LEGGETT & PLATT INC
Form 10-Q
November 04, 2014

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

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

For the quarterly period ended September 30, 2014
OR

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

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

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

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

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

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

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

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

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

Common stock outstanding as of October 21, 2014: 137,625,111

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

(Amounts in millions)	September 30, 2014	December 31, 2013
CURRENT ASSETS		
Cash and cash equivalents	$242.9	$272.7
Trade receivables, net	539.2	434.8
Other receivables, net	45.2	32.6
Total receivables, net	584.4	467.4
Inventories		
Finished goods	246.6	270.5
Work in process	47.8	59.3
Raw materials and supplies	250.3	239.4
LIFO reserve	(68.2)	(73.3)
Total inventories, net	476.5	495.9
Other current assets	64.6	45.7
Current assets held for sale	66.6	—
Total current assets	1,435.0	1,281.7
PROPERTY, PLANT AND EQUIPMENT—AT COST		
Machinery and equipment	1,158.8	1,184.5
Buildings and other	549.0	612.2
Land	40.8	44.5
Total property, plant and equipment	1,748.6	1,841.2
Less accumulated depreciation	1,202.0	1,266.6
Net property, plant and equipment	546.6	574.6
OTHER ASSETS		
Goodwill	831.5	926.8
Other intangibles, less accumulated amortization of $125.8 and $114.4 as of September 30, 2014 and December 31, 2013, respectively	213.1	203.4
Sundry	108.8	102.5
Non-current assets held for sale	49.7	19.1
Total other assets	1,203.1	1,251.8
TOTAL ASSETS	$3,184.7	$3,108.1
CURRENT LIABILITIES		
Current maturities of long-term debt	$381.6	$181.1
Accounts payable	356.9	339.3
Accrued expenses	298.0	229.7
Other current liabilities	86.4	79.4
Current liabilities held for sale	21.5	—
Total current liabilities	1,144.4	829.5
LONG-TERM LIABILITIES		
Long-term debt	619.2	688.4
Other long-term liabilities	130.0	127.7
Deferred income taxes	62.5	63.3
Total long-term liabilities	811.7	879.4
COMMITMENTS AND CONTINGENCIES		
EQUITY		

Common stock	2.0	2.0
Additional contributed capital	478.0	479.1
Retained earnings	2,084.8	2,136.4
Accumulated other comprehensive income	60.8	94.5
Treasury stock	(1,407.1)	(1,320.7)
Total Leggett & Platt, Inc. equity	1,218.5	1,391.3
Noncontrolling interest	10.1	7.9
Total equity	1,228.6	1,399.2
TOTAL LIABILITIES AND EQUITY	$3,184.7	$3,108.1

See accompanying notes to consolidated condensed financial statements.

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
(Amounts in millions, except per share data)	2014	2013	2014	2013
Net sales	$2,829.0	$2,618.0	$997.4	$877.6
Cost of goods sold	2,242.4	2,073.2	788.3	698.0
Gross profit	586.6	544.8	209.1	179.6
Selling and administrative expenses	317.6	276.8	131.4	85.4
Amortization of intangibles	14.5	16.1	4.9	5.3
Other (income) expense, net	(8.9)	(17.5)	(2.6)	(10.5)
Earnings (loss) from continuing operations before interest and income taxes	263.4	269.4	75.4	99.4
Interest expense	31.2	34.3	10.4	10.6
Interest income	4.3	6.2	1.5	1.7
Earnings (loss) from continuing operations before income taxes	236.5	241.3	66.5	90.5
Income taxes	57.5	65.5	13.1	24.0
Earnings (loss) from continuing operations	179.0	175.8	53.4	66.5
Earnings (loss) from discontinued operations. net of tax	(99.4)	17.6	(4.4)	5.5
Net earnings (loss)	79.6	193.4	49.0	72.0
(Earnings) attributable to noncontrolling interest, net of tax	(2.2)	(1.7)	(.8)	(.7)
Net earnings (loss) attributable to Leggett & Platt, Inc. common shareholders	$77.4	$191.7	$48.2	$71.3
Earnings (loss) per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	$1.25	$1.20	$.37	$.45
Diluted	$1.23	$1.18	$.37	$.45
Earnings (loss) per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	$(.70)	$.12	$(.03)	$.04
Diluted	$(.69)	$.12	$(.03)	$.04
Net earnings (loss) per share attributable to Leggett & Platt, Inc. common shareholders				
Basic	$.55	$1.32	$.34	$.49
Diluted	$.54	$1.30	$.34	$.49
Cash dividends declared per share	$.91	$.88	$.31	$.30
Average shares outstanding				
Basic	141.5	145.6	140.8	144.9
Diluted	143.2	147.7	142.5	147.0

See accompanying notes to consolidated condensed financial statements.

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
(Amounts in millions)	2014	2013	2014	2013
Net earnings (loss)	$79.6	$193.4	$49.0	$72.0
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(38.0)	(6.3)	(33.7)	21.2
Cash flow hedges	3.0	2.5	1.2	1.6
Defined benefit pension plans	1.3	2.9	.6	.4
Other comprehensive (loss) income	(33.7)	(0.9)	(31.9)	23.2
Comprehensive income (loss)	45.9	192.5	17.1	95.2
Less: comprehensive (income) attributable to noncontrolling interest	(2.2)	(1.8)	(1.0)	(.7)
Comprehensive income (loss) attributable to Leggett & Platt, Inc.	$43.7	$190.7	$16.1	$94.5

See accompanying notes to consolidated condensed financial statements.

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

	Nine Months Ended September 30,	
(Amounts in millions)	2014	2013
OPERATING ACTIVITIES		
Net earnings	$79.6	$193.4
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	67.0	67.0
Amortization of intangibles and debt issuance costs	20.6	21.3
Provision for losses on accounts and notes receivable	4.1	4.3
Writedown of inventories	7.2	10.3
Goodwill impairment	108.0	—
Long-lived asset impairments	1.1	2.3
Net gain from sales of assets and businesses	(4.8)	(8.6)
Bargain purchase gain from acquisition	—	(8.7)
Deferred income tax (benefit) expense	(22.1)	7.8
Stock-based compensation	29.7	28.5
Excess tax benefits from stock-based compensation	(5.2)	(6.5)
Other, net	(10.4)	3.3
Other changes, excluding effects from acquisitions and divestitures:		
Increase in accounts and other receivables	(155.2)	(118.8)
(Increase) decrease in inventories	(6.2)	4.1
Decrease (increase) in other current assets	.3	(1.5)
Increase in accounts payable	35.1	26.7
Increase in accrued expenses and other current liabilities	66.9	13.9
NET CASH PROVIDED BY OPERATING ACTIVITIES	215.7	238.8
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(63.0)	(60.0)
Purchases of companies, net of cash acquired	(70.2)	(26.5)
Proceeds from sales of assets and businesses	12.0	16.8
Liquidation of (investment in) unconsolidated entity	—	21.2
Other, net	(15.8)	(5.4)
NET CASH USED FOR INVESTING ACTIVITIES	(137.0)	(53.9)
FINANCING ACTIVITIES		
Payments on long-term debt	(7.4)	(203.2)
Additions to long-term debt	.1	—
Change in commercial paper and short-term debt	140.1	111.2
Dividends paid	(124.9)	(82.6)
Issuances of common stock	16.5	35.6
Purchases of common stock	(129.0)	(113.7)
Excess tax benefits from stock-based compensation	5.2	6.5
Other, net	(.9)	(1.5)
NET CASH USED FOR FINANCING ACTIVITIES	(100.3)	(247.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(8.2)	2.6
DECREASE IN CASH AND CASH EQUIVALENTS	(29.8)	(60.2)
CASH AND CASH EQUIVALENTS—January 1,	272.7	359.1
CASH AND CASH EQUIVALENTS—September 30,	$242.9	$298.9

See accompanying notes to consolidated condensed financial statements.

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

1. INTERIM PRESENTATION

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

The December 31, 2013 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, 2013.

Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the third quarter 2014 presentation, primarily in the Consolidated Statements of Operations and all related notes in which prior periods have been retrospectively adjusted to reflect the reclassification of certain operations to discontinued operations (See Note 5).

2. NEW ACCOUNTING GUIDANCE

In April 2014, the Financial Accounting Standards Board (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 will adopt 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 the fourth quarter.

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
LIFO (expense) benefit	$(1.6)	$8.2	$(1.2)	$3.9

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

4. SEGMENT INFORMATION

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

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

Our reportable segments are the same as our operating segments, which correspond with our management organizational structure. 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 September 30, 2014				
Residential Furnishings	$594.5	$10.0	$604.5	$32.0
Commercial Fixturing & Components	49.1	1.1	50.2	3.4
Industrial Materials	151.5	72.8	224.3	17.5
Specialized Products	202.3	16.8	219.1	27.8
Intersegment eliminations and other				(4.1)
Change in LIFO reserve				(1.2)
	$997.4	$100.7	$1,098.1	$75.4
Three Months Ended September 30, 2013				
Residential Furnishings	$500.3	$8.3	$508.6	$46.3
Commercial Fixturing & Components	48.1	1.2	49.3	3.5
Industrial Materials	150.7	55.3	206.0	16.0
Specialized Products	178.5	13.5	192.0	21.6
Intersegment eliminations and other				8.1

Change in LIFO reserve				3.9
	$877.6	$78.3	$955.9	$99.4

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

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Nine Months Ended September 30, 2014				
Residential Furnishings	$ 1,609.5	$ 29.8	$ 1,639.3	$ 135.6
Commercial Fixturing & Components	143.4	3.2	146.6	9.6
Industrial Materials	471.1	187.0	658.1	42.3
Specialized Products	605.0	43.2	648.2	87.7
Intersegment eliminations and other				(10.2)
Change in LIFO reserve				(1.6)
	$ 2,829.0	$ 263.2	$ 3,092.2	$ 263.4
Nine Months Ended September 30, 2013				
Residential Furnishings	$ 1,470.0	$ 14.2	$ 1,484.2	$ 129.7
Commercial Fixturing & Components	137.8	3.1	140.9	7.6
Industrial Materials	466.1	179.8	645.9	59.0
Specialized Products	544.1	42.6	586.7	65.3
Intersegment eliminations and other				(.4)
Change in LIFO reserve				8.2
	$2,618.0	$ 239.7	$ 2,857.7	$ 269.4

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.

	September 30, 2014	December 31, 2013
Residential Furnishings	$ 592.7	$ 586.5
Commercial Fixturing & Components	49.1	48.7
Industrial Materials	260.4	248.0
Specialized Products	244.5	225.0
Other (1)	75.4	96.2
Average current liabilities included in segment numbers above	511.1	460.6
Unallocated assets (2)	1,397.9	1,492.4
Difference between average assets and period-end balance sheet	53.6	(49.3)
Total assets	$ 3,184.7	$ 3,108.1

(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

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 approximately $62. At this price, we expect to record an after-tax loss of approximately $6 in the fourth quarter, which will be 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 Fixturing and Components Segment and has been classified as discontinued operations, net of income taxes, in the Consolidated Statements of Operations for all periods presented. The footnotes have been retrospectively adjusted to present the information for continuing operations only, unless otherwise noted.

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

In the second quarter of 2013 we exited three small operations:

- We closed our final location that produced wire dishwasher racks, thereby discontinuing that line of business. This operation, which was previously in our Industrial Materials segment, was part of a restructuring plan that began in the fourth quarter of 2011. Tax benefits related to this business were recorded in the second quarters of both 2012 and 2013.
- We divested the specialty trailers portion of the Commercial Vehicle Products (CVP) Unit. This branch was previously part of the Specialized Products segment. No significant gains or losses were realized on the sale of this business.
- We closed a cotton-based erosion control products operation that was previously part of the Industrial Materials Segment. Charges of $1.9 were recorded in the second quarter of 2013 to reflect estimates of fair value less costs to sell, including $1.5 of fixed asset impairments as discussed in Note 6.

The table below includes activity related to these operations:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
External sales:				
Commercial Fixturing & Components - Store Fixtures	$146.7	$231.2	$57.6	$80.1
Industrial Materials:				
Wire dishwasher racks	—	4.1	—	—
Cotton-based erosion control products	—	.1	—	.1
Specialized Products - the specialty trailers portion of the CVP Unit	—	.5	—	—
Total external sales	146.7	235.9	57.6	80.2
Earnings (loss):				
Commercial Fixturing & Components - Store Fixtures (1)	(110.5)	14.7	1.9	6.8
Industrial Materials:				
Wire dishwasher racks	—	1.0	—	—
Cotton-based erosion control products	—	(2.8)	—	(.2)
Specialized Products - the specialty trailers portion of the CVP Unit	—	(.7)	—	—
Subsequent activity related to divestitures completed prior to 2014 (2)	(8.3)	.7	(8.3)	.7
Earnings (loss) before interest and income taxes	(118.8)	12.9	(6.4)	7.3
Income tax benefit (expense) (3)	19.4	4.7	2.0	(1.8)
Earnings (loss) from discontinued operations, net of tax	$(99.4)	$17.6	$(4.4)	$5.5

(1) This includes goodwill impairment charges of $108.0 in the second quarter of 2014 as discussed in Note 6.

(2) Subsequent activity for businesses divested in prior years has been reported as discontinued operations in the table above, including a third quarter 2014 antitrust litigation settlement of $8.3 associated with our former Prime Foam Products unit as discussed in Note 15. This unit was sold in March 2007 and was previously a part of the Residential Furnishings segment.

(3) The 2014 tax benefit is primarily related to the Store Fixtures goodwill impairment and the Prime Foam litigation settlement. The 2013 tax benefit is primarily related to a worthless stock deduction associated with the subsidiary that produced wire dishwasher racks.

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

Net assets held for sale by segment were as follows:

	September 30, 2014			December 31, 2013
	Assets	Liabilities	Net Assets	Assets
Residential	$5.5	$—	$5.5	$8.0
Commercial Fixturing & Components	101.0	21.5	79.5	2.3
Aluminum Products	—	—	—	.4
Industrial Materials	4.0	—	4.0	2.6
Specialized Products	5.8	—	5.8	5.8
	$116.3	$21.5	$94.8	$19.1

This table includes $17.9 and$19.1 of property, plant and equipment held for sale at September 30, 2014 and December 31, 2013, respectively, primarily associated with the closings of various operations and prior year restructurings.

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

	September 30, 2014	December 31, 2013
Trade receivables, net	$36.3	$—
Other receivables, net	.5	—
Inventories, net	29.4	—
Other current assets	.4	—
Total current assets held for sale	66.6	—
Property, plant and equipment, net	47.5	19.1
Other intangibles, net	.7	—
Sundry	1.5	—
Total non-current assets held for sale	49.7	19.1
Total assets held for sale	116.3	19.1
Accounts payable	13.6	—
Accrued expenses	5.1	—
Other current liabilities	2.8	—
Total current liabilities held for sale	21.5	—
Total liabilities held for sale	21.5	—
Net assets held for sale	$94.8	$19.1

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.”

	Nine Months Ended September 30,			Three Months Ended September 30,		
	2014		2013	2014		2013
	Goodwill Impairment	Other Long-Lived Asset Impairments	Other Long-Lived Asset Impairments	Goodwill Impairment	Other Long-Lived Asset Impairments	Other Long-Lived Asset Impairments
Continuing operations:						
Residential Furnishings	$—	$ 1.0	$ .8	$—	$ —	$ —
Other Groups	—	.1	—	—	—	—
Total continuing operations	—	1.1	.8	—	—	—
Discontinued operations:						
Commercial Fixturing & Components - Store Fixtures	108.0	—	—	—	—	—
Industrial Materials - Cotton-based erosion control products	—	—	1.5	—	—	—
Total discontinued operations	108.0	—	1.5	—	—	—
Total impairment charges	$ 108.0	$ 1.1	$ 2.3	$—	$ —	$ —

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.

Fair value of reporting units is determined using a combination of two valuation methods: a market approach and an income approach. Each method is generally given equal weight in determining the fair value assigned to each reporting unit. Absent an indication of fair value from a potential buyer or similar specific transaction, we believe that the use of these two methods provides a reasonable estimate of a reporting unit’s fair value. Assumptions common to both methods are operating plans and economic projections, which are used to project future revenues, earnings, and after-tax cash flows for each reporting unit. These assumptions are applied consistently for both methods.

The market approach estimates fair value by first determining price-to-earnings ratios for comparable publicly-traded companies with similar characteristics of the reporting unit. The price-to-earnings ratio for comparable companies is based upon current enterprise value compared to projected earnings for the next two years. The enterprise value is based upon current market capitalization and includes a 25% control premium. Projected earnings are based upon market analysts' projections. The earnings ratios are applied to the projected earnings of the comparable reporting unit to estimate fair value. Management believes this approach is appropriate because it provides a fair value estimate using multiples from entities with operations and economic characteristics comparable to our reporting units.

The income approach is based on projected future (debt-free) cash flow that is discounted to present value using factors that consider the timing and risk of future cash flows. Management believes that this approach is appropriate because it provides a fair value estimate based upon the reporting unit's expected long-term operating cash flow performance. Discounted cash flow projections are based on 10-year financial forecasts developed from operating plans and economic projections noted above, sales growth, estimates of future expected changes in operating margins, terminal value growth rates, future capital expenditures and changes in working capital requirements.

If a triggering event occurs, special consideration is given to the new circumstances when determining the fair value of the impacted reporting unit.

Goodwill Impairment Reviews

We performed our annual goodwill impairment review in June 2014, and on July 14, 2014, concluded that a goodwill impairment charge was required for one reporting unit, Store Fixtures which is now recorded as discontinued operations, and was previously part of the Commercial Fixturing and Components segment.

The Store Fixtures reporting unit is dependent upon capital spending by retailers on both new stores and remodeling of existing stores. Because of the seasonal nature of the fixture & display industry (where revenue and profitability are typically expected to increase in the second and third quarters assuming the normal historical pattern of heavy shipments during these months) we reasonably anticipated being awarded significant customer orders in the second quarter of 2014. However, as the second quarter progressed, anticipated orders did not materialize and the Store Fixtures business deteriorated, with declines most pronounced in May and June. Taking these recent developments into account, we lowered our projection of future margins and growth rates (from 4.8% in prior year's review to .5% in the current year for 10-year compound annual growth rate for EBIT plus depreciation and amortization) and increased the discount rate from 10.5% to 12%, causing fair value to fall below carrying value. The lower expectations of future revenue and profitability are due to reduced overall market demand for the shelving, counters, showcases and garment racks as many retailers are reducing their investments in traditional store space and focusing more on e-commerce initiatives.
Because the fair value of the Store Fixtures reporting unit had fallen below recorded book values, we performed the second step of the test which requires a fair value assessment of all assets and liabilities of the reporting unit to calculate an implied goodwill amount. This resulted in a $108.0 goodwill impairment charge that was recorded in the second quarter of 2014. This charge reflects the complete impairment of all goodwill associated with the Store Fixtures reporting unit.

As a result of the above, we also determined a triggering event had occurred in the second quarter to test other long-lived assets which were evaluated for impairment under the held for use model. No long-lived asset impairments (excluding goodwill) were indicated during this review. During the third quarter of 2014, all of the criteria to classify this unit as held for sale and discontinued operations were met as discussed in Note 5.
The 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. The information below excludes Store Fixtures, as this unit had no goodwill remaining after the second quarter 2014 impairment.

Percentage of Fair Value in Excess of Carrying Value	September 30, 2014 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%	205.3	2.0% - 5.5%	3.0 %	9.5% - 10.0%
50% - 74%	393.0	.5% - 3.8%	3.0 %	9.0% - 12.0%
75%+	233.2	3.7% - 8.2%	3.0 %	9.0% - 9.5%
	$831.5	.5% - 8.2%	3.0 %	9.0% - 12.0%

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7. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
Earnings:				
Earnings from continuing operations	$179.0	$175.8	$53.4	$66.5
(Earnings) attributable to noncontrolling interest, net of tax	(2.2)	(1.7)	(.8)	(.7)
Net earnings from continuing operations attributable to Leggett & Platt, Inc. common shareholders	176.8	174.1	52.6	65.8
Earnings (loss) from discontinued operations, net of tax	(99.4)	17.6	(4.4)	5.5
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$77.4	$191.7	$48.2	$71.3
Weighted average number of shares (in millions):				
Weighted average number of common shares used in basic EPS	141.5	145.6	140.8	144.9
Dilutive effect of equity-based compensation	1.7	2.1	1.7	2.1
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	143.2	147.7	142.5	147.0
Basic and Diluted EPS:				
Basic EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	$1.25	$1.20	$.37	$.45
Discontinued operations	(.70)	.12	(.03)	.04
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	$.55	$1.32	$.34	$.49
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	$1.23	$1.18	$.37	$.45
Discontinued operations	(.69)	.12	(.03)	.04
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	$.54	$1.30	$.34	$.49
Other information:				
Anti-dilutive shares excluded from diluted EPS computation	—	—	—	—

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8. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following:

	September 30, 2014		December 31, 2013	
	Current	Long-term	Current	Long-term
Gross receivables:				
Trade accounts receivable	$555.2	$—	$447.4	$—
Trade notes receivable	.8	2.4	2.6	2.3
Total trade receivables	556.0	2.4	450.0	2.3
Other notes receivable:				
Notes received as partial payment for divestitures	3.9	—	.5	5.4
Other	—	3.3	3.0	1.6
Income tax receivables	8.3	—	2.7	—
Other receivables	33.0	—	26.4	—
Subtotal other receivables	45.2	3.3	32.6	7.0
Total accounts and other receivables	601.2	5.7	482.6	9.3
Allowance for doubtful accounts:				
Trade accounts receivable	(16.8)	—	(14.6)	—
Trade notes receivable	—	(1.9)	(.6)	(1.3)
Total trade receivables	(16.8)	(1.9)	(15.2)	(1.3)
Other notes receivable	—	(.4)	—	(1.1)
Total allowance for doubtful accounts	(16.8)	(2.3)	(15.2)	(2.4)
Total net receivables	$584.4	$3.4	$467.4	$6.9

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, 2013	2014 Charges*	2014 Charge-offs, Net of Recoveries	Balance at September 30, 2014
Trade accounts receivable	$14.6	$4.1	$1.9	$16.8
Trade notes receivable	1.9	—	—	1.9
Total trade receivables	16.5	4.1	1.9	18.7
Other notes receivable	1.1	—	.7	.4
Total allowance for doubtful accounts	$17.6	$4.1	$2.6	$19.1

* - Includes $.1 associated with discontinued operations.

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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:

	Nine Months Ended September 30, 2014 2014		Nine Months Ended September 30, 2013 2013	
	To be settled with stock	To be settled in cash	To be settled with stock	To be settled in cash
Options (1):				
Amortization of the grant date fair value	$.6	$—	$1.4	$—
Cash payments in lieu of options	—	.8	—	.8
Stock-based retirement plans contributions (2)	4.7	1.2	5.4	1.0
Discounts on various stock awards:				
Deferred Stock Compensation Program (1)	1.7	—	1.2	—
Stock-based retirement plans (2)	1.5	—	.9	—
Discount Stock Plan (6)	.7	—	.7	—
Performance Stock Unit awards (3)	4.7	3.7	4.8	1.7
Restricted Stock Unit awards (4)	2.5	—	3.4	—
Profitable Growth Incentive awards (5)	1.3	1.3	.5	.5
Other, primarily non-employee directors restricted stock	.9	—	1.0	—
Total stock-related compensation expense	18.6	$7.0	19.3	$4.0
Employee contributions for above stock plans	11.1		9.2	
Total stock-based compensation	$29.7		$28.5	
Recognized tax benefits on stock-based compensation expense	$7.1		$7.3	

	Three Months Ended September 30, 2014		Three Months Ended September 30, 2013	
	To be settled with stock	To be settled in cash	To be settled with stock	To be settled in cash
Options (1):				
Amortization of the grant date fair value	$.2	$—	$.4	$—
Cash payments in lieu of options	—	(.1)	—	—
Stock-based retirement plans contributions (2)	1.4	.4	1.5	.3
Discounts on various stock awards:				
Deferred Stock Compensation Program (1)	.4	—	.2	—
Stock-based retirement plans (2)	.3	—	.2	—
Discount Stock Plan (6)	.2	—	.2	—
Performance Stock Unit awards (3)	1.6	1.3	1.6	(1.7)
Restricted Stock Unit awards (4)	.8	—	.8	—
Profitable Growth Incentive awards (5)	.5	.5	—	—
Other, primarily non-employee directors restricted stock	.3	—	.3	—

Total stock-related compensation expense	5.7	$2.1	5.2	$(1.4	)
Employee contributions for above stock plans	3.8		3.1		
Total stock-based compensation	$9.5		$8.3		
Recognized tax benefits on stock-based compensation expense	$2.2		$2.0		

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(1) Stock Option Grants
Historically we have granted stock options in the following areas:

- On a discretionary basis to a broad group of employees
- In conjunction with our Deferred Compensation Program
- As compensation of outside directors

Starting in 2013, we discontinued the broad annual option grant, and options are now offered only in conjunction with the Deferred Compensation Program discussed below, and were replaced with either cash awards or RSUs. Certain key management employees participated in a new Profitable Growth Incentive (PGI) program beginning in 2013, as discussed below.

Deferred Compensation Program

We offer a Deferred Compensation Program under which key managers and outside directors may elect to receive stock options, stock units or interest-bearing cash deferrals in lieu of cash compensation:

- Stock options under this program are granted on the last business day of the year prior to the year the compensation is earned. The number of options granted equals the deferred compensation times five, divided by the stock's market price on the date of grant. The option has a 10-year term. It vests as the associated compensation is earned and becomes exercisable beginning 15 months after the grant date. Stock is issued when the option is exercised.
- Deferred stock units (DSU) under this program are acquired every two weeks (when the compensation would have otherwise been paid) at a 20% discount to the market price of our common stock on each acquisition date and they vest immediately. Expense is recorded as the compensation is earned. Stock units earn dividends at the same rate as cash dividends paid on our common stock. These dividends are used to acquire stock units at a 20% discount. Stock units are converted to common stock and distributed in accordance with the participant's pre-set election. However, stock units may be settled in cash at the discretion of the Company. Participants must begin receiving distributions no later than ten years after the effective date of the deferral and installment distributions cannot exceed ten years.
- Interest-bearing cash deferrals under this program are reported in Other long-term liabilities on the balance sheet.

(2) Stock-Based Retirement Plans

We have two stock-based retirement plans: the tax-qualified Stock Bonus Plan (SBP) for non-highly compensated employees, and the non-qualified Executive Stock Unit Program (ESUP) for highly compensated employees. We make matching contributions to both plans. In addition to the automatic 50% match, we will make another matching contribution of up to 50% of the employee's contributions for the year if certain profitability levels, as defined in the SBP and the ESUP, are obtained. Company contributions to the ESUP, including dividend equivalents, are used to acquire stock units at 85% of the common stock market price on the acquisition date. Participant contributions to the ESUP are credited to a diversified investment account established for the participant and we make premium contributions to the diversified investment accounts equal to 17.5% of the participant's contribution.

(3) 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

	Nine Months Ended September 30, 2014		2013	
Total shares base award	.2		.2	
Grant date per share fair value	$30.45		$27.60	
Risk-free interest rate	.8	%	.4	%
Expected life in years	3.0		3.0	
Expected volatility (over expected life)	25.9	%	29.1	%
Expected dividend yield (over expected life)	3.9	%	4.2	%

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
2010	December 31, 2012	46th percentile	91.0%	.3 million	January 2013
2011	December 31, 2013	55th percentile	64.2%	.2 million	January 2014

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.

(4) Restricted Stock Unit Awards

RSU awards are generally granted as follows:

- To managers in lieu of annual option grants
- On a discretionary basis to selected managers
- To selected executive officers in connection with employment agreements
- As compensation for outside directors, who have a choice to receive RSUs or restricted stock

The value of these awards is determined by the stock price on the day of the award, and expense is recognized over the vesting period.

(5) 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 2014 and 2013 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.

(6) Discount Stock Plan

Under the Discount Stock Plan (DSP), a tax-qualified §423 stock purchase plan, eligible employees may purchase shares of Leggett common stock at 85% of the closing market price on the last business day of each month. Shares are purchased and issued on the last business day of each month and generally cannot be sold or transferred for one year.

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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.

	Nine Months Ended September 30,	
	2014	2013
Accounts receivable	$7.6	$12.8
Inventory	16.6	15.1
Property, plant and equipment	18.0	16.1
Goodwill (1)	21.1	6.1
Other intangible assets	18.2	10.3
Other current and long-term assets	4.1	.1
Current liabilities	(11.6)	(19.3)
Long-term liabilities	(2.7)	(6.0)
Fair value of net identifiable assets	71.3	35.2
Less: Bargain purchase gain	—	8.7
Less: Non-cash consideration	1.1	—
Net cash consideration	$70.2	$26.5

(1) Goodwill associated with the 2014 acquisitions is expected to provide an income tax benefit. Goodwill associated with the 2013 acquisitions is not expected to provide an income tax benefit.

The following table summarizes acquisitions for the periods presented.

Nine Months Ended	Number of Acquisitions	Segment	Product/Service
September 30, 2014	5	Residential Furnishings	Foam carpet underlay; Fabric converting for furniture and bedding; Innersprings; Industrial Fabrics; Home Furniture Components
September 30, 2013	3	Industrial Materials (2); Specialized Products (1)	Tubing for the aerospace industry (2); Innerspring unit wire-forming machines

On June 30, 2014, we acquired Tempur Sealy's three U.S. innerspring component production facilities for a purchase price of $45.7 million. Factors contributing to the recognition of $15.6 million in goodwill from the acquisition included: additional production that enhances economies of scale; benefits from our vertical integration in steel rod and wire; and the optimization of manufacturing across a broad asset base.

In 2013 we expanded our Aerospace Products business unit with the acquisition of two companies:

The first was a UK-based business that extended our capability in aerospace tube fabrication. This business was acquired for a purchase price of $11.7, and $6.1 of goodwill was recorded related to this acquisition. Factors that contributed to a purchase price resulting in the recognition of goodwill included its international presence and complimentary fit with our Aerospace Products business unit. The second was a French-based company that added small-diameter, high-pressure seamless tubing to our product portfolio for a cash purchase price of $14.5. This business was acquired at a price less than fair value of the net identifiable assets, and we recorded an $8.7 non-taxable

bargain purchase
gain. The bargain purchase gain is reported in the "Other (income) expense, net" line of our income statement. Prior to recognizing a bargain purchase gain, we reassessed whether all assets acquired and liabilities assumed had been correctly identified, the key valuation assumptions and business combination accounting procedures for this acquisition. After careful consideration and review, we concluded that the recognition of a bargain purchase gain was appropriate for this acquisition. Factors that contributed to the bargain purchase price were:

• The transaction was completed with a motivated seller that desired to restructure its operations in order to focus on its core competencies and exit non-core businesses that no longer fit its strategy in an expedient manner.

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• We were able to complete the acquisition with a cash payment and without a financial contingency in an expedient manner, which was a key attribute for the seller. The relatively small size of the transaction for us, the lack of required third-party financing and our expertise in completing similar transactions in the past gave the seller confidence that we could complete the transaction quickly and without difficultly.

• Because the seller of this business will continue to purchase these products in the future it was important to the seller that the acquiring company was a financially sound, integrated manufacturer that could provide a stable supply of high quality product for many years into the future. Due to the unique nature of the products and limited number of potential buyers for this business, the seller found it advantageous to accept our purchase price based upon our demonstrated ability to operate similar businesses, and financial strength that will enable us to be a long-term supplier of quality products into the future.

In addition, in the third quarter of 2012, we invested $22.4 to acquire an interest in an unconsolidated entity related to a potential acquisition. We had no contractual right or obligation to make any additional investment and liquidated our position in the 3rd quarter of 2013 for $21.2, plus $1.8 in interest.

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 2014 and 2013 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 September 30, 2014, there was no substantial remaining consideration payable.

11. EMPLOYEE BENEFIT PLANS

The following table provides interim information as to our domestic and foreign defined benefit pension plans. Expected 2014 employer contributions are not significantly different than the $3.4 previously reported at December 31, 2013.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
Components of net pension expense				
Service cost	$2.3	$2.4	$.8	$.7
Interest cost	9.5	9.0	3.1	3.0
Expected return on plan assets	(11.7)	(11.4)	(3.9)	(3.8)
Recognized net actuarial loss	2.3	4.7	.7	1.5
Net pension expense	$2.4	$4.7	$.7	$1.4

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

	Nine Months Ended September 30, 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	79.6	79.6	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(2.2)	—	—	2.2	—
Dividends declared	(125.4)	(129.0)	3.6	—	—	—
Treasury stock purchased	(152.2)	—	—	(152.2)	—	—
Treasury stock issued	53.2	—	(12.6)	65.8	—	—
Foreign currency translation adjustments	(38.0)	—	—	—	—	(38.0)
Cash flow hedges, net of tax	3.0	—	—	—	—	3.0
Defined benefit pension plans, net of tax	1.3	—	—	—	—	1.3
Stock options and benefit plan transactions, net of tax	7.9	—	7.9	—	—	—
Ending balance, September 30, 2014	$1,228.6	$2,084.8	$480.0	$(1,407.1)	$ 10.1	$ 60.8

	Nine Months Ended September 30, 2013					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2013	$1,442.2	$2,109.6	$460.6	$(1,206.7)	$ 7.7	$ 71.0
Net earnings	193.4	193.4	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(1.7)	—	—	1.7	—
Dividends declared	(126.4)	(127.3)	2.2	—	(1.3)	—
Treasury stock purchased	(123.1)	—	—	(123.1)	—	—
Treasury stock issued	53.1	—	(12.8)	65.9	—	—
Foreign currency translation adjustments	(6.3)	—	—	—	.1	(6.4)
Cash flow hedges, net of tax	2.5	—	—	—	—	2.5

Defined benefit pension plans, net of tax	2.9	—	—	—	—	2.9
Stock options and benefit plan transactions, net of tax	25.4	—	25.4	—	—	—
Ending balance, September 30, 2013	$1,463.7	$2,174.0	$475.4	$(1,263.9)	$ 8.2	$ 70.0

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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, 2014	$158.3	$(23.5)	$(40.3)	$94.5
Other comprehensive income (loss) before reclassifications, pretax	(38.0)	1.1	(.3)	(37.2)
Amounts reclassified from accumulated other comprehensive income, pretax:				
Net Sales	—	.3	—	.3
Cost of goods sold; selling and administrative expenses	—	—	2.3	2.3
Interest expense	—	3.0	—	3.0
Subtotal of reclassifications, pretax	—	3.3	2.3	5.6
Other comprehensive income (loss), pretax	(38.0)	4.4	2.0	(31.6)
Income tax effect	—	(1.4)	(.7)	(2.1)
Attributable to noncontrolling interest	—	—	—	—
Ending balance, September 30, 2014	$120.3	$(20.5)	$(39.0)	$60.8
Beginning balance, January 1, 2013	$163.5	$(25.5)	$(67.0)	$71.0
Other comprehensive income (loss) before reclassifications, pretax	(6.3)	.5	.1	(5.7)
Amounts reclassified from accumulated other comprehensive income, pretax:				
Cost of goods sold; selling and administrative expenses	—	.4	4.7	5.1
Interest expense	—	3.0	—	3.0
Subtotal of reclassifications, pretax	—	3.4	4.7	8.1
Other comprehensive income (loss), pretax	(6.3)	3.9	4.8	2.4
Income tax effect	—	(1.4)	(1.9)	(3.3)
Attributable to noncontrolling interest	(.1)	—	—	(.1)
Ending balance, September 30, 2013	$157.1	$(23.0)	$(64.1)	$70.0

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.

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

	As of September 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	$—	$130.3	$—	$130.3
Derivative assets* (Note 14)	—	1.5	—	1.5
Diversified investments associated with the Executive Stock Unit Program (ESUP)* (Note 9)	17.6	—	—	17.6
Total assets	$17.6	$131.8	$—	$149.4
Liabilities:				
Derivative liabilities (Note 14)	$—	$1.7	$—	$1.7
Liabilities associated with the ESUP* (Note 9)	17.9	—	—	17.9
Total liabilities	$17.9	$1.7	$—	$19.6

	As of December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	$—	$114.8	$—	$114.8
Derivative assets (Note 14)	—	.6	—	.6
Diversified investments associated with the ESUP* (Note 9)	13.4	—	—	13.4
Total assets	$13.4	$115.4	$—	$128.8
Liabilities:				
Derivative liabilities (Note 14)	$—			