FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning, ladies and gentlemen. Thank you for standing by. Welcome to the Leggett & Platt second-quarter earnings conference call. During today's presentation, all parties will be in a listen-only mode. Following the presentation, the conference will be open for questions. (OPERATOR INSTRUCTIONS) This conference is being recorded today, Friday, July 18, 2008.

I would now like to turn the conference over to David DeSonier. Please go ahead, sir.

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

Good morning and thank you for taking part in Leggett & Platt's second-quarter conference call. I am Dave DeSonier, the Vice President of Strategy and Investor Relations. Joining me this morning are the following -- Dave Haffner, our CEO and President; Karl Glassman, our Chief Operating Officer; Matt Flanigan, our CFO; and Susan McCoy, our Director of Investor Relations.

The agenda for the call is as follows. Dave Haffner will start with a summary of the major statements we made in yesterday's press release. Karl Glassman will discuss the trends in our various markets. Dave will then address our outlook for 2008. Finally, the group will answer any questions you have. This conference is being recorded for Leggett & Platt and is copyrighted material. This call may not be transcribed, recorded, or broadcast without our express permission. A replay is available from the IR portion of Leggett's website.

In addition, I need to remind you that remarks today concerning future expectations, events, objectives, strategies, trends, or results constitute forward-looking statements. Actual results or events may differ materially due to a number of risks and uncertainties and the Company undertakes no obligation to update or revise these statements. For a summary of these risk factors and additional information, please refer to yesterday's press release and the section in our 10-K entitled forward-looking statements.

I will now turn the call over to Dave Haffner.

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Good morning and thank you for participating in our call. Yesterday we reported second-quarter earnings per share of $0.27, including $0.02 per share of earnings from discontinued operations. Earnings from continuing operations were $0.25 per share and included $0.01 of restructuring related costs and $0.02 for a nonrecurring tax charge. Versus second quarter of 2007, earnings from continuing operations decreased slightly primarily due to soft demand in several markets.

Sales from continuing operations decreased nearly 1% versus second quarter of 2007. Soft market demand and our decision to exit some specific sales volume with unacceptable margins was mostly offset by market share gains and inflation-related price increases. These market share gains are notable. They are very good successes in the midst of a challenging demand environment. Karl will discuss these activities in his comments in a few minutes.

We are successfully recovering higher steel costs. For some of the steel commodities that we purchase, costs have more than doubled since 2007. We have initiated and continue to implement price increases to pass along the higher costs. The magnitude of our selling price increases varies by product line depending on steel content, but in our major residential and industrial businesses announced selling price increases to date have totaled approximately 45% to 90%.

We typically experience a lag in the recovery of higher costs and with rapid and significant cost increases over the past few months, our margins have been impacted. As costs potentially plateau later this year and our price increases catch up with cost increases, we should see enhanced profitability during the second half of the year.

Our vertical integration specifically into the melt furnace and rod mill at our Sterling operation give us a significant competitive advantage in this market.

As we announced on Wednesday, we are very pleased to report the completion of the aluminum divestiture. This transaction generated approximately $300 million of after-tax cash proceeds or about three-quarters of the $400 million we originally expected from all the divestitures combined. We continue to make progress on the other six smaller divestitures and remain committed to the disposition of all of these businesses during 2008.

As previously discussed, we plan to use the majority of the divestiture proceeds to repurchase our stock. Earlier this year, the Board approved the repurchase of up to 20 million shares in 2008 for this purpose. This authorization is in addition to the standing approval to repurchase 10 million shares each year.

Second-quarter results for the commercial segment are disappointing. The Store Fixtures unit is working diligently to meet our required expectations for improved performance in an extremely difficult retail and inflation environment. We are aiming for prospective returns in this business unit of at least cost of capital levels by the fourth quarter of 2008. The third quarter is the seasonally strongest quarter for the Store Fixtures business, and it will be critical in our valuation of progress made toward the return target.

Our financial profile remains very strong. We generated $73 million of cash from operations during the second quarter and expect approximately $400 million of operating cash for the full year. Working capital should be a modest source of cash by year-end with much of this contribution occurring in the fourth quarter as the result of the expected seasonal reduction in inventories and receivables.

Our balance sheet remains in excellent condition. We ended the quarter with net debt of approximately 32% of net capital, which is near the low end of our long-term targeted range of 30% to 40%. We declared a second-quarter dividend of $0.25 per share representing a 39% increase over last year's second-quarter dividend. The current dividend yield is approximately 5.9% based on a $17 stock price. This year marks the 37th consecutive annual dividend increase for Leggett at an average compound growth rate of over 15% and we also purchased 2.7 million shares during the quarter.

We expect to generate significant cash as we complete the remaining divestitures, improve returns, and reduce spending on capital expenditure and acquisitions and we intend to return much of this cash to shareholders. In the near term, we will need about $300 million annually to cover capital expenditures and dividends and expect annual cash from operations to routinely exceed these requirements. Given our strong consistent cash flow even during soft economic cycles, we expect to easily meet these priorities.

With those comments, I will turn the call over to Karl Glassman who will discuss the segments in more detail.

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

Thank you, Dave. Good morning. In my comments, I will address results related to continuing operations. As a reminder, the businesses we plan to divest are reflected in the financial statements as discontinued operations so their results are not included in this discussion.

In the Residential Furnishings segment, same location sales decreased 1% in the second quarter. Market share gains and inflation-related price increases largely offset the weakened markets experienced in many parts of the segment. Second-quarter EBIT and EBIT margins increased versus the prior year despite lower sales. This increase primarily reflects benefits from the market share gains, pricing discipline, and operating improvements resulting from past restructuring activities.

In our US Bedding Components operations, we have benefited from significant market share gains this year. We have seen a distinct decline in the imports of low-priced innersprings since the Department of Commerce initiated in January the anti-dumping investigations on innerspring imports from China, South Africa, and Vietnam. In February, the International Trade Commission issued an affirmative preliminary injury determination and on July 31, we expect the Department of Commerce to announce the preliminary duty rate. As a result of those declining imports, we have regained market share and have been able to pass through a portion of the higher raw material costs.

As we mentioned last quarter, we de-verticalized a strong regional bedding manufacturer that had previously produced its own innersprings. We began ramping up volume in the mid-first quarter. Although the overall bedding industry is very weak this year, lower to middle price points are performing better than premium price points as consumers are being more value conscious when purchasing mattresses. In this mix shift, innerspring mattresses are regaining share from premium priced non-innerspring products. This trend is also contributing to our strong bedding volume this year.

In addition to these market share gains, our new patented VertiCoil innerspring continues to be in very high demand. This is a better value product for our bedding customers with higher earnings contribution for Leggett. We are rapidly converting equipment in an effort to meet growing demand for this product.

Our bedding operations are not the only ones benefiting from market share gains this year. In our furniture components businesses, we entered into an agreement with Berkline, a major manufacturer of upholstered furniture, to develop and produce the recliner mechanisms that they had previously manufactured for themselves. This volume began ramping up in May and is helping to offset weak demand in residential furniture.

In Commercial Fixturing and Components, same location sales declined 16% in the second quarter primarily from reduced capital spending by retailers and our decision in the Store Fixtures business to walk away from sales with unacceptable margins. EBIT and EBIT margins also decreased versus the prior year, primarily reflecting the lower sales.

As Dave stated earlier, we are not pleased with second-quarter results in Store Fixtures business unit and are taking aggressive actions to meet our targets. Since late 2007 when we announced our plans to improve this business unit's returns, we have reduced manufacturing capacity by 27%, cut group business unit administrative costs by approximately $2 million, reduced the business unit's total work force by approximately 20%, pruned $90 million of unprofitable sales, implemented a much more disciplined unit-wide pricing policy, and installed standardized operating systems across the business unit. Despite all these activities, we are not showing the progress we expect and further actions are forthcoming. To reiterate what Dave said earlier, third-quarter performance is critical in our evaluation of progress.

In Industrial Materials, same-location sales grew 27% in the quarter primarily from the pass-through of higher steel costs, but also from increased sales of steel billets and greater demand for wire by our US bedding operations. These improvements were partially offset by continued softness in automotive and other end markets. EBIT and EBIT margins increased versus second-quarter 2007 primarily due to higher sales including billet sales and operating improvements at several locations.

In Specialized Products, same location sales increased 1% in the second quarter. Growth in European and Asian automotive as well as machinery was offset by lower volume in North American automotive and the fleet portion of commercial vehicle products. EBIT and EBIT margins were lower than in the second quarter of last year primarily due to sales reductions in certain markets and higher steel costs with limited recovery.

As a final comment, all of our segments use the FIFO method for evaluating inventory. An adjustment is made at the corporate level to convert about 60% of our inventories to the LIFO method. These are primarily our domestic steel-related inventories. In the second quarter, we recognized a LIFO charge of $11.5 million. The increase in LIFO expense during the quarter is the result of continued increases in steel costs and our expectations for those costs to remain high through year-end. Ultimately this impact should be offset by inflation-related benefits within the segments.

With those comments, I will turn the call back over to Dave.

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Thank you, Karl. As we announced in yesterday's press release, expected earnings per share from continuing operations for the full year 2008 remained unchanged at $1.00 to $1.30 even though guidance now incorporates higher restructuring related costs of $0.10 versus the prior estimate of $0.05. This guidance anticipates improved second-half earnings as our price increases catch up with higher steel costs. It also includes expected earnings from the production and sale of steel billets as we utilize a portion of the excess melt capacity at our Sterling rod mill. Guidance does not include earnings from discontinued operations, potential gains or losses from divestitures, nor additional share repurchase we expect to make with the divestiture proceeds.

Sales from continuing operations are projected to be about 2% higher than in 2007. Inflation-related price increases and market share gains are expected to be partially offset by continued weak demand in many of our end markets and the planned elimination of approximately $100 million of unprofitable sales in the Company's Store Fixture business.

Our quarterly sales and earnings normally reflect moderate seasonality. The second quarter typically reflects seasonal improvement over the first quarter. The third quarter is normally the strongest period of the year and the fourth quarter is generally the lowest seasonal period. With inflation-related price increases in 2008, fourth-quarter sales are expected to show less of a seasonal decline than normally.

In recent months, investors have routinely expressed concerns about the divestitures, market weakness, and raw material inflation. These concerns are certainly understandable given the difficult macro environment.

I conclude my comments by repeating that we are extremely pleased with the progress made in each of these three areas. We are very comfortable with our strategic direction and are absolutely committed to the continued execution of our plan. We believe our actions will reposition Leggett as a more profitable company. Our goal is to consistently generate total shareholder return of 12% to 15% per year on average.

With those comments, I will now turn the call back over to Dave DeSonier.

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

That concludes our prepared remarks. We thank you for your attention and we will be glad to try to answer your questions. In order to allow everyone an opportunity to participate, we request that you ask your single best question and then voluntarily yield to the next participant. If you have additional questions, please reenter the queue and we will answer all the questions you may have.

Michaela, we are ready to begin the Q&A.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) John Baugh.

John Baugh - *Stifel Nicolaus - Analyst*

Thanks, good morning. On bedding and furniture, could you comment on either year-over-year or sequential if you wanted to -- Q2, Q1 unit trends in innersprings and mechanisms?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

John, this is Karl. The innerspring business as we've talked about from a US perspective is a good story. Our unit shipments in the second quarter were up low double digits. That is on the innerspring side. Box springs were flat in an environment where we believe the bedding industry in the United States is probably off 8% to 10%, probably closer to 10% in units. So they are experiencing significant market share gains.

On the furniture side, that is a little more difficult for us to measure from a hardware perspective, differentiating hardware from the seating components from the sleeper mechanisms. Our hardware units were about flat in an industry that we think is probably off again in the 10% range. The addition of the Berkline volume is helping us. The seating side and the sleeper mechanisms volumes is off greater than that.

John Baugh - *Stifel Nicolaus - Analyst*

Okay and then on office, any comment there?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

Office also is a good story. We picked up some market share. We had a really strong NeoCon. From a unit perspective, it's slightly positive again in a soft market.

John Baugh - *Stifel Nicolaus - Analyst*

Okay and as a follow-up, any color on the $400 million cash target? I know you've got six units to go. Any color for whether we are a little ahead of the curve or behind the curve after [selling] aluminum?

Matt Flanigan - *Leggett & Platt, Inc. - SVP and CFO*

John, this is Matt. We feel obviously very good about the transaction that just happened this week with aluminum. That takes us slightly over 75% of the way there and our expectations on the remaining business units albeit a very tough business environment right now to sell things, that we continue to feel 400 is a good market. We hope to exceed it, but we again, 75% of it is now in the till with what happened with aluminum. We feel really about that (multiple speakers).

John Baugh - *Stifel Nicolaus - Analyst*

So was the $25 million of notes and the $25 million potential incremental to the $400? Is that the right way to think about that?

Matt Flanigan - *Leggett & Platt, Inc. - SVP and CFO*

Yes the $300 million is just the cash that we received on Tuesday. The other two pieces of paper are incremental and not put into that after-tax cash number.

John Baugh - *Stifel Nicolaus - Analyst*

Thank you.

Operator

Mark Rupe, Longbow Research.

Mark Rupe - *Longbow Research - Analyst*

Karl, could you maybe help me understand the double-digit increase in the US springs business? Obviously it's extremely solid. Between the three factors that are driving that, the import, lower imports, the regional bedding manufacture, and the mix shift, is there any way you can differentiate which one might be having more of an impact than the others?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

Mark, without question the repatriation of those foreign innersprings is the largest driver. The other two are about equal weighted.

Mark Rupe - *Longbow Research - Analyst*

Okay and is there any risk of that situation changing back to the worse again or is that --?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

No, we are confident that we are in the early stages of that shift. We have not seen all of that -- those pieces coming back.

Mark Rupe - *Longbow Research - Analyst*

Okay and then you cited on the call that you are giving back a portion of the raw material increase through price increases. If that's the case, is there any plans for another price increase in the US springs side?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

Yes, we announced -- as a matter of fact this is almost difficult to say this -- but we announced a 26% price increase some 30 days ago that is effective to our customer base on August 4, so it is staggering. It is driven by this raw material run up. We hope that we are near the end of that cycle, but scrap is -- as I know you know -- jumped again in July, so we don't know at this point. But yes, another increase has been announced.

Mark Rupe - *Longbow Research - Analyst*

All right, perfect. Thank you.

Operator

Budd Bugatch, Raymond James.

Budd Bugatch - *Raymond James - Analyst*

Good morning, guys. I just want to explain -- have you explain to me the implications of the endpoints of the earnings per share guidance and with the revenue guidance? If you go to the low point of that, it seems to contravene at least in my math what you said about improved margins and earnings in the second half of the year as I do my math. It tells me that op margins have got to fall from where they were in the first half and then gross margin has got to fall even more precipitously. I don't think that is kind of reasonable. Am I wrong?

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

This is Dave. I guess I would start with if you go to the low-end of guidance as $1.00, that's got $0.10 of restructuring in it, so back that out you are at $1.10. We earned excluding restructuring about $0.50 in the first half, so you've got to get $0.60 in the second half. Sales, who knows what sales will be, they will probably be a little higher in the second half just because of inflation, so I don't know that I'd calculate margins have to decline at the low end.

Budd Bugatch - *Raymond James - Analyst*

Well, they certainly don't increase and with the price increases that you've announced it seems like margins have got to go up in the second half.

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

I think if you look at the midpoint of that range, that is the conclusion you would come to.

Budd Bugatch - *Raymond James - Analyst*

I would agree with that, okay. Just as a follow-up, if I can, the cost of capital comment you made, Dave, regarding -- and Karl, regarding the commercial segment and obviously the fixture and display segment because I think office components are different from that, you recently changed the way that you disclose assets by segment. I'm trying to get some of the granularity that will allow us to kind of bring what the op margin requirement for improvement is on that subsegment before if you can help us at all.

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Yes, historically we have not broken out that data, but obviously it is something that is under a severe microscope with myself and Karl and the segment and group people. I think maybe I can help you by saying that I am talking just about the Store Fixtures. The asset base is in the circa $250 million range. That varies plus or minus as the year goes on and of course we are expecting to get that 9% to 10% if you want to take a look at the weighted average cost of capital on that asset base. So our targets are pretty well established.

Budd Bugatch - *Raymond James - Analyst*

Okay, so the 9% to 10% would be for no pad on that base, right? So something on the order of $22 million to $25 million on around $600 million of sales of that division.

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

That's correct.

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

Your sales level is too high, Budd.

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Oh yes, that's right. We have to back that off. (multiple speakers)

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

For just Store Fixtures you should use 400.

Budd Bugatch - *Raymond James - Analyst*

All right, thank you very much.

Operator

Thank you. Our next question comes from the line of Joel Havard, Hilliard Lyons.

Joel Havard - *Hilliard Lyons - Analyst*

Thank you. Good morning, everybody. You guys have cash. You guys have credit. Apparently no one else does. What is this presenting to you in terms of opportunities to participate again a little bit more aggressively in the marketplace? I guess to add to that before you answer, the idea that maybe there's a chance here for you to use the balance sheet in partnership with your customers maybe a little bit more aggressively?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

Joel, did you mean relative to acquisitions?

Joel Havard - *Hilliard Lyons - Analyst*

I mean both. Is there in this market where no one else is buying maybe some people are scared -- opportunities for you? I know you want to be more aggressive on the share repurchase front, but is this environment special? And again, with the balance sheet strength, the ability to use that strength to sort of I guess pursue share gains, etc. with your existing customers?

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Well, let's see. I want to make sure I answer this in a way that everyone understands we are not changing our strategic plan. However, those businesses or parts of our corporation that have been classified as grow, we will continue to look for ways to grow them either through acquisition or green fielding or business combinations. And yes, we are looking at certain businesses that make sense through properly priced acquisitions for those grow parts of our business.

With regard to Matt sitting on that big pile of cash, his plan is to use the majority of what we have just gotten in for share repurchase.

Matt Flanigan - *Leggett & Platt, Inc. - SVP and CFO*

Yes, in fact, Joel, I would add that based upon our range of guidance for the rest of the year as you well know at $17 a share, the return on buying back our own shares right now is in the 10% range pretax and if you do the math after tax, factor in the dividend that we now pay which is $1 obviously, that return on an after-tax cash basis to use the cash in that manner is something close to 12%. So in keeping with our strategic plan, we have got a very good place to put that cash which is right in keeping with what we have pledged from the divestiture proceeds primarily and get it back to our shareholders in that fashion.

I just had one other thing. Relative to the acquisition front, there is not a lot of things at all in the acquisition pipeline just to make sure no one is taking away anything that seems to imply we've got a number of acquisition candidates lined up. That is not the case.

Joel Havard - *Hilliard Lyons - Analyst*

I was not trying to stir that up. I guess just really wanted some clarification. Maybe the more subtle point was is there a chance here for you guys to be more aggressive, say, in how you handle receivables? Is there any appetite for that on the Company's part to allow you to make stronger inroads in what is still obviously a challenging series of end markets for you?

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Well, we really haven't considered ourselves a bank as such in that regard, but there are ways, Joel, I think that we can continue to enjoy additional market share gains that are assisted by this very difficult environment that we are in and that has to do with talking to our customers that do produce a certain portion of their own components and see if there isn't a better way to improve return on their assets at the same time we increase the capacity utilization of our equipment like we have done so many times before.

The tough environment makes that a little bit more of an open-minded discussion than it is when the creek is very high.

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

(multiple speakers) with that the de-verticalization opportunity as we have ramped up our innovation activities that we much more frequently are showing customers in a number of our business areas new concepts that further stimulate the thought that Dave was making reference to.

Joel Havard - *Hilliard Lyons - Analyst*

That is a great point, guys. Thanks. I appreciate the time. Good luck.

Operator

Keith Hughes, SunTrust Robinson Humphrey.

Keith Hughes - *SunTrust Robinson Humphrey - Analyst*

Thank you, I have two questions. Number one, we have two buckets of share repurchase. Is the goal to get both of those completed by the end of this calendar year?

Matt Flanigan - *Leggett & Platt, Inc. - SVP and CFO*

Keith, I think obviously we've got the $20 million incremental authorization that the Board approved back in March ready to go. We now have a 75% of the proceeds that that was somewhat earmarked for in our accounts today to be put to work. Will we use all $20 million and will we use up all 10 of the ongoing authorization that rolls every year? The short answer is we don't know, but we are certainly going to be heading down that path and you will see a lot of this activity unfold in the next three or four or five months.

Relative to your models how you factor that in, it will certainly be a function of how many additional divesture cash proceeds we are able to bring into the house, which we expect to complete all of those this year, as you know, how much that will ultimately bring after-tax and we will bear in mind the share price that is out there as we buy that stock back.

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

If you need a number for modeling, Keith, you know we've bought six so far and I would say round numbers model another 20. Partly that depends upon the price, how far our cash goes, but if you added another 20, I think you will be in the ballpark.

Keith Hughes - *SunTrust Robinson Humphrey - Analyst*

What was the ending share count, Dave, for the second quarter?

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

Outstanding was 164. Have you got the --?

Matt Flanigan - *Leggett & Platt, Inc. - SVP and CFO*

164.3 million.

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

That's the outstanding shares.

Keith Hughes - *SunTrust Robinson Humphrey - Analyst*

At the end of the second quarter, correct?

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

Yes.

Keith Hughes - *SunTrust Robinson Humphrey - Analyst*

Second question for Karl. You've won two de-verticalizations which you've talked about several times before. Why did you win those? I know you have been after de-verticalization a lot of customers for a long time. What changed for you to get those that business?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

On the innerspring side, I think that it was a combination of things. Innovation probably lead that. The lack of availability of raw material was another issue they were fighting trying to just find available wire at a reasonable price. But more importantly, it was innovation. It was VertiCoil that tipped that. And then I think also that our approach from a marketing perspective that we have different conversations with our customers today than we have in the past where we used to be a developer of components, now we help them go to market. That particular bedding manufacturer has piggybacked on some of our marketing capabilities, so it is a good story.

In Berkline's case, it was a need to reinvigorate their product offering to take -- they have a somewhat unique mechanism that has its own features and benefits that were kind of core competency to them. So they needed to refresh that so they maintained their exclusive functionality and features, overlaid that with some new product development, and they were better able to use our manufacturing capability. And in today's world, frankly, a small guy can't buy material as well as a large guy can. So it is all those factors, but at the end of the day it comes down to credibility and innovation capability.

Keith Hughes - *SunTrust Robinson Humphrey - Analyst*

Okay, thank you.

Operator

Laura Champine, Morgan Keegan.

Laura Champine - *Morgan Keegan - Analyst*

Good morning. Dave, I noticed that your language around the commercial fixturing division seems to get a little more threatening and you mentioned that Q3 will be important and that in Q4 you expect to earn your cost of capital. I know that the title of the category, commercial fixturings is in is fixed or divest. At what point do you hit a decision trigger on whether or not to hold on to the commercial fixturing division?

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Before the end of the year. Right towards the end of the year we should be at that decision point and relative to the tone of my comments, it was written for external and internal listeners.

Laura Champine - *Morgan Keegan - Analyst*

Understood. Is there a scenario where you would potentially jettison the whole division or do you think they are -- I know you've been sort of trimming here and there. Do you think the whole division is under review or is it just pieces?

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Well, the entire unit of Store Fixtures is under review. If you are -- and I apologize for semantics here -- but you are not asking about the whole segments, are you?

Laura Champine - *Morgan Keegan - Analyst*

That was the question. Is the whole segments under review or is it --?

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

No, just the Store Fixtures unit and would we consider jettisoning more than the Store Fixtures units at this point? No. You may recall that storage products which is another piece of that's operating group is in fact being divested, which would leave -- if for some reason the Store Fixtures were sold, it would leave us with our point-of-purchase business. But office is not on the table for consideration at all.

Laura Champine - *Morgan Keegan - Analyst*

Got it, thank you.

Operator

Budd Bugatch, Raymond James.

Budd Bugatch - *Raymond James - Analyst*

I guess for matt, just would hope he would lead us a little bit through the LIFO charge accounting and how that is likely to pass through for the rest of the year? I know there was an after the quarter determination I think for that charge. Does it recur in the next couple of quarters? How does that pass through the financials? We've seen it a couple of years ago and hope you would refresh us again.

Matt Flanigan - *Leggett & Platt, Inc. - SVP and CFO*

Sure, Budd. In general, as you know, LIFO, the intent is to try to align the most current costs on the income statement and as a result when you are in an inflationary period like we are obviously in right now, at a corporate level we report a LIFO expense to make that adjustment and how do we get to that number? And in the second quarter for our continuing operations it was $11.5 million.

We make our best estimate for the full year level of inventories at the end of the year compared to the prior year's ending inventories and then what we anticipate happening up or down and in this environment up in terms of inflation as to what those various prices in the pools of LIFO inventory that we have -- and we have about eight of them -- the biggest of course being steel, rod and wire, and based upon how high that index is going up, we slice that into four pieces and try to allocate that every quarter.

So in general the $11.5 million that you see here in the second quarter is reflective of something around $30 million for our full-year prediction. And as you go through the year, you catch up to your latest estimate as to what you see by the end of the year in terms of pricing and inventory levels.

So that being said, as we sit here today, it would be fair to assume we would have at least another $10 million or $11 million charge in the third quarter and a $10 million or $11 million charge in the fourth quarter. But I would quickly confirm for you that we will update our best prediction as to what that is and it could go up or down as we get into the third quarter and then on into the fourth quarter.

Budd Bugatch - *Raymond James - Analyst*

And so where we will see the benefit or I hate to use that word but where we will see the offset to the charge is in the divisions through pricing through each of the quarters and yet there's a gap now between what your costs are and what you are charging, right? Because you've got to take another price increase effective August 4th at least in one subsegment.

Matt Flanigan - *Leggett & Platt, Inc. - SVP and CFO*

That is exactly right.

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

We are going to send you your LIFO master certificate.

Matt Flanigan - *Leggett & Platt, Inc. - SVP and CFO*

That is exactly right.

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

And all you have to do is give us the actual cost of steel at the end of the year and we will give you a gold star.

Budd Bugatch - *Raymond James - Analyst*

There are a lot of people that want to send me a lot of other things, not as nice. Okay, thank you very much.

Operator

(OPERATOR INSTRUCTIONS) Micha Magid, Sutton Brook Capital.

Micha Magid - *Sutton Brook Capital - Analyst*

You guys talked about an industry decline of 8% to 10% in the bedding innerspring business. Can you just talk about what is implied in your guidance for the second half of the year at the industry level?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

We would say a maintain of that level. We don't expect it to get better or worse. The comps gets easier as the year grows on, but we don't see -- in all of our planning, we don't expect any macroeconomic recovery actually through the remainder of this year or any of next, so about the same.

Micha Magid - *Sutton Brook Capital - Analyst*

Okay, just looking at some third-party industry stats, I guess it was my impression that things got a little worse toward the end of the quarter and I guess some people have been expecting the summer months to be even worse than April and May, which I think was a concern on the street. Are you saying that is not the case?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

No, I am saying that what I said 8% to 10% and then kind of hedged my bet and said no, closer to 10%. I do think that the summer is going to continue to be a challenge, but there are some manufacturers that are gaining share. What you see from a public announcement perspective isn't a good measure of the industry nor the industry statistics, so I don't expect things to get significantly worse.

Micha Magid - *Sutton Brook Capital - Analyst*

Thank you.

Operator

Mike Smith, Kansas City Capital.

Mike Smith - *Kansas City Capital - Analyst*

Good morning. Go back to the antidumping activity that's impacting you from China and South Africa and Vietnam, when did that start and what is exactly supposed to happen on 7/31?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

The product started to come into the United States, if that was the first of the questions, in 2004 when there was a significant disparity between raw material costs in the United States and China and also illegal activities in our opinion in China of support that now the ITC and DOC have started to support those activities.

The progression -- it started in 2004 with the rapid run-up of raw material costs in the United States and China lagging that and got progressively worse through the end of last year. We filed December 31, actually, and the DOC ruling that will from a statutory standpoint will come out on July 31 really is an affirmation of yes that we agree that there is dumping and then giving us preliminary duties as to what that rate would be going forward. The final determination back at the ITC level will be sometime late December, early January.

The interesting challenge is once the duties are identified in terms of amount, an importer of record would have to postbond for those duties. It changes the playing field pretty significantly. (multiple speakers) We have not seen them -- to my earlier comment -- we do not believe we have seen the full benefit of those pieces being repatriated.

Mike Smith - *Kansas City Capital - Analyst*

Thank you.

Operator

Michael Bunyaner George Weiss Associates.

Michael Bunyaner - *George Weiss Associates - Analyst*

Good morning. A couple of things. Could you just confirm that year to date you have raised prices 45% to 90% and that we really have seen no more than a quarter or even less of those prices come through? And you are actually raising prices in springs another 26% as of August 4th?

Karl Glassman - *Leggett & Platt, Inc. - EVP and COO*

Michael, this is Karl. It varies by product category, by steel and wire content. So in some of the businesses, steel and wire have their own timing differentials that are separate from one another, so it is not safe to say that we have only recovered 25%. In some businesses, we have recovered more of the total increases than others, but I can confirm that in the bedding side of things that there is a 26% price increase out on the street. We will get that increase and to date, our manufactured customers have incurred about 20%, so this 26% is layering on top of that 20%.

Michael Bunyaner - *George Weiss Associates - Analyst*

And if I understood you correctly, the $11.5 million charge during the Q2, which will continue, is essentially the reflection of the costs exceeding prices, which is what you are trying to get catch up. So in essence, you are including for -- your costs are including all of the raw materials costs and the prices have not yet come in. So when you are commenting, I'm just trying to make sure I understood you correctly. When you are commenting that at some point if the prices in steel were to stop going up, you should have a pretty significant catch up. Is that correct?

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

Well, we will experience higher margins as a result of that, Michael, but I am trying to mix that LIFO charge right back to steal material costs. It's a little bit challenging, I think.

Michael Bunyaner - *George Weiss Associates - Analyst*

Here is where I am going with this. In November of last year, you have outlined an 11% margin goal for the total company by 2010. This is July of 2008. Yes, we are still a year and a half plus away from it, but clearly your Residential Furnishings and your Industrial Materials has shown significant progress for the last six months or so. Are you still sticking to your 11% margin goal and is there anything that you can help us as it relates to your update?

Dave Haffner - *Leggett & Platt, Inc. - President and CEO*

The answer is yes, we are still sticking to that goal. We believe that we will achieve that goal. There is several enablers, Michael, that cause us or give us that comfort. Part of it is steeped in eliminating some crappy business, excuse my language, that tends to drag those margins down. A part of it has to do with the new products that Karl mentioned. Part of it has to do with cost containment and procurement initiatives and there's just a number of things each one with its own detailed project booklet, if you will, that will cause us to believe that that is a reasonable goal and we are not at this point feeling we need to change that at all.

Michael Bunyaner - *George Weiss Associates - Analyst*

Congratulations on your disciplines. Good luck.

Operator

Eric Ribner, George Weiss Associates.

Eric Ribner - *George Weiss Associates - Analyst*

My question was actually asked and answered, thanks.

Operator

Thank you. At this time, there are no further questions in the queue. You may continue.

David DeSonier - *Leggett & Platt, Inc. - VP of Strategy and IR*

Okay, we'll just say thank you and we'll talk to you again in one quarter.

Operator

Ladies and gentlemen, that does conclude the Leggett & Platt second-quarter earnings conference call. You may now disconnect. Thank you for using ACT Conferencing.
