LEGGETT & PLATT INC
Form 10-Q
August 05, 2015

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

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

For the quarterly period ended June 30, 2015
OR

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

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

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

Registrant’s telephone number, including area code (417) 358-8131
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
Common stock outstanding as of July 24, 2015: 136,829,118

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

(Amounts in millions)	June 30, 2015	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	$275.1	$332.8
Trade receivables, net	486.6	470.4
Other receivables, net	63.0	52.9
Total receivables, net	549.6	523.3
Inventories		
Finished goods	264.8	251.9
Work in process	44.1	55.5
Raw materials and supplies	259.1	247.0
LIFO reserve	(57.2)	(73.0)
Total inventories, net	510.8	481.4
Other current assets	100.7	91.8
Total current assets	1,436.2	1,429.3
PROPERTY, PLANT AND EQUIPMENT—AT COST		
Machinery and equipment	1,097.9	1,151.4
Buildings and other	552.7	551.1
Land	40.1	40.1
Total property, plant and equipment	1,690.7	1,742.6
Less accumulated depreciation	1,152.1	1,193.8
Net property, plant and equipment	538.6	548.8
OTHER ASSETS		
Goodwill	822.7	829.4
Other intangibles, less accumulated amortization of $135.8 and $129.7 as of June 30, 2015 and December 31, 2014, respectively	207.0	204.7
Sundry	139.2	128.4
Total other assets	1,168.9	1,162.5
TOTAL ASSETS	$3,143.7	$3,140.6
CURRENT LIABILITIES		
Current maturities of long-term debt	$201.7	$201.7
Accounts payable	358.6	369.8
Accrued expenses	316.1	337.6
Other current liabilities	87.6	83.1
Total current liabilities	964.0	992.2
LONG-TERM LIABILITIES		
Long-term debt	831.7	766.7
Other long-term liabilities	187.3	185.0
Deferred income taxes	50.7	41.8
Total long-term liabilities	1,069.7	993.5
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock	2.0	2.0
Additional contributed capital	513.8	502.4
Retained earnings	2,123.0	2,061.3

Accumulated other comprehensive loss	(36.3)	(2.6)
Treasury stock	(1,502.9)	(1,416.6)
Total Leggett & Platt, Inc. equity	1,099.6	1,146.5
Noncontrolling interest	10.4	8.4
Total equity	1,110.0	1,154.9
TOTAL LIABILITIES AND EQUITY	$3,143.7	$3,140.6

See accompanying notes to consolidated condensed financial statements.

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

	Six Months Ended June 30,		Three Months Ended June 30,	
(Amounts in millions, except per share data)	2015	2014	2015	2014
Net sales	$1,963.5	$1,831.6	$997.3	$956.1
Cost of goods sold	1,515.0	1,454.1	766.6	755.4
Gross profit	448.5	377.5	230.7	200.7
Selling and administrative expenses	204.1	186.2	106.6	94.1
Amortization of intangibles	10.4	9.6	5.2	4.8
Goodwill impairment	4.1	—	—	—
Other (income) expense, net	(1.0)	(6.3)	(.3)	(.4)
Earnings (loss) from continuing operations before interest and income taxes	230.9	188.0	119.2	102.2
Interest expense	22.2	20.8	11.2	10.4
Interest income	2.3	2.8	1.0	1.4
Earnings from continuing operations before income taxes	211.0	170.0	109.0	93.2
Income taxes	61.0	44.4	32.3	23.6
Earnings from continuing operations	150.0	125.6	76.7	69.6
Earnings (loss) from discontinued operations, net of tax	1.3	(95.0)	1.8	(92.7)
Net earnings (loss)	151.3	30.6	78.5	(23.1)
(Earnings) attributable to noncontrolling interest, net of tax	(1.9)	(1.4)	(.8)	(.8)
Net earnings (loss) attributable to Leggett & Platt, Inc. common shareholders	$149.4	$29.2	$77.7	$(23.9)
Earnings (loss) per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	$1.04	$.88	$.54	$.49
Diluted	$1.03	$.86	$.53	$.48
Earnings (loss) per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	$.01	$(.67)	$.01	$(.66)
Diluted	$.01	$(.66)	$.01	$(.65)
Net earnings (loss) per share attributable to Leggett & Platt, Inc. common shareholders				
Basic	$1.05	$.21	$.55	$(.17)
Diluted	$1.04	$.20	$.54	$(.17)
Cash dividends declared per share	$.62	$.60	$.31	$.30
Average shares outstanding				
Basic	141.7	141.9	141.4	141.4
Diluted	143.6	143.6	143.4	143.1

See accompanying notes to consolidated condensed financial statements.

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

	Six Months Ended June 30,		Three Months Ended June 30,	
(Amounts in millions)	2015	2014	2015	2014
Net earnings	$151.3	$30.6	$78.5	$(23.1)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(35.0)	(4.3)	2.8	10.8
Cash flow hedges	(.4)	1.8	1.3	1.9
Defined benefit pension plans	1.8	.7	.5	.1
Other comprehensive (loss) income	(33.6)	(1.8)	4.6	12.8
Comprehensive income	117.7	28.8	83.1	(10.3)
Less: comprehensive (income) attributable to noncontrolling interest	(2.0)	(1.2)	(.9)	(.8)
Comprehensive income attributable to Leggett & Platt, Inc.	$115.7	$27.6	$82.2	$(11.1)

See accompanying notes to consolidated condensed financial statements.

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

	Six Months Ended June 30,	
(Amounts in millions)	2015	2014
OPERATING ACTIVITIES		
Net earnings	$151.3	$30.6
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	41.7	44.7
Amortization of intangibles and debt issuance costs	14.8	13.7
Provision for losses on accounts and notes receivable	2.9	1.8
Writedown of inventories	5.1	4.5
Goodwill impairment	4.1	108.0
Long-lived asset impairments	2.4	1.0
Net gain from sales of assets and businesses	(5.3)	(4.7)
Deferred income tax expense (benefit)	17.9	(6.1)
Stock-based compensation	23.4	20.2
Excess tax benefits from stock-based compensation	(13.6)	(2.0)
Other, net	(1.3)	(2.0)
Increases/decreases in, excluding effects from acquisitions and divestitures:		
Accounts and other receivables	(40.9)	(136.9)
Inventories	(43.0)	(25.2)
Other current assets	(3.5)	(4.5)
Accounts payable	(9.3)	41.8
Accrued expenses and other current liabilities	(19.8)	(1.5)
NET CASH PROVIDED BY OPERATING ACTIVITIES	126.9	83.4
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(51.3)	(38.4)
Purchases of companies, net of cash acquired	(11.1)	(51.2)
Proceeds from sales of assets and businesses	15.5	9.8
Other, net	(6.3)	(14.6)
NET CASH USED FOR INVESTING ACTIVITIES	(53.2)	(94.4)
FINANCING ACTIVITIES		
Payments on long-term debt	(3.6)	(6.7)
Additions to long-term debt	.4	—
Change in commercial paper and short-term debt	66.2	244.4
Dividends paid	(85.5)	(83.7)
Issuances of common stock	5.2	8.8
Purchases of common stock	(119.8)	(118.1)
Excess tax benefits from stock-based compensation	13.6	2.0
Other, net	(2.0)	(.4)
NET CASH (USED FOR) PROVIDED BY FINANCING ACTIVITIES	(125.5)	46.3
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(5.9)	(3.8)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(57.7)	31.5
CASH AND CASH EQUIVALENTS—January 1,	332.8	272.7
CASH AND CASH EQUIVALENTS—June 30,	$275.1	$304.2

See accompanying notes to consolidated condensed financial statements.

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

1. INTERIM PRESENTATION

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

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

Reclassifications

Certain reclassifications have been made to the prior year's information in the Consolidated Condensed Financial Statements and related notes to conform to the second quarter 2015 presentation as a result of changes in our management organizational structure and all related internal reporting (See Note 4 - Segment Information), and for a balance sheet reclassification between Machinery and Equipment and Goodwill associated with a measurement period adjustment related to an acquisition.

2. NEW ACCOUNTING GUIDANCE

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

In May 2014, the FASB issued new authoritative literature, Revenue from Contracts with Customers, which supersedes much of the existing authoritative literature for revenue recognition. This guidance will be effective January 1, 2018. We are currently evaluating the newly issued guidance and the impact on our future financial statements.

3. INVENTORIES

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

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2015	2014	2015	2014
LIFO benefit (expense)	$10.0	$(.4)	$5.0	$(.2)

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

4. SEGMENT INFORMATION

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

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

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

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

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

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

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

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Three Months Ended June 30, 2015				
Residential Furnishings	$522.2	$17.7	$539.9	$51.2
Commercial Products	135.4	24.1	159.5	10.8
Industrial Materials	106.3	66.0	172.3	14.8
Specialized Products	233.4	9.8	243.2	37.7
Intersegment eliminations and other				(.3)

Change in LIFO reserve				5.0
	$997.3	$117.6	$1,114.9	$119.2
Three Months Ended June 30, 2014				
Residential Furnishings	$474.9	$17.0	$491.9	$49.6
Commercial Products	112.7	11.6	124.3	7.6
Industrial Materials	133.6	56.6	190.2	9.0
Specialized Products	234.9	7.6	242.5	36.4
Intersegment eliminations and other				(.2)
Change in LIFO reserve				(.2)
	$956.1	$92.8	$1,048.9	$102.2

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

	External Sales	Inter-Segment Sales	Total Sales	EBIT
Six Months Ended June 30, 2015				
Residential Furnishings	$1,033.9	$35.5	$1,069.4	$103.3
Commercial Products	258.9	41.6	300.5	18.8
Industrial Materials	218.3	146.4	364.7	22.8
Specialized Products	452.4	19.3	471.7	77.0
Intersegment eliminations and other				(1.0)
Change in LIFO reserve				10.0
	$1,963.5	$242.8	$2,206.3	$230.9
Six Months Ended June 30, 2014				
Residential Furnishings	$907.7	$32.6	$940.3	$96.4
Commercial Products	224.1	16.8	240.9	13.3
Industrial Materials	256.8	114.1	370.9	16.7
Specialized Products	443.0	15.4	458.4	64.0
Intersegment eliminations and other				(2.0)
Change in LIFO reserve				(.4)
	$1,831.6	$178.9	$2,010.5	$188.0

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

	June 30, 2015	December 31, 2014
Residential Furnishings	$635.9	$588.1
Commercial Products	102.0	96.2
Industrial Materials	186.7	200.9
Specialized Products	260.8	261.2
Other (1)	36.8	90.4
Average current liabilities included in segment numbers above	527.4	520.8
Unallocated assets (2)	1,371.0	1,448.0
Difference between average assets and period-end balance sheet	23.1	(65.0)
Total assets	$3,143.7	$3,140.6

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

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

5. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

During 2014 we engaged an investment banker and began exploring strategic alternatives regarding the Store Fixtures reporting unit, including the possibility of divestiture of this business. Activity related to Store Fixtures is:

- During the third quarter of 2014, all of the criteria to classify this unit as held for sale and discontinued operations were met. Store Fixtures was previously part of the Commercial Products segment.
- During the fourth quarter of 2014, we sold the majority of the Store Fixtures reporting unit for total consideration of $59.2 and recorded an after-tax loss of $4.7.
- During the second quarter 2015 we sold our metal store fixtures operation in China, and recorded an after-tax gain of $2.9.
- We have one remaining small Store Fixtures business, and we are actively pursuing the sale of this business.

The table below includes activity related to these operations:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2015	2014	2015	2014
External sales:				
Commercial Products - Store Fixtures	$ 12.3	$ 89.1	$ 6.1	$ 45.5
Earnings (loss):				
Commercial Products - Store Fixtures (1)	3.3	(112.4)	2.9	(109.1)
Subsequent activity related to previous divestitures	(1.5)	—	(.7)	—
Earnings (loss) before interest and income taxes	1.8	(112.4)	2.2	(109.1)
Income tax (expense) benefit	(.5)	17.4	(.4)	16.4
Earnings (loss) from discontinued operations, net of tax	$ 1.3	$ (95.0)	$ 1.8	$ (92.7)

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

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

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

	June 30, 2015	December 31, 2014
Current assets associated with discontinued operations:		
Trade receivables, net	$5.7	$7.0
Other receivables, net	—	.3
Inventories, net	1.7	3.0
Other current assets	.1	.1
Total current assets held for sale associated with discontinued operations	7.5	10.4
Current assets held for sale not associated with discontinued operations (1)	20.8	—
Total current assets held for sale (included in "Other current assets")	28.3	10.4
Non-current assets associated with discontinued operations:		
Property, plant and equipment, net	.3	5.2
Other intangibles, net	—	.6
Sundry	—	1.4
Total non-current assets held for sale associated with discontinued operations	.3	7.2
Non-current assets held for sale not associated with discontinued operations (1) (2)	28.2	15.2
Total non-current assets held for sale (included in "Sundry")	28.5	22.4
Total assets held for sale	56.8	32.8
Current liabilities associated with discontinued operations:		
Accounts payable	1.8	3.7
Accrued expenses	.7	1.5
Other current liabilities	.4	.3
Total current liabilities held for sale associated with discontinued operations	2.9	5.5
Total current liabilities held for sale not associated with discontinued operations (1)	8.5	—
Total current liabilities held for sale (included in "Other current liabilities")	11.4	5.5
Long term liabilities associated with discontinued operations:		
Deferred income tax (included in "Other long-term liabilities")	—	.1
Total liabilities held for sale	11.4	5.6
Net assets held for sale	$45.4	$27.2

(1) The Steel Tubing business reached held for sale status in the first quarter of 2015, but did not qualify for discontinued operations treatment.
(2) This table includes $14.4 and $15.2 of property, plant and equipment held for sale at June 30, 2015, and December 31, 2014, respectively, primarily associated with the closings of various operations and prior year restructurings.

Net assets held for sale by segment were as follows:

	June 30, 2015			December 31, 2014		
	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
Residential Furnishings	$2.5	$—	$2.5	$4.1	$—	$4.1

Commercial Products	11.7	2.9	8.8	20.1	5.6	14.5
Industrial Materials	37.4	8.5	28.9	3.4	—	3.4
Specialized Products	5.2	—	5.2	5.2	—	5.2
	$56.8	$11.4	$45.4	$32.8	$5.6	$27.2

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

6. IMPAIRMENT CHARGES

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

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

	Six Months Ended June 30,				Three Months Ended June 30,			
	2015		2014		2015		2014	
	Goodwill	Other Long-Lived Assets	Goodwill	Other Long-Lived Assets	Goodwill	Other Long-Lived Assets	Goodwill	Other Long-Lived Assets
Continuing operations:								
Residential Furnishings	$—	$ .2	$—	$ .9	$—	$ —	$—	$ .6
Industrial Materials - Steel Tubing	4.1	1.4	—	—	—	—	—	—
Specialized Products - Commercial Vehicles Products Group	—	.6	—	—	—	.6	—	—
Total continuing operations	4.1	2.2	—	.9	—	.6	—	.6
Discontinued operations:								
Commercial Products - Store Fixtures	—	—	108.0	—	—	—	108.0	—
Subsequent activity related to previous divestitures	—	.2	—	.1	—	—	—	—
Total discontinued operations	—	.2	108.0	.1	—	—	108.0	—
Total impairment charges	$4.1	$ 2.4	$108.0	$ 1.0	$—	$ .6	$108.0	$ .6

Other Long-Lived Assets

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

2015 Goodwill Impairment Review

Goodwill is required to be tested for impairment at least once a year and as triggering events may occur. We perform our annual goodwill impairment review in the second quarter of each year. The 2015 goodwill impairment review indicated no goodwill impairments.

As discussed in Note 4, our internal management organizational structure and all related internal reporting changed during the first quarter of 2015. We reassigned the assets and liabilities of the reporting units affected, and also reassigned goodwill using a relative fair value approach for our first quarter 2015 reporting. We performed the 2015 impairment test utilizing the revised structure.

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

The fair values of reporting units in relation to their respective carrying values and significant assumptions used in the second quarter 2015 review are presented in the table below.

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

Excess of Fair Value over Carrying Value as a Percentage of Fair Value	June 30, 2015 Goodwill Value	10-year Compound Annual Growth Rate Range for Sales	Terminal Values Long-term Growth Rate for Debt-Free Cash Flow		Discount Rate Ranges
< 25%	$—	—	—		—
25% - 49%	—	—	—		—
50% - 74%	598.5	.6% - 7.0%	3.0	%	8.0% - 12.5%
75%+	224.2	3.1% - 10.9%	3.0	%	8.0% - 9.0%
	$822.7	.6% - 10.9%	3.0	%	8.0% - 12.5%

2014 Goodwill Impairment Reviews

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

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

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

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7. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014
Earnings:				
Earnings from continuing operations	$ 150.0	$ 125.6	$ 76.7	$ 69.6
(Earnings) attributable to noncontrolling interest, net of tax	(1.9)	(1.4)	(.8)	(.8)
Net earnings from continuing operations attributable to Leggett & Platt, Inc. common shareholders	148.1	124.2	75.9	68.8
Earnings (loss) from discontinued operations, net of tax	1.3	(95.0)	1.8	(92.7)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$ 149.4	$ 29.2	$ 77.7	$ (23.9)
Weighted average number of shares (in millions):				
Weighted average number of common shares used in basic EPS	141.7	141.9	141.4	141.4
Dilutive effect of equity-based compensation	1.9	1.7	2.0	1.7
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	143.6	143.6	143.4	143.1
Basic and Diluted EPS:				
Basic EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	$ 1.04	$ .88	$ .54	$ .49
Discontinued operations	.01	(.67)	.01	(.66)
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	$ 1.05	$ .21	$ .55	$ (.17)
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	$ 1.03	$ .86	$ .53	$ .48
Discontinued operations	.01	(.66)	.01	(.65)
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	$ 1.04	$ .20	$ .54	$ (.17)
Other information:				
Anti-dilutive shares excluded from diluted EPS computation	—	—	—	—

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8. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following:

	June 30, 2015		December 31, 2014	
	Current	Long-term	Current	Long-term
Trade accounts receivable	$497.3	$—	$484.0	$—
Trade notes receivable	.4	.3	1.1	2.9
Total trade receivables	497.7	.3	485.1	2.9
Other notes receivable:				
Notes received as partial payment for divestitures	—	—	.9	—
Other	—	3.3	—	3.3
Income tax receivables	25.8	—	14.0	—
Other receivables	37.2	—	38.0	—
Subtotal other receivables	63.0	3.3	52.9	3.3
Total trade and other receivables	560.7	3.6	538.0	6.2
Allowance for doubtful accounts:				
Trade accounts receivable	(11.0)	—	(14.7)	—
Trade notes receivable	(.1)	(.2)	—	(2.1)
Total trade receivables	(11.1)	(.2)	(14.7)	(2.1)
Other notes receivable	—	(.4)	—	(.4)
Total allowance for doubtful accounts	(11.1)	(.6)	(14.7)	(2.5)
Total net receivables	$549.6	$3.0	$523.3	$3.7

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

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

	Balance at December 31, 2014	2015 Charges	2015 Charge-offs, Net of Recoveries	Balance at June 30, 2015
Trade accounts receivable	$14.7	$2.6	$6.3	$11.0
Trade notes receivable	2.1	.3	2.1	.3
Total trade receivables	16.8	2.9	8.4	11.3
Other notes receivable	.4	—	—	.4
Total allowance for doubtful accounts	$17.2	$2.9	$8.4	$11.7

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9. STOCK-BASED COMPENSATION

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

	Six Months Ended June 30, 2015		Six Months Ended June 30, 2014	
	To be settled with stock	To be settled in cash	To be settled with stock	To be settled in cash
Options:				
Amortization of the grant date fair value	$.2	$—	$.4	$—
Cash payments in lieu of options	—	1.0	—	.9
Stock-based retirement plans contributions	3.9	.7	3.3	.8
Discounts on various stock awards:				
Deferred Stock Compensation Program	1.1	—	1.3	—
Stock-based retirement plans	.7	—	1.2	—
Discount Stock Plan	.5	—	.5	—
Performance Stock Unit awards (1)	3.3	5.8	3.1	2.4
Restricted Stock Unit awards	1.7	—	1.7	—
Profitable Growth Incentive awards (2)	3.9	3.7	.8	.8
Other, primarily non-employee directors restricted stock	.7	—	.6	—
Total stock-related compensation expense	16.0	$11.2	12.9	$4.9
Employee contributions for above stock plans	7.4		7.3	
Total stock-based compensation	$23.4		$20.2	
Recognized tax benefits on stock-based compensation expense	$6.1		$4.9	

	Three Months Ended June 30, 2015		Three Months Ended June 30, 2014	
	To be settled with stock	To be settled in cash	To be settled with stock	To be settled in cash
Options:				
Amortization of the grant date fair value	$.1	$—	$.2	$—
Cash payments in lieu of options	—	—	—	—
Stock-based retirement plans contributions	1.7	.3	1.7	.3
Discounts on various stock awards:				
Deferred Stock Compensation Program	.5	—	.6	—
Stock-based retirement plans	.3	—	.5	—
Discount Stock Plan	.2	—	.2	—
Performance Stock Unit awards (1)	1.7	2.9	1.6	1.2
Restricted Stock Unit awards	.8	—	.9	—
Profitable Growth Incentive awards (2)	2.0	2.0	.4	.4
Other, primarily non-employee directors restricted stock	.3	—	.3	—
Total stock-related compensation expense	7.6	$5.2	6.4	$1.9
Employee contributions for above stock plans	3.6		3.3	
Total stock-based compensation	$11.2		$9.7	

Recognized tax benefits on stock-based compensation expense	$2.9	$2.4

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

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

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

Grant date fair values are calculated using a Monte Carlo simulation of stock and volatility data for Leggett and each of the comparator companies. Grant date fair values are amortized using the straight-line method over the three-year vesting period.
Below is a summary of the number of shares and related grant date fair value of PSU's for the periods presented.

	Six Months Ended June 30,			
	2015		2014	
Total shares base award	.2		.2	
Grant date per share fair value	$42.22		$30.45	
Risk-free interest rate	1.1	%	.8	%
Expected life in years	3.0		3.0	
Expected volatility (over expected life)	19.8	%	25.9	%
Expected dividend yield (over expected life)	2.9	%	3.9	%

Three-Year Performance Cycle

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

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

(2) Profitable Growth Incentive Awards

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

Both components are adjusted to fair value at each reporting period.

Two-Year Performance Cycle

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

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10. ACQUISITIONS

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

	Six Months Ended June 30,	
	2015	2014
Accounts receivable	$3.7	$1.0
Inventory	4.8	11.2
Property, plant and equipment	2.3	17.2
Goodwill (1)	8.3	23.9
Other intangible assets	14.7	2.3
Other current and long-term assets	.1	4.1
Current liabilities	(11.2)	(7.3)
Long-term liabilities	(10.4)	—
Additional consideration paid (received) for prior years' acquisitions	(1.2)	—
Fair value of net identifiable assets	11.1	52.4
Less: Non-cash consideration	—	1.2
Net cash consideration	$11.1	$51.2

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

The following table summarizes acquisitions for the periods presented.

Six Months Ended	Number of Acquisitions	Segment	Product/Service
June 30, 2015	1	Commercial Products	Upholstered office furniture
June 30, 2014	3	Residential Furnishings	Foam carpet underlay; Fabric converting for furniture and bedding; Innersprings

In March 2015, we acquired a 70% interest in a European private-label manufacturer of high-end upholstered furniture for office, commercial and other settings for a purchase price of $22.7. This business, which is included in the Work Furniture Group of our Commercial Products segment, is complementary to our North American private-label operation and allows us to support our Work Furniture customers as they expand globally. We will acquire the remaining 30% over the next five years, per the terms of the agreement, and have recorded a long-term liability of approximately $10 for the future payments.

On June 30, 2014, we acquired Tempur Sealy's three U.S. innerspring component production facilities for a purchase price of $44.5. Factors contributing to the recognition of $17.8 in goodwill from the acquisition included: additional production that enhances economies of scale; benefits from our vertical integration in steel rod and wire; and the optimization of manufacturing across a broad asset base.

The results of operations of the above acquired companies have been included in the consolidated financial statements since the dates of acquisition. The unaudited pro forma consolidated net sales, net earnings and earnings per share as though the 2015 and 2014 acquisitions had occurred on January 1 of each year presented are not materially different from the amounts reflected in the accompanying financial statements. Certain of our acquisition agreements provide for additional consideration to be paid in cash at a later date and are recorded as a liability at the acquisition date. At June 30, 2015, there was no substantial remaining consideration payable other than the liability discussed above.

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11. EMPLOYEE BENEFIT PLANS

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2015	2014	2015	2014
Components of net pension expense				
Service cost	$2.0	$1.5	$1.0	$.8
Interest cost	6.5	6.4	3.3	3.2
Expected return on plan assets	(8.3)	(7.8)	(4.2)	(3.9)
Recognized net actuarial loss	3.0	1.6	1.5	.8
Net pension expense	$3.2	$1.7	$1.6	$.9

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

	Six Months Ended June 30, 2015					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2015	$1,154.9	$2,061.3	$504.4	$(1,416.6)	$ 8.4	$ (2.6)
Net earnings	151.3	151.3	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(1.9)	—	—	1.9	—
Dividends declared	(85.2)	(87.7)	2.5	—	—	—
Treasury stock purchased	(127.8)	—	—	(127.8)	—	—
Treasury stock issued	21.1	—	(20.4)	41.5	—	—
Foreign currency translation adjustments	(35.0)	—	—	—	.1	(35.1)
Cash flow hedges, net of tax	(.4)	—	—	—	—	(.4)
Defined benefit pension plans, net of tax	1.8	—	—	—	—	1.8
Stock options and benefit plan transactions, net of tax	29.3	—	29.3	—	—	—
Ending balance, June 30, 2015	$1,110.0	$2,123.0	$515.8	$(1,502.9)	$ 10.4	$ (36.3)

	Six Months Ended June 30, 2014					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income
Beginning balance, January 1, 2014	$1,399.2	$2,136.4	$481.1	$(1,320.7)	$ 7.9	$ 94.5
Net earnings	30.6	30.6	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(1.4)	—	—	1.4	—
Dividends declared	(82.7)	(85.1)	2.4	—	—	—
Treasury stock purchased	(124.3)	—	—	(124.3)	—	—
Treasury stock issued	26.7	—	(11.9)	38.6	—	—
Foreign currency translation adjustments	(4.3)	—	—	—	(.2)	(4.1)
Cash flow hedges, net of tax	1.8	—	—	—	—	1.8
Defined benefit pension plans, net of tax	.7	—	—	—	—	.7
	14.7	—	14.7	—	—	—

Stock options and benefit plan transactions, net of tax						
Ending balance, June 30, 2014	$1,262.4	$2,080.5	$486.3	$(1,406.4)	$ 9.1	$ 92.9

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

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Beginning balance, January 1, 2015	$86.8	$(20.1)	$(69.3)	$(2.6)
Other comprehensive income (loss) before reclassifications, pretax	(31.4)	(1.3)	(.1)	(32.8)
Amounts reclassified from accumulated other comprehensive income, pretax:				
Net Sales	—	(.7)	—	(.7)
Cost of goods sold; selling and administrative expenses	—	—	3.0	3.0
Interest expense	—	2.0	—	2.0
Earnings (loss) from discontinued operations, net of tax	(3.6)	—	—	(3.6)
Subtotal of reclassifications, pretax	(3.6)	1.3	3.0	.7
Other comprehensive income (loss), pretax	(35.0)	—	2.9	(32.1)
Income tax effect	—	(.4)	(1.1)	(1.5)
Attributable to noncontrolling interest	(.1)	—	—	(.1)
Ending balance, June 30, 2015	$51.7	$(20.5)	$(67.5)	$(36.3)
Beginning balance, January 1, 2014	$158.3	$(23.5)	$(40.3)	$94.5
Other comprehensive income (loss) before reclassifications, pretax	(4.3)	.6	(.5)	(4.2)
Amounts reclassified from accumulated other comprehensive income, pretax:				
Net Sales	—	.2	—	.2
Cost of goods sold; selling and administrative expenses	—	—	1.6	1.6
Interest expense	—	2.0	—	2.0
Subtotal of reclassifications, pretax	—	2.2	1.6	3.8
Other comprehensive income (loss), pretax	(4.3)	2.8	1.1	(0.4)
Income tax effect	—	(1.0)	(.4)	(1.4)
Attributable to noncontrolling interest	.2	—	—	.2
Ending balance, June 30, 2014	$154.2	$(21.7)	$(39.6)	$92.9

13. FAIR VALUE

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

Items measured at fair value on a recurring basis

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

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

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

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

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	As of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	$—	$103.9	$—	$103.9
Derivative assets (Note 14)	—	2.3	—	2.3
Diversified investments associated with the Executive Stock Unit Program (ESUP)* (Note 9)	21.4	—	—	21.4
Total assets	$21.4	$106.2	$—	$127.6
Liabilities:				
Derivative liabilities* (Note 14)	$—	$4.2	$—	$4.2
Liabilities associated with the ESUP* (Note 9)	21.5	—	—	21.5
Total liabilities	$21.5	$4.2	$—	$25.7

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

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

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

The fair value for fixed rate debt (Level 2) was greater than its $950 carrying value by $6 at June 30, 2015 and was not significantly different from its $950 carrying value at December 31, 2014. We value this debt using discounted cash flow and secondary market rates provided by Bloomberg.

Items measured at fair value on a non-recurring basis

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

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

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14. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Risk Management Strategy & Objectives

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

Cash Flow Hedges

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

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

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

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

Fair Value Hedges

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

Hedge Effectiveness

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

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

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	Expiring at various dates through:	Total USD Equivalent Notional Amount	As of June 30, 2015			
			Assets		Liabilities	
			Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedging instruments						
Cash flow hedges:						
Currency Hedges:						
-Future USD sales of Canadian, Chinese and Swiss subsidiaries	Dec 2016	$231.0	$.9	$.1	$2.2	$.9
-Future MXN purchases of a USD subsidiary	Dec 2017	14.4	—	—	.4	.3
-Future USD purchases of Canadian, European, and Korean subsidiaries	Dec 2016	11.0	.6	—	—	—
-Future EUR sales of Chinese and Swiss subsidiaries	Aug 2016	8.7	.5	—	—	—
-Future DKK sales of Polish subsidiary	Dec 2015	10.2	—	—	.1	—
-Future JPY sales of Chinese subsidiary	Dec 2015	3.7	.1	—	—	—
Total cash flow hedges			2.1	.1	2.7	1.2
Fair value hedges:						
USD inter-company note receivable on a CAD subsidiary	July 2015	10.0	—	—	.2	—
USD inter-company note receivable on a Swiss subsidiary	Sep 2015	18.5	—	—	.1	—
Total fair value hedges			—	—	.3	—
Derivatives not designated as hedging instruments						
Non-deliverable hedge on USD exposure to CNY	Apr 2016	8.0	.1	—	—	—
			$2.2	$.1	$3.0	$1.2

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

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

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	Income Statement Caption	Amount of (Gain) Loss Recorded in Income Six Months Ended June 30		Amount of (Gain) Loss Recorded in Income Three Months Ended June 30	
		2015	2014	2015	2014
Derivatives designated as hedging instruments					