter of 2013. We filed a petition for a rehearing of the Court of Appeals decision which was denied.

The plaintiff requested royalties for post-verdict use of the machines, and requested pre-judgment interest in the amount of $.7. The District Court ruled that the plaintiff was not entitled to additional ongoing royalties for our continued use of the machines, but did award pre-judgment interest of $.5. Both parties filed a notice of appeal of this order to the Federal Circuit Court of Appeals, but plaintiff has since withdrawn its appeal.

We also filed reexamination proceedings in the Patent Office (Case Nos. 95/001,543 filed February 11, 2011; 95/001,546 and 95/001,547 filed February 16, 2011), challenging the validity of each patent at issue in the lawsuit the plaintiff brought. The Patent Office examiner ruled in our favor on the key claims of one of the three patents. The Patent Office examiner initially ruled in our favor on the pertinent claims of the second of the patents, but subsequently reversed that decision. With respect to the third patent, the Patent Office examiner's decision upheld the validity of all claims. All three of these proceedings were appealed to the Board of Patent Appeals. The plaintiff filed petitions to terminate all re-examination proceedings based on the final ruling of the Federal Circuit Court of Appeals. We opposed those petitions. The Patent Office terminated all three re-examination proceedings, and we requested an ex parte reexamination as to one of the patents. The Patent Office did not accept our request.

Second Lawsuit. On July 29, 2013, the plaintiff filed a second lawsuit in the United States District Court for the Central District of California, Case No. CV13-05463 alleging that we and Simmons Bedding Company have continued to infringe the three patents on an automatic stapling machine and the methods used to assemble boxsprings, and that the plaintiff is entitled to additional damages from January 24, 2012 forward. Leggett and Simmons Bedding Company filed their answers, and the Court granted summary judgment finding that the use of an earlier version of the automatic stapling machines constituted infringement, but also finding that use of a redesigned version of the machine does not infringe any Imaginal patent. On October 17, 2014, the parties entered into a Confidential Settlement Agreement and Limited Release, whereby Leggett agreed to pay Imaginal a cash payment, which is not material to the Company, to settle the part of the case concerning the machines found to infringe and the pre-judgment interest issue from the first lawsuit. Imaginal is appealing the summary judgment ruling that the redesigned stapling machines do not infringe to the U.S. Court of Appeals for the Federal Circuit. The appeal is currently pending.

Accrual for Loss Contingencies

Although the Company denies liability in all threatened or pending litigation proceedings in which it is or may be a party and believes that it has valid bases to contest all claims threatened or made against it, we recorded, in addition to previously recognized unpaid accruals disclosed above, an additional aggregate (pre-tax) litigation accrual in continuing operations of $22 in the fourth quarter of 2014 which represents our reasonable estimate of unrecorded probable loss for all pending and threatened litigation proceedings impacting continuing operations. We expect to make most of these cash payments in 2015 with the remainder expected to be paid in 2016. We have relied on several facts and circumstances to conclude that some loss is probable with respect to certain proceedings and matters, to arrive at a reasonable estimate of loss and record the accrual, including: the maturation of the pending proceedings and matters; our experience in settlement negotiations and mediation; comparative settlements of other companies in similar proceedings; discovery becoming substantially complete in certain proceedings; certain quantitative metrics used to value probable loss contingencies; and our willingness to settle certain proceedings to forgo the cost and risk of litigation and distraction to our senior executives. We also recorded an additional $27 litigation contingency accrual in discontinued operations in the fourth quarter of 2014 based upon the same facts, circumstances and analysis as described above. We expect to make most of these cash payments in 2015 with the remainder expected to be paid in 2016. By far the largest portion of the accruals is for the foam antitrust proceedings.

Although there are a number of uncertainties and potential outcomes associated with all of our pending or threatened litigation proceedings, we believe, based on current facts and circumstances, that additional reasonably possible losses (other than those Brazilian VAT matters quantified and disclosed above), are not expected to materially affect our consolidated financial position, results of operations or cash flows.

For more information regarding discontinued operations, please refer to Note 5 on page 8 of our Notes to Consolidated Condensed Financial Statements.

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

What We Do

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

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

Our Segments

Our continuing operations are comprised of 18 business units in four segments, with approximately 19,000 employees, and 130 production facilities located in 18 countries around the world. Our segments are described below.

Residential Furnishings: This segment supplies a variety of components used by bedding and upholstered furniture manufacturers in the assembly of their finished products. We also produce or distribute carpet cushion and geo components. This segment generated 48% of total sales during the first quarter of 2015.

Commercial Products: Operations in this segment supply chair controls, bases, and other components for office furniture manufacturers, as well as select lines of private-label finished furniture, adjustable bed bases, fashion beds, and bed frames. This segment contributed 13% of total sales in the first three months of 2015.

Industrial Materials: These operations primarily supply drawn steel wire, steel rod, steel billets, and welded steel tubing to our other operations and to external customers. Our customers use this wire and tubing to make bedding, furniture, automotive seats, mechanical springs, and many other end products. This segment generated 18% of our total sales during the first three months of 2015.

Specialized Products: From this segment we supply lumbar support and seat suspension systems used by automotive seating manufacturers. We also produce and distribute titanium and nickel tubing for the aerospace industry, quilting and sewing equipment for bedding manufacturers, and racks, shelving and cabinets used to outfit commercial vehicles. This segment contributed 21% of our total sales in the first quarter of 2015.

Total Shareholder Return

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

We monitor our TSR performance (relative to the S&P 500) on a rolling three-year basis. At March 31, for the three-year measurement period that will end on December 31, 2015, we have so far generated TSR of 31% per year on average, which placed us in the top 28% of the S&P 500 and within our top-third goal over that same time frame.

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

Customers

We serve a broad suite of customers, with our largest customer representing approximately 7% of our sales in 2014. Many are companies whose names are widely recognized. They include most producers of residential furniture and bedding, automotive and office seating manufacturers, and a variety of other companies.

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 of 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.

We continue to retain more production capacity than we currently utilize, and with our meaningful operating leverage, earnings should further benefit as market demand continues to improve. For each additional $100 million of sales from incremental unit volume produced utilizing this spare capacity, we expect to generate approximately $25 million to $35 million of additional pre-tax earnings.

Raw Material Cost Trends

In many of our businesses, we enjoy a cost advantage from being vertically integrated into steel wire and rod. This is a benefit that our competitors do not have. We also experience favorable purchasing leverage from buying large quantities of raw materials. Still, our costs can vary significantly as market prices for raw materials (many of which are commodities) fluctuate.

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

Steel is our principal raw material. At various times in past years we have experienced significant cost fluctuations in this commodity. In most cases, the major changes (both increases and decreases) were passed through to customers with selling price adjustments. As we began 2015, market prices for steel scrap in the U.S. were decreasing. This led to downward pricing pressure on steel rod and other types of steel materials.

As a producer of steel rod, we are also impacted by volatility in metal margins (the difference in the cost of steel scrap and the market price for steel rod). Metal margins within the steel industry have been volatile during certain periods in recent years. In late 2013 and early 2014, metal margins decreased significantly as market conditions did not allow full recovery of higher scrap costs. An antidumping and countervailing duty case filed in January 2014 by major U.S. steel rod producers was concluded in December 2014, resulting in the implementation of duties on imports of Chinese steel wire rod. The antidumping duties range from 106% to 110% and the countervailing duties range from 178% to 193%. Both remain in effect through December 2019.

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

When we raise our prices to recover higher raw material costs, this sometimes causes customers to modify their product designs and replace higher cost components with lower cost components. We must continue to find ways to assist our customers in improving the functionality and reducing the cost of their products, while providing higher margin and profit contribution for our operations.

Competition

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

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

Since 2009, there have been antidumping duty orders on innerspring imports from China, South Africa and Vietnam, ranging from 116% to 234%. In March 2014, the Department of Commerce (DOC) and the International Trade Commission (ITC) determined that the duties should be continued. In April 2014, the DOC published its final order continuing the duties through February 2019 (for China) and December 2018 (for South Africa and Vietnam). Because of the documented evasion of antidumping orders by certain importers, typically shipping goods through third countries and falsely identifying the countries of origin, Leggett & Platt, along with several U.S. manufacturers have formed a coalition and are working with members of Congress, the DOC, and U.S. Customs and Border Protection to seek stronger enforcement of existing antidumping and/or countervailing duty orders.

Settlement of U.S. Direct Purchaser Polyurethane Foam Class Action Cases

We previously disclosed that we are a defendant in a series of civil antitrust lawsuits involving the sale of polyurethane foam. We have reached a settlement in the U.S. direct purchaser class action cases by agreeing to pay an aggregate amount of $39.8 million, inclusive of plaintiff attorneys' fees and costs. We continue to deny all allegations in all of the cases, but have settled the direct purchaser class cases to avoid the risk, uncertainty, expense and distraction of litigation. The settlement was subject to Court approval. In the fourth quarter of 2014, we paid $4 million to the Court related to the settlement. A final fairness hearing was held on February 3, 2015, and on February 26, 2015, the Court entered a memorandum opinion and order granting the motion for final approval of the class settlement. Subsequently, an objector filed a notice of appeal of the order and the direct purchaser class plaintiffs filed a motion to dismiss. On May 1, 2015, the Federal Circuit Court of Appeals denied the motion to dismiss and transferred the appeal to the United States Court of Appeals for the Sixth Circuit.

We recorded a $39.8 million (pre-tax) accrual for this settlement in the third quarter of 2014. Since the payment is partially attributable to our former Prime Foam Products business, which was sold in 2007, $8.3 million of the charge was reflected in discontinued operations.

We remain a defendant in various other previously disclosed antitrust cases involving the sale of polyurethane foam. For more information regarding our litigation contingencies, See Footnote 15 “Contingencies” on page 22 of the Notes to Consolidated Condensed Financial Statements.

Accrual for Loss Contingencies

Although we deny liability in all threatened or pending litigation proceedings and believe that we have valid bases to contest all claims made against us, we recorded an additional aggregate litigation accrual in continuing operations of $22 million (pre-tax) in the fourth quarter of 2014, which represents our reasonable estimate of unrecorded probable loss for all pending and threatened litigation proceedings impacting continuing operations. We also recorded an additional $27 million (pre-tax) litigation contingency accrual in discontinued operations in the fourth quarter based upon the same facts, circumstances and analysis. By far the largest portion of these accruals relates to the foam antitrust litigation. We believe, based on current facts, that these accruals are adequate to resolve all pending antitrust matters.

We expect to incur the majority of the resulting cash payments in 2015, with the remainder expected to be paid in 2016. Although there are a number of uncertainties and potential outcomes associated with all of our pending or threatened litigation proceedings, we believe, based on current facts and circumstances, that additional legal contingency losses (other than those quantified and disclosed in Note 15 to the Consolidated Financial Statements on page 26) are not expected to materially affect our consolidated financial position, results of operations, or cash flows.

Discontinued Operations

Some of our prior businesses, including the Store Fixtures business, are disclosed in our financial statements as discontinued operations since (i) the operations and cash flows of the businesses were clearly distinguished and have been or will be eliminated from our ongoing operations; (ii) the businesses have either been disposed of or are classified as held for sale; and (iii) we will not have any significant continuing involvement in the operations of the businesses after the disposal transactions. The Store Fixtures business was previously reported as part of the Commercial Products segment. These operations manufacture and distribute custom-designed, complete store fixture packages for major retailers, including metal and wood shelving, counters, and showcases. For more information on discontinued operations, see Note 5 to the Consolidated Condensed Financial Statements on page 8.

Change in Segment Reporting

Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. Because of the recent divestiture of the majority of the Store Fixtures business (formerly in the Commercial Products segment) along with the retirement of the Senior Operating Vice President of the Industrial Materials segment, our management organizational structure and all related internal reporting changed during the first quarter of 2015.

The Adjustable Bed and Fashion Bed (formerly named Consumer Products) businesses were moved from Residential Furnishings to Commercial Products (formerly named Commercial Products). The Aerospace business was moved from Industrial Materials to Specialized Products. Additionally, the Spuhl machinery operation (which produces wire forming equipment primarily for our internal use) was moved from Specialized Products to Residential Furnishings. These segment changes were retrospectively applied to all prior periods presented.

Acquisitions

On March 5, 2015, we acquired a 70% interest in a European private-label manufacturer of high-end upholstered furniture for office, commercial and other settings. This business, which will be included in the Work Furniture Group of our Commercial Products segment, is complimentary to our existing North American private-label operation and allows us to support our Work Furniture customers as they expand globally. We will acquire the remaining 30% over the next five years and have recorded a long-term liability of approximately $10.0 million for the future payments. See Note 10 to the Consolidated Condensed Financial Statements on page 15 for additional information regarding acquisitions.

Restructuring

There were no significant restructuring-related costs in the first three months of 2015 or 2014.

RESULTS OF OPERATIONS

Discussion of Consolidated Results (Continuing Operations)

The following discussion of consolidated results reflects only continuing operations. Prior year amounts have been retrospectively adjusted to reflect the reclassification of Store Fixtures to discontinued operations.

First Quarter:

Earnings per share (EPS) from continuing operations were $.50, up 32% versus the $.38 per share we earned in first quarter of 2014. Current quarter earnings benefited from strong unit volume growth, pricing discipline, and operational improvements in certain businesses, partially offset by a $6 million (pre-tax) impairment charge associated with our Industrial Steel Tubing operation.

Sales grew to $966 million, a 10.4% increase versus the same quarter last year. Same location sales improved 5.6%, with strong unit volume growth partially offset by currency translation impacts and raw material-related price decreases. Acquisitions contributed 4.8% to sales growth in the quarter.

Earnings Before Interest and Taxes (EBIT) increased 30%, to $112 million, and EBIT margin expanded 180 basis points to 11.6% during the quarter.

LIFO/FIFO and the Effect of Changing Prices

All of our segments use the first-in, first-out (FIFO) method for valuing inventory. In our consolidated financials, an adjustment is made at the corporate level (i.e., outside the segments) to convert about 50% of our inventories to the last-in, first-out (LIFO) method.

For the full year 2015, we estimate $20 million of LIFO benefit in continuing operations. This estimate incorporates certain assumptions about year-end steel prices and inventory levels. Therefore, the LIFO estimate for the full year could be significantly different from that currently estimated.

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

	Three Months Ended March 31,	
	2015	2014

LIFO benefit (expense)	$5.0	$(.2)

30

Interest Expense and Income Taxes

First quarter 2015 interest expense was slightly higher than first quarter of 2014, primarily due to the issuance of $300 million of 10-year notes in November 2014.

The first quarter effective tax rate on continuing operations was 28%, compared to 27% for the same quarter last year. Although both quarters benefited from $2 million of discrete tax items, the 2015 rate was less favorably impacted due to the Company's higher earnings. In 2015, we anticipate an effective tax rate on continuing operations for the full year of about 29%. That rate is contingent upon factors such as our overall profitability, the mix of earnings among tax jurisdictions, the type of income earned, the impact of tax audits and other discrete items, and the effect of tax law changes and prudent tax planning strategies.

Discussion of Segment Results

First Quarter Discussion

A description of the products included in each segment, along with segment financial data, appear in Note 4 of the Notes to Consolidated Condensed Financial Statements on page 7. A summary of segment results are shown in the following tables. All prior periods presented have been retrospectively adjusted to reflect the change in segment structure discussed on page 30.

Net Sales (Dollar amounts in millions)	Three Months ended March 31, 2015	Three Months ended March 31, 2014	Change in Net Sales $	Change in Net Sales %	% Change in Same Location Sales(1)
Residential Furnishings	$ 529.5	$ 448.4	$81.1	18.1 %	9.8 %
Commercial Products	141.0	116.6	24.4	20.9	17.2
Industrial Materials	192.4	180.7	11.7	6.5	6.4
Specialized Products	228.5	215.9	12.6	5.8	5.8
Total	1,091.4	961.6	129.8	13.5	
Intersegment sales	(125.2)	(86.1)	(39.1)		
External sales	$ 966.2	$ 875.5	$90.7	10.4 %	5.6 %

EBIT (Dollar amounts in millions)	Three Months ended March 31, 2015	Three Months ended March 31, 2014	Change in EBIT $	Change in EBIT %	EBIT Margins(2) Three Months ended March 31, 2015	EBIT Margins(2) Three Months ended March 31, 2014
Residential Furnishings	$52.1	$46.8	$5.3	11.3 %	9.8 %	10.4 %
Commercial Products	8.0	5.7	2.3	40.4	5.7	4.9
Industrial Materials	8.0	7.7	.3	3.9	4.2	4.3
Specialized Products	39.3	27.6	11.7	42.4	17.2	12.8
Intersegment eliminations & other	(.7)	(1.8)	1.1			
Change in LIFO reserve	5.0					