LEGGETT & PLATT INC
Form 10-K
February 25, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2008

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant (based on the closing price of our common stock on the New York Stock Exchange) on June 30, 2008 was approximately $2,660,000,000.

There were 156,856,585 shares of the Registrant s common stock outstanding as of February 15, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Part of Item 10, and all of Items 11, 12, 13 and 14 of Part III are incorporated by reference from the Company s definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2009.

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LEGGETT & PLATT, INCORPORATED FORM 10-K

FOR THE YEAR ENDED DECEMBER 31, 2008

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Forward-Looking Statements

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

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

It is not possible to anticipate and list all risks, uncertainties and developments which may affect the future operations or performance of the Company, or which otherwise may cause actual events or results to differ from forward-looking statements. However, some of these risks and uncertainties include the following:

- our ability to maintain cash flow from operations and adequate liquidity in light of the recent distress in the financial markets and tightening of the credit markets (and the related impact on U.S. and global economies which has negatively impacted the demand for our products);
- our ability to maintain current credit ratings on our long-term debt and commercial paper;
- factors that could impact raw materials and other costs, including the availability and pricing of steel rod and scrap and other raw materials, the availability of labor, wage rates and energy costs;
- our ability to pass along raw material cost increases through increased selling prices;
- price and product competition from foreign (particularly Asian) and domestic competitors;
- our ability to improve operations and realize cost savings (including our ability to fix under-performing operations pursuant to our strategic plan);

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adverse changes in our competitive position, inflation, currency, political risk, U.S. or foreign laws or regulations, interest rates, housing turnover, employment levels, consumer sentiment, taxation and the like;

factors that could affect the industries or markets in which we participate, such as growth rates and opportunities in those industries, or trends in capital spending;

our ability to maintain profit margins if our customers change the quantity and mix of our components in their finished goods;

a decline in the long-term outlook for any of our reporting units that could result in goodwill impairment; and

litigation including product liability and warranty, intellectual property, workers compensation expense and alleged stock option backdating.

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Item 1. Business.

Summary

Leggett & Platt, Incorporated was founded as a partnership in Carthage, Missouri in 1883 and was incorporated in 1901. The Company, a pioneer of the steel coil bedspring, has become an international diversified manufacturer that conceives designs and produces a wide range of engineered components and products found in many homes, offices, retail stores and automobiles. As discussed below, our continuing operations are organized into 20 business units, which are divided into 10 groups under our four segments: Residential Furnishings; Commercial Fixturing & Components; Industrial Materials; and Specialized Products. We have also classified certain businesses as discontinued operations.

The 2007 Strategic Plan

In November 2007, we adopted Total Shareholder Return (TSR defined as the change in stock price plus dividends received divided by beginning stock price) as our primary strategic objective. We also modified certain compensation plans for senior executives to emphasize the importance of, and to reward, TSR. Historically, our primary objective was profitable growth. Going forward, we intend to generate higher TSR through a greater emphasis on improving returns and maximizing operating cash flow while employing minimal amounts of capital.

We adopted role-based portfolio management and will concentrate future investments in businesses with competitive advantages and financial health. Certain of our businesses (categorized as Grow) are positioned to generate value through further growth, while others (categorized as Core) are positioned to drive value by improving EBITDA (earnings before interest, taxes, depreciation and amortization) and optimizing operating cash flows while employing minimal amounts of capital. We allocate capital to each business unit based upon its role. We plan to invest in Grow businesses that hold strong competitive positions and consistently achieve compelling returns on those investments. We plan to maintain or improve our competitive position in Core businesses that typically hold stable positions in solid markets, and focus on improving returns, but limit further investment in these operations. In total, we anticipate lower capital expenditures and limited acquisition activity in the near term.

As part of our role-based portfolio approach, we implemented a more rigorous strategic planning process to continually assess our business units and help guide future decisions regarding the role of each business unit, capital allocation priorities, and new areas in which to grow. We review the portfolio classification of each business unit at least on an annual basis to determine its appropriate role. This review includes several different criteria such as competitive position, market conditions, business unit size and fit within the Company s overall objectives, as well as financial indicators such as EBITDA and operating cash flows relative to the amount of capital employed. To remain in the portfolio, business units are expected to consistently generate after-tax returns in excess of the

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Company s cost of capital. Business units may employ a variety of means to achieve higher returns, including trimming expenses, introducing new products, improving productivity, adopting more disciplined pricing, reducing working capital, and consolidating assets. Business units that fail to attain minimum return goals typically will be moved to the Fix or Divest categories.

As part of our strategic plan, we eliminated approximately 20% of our revenue base, of which 15% resulted from the divestiture of some operations and 5% from the pruning of some business and the closure of certain underperforming plants. The largest portion (approximately $485 million in annualized revenue) of the exit activities was the divestiture of the Company s Aluminum Products segment which was sold in July 2008. The Company also sold four other business units in 2008 Wood Products and Fibers (previously in the Residential Furnishings segment); Plastics (previously in the Commercial Fixturing & Components segment); and the dealer portion of Commercial Vehicle Products (previously in the Specialized Products segment). Two additional business units are still targeted for divestiture (Coated Fabrics and Storage Products). We are in discussions with potential buyers and expect to complete the remaining dispositions in the near term, although current market conditions may impact the timing of these dispositions. To date, we have received after-tax cash proceeds of $408 million for the five divested businesses, not including subordinated notes and preferred stock.

In November 2007, the Store Fixtures business unit was placed in the Fix category and given a 12-month deadline by which to improve performance. As a part of this process, we eliminated approximately $100 million of the business unit s least profitable revenue. In the third quarter of 2008, we concluded that the Store Fixtures business unit, in its current form, was not capable of meeting our return requirements. Accordingly, we narrowed the unit s scope to focus primarily on the metals part of the fixtures industry, in alignment with the Company s core competency of producing steel and steel-related products. We consolidated four wood store fixtures operations into two facilities, and will continue to produce a reduced amount of wood fixtures in order to meet the blended requirements (i.e. metal and wood) of certain of our customers. We also effected changes to senior management, further reduced the unit s overhead and purged additional customer accounts with unacceptable margins. These changes are expected to trim annual trade sales for the Store Fixtures business unit from a run-rate in late 2008 of approximately $325 million to approximately $250-$275 million in 2009, and we expect annual returns to at least match our cost of capital. As a result of these changes, the unit is now considered a Core business within our portfolio. As such, its primary focus is to optimize operating cash flow and improve profit while minimizing its use of capital.

Finally, we increased the quarterly dividend to the current rate of $.25 per share from the previous rate of $.18 per share and, in 2008, repurchased approximately 16 million, or approximately 9%, of our shares outstanding at an average price of $18.70. In 2008, we fully exhausted our standing 10 million share annual repurchase authorization and partially utilized our special authorization (which gave us the ability to purchase up to an additional 20 million shares with proceeds from divestitures). We expect to continue purchasing our shares, but the timing of the repurchases will depend upon several factors, including general economic and market conditions, the price of our stock and our working capital needs.

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For information on asset impairments and restructuring costs associated with the 2007 Strategic Plan see the discussion of Asset Impairments and Restructuring-related Charges in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operation, on page 40, and Note C on page 91 and Note D on page 95 in the Notes to Consolidated Financial Statements.

Overview of Our Segments

Residential Furnishings Segment

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

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

Products

Products manufactured or distributed by our Residential Furnishings groups include:

Bedding Group

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

Furniture Group

- Steel mechanisms and hardware (enabling furniture to recline, tilt, swivel, rock and elevate) for reclining chairs and sleeper sofas

Springs and seat suspensions for chairs, sofas and loveseats

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- Steel tubular seat frames
- Bed frames, ornamental beds, and top-of-bed accessories

Fabric & Carpet Underlay Group

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

Customers

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

Commercial Fixturing & Components Segment

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

Products

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

Fixture & Display Group

- Custom-designed, full store fixture packages for retailers, including shelving, counters, showcases and garment racks

Standardized shelving used by large retailers, grocery stores and discount chains

Point-of-purchase displays

Office Furniture Components Group

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

Customers

Customers of the Commercial Fixturing & Components segment include:

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

Industrial Materials Segment

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

Products

Products manufactured or distributed by our Industrial Materials groups include:

Wire Group

- Steel rod
- Drawn wire
- Steel billets
- Fabricated wire products, such as wire ties to bale cotton; shaped wire for automotive and medical supply applications; tying heads, boxed wire, and parts for automatic baling equipment; coated wire products, including dishwasher racks; and wire retail fixtures and

point-of-purchase displays

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Tubing Group

- Welded steel tubing
- Fabricated tube components

Customers

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

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

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

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

Specialized Products Segment

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

Products

Products manufactured or distributed by our Specialized Products groups include:

Automotive Group

- Manual and power lumbar support and massage systems for automotive seating
- Seat suspension systems
- Automotive control cables, such as shift cables, cruise-control cables, seat belt cables, accelerator cables, seat control cables and latch release cables

Low voltage motors and actuation assemblies
Formed metal and wire components for seat frames

Machinery Group

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

Commercial Vehicle Products Group

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

Customers

Our primary customers for the Specialized Products segment include:

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

Acquisitions and Divestitures

Historically, our typical acquisition targets have been small, private, profitable, entrepreneurial companies that manufacture goods either within our existing product lines or one step away from those product lines and complementary to our existing businesses. As part of the 2007 Strategic Plan, we expect fewer and more strategic acquisitions to be completed. All acquisitions should create value by enhancing TSR; they should have clear strategic rationale and sustainable competitive advantage in attractive markets.

2008 Acquisitions

We had no significant acquisitions in 2008.

2007 Acquisitions

We acquired three businesses during 2007 with annualized sales of approximately $100 million broken down by segment as follows:

Commercial Fixturing & Components	$ 20 million
Industrial Materials	$ 50 million
Specialized Products	$ 30 million

In Commercial Fixturing & Components we added one business located in China which produces office chair controls. We also added one business to the Industrial Materials segment, which produces coated wire products, including racks for dishwashers. Finally,

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in the Specialized Products segment, we added a business which is a designer and assembler of docking stations that secure computer and other electronic equipment inside vehicles.

2006 Acquisitions

We acquired five businesses in 2006 with annualized sales of about $75 million. All of the transactions occurred in the Residential Furnishings segment. These acquisitions broadened our geographic presence and product offering in geo components, expanded our carpet underlay business, and added to our international spring operations.

For further information about acquisitions, see Note G on page 100 of the Notes to Consolidated Financial Statements.

2008 Divestitures

We divested five significant businesses in 2008 with annualized sales of approximately $780 million. The largest divestiture (approximately $485 million in annualized revenue) was the Aluminum Products segment which was sold in July 2008. We also sold four other business units in 2008 Wood Products and Fibers (previously in the Residential Furnishings segment); Plastics (previously in the Commercial Fixturing & Components segment); and the dealer portion of Commercial Vehicle Products (previously in the Specialized Products segment). Two additional business units are targeted for divestiture (Coated Fabrics and Storage Products). We are in discussions with potential buyers and expect to complete the remaining dispositions in the near term, although current market conditions may impact the timing of these dispositions. To date, we have received after-tax cash proceeds of approximately $408 million for the five divested businesses, not including subordinated notes and preferred stock. All of these businesses have been classified as discontinued operations.

2007 Divestitures

In the first quarter of 2007, we divested our Prime Foam Products business unit (previously in the Residential Furnishings segment) and received after-tax cash proceeds of approximately $70 million. Our former Prime Foam Products business unit had annual revenue of approximately $190 million and has been classified as a discontinued operation.

For further information about divestitures and discontinued operations, see Note B on page 88 of the Notes to Consolidated Financial Statements.

New Product Development

In 2007, we introduced a significant, new proprietary innerspring design to the bedding market. This new patented product, Verticoil®, provides an attractive alternative to generic Bonnell innersprings that have been available in the market for decades. Verticoil provides our customers unique surface and structural features that we believe are preferable over those of Bonnell innersprings. In addition to offering value to our customers, the unique design of Verticoil® enables us to produce these innersprings using less steel wire, which represents a cost savings that provides enhanced margins for Leggett.

We began ramping up production of Verticoil® in 2008, and conversion from Bonnell innersprings to Verticoil® is continuing in 2009.

Segment Financial Information

For information about sales to external customers, sales by product line, earnings before interest and taxes, and total assets of each of our segments, refer to Note O on page 117 of the Notes to Consolidated Financial Statements.

Foreign Operations

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

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

Europe

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

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China

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

Canada

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

Mexico

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

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

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

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

These and other foreign-related risks could result in cost increases, reduced profits, the inability to carry on our foreign operations and other adverse effects on our business.

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Geographic Areas of Operation

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

For further information concerning our external sales from continuing operations related to products manufactured outside the United States and our long-lived assets outside the United States, refer to Note O on page 117 of the Notes to Consolidated Financial Statements.

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Sales by Product Line

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

Product Line	2006	2007	2008
Bedding Group	19%	19%	20%
Fabric & Carpet Underlay Group	20	19	16
Furniture Group	16	15	15
Wire Group	9	10	14
Fixture & Display Group	14	14	12
Automotive Group	8	9	8
Office Furniture Components Group	5	5	5
Commercial Vehicle Products Group	3	4	4
Machinery Group	3	3	3
Tubing Group	3	2	3

Distribution of Products

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

Raw Materials

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

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

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

- Innersprings and foundations for mattresses
- Springs and seat suspensions for chairs and sofas
- Displays, shelving and racks for retailers

Automotive seating components

We supply the majority of our steel rod requirements through our own rod mill. Our own wire drawing mills supply nearly all of our U.S. requirements for steel wire. We also produce welded steel tubing both for our own consumption and for sale to external customers.

We believe that worldwide supply sources are available for all the raw materials we use. However, we have experienced volatility in raw material prices in the last three years, most notably in steel. Early in 2007 the cost of steel scrap increased, leading to higher rod costs. We implemented price increases to pass through some of these costs. In late 2007, once again we began experiencing higher steel costs, and significant increases occurred in 2008. We implemented price increases to recover most of these higher costs. Market prices began to abate late in 2008, but for certain types of steel, continued to be well above 2007 levels.

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

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

Customer Concentration

We serve thousands of customers worldwide, sustaining many long-term business relationships. In 2008, no customer accounted for more than 5% of our consolidated revenues from continuing operations. Our top 10 customers accounted for approximately 20% of these consolidated revenues.

Specialized Products has one customer whose purchases accounted for approximately 13% of the segment s sales from continuing operations in 2008. The loss of this customer may have a material adverse effect upon the segment.

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Patents and Trademarks

The chart below shows the approximate numbers of patents issued, patents in process, trademarks issued and trademarks in process held by our continuing operations at the end of 2008. No single patent or group of patents, or trademark or group of trademarks, is material to our continuing operations. Most of our patents and trademarks relate to products sold in the Specialized Products and Residential Furnishings segments.

We also have 16 patents, 10 patents in process, 43 trademarks and 2 trademarks in process in discontinued operations.

Some of our most significant trademarks include:

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

Research and Development

We maintain research, engineering and testing centers in Carthage, Missouri, and do additional research and development work at many of our other facilities. We are unable to precisely calculate the cost of research and development because the personnel involved in product and machinery development also spend portions of their time in other areas. However, we estimate the cost of research and development associated with continuing operations was approximately $25 to $30 million in each of the last three years.

Employees

As of December 31, 2008, we had approximately 20,600 employees associated with our continuing operations, of which roughly 14,600 were engaged in production. Of the 20,600, approximately 8,700 are international employees. Labor unions represent roughly 2,600 of our employees associated with continuing operations. We did not experience any material work stoppage related to contract negotiations with labor unions during 2008. Management is not aware of any circumstances likely to result in a material work stoppage related to contract negotiations with labor unions during 2009.

The chart below shows the approximate number of employees associated with continuing operations by segment.

As of December 31, 2007, the Company had approximately 24,000 employees associated with its continuing operations.

Employees in Discontinued Operations

At December 31, 2008, we had approximately 490 employees associated with discontinued operations, of which 130 employees are in the Residential Furnishings segment and 360 employees are in the Commercial Fixturing & Components segment. For more information on our discontinued operations, see Note B on page 88 of the Notes to Consolidated Financial Statements.

As of December 31, 2007, the Company had approximately 6,550 employees associated with its discontinued operations.

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Competition

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

We believe we are the largest independent manufacturer in North America, in terms of revenue, of the following:

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

We face increasing pressure from foreign competitors as some of our customers source a portion of their components and finished products from Asia. In instances where our customers move production of their finished products overseas, we believe our operations should be located nearby to supply them efficiently. Accordingly, at the end of 2008, Leggett operated 11 facilities in China.

In recent years we experienced increased competition in the U.S. from foreign bedding component manufacturers. We reacted to this competition by selectively adjusting prices, and by developing new proprietary products that help our customers reduce total costs. The increased price competition for bedding components was partially due to lower wire costs in China. Asian manufacturers benefit from cost advantages for commodities such as steel and chemicals. Foreign manufacturers also benefit from lenient regulatory climates related to safety and environmental matters. In late 2007, we filed an antidumping suit related to innerspring imports from China, South Africa and Vietnam. We saw a distinct decline in unfair imports during 2008 after the antidumping investigations began, and as a result, we regained market share. The investigations were brought to a favorable conclusion in early 2009. We should see improved performance in our Bedding group as imported innersprings from these countries will now have to be sold at fair prices. The current antidumping duty rates on innersprings from these countries are significant, ranging from 116% to 234%, and will remain in effect for at least 5 years.

Seasonality

As a diversified manufacturer, we generally have not experienced significant seasonality. The timing of acquisitions, dispositions, and economic factors in any year can distort the underlying seasonality in certain of our businesses. Nevertheless, for the Company as a whole, the second and third quarters typically have proportionately greater sales, while the first and fourth quarters are generally lower.

Our four segments tend to experience seasonality as follows:

- **Residential Furnishings**: typically has the strongest sales in the second and third quarters due to increased consumer demand for bedding and furniture during those periods.
- **Commercial Fixturing & Components**: generally has heavy third quarter sales of its store fixture products, with the first and fourth quarters normally lower. This aligns with the retail industry s normal construction cycle the opening of new stores and completion of remodeling projects in advance of the holiday season.
- **Industrial Materials**: minimal variation in sales throughout the year.
- **Specialized Products**: relatively little quarter-to-quarter variation in sales, although the automotive business is somewhat heavier in the second and fourth quarters of the year and lower in the third quarter due to model changeovers and plant shutdowns in the automobile industry during the summer.

Backlog

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

Working Capital Items

For information regarding working capital items, see the discussion of Cash from Operations in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation, on page 54.

Environmental Regulation

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

Internet Access to Information

We routinely post all material information to our website. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports are made available, free of charge, on our website at http://www.leggett.com as soon as reasonably practicable after electronically filed with, or furnished to, the Securities and Exchange Commission. In addition to these reports, the Company s Financial Code of Ethics, Code of Business Conduct and Ethics and Corporate Governance Guidelines, as well as charters for its Audit, Compensation, and Nominating and Corporate Governance Committees of our Board of Directors can be found on our website. Each of

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these documents is available in print, free of charge, to any shareholder who requests it. Information contained on our website does not constitute part of this Annual Report on Form 10-K.

Discontinued Operations

As a result of our 2007 Strategic Plan, several of our businesses are disclosed in our annual financial statements as discontinued operations since (i) the operations and cash flows of the businesses can be 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 do not, or will not have any significant continuing involvement in the operations of the businesses after the disposal transactions. The discontinued operations include:

Aluminum Products segment. We divested this segment in July 2008. It produced and sold non-automotive aluminum, zinc and magnesium die castings, and new and refurbished dies (also known as molds or tools) for all types and sizes of die casting machines. It also provided machining, coating, finishing, sub-assembly and other value-added services for die cast components. These products and services were sold to (i) small engine and diesel engine builders; (ii) motorcycle, off-road and recreational vehicle, truck and automobile makers; (iii) manufacturers of outdoor lighting fixtures, cable line amplifiers, wireless communications systems, and other cable and telecommunication products; (iv) consumer appliance and power tool manufacturers; (v) producers of electric motors, computers and electronics; (vi) gas barbeque grill manufacturers; and (vii) die cast manufacturers.

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

(i) We divested the Prime Foam Products unit in the first quarter of 2007. It primarily produced commodity foam used for cushioning by bedding and upholstered furniture manufacturers.
(ii) We divested the Wood Products unit in the third quarter of 2008. It sold wood frames and cut-to-size dimension lumber to bedding manufacturers.
(iii) We divested the Fibers unit in the fourth quarter of 2008. It sold fiber cushioning material primarily to bedding and upholstered furniture manufacturers.
(iv) The Coated Fabrics unit sells non-slip rug underlay and shelf liners primarily to retailers and distributors. This divestiture has not yet been completed.

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

(i) The Plastics unit, which was divested in the third quarter of 2008, sold injection molded plastic components primarily for manufacturers of lawn care equipment and power tools.
(ii) The Storage Products unit sells storage racks and carts used in the food service and healthcare industries. This divestiture has not yet been completed.

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

(i) The automotive seating components operation, which we divested in the first quarter of 2008, sold welded assemblies, and wire and tubular frames for automotive seating.
(ii) We divested the dealer portion of the Commercial Vehicle Products unit in the third quarter of 2008. It sold truck bodies for cargo vans, flatbed trucks, service trucks and dump trucks primarily to end-users of light-to-medium duty commercial trucks.

For further information on discontinued operations, see Note B on page 88 of the Notes to Consolidated Financial Statements.

Item 1A. Risk Factors.

Investing in our securities involves risk. Set forth below and elsewhere in this report are risk factors that could cause actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. We may amend or supplement these risk factors from time to time by other reports we file with the SEC.

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

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

Demand weakness in the U.S. home-related, retail, and other markets has led to lower unit order activity, sales and earnings in our businesses. Several factors, including a weak U.S. economy, higher energy costs, a depressed housing market, and low consumer confidence contributed to conservative spending habits by U.S. consumers. Late in the third quarter of 2008, our markets weakened appreciably as consumers further reined in spending during this period of credit concerns and stock market volatility. Short lead times in most of our markets allow for limited long-term visibility into demand trends; however, we currently expect market demand to be soft in 2009. If economic and market conditions remain uncertain or deteriorate further, we may experience material negative impacts on our business, financial condition, operating cash flows and results of operations.

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U.S. and global financial and credit market volatility could adversely affect our financial position, results of operations, cash flows and liquidity.

We continue to monitor our financial position, results of operations, cash flows and liquidity in light of the recent distress in the financial and credit markets. Further changes in the financial or credit markets could adversely affect us in several different areas as discussed below.

Due to the recent tightening of credit markets and concerns regarding the availability of credit, our customers may be delayed in obtaining, or may not be able to obtain, necessary cash for their purchases. Additionally, our suppliers could be negatively impacted by the current credit and financial market conditions causing delays in product deliveries to us. These delays could negatively impact our customers and/or suppliers ability to conduct business and could adversely affect our unit volume and revenues, and therefore harm our business, financial condition, results of operations, cash flows and liquidity.

Recent deterioration in the securities markets has also impacted asset values of our defined benefit plans. Plan assets and liabilities are measured at December 31 of each year. At December 31, 2008, our defined benefit plans were under-funded by approximately $29 million, which represented 13% of the plans benefit obligations. Changes in the value of plan assets did not have an impact on the 2008 income statement, however reduced benefit plan assets will result in increased costs in 2009 and may increase the amount or accelerate the timing of required future funding contributions.

Cash equivalents, short-term investments and derivative financial instruments are subject to market value and counterparty risks. Changes in the fair value of these items may adversely impact our financial position, results of operations, cash flows and liquidity. These balances could also be impacted if the counterparties are unable to meet their commitments in accordance with the terms of agreements.

Costs of raw materials could adversely affect our operating results.

Raw material cost increases (and our ability to respond to cost increases through selling price increases) can significantly impact our earnings. We typically have short-term commitments from our suppliers; therefore, our raw material costs move with the market.

Steel is our most significant raw material. In late 2007 we began seeing higher steel costs, and further increases occurred in 2008. The global steel markets are very cyclical in nature, and can result in large swings in pricing and margins from year to year. Our operations can also be impacted by changes in the cost of foam scrap. We experienced significant fluctuations in the cost of this commodity in recent years.

When we experience significant increases in raw material costs, we implement price increases to recover the higher costs. Inability to recover cost increases (or a delay in the recovery time) can negatively impact our earnings.

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

Our debt instrument ratings may be further downgraded which will increase our cost of borrowing, reduce our ability to issue commercial paper and may negatively impact our liquidity.

We have maintained a debt rating in the A category (from Moody s and Standard and Poor s) on our term notes and public debt for over a decade. On November 12, 2008, Moody s downgraded the Company s long term debt rating from A2 to A3 and our commercial paper rating from P1 to P2 citing accelerating contraction in residential and automotive related consumer spending. Also, on November 25, 2008, S&P downgraded the Company s long-term corporate credit and senior unsecured debt ratings from A to A- and our short-term and commercial paper ratings from A-1 to A-2 citing weak market conditions and financial policies that include a high dividend payout and share repurchases. In addition, both Moody s and S&P assigned a negative outlook to each of their respective ratings. If the rating agencies were to further downgrade our debt instruments, this may have a negative effect on our cost of borrowing, our ability to issue commercial paper and ultimately on our liquidity. For further information regarding our debt ratings refer to page 58.

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

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

Asian competition could adversely affect our operating results.

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

Our long-lived assets are subject to potential asset impairment.

A significant portion of our assets consist of goodwill and other intangible assets, the carrying value of which may be reduced if we determine that those assets are impaired. At December 31, 2008, goodwill and other intangible assets not held for sale represented approximately $1.07

billion, or approximately 34% of our total assets. In addition, net property, plant and equipment, sundry assets and non-current assets held for sale totaled approximately $782 million, or approximately 25% of total assets.

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We review for potential goodwill impairment on an annual basis as part of our goodwill impairment testing in the second quarter of each year, and more often, if an event or circumstance occurs making it likely that impairment exists. In addition, we test for the recoverability of long-lived assets at year end, and more often if an event or circumstance indicates the carrying value may not be recoverable. We conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations. In the fourth quarter of 2007, we conducted interim impairment testing as a result of the changes announced with the 2007 Strategic Plan and determined that some long-lived assets were impaired. For the year ended December 31, 2007, we incurred goodwill impairment of $243 million, and long-lived asset impairment of $44 million.

The annual goodwill impairment review performed in June 2008 indicated no goodwill impairments. As a result of the deterioration in the economic and financial climate in the fourth quarter of 2008, interim goodwill and other long-lived asset impairment analyses were performed in the fourth quarter. The goodwill analysis confirmed that fair values exceeded carrying value for all reporting units. Future cash flow assumptions were reduced to reflect lower sales and production levels for 2009 and 2010, returning to historical levels thereafter. Other long-lived asset impairment charges of $12 million were recorded in the fourth quarter 2008.

Throughout 2008, we recorded $26 million of goodwill and $6 million of other long-lived asset impairments related to businesses held for sale as updated estimates of fair value less costs to sell became more certain.

If actual results differ from estimates used in these calculations, the Company could incur future (unanticipated) impairment charges.

We are exposed to foreign currency risk.

We expect that international sales will continue to represent a significant percentage of our total sales, which exposes us to currency exchange rate fluctuations. In 2008, 26% of our sales from continuing operations was generated by international operations. The revenues and expenses of our foreign operations are generally denominated in local currencies; however, certain of our operations experience currency-related gains and losses where sales or purchases are denominated in currencies other than their local currency. Further, our competitive position may be affected by the relative strength of the currencies in countries where our products are sold. Foreign currency exchange risks inherent in doing business in foreign countries may have a material adverse effect on our future operations and financial results.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company s corporate headquarters are located in Carthage, Missouri. At December 31, 2008, we had 270 production, warehouse, sales and administrative facilities associated with continuing operations, of which 196 were disbursed across the United States and 74 were located in foreign countries.

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Properties by Location and Segment in Continuing Operations

		Subtotals by Segment			
Locations	Company-Wide	Residential Furnishings	Commercial Fixturing & Components	Industrial Materials	Specialized Products
United States	196	118	27	28	23
Canada	14	6	3	0	5
Mexico	8	2	1	2	3
Europe	17	5	3	0	9
Asia	25	12	4	1	8
Other	10	10	0	0	0
Total	270	153	38	31	48

Properties by Use and Segment in Continuing Operations

		Subtotals by Segment			
Use	Company-Wide	Residential Furnishings	Commercial Fixturing & Components	Industrial Materials	Specialized Products
Production[1]	167	87	28	19	33
Warehouse	65	43	6	7	9
Sales	10	8	0	1	1
Administration	28	15	4	4	5
Total	270	153	38	31	48

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

Our most important physical properties are our production plants. The Company owns approximately 80% of the production facilities accounting for the majority of our consolidated sales from continuing operations. We lease many of our production, warehouse and other facilities on terms that vary by lease (including purchase options, renewals and maintenance costs). For additional information regarding lease obligations, see Note K on page 104 of the Notes to Consolidated Financial Statements.

In the opinion of management the Company s owned and leased facilities are suitable and adequate for the manufacture, assembly and distribution of our products. Our properties are located to allow quick and efficient delivery of products and services to our diverse customer base. Our productive capacity associated with continuing operations, in general, continues to exceed current operating levels. Capacity levels are somewhat flexible based on the number of shifts operated and on the number of overtime hours worked.

At December 31, 2008 we had 12 production, warehouse, sales and administrative facilities classified as discontinued operations, of which 10 were in the United States and 2 were located in foreign countries.

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Properties by Location and Segment Classified as Discontinued Operations

Locations	Company-Wide	Subtotals by Segment: Residential Furnishings	Subtotals by Segment: Commercial Fixturing & Components
United States	10	2	8
Canada	1	0	1
Mexico	1	0	1
Total	12	2	10

Properties by Use and Segment Classified as Discontinued Operations

Use	Company-Wide	Subtotals by Segment: Residential Furnishings	Subtotals by Segment: Commercial Fixturing & Components
Production[1]	8	1	7
Warehouse	2	0	2
Sales	2	1	1
Administration	0	0	0
Total	12	2	10

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

Item 3. Legal Proceedings.

Anti-dumping Petition

On December 31, 2007, the Company filed a petition with the U.S. Department of Commerce (DOC) and the U.S. International Trade Commission (ITC) alleging that manufacturers of uncovered innersprings in China, South Africa and Vietnam were unfairly selling their products in the United States at less than fair value (dumping) and causing material injury to U.S. innerspring producers. The ITC made a preliminary determination of material injury to the domestic innerspring industry in this case. On July 31, 2008, the DOC announced preliminary duties on innersprings imported from these three countries (ranging from 116% to 234%) and instructed the U.S. Customs and Border Protection to collect a cash deposit or bond on any ongoing imports.

On October 15, 2008 the DOC announced final dumping duties on innersprings from South Africa at 121% and from Vietnam at 116%. On November 11, 2008, the ITC made affirmative final determinations that imports from South Africa and Vietnam caused material injury to the U.S. innerspring industry. On December 22, 2008, the DOC announced final dumping duties on innersprings from China at 164% to 234%, and on January 27, 2009, the ITC made final determinations that the domestic innerspring industry has been materially injured by innersprings imported from China.

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As a result of these final determinations, the U.S. Customs and Border Protection will collect antidumping duties on these imports at the above rates. The antidumping orders will remain in force for at least 5 years.

Shareholder Claim

On February 5, 2009, a shareholder derivative complaint was filed by the New England Carpenters Pension Fund, which represented that it owns 3,000 shares of Leggett stock, in the Circuit Court of Jasper County, Missouri. The complaint is substantially similar to a lawsuit filed by the New England Carpenters Pension Fund in federal court on September 4, 2008, which the plaintiff voluntarily dismissed on September 26, 2008 without prejudice to its right to re-file. However, this new lawsuit has fewer claims and asserts no federal causes of action. The action is purportedly brought on behalf of the Company, naming it as a nominal defendant and naming as defendants certain current and former officers and directors of the Company including David S. Haffner, Karl G. Glassman, Matthew C. Flanigan, Ernest C. Jett, Harry M. Cornell, Jr., Felix E. Wright, Robert Ted Enloe, III, Richard T. Fisher, Judy C. Odom, Maurice E. Purnell, Jr., Ralph W. Clark and Michael A. Glauber.

The plaintiff alleges, among other things, that the individual defendants participated in the backdating of stock options, breached fiduciary duties, caused or allowed the Company to issue false and misleading financial statements and proxy statements, and sold Company stock while in possession of material non-public information. The plaintiff seeks, among other things, unspecified monetary damages against the individual defendants, certain equitable and other relief relating to the profits from the alleged improper conduct, the adoption of certain Company corporate governance proposals, the imposition of a constructive trust over the defendants stock options and proceeds, punitive damages, the rescission of certain unexercised options, and the reimbursement of litigation costs. The plaintiff is not seeking any monetary relief from the Company. Policies of directors and officers liability insurance are in force, subject to customary limits and exclusions.

The complaint is based on a statistical analysis of stock option grants and Leggett stock prices that we believe is flawed. We believe this lawsuit does not take into consideration important aspects of Leggett s stock option plans. For example, the plaintiff has noted only one set of stock option grants, made on December 30, 2005, within what we believe to be the applicable 5-year statute of limitations. These option grants were made in accordance with the Company s Deferred Compensation Program, which (i) provided that options would be dated on the last business day of December, and (ii) was filed with the SEC on December 2, 2005 setting out the pricing mechanism well before the grant date. We provided plaintiff s counsel with this publicly available documentation before they dismissed the prior federal court lawsuit.

The Company expects that the outcome of this litigation will not have a material adverse effect on its financial condition, operating cash flows or results of operations.

For additional information regarding contingencies, please refer to Note P on page 122 of the Notes to Consolidated Financial Statements.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

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Supplemental Item. Executive Officers of the Registrant.

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

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

Name	Age	Position
David S. Haffner	56	President and Chief Executive Officer
Karl G. Glassman	50	Executive Vice President and Chief Operating Officer
Jack D. Crusa	54	Senior Vice President, President Specialized Products
Joseph D. Downes, Jr.	64	Senior Vice President, President Industrial Materials
Matthew C. Flanigan	47	Senior Vice President and Chief Financial Officer
Paul R. Hauser	57	Senior Vice President, President Residential Furnishings
Ernest C. Jett	63	Senior Vice President, General Counsel and Secretary
Dennis S. Park	54	Senior Vice President, President Commercial Fixturing & Components
David M. DeSonier	50	Vice President Strategy & Investor Relations
John G. Moore	48	Vice President Corporate Affairs & Human Resources
William S. Weil	50	Vice President Corporate Controller and Chief Accounting Officer

Subject to the employment agreements (which expire May 7, 2009) and severance benefit agreements with Messrs. Haffner and Glassman, listed as exhibits to this Report, the executive officers generally serve at the pleasure of the Board of Directors.

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

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

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

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

Matthew C. Flanigan has served the Company as Senior Vice President since 2005 and as Chief Financial Officer since 2003. Mr. Flanigan previously served the Company as Vice President from 2003 to 2005, as Vice President and President of the Office Furniture Components Group from 1999 to 2003 and as Staff Vice President of Operations from 1997 to 1999.

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

Ernest C. Jett became Senior Vice President, General Counsel and Secretary in 2005. He was appointed General Counsel in 1997 and Vice President and Secretary in 1995. He previously served the Company as Assistant General Counsel from 1979 to 1995 and as Managing Director of the Legal Department from 1991 to 1997.

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

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

John G. Moore was appointed Vice President Corporate Affairs & Human Resources in 2008. He served as Vice President Corporate Governance and Deputy Secretary from 2006 to 2008, as Vice President and Associate General Counsel from 2001 to 2006, and as Managing Counsel and Assistant General Counsel from 1998 to 2001. He has served the Company in other capacities since 1994.

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

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

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

	Price Range		Volume of Shares Traded (in Millions)	Dividend Declared
	High	Low		
2008				
First Quarter	$ 19.48	$ 14.59	142.4	$ .25
Second Quarter	19.56	14.12	146.0	.25
Third Quarter	24.60	14.22	224.4	.25
Fourth Quarter	22.95	12.03	182.9	.25
For the Year	$ 24.60	$ 12.03	695.7	$ 1.00
2007				
First Quarter	$ 24.71	$ 22.12	68.0	$ .17
Second Quarter	24.73	21.40	93.4	.18
Third Quarter	22.78	18.75	94.9	.18
Fourth Quarter	20.89	17.14	116.3	.25
For the Year	$ 24.73	$ 17.14	372.6	$ .78

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

Shareholders and Dividends

As of February 15, 2009, we estimate that we had approximately 31,500 shareholders, which included approximately 11,500 shareholders of record (i.e. stock certificates are issued in the name of the owner) and approximately 20,000 beneficial shareholders (i.e. stock is held for the owner by their stockbroker in the name of the brokerage firm). At year end, institutional investors (e.g. mutual funds, pension funds) as a group held an estimated 80% of our common stock; the ten largest positions held an estimated 37%.

As part of our 2007 Strategic Plan, we increased our quarterly dividend to the current rate of $.25 per share from the previous rate of $.18 per share. We are targeting a dividend payout ratio (annual dividends divided by net earnings) of 50-60%, though it has been and will likely be higher for the next few years. See the discussion of the Company s targeted dividend payout under Pay Dividends in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operation on page 53.

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Issuer Repurchases of Equity Securities

The table below is a listing of our repurchases of the Company s common stock during the fourth quarter of 2008.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(1)
October 1-31, 2008	816,284	$ 16.15	816,284	14,424,921(2)
November 1-30, 2008	588,721	$ 14.88	588,721	13,836,200(2)
December 1-31, 2008	100,661	$ 14.31	100,661	10,000,000(2)
Total	**1,505,666**	**$ 15.53**	**1,505,666**	

(1) *On August 4, 2004, the Board authorized management to repurchase up to 10 million shares each calendar year beginning January 1, 2005. This standing authorization was first reported in the quarterly report on Form 10-Q for the period ended June 30, 2004, filed August 5, 2004, and will remain in force until repealed by the Board of Directors. On November 13, 2007 the Board accelerated the 10 million share standing repurchase authorization for the 2008 calendar year to begin November 15, 2007. The acceleration was first reported in the Company s press release issued November 13, 2007 and filed on Form 8-K on November 14, 2007. As of December 31, 2007 there were no shares left under the 2007 calendar year standing authorization (which expired December 31, 2007) and 8,904,650 shares left under the 2008 standing authorization. By the end of July 2008, we had purchased all of the shares under the 2008 standing authorization.*

(2) *On February 21, 2008, the Board approved the repurchase of an additional 20 million shares during the 2008 calendar year at management s discretion, limited to the amount of divestiture proceeds. This special authorization was first publicly announced in the Company s press release dated February 21, 2008. In 2008, we purchased 6,264,461 shares under the special 20 million share authorization. The special 20 million share authorization expired December 31, 2008. As referenced in note (1) above, on January 1, 2009, the Company was authorized to purchase 10 million shares in 2009.*

Sale of Unregistered Shares of Common Stock

The Company issued 75,000 shares of common stock at fair market value to David S. Haffner, President and Chief Executive Officer and Jack D. Crusa, Senior Vice President and President of Specialized Products, as set out below.

Name	Date of Issuance	Number of Shares	Price per Share	Administrative Fee	Total Purchase Price
David S. Haffner	10/27/08	25,000	$ 14.59	$ 500	$ 365,250
	11/20/08	5,000	$ 12.24	$ 100	$ 61,300
	2/09/09	5,000	$ 13.78	$ 100	$ 69,000
	2/10/09	4,000	$ 12.97	$ 80	$ 51,960
	2/12/09	6,000	$ 12.81	$ 120	$ 76,980
	2/17/09	5,000	$ 12.57	$ 100	$ 62,950
	2/18/09	3,000	$ 12.45	$ 60	$ 37,410
	2/20/09	8,000	$ 12.26	$ 160	$ 98,240
	2/23/09	10,000	$ 11.75	$ 200	$ 117,700
Totals		71,000		$ 1,420	$ 940,790
Jack D. Crusa	2/18/09	4,000	$ 12.45	$ 80	$ 49,880

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

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During the second quarter of 2000, the Company s Canadian subsidiary issued certain exchangeable shares which were convertible, on a one-to-one ratio, into shares of Leggett common stock in connection with the acquisition of Schukra Manufacturing, Inc., a Canadian corporation. On December 16, 2008, as a result of the conversion of some of the exchangeable shares, the Company issued 120,452 shares of its common stock to four of the former Schukra owners (listed below) in a transaction which qualified for exemption from registration under the Securities Act of 1933 by virtue of Section 4(2) of the Securities Act, in that the issuances did not involve a public offering. The closing price of Leggett common stock on the NYSE on December 16, 2008 was $15.52.

Name of Shareholder	Number of Shares Issued
Jessica Cosentino	35,113
Ricardo Cosentino	35,113
Victoria Cosentino	35,113
Mafalda Cosentino	15,113
Totals	120,452

Item 6. Selected Financial Data.

(Unaudited) (Dollar amounts in millions, except per share data)	2008[1]	2007[2, 3]	2006[3]	2005[3]	2004[3]
Summary of Operations					
Net Sales from Continuing Operations	$ 4,076	$ 4,250	$ 4,267	$ 4,197	$ 4,055
Net Earnings from Continuing Operations	123	59	236	216	235
Net Earnings (Loss) from Discontinued Operations, net of tax	(19)	(70)	64	35	50
Net Earnings (Loss)	104	(11)	300	251	285
Earnings per share from Continuing Operations					
Basic	.73	.33	1.26	1.12	1.20
Diluted	.73	.33	1.26	1.12	1.20
Earnings (Loss) per share from Discontinued Operations					
Basic	(.11)	(.39)	.35	.18	.26
Diluted	(.11)	(.39)	.35	.18	.25
Net Earnings (Loss) per share					
Basic	.62	(.06)	1.61	1.30	1.46
Diluted	.62	(.06)	1.61	1.30	1.45
Cash Dividends declared per share	1.00	.78	.67	.63	.58
Summary of Financial Position					
Total Assets	$ 3,162	$ 4,072	$ 4,265	$ 4,072	$ 4,197
Long-term Debt, including capital leases	$ 851	$ 1,001	$ 1,060	$ 922	$ 779

1 As discussed in Notes C and D beginning on pages 91 and 95 respectively, the Company incurred asset impairment and restructuring-related charges totaling $84 million in 2008. Of these charges, approximately $33 million were associated with continuing operations and $51 million related to discontinued operations.

[2] As discussed in Notes C and D beginning on pages 91 and 95 respectively, the Company incurred asset impairment and restructuring-related charges totaling $305 million in 2007. Of these charges, approximately $159 million were associated with continuing operations and $146 million related to discontinued operations.

[3] As discussed in Note A on page 86, the amounts for 2004 through 2007 have been retrospectively adjusted to reflect certain businesses as discontinued operations.

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

2008 HIGHLIGHTS

In 2008, there were two significant and opposing forces in play. On the positive side, we successfully implemented Leggett s most significant strategic changes in quite some time. On the negative side, the U.S. economy and stock market suffered from their worst performance in decades.

In late 2007 we unveiled plans to significantly change the company s strategic course. We have not yet reached our long-term performance targets (for margins and returns) but we made substantial strategic strides in 2008.

- We adopted TSR as our primary strategic objective and introduced TSR-based incentives for senior executives. We set a goal to consistently achieve TSR within the top 1/3 of the S&P 500, which we believe will require average annual TSR of 12-15%.
- We also adopted role-based portfolio management and implemented a formal, rigorous strategic planning process to continually assess each business unit s role in the portfolio.
- During the year, we divested five businesses (including the Aluminum Products segment) for total after-tax proceeds in excess of $400 million, and contracted our Store Fixtures business unit to a smaller, metal-focused operation that should generate higher profit.
- We also increased our quarterly dividend by 39% and repurchased 16 million shares of our stock.

Late in the third quarter of 2008, our markets weakened appreciably as consumers reined in their spending in light of the financial market distress and general U.S. and global economic conditions. Weak market demand, partially offset by market share gains in certain businesses, led to lower sales and earnings in 2008.

We met our goal to achieve TSR within the top 1/3 of the S&P 500; in fact, our 2008 TSR ranked within the top 10%. However, TSRs in general (for all companies) were significantly depressed, and only 5% of the S&P 500 posted a positive TSR in 2008. Our TSR of negative 7% was well below the 12-15% we anticipate over the long-term.

Though strong in 2008, cash from operations was lower than the record set in 2007 primarily due to a smaller year-over-year decrease in working capital. Cash from operations has been and is expected to continue to be sufficient to fund both capital expenditures and dividends.

We are well situated to weather this challenging economic environment. We ended the year with net debt (as a percentage of net capital) below our long-term, targeted range; no significant long-term debt matures until 2012; and we have more than $500 million available under our existing commercial paper program and revolver facility.

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

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INTRODUCTION

What We Do

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

We are North America s leading independent manufacturer of: components for residential furniture and bedding, carpet underlay, components for office furniture, drawn steel wire, automotive seat support and lumbar systems, and bedding industry machinery.

Our Segments

Our continuing operations are composed of 20 business units in four segments, with approximately 20,000 employee-partners, and more than 160 production facilities located in 18 countries around the world. Our segments are described below.

Residential Furnishings

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

Commercial Fixturing & Components

Operations in this segment manufacture and sell store fixtures and point-of-purchase displays used in retail stores. We also produce chair controls, bases, and other components for office furniture manufacturers.

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Industrial Materials

These operations primarily supply steel rod, drawn steel wire, steel billets, and welded steel tubing to other Leggett operations and to external customers. Our wire and tubing is used to make bedding, furniture, automotive seats, wire retail fixtures, mechanical springs, and many other end products.

Specialized Products

From this segment we supply lumbar systems and wire components used by automotive seating manufacturers. We manufacture and install the racks, shelving and cabinets used to outfit fleets of service vans. We also produce machinery, both for ourselves and for others, including bedding manufacturers.

Discontinued Operations and Divestitures

During the past two years, we have divested six businesses. In 2008, we sold our Aluminum Products segment and four smaller business units (Wood Products, Fibers, Plastics, and the dealer portion of Commercial Vehicle Products). We received after-tax cash proceeds of $408 million for these five businesses; we also received subordinated notes and preferred stock. In early 2007, we sold our Prime Foam operations. Two additional business units (Coated Fabrics and Storage Products) are also targeted for divestiture. All of these businesses, including the two that remain, are disclosed in our financial statements as discontinued operations.

For the remaining divestitures, we expect to recover the carrying value of the net assets held for sale. Net assets classified as held for sale totaled $54 million at December 31, 2008 (this includes $22 million not associated with the remaining divestitures). Recent market conditions have delayed the expected timing of the sale of these remaining businesses; completing these transactions remains a high priority for 2009.

Strategic Direction

During 2007, we completed an extensive review of our business portfolio in an effort to enhance shareholder return. For each business unit, we considered factors such as competitive advantages, market position, financial performance, and potential growth opportunities. We have made significant changes to our financial targets, portfolio mix, and planning processes as a result of the review.

Total Shareholder Return (TSR) is now the key success measure that we use to monitor performance. TSR is driven by the change in our share price and the dividends we pay [TSR = (Change in Stock Price + Dividends) / Beginning Stock Price]. There are four key sources of TSR: revenue growth, margin expansion, dividends, and share repurchases. Historically, our primary objective was profitable growth. Going forward, we intend to generate higher TSR through a balanced approach that employs all four sources of TSR. We have modified our incentive plans to emphasize the importance of, and reward, TSR. Beginning in 2008, we introduced TSR-based incentives for senior executives and modified business unit bonuses to give more importance to achieving higher returns on the assets under their direct control.

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We have adopted role-based portfolio management and will concentrate future investments in businesses with strong competitive advantages and financial health. Certain of our businesses (categorized as Grow) are positioned to generate value through further growth, while others (categorized as Core) are positioned to drive value by improving EBITDA (earnings before interest, taxes, depreciation and amortization) and optimizing operating cash flow while employing minimal amounts of capital. We allocate capital to each business unit based upon its role in the portfolio. We plan to invest in Grow businesses that hold strong competitive positions and consistently achieve compelling returns on those investments. We plan to maintain or improve our competitive position in Core businesses that typically hold stable positions in solid markets, and focus on improving returns but limit further investment in these operations. In total, we anticipate lower capital expenditures and fewer acquisitions in the near term.

We have implemented a more rigorous strategic planning process to continually assess our business units and help guide future decisions regarding the role of each business unit, capital allocation priorities, and new areas in which to grow. We review the portfolio classification of each unit at least on an annual basis to determine its appropriate role. This review includes several different criteria such as competitive position, market conditions, business unit size, and fit within our overall objectives, as well as financial indicators such as EBITDA and operating cash flows relative to the amount of capital employed. To remain in the portfolio, business units are expected to consistently generate after-tax returns in excess of our cost of capital. Business units may employ a variety of means to achieve higher returns, including trimming expenses, introducing new products, improving productivity, adopting more disciplined pricing, reducing working capital, and consolidating assets. Business units that fail to attain minimum return goals will be moved to the Fix or Divest categories.

As a result of the 2007 strategic review, we narrowed our focus and eliminated approximately 15% of our portfolio through the divestiture of the Aluminum Products segment and four additional business units (two other divestitures remain). We also placed our Store Fixtures business unit into the Fix category and gave it a one-year period in which to improve returns to at least cost of capital levels.

In the third quarter of 2008, we concluded that the Store Fixtures unit, in its previous form, was not capable of meeting our return requirements. As a result, we narrowed the unit s scope to focus primarily on the metals part of the fixtures industry, in alignment with Leggett s core competency of producing steel and steel-related products. We consolidated four wood store fixtures operations into two facilities and will continue to produce a reduced amount of wood fixtures in order to meet the blended requirements (i.e. metal and wood) of certain of our customers. We also effected changes to senior management, further reduced the unit s overhead, and purged additional customer accounts with unacceptable margins. These changes are expected to trim annual trade sales for the Store Fixtures business unit from a run-rate in late 2008 of approximately $325 million to approximately $250-$275 million in 2009, and we expect annual returns to at least match our cost of capital. The unit is now considered a Core business within our portfolio; as such, its primary focus is to optimize operating cash flow and improve profit while minimizing its use of capital.

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Activities related to the Fix and Divest businesses resulted in charges that impacted our operating results in 2007 and 2008. Those charges are discussed on page 40 under the section titled Asset Impairments and Restructuring-related Charges.

The strategic changes have increased available cash, and we are returning much of this cash to shareholders. In November 2007, the Board of Directors authorized a 39% dividend increase, moving the quarterly rate to $.25 per share (from the previous $.18). For the year 2008, we also repurchased nearly 16 million shares of our stock, fully exhausting our annual repurchase authorization (of 10 million shares), and partially utilizing the supplementary authorization to purchase additional shares with proceeds from the divestitures. We expect to continue repurchasing our shares, but the timing of those repurchases will depend on several factors, including general economic and market conditions, the price of Leggett stock, and our working capital needs.

Customers

We serve a broad suite of customers, with no single one representing even 5% of our sales. Many are companies whose names are widely recognized; they include most manufacturers of furniture and bedding, a variety of other manufacturers, and many major retailers.

Major Factors That Impact Our Business

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

Market Demand

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

Recent Economic Events

In light of recent distress in the financial and credit markets (and the related impact on U.S. and global economies) we have been impacted, and may continue to be impacted, in several different areas as discussed below.

Lower Market-Wide Demand. Throughout 2007 and 2008, demand weakness in the U.S. home-related, retail, and other markets led to lower unit order activity, sales and earnings in our businesses. Several factors, including a weak U.S. economy, higher energy costs, a depressed housing market, and low consumer confidence contributed to conservative spending habits by U.S. consumers. Late in the third quarter of 2008, our global markets weakened appreciably as consumers further reined in spending during this period of credit concerns and stock market volatility. Short lead times in most of our markets allow for very limited long-term visibility into demand trends; however, we

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currently expect market demand to be soft in 2009. Despite the global economic decline, we have gained market share in our U.S. bedding components businesses primarily due to (i) bedding manufacturers shifting innerspring purchases from international to domestic sources as a result of antidumping duties imposed on imported innersprings from China, South Africa, and Vietnam; (ii) the deverticalization of a strong regional bedding manufacturer (they now buy from us components they had previously produced for themselves); and (iii) increased demand for innerspring mattresses, rather than premium priced, non-innerspring products. These market share gains offset some of the demand weakness.

Customers and Suppliers. Due to the recent tightening of credit markets and concerns regarding the availability of credit, our customers may be delayed in obtaining, or may not be able to obtain, necessary cash for their purchases. Additionally, our suppliers could be negatively impacted by the current credit and financial market conditions causing delays in product deliveries to us. These delays could negatively impact our customers and suppliers ability to conduct business and could adversely affect our unit order activity and sales, and therefore negatively impact our cash flows and liquidity.

Management s Response to Recent Economic Events. Activities completed over the past few years (including the divestiture of businesses under our strategic plan, closure of underperforming and underutilized facilities, elimination of sales with unacceptable margins, and other cost reduction initiatives) improved our cost position in advance of the late 2008 economic contraction. In response to the recent economic events, we reduced production and were running well below our normal utilization levels during the fourth quarter 2008 in an effort to bring inventories in line with current demand. We have further reduced headcount, overhead costs, and capital spending, and are completing the closure of certain facilities. Given our balance sheet, operating cash flow and access to credit, we expect to be able to endure an extended downturn in market demand with no material impact to our financial position or liquidity.

Raw Material Costs

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

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

Our ability to recover higher costs (through selling price increases) is crucial. When we experience significant increases in raw material costs, we typically implement price increases to recover the higher costs. Conversely, when costs decrease significantly, we generally pass a portion of those lower costs through to our customers. The timing of our price increases or decreases is a critical factor; we typically experience a lag in recovering higher costs, so we also expect to realize a lag as costs decline.

Steel is our principal raw material and at various times in past years we have experienced extreme cost fluctuations in this commodity. In most cases, the major changes (both increases and decreases) were passed through to customers via selling price adjustments. In late 2007 we began seeing higher steel costs, and significant increases occurred in 2008. We implemented price increases to recover these higher costs. Market prices began to abate late in the year, but for certain types of steel, continued to be well above prior year levels. With the precipitous drop in market demand beginning late in the third quarter, and the need to reduce inventories (that were purchased before steel costs declined), at year-end we had not yet made substantial purchases of the lower cost steel.

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

When we raise our prices to recover higher raw material costs, this sometimes causes customers to modify their product designs and replace higher cost components with lower cost components. We experienced this de-contenting effect in our Residential Furnishings and Industrial Materials segments in recent years, as our customers changed the quantity and mix of components in their finished goods to address steel and chemical inflation. Our profit margins were negatively impacted by this de-contenting. We are responding by developing new products (including new types of innersprings and boxsprings) that enable our customers to reduce their total costs, and in certain instances, provide higher margin and profit contribution for our operations. Some of these new products were introduced during 2007, with production of those products ramping up in 2008.

Competition

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

We believe we gain competitive advantage in our global markets through low cost operations, significant internal production of key raw materials, superior manufacturing expertise and product innovation, higher quality products, extensive customer service capabilities, and greater financial strength. Many of our competitors, both domestic and foreign, compete primarily on the basis of price. Our success has stemmed from the ability to remain price competitive, while delivering product quality, innovation, and customer service.

We continue to face pressure from foreign competitors as some of our customers source a portion of their components and finished products from Asia. In instances where our customers move production of their finished products overseas, our operations must be located nearby to supply them efficiently. We currently operate 11 facilities in China.

In recent years we experienced increased competition in the U.S. from foreign bedding component manufacturers. We reacted to this competition by selectively adjusting prices, and by developing new proprietary products that help our customers reduce total costs. The increased price competition for bedding components was partially due to lower wire costs in China. Asian manufacturers benefit from cost advantages for commodities such as

steel and chemicals. Foreign manufacturers also benefit from lenient regulatory climates related to safety and environmental matters. In late 2007, we filed an antidumping suit related to innerspring imports from China, South Africa and Vietnam. We saw a distinct decline in unfair imports during 2008 after the antidumping investigations began, and as a result, we regained market share. The investigations were brought to a favorable conclusion in early 2009. We should see improved performance in our Bedding group as imported innersprings from these countries will now have to be sold at fair prices. The current antidumping duty rates on innersprings from these countries are significant, ranging from 116% to 234%, and will remain in effect for at least 5 years.

Asset Impairments and Restructuring-related Charges

Net impairment and restructuring-related charges (for both continuing and discontinued operations) totaled $84 million in 2008 and $305 million in 2007. The majority of these charges occurred as a result of the strategic changes announced in late 2007. Those details are discussed in the paragraphs below. Net impairment and restructuring-related charges not associated with the 2007 Strategic Plan totaled $31 million in 2008 and $17 million in 2007.

In the fourth quarter 2007, we recognized $287 million (primarily non-cash) of impairment and restructuring-related charges associated with the 2007 Strategic Plan. These charges (which included both continuing and discontinued operations) include goodwill impairments for the Fixture & Display reporting unit of $143 million and the Aluminum reporting unit of $83 million. Goodwill and asset impairment charges related to other held-for-sale businesses totaled $51 million. Restructuring-related charges totaled $10 million.

In 2008, we incurred additional costs totaling $53 million related to the 2007 Strategic Plan. This total includes $6 million of restructuring-related costs, $26 million of goodwill impairment charges, $7 million of asset impairment charges, and $14 million of losses from sale of assets.

To date, we have incurred total costs associated with the 2007 Strategic Plan of $340 million ($153 million in continuing operations and $187 million in discontinued operations) and believe the activity to be substantially complete. For further information about asset impairments and restructuring, see Notes C and D to the Consolidated Financial Statements on pages 91 and 95.

As discussed on pages 4 and 36, in late 2007 the Store Fixtures business unit was placed in the Fix category and given a one-year period in which to improve returns to at least cost of capital levels. In the fall of 2008, we concluded that the business unit should be contracted to a smaller, metal-focused business. This strategy change did not result in any goodwill impairment charges.

The Store Fixtures business unit is included in our Fixture & Display reporting unit for goodwill impairment testing purposes. We conduct an annual review for potential goodwill impairment (in June) and long-lived asset impairment (at year-end) for all of our reporting units. We also review for potential impairment if an event or change in circumstance occurs that would more likely than not reduce the fair value of the reporting unit below its

carrying amount or impact the recoverability of the assets. At December 31, 2008, the Fixture & Display reporting unit had $106 million of goodwill and $64 million of other long-lived assets ($62 million of the long-lived assets were associated with the Store Fixtures business unit).

For further information regarding the methodology we use for impairment testing, the assumptions we use for this testing and the potential for future impairment, refer to Critical Accounting Policies on page 60, and also Note C to the Consolidated Financial Statements on page 91.

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RESULTS OF OPERATIONS 2008 vs. 2007

During 2008, sales from continuing operations decreased 4%. We reported full-year net earnings from continuing operations of $123 million, which included $21 million of restructuring-related charges, impairments, and other items. Our 2008 earnings reflected extremely soft market demand which led to lower unit volume in many of our businesses. In the majority of our markets, demand was soft throughout the year, but weakened appreciably late in the third quarter as consumers further reduced their spending in response to the financial market distress and general U.S. and global economic conditions. Market share gains in certain businesses offset some of the impact from weak demand.

During the year, we also experienced significant inflation in steel costs, and we successfully implemented price increases to recover the majority of these higher costs. Further details about our consolidated and segment results from continuing operations are discussed below.

Consolidated Results (continuing operations)

The following table shows the changes in sales and earnings from continuing operations during 2008, and identifies the major factors contributing to the changes. Reported amounts for 2007 have been retrospectively adjusted to reflect the reclassification of our Coated Fabrics business unit from continuing to discontinued operations.

(Dollar amounts in millions, except per share data)	Amount	%
Net sales from continuing operations:		
Year ended December 31, 2007	$ 4,250	
Acquisition sales growth	35	0.8%
Small divestitures	(41)	(0.9)%
Internal sales decline:		
Approximate inflation	285	6.7%
Approximate unit volume decline	(453)	(10.7)%
Internal sales decline	(168)	(4.0)%
Year ended December 31, 2008	$ 4,076	(4.1)%
Earnings from continuing operations:		
(Dollar amounts, net of tax)		
Year ended December 31, 2007	$ 59	
Goodwill impairment in Fixture & Display	120	
Restructuring-related charges	(4)	
Asset impairment	(4)	
Interest expense (net)	6	

Tax items		12
Other factors including lower unit volume and production		(66)
Year ended December 31, 2008	$	123
Earnings Per Share (continuing operations) 2007	$	0.33
Earnings Per Share (continuing operations) 2008	$	0.73

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