

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2017

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

LEGETT & PLATT, INCORPORATED

(Exact name of registrant as specified in its charter)

Missouri

(State or other jurisdiction of
incorporation or organization)

44-0324630

(I.R.S. Employer
Identification No.)

**No. 1 Leggett Road
Carthage, Missouri**

(Address of principal executive offices)

64836

(Zip Code)

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Common stock outstanding as of October 13, 2017: 131,817,398

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LEGGETT & PLATT, INCORPORATED
CONSOLIDATED CONDENSED BALANCE SHEETS (Unaudited)

(Amounts in millions)	September 30, 2017	December 31, 2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 342.9	\$ 281.9
Trade receivables, net	554.0	450.8
Other receivables, net	31.8	35.8
Total receivables, net	585.8	486.6
Inventories		
Finished goods	266.8	255.7
Work in process	48.3	52.6
Raw materials and supplies	287.0	245.1
LIFO reserve	(44.1)	(33.8)
Total inventories, net	558.0	519.6
Prepaid expenses and other current assets	63.0	36.8
Total current assets	1,549.7	1,324.9
PROPERTY, PLANT AND EQUIPMENT—AT COST		
Machinery and equipment	1,175.7	1,133.8
Buildings and other	625.5	559.4
Land	38.9	37.7
Total property, plant and equipment	1,840.1	1,730.9
Less accumulated depreciation	1,195.8	1,165.4
Net property, plant and equipment	644.3	565.5
OTHER ASSETS		
Goodwill	821.4	791.3
Other intangibles, less accumulated amortization of \$146.0 and \$137.0 as of September 30, 2017 and December 31, 2016, respectively	171.8	164.9
Sundry	136.5	137.5
Total other assets	1,129.7	1,093.7
TOTAL ASSETS	\$ 3,323.7	\$ 2,984.1
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 153.3	\$ 3.6
Accounts payable	381.8	351.1
Accrued expenses	264.0	257.7
Other current liabilities	92.4	94.2
Total current liabilities	891.5	706.6
LONG-TERM LIABILITIES		
Long-term debt	1,044.4	956.2
Other long-term liabilities	152.0	173.0
Deferred income taxes	63.0	54.3
Total long-term liabilities	1,259.4	1,183.5
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock	2.0	2.0
Additional contributed capital	513.9	506.2
Retained earnings	2,523.9	2,410.5
Accumulated other comprehensive loss	(36.9)	(113.6)
Treasury stock	(1,830.7)	(1,713.5)
Total Leggett & Platt, Inc. equity	1,172.2	1,091.6
Noncontrolling interest	.6	2.4
Total equity	1,172.8	1,094.0
TOTAL LIABILITIES AND EQUITY	\$ 3,323.7	\$ 2,984.1

See accompanying notes to consolidated condensed financial statements.

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

(Amounts in millions, except per share data)	Nine Months Ended		Three Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net sales	\$ 2,959.3	\$ 2,846.2	\$ 1,009.7	\$ 948.9
Cost of goods sold	2,287.4	2,151.2	793.9	721.5
Gross profit	671.9	695.0	215.8	227.4
Selling and administrative expenses	307.1	298.7	95.7	93.9
Amortization of intangibles	16.0	15.1	6.2	5.2
Impairments	4.6	4.0	4.5	.3
Net (gain) loss from sale of assets and businesses	.5	(20.6)	1.1	.1
Other (income) expense, net	(3.7)	(6.0)	(.9)	(2.3)
Earnings from continuing operations before interest and income taxes	347.4	403.8	109.2	130.2
Interest expense	31.2	29.4	10.2	9.9
Interest income	5.2	2.7	1.7	.9
Earnings from continuing operations before income taxes	321.4	377.1	100.7	121.2
Income taxes	64.2	93.0	17.2	27.6
Earnings from continuing operations	257.2	284.1	83.5	93.6
Earnings (loss) from discontinued operations, net of tax	(.9)	20.4	(.9)	—
Net earnings	256.3	304.5	82.6	93.6
Earnings attributable to noncontrolling interest, net of tax	—	(.3)	—	(.1)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	\$ 256.3	\$ 304.2	\$ 82.6	\$ 93.5
Earnings per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$ 1.89	\$ 2.05	\$.62	\$.68
Diluted	\$ 1.87	\$ 2.02	\$.61	\$.67
Earnings (loss) per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$ (.01)	\$.15	\$ (.01)	\$ —
Diluted	\$ (.01)	\$.15	\$ (.01)	\$ —
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders				
Basic	\$ 1.88	\$ 2.20	\$.61	\$.68
Diluted	\$ 1.86	\$ 2.17	\$.60	\$.67
Cash dividends declared per share	\$ 1.06	\$ 1.00	\$.36	\$.34
Weighted average shares outstanding				
Basic	136.1	138.1	135.7	137.4
Diluted	137.5	140.2	136.9	139.4

See accompanying notes to consolidated condensed financial statements.

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

(Amounts in millions)	Nine Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
Net earnings	\$ 256.3	\$ 304.5	\$ 82.6	\$ 93.6
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments, including acquisition of non-controlling interest	69.9	3.4	25.8	(2.1)
Cash flow hedges	5.4	8.3	.8	2.3
Defined benefit pension plans	1.5	2.2	.4	.6
Other comprehensive income	76.8	13.9	27.0	.8
Comprehensive income	333.1	318.4	109.6	94.4
Less: comprehensive income attributable to noncontrolling interest	(.1)	(.3)	—	(1.1)
Comprehensive income attributable to Leggett & Platt, Inc.	\$ 333.0	\$ 318.1	\$ 109.6	\$ 93.3

See accompanying notes to consolidated condensed financial statements.

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

(Amounts in millions)	Nine Months Ended September 30,	
	2017	2016
OPERATING ACTIVITIES		
Net earnings	\$ 256.3	\$ 304.5
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	71.2	65.1
Amortization of intangibles and debt issuance costs	23.2	21.3
Provision for losses on accounts and notes receivable	.3	2.1
Writedown of inventories	2.9	4.2
Goodwill impairment	1.3	3.7
Long-lived asset impairments	3.3	.3
Net gain (loss) from sales of assets and businesses	.2	(21.5)
Pension contributions, net of expense	(7.9)	(3.2)
Deferred income tax expense	6.0	18.3
Stock-based compensation	28.1	28.6
Other, net	(5.7)	(1.9)
Increases/decreases in, excluding effects from acquisitions and divestitures:		
Accounts and other receivables	(79.3)	(41.0)
Inventories	(39.5)	(20.3)
Other current assets	(11.5)	.8
Accounts payable	14.4	27.9
Accrued expenses and other current liabilities	(1.8)	(3.2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	261.5	385.7
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(119.0)	(83.1)
Purchases of companies, net of cash acquired	(39.0)	(28.0)
Proceeds from sales of assets and businesses	12.6	54.2
Other, net	(10.1)	(8.7)
NET CASH USED FOR INVESTING ACTIVITIES	(155.5)	(65.6)
FINANCING ACTIVITIES		
Payments on long-term debt	(6.4)	(4.8)
Additions to long-term debt	.6	.2
Change in commercial paper and short-term debt	234.2	101.4
Dividends paid	(138.0)	(132.0)
Issuances of common stock	2.0	4.0
Purchases of common stock	(156.8)	(181.4)
Purchase of remaining interest in noncontrolling interest	(2.6)	(35.2)
Other, net	(2.0)	(2.9)
NET CASH USED FOR FINANCING ACTIVITIES	(69.0)	(250.7)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	24.0	(5.3)
INCREASE IN CASH AND CASH EQUIVALENTS	61.0	64.1
CASH AND CASH EQUIVALENTS—January 1,	281.9	253.2
CASH AND CASH EQUIVALENTS—September 30,	\$ 342.9	\$ 317.3

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 statement 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 accounting principles generally accepted in the United States of America (“GAAP”) 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, 2016 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 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, 2016.

Reclassifications

Certain reclassifications have been made to the prior period’s information in the Notes to the Consolidated Condensed Financial Statements to conform to the first quarter 2017 segment reporting changes in our management structure and all related internal reporting, as well as the presentation of LIFO expense or benefit within the segments to which they relate (See Note 4 - Segment Information). These reclassifications did not impact our consolidated earnings or assets of the company, and all prior periods presented have been restated to conform with these changes.

2. ACCOUNTING STANDARD UPDATES

The Financial Accounting Standards Board (FASB) regularly issues updates to the FASB Accounting Standards Codification that are communicated through issuance of an Accounting Standards Update (ASU). Below is a summary of the ASUs, effective for current or future periods, most relevant to our financial statements. The FASB has issued accounting guidance, in addition to the items discussed below, effective for future periods which we do not believe will have a material impact on our future financial statements.

Adopted in 2017:

- ASU 2016-16 "Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory": Eliminates deferral of the tax effects of all intra-entity asset sales other than inventory, resulting in tax expense being recorded on the sale of the asset in the seller's tax jurisdiction when the sale occurs, even though the pretax effects of the transaction are eliminated in consolidation. Any deferred tax asset arising in the buyer's jurisdiction is also recognized at the time of sale. We adopted this guidance in the first quarter of 2017. The modified retrospective approach was required, and as a result, we recorded a \$1.2 increase to beginning retained earnings on January 1, 2017. Adoption of this new guidance did not materially impact our 2017 Consolidated Condensed Statements of Operations.

To be adopted in future years:

- ASU 2014-09 “Revenue from Contracts with Customers” (Topic 606): Supersedes most of the existing authoritative literature for revenue recognition and prescribes a five-step model for recognizing revenue from contracts with customers. This standard was issued in 2015 and was subsequently amended several times in 2016. We expect to adopt the standard effective January 1, 2018. In the areas discussed below, we do not expect the adoption of this standard to materially impact our future statements of operations, total assets, or cash flows.

We will transition to the new standard using the modified retrospective method. Under the modified retrospective method, there is an adjustment to equity as of the beginning of the period of adoption for the cumulative effect of existing contracts. 2017 and earlier years will be presented under legacy GAAP. 2018 will be presented under the

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

new standard for existing and new contracts. The footnotes will disclose existing and new contracts under both the new standard and legacy GAAP.

We have identified certain contracts containing provisions that will require the recognition of revenue over time. Generally these provisions provide us with a contractual right to payment (including a normal profit) for goods in a finished goods status in the event of the termination of the contract. For customers where this provision exists, and where the finished good is highly customized with no alternative use, Topic 606 requires that revenue be recognized over time. To recognize revenue over time, measures of progress toward satisfaction of the performance obligation must be established. However, Topic 606 precludes utilizing the shipment of the promised good as a measure of progress. Thus, we believe revenue will be required to be recognized at the point the goods reach a finished status (as opposed to current accounting standards which recognize revenue when title and risk of loss pass to the customer). These contract provisions generally only provide for cost reimbursement for raw materials and work-in-process, therefore no revenue can be recognized during these stages.

The revenue and corresponding cost of sales impact (relative to revenue accounting standards) will be dependent on the balance of finished goods at the beginning and end of each reporting period. Based on an analysis incorporating the beginning of year 2017 finished good balances compared to our September 30, 2017 finished goods balances, we do not expect the income statement impact to be material. However, provision changes in future contracts, changes in the balances of finished goods inventories that meet the over-time revenue recognition criteria, changes in the costs of those goods, and changes in selling prices of those goods will impact the ultimate amount of revenue recognized under the new standard.

On our balance sheet, our finished goods inventory balances are expected to be reduced compared to the current accounting standard. We would record a contract asset for the transaction price for these finished goods that meet the over-time revenue recognition criteria, and reduce our finished goods inventories (with corresponding increases to sales and cost of sales). The impact on our total assets is not expected to be material.

Also, certain business units have tooling arrangements with customers that support our production of goods for these customers. We do not produce tooling as a material trade revenue source. The terms of these tooling arrangements vary by customer. We continue to evaluate the accounting treatment for our tooling arrangements, however, we do not expect the adoption of Topic 606 relative to our tooling arrangement to materially impact our net earnings.

The new revenue standard is principle based and interpretation of those principles may vary from company to company based on their unique circumstances. As companies and the accounting profession continue to work toward implementation, it is possible that interpretation, industry practice, and guidance may evolve. As we continue our evaluation of this new standard, new information may arise that could change our current understanding of the impact to revenue and expense recognized. Additionally, we will continue to monitor industry activities and evaluate any additional guidance provided by regulators, standards setters, or the accounting profession and adjust our assessment and implementation plans accordingly.

Implementation of any required changes to our systems and processes, including updating our internal controls is expected to be completed prior to adoption.

As disclosed in the prior quarter, we will elect to apply the practical expedients related to customer payments received in one year or less from the date the promised goods were transferred, sales taxes, and shipping and handling activities.

- ASU 2016-02 “ Leases”: Requires that a lessee recognize a right-of-use asset and a lease liability on the balance sheet for most lease arrangements. This ASU will be effective January 1, 2019, and we are assessing all potential impacts of the standard. Currently, we anticipate adopting this standard January 1, 2019. We believe it will increase our assets and liabilities for the addition of right-of-use assets and the corresponding lease liabilities on the balance sheet. We are evaluating its impact on our Consolidated Condensed Statements of Operations and Cash Flows.
- ASU 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment": This ASU simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under this ASU, the annual goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge would be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value up to the total amount of goodwill for the reporting unit. This ASU will be effective

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

January 1, 2020, with early adoption permitted. We are currently evaluating this guidance, and do not expect it to materially impact our future financial statements.

- ASUs 2016-13 “Financial Instruments - Credit Losses”, 2016-15 “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)”, and 2017-07 “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” are currently being evaluated. However, we do not expect these updates to materially impact our future financial statements.
- ASU 2017-12 “Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities”: This ASU is intended to simplify and clarify the accounting and disclosure requirements for hedging activities by more closely aligning the results of cash flow and fair value hedge accounting with the risk management activities of an entity. The amendments in this ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the effect of the ASU on our results of operations, financial condition or cash flows.

3. INVENTORIES

Approximately 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.

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
LIFO expense (benefit)	\$ 12.0	\$ 2.6	\$ 9.5	\$ (4.6)

4. SEGMENT INFORMATION

Our reportable segments are the same as our operating segments, which also correspond with our management structure. In conjunction with a change in executive officers, our management structure and all related internal reporting changed as of January 1, 2017. As a result, the composition of our four segments also changed to reflect the new structure.

The new structure is largely the same as prior years except the Home Furniture Group moved from Residential Products to Furniture Products (formerly Commercial Products) and the Machinery Group moved from Specialized Products to Residential Products. In addition, the changes in LIFO reserve will now be recognized within the segments to which they relate (primarily Industrial Products). Previously segment EBIT (Earnings Before Interest and Taxes) reflected the FIFO basis of accounting for certain inventories and an adjustment to the LIFO basis for these inventories was made at the consolidated financial statement level. These changes were retrospectively applied to all prior periods presented. The methods and assumptions that we use in estimating our LIFO reserve did not change (See Note 3 - Inventories).

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

- *Residential Products:* This segment supplies a variety of components and machinery used by bedding manufacturers in the production and assembly of their finished products. We also produce or distribute carpet cushion, fabric, and geo components.
- *Industrial Products:* These operations primarily supply steel rod and drawn steel wire to our other operations and to external customers. Our customers use this wire to make mechanical springs and many other end products.
- *Furniture Products:* Operations in this segment supply a wide range of components for residential and work furniture manufacturers, as well as select lines of private-label finished furniture, adjustable bed bases, fashion beds, and bed frames.
- *Specialized Products:* From this segment we supply lumbar support systems, seat suspension systems, motors and actuators, and control cables used by automotive manufacturers. We also produce and distribute tubing and tube assemblies for the aerospace industry.

Each reportable segment has an executive vice president that reports to the chief executive officer, who is the chief operating decision maker (CODM). The operating results and financial information reported through the segment structure are regularly reviewed and used by the CODM 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. We evaluate performance based on 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 or other appropriate metrics. 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.

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

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

	Trade Sales	Inter- Segment Sales	Total Sales	EBIT
Three Months Ended September 30, 2017				
Residential Products	\$ 426.7	\$ 4.5	\$ 431.2	\$ 50.5
Industrial Products	71.2	63.8	135.0	1.1
Furniture Products	284.0	3.7	287.7	24.5
Specialized Products	227.8	1.9	229.7	34.2
Intersegment eliminations and other				(1.1)
	<u>\$ 1,009.7</u>	<u>\$ 73.9</u>	<u>\$ 1,083.6</u>	<u>\$ 109.2</u>
Three Months Ended September 30, 2016				
Residential Products	\$ 403.2	\$ 4.1	\$ 407.3	\$ 45.1
Industrial Products	71.4	73.3	144.7	16.9
Furniture Products	254.6	11.2	265.8	26.4
Specialized Products	219.7	1.5	221.2	40.6
Intersegment eliminations and other				1.2
	<u>\$ 948.9</u>	<u>\$ 90.1</u>	<u>\$ 1,039.0</u>	<u>\$ 130.2</u>
	Trade Sales	Inter- Segment Sales	Total Sales	EBIT
Nine Months Ended September 30, 2017				
Residential Products	\$ 1,225.8	\$ 13.5	\$ 1,239.3	\$ 143.2
Industrial Products	216.9	192.7	409.6	17.0
Furniture Products	816.0	14.4	830.4	65.1
Specialized Products	700.6	5.5	706.1	121.3
Intersegment eliminations and other				.8
	<u>\$ 2,959.3</u>	<u>\$ 226.1</u>	<u>\$ 3,185.4</u>	<u>\$ 347.4</u>
Nine Months Ended September 30, 2016				
Residential Products	\$ 1,201.4	\$ 13.2	\$ 1,214.6	\$ 130.4
Industrial Products	228.4	223.6	452.0	50.0
Furniture Products	741.5	49.5	791.0	82.5
Specialized Products	674.9	5.0	679.9	138.8
Intersegment eliminations and other				2.1
	<u>\$ 2,846.2</u>	<u>\$ 291.3</u>	<u>\$ 3,137.5</u>	<u>\$403.8</u>

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

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

	September 30, 2017	December 31, 2016
Residential Products	\$ 552.4	\$ 527.2
Industrial Products	147.2	147.4
Furniture Products	243.1	219.4
Specialized Products	270.6	248.7
Other (1)	—	.2
Average current liabilities included in segment numbers above	545.8	495.9
Unallocated assets (2)	1,476.9	1,378.3
Difference between average assets and period-end balance sheet	87.7	(33.0)
Total assets	\$ 3,323.7	\$ 2,984.1

(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

Discontinued Operations

During the second quarter of 2016 we received proceeds from an antitrust litigation settlement of approximately \$38.0 (\$25.0 after tax) of which \$31.4 (\$19.8 after tax) was associated with our former Prime Foam Products unit. Additionally, during the third quarter of 2017 we settled our final antitrust litigation associated with this same unit for a cash payment that was not material to the company and was not materially different from the amount previously accrued for the claim. This unit was sold in March 2007 and was previously part of the Residential Products Segment. We had no other material discontinued operations at September 30, 2017.

Assets Held for Sale

Net assets held for sale by segment were as follows:

	September 30, 2017			December 31, 2016		
	Assets	Liabilities	Net Assets	Assets	Liabilities	Net Assets
Residential Products	\$ 2.4	\$ —	\$ 2.4	\$ 2.4	\$ —	\$ 2.4
Industrial Products	15.6	2.3	13.3	3.2	—	3.2
Specialized Products	5.4	—	5.4	5.4	—	5.4
	\$ 23.4	\$ 2.3	\$ 21.1	\$ 11.0	\$ —	\$ 11.0

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

	September 30, 2017	December 31, 2016
Current assets held for sale not associated with discontinued operations (included in "Other current assets") (1)	\$ 10.7	\$ —
Non-current assets held for sale not associated with discontinued operations (included in "Sundry") (1) (2)	12.7	11.0
Total assets held for sale	23.4	11.0
Current liabilities held for sale not associated with discontinued operations (included in "Other current liabilities") (1)	2.1	—
Non-current liabilities held for sale not associated with discontinued operations (included in "Other long-term liabilities") (1)	.2	—
Total liabilities held for sale	2.3	—
Net assets held for sale	\$ 21.1	\$ 11.0

(1) A small Wire Products business within the Industrial Products segment reached held-for-sale status in the third quarter of 2017, but did not qualify for discontinued operations treatment. We recognized impairment charges of \$4.6 for this held-for-sale operation, as discussed in Note 6 on page 14.

(2) This table includes \$10.7 and \$11.0 of property, plant and equipment held for sale at September 30, 2017, and December 31, 2016, respectively, primarily associated with the closings of various operations and prior year restructurings.

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Other Divestitures

The following businesses were divested during the periods presented, but did not meet discontinued operations criteria.

	Quarter Divested	Nine Months Ended September 30,		Three Months Ended September 30,	
		2017	2016	2017	2016
Trade sales:					
Residential Products:					
Machinery operation	Fourth quarter 2016	\$ —	\$ 2.7	\$ —	\$.9
Industrial Products:					
Wire Products operation	Fourth quarter 2016	—	14.0	—	5.0
Wire Products operation	Second quarter 2016	—	19.5	—	—
Specialized Products:					
Commercial Vehicle Products (CVP) operation					
CVP operation	Second quarter 2016	—	15.3	—	—
CVP operation	Third quarter 2017	\$ 25.1	\$ 46.6	\$ 3.7	\$ 13.6
Total trade sales		\$ 25.1	\$ 98.1	\$ 3.7	\$ 19.5
EBIT:					
Residential Products:					
Machinery operation	Fourth quarter 2016	\$ —	\$ (.2)	\$ —	\$ (.2)
Industrial Products:					
Wire Products operation	Fourth quarter 2016	—	.5	—	.3
Wire Products operation	Second quarter 2016	—	1.2	—	—
Specialized Products:					
CVP operation	Second quarter 2016	—	2.8	—	—
CVP operation	Third quarter 2017	\$ (2.3)	\$ 2.7	\$ (1.0)	\$.3
Total EBIT		\$ (2.3)	\$ 7.0	\$ (1.0)	\$.4

In the third quarter of 2017, we realized a pre-tax loss of \$3.3 related to the sale of our remaining CVP operation. We also completed the sale of real estate associated with this operation in October 2017, and will realize a pre-tax gain in the fourth quarter of \$23.4. In 2016, we realized pre-tax gains of \$21.2 related to the sales of certain Wire Products operations and \$11.2 related to the sale of part of the CVP operation. No other material gains or losses were realized on the sale of other businesses.

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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."

	Nine Months Ended September 30,						Three Months Ended September 30,					
	2017			2016			2017			2016		
	Goodwill	Other Long-Lived Assets	Total	Goodwill	Other Long-Lived Assets	Total	Goodwill	Other Long-Lived Assets	Total	Goodwill	Other Long-Lived Assets	Total
Residential Products	\$ —	\$ —	\$ —	\$ —	\$.3	\$.3	\$ —	\$ —	\$ —	\$ —	\$.3	\$.3
Furniture Products	—	—	—	—	—	—	—	(.1)	(.1)	—	—	—
Industrial Products - Wire Products Unit	1.3	3.3	4.6	—	—	—	1.3	3.3	4.6	—	—	—
Specialized Products-CVP unit	—	—	—	3.7	—	3.7	—	—	—	—	—	—
Total impairment charges	\$ 1.3	\$ 3.3	\$ 4.6	\$ 3.7	\$.3	\$ 4.0	\$ 1.3	\$ 3.2	\$ 4.5	\$ —	\$.3	\$.3

Other Long-Lived Assets

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

Goodwill Impairment Reviews

We test goodwill for impairment at the reporting unit level (the business groups that are one level below the operating segments) when triggering events occur, or at least annually. We perform our annual goodwill impairment review in the second quarter.

In evaluating goodwill for impairment, we first assess qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If after such assessment, with regard to each reporting unit, we conclude that the goodwill of a reporting unit is not impaired, then no further testing is required (commonly referred to as the Step Zero Analysis approach). For those reporting units where potential impairment indicators exist (based on the Step Zero Analysis), recoverability of goodwill is then evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the estimated fair value of the reporting unit exceeds its carrying value, no further analysis is needed.

In our Step Zero Analysis, we consider i) the excess in fair value of the reporting unit over its carrying amount from the most recent quantitative analysis, ii) macroeconomic conditions, iii) industry and market trends, and iv) overall financial performance as well as other matters as appropriate.

2017

The 2017 annual goodwill impairment review indicated no goodwill impairments.

We performed a Step Zero Analysis for our annual goodwill review for each of our reporting units, and concluded that it was more likely than not that the fair value of all reporting units, except for two, exceeded their carrying values. Because sales and profits for two reporting units were less than expected, we performed a quantitative analysis for our Work Furniture and Aerospace reporting units under the two-step model. These reporting units were determined to have a fair value in excess of their carrying amounts of at least 75%.

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During the third quarter of 2017, a small Wire Products business within the Industrial Products segment reached held-for-sale status. Because fair value less costs-to-sell had fallen below the carrying amount, we fully impaired \$1.3 of goodwill in the third quarter of 2017.

2016

Because all reporting units had fair values that exceeded carrying values (fair value over carrying value divided by carrying value) by a range of 115% to 600% during the 2015 testing (performed on a quantitative analysis for all reporting units), we performed a Step Zero Analysis. Based on the Step Zero Analysis we concluded that it is more likely than not that the fair value of the reporting units exceeded their carrying amount, except for our CVP reporting unit. With regard to our CVP reporting unit, in the second quarter of 2016 we sold one of our two remaining businesses. Additionally, real estate associated with the remaining CVP business reached held for sale status during the second quarter of 2016. As a result of these two events, the fair value of the CVP reporting unit (consisting of one remaining business) had fallen below its carrying amount, and we fully impaired the remaining \$3.7 of goodwill for this reporting unit. As discussed in Note 5 on page 12, the our remaining CVP operation was sold in the third quarter of 2017 and the real estate was sold in October 2017.

7. EARNINGS PER SHARE

Basic and diluted earnings per share were calculated as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
<u>Earnings:</u>				
Earnings from continuing operations	\$ 257.2	\$ 284.1	\$ 83.5	\$ 93.6
Earnings attributable to noncontrolling interest, net of tax	—	(.3)	—	(.1)
Net earnings from continuing operations attributable to Leggett & Platt, Inc. common shareholders	257.2	283.8	83.5	93.5
Earnings from discontinued operations, net of tax	(.9)	20.4	(.9)	—
Net earnings attributable to Leggett & Platt, Inc. common shareholders	<u>\$ 256.3</u>	<u>\$ 304.2</u>	<u>\$ 82.6</u>	<u>\$ 93.5</u>
<u>Weighted average number of shares (in millions):</u>				
Weighted average number of common shares used in basic EPS	136.1	138.1	135.7	137.4
Dilutive effect of stock-based compensation	1.4	2.1	1.2	2.0
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	<u>137.5</u>	<u>140.2</u>	<u>136.9</u>	<u>139.4</u>
<u>Basic and Diluted EPS:</u>				
Basic EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	\$ 1.89	\$ 2.05	\$.62	\$.68
Discontinued operations	(.01)	.15	(.01)	—
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	<u>\$ 1.88</u>	<u>\$ 2.20</u>	<u>\$.61</u>	<u>\$.68</u>
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders				
Continuing operations	\$ 1.87	\$ 2.02	\$.61	\$.67
Discontinued operations	(.01)	.15	(.01)	—
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	<u>\$ 1.86</u>	<u>\$ 2.17</u>	<u>\$.60</u>	<u>\$.67</u>
<u>Other information:</u>				
Anti-dilutive shares excluded from diluted EPS computation	—	—	.1	—

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8. ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consisted of the following:

	September 30, 2017		December 31, 2016	
	Current	Long-term	Current	Long-term
Trade accounts receivable	\$ 559.1	\$ —	\$ 456.5	\$ —
Trade notes receivable	.8	1.5	1.5	.7
Total trade receivables	559.9	1.5	458.0	.7
Other notes receivable	—	24.7	—	24.6
Income tax receivables	9.0	—	9.1	—
Other receivables	22.8	—	26.7	—
Subtotal other receivables	31.8	24.7	35.8	24.6
Total trade and other receivables	591.7	26.2	493.8	25.3
Allowance for doubtful accounts:				
Trade accounts receivable	(5.8)	—	(7.1)	—
Trade notes receivable	(.1)	(.1)	(.1)	(.2)
Total trade receivables	(5.9)	(.1)	(7.2)	(.2)
Other notes receivable	—	—	—	—
Total allowance for doubtful accounts	(5.9)	(.1)	(7.2)	(.2)
Total net receivables	\$ 585.8	\$ 26.1	\$ 486.6	\$ 25.1

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, 2016	2017 Charges	2017 Charge- offs, Net of Recoveries	Balance at September 30, 2017
Trade accounts receivable	\$ 7.1	\$.4	\$ 1.7	\$ 5.8
Trade notes receivable	.3	(.1)	—	.2
Total trade receivables	7.4	.3	1.7	6.0
Other notes receivable	—	—	—	—
Total allowance for doubtful accounts	\$ 7.4	\$.3	\$ 1.7	\$ 6.0

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9. STOCK-BASED COMPENSATION

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

	Nine Months Ended September 30, 2017		Nine Months Ended September 30, 2016	
	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	\$ —	\$ —	\$ 1.0	\$ —
Cash payments in lieu of options	—	—	—	1.0
Stock-based retirement plans contributions	4.2	.9	5.1	1.0
Discounts on various stock awards:				
Deferred Stock Compensation Program	1.6	—	1.6	—
Stock-based retirement plans	1.0	—	1.1	—
Discount Stock Plan	.9	—	.8	—
Performance Stock Unit awards (1)	4.0	(.7)	3.7	4.5
Restricted Stock Unit awards	1.9	—	2.0	—
Profitable Growth Incentive awards (2)	1.1	1.1	1.2	.8
Other, primarily non-employee directors restricted stock	.7	—	.8	—
Total stock-related compensation expense	15.4	<u>\$ 1.3</u>	17.3	<u>\$ 7.3</u>
Employee contributions for above stock plans	12.7		11.3	
Total stock-based compensation	<u>\$ 28.1</u>		<u>\$ 28.6</u>	
Tax benefits on stock-based compensation expense	\$ 5.5		\$ 6.3	
Tax benefits on stock-based compensation payments	11.4		17.1	
Total tax benefits associated with stock-based compensation	<u>\$ 16.9</u>		<u>\$ 23.4</u>	

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	Three Months Ended		Three Months Ended	
	September 30, 2017		September 30, 2016	
	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	\$ —	\$ —	\$ —	\$ —
Cash payments in lieu of options	—	—	—	—
Stock-based retirement plans contributions	.6	.2	1.6	.3
Discounts on various stock awards:				
Deferred Stock Compensation Program	.4	—	.5	—
Stock-based retirement plans	.3	—	.4	—
Discount Stock Plan	.3	—	.3	—
Performance Stock Unit awards (1)	1.3	(2.8)	1.2	.1
Restricted Stock Unit awards	.7	—	.6	—
Profitable Growth Incentive awards (2)	.3	.2	(1.3)	(1.2)
Other, primarily non-employee directors restricted stock	.2	—	.1	—
Total stock-related compensation expense	4.1	\$ (2.4)	3.4	\$ (.8)
Employee contributions for above stock plans	3.8		3.4	
Total stock-based compensation	\$ 7.9		\$ 6.8	
Tax benefits on stock-based compensation expense	\$ 1.4		\$ 1.2	
Tax benefits on stock-based compensation payments	1.3		8.8	
Total tax benefits associated with stock-based compensation	\$ 2.7		\$ 10.0	

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

(1) Performance Stock Unit Awards

We grant Performance Stock Unit (PSU) awards in the first quarter of each year to selected officers and other key managers. Expense is recognized using the straight-line method over the three-year vesting period. 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 peer companies.

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

	Nine Months Ended September 30,	
	2017	2016
Total shares base award	.1	.1
Grant date per share fair value	\$ 50.75	\$ 40.16
Risk-free interest rate	1.5%	1.3%
Expected life in years	3.0	3.0
Expected volatility (over expected life)	19.5%	19.2%
Expected dividend yield (over expected life)	2.8%	3.1%

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	Cash Portion	Distribution Date
2013	December 31, 2015	27	165.4%	.4 million	\$ 8.5	January 2016
2014	December 31, 2016	10	175.0%	.4 million	\$ 9.8	January 2017

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

Certain key management employees participate in a Profitable Growth Incentive (PGI) program. 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 2017 and 2016 base target PGI awards were less than .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
2014	December 31, 2015	224.7%	.2 million	\$ 6.7	March 2016
2015	December 31, 2016	36.0%	<.1 million	\$.8	March 2017

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10. ACQUISITIONS

The following table contains the estimated fair values (using inputs as discussed in Note 13 on page 25) of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions during the periods presented. The majority of the goodwill included in the table below is expected to provide an income tax benefit.

	Nine Months Ended September 30,	
	2017	2016
Accounts receivable	\$ 10.0	\$ 4.6
Inventory	6.3	5.3
Property, plant and equipment	14.6	2.8
Goodwill	12.8	5.8
Other intangible assets, primarily customer-related intangibles	19.5	14.8
Other current and long-term assets	1.1	—
Current liabilities	(4.6)	(4.0)
Long-term liabilities	(5.6)	—
Non-controlling interest	(.5)	—
Fair value of net identifiable assets	53.6	29.3
Additional consideration payable	(2.8)	(1.8)
Additional consideration receivable	—	.2
Additional consideration for prior year acquisitions	—	.3
Common stock issued for acquired companies	(11.8)	—
Net cash consideration	\$ 39.0	\$ 28.0

The following table summarizes acquisitions for the periods presented.

Nine Months Ended	Number of Acquisitions	Segment	Product/Service
September 30, 2017	3	Residential Products; Furniture Products	Distributor and installer of geosynthetic products; Carpet cushion; Surface-critical bent tube components
September 30, 2016	2	Residential Products; Specialized Products	Distributor of geosynthetic products; Fabricated tubing and pipe assemblies

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.

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 2017 and 2016 acquisitions had occurred on January 1 of the comparable prior annual reporting period are not materially different from the amounts reflected in the accompanying financial statements.

Certain of our acquisition agreements provide for additional consideration to be paid in cash at a later date and are recorded as a liability at the acquisition date. At September 30, 2017 and December 31, 2016, our liability for these future payments was \$16.2 (\$9.0 current and \$7.2 long-term) and \$14.5 (\$2.4 current and \$12.1 long-term), respectively. Components of the liability are based on estimates and future events, and the amounts may fluctuate significantly until the payment dates.

A brief description of our acquisition activity by year for the periods presented is included below.

2017

In 2017, we acquired three businesses:

- A distributor and installer of geosynthetic products, expands the geographic scope and capabilities of our Geo Components business.

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- A manufacturer of surface-critical bent tube components in support of the private-label finished seating strategy in our Work Furniture business.
- A carpet underlay manufacturer, provides additional production capacity in our Carpet Cushion business.

These businesses broaden our geographic scope, capabilities, and product offerings, and added \$12.8 (\$8.9 to Residential Products and \$3.9 to Furniture Products) of goodwill. We also acquired the remaining 20% ownership in an Asian joint venture in our Work Furniture business for \$2.6.

2016

We acquired a distributor of geosynthetic products that expands our presence in the converting and distribution of geotextiles and geosynthetic products. We expanded our Aerospace Products business unit with the acquisition of a U.S. fabricated tubing business. This operation expands our tube forming and fabrication capabilities, and adds precision machining to our aerospace platform.

11. EMPLOYEE BENEFIT PLANS

The following table provides interim information as to our domestic and foreign defined benefit pension plans. Employer contributions for 2017 are expected to approximate \$14.8. This increase compared to our 2016 employer contributions of \$9.8 is due to our current year funding strategy, which incorporates, among other things, Pension Benefit Guaranty Corporation (PBGC) premiums, tax planning, and expectations of future funding requirements.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
Components of net pension expense				
Service cost	\$ 3.8	\$ 3.4	\$ 1.3	\$ 1.1
Interest cost	8.3	8.7	2.7	2.8
Expected return on plan assets	(10.1)	(9.8)	(3.4)	(3.3)
Recognized net actuarial loss	3.5	3.4	1.2	1.0
Net pension expense	\$ 5.5	\$ 5.7	\$ 1.8	\$ 1.6

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

	Nine Months Ended September 30, 2017					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)
Beginning balance, January 1, 2017	\$ 1,094.0	\$ 2,410.5	\$ 508.2	\$ (1,713.5)	\$ 2.4	\$ (113.6)
Effect of accounting change on prior years (See Note 2)	1.2	1.2	—	—	—	—
Adjusted beginning balance, January 1, 2017	1,095.2	2,411.7	508.2	(1,713.5)	2.4	(113.6)
Net earnings	256.3	256.3	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	—	—	—	—	—
Dividends declared	(140.2)	(144.1)	3.9	—	—	—
Treasury stock purchased	(161.0)	—	—	(161.0)	—	—
Treasury stock issued	28.0	—	(15.8)	43.8	—	—
Foreign currency translation adjustments	69.9	—	—	—	.1	69.8
Cash flow hedges, net of tax	5.4	—	—	—	—	5.4
Defined benefit pension plans, net of tax	1.5	—	—	—	—	1.5
Stock-based compensation transactions, net of tax	20.3	—	20.3	—	—	—
Purchase of remaining interest in noncontrolling interest, net of acquisitions	(2.6)	—	(.7)	—	(1.9)	—
Ending balance, September 30, 2017	<u>\$ 1,172.8</u>	<u>\$ 2,523.9</u>	<u>\$ 515.9</u>	<u>\$ (1,830.7)</u>	<u>\$.6</u>	<u>\$ (36.9)</u>

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Nine Months Ended September 30, 2016

	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)
Beginning balance, January 1, 2016	\$ 1,097.7	\$ 2,209.2	\$ 531.5	\$ (1,564.0)	\$ 12.1	\$ (91.1)
Net earnings	304.5	304.5	—	—	—	—
(Earnings) loss attributable to noncontrolling interest, net of tax	—	(.3)	—	—	.3	—
Dividends declared	(134.0)	(137.8)	3.8	—	—	—
Dividends paid to noncontrolling interest	(1.6)	—	—	—	(1.6)	—
Treasury stock purchased	(193.8)	—	—	(193.8)	—	—
Treasury stock issued	32.4	—	(24.5)	56.9	—	—
Foreign currency translation adjustments	2.4	—	—	—	—	2.4
Cash flow hedges, net of tax	8.3	—	—	—	—	8.3
Defined benefit pension plans, net of tax	2.2	—	—	—	—	2.2
Stock-based compensation transactions, net of tax	20.8	—	20.8	—	—	—
Purchase of remaining interest in noncontrolling interest, net of acquisitions	(35.3)	—	(27.9)	—	(8.4)	1.0
Ending balance, September 30, 2016	<u>\$ 1,103.6</u>	<u>\$ 2,375.6</u>	<u>\$ 503.7</u>	<u>\$ (1,700.9)</u>	<u>\$ 2.4</u>	<u>\$ (77.2)</u>

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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)
Balance, January 1, 2017	\$ (38.6)	\$ (17.8)	\$ (57.2)	\$ (113.6)
Other comprehensive income (loss)	69.8	1.7	(.9)	70.6
Reclassifications, pretax (1)	—	5.7	3.5	9.2
Income tax effect	—	(2.0)	(1.1)	(3.1)
Attributable to noncontrolling interest	—	—	—	—
Balance, September 30, 2017	<u>\$ 31.2</u>	<u>\$ (12.4)</u>	<u>\$ (55.7)</u>	<u>\$ (36.9)</u>
Balance, January 1, 2016	\$ (4.8)	\$ (28.2)	\$ (58.1)	\$ (91.1)
Other comprehensive income (loss)	4.1	(.5)	.1	3.7
Reclassifications, pretax (2)	(1.7)	11.9	3.4	13.6
Income tax effect	—	(3.1)	(1.3)	(4.4)
Attributable to noncontrolling interest	1.0	—	—	1.0
Balance, September 30, 2016	<u>\$ (1.4)</u>	<u>\$ (19.9)</u>	<u>\$ (55.9)</u>	<u>\$ (77.2)</u>

(1) 2017 pretax reclassifications are comprised of:

Net sales	\$ —	\$ 2.0	\$ —	\$ 2.0
Cost of goods sold; selling and administrative expenses	—	.5	3.5	4.0
Interest expense	—	3.2	—	3.2
Other income (expense), net	—	—	—	—
Total reclassifications, pretax	<u>\$ —</u>	<u>\$ 5.7</u>	<u>\$ 3.5</u>	<u>\$ 9.2</u>

(2) 2016 pretax reclassifications are comprised of:

Net sales	\$ —	\$ 8.4	\$ —	\$ 8.4
Cost of goods sold; selling and administrative expenses	—	.4	3.4	3.8
Interest expense	—	3.1	—	3.1
Other income (expense), net	(1.7)	—	—	(1.7)
Total reclassifications, pretax	<u>\$ (1.7)</u>	<u>\$ 11.9</u>	<u>\$ 3.4</u>	<u>\$ 13.6</u>

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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

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.

The areas in which we utilize fair value measures of financial assets and liabilities are presented in the table below.

	As of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	\$ —	\$ 212.3	\$ —	\$ 212.3
Derivative assets (Note 14)	—	2.4	—	2.4
Diversified investments associated with the Executive Stock Unit Program (ESUP)*	32.7	—	—	32.7
Total assets	\$ 32.7	\$ 214.7	\$ —	\$ 247.4
Liabilities:				
Derivative liabilities* (Note 14)	\$ —	\$ 1.5	\$ —	\$ 1.5
Liabilities associated with the ESUP*	32.4	—	—	32.4
Total liabilities	\$ 32.4	\$ 1.5	\$ —	\$ 33.9

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	\$ —	\$ 145.8	\$ —	\$ 145.8
Derivative assets (Note 14)	—	.8	—	.8
Diversified investments associated with the ESUP*	26.8	—	—	26.8
Total assets	\$ 26.8	\$ 146.6	\$ —	\$ 173.4
Liabilities:				
Derivative liabilities* (Note 14)	\$ —	\$ 4.1	\$ —	\$ 4.1
Liabilities associated with the ESUP*	25.6	—	—	25.6
Total liabilities	\$ 25.6	\$ 4.1	\$ —	\$ 29.7

* Includes both current and long-term amounts combined.

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

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The fair value for fixed rate debt (Level 2) was greater than its \$750 carrying value by approximately \$20 at September 30, 2017 and December 31, 2016. 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. Determining fair values for these items requires significant judgment and includes a variety of methods and models that utilize significant Level 3 inputs.

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

14. DERIVATIVE FINANCIAL INSTRUMENTS

Cash Flow Hedges

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

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

We have also occasionally used interest rate cash flow hedges to manage interest rate risks.

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 and Derivatives not Designated as Hedging Instruments

These derivatives typically manage foreign currency risk associated with subsidiaries' assets and liabilities, and gains or losses are recognized 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.

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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.

	Expiring at various dates through:	Total USD Equivalent Notional Amount	As of September 30, 2017			
			Assets		Liabilities	
			Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
<u>Derivatives designated as hedging instruments</u>						
Cash flow hedges:						
Currency hedges:						
Future USD sales of Canadian, Chinese, European and Swiss subsidiaries	Dec 2018	\$ 128.1	\$ 2.0	\$.1	\$.1	\$.1
Future DKK sales of Polish subsidiary	Dec 2017	3.7	.1	—	—	—
Future USD purchases of Canadian, European and South Korean subsidiaries	Dec 2018	14.2	—	—	.1	.1
Future EUR sales of UK, Chinese and Swiss subsidiaries	Dec 2018	25.9	—	—	.3	—
Future MXN purchases of a USD subsidiary	Dec 2018	7.0	—	—	.1	—
Future JPY sales of Chinese subsidiary	Dec 2018	9.7	—	—	.1	—
Total cash flow hedges			2.1	.1	.7	.2
Fair value hedges:						
DKK liability on a GBP subsidiary	Dec 2017	13.0	.1	—	—	—
DKK inter-company note receivables on a USD subsidiary	May 2018	2.4	—	—	.1	—
ZAR inter-company note receivable on a USD subsidiary	Dec 2017	2.3	—	—	.3	—
USD inter-company note receivable on a Swiss subsidiary	Aug 2018	12.7	—	—	.1	—
Total fair value hedges			.1	—	.5	—
<u>Derivatives not designated as hedging instruments</u>						
Non-deliverable hedge on EUR exposure to CNY	Sep 2018	7.1	—	—	.1	—
Non-deliverable hedge on JPY exposure to CNY	Jun 2018	2.7	.1	—	—	—
Total derivatives not designated as hedging instruments			.1	—	.1	—
			<u>\$ 2.3</u>	<u>\$.1</u>	<u>\$ 1.3</u>	<u>\$.2</u>

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	Expiring at various dates through:	Total USD Equivalent Notional Amount	As of December 31, 2016	
			Assets	Liabilities
			Other Current Assets	Other Current Liabilities
<u>Derivatives designated as hedging instruments</u>				
Cash flow hedges:				
Currency hedges:				
Future USD sales of Canadian, Chinese and Swiss subsidiaries	Dec 2017	\$ 80.4	\$ —	\$ 2.4
Future USD purchases of European subsidiaries	Dec 2017	3.8	.1	—
Future MXN purchases of a USD subsidiary	Dec 2017	5.8	—	.9
Future JPY sales of a Chinese subsidiary	Dec 2017	3.5	.3	—
Future DKK sales of a Polish subsidiary	Mar 2017	10.1	.1	—
Future EUR sales of Chinese, Swiss and UK subsidiaries	Dec 2017	6.4	—	.2
Total cash flow hedges			.5	3.5
Fair value hedges:				
USD inter-company note receivable on a CAD subsidiary	Jan 2017	24.0	.2	.1
PLN inter-company note receivable on GBP subsidiary	Jun 2017	2.3	.1	—
ZAR inter-company note receivable on a USD subsidiary	Dec 2017	2.3	—	.1
Total fair value hedges			.3	.2
<u>Derivatives not designated as hedging instruments</u>				
Non-deliverable hedge on USD exposure to CNY	Dec 2017	19.0	—	.3
Hedge of EUR Cash on USD subsidiary	Jan 2017	5.9	—	.1
Total derivatives not designated as hedging instruments			—	.4
			\$.8	\$ 4.1

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The following table sets forth the pre-tax (gains) losses 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.

	Caption in Statement of Operations	Amount of (Gain) Loss Recorded in Income Nine Months Ended September 30,		Amount of (Gain) Loss Recorded in Income Three Months Ended September 30,	
		2017	2016	2017	2016
<u>Derivatives designated as hedging instruments</u>					
Interest rate cash flow hedges	Interest expense	\$ 3.2	\$ 3.1	\$ 1.1	\$ 1.0
Currency cash flow hedges	Net sales	(.1)	7.9	(1.5)	2.7
Currency cash flow hedges	Cost of goods sold	.2	.8	.1	.4
Currency cash flow hedges	Other (income) expense, net	.3	—	.3	—
Total cash flow hedges		3.6	11.8	—	4.1
Fair value hedges	Other (income) expense, net	(.5)	(2.0)	(.1)	(.2)
<u>Derivatives not designated as hedging instruments</u>					
Total derivative instruments	Other (income) expense, net	(1.1)	(.3)	(.4)	(.1)
		\$ 2.0	\$ 9.5	\$ (.5)	\$ 3.8

15. CONTINGENCIES

We are a party to various proceedings and matters involving employment, antitrust, intellectual property, environmental, taxation and other laws. When it is probable, in management's judgment, that we may incur monetary damages or other costs resulting from these proceedings or other claims, and we can reasonably estimate the amounts, we record appropriate accruals in the financial statements and make charges against earnings. For all periods presented, we have recorded no material charges against earnings. Also, when it is reasonably possible that we may incur additional loss in excess of recorded accruals and we can reasonably estimate the additional losses or range of losses, we disclose such additional reasonably possible losses in these notes.

For specific information regarding accruals, cash payments to settle litigation contingencies, and reasonably possible losses in excess of accruals please see "Accruals and Reasonably Possible Losses in Excess of Accruals" below.

Foam Antitrust Lawsuits

Beginning in August 2010, a series of civil lawsuits were initiated in several U.S. federal courts and in Canada against several defendants alleging that Leggett & Platt and certain other manufacturers of polyurethane foam products had engaged in price fixing in violation of U.S. and Canadian antitrust laws. We were party to several antitrust proceedings regarding polyurethane foam products. The majority of these proceedings were fully resolved in 2015. The ultimate amount of settlement payments in these cases was not materially different than the amounts originally accrued. The one remaining antitrust proceeding has been fully resolved as disclosed below.

Kansas Restraint of Trade Act Case. We were named as a defendant in an individual case alleging direct and indirect purchaser claims under the Kansas Restraint of Trade Act, filed on November 29, 2012 in the United States District Court of Kansas under the name *LaCrosse Furniture Company v. Future Foam, Inc., et al.*, Case No. 12-cv-2748 KHV/JPO. This case was previously transferred to the U.S. District Court for the Northern District of Ohio under the name *In re: Polyurethane Foam Antitrust Litigation*, Case No. 1:10-MD-2196. The plaintiffs in those consolidated proceedings generally brought claims seeking damages allegedly suffered as a result of alleged overcharges in the price of polyurethane foam products (from at least 1999 to the present). The claims and allegations of this plaintiff were generally the same as those in the previously resolved proceedings, with the exception that the plaintiff sought full consideration damages (its total purchase amounts for the allegedly price-fixed polyurethane foam products). On May 15, 2015, the U.S. Judicial Panel on Multi-district Litigation remanded the case back to the U.S. District Court for the District of Kansas. We denied all allegations.

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The plaintiff in the *LaCrosse* case alleged full consideration damages and prejudgment interest through 2013 in the collective amount of \$22.2, of which LaCrosse argued the full consideration portion should be trebled. LaCrosse also sought an additional three years of prejudgment interest at a statutory rate of 10% and attorneys' fees. On January 13, 2017, LaCrosse filed a motion for partial judgment on the pleadings seeking the allowance of full consideration damages. We filed a motion for partial summary judgment on January 24, 2017, on several key issues of the case, including arguments that LaCrosse is not entitled to full consideration damages or prejudgment interest and that full consideration damages are not trebled. While trial was previously scheduled to begin on August 7, 2017, the Court had rescheduled trial to begin on November 9, 2017. On September 1, 2017, we reached a cash settlement to fully resolve this claim and paid the amount in the third quarter. The cash payment was not material to the Company and was not materially different than the amount previously accrued for the claim.

Brazilian Value-Added Tax Matters

All dollar amounts (in millions) presented in this section have been updated since our last filing to reflect the U.S. Dollar (USD) equivalent of Brazilian Real (BRL).

We deny all allegations in the below Brazilian actions. We believe that we have valid bases to contest such actions and will vigorously defend ourselves. However, these contingencies are subject to uncertainties, and based on current facts, we believe that it is reasonably possible (but not probable) that we may incur losses of approximately \$21 including interest and attorney fees with respect to these assessments. Therefore, because it is not probable we will incur a loss, no accrual has been recorded for Brazilian VAT matters. For specific information regarding accruals, and reasonably possible losses in excess of accruals please see "Accruals and Reasonably Possible Losses in Excess of Accruals" below.

We have \$12.9 on deposit with the Brazilian government to partially mitigate interest and penalties that may accrue while we work through these matters. If we are successful in our defense of these assessments, the deposits are refundable with interest. These deposits are recorded as a long-term asset on our balance sheet.

Brazilian Federal Cases. On December 22, 2011, the Brazilian Finance Ministry, Federal Revenue Office issued a notice of violation against our wholly-owned subsidiary, Leggett & Platt do Brasil Ltda. ("L&P Brazil") in the amount of \$2.3, under Case No. 10855.724660/2011-43. The Brazilian Revenue Office claimed that for the period beginning November 2006 and continuing through December 2007, L&P Brazil used an incorrect tariff code for the collection and payment of value-added tax primarily on the sale of mattress innerspring units in Brazil. L&P Brazil denied the violation. The Federal Revenue Office upheld the assessment at the first administrative level. L&P Brazil has filed an appeal.

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

On December 17, 2012, the Brazilian Revenue Office issued an additional notice of violation in the amount of \$4.1, under MPF Case No. 10855.725260/2012-36 covering the period from January 2008 through December 2010 on the same subject matter. L&P Brazil denied the violation. L&P Brazil appealed this decision but the appeal was denied by the second administrative level on January 27, 2015. The Brazilian Revenue Office upheld the assessment at all administrative levels. On December 4, 2015, we filed an Annulment Action, Case No. 009658-07.2015.4.03.6110, at the judicial level seeking to obtain an injunction to allow the transfer of the cash deposit in the amount of \$4.8 for the administrative case to a judicial escrow account to cover the updated liability amount of \$5.1. The preliminary injunction was granted on December 10, 2015, and we are awaiting the first level decision.

In addition, L&P Brazil received assessments on December 22, 2011, and June 26, July 2 and November 5, 2012, and September 13, 2013 from the Brazilian Federal Revenue Office where the Revenue Office challenged L&P Brazil's use of tax credits in years 2005 through 2010. Such credits are generated based upon the tariff classification and rate used by L&P Brazil for value-added tax on the sale of mattress innersprings. On September 4, 2014, the tax authorities issued five additional assessments regarding this same issue (use of credits), covering certain periods of 2011 and 2012. L&P Brazil filed its defense denying these assessments. Combined with the prior assessments, L&P Brazil has received assessments totaling \$2.7 on the same or similar denial of tax credit matters.

On February 1, 2013, the Brazilian Finance Ministry filed a Tax Collection action against L&P Brazil in the Camanducaia Judicial District Court, Case No. 0002222-35.2013.8.13.0878, alleging the untimely payment of \$.1 of social contributions (social security and social assistance payments) for the period September to October 2010. L&P Brazil argued the payments were not required to be made because of the application of certain tax credits that were generated by L&P Brazil's use of a correct tariff code for the classification of value-added tax on the sale of mattress innersprings (i.e., the same underlying issue at stake in the other Brazilian matters). On June 26, 2014, the Brazilian Revenue Office issued a new notice of violation against

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L&P Brazil in the amount of \$.8, under Case No. 10660.721523/2014-87, covering the period from 2011 through 2012 on the same subject matter. L&P Brazil has filed its defense denying the assessments.

On July 1, 2014, the Brazilian Finance Ministry rendered a preliminary decision to reject certain offsetting requests presented by L&P Brazil, which originated with Administrative Proceeding No. 10660.720850/2014-11. The Brazilian Finance Ministry alleges that L&P Brazil improperly offset \$.1 of social contributions otherwise due in 2011. L&P Brazil filed its response denying the allegations. L&P Brazil is defending on the basis that the social contribution debts were correctly offset with tax credits generated by L&P Brazil's use of a correct tariff code classification for value-added tax on the sale of mattress innersprings (i.e., the same underlying issue at stake in the other Federal Brazilian matters). On December 15, 2015, the Brazilian Federal Revenue issued an assessment against L&P Brazil in the amount of \$.1, under Case No. 10600.720142/2015-76 for the period of August 2010 through May 2011, as a penalty for L&P Brazil's requests to offset tax credits. We filed our defense denying the assessment on January 8, 2016.

State of São Paulo, Brazil Cases. The State of São Paulo, Brazil, on April 16, 2009, issued a Notice of Tax Assessment and Imposition of Fine to L&P Brazil originally seeking \$1.8 for the tax years 2006 and 2007, under Case No. 3.111.006 (DRT n°.04-256.169/2009). The State of São Paulo argued that L&P Brazil was using an incorrect tariff code for the collection and payment of value-added tax on sales of mattress innerspring units in the State of São Paulo. L&P Brazil denied the allegations. On April 17, 2014, the Court of Tax and Fees ruled in the State's favor upholding the original assessment of \$1.8. On July 31, 2014, L&P Brazil filed an annulment action, Case No. 101712346.2014.8260602 in the Sorocaba State Court, seeking to have the Court of Tax and Fees ruling annulled for an updated assessment amount of \$3.7 (which included interest from the original assessment date). On September 8, 2016, the Court's expert issued an opinion that supports L&P Brazil's defense, that it used the correct tariff code classification. The Court issued a ruling in our favor on October 27, 2017, nullifying the \$3.7 in assessments against L&P Brazil. This ruling is subject to appeal.

On October 4, 2012, the State of São Paulo issued a Tax Assessment under Procedure Number 4.003.484 against L&P Brazil in the amount of \$2.0 for the tax years 2009 through 2011. Similar to the 2009 assessment (referenced above), the State of São Paulo argues that L&P Brazil was using an incorrect tax rate for the collection and payment of value-added tax on sales of mattress innerspring units in the State of São Paulo. On June 21, 2013, the State of São Paulo converted the Tax Assessment to a tax collection action against L&P Brazil in the amount of \$2.5, under Sorocaba Judicial District Court, Case No. 3005528-50.2013.8.26.0602. L&P Brazil has denied all allegations.

L&P Brazil also received a Notice of Tax Assessment and Imposition of a Fine from the State of São Paulo dated March 27, 2014, under Procedure Number 4.038.746-0 against L&P Brazil in the amount of \$.9 for the tax years January 2011 through August 2012 regarding the same subject matter (i.e., the correct tax rate for the collection and payment of value-added tax on mattress innerspring units). L&P filed its response denying the allegations. After the first and second administrative levels denied L&P Brazil's defenses, L&P Brazil filed an appeal to the third administrative level on August 6, 2015. On June 9, 2016, L&P Brazil filed an annulment action, Case No. 1019825-91.2016.8.26.0602, in the Sorocaba State Court, to allow transfer of the previously deposited cash amount of \$1.1 to a judicial account, and to annul the entire \$1.2 assessment (updated with interest through the close of the administrative procedures). On February 7, 2017 the Court ruled against L&P Brazil on the assessment, but lowered the interest amount. On February 21, 2017, we filed a motion for clarification. The Court upheld its ruling on April 24, 2017, and we filed an appeal to the Court of Appeals on May 15, 2017. The Court of Appeals upheld the unfavorable Sorocaba State Court ruling on September 13, 2017. We filed a Special and Extraordinary appeal to the High Court on October 10, 2017, and this final appeal remains pending.

State of Minas Gerais, Brazil Cases. On December 18, 2012, the State of Minas Gerais, Brazil issued a tax assessment to L&P Brazil relating to L&P Brazil's classifications of innersprings for the collection and payment of value-added tax on the sale of mattress innersprings in Minas Gerais from March 2008 through August 2012 in the amount of \$.5, under PTA Case No. 01.000.182756-62. L&P Brazil filed its response denying any violation. After the first and second administrative levels ruled against us, the case is now proceeding judicially under Case No. 0003673-61.2014.8.13.0878 in Camanducaia Judicial District Court in the amount of \$.6. L&P Brazil filed its response denying the assessments on June 5, 2014.

Accruals and Reasonably Possible Losses in Excess of Accruals

Accruals for Probable Losses

Although the Company denies liability in all currently threatened or pending litigation proceedings in which it is or may be a party and believes that it has valid bases to contest all claims threatened or made against it, we have recorded a litigation contingency accrual for our reasonable estimate of probable loss for pending and threatened litigation proceedings, in aggregate, in millions, as follows:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
Litigation contingency accrual - Beginning of period	\$ 3.2	\$ 8.1	\$ 3.4	\$ 4.1
Adjustment to accruals - expense (income) - Continuing operations	.2	5.0	—	—
Adjustment to accruals - expense (income) - Discontinued operations	1.6	—	1.6	—
Cash payments	(5.0)	(9.0)	(5.0)	—
Litigation contingency accrual - End of period	<u>\$ —</u>	<u>\$ 4.1</u>	<u>\$ —</u>	<u>\$ 4.1</u>

The above litigation contingency accrual does not include accrued expenses related to workers compensation, automobile, product and general liability claims, taxation issues and environmental matters, some of which may contain a portion of litigation expense. However, any litigation expense associated with these categories is not anticipated to have a material effect on our financial condition, results of operations or cash flows. For more information regarding accrued expenses, see Footnote H - Supplemental Balance Sheet Information under "Accrued expenses" on page 92 of the Company's Form 10-K filed February 22, 2017.

We have relied on several facts and circumstances to conclude that some loss is probable with respect to certain proceedings and matters, and to arrive at a reasonable estimate of loss or range of loss and record the accruals, including: the maturation of the pending proceedings and matters; our experience in settlement negotiations and mediation; comparative settlements of other companies in similar proceedings; discovery becoming or being substantially complete in certain proceedings; certain quantitative metrics used to value probable loss contingencies; and our willingness to settle certain proceedings to forgo the cost and risk of litigation and distraction to our senior executives.

Reasonably Possible Losses in Excess of Accruals

Although there are a number of uncertainties and potential outcomes associated with all of our pending or threatened litigation proceedings, we believe, based on current known facts, that additional losses, if any, are not expected to materially affect our consolidated financial position, results of operations or cash flows. However, based upon current known facts, as of September 30, 2017, aggregate reasonably possible (but not probable, and therefore not recorded) losses in excess of the accruals noted above are estimated to be approximately \$22, including approximately \$21 for Brazilian VAT matters disclosed above and \$1 for other matters. If our assumptions or analyses regarding these contingencies are incorrect, or if facts change, we could realize loss in excess of the recorded accruals, and even greater than our estimate of reasonably possible losses in excess of recorded accruals.

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

What We Do

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

We are the leading U.S. manufacturer of: a) bedding components; b) automotive seat support and lumbar systems; c) components for home furniture and work furniture; d) carpet cushion; e) adjustable beds; f) high-carbon drawn steel wire; and g) bedding industry machinery.

Our Segments

Our operations are comprised of 15 business units in four segments, with approximately 22,000 employees, and 120 production facilities located in 19 countries around the world. The composition of our four segments changed effective January 1, 2017. The table below outlines the new segment structure.

<u>Residential Products</u>	<u>Industrial Products</u>	<u>Furniture Products</u>	<u>Specialized Products</u>
Bedding Group	Wire Group	Home Furniture Group	Automotive Group
Fabric & Carpet Cushion Group		Work Furniture Group	Aerospace Products Group
Machinery Group		Consumer Products Group	CVP Group *

* Divested during the quarter ended September 30, 2017 as discussed in Note 5 starting on page 12.

The new structure is largely the same as in prior years except the Home Furniture Group moved from Residential Products to Furniture Products (formerly Commercial Products), and the Machinery Group moved from Specialized Products to Residential Products. The Industrial Products segment had no changes. This segment change was retrospectively applied to all prior periods presented. Our segments are described below.

Residential Products: This segment supplies a variety of components and machinery used by bedding manufacturers in the production and assembly of their finished products. We also produce or distribute carpet cushion, fabric, and geo components. This segment generated 39% of our total sales during the first nine months of 2017.

Industrial Products: These operations primarily supply steel rod and drawn steel wire to our other operations and to external customers. Our customers use this wire to make mechanical springs and many other end products. This segment generated 13% of our total sales during the first nine months of 2017.

Furniture Products: Operations in this segment supply a wide range of components for residential and work furniture manufacturers, as well as select lines of private-label finished furniture, adjustable bed bases, fashion beds, and bed frames. This segment contributed 26% of our total sales in the first nine months of 2017.

Specialized Products: From this segment we supply lumbar support systems, seat suspension systems, motors and actuators, and control cables used by automotive manufacturers. We also produce and distribute tubing and tube assemblies for the aerospace industry. This segment contributed 22% of our total sales in the first nine months of 2017.

Total Shareholder Return

Total Shareholder Return (TSR), relative to peer companies, is the key financial measure that we use to assess long-term performance. $TSR = (\text{Change in Stock Price} + \text{Dividends}) / \text{Beginning Stock Price}$. Our goal is to achieve TSR in the top third of the S&P 500 companies over the long-term through an approach that employs four TSR sources: revenue growth, margin expansion, dividends, and share repurchases.

We monitor our TSR performance (relative to the S&P 500) on a rolling three-year basis. At September 30, for the three-year measurement period that will end on December 31, 2017, we have so far generated TSR of 7% per year on average. That performance places us at about the midpoint of the S&P 500.

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

Customers

We serve a broad suite of customers, with our largest customer representing approximately 7% of our sales in 2016. Many are companies whose names are widely recognized. They include most producers of residential furniture and bedding, automotive and office seating manufacturers, and a variety of other companies.

Major Factors That Impact Our Business

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

Market Demand

Market demand (including product mix) for the majority of our products is most heavily influenced by consumer confidence. Other broad economic factors that impact our market demand include disposable income levels, employment levels, housing turnover, and interest rates. All of these factors influence consumer spending on durable goods and drive demand for our components and products. Some of these factors also influence business spending on facilities and equipment, which impacts approximately one-quarter of our sales.

Raw Material Cost Trends

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

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

Steel is our principal raw material. At various times in past years we have experienced significant cost fluctuations in this commodity. In most cases, the major changes (both increases and decreases) were passed through to customers with selling price adjustments. Steel costs began to inflate late in 2016, and have continued to increase throughout 2017. We are implementing price increases to recover higher steel costs, but we have not fully worked through our typical 90-day pricing lag.

As a producer of steel rod, we are also impacted by changes in metal margins (the difference in the cost of steel scrap and the market price for steel rod). Metal margins within the steel industry have been volatile in past years.

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

Competition

We operate in markets that are highly competitive, with the number of competitors varying by product line. In general, our competitors tend to be smaller, private companies. We believe that most of our competitors, both domestic and foreign, compete primarily on the basis of price, but depending upon the particular product, we experience competition based on quality and performance. Our success has stemmed from the ability to remain price competitive, while delivering superior product quality, innovation, and customer service.

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

Since 2009, there have been antidumping duty orders on innerspring imports from China, South Africa and Vietnam, ranging from 116% to 234%. In March 2014, the Department of Commerce (DOC) and the International Trade Commission (ITC) determined that the duties should be continued. In April 2014, the DOC published its final order continuing the duties through February 2019 (for China) and December 2018 (for South Africa and Vietnam).

An antidumping and countervailing duty case filed in January 2014 by major U.S. steel wire rod producers was concluded in December 2014, resulting in the imposition of duties on imports of Chinese steel wire rod. The antidumping duties range from 106% to 110% and the countervailing duties range from 178% to 193%. Both remain in effect through December 2019. Also, on March 28, 2017, certain U.S. steel wire rod producers filed antidumping and countervailing duty petitions on imports of steel wire rod from Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, United Arab Emirates, and the United Kingdom. If the DOC determines that dumping and/or subsidies are present in these countries and the ITC makes a final determination that the domestic industry has been materially injured by dumped or subsidized imports, the U.S. government will impose duties on imports of steel wire rod from these countries at the rates determined by the DOC. We expect the DOC and ITC to make final determinations by late 2017 or early 2018.

Because of the documented evasion of antidumping orders by certain importers, typically shipping goods through third countries and falsely identifying the countries of origin, Leggett & Platt, along with several other U.S. manufacturers have formed a coalition to seek stronger enforcement of existing antidumping and/or countervailing duty orders. As a result of these efforts, the U.S. Congress has passed the Enforcing Orders and Reducing Customs Evasion (ENFORCE) Act. The ENFORCE Act requires U.S. Customs and Border Protection to implement a transparent, time-limited process to investigate allegations of duty evasion and to assess duties where appropriate.

Contingencies

Accrual for Litigation Contingencies and Reasonably Possible Losses in Excess of Accruals

We are exposed to litigation contingencies that, if realized, could have a material negative impact on our financial condition, results of operations and cash flows. We deny liability in all currently threatened or pending litigation proceedings and believe that we have valid bases to contest all claims made against us. We had, at September 30, 2017, no accrual for aggregate litigation contingencies. There was no material change from the prior year corresponding quarter. Based on current facts, aggregate reasonably possible (but not probable and therefore not recorded) losses in excess of accruals for litigation contingencies (which include Brazilian VAT and other matters) are estimated to be \$22 million. If our assumptions or analysis regarding these contingencies are incorrect, or if facts and circumstances change, we could realize loss in excess of the recorded accruals (and in excess of the \$22 million referenced above) which could have a material negative impact on our financial condition, results of operations and cash flows. For more information regarding our litigation contingencies, see Note 15 "Contingencies" on page 29 of the Notes to Consolidated Condensed Financial Statements.

Gain Associated with the Sale of Real Estate in Fourth Quarter 2017

In the second quarter of 2016 we sold one of our CVP operations and relocated the one remaining operation. At that time, the real estate formerly used by the relocated business reached held for sale status. We completed the sale of this real estate in October 2017, and will realize a pre-tax gain in the fourth quarter of \$23 million. The remaining CVP operation was sold in the third quarter of 2017.

Pension Plan Settlement

To reduce the size of our pension benefit obligation, reduce volatility of contribution requirements in future years, and also reduce pension-related operational expenses over the long-term, we are evaluating the possibility of an annuity purchase for pensioners currently receiving a small monthly benefit. If we move forward we anticipate that the purchase would occur in the fourth quarter of 2017. In our judgment, taking into account, among other things, actuarial guidance, we would expect to incur special non-cash pre-tax charges of approximately \$15-\$20 million during the fourth quarter. This amount could vary based upon the discount rate during the fourth quarter, the population of participants selected and other items. Since the annuity purchase would be made from pension plan assets, we believe this event would be neutral to the company's cash and the plan's funded status position. Although we expect to benefit from reduced operational expenses over the long-term, the annuity purchase is not expected to significantly impact future pension expenses.

RESULTS OF OPERATIONS

Discussion of Consolidated Results (Continuing Operations)

Third Quarter:

Sales were \$1,010 million in the current quarter, a 6% increase versus the same quarter last year. Same location sales increased 6% from growth in Automotive, Adjustable Bed, and several other businesses, along with raw material-related price inflation and currency impact. Acquisitions added 2% to sales growth but were offset by divestitures, which reduced sales by 2% in the quarter.

Earnings per share (EPS) from continuing operations were \$.61, versus \$.67 in the third quarter of 2016. The benefit from sales growth was more than offset by higher raw material costs and several smaller factors.

Earnings Before Interest and Taxes (EBIT) decreased 16%, to \$109 million, primarily from higher steel costs (including LIFO expense) and the pricing lag we typically experience in passing along commodity inflation. EBIT also decreased from a \$5 million impairment charge on a small wire forming operation and a \$3 million loss on the sale of our final CVP operation.

LIFO/FIFO and the Effect of Changing Prices

Approximately 50% of our inventories are valued on the last-in, first-out (LIFO) method.

For the full year 2017, we estimate \$16 million of LIFO expense. This estimate incorporates certain assumptions about year-end steel prices and inventory levels. Therefore, the LIFO calculation for the full year could be significantly different from that currently estimated.

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2017	2016	2017	2016
LIFO expense (benefit)	\$ 12.0	\$ 2.6	\$ 9.5	\$ (4.6)

Interest Expense and Income Taxes

Third quarter 2017 interest expense was not materially different from the third quarter of 2016.

Our tax rate is determined by a combination of items, some recurring and some discrete. Recurring items include such things as net income earned in various tax jurisdictions, and differences in tax rates in those jurisdictions. These items tend to be relatively stable from year to year. Conversely, discrete items include things such as prior year tax adjustments that may not be as consistent from year to year.

While the U.S. statutory federal income tax rate was 35% in both years, our worldwide effective tax rate on continuing operations was 17% for the third quarter of 2017, compared to 23% for the same quarter last year. In both years our tax rate benefited from earnings in non-U.S. jurisdictions, which reduced our effective tax rate by 6% in 2017 and 5% in 2016. Likewise, both years benefited (by 5% in 2017 and 8% in 2016) from equity compensation, U.S. tax incentives for domestic manufacturing, and other discrete tax adjustments in the quarter. The rate was reduced an additional 6% in 2017 by tax attributes related to the CVP disposition. Finally, several less significant items (including state taxes and prior year tax adjustments) provided a net decrease of 1% in 2017, and a net increase of 1% in 2016.

We anticipate a fourth quarter effective tax rate on continuing operations of approximately 25%, including the tax effect of stock compensation payments and certain other discrete items expected in the quarter. The tax impact of stock compensation fluctuates based on stock price and other factors, but is not expected to have a significant impact on the fourth quarter tax rate. Our anticipated tax rate is also contingent upon factors such as our overall profitability, the mix of earnings among tax jurisdictions, the type of income earned, business acquisitions and dispositions, the impact of tax audits and other discrete items, and the effect of tax law changes and prudent tax planning strategies.

Discussion of Segment Results

Third Quarter Discussion

A description of the products included in each segment, along with segment financial data, appear in Note 4 to the Consolidated Condensed Financial Statements on page 9. All segment data has been retrospectively adjusted to reflect the change in segment structure discussed on page 33. A summary of segment results is shown in the following tables.

Sales (Dollar amounts in millions)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Change in Sales		% Change in Same Location Sales(1)
			\$	%	
Residential Products	\$ 431.2	\$ 407.3	\$ 23.9	5.9 %	2.5%
Industrial Products	135.0	144.7	(9.7)	(6.7)	(3.4)
Furniture Products	287.7	265.8	21.9	8.2	6.8
Specialized Products	229.7	221.2	8.5	3.8	8.6
Total	1,083.6	1,039.0	44.6	4.3	
Intersegment sales	(73.9)	(90.1)	16.2		
Trade sales	\$ 1,009.7	\$ 948.9	\$ 60.8	6.4 %	6.2%

EBIT (Dollar amounts in millions)	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016	Change in EBIT		EBIT Margins(2)	
			\$	%	Three Months Ended September 30, 2017	Three Months Ended September 30, 2016
Residential Products	\$ 50.5	\$ 45.1	\$ 5.4	12.0 %	11.7%	11.1%
Industrial Products	1.1	16.9	(15.8)	(93.5)	0.8	11.7
Furniture Products	24.5	26.4	(1.9)	(7.2)	8.5	9.9
Specialized Products	34.2	40.6	(6.4)	(15.8)	14.9	18.4
Intersegment eliminations & other	(1.1)	1.2	(2.3)			
Total	\$ 109.2	\$ 130.2	\$ (21.0)	(16.1)%	10.8%	13.7%

(1) The change in same location sales excludes the effect of acquisitions or divestitures. These are sales that come from the same plants and facilities that we owned one year earlier.

(2) Segment margins are calculated on total sales. Overall company margin is calculated on trade sales.

Residential Products

Total sales increased \$24 million, or 6%, with same location sales up 2%. Sales volume was flat in the quarter with growth in most businesses offset by lower pass-through sales of adjustable beds, which reduced sales by 2%. Raw material inflation and currency impact contributed 2% to sales growth and acquisitions added 4% to the segment's sales.

EBIT increased \$5 million primarily from higher sales.

Industrial Products

Total sales decreased \$10 million, or 7%, reflecting divestitures completed in 2016 and a 3% reduction in same location sales. Volume declines were partially offset by steel-related price increases.

The segment's EBIT decreased \$16 million due to higher steel costs (including LIFO expense), the timing lag associated with passing along inflation, a \$5 million impairment of a small wire products operation, and lower volume.

Furniture Products

Total sales increased \$22 million, or 8%, with same location sales up 7% primarily from growth in Adjustable Bed. A small acquisition in Work Furniture also added 1% to the segment's sales.

Segment EBIT decreased \$2 million, with the benefit from sales growth in Adjustable Bed and Work Furniture more than offset by higher steel costs (including LIFO expense) in Home Furniture.

Specialized Products

Total sales increased \$9 million, or 4%, with same location sales up 9%. Sales grew primarily from higher volume in Automotive and a favorable currency impact. The CVP divestiture reduced sales by 5%.

EBIT decreased \$6 million with the benefit from higher sales more than offset by growth-related costs, currency adjustments, and a \$3 million loss on the sale of our last remaining CVP operation.

Discontinued Operations

In the third quarter of 2017, discontinued operations reflected a small litigation expense related to our former Prime Foam business. There was no material discontinued operations activity during the third quarter of 2016. For further information about discontinued operations, see Note 5 to the Consolidated Condensed Financial Statements on page 12.

Nine Month Discussion

A description of the products included in each segment, along with segment financial data, appear in Note 4 to the Consolidated Condensed Financial Statements on page 9. All segment data has been retrospectively adjusted to reflect the change in segment structure discussed on page 33. A summary of segment results is shown in the following tables.

Sales (Dollar amounts in millions)	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	Change in Sales		% Change in Same Location Sales(1)
			\$	%	
Residential Products	\$ 1,239.3	\$ 1,214.6	\$ 24.7	2.0 %	(0.7)%
Industrial Products	409.6	452.0	(42.4)	(9.4)	(2.3)
Furniture Products	830.4	791.0	39.4	5.0	4.0
Specialized Products	706.1	679.9	26.2	3.9	7.4
Total	3,185.4	3,137.5	47.9	1.5	
Intersegment sales	(226.1)	(291.3)	65.2		
Trade sales	\$ 2,959.3	\$ 2,846.2	\$ 113.1	4.0 %	4.6 %

EBIT (Dollar amounts in millions)	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016	Change in EBIT		EBIT Margins(2)	
			\$	%	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Residential Products	\$ 143.2	\$ 130.4	\$ 12.8	9.8 %	11.6%	10.7%
Industrial Products	17.0	50.0	(33.0)	(66.0)	4.2	11.1
Furniture Products	65.1	82.5	(17.4)	(21.1)	7.8	10.4
Specialized Products	121.3	138.8	(17.5)	(12.6)	17.2	20.4
Intersegment eliminations & other	.8	2.1	(1.3)			
Total	\$ 347.4	\$ 403.8	\$ (56.4)	(14.0)%	11.7%	14.2%

(1) The change in same location sales excludes the effect of acquisitions or divestitures. These are sales that come from the same plants and facilities that we owned one year earlier.

(2) Segment margins are calculated on total sales. Overall company margin is calculated on trade sales.

Residential Products

Total sales increased \$25 million, or 2%, with same location sales down 1%. Sales volume decreased 2% primarily from lower pass-through sales of adjustable beds, which reduced sales by 3%. Raw material inflation contributed 1% to sales growth and acquisitions (net of a small divestiture) added 3% to the segment's sales.

EBIT increased \$13 million over the prior year. 2016 EBIT included a \$7 million litigation gain that did not repeat in 2017. Current year EBIT improved primarily from the ability to pass through higher raw material costs and increased sales.

Industrial Products

Total sales decreased \$42 million, or 9%, largely due to divestitures completed in 2016. Same location sales decreased 2%, with lower volume partially offset by steel-related price increases.

Segment EBIT decreased \$33 million primarily from higher steel costs (including LIFO expense), the timing lag associated with passing along inflation, a \$5 million impairment of a small wire products operation, and lower volume.

Furniture Products

Total sales increased \$39 million, or 5%, with same location sales up 4% from growth in Adjustable Bed and Work Furniture. A small acquisition also added 1% to the segment's sales.

EBIT decreased \$17 million, with the benefit from sales growth more than offset by higher raw material costs (including LIFO expense) and an unfavorable sales mix.

Specialized Products

Total sales increased \$26 million, or 4%. Same location sales increased 7%, with volume gains in Automotive and Aerospace partially offset by lower sales in CVP and currency impact. Divestitures, net of acquisitions, reduced sales by 3%.

The segment's EBIT decreased \$18 million. 2016 EBIT included an \$11 million divestiture gain and an offsetting \$4 million goodwill impairment charge that did not repeat in 2017. Current year EBIT benefited from higher sales, but this was more than offset by growth-related costs in Automotive, currency adjustments, and a \$3 million loss on the sale of our last remaining CVP operation.

Discontinued Operations

In the nine months ended September 30, 2017, discontinued operations reflected a small litigation expense related to our former Prime Foam Business. In the nine months ended September 30, 2016, discontinued operations activity primarily resulted from the benefit of a litigation settlement attributable to our former Prime Foam business. The settlement amount was \$20 million (after-tax). For further information about discontinued operations, see Note 5 to the Consolidated Condensed Financial Statements on page 12.

LIQUIDITY AND CAPITALIZATION

Cash from Operations

Cash from operations is our primary source of funds. Earnings and changes in working capital levels are the two broad factors that generally have the greatest impact on our cash from operations. Cash from operations for the nine months ended September 30, 2017 was \$262 million, down from \$386 million for the same period last year, primarily due to increased working capital. For 2017, we expect cash from operations to approximate \$425 million.

We closely monitor our working capital levels, and ended the quarter with adjusted working capital at 11.6% of annualized sales. The table below explains this non-GAAP calculation. We eliminate cash and current debt maturities from working capital to monitor our operating efficiency and performance related to trade receivables, total inventories and accounts payable. We believe this provides a more useful measurement to investors since cash and current maturities can fluctuate significantly from period to period. As discussed on page 45, a substantial amount of our cash is held by international operations and may not be immediately available to reduce debt on a dollar-for-dollar basis.

(Amounts in millions)	September 30, 2017	December 31, 2016
Current assets	\$ 1,550	\$ 1,325
Current liabilities	892	707
Working capital	658	618
Cash and cash equivalents	343	282
Current debt maturities	153	4
Adjusted working capital	\$ 468	\$ 340
Annualized sales (1)	\$ 4,040	\$ 3,616
Working capital as a percent of annualized sales	16.3%	17.1%
Adjusted working capital as a percent of annualized sales	11.6%	9.4%

(1) Annualized sales equal 3rd quarter 2017 sales of \$1,010 million and 4th quarter 2016 sales of \$904 million multiplied by 4. We believe measuring our working capital against this sales metric is more useful, since efficient management of working capital includes adjusting those net asset levels to reflect current business volume.

Three Primary Components of our Working Capital

	Amount (in millions)		Days		
	September 30, 2017	December 31, 2016	Nine Months Ended		Twelve Months Ended
			September 30, 2017	December 31, 2016	
Trade Receivables	\$ 554.0	\$ 450.8	DSO ¹	50	44
Inventories	\$ 558.0	\$ 519.6	DIO ²	65	66
Accounts Payable	381.8	\$ 351.1	DPO ³	44	42

Calculation of days are as follows:

1. Days sales outstanding: $((\text{beginning of year trade receivables} + \text{end of period trade receivables}) \div 2) \div (\text{net trade sales} \div \text{number of days in the period})$.
2. Days inventory on hand: $((\text{beginning of year inventory} + \text{end of period inventory}) \div 2) \div (\text{cost of goods sold} \div \text{number of days in the period})$.
3. Days payables outstanding: $((\text{beginning of year accounts payable} + \text{end of period accounts payable}) \div 2) \div (\text{cost of goods sold} \div \text{number of days in the period})$.

Trade Receivables - Our net trade receivables and our days sales outstanding at September 30, 2017 increased primarily due to increased sales and acquisitions. We believe the increase compared to the prior year does not indicate a greater risk of loss, and we have established adequate reserves on our riskier customer accounts. We obtain credit applications, credit reports, bank and trade references, and periodic financial statements from our customers to establish credit limits and terms. In cases where a customer's payment performance or financial condition begins to deteriorate, we tighten our credit limits and terms and make appropriate reserves based upon the specific circumstances. Our provision for losses on accounts receivable has averaged \$3 million annually for the last three years. Our allowance for bad debt as a percentage of our net receivables has averaged 2%

for the last three years. We continue to look for ways to improve speed of customer payments, including third party programs with early payment incentives in certain circumstances.

Inventories - The one day decrease in inventories at September 30, 2017 compared to year-end is primarily due to higher COGS, which is a result of inflation in our steel and rod costs. Days inventory on hand on at September 30, 2017 is within a reasonable historical range. We believe we have established adequate reserves for any slower moving or obsolete inventories. We continuously monitor our slow moving and potentially obsolete inventory through reports on inventory quantities compared to usage within the previous 120 days. We also utilize cycle counting programs and complete physical counts of our inventory. When potential inventory obsolescence is indicated by these controls, we will take charges for write-downs to maintain an adequate level of reserves. We have averaged inventory obsolescence charges of \$10 million annually for the last three years. Our reserve balances (not including our LIFO reserves) as a percentage of our period-end inventory were 6% at September 30, 2017, which is consistent with our historical average.

Accounts Payable - The increase in accounts payable at September 30, 2017 compared to year-end is primarily due to increased inventory to support sales growth, increased steel prices, and acquisitions. Steel is our principal raw material. Our payment terms did not change meaningfully since year-end. We continue to optimize payment terms through our significant purchasing power and also utilize third party services that allow flexible payment options.

Uses of Cash

Finance Capital Requirements

Cash is readily available to fund growth.

In certain of our businesses and product lines we have minimal excess capacity, and we are investing to support continued growth. In Automotive, we are expanding capacity to support new programs that will begin production over the next few years. In Bedding, we are investing in equipment to support ongoing growth in ComfortCore® innersprings and new product introductions. We also continue to invest to support growth in Adjustable Bed.

We will continue to make investments to support expansion in businesses and product lines where sales are growing, and for efficiency improvement and maintenance. We expect capital expenditures to approximate \$160 million in 2017. Our employee incentive plans emphasize returns on capital, which include net fixed assets and working capital. This emphasis focuses our management on asset utilization and helps ensure that we are investing additional capital dollars where attractive return potential exists.

In some of our businesses, we have capacity to accommodate additional volume. For each \$10 million of sales from incremental unit volume produced utilizing spare capacity, we expect to generate approximately \$2.5 million to \$3.5 million of additional pre-tax earnings (which equates to a 25-35% incremental margin). The earnings and margin improvement that we have realized over the past few years reflects, in part, higher utilization in our businesses from market share gains and higher market demand.

Our long-term, 6-9% annual growth objective envisions periodic acquisitions. We are seeking strategic acquisitions primarily within our Grow business units, and we are looking for opportunities to enter new growth markets (carefully screened for sustainable competitive advantage). If we find these opportunities, we may use existing cash or borrow to finance the acquisitions. We have completed three acquisitions so far in 2017. The first is a distributor and installer of geosynthetic products purchased for \$23 million, which further expands the geographic scope and capabilities of our Geo Components business. The second is a manufacturer of surface-critical bent tube components purchased for \$17 million, which supports the private-label finished seating strategy in our Work Furniture business. The remaining business is a producer of carpet cushion purchased for 257,454 shares of Leggett stock. We also acquired the remaining 20% ownership in an Asian joint venture in our Work Furniture business for \$3 million. In 2016, we acquired a manufacturer of aerospace tube assemblies for a purchase price of \$16 million. This business expanded our tube forming and fabrication capabilities, and also added precision machining to our aerospace platform. We also acquired a distributor of geosynthetic products for \$11 million. Additional details about acquisitions are discussed in Note 10 on page 20 to the Consolidated Condensed Financial Statements.

Pay Dividends

Dividends are one of the primary means by which we return cash to shareholders. The cash requirement for dividends in 2017 should approximate \$185 million.

In August, we declared a quarterly dividend of \$.36 per share, which represented a \$.02, or 5.9%, increase versus third quarter of 2016. This year marks our 46th consecutive annual dividend increase. Our targeted dividend payout ratio is approximately 50-60% of continuing operations adjusted EPS (which would exclude special items such as divestiture gains, impairment charges, litigation accruals and settlement proceeds). We expect future dividend growth to approximate earnings growth.

Repurchase Stock

Share repurchases are the other means by which we return cash to shareholders. During the first nine months of 2017, we repurchased 3.3 million shares of our stock (at an average price of \$48.67 per share) and issued 1.6 million shares primarily through employee benefit plans and option exercises. At quarter-end, the number of shares outstanding decreased to 131.8 million.

Our top priorities for use of cash are organic growth, dividends, and strategic acquisitions. After funding those priorities, to the extent there is remaining cash available, we generally intend to repurchase stock rather than repay debt early or stockpile cash. We have been authorized by the Board to repurchase up to 10 million shares each year, but we have established no specific repurchase commitment or timetable.

Capitalization

The following table presents Leggett's key debt and capitalization statistics:

(Dollar amounts in millions)	September 30, 2017	December 31, 2016
Long-term debt outstanding:		
Scheduled maturities	\$ 607	\$ 760
<i>Average interest rates (1)</i>	3.7%	3.7%
<i>Average maturities in years (1)</i>	5.1	5.8
Revolving credit/commercial paper (2)	437	196
<i>Average interest rate on balances as of the dates presented</i>	1.5%	1.0%
Total long-term debt	1,044	956
Deferred income taxes and other liabilities	215	227
Shareholders' equity and noncontrolling interest	1,173	1,094
Total capitalization	\$ 2,432	\$ 2,277
Unused committed credit:		
Long-term	\$ 313	\$ 554
Short-term	—	—
Total unused committed credit (2)	\$ 313	\$ 554
Current maturities of long-term debt	\$ 153	\$ 4
Cash and cash equivalents	\$ 343	\$ 282
Ratio of earnings to fixed charges (3)	8.1x	9.6 x

- (1) *These rates include current maturities, but exclude commercial paper to reflect the averages of outstanding debt with scheduled maturities. The rates also include amortization of interest rate swaps.*
- (2) *The unused credit amount is based on our revolving credit facility and commercial paper program which, at the end of the third quarter of 2017, had \$750 million of borrowing capacity. The Company is currently planning to increase the borrowing capacity under the facility to \$800 million and extend the maturity to the fourth quarter of 2022.*
- (3) *As presented in Exhibit 12, fixed charges include interest expense, capitalized interest, plus implied interest included in operating leases. Earnings consist principally of income from continuing operations before income taxes, plus fixed charges.*

The next table shows the percentage of long-term debt to total capitalization, calculated in two ways:

- Long-term debt to total capitalization as reported in the previous table.
- Long-term debt to total capitalization each reduced by total cash and increased by current maturities of long-term debt.

We believe that adjusting this measure for cash and current maturities allows a more useful comparison to periods during which cash fluctuates significantly. We use these adjusted (non-GAAP) measures as supplemental information to track leverage trends across time periods with variable levels of cash. Our long-term target is to have net debt as a percentage of net capital in the 30%-40% range. As discussed on page 45, a substantial amount of cash is held at our international operations. Therefore, we may not be able to use all of our cash to reduce our debt on a dollar-for-dollar basis, as reflected in the net debt to net capital ratio.

(Amounts in millions)	September 30, 2017	December 31, 2016
Debt to total capitalization:		
Long-term debt	\$ 1,044	\$ 956
Current debt maturities	153	4
Cash and cash equivalents	(343)	(282)
Net debt	\$ 854	\$ 678
Total capitalization		
Current debt maturities	153	4
Cash and cash equivalents	(343)	(282)
Net capitalization	\$ 2,242	\$ 1,999
Long-term debt to total capitalization		
	42.9%	42.0%
Net debt to net capitalization		
	38.1%	33.9%

Total debt (which includes long-term debt and current debt maturities) grew \$237 million versus year-end 2016 levels due to an increase in commercial paper borrowing.

Short Term Borrowings

We can raise cash by issuing up to \$750 million in commercial paper through a program that is backed by a \$750 million revolving credit facility with a syndicate of 14 lenders. This facility expires in May 2021. The credit facility allows us to issue letters of credit totaling up to \$250 million. When we issue letters of credit under the facility, we reduce available credit and commercial paper capacity by a corresponding amount. Amounts outstanding related to our commercial paper program were:

(Amounts in millions)	September 30, 2017	December 31, 2016
Total program authorized	\$ 750	\$ 750
Commercial paper outstanding (classified as long-term debt)	(437)	(196)
Letters of credit issued under the credit agreement	—	—
Total program usage	(437)	(196)
Total program available	\$ 313	\$ 554

The average and maximum amounts of commercial paper outstanding during the third quarter of 2017 were \$561 million and \$596 million, respectively. At quarter-end, we had no letters of credit outstanding under the credit facility, but we had issued \$53 million of stand-by letters of credit under other bank agreements to take advantage of better pricing. At October 31, 2017 we had \$483 million commercial paper outstanding. Over the long term, and subject to our capital needs, market conditions and alternative capital market opportunities, we expect to maintain the indebtedness under the program by continuously repaying and reissuing the commercial paper notes until such time as the outstanding notes are replaced with long-term debt. We view the notes as a source of long-term funds and have classified the borrowings under the commercial paper program as long-term borrowings on our balance sheet. We have the intent to roll over such obligations on a long-term basis

and have the ability to refinance these borrowings on a long-term basis as evidenced by our revolving credit agreement discussed above. However, we expect that our commercial paper balances may increase or decrease in the short term due to acquisition or divestiture activity and our working capital needs. The Company is currently planning to increase the borrowing capacity under the facility to \$800 million and extend its maturity to the fourth quarter of 2022.

Evaluating Financing Alternatives

We have \$150 million of 4.4% Notes due July 1, 2018. We are evaluating financing alternatives for the retirement of these notes and the reduction of commercial paper borrowings. These alternatives may include accessing the capital markets. We believe that operating cash flow, cash on hand, our commercial paper program, and our ability to access the capital markets will provide sufficient funds available to repay maturing debt, as well as support our ongoing operations, pay dividends, fund future growth (both internally and externally), and repurchase stock.

Our revolving credit facility and certain other long-term debt obligations contain restrictive covenants, with which we were comfortably in compliance as of September 30, 2017. The covenants currently limit: a) our total amount of indebtedness to 65% of our total capitalization (each as defined in the revolving credit facility), b) the amount of total secured debt to 15% of our total consolidated assets, and c) the amount of assets sold, transferred or disposed of in any trailing four quarter period to 40% of total consolidated assets. For more information about long-term debt, see Note I of the Notes to the Consolidated Financial Statements in our Form 10-K filed February 22, 2017.

Accessibility of Cash

At September 30, 2017 we had cash and cash equivalents of \$343 million primarily invested in interest-bearing bank accounts and in bank time deposits with original maturities of three months or less. Nearly all of these funds are held in the international accounts of our foreign operations. We do not rely on this foreign cash as a source of funds to support our ongoing U.S. liquidity needs. If we were to bring all this foreign cash back immediately to the U.S. in the form of dividends, we would incur incremental tax expense of up to \$70 million based on our average historic foreign tax rate. However, due to capital requirements in various jurisdictions, approximately \$30 million of this cash is currently inaccessible for repatriation. We did not permanently repatriate any cash during the third quarter of 2017, and repatriated \$5 million at no added tax cost for the full year 2016. On October 30, 2017 we permanently repatriated \$116 million at no incremental tax cost for the full year 2017.

ACCOUNTING STANDARD UPDATES

As discussed in Note 2 to the Consolidated Condensed Financial Statements on page 6, the FASB has issued accounting standard updates effective for the current and future periods. We are currently evaluating these items and the impact on our future financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate

Substantially all of our debt is denominated in United States dollars. The fair value for fixed rate debt was greater than its \$750 carrying value by approximately \$20 at September 30, 2017 and December 31, 2016. The fair value of fixed rate debt was calculated using a Bloomberg secondary market rate, as of September 30, 2017 and December 31, 2016, respectively, for similar remaining maturities, plus an estimated "spread" over such Treasury securities representing the Company's interest costs for its medium-term notes. The fair value of variable rate debt is not significantly different from its recorded amount.

Investment in Foreign Subsidiaries

We view our investment in foreign subsidiaries as a long-term commitment, and do not hedge translation exposures. This investment may take the form of either permanent capital or notes. Our net investment (i.e., total assets less total liabilities subject to translation exposure) in foreign operations with functional currencies other than the U.S. dollar was \$1.038 billion at September 30, 2017, compared to \$845 million at December 31, 2016.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and our other public disclosures, whether written or oral, may contain "forward-looking" statements including, but not limited to: projections of revenue, income, earnings, capital expenditures, dividends, capital structure, cash flows, or other financial items; possible plans, goals, objectives, prospects, strategies or trends concerning future operations; statements concerning future economic performance; possible goodwill or other asset impairment; and the underlying assumptions relating to the forward-looking statements. These statements are identified either

by the context in which they appear or by use of words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should” or the like. All such forward-looking statements, whether written or oral, and whether made by us or on our behalf, are expressly qualified by the cautionary statements described in this provision.

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

Readers should review Item 1A Risk Factors in our Form 10-K, filed February 22, 2017 and in this Form 10-Q for a description of important factors that could cause actual events or results to differ materially from forward-looking statements. It is not possible to anticipate and list all risks, uncertainties and developments which may affect the future operations or performance of the Company, or which otherwise may cause actual events or results to differ materially from forward-looking statements. However, the known, material risks and uncertainties include the following:

- factors that could affect the industries or markets in which we participate, such as growth rates and opportunities in those industries;
- adverse changes in inflation, currency, political risk, and U.S. or foreign laws or regulations (including tax law changes);
- adverse changes in consumer confidence, housing turnover, employment levels, interest rates, trends in capital spending and the like;
- factors that could impact raw materials and other costs, including the availability and pricing of steel scrap and rod and other raw materials, the availability of labor, wage rates and energy costs;
- our ability to pass along raw material cost increases through increased selling prices;
- price and product competition from foreign (particularly Asian and European) and domestic competitors;
- our ability to maintain profit margins if our customers change the quantity and mix of our components in their finished goods;
- our ability to realize 25-35% contribution margin on incremental unit volume produced utilizing spare capacity;
- our ability to achieve expected levels of cash flow;
- our ability to identify and consummate strategically-screened acquisitions;
- our ability to maintain and grow the profitability of acquired companies;
- our ability to maintain the proper functioning of our internal business processes and information systems through technology failures or otherwise;
- our ability to avoid modification or interruption of our information systems through cyber-security breaches;
- a decline in the long-term outlook for any of our reporting units that could result in asset impairment;
- the loss of one or more of our significant customers; and
- litigation accruals related to various contingencies including antitrust, intellectual property, product liability and warranty, taxation, environmental and workers’ compensation expense.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See the “Quantitative and Qualitative Disclosures About Market Risk” section under Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 4. CONTROLS AND PROCEDURES

Effectiveness of the Company’s Disclosure Controls and Procedures

An evaluation as of September 30, 2017 was carried out by the Company’s management, with participation of the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded the Company’s disclosure controls and procedures are effective, as of September 30, 2017, to provide assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified by the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by

the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in the Company's Internal Control Over Financial Reporting

There were no changes during the quarter ended September 30, 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

During the first quarter of 2017, we transitioned certain corporate-level shared service systems for general ledger, cash application, purchasing and accounts payable disbursements to a new platform. The new platform further automates and enhances a number of existing processes and activities primarily related to our domestic U.S. operations. The total capital outlay for this activity approximated \$20 million, most of which was recorded in 2015 and 2016.

These improvements were system process enhancements and were not made in response to any control deficiency or weakness. Our internal control over financial reporting has been, and we expect will continue to be, effective. Implementation risk was controlled through an on-going process of monitoring and evaluation to mitigate potential risk. The system deployments included fully evaluating and updating our internal control over financial reporting, as well as significant testing and training.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in Note 15 beginning on page 29 of our Notes to Consolidated Condensed Financial Statements is incorporated into this section by reference.

ITEM 1A. RISK FACTORS

Our 2016 Annual Report on Form 10-K filed February 22, 2017 includes a detailed discussion of our risk factors in Item 1A “Risk Factors.” The information presented below updates and should be read in conjunction with the risk factors and information disclosed in that Form 10-K.

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

We are exposed to litigation contingencies that, if realized, could have a material negative impact on our financial condition, results of operations and cash flows.

We deny liability in all threatened or pending litigation proceedings and believe that we have valid bases to contest all claims made against us. We had, at September 30, 2017, no accrual for aggregate litigation contingencies. Based on current facts and circumstances, aggregate reasonably possible (but not probable and therefore not recorded) losses in excess of accruals for litigation contingencies (which include Brazilian VAT and other matters) are estimated to be \$22 million. If our assumptions or analyses regarding these contingencies are incorrect, or if facts change, we could realize loss greater than the recorded accruals, and greater than our estimate of reasonably possible losses in excess of the recorded accruals. These losses could have a material negative impact on our financial condition, results of operations and cash flows. For more information regarding our litigation contingency accruals and reasonably possible losses in excess of accruals, see Note 15 “Contingencies” on page 29 of the Notes to Consolidated Condensed Financial Statements.

Our goodwill and other long-lived assets are subject to potential impairment which could negatively impact our earnings.

A significant portion of our assets consists of goodwill and other long-lived assets, the carrying value of which may be reduced if we determine that those assets are impaired. At September 30, 2017, goodwill and other intangible assets represented \$993 million, or 30% of our total assets. In addition, net property, plant and equipment and sundry assets totaled \$781 million, or 23% of total assets. If actual results differ from the assumptions and estimates used in the goodwill and long-lived asset valuation calculations, we could incur impairment charges, which would negatively impact our earnings.

We review our reporting units for potential goodwill impairment in the second quarter as part of our annual goodwill impairment testing, and more often if an event or circumstance occurs making it likely that impairment exists. In addition, we test for the recoverability of long-lived assets at year-end, and more often if an event or circumstance indicates the carrying value may not be recoverable. We conduct impairment testing based on our current business strategy in light of present industry and economic conditions, as well as future expectations. If we are not able to achieve projected performance levels, future impairments could be possible, which would negatively impact our earnings.

Business disruptions to our steel rod mill, if coupled with an inability to purchase an adequate and/or timely supply of quality steel rod from alternative sources, could have a material negative impact on our Residential Products and Industrial Products segments and Company results of operations.

We purchase steel scrap from third party suppliers. This scrap is converted into steel rod in our mill in Sterling, Illinois. Our steel rod mill has annual output of approximately 500,000 tons, a substantial majority of which is used by our three wire mills. Our wire mills convert the steel rod into drawn steel wire. This wire is used in the production of many of our products, including mattress innersprings.

A disruption to the operation of, or supply of steel scrap to, our steel rod mill could require us to purchase steel rod from alternative supply sources, subject to market availability. Current trade action by domestic rod producers against several foreign

suppliers, initiated March 28, 2017, could result in the imposition of duties on steel rod imports which could result in reduced market availability of steel rod.

If we experience a disruption to our ability to produce steel rod in our mill, coupled with a reduction of adequate and/or timely supply from alternative market sources of quality steel rod, we could experience a material negative impact on our Residential Products and Industrial Products segments and Company results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The table below is a listing of our purchases of the Company's common stock by calendar month for the periods presented.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs (2)
July 2017	170,830	\$ 48.89	149,588	7,831,942
August 2017	436,326	\$ 47.34	436,326	7,395,616
September 2017	262,593	\$ 45.94	262,593	7,133,023
Total	869,749	\$ 47.23	848,507	

- (1) This number includes 21,242 shares which were not repurchased as part of a publicly announced plan or program, all of which were outstanding shares surrendered to exercise stock options. It does not include shares withheld for taxes in option exercises and stock unit conversions, or forfeitures of stock units, all of which totaled 33,912 shares for the third quarter.
- (2) On August 4, 2004, the Board authorized management to repurchase up to 10 million shares each calendar year beginning January 1, 2005. This standing authorization was first reported in the quarterly report on Form 10-Q for the period ended June 30, 2004, filed August 5, 2004, and shall remain in force until repealed by the Board of Directors.

Sale of Unregistered Shares of Common Stock

On September 15, 2017 the Company issued 257,454 shares of its Common Stock, par value \$.01, pursuant to a merger agreement between the Company, Walk-On Products, Inc. ("Walk-On Products"), and the shareholders of Walk-On Products. The Company issued the shares, aggregately valued at \$11,714,155, to the Walk-On Products shareholders in exchange for all of the issued and outstanding capital stock of Walk-On Products. There were no underwriters or underwriter's discounts or commissions involved in the transaction. This transaction was exempt from registration pursuant to Section 4(a) (2) of the Securities Act of 1933, as amended, and Rule 506(b) of Regulation D promulgated thereunder in that the transaction did not involve any public offering.

ITEM 6. EXHIBITS

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
3.2.1 *	Bylaws of the Company as amended through November 7, 2017.
12*	Computation of Ratio of Earnings to Fixed Charges.
31.1*	Certification of Karl G. Glassman, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 7, 2017.
31.2*	Certification of Matthew C. Flanigan, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated November 7, 2017.
32.1*	Certification of Karl G. Glassman, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 7, 2017.
32.2*	Certification of Matthew C. Flanigan, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated November 7, 2017.
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase.
101.LAB**	XBRL Taxonomy Extension Label Linkbase.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase.

* Denotes filed herewith.

** Filed as Exhibit 101 to this report are the following formatted in XBRL (eXtensible Business Reporting Language):

(i) Consolidated Condensed Balance Sheets at September 30, 2017 and December 31, 2016; (ii) Consolidated Condensed Statements of Operations for the three and nine months ended September 30, 2017 and September 30, 2016; (iii) Consolidated Condensed Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2017 and September 30, 2016; (iv) Consolidated Condensed Statements of Cash Flows for the nine months ended September 30, 2017 and September 30, 2016; and (v) Notes to Consolidated Condensed Financial Statements.

**BYLAWS
OF
LEGGETT & PLATT, INCORPORATED
as amended through November 7, 2017**

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LEGGETT & PLATT, INCORPORATED
BYLAWS

ARTICLE 1. MEETINGS OF SHAREHOLDERS

Section 1.1 Annual Meeting - Date, Place and Time. The annual meeting of the shareholders for the election of Directors and for the transaction of such other business as may properly come before the meeting shall be held on such date, at such time and at such place, within or without the State of Missouri, as shall be determined by the Board of Directors.

Section 1.2 Business at Annual Meetings.

(a) The business at each annual meeting of the shareholders shall include the election of Directors and only such other business as has been properly brought before the meeting by being (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (ii) brought before the meeting by or at the direction of a majority of the Board of Directors, or (iii) brought before the meeting by a shareholder in accordance with Section 1.2(b).

(b) For any business to be properly brought before an annual meeting by a shareholder:

(1) The shareholder must be a shareholder of record both at the time of giving of notice required in this Section 1.2(b) and at the time of the meeting.

(2) The Secretary must receive, at the principal executive offices of the Corporation, a written notice from the shareholder not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if (i) no annual meeting was held in the previous year or (ii) the date of the annual meeting is advanced or delayed by more than 30 days from such anniversary date, notice by the shareholder must be received not later than the later of the 90th day prior to such annual meeting or the tenth day following the public announcement of such meeting. Neither an adjournment nor a postponement of an annual meeting (or an announcement thereof) shall begin a new time period for delivering a shareholder's notice.

(3) The shareholder's notice shall set forth:

(i) a brief description of the business proposed to be brought before the meeting, the text of the proposal or business (including any proposed resolutions), the reasons for proposing to conduct such business at the meeting and any material interest of such shareholder (and of the beneficial owner, if any, on whose behalf the proposal is made) in such business;

(ii) a description of all agreements, arrangements and understandings between such shareholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such shareholder; and

(iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made, (a) the name and address of such shareholder and beneficial owner, as they appear on the Corporation's books, (b) (1) the class and number of shares of stock of the Corporation which are, directly or indirectly, owned beneficially and of record by such shareholder and beneficial owner, (2) any option,

warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise (a "Derivative Instrument") directly or indirectly owned beneficially by such shareholder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (3) any proxy, contract, arrangement, understanding, or relationship pursuant to which such shareholder has a right to vote any shares of any security of the Corporation, (4) any short interest in any security of the Corporation (for purposes of these Bylaws a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (5) any rights to dividends on the shares of the Corporation owned beneficially by such shareholder that are separated or separable from the underlying shares of the Corporation, (6) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such shareholder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, and (7) any performance-related fees (other than an asset-based fee) that such shareholder is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments (the foregoing items (1) through (7), individually or collectively, the "Disclosable Interests"), if any, as of the date of such notice, including without limitation any Disclosable Interests held by members of such shareholder's immediate family sharing the same household (which information shall be supplemented by such shareholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), (c) a representation that the shareholder intends to appear in person or by proxy at the meeting to propose such business, (d) any other information that would be required to be provided by the shareholder or beneficial owner in a proxy statement or other filing required to be made in connection with solicitations of proxies for the proposal pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in such person's capacity as a proponent of a shareholder proposal, and (e) a representation as to whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or (ii) to otherwise solicit proxies from shareholders in support of such proposal.

In addition, to be considered timely, a shareholder's notice to the Secretary shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and the Secretary must receive, at the principal executive offices of the Corporation, such update and supplement not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof. The obligation

to update and supplement as set forth in this paragraph or any other Section of these Bylaws (including without limitation Section 2.2) shall not limit the Corporation's rights or remedies with respect to any deficiencies in any notice provided by a shareholder (or be deemed to cure any such defects), extend any applicable deadlines hereunder or under any other provision of the Bylaws, or enable or be deemed to permit a shareholder who has previously submitted notice hereunder or under any other provision of the Bylaws to amend or update any proposal or to submit any new proposal, including by changing or adding nominees, matters, business and or resolutions proposed to be brought before a meeting of the shareholders.

(4) The proposed business must not be an improper subject for shareholder action under applicable law, and the shareholder must comply with state law, the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 1.2.

(5) The shareholder (or a qualified representative of the shareholder) must appear at the meeting of shareholders to propose such business and another shareholder must second the proposal.

(c) The meeting's presiding officer shall determine whether any proposal to bring business before the meeting was made in accordance with this Section 1.2 and, if any proposed business is not in compliance with this Section 1.2, to declare that such defective proposal be disregarded. The presiding officer shall have sole authority to decide questions of compliance with the foregoing procedures, and his or her ruling shall be final.

(d) Nothing in this Section 1.2 shall be deemed to affect any rights of shareholders to request inclusion of proposals in, or the Corporation's right to omit proposals from, the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or any successor provision. The provisions of this Section 1.2 shall also govern what constitutes timely notice for purposes of Rule 14a-4(c) under the Exchange Act.

Section 1.3 Special Meetings.

(a) Special meetings of the shareholders may be called only by the Board Chair, the Chief Executive Officer, the President, or a majority of the Board of Directors. In addition, shareholders holding not less than two-thirds of all issued and outstanding shares which are entitled to vote for the election of Directors may call a special meeting of shareholders by providing a notice to the Secretary signed by the requisite number of shareholders and setting forth the information required by Section 1.2(b)(3).

(b) Each special meeting shall be held on such date, at such time and at such place, within or without the State of Missouri, as shall be determined by the Board of Directors; provided, however, the Secretary shall call a special meeting called by the shareholders not later than ninety (90) days after receipt of the shareholder notice.

(c) Business transacted at any special meeting shall be confined to the purposes stated in the notice thereof.

Section 1.4 Quorum.

(a) The holders of a majority of the shares entitled to vote at any meeting of the shareholders, present in person or by proxy, shall constitute a quorum, and, except as otherwise required by law, the Restated Articles of Incorporation or these Bylaws, the act of the majority of such quorum shall be deemed the act of the shareholders. The shareholders present at a meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of such number of shareholders as to reduce the remaining shareholders to less than a quorum.

(b) Whether or not a quorum is present, the presiding officer shall have the power, except as otherwise provided by law, successively to adjourn the meeting to another place, date or time not longer than 90 days after each such adjournment, and no notice of any such adjournment need be given to shareholders if the place, date and time of the adjourned meeting are announced at the meeting at which the adjournment is taken. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 1.5 Qualification of Voters. The Board of Directors may fix a record day prior to the day of holding any meeting of the shareholders as the time as of which the shareholders are deemed shareholders of record. Only those persons who are shareholders of record shall be entitled to notice of, to attend and to vote, in person or by proxy, at such meeting; provided, however, no proxy shall be voted after 11 months from the date of its execution unless otherwise provided in the proxy.

Section 1.6 No Cumulative Voting. Shareholders do not have the right to cumulate their votes in any manner in connection with the election of Directors.

Section 1.7 Procedure. The Board Chair, or in his or her absence the Lead Director, or in his or her absence the Chief Executive Officer, or in his or her absence the President, or in his or her absence the Secretary, shall preside at an annual or special meeting of the shareholders. In the absence of all of the above named officers, the Board of Directors shall select the person to preside at any meeting of the shareholders. It shall be the duty of such presiding officer to preserve order and ensure that the meeting is conducted in a businesslike and proper manner. The presiding officer shall have sole, complete and absolute authority to fully carry out his or her duties, including, without limitation, the power to postpone or adjourn the meeting from time to time if in his or her discretion such action is necessary or advisable to ensure order, to seek and receive advice of counsel, or to ensure fair and complete voting. The ruling of the presiding officer on any matter shall be final and conclusive. The presiding officer shall establish the order of business and such rules and procedures for the conduct of the meeting as in his or her sole, complete and absolute discretion he or she determines appropriate under the circumstances, including, without limitation, establishing (i) rules and procedures for maintaining order at the meeting and the safety of those present, (ii) limitations on participation in such meeting to shareholders of record, their duly authorized and constituted proxies and such other persons as the presiding officer shall permit, (iii) restrictions on entry to the meeting after the time fixed for the commencement thereof, (iv) limitations on the time allotted to questions or comments by participants, (v) regulation of the voting or balloting, as applicable, and (vi) determination of matters which are to be voted on by ballot, if any. Unless and to the extent determined by the Board of Directors or the presiding officer, meetings of shareholders shall not be required to be held in accordance with rules of parliamentary procedure.

Section 1.8 Certification of Votes. If the object of a shareholders' meeting be to elect Directors or to take a vote of the shareholders on any proposition, then the presiding officer shall appoint not less than two persons, who are not Directors, inspectors to receive and canvass the votes given at such meeting and certify the result to him or her. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of their duties. Any report or certificate made by the inspectors shall be prima facie evidence on the facts stated therein.

Section 1.9 Transmittal of Notices.

(a) Notices to shareholders regarding the annual meeting or special meetings shall be in writing, shall provide the place, date and hour set for the meeting, shall be given no less than ten nor more than 70 days before the date of the meeting, by or at the direction of the Secretary, to each shareholder of record entitled to vote at such meeting.

(b) Notices to shareholders may be delivered in any reasonable manner including, but not limited to, U.S. mail, private courier, hand delivery or electronic transmission. An electronic transmission means any process of communication not directly involving the physical transfer of paper that is suitable for the retention, retrieval and reproduction of information by the recipient, including, but not limited to, facsimile transmission, telex, telegram and communication utilizing the internet. Notice by U.S. mail or private courier shall be deemed given when deposited with the postal service or courier. Notice by electronic transmission shall be deemed given when transmitted.

Section 1.10 Action By Consent. Any action which may be taken at a meeting of the shareholders may be taken without a meeting if consents in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the subject matter thereof.

ARTICLE 2. DIRECTORS

Section 2.1 Number, Election, Removal and Vacancies. The whole Board of Directors shall consist of not less than three nor more than 15 members, the exact number to be set from time to time by the Board of Directors. No decrease in the number of Directors shall shorten the term of any incumbent Director. The Directors shall be elected at the annual meeting of the shareholders, except as provided below, and each Director elected shall hold office until his or her successor is elected and qualified. Directors may be removed during their term only for cause and then only by the holders of a majority of the shares entitled to vote at an election of Directors, represented in person or by proxy at any duly constituted meeting of the shareholders called for the purpose of removing any such Directors. Vacancies on the Board of Directors and newly created directorships resulting from any increase in the number of Directors may be filled by a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director, until the next election of Directors by the shareholders.

Section 2.2 Advance Notice of Nominations.

(a) Nominations of individuals for election to the Board of Directors may be made at an annual meeting of shareholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of a majority of the Board of Directors, or (iii) by any shareholder in accordance with Section 2.2(b).

(b) For any nomination to be properly brought before an annual meeting by a shareholder:

(1) The shareholder must be a shareholder of record both at the time of giving of notice required in this Section 2.2(b) and at the time of the meeting.

(2) The Secretary must receive, at the principal executive offices of the Corporation, a written notice from the shareholder not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if (i) no annual meeting was held in the previous year or (ii) the date of the annual meeting is advanced or delayed by more than 30 days from such anniversary date, notice by the shareholder must be received not later than the later of the 90th day prior to such annual meeting or the tenth day following the public announcement of such meeting. Neither an adjournment nor a postponement of an annual meeting (or an announcement thereof) shall begin a new time period for delivering a shareholder's notice.

(3) The shareholder's notice shall set forth:

(i) as to each proposed nominee (a) the name, age, business and residential addresses, and principal occupation or employment of each proposed nominee, (b) the nominee's Disclosable Interests, if any, as of the date of such notice, including without limitation any Disclosable Interests held by members of such nominee's immediate family sharing the same household (which information shall be supplemented by such nominee, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), (c) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships between or among such shareholder and beneficial owner, if any, and their respective affiliates or others acting in concert therewith (on the one hand) and each proposed nominee and his or her affiliates or others acting in concert therewith (on the other hand), including without limitation all information that would be required to be disclosed pursuant to Item 404 promulgated under Regulation S-K if the shareholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant, (d) a completed and signed questionnaire, representation and agreement required by Section 2.2(e), (e) all other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of Directors in a contested election, or is otherwise required pursuant to Regulation 14A under the Exchange Act, and (f) the written consent of each proposed nominee to being named as a nominee in the proxy statement and to serve as a Director of the Corporation if so elected; and

(ii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made, (a) the name and address of such shareholder and beneficial owner, as they appear on the Corporation's books, (b) the shareholder's and beneficial owner's Disclosable Interests, if any, as of the date of such notice, including without limitation any Disclosable Interests held by members of such shareholder's immediate family sharing the same household (which information shall be supplemented by such shareholder and beneficial owner, if any, not later than 10 days after the record date for the meeting to disclose such ownership as of the record date), (c) a representation that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (d) any other information that would be required to be provided by the shareholder or beneficial owner in a proxy statement or other filing required to be made in connection with solicitations of proxies for the proposal pursuant to Regulation 14A under the Exchange Act in such person's capacity as a proponent of a shareholder proposal, and (e) a representation as to whether the shareholder or the beneficial owner, if any, intends or is part of a group which intends (i) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to elect the nominee, or (ii) otherwise solicit proxies from shareholders in support of such nominee.

In addition, to be considered timely, a shareholder's notice to the Secretary shall further be updated and supplemented, if necessary, so that the information provided or required to be provided in such notice shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement

thereof, and the Secretary must receive, at the principal executive offices of the Corporation, such update and supplement not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof.

(4) Any proposed nominee shall furnish any information, in addition to that required above, to the Corporation as it may reasonably require to determine the eligibility of the proposed nominee to serve as an independent Director or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

(c) Nominations of individuals for election to the Board of Directors may be made at a special meeting of shareholders at which Directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of a majority of the Board of Directors, or (iii) provided that the Board of Directors has determined that Directors shall be elected at such special meeting, by any shareholder in accordance with Section 2.2(d).

(d) For any nomination to be properly brought before a special meeting by a shareholder:

(1) The shareholder must be a shareholder of record both at the time of giving of notice provided for in this Section 2.2(d) and at the time of the meeting.

(2) The Secretary must receive, at the principal executive offices of the Corporation, a written notice from the shareholder not later than the later of the 90th day prior to such special meeting or the tenth day following the public announcement of such special meeting. Such notice must contain the same information as required under Section 2.2(b)(3). Neither an adjournment nor a postponement of a special meeting (or an announcement thereof) shall begin a new time period for delivering a shareholder's notice.

(3) No other proposals of business by a shareholder, other than the nomination of persons for election to the Board of Directors requested by a shareholder, may be considered at the special meeting.

(4) Any proposed nominee shall furnish any information, in addition to that required above, to the Corporation as it may reasonably require to determine the eligibility of the proposed nominee to serve as an independent Director or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

(e) Subject to the terms and conditions set forth in these Bylaws, the Corporation shall include in its proxy statement for annual meetings of shareholders after the 2017 annual meeting the name, together with the Required Information (as defined below), of qualifying persons nominated for election (the "Shareholder Nominee") to the Board of Directors by a shareholder or group of shareholders that satisfy the requirements of this Section 2.2(e), including without limitation qualifying as an Eligible Shareholder (as defined below) and that expressly elects at the time of providing the written notice required by this Section 2.2(e) (a "Proxy Access Notice") to have its nominee included in the Corporation's proxy materials pursuant to this Section 2.2(e).

(1) For the purposes of this Section 2.2(e):

(i) "Voting Stock" shall mean outstanding shares of capital stock of the Corporation entitled to vote generally for the election of Directors;

(ii) "Constituent Holder" shall mean any shareholder, investment fund included within a Qualifying Fund (as defined below) or beneficial holder whose stock ownership is counted for the purposes of qualifying as holding the Proxy Access Request Required Shares (as defined below) or qualifying as an Eligible Shareholder (as defined below);

(iii) "affiliate" and "associate" shall have the meanings ascribed thereto in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act"); provided, however, that the term "partner" as used in the definition of "associate" shall not include any limited partner that is not involved in the management of the relevant partnership; and

(iv) a shareholder (including any Constituent Holder) shall be deemed to own only those outstanding shares of Voting Stock as to which the shareholder itself (or such Constituent Holder itself) possesses both (a) the full voting and investment rights pertaining to the shares and (b) the full economic interest in (including the opportunity for profit and risk of loss on) such shares. The number of shares calculated in accordance with the foregoing clauses (a) and (b) shall be deemed not to include (and to the extent any of the following arrangements have been entered into by affiliates of the shareholder (or of any Constituent Holder), shall be reduced by) any shares (x) sold by such shareholder or Constituent Holder (or any of either's affiliates) in any transaction that has not been settled or closed, including any short sale, (y) borrowed by such shareholder or Constituent Holder (or any of either's affiliates) for any purposes or purchased by such shareholder or Constituent Holder (or any of either's affiliates) pursuant to an agreement to resell, or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such shareholder or Constituent Holder (or any of either's affiliates), whether any such instrument or agreement is to be settled with shares, cash or other consideration, in any such case which instrument or agreement has, or is intended to have, or if exercised by either party thereto would have, the purpose or effect of (i) reducing in any manner, to any extent or at any time in the future, such shareholder's or Constituent Holder's (or either's affiliate's) full right to vote or direct the voting of any such shares, and/or (ii) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such shareholder or Constituent Holder (or either's affiliate). A shareholder (including any Constituent Holder) shall be deemed to own shares held in the name of a nominee or other intermediary so long as the shareholder itself (or such Constituent Holder itself) retains the right to instruct how the shares are voted with respect to the election of Directors and the right to direct the disposition thereof and possesses the full economic interest in the shares. For purposes of this Section 2.2(e), a shareholder's (including any Constituent Holder's) ownership of shares shall be deemed to continue during any period in which the shareholder has loaned such shares so long as such shareholder retains the power to recall such shares on no greater than five business days' notice or has delegated any voting power over such shares by means of a proxy, power of attorney or other instrument or arrangement so long as such delegation is revocable at any time by the shareholder.

(2) For purposes of this Section 2.2(e), the "Required Information" that the Corporation will include in its proxy statement is (i) the information concerning the Shareholder Nominee and the Eligible Shareholder that the Corporation determines is required to be disclosed in the Corporation's proxy statement by the regulations promulgated under the Exchange Act; and

(ii) if the Eligible Shareholder so elects, a Statement (as defined below). The Corporation shall also include the name of the Shareholder Nominee in its proxy card. Any other provision of these Bylaws notwithstanding, the Corporation may in its sole discretion solicit against, and include in the proxy statement its own statement(s) or other information relating to, any Eligible Shareholder and/or Shareholder Nominee, including any information provided to the Corporation with respect to the foregoing.

(3) To be timely, a shareholder's Proxy Access Notice must be received by the Secretary at the principal executive offices of the Corporation within the time periods applicable to shareholder notices of nominations pursuant to Section 2.2(b). Neither an adjournment nor a postponement of an annual meeting (or an announcement thereof) shall begin a new time period for delivering a Proxy Access Notice.

(4) The maximum number of Shareholder Nominees (including Shareholder Nominees that were submitted by an Eligible Shareholder for inclusion in the Corporation's proxy materials pursuant to this Section 2.2(e) but are either subsequently withdrawn or that the Board of Directors decides to nominate as Board of Directors' nominees or otherwise appoint to the Board) appearing in the Corporation's proxy materials pursuant to this Section 2.2(e) with respect to an annual meeting of shareholders shall not exceed the greater of (x) two Directors or (y) the largest whole number that does not exceed 20% of the number of Directors in office as of the last day on which a Proxy Access Notice may be delivered in accordance with the procedures set forth in this Section 2.2(e) (such greater number, the "Permitted Number"); provided, however, that the Permitted Number shall be reduced by:

(i) the number of Directors in office or director candidates for whom access to the Corporation's proxy materials was previously provided (or requested) pursuant to this Section 2.2(e), other than (a) any such director referred to in this clause (i) whose term of office will expire at such annual meeting and who is not seeking (or agreeing) to be nominated at such meeting for another term of office and (b) any such director who at the time of such annual meeting will have served as a director continuously as a nominee of the Board of Directors for at least two successive annual terms;

(ii) the number of such director candidates for which the Corporation shall have received one or more shareholder notices nominating director candidates pursuant to Section 2.2(b); and

(iii) the number of Directors in office or director candidates that in either case were elected or appointed to the Board of Directors or will be included in the Corporation's proxy materials with respect to such annual meeting as an unopposed (by the Corporation) nominee, pursuant to an agreement, arrangement or other understanding with a shareholder or group of shareholders (other than any such agreement, arrangement or understanding entered into in connection with an acquisition of Voting Stock, by such shareholder or group of shareholders, from the Corporation), other than any such director referred to in this clause (iii) whose term of office will expire at such annual meeting and who is not seeking (or agreeing) to be nominated at such meeting for another term of office; provided that this clause (iii) shall only apply to the annual meeting which follows such agreement, arrangement or understanding;

provided, further, in the event the Board of Directors resolves to reduce the size of the Board of Directors effective on or prior to the date of the annual meeting, the Permitted Number shall be calculated based on the number of Directors in office as so reduced.

An Eligible Shareholder submitting more than one Shareholder Nominee for inclusion in the Corporation's proxy statement pursuant to this Section 2.2(e) shall rank such Shareholder Nominees based on the order that the Eligible Shareholder desires such Shareholder Nominees to be selected for inclusion in the Corporation's proxy statement and include such specified rank in its Proxy Access Notice. If the number of Shareholder Nominees pursuant to this Section 2.2(e) for an annual meeting of shareholders exceeds the Permitted Number, then the highest ranking qualifying Shareholder Nominee from each Eligible Shareholder will be selected by the Corporation for inclusion in the proxy statement until the Permitted Number is reached, going in order of the amount (largest to smallest) of the ownership position as disclosed in each Eligible Shareholder's Proxy Access Notice. If the Permitted Number is not reached after the highest ranking Shareholder Nominee from each Eligible Shareholder has been selected, this selection process will continue as many times as necessary, following the same order each time, until the Permitted Number is reached.

(5) An "Eligible Shareholder" is one or more shareholders of record who own and have owned, or are acting on behalf of one or more beneficial owners who own and have owned (in each case as defined above), in each case continuously for at least three years as of both the date that the Proxy Access Notice is received by the Corporation pursuant to this Section 2.2(e), and as of the record date for the determination of shareholders entitled to notice and to vote at the annual meeting, at least three percent of the aggregate voting power of the Voting Stock (the "Proxy Access Request Required Shares"), and who continue to own the Proxy Access Request Required Shares at all times between the date such Proxy Access Notice is received by the Corporation and the date of the applicable annual meeting, provided that the aggregate number of shareholders, and, if and to the extent that a shareholder is acting on behalf of one or more beneficial owners, of such beneficial owners, whose stock ownership is counted for the purpose of satisfying the foregoing ownership requirement shall not exceed 20. Two or more investment funds that are part of same family of funds by virtue of being under common management and investment control, under common management and sponsored primarily by the same employer or a "group of investment companies" (as such term is defined in Section 12(d)(1)(G)(ii) of the Investment Company Act of 1940, as amended) (a "Qualifying Fund") shall be treated as one shareholder for the purpose of determining the aggregate number of shareholders in this subsection (5), provided that each fund included within a Qualifying Fund otherwise meets the requirements set forth in this Section 2.2(e). No shares may be attributed to more than one group constituting an Eligible Shareholder under this Section 2.2(e), and no shareholder may be a member of more than one group constituting an Eligible Shareholder. A record holder acting on behalf of one or more beneficial owners will not be counted separately as a shareholder with respect to the shares owned by beneficial owners on whose behalf such record holder has been directed in writing to act, but each such beneficial owner will be counted separately, subject to the other provisions of this subsection (5), for purposes of determining the number of shareholders whose holdings may be considered as part of an Eligible Shareholder's holdings. Proxy Access Request Required Shares will qualify as such if and only if the beneficial owner of such shares as of the date of the Proxy Access Notice has itself individually beneficially owned such shares continuously for the three-year period ending on that date and through the other applicable dates referred to above (in addition to the other applicable requirements being met).

(6) No later than the final date when a Proxy Access Notice pursuant to this Section 2.2(e) may be timely delivered to the Secretary, an Eligible Shareholder (including each Constituent Holder) must provide the information required by Section 2.2(b)(3) of this Article II to the Secretary of the Corporation and also provide the following information in writing to the Secretary:

- (i) with respect to each Constituent Holder, the name and address of, and number of shares of Voting Stock owned by, such person;
- (ii) one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period) verifying that, as of a date within seven calendar days prior to the date the Proxy Access Notice is delivered to the Corporation, such person owns, and has owned continuously for the preceding three years, the Proxy Access Request Required Shares, and such person's agreement to provide:
 - (a) within 10 days after the record date for the annual meeting, written statements from the record holder and intermediaries verifying such person's continuous ownership of the Proxy Access Request Required Shares through the record date, together with any additional information reasonably requested to verify such person's ownership of the Proxy Access Request Required Shares; and
 - (b) immediate notice if the Eligible Shareholder ceases to own any of the Proxy Access Request Required Shares prior to the date of the applicable annual meeting of shareholders;
- (iii) a representation that such person:
 - (a) acquired the Proxy Access Request Required Shares in the ordinary course of business and not with the intent to change or influence control of the Corporation, and does not presently have any such intent;
 - (b) has not nominated and will not nominate for election to the Board of Directors at the annual meeting any person other than the Shareholder Nominee(s) being nominated pursuant to this Section 2.2(e);
 - (c) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act with respect to the Corporation in support of the election of any individual as a director at the annual meeting other than its Shareholder Nominee(s) or a nominee of the Board of Directors;
 - (d) will not distribute to any shareholder of the Corporation any form of proxy for the annual meeting other than the form distributed by the Corporation; and
 - (e) will provide facts, statements and other information in all communications with the Corporation and its shareholders that are and will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and will otherwise comply with all applicable laws, rules and regulations in connection with any actions taken pursuant to this Section 2.2(e);

(iv) in the case of a nomination by a group of shareholders that together is such an Eligible Shareholder, the designation by all group members of one group member that is authorized to act on behalf of all members of the nominating shareholder group with respect to the nomination and matters related thereto, including withdrawal of the nomination; and

(v) an undertaking that such person agrees to:

(a) assume all liability stemming from, and indemnify and hold harmless the Corporation and its affiliates and each of its and their directors, officers, and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or its affiliates or any of its or their directors, officers or employees arising out of any legal or regulatory violation arising out of the Eligible Shareholder's communications with the shareholders of the Corporation or out of the information that the Eligible Shareholder provided to the Corporation in connection with the nomination of the Shareholder Nominee(s) or its efforts to elect such person(s) to the Board;

(b) promptly provide to the Corporation such other information as the Corporation may reasonably request; and

(c) file with the Securities and Exchange Commission any solicitation by the Eligible Shareholder of shareholders of the Corporation relating to the annual meeting at which the Shareholder Nominee will be nominated.

In addition, no later than the final date when a Proxy Access Notice pursuant to this Section 2.2(e) may be timely delivered to the Secretary, a Qualifying Fund whose stock ownership is counted for purposes of qualifying as an Eligible Shareholder must provide to the Secretary of the Corporation documentation reasonably satisfactory to the Board of Directors that demonstrates that the funds included within the Qualifying Fund satisfy the definition thereof. In order to be considered timely, any information required by this Section 2.2(e) to be provided to the Corporation must be further updated and supplemented (through receipt by the Secretary) if necessary so that the information shall be true and correct as of the record date for the meeting and as of the date that is 10 business days prior to the meeting or any adjournment or postponement thereof, and the Secretary must receive, at the principal executive offices of the Corporation, such update and supplement not later than five business days after the record date for the meeting in the case of the update and supplement required to be made as of the record date, and not later than eight business days prior to the date for the meeting or any adjournment or postponement thereof in the case of the update and supplement required to be made as of 10 business days prior to the meeting or any adjournment or postponement thereof.

(7) The Eligible Shareholder may provide to the Secretary, at the time the information required by this Section 2.2(e) is originally provided, a single written statement for inclusion in the Corporation's proxy statement for the annual meeting, not to exceed 500 words, in support of the candidacy of each such Eligible Shareholder's Shareholder Nominee(s) (the "Statement"). Notwithstanding anything to the contrary contained in this Section 2.2(e), the Corporation may omit from its proxy materials any information or Statement that it, in good faith, believes is materially false or misleading, omits to state any material fact, directly or indirectly without factual foundation impugns the character, integrity or personal reputation of or makes charges concerning improper, illegal or immoral conduct or associations with respect to any person or would violate any applicable law or regulation.

(8) No later than the final date when a Proxy Access Notice pursuant to this Section 2.2(e) may be timely delivered to the Secretary, each Shareholder Nominee must provide to the Secretary the information required by Section 2.2(b), a completed and executed questionnaire, representation and agreement as required by Section 2.2(e) and also:

(i) provide an executed agreement, in a form deemed satisfactory by the Board of Directors or its designee (which form shall be provided by the Corporation reasonably promptly upon written request of a shareholder), that such Shareholder Nominee consents to being named in the Corporation's proxy statement and form of proxy card (and will not agree to be named in any other person's proxy statement or form of proxy card with respect to the Corporation) as a nominee and to serving as a director of the Corporation if elected and that such Shareholder Nominee will promptly provide to the Corporation such other information as the Corporation may reasonably request; and

(ii) provide such additional information as necessary to permit the Board of Directors to determine if any of the matters referred to in subsection (10) below apply and to determine if such Shareholder Nominee has any direct or indirect relationship with the Corporation other than those relationships that have been deemed categorically immaterial pursuant to the Corporation's Corporate Governance Guidelines or is or has been subject to any event specified in Item 401(f) of Regulation S-K (or successor rule) of the Securities and Exchange Commission.

In the event that any information or communications provided by the Eligible Shareholder (or any Constituent Holder) or the Shareholder Nominee to the Corporation or its shareholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Shareholder or Shareholder Nominee, as the case may be, shall promptly notify the Secretary of any defect in such previously provided information and of the information that is required to correct any such defect; it being understood for the avoidance of doubt that providing any such notification shall not be deemed to cure any such defect or limit the remedies (including without limitation under these Bylaws) available to the Corporation relating to any such defect.

Any proposed Shareholder Nominee shall also furnish any information, in addition to that required above, to the Corporation as it may reasonably require to determine the eligibility of the proposed nominee to serve as an independent Director or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

(9) Any Shareholder Nominee who is included in the Corporation's proxy statement for a particular annual meeting of shareholders, but subsequently is determined not to satisfy the eligibility requirements of this Section 2.2(e) or any other provision of these Bylaws, the Restated Articles of Incorporation or other applicable regulation any time before the annual meeting of shareholders, will not be eligible for election at the relevant annual meeting of shareholders.

(10) The Corporation shall not be required to include, pursuant to this Section 2.2(e), a Shareholder Nominee in its proxy materials for any annual meeting of shareholders, or, if the proxy statement already has been filed, to allow the nomination of (or vote with respect to) a

Shareholder Nominee (and may declare such nomination ineligible), notwithstanding that proxies in respect of such vote may have been received by the Corporation:

(i) who is not independent under the listing standards of the principal U.S. exchange upon which the common stock of the Corporation is listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the Board of Directors in determining and disclosing independence of the Corporation's Directors (including without limitation the Corporation's Director Qualification Standards) or who is not a "non-employee director" for the purposes of Rule 16b-3 under the Exchange Act (or any successor rule) or who is not an "outside director" for the purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (or any successor provision), in each case as determined by the Board of Directors;

(ii) whose service as a member of the Board of Directors would violate or cause the Corporation to be in violation of these Bylaws, the Restated Articles of Incorporation, the rules and listing standards of the principal U.S. exchange upon which the common stock of the Corporation is traded, or any applicable law, rule or regulation;

(iii) who is or has been, within the past three (3) years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, as amended, or who is a subject of a pending criminal proceeding (other than in connection with traffic violations and other similar minor offenses), has been convicted in a criminal proceeding within the past 10 years or is subject to an order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act;

(iv) if the Eligible Shareholder (or any Constituent Holder) or applicable Shareholder Nominee otherwise breaches or fails to comply in any material respect with its obligations pursuant to this Section 2.2(e) or any agreement, representation or undertaking required by this Section 2.2(e); or

(v) if the Eligible Shareholder ceases to be an Eligible Shareholder for any reason, including but not limited to not owning the Proxy Access Request Required Shares through the date of the applicable annual meeting.

Any proposed Shareholder Nominee shall furnish any information, in addition to that required above, to the Corporation as it may reasonably require to determine the eligibility of the proposed nominee to serve as an independent Director or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such nominee.

(f) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.2 shall be eligible to serve as Directors. The presiding officer shall determine whether a nomination was made in accordance with this Section 2.2 and, if any proposed nomination is not in compliance with this Section 2.2, to declare that such defective nomination be disregarded. The presiding officer shall have sole authority to decide questions of compliance with the foregoing procedures, and his or her ruling shall be final.

(g) Notwithstanding anything to the contrary in this Section 2.2, (i) unless the shareholder (or a qualified representative of the shareholder) appears at the applicable meeting of shareholders to present the nomination and another shareholder seconds the shareholder's motion, such nomination shall be disregarded, and (ii) a shareholder shall also comply with state law and the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.2.

Section 2.3 Qualification. No person shall be eligible to be elected and to hold office as a Director if such person is determined by a majority of the whole Board of Directors to have acted contrary to the best interests of the Corporation, including, but not limited to, (i) violation of either State or Federal law, (ii) maintenance of interests not properly authorized and in conflict with the interests of the Corporation, or (iii) breach of any agreement between such Director and the Corporation relating to such Director's services as a Director, employee or agent of the Corporation.

Section 2.4 Regular and Special Directors' Meetings.

(a) Regular meetings of the Board of Directors may be held at such time and at such place, within or without the State of Missouri, as shall from time to time be determined by the Board of Directors. No notice of regular meetings of the Board of Directors need be given.

(b) Special meetings of the Board of Directors may be called by the Board Chair, the Lead Director, Chief Executive Officer or the President, and shall be called by the Secretary on the written request of three or more Directors. Notice of any special meeting shall be given to each Director at such Director's last known address by telephone, electronic transmission or other means not later than the day preceding the date of the meeting. Attendance of a Director at any meeting shall constitute a waiver of notice of the meeting, except where a Director attends a meeting for the sole and express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

(c) A majority of members of the Board of Directors in office shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but a lesser number may adjourn a meeting to another time or day if a quorum is not present. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by the Restated Articles of Incorporation, by these Bylaws or by law.

(d) Members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or committee by means of conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and participation in a meeting in this manner shall constitute presence in person at the meeting.

Section 2.5 Action By Consent. Any action which is required to be or may be taken at a meeting of the Directors may be taken without a meeting if consents in writing, setting forth the action so taken, are signed by all the Directors. Any action which is required to be or may be taken at a meeting of a committee of Directors may be taken without a meeting if consents in writing, setting forth the action so taken, are signed by all the members of the committee.

Section 2.6 Committees.

- (a) The Board of Directors shall have three standing committees—the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee—and may designate other committees in its discretion. Each committee shall consist of not less than two Directors and shall have such powers and duties as shall be delegated to it by the Board of Directors.
- (b) Each member of such committee shall hold office at the pleasure of the Directors and may be removed by the Board of Directors at any time with or without cause. Vacancies occurring in any committee may be filled by the Board of Directors. During any vacancy on a committee, the remaining members shall have full power to act as the committee.
- (c) Each committee may prescribe its own rules for calling and holding meetings and its method of procedure, subject, however, to any rules prescribed by the Board of Directors, and, if no such rules shall have been prescribed, the rules applicable to calling and holding of a meeting of the Board of Directors shall apply to the committee meetings.
- (d) A quorum for any meeting of a committee shall consist of not less than a majority of the members in office at the time. A Director who may be disqualified, by reason of personal interest, from voting on any particular matter before a meeting of a committee may nevertheless be counted for the purpose of constituting a quorum of the committee. At each meeting of the committee at which a quorum is present, all questions and business shall be determined by the affirmative vote of not less than a majority of the members present.
- (e) Notwithstanding anything to the contrary in this Section 2.6, no committee shall be empowered to elect Directors to fill vacancies among the Directors or on any committee of the Directors.
- (f) Persons dealing with the Corporation shall be entitled to rely upon any action of a committee with the same force and effect as though such action had been taken by the Directors. Subject to the rights of third persons, any action of a committee shall be subject to revision or alteration by the Directors.

Section 2.7 Compensation of Directors. Directors and members of any committee of the Board of Directors shall be entitled to such reasonable compensation and fees for their services as such as shall be fixed from time to time by resolution of the Board of Directors and shall also be entitled to reimbursement for any reasonable expenses incurred in attending meetings of the Board of Directors and any committee thereof; provided, that nothing herein contained shall be construed to preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 2.8 Honorary Directors. In addition to the Directors, there may be as many Honorary or Advisory Directors and Directors Emeritus as the Board of Directors may appoint. Honorary or Advisory Directors and Directors Emeritus (i) shall have no liability after they become such for the actions of the Board of Directors, (ii) shall be notified of all meetings of the Board of Directors in the same manner as the Directors, but shall not be required to attend any meeting of the Board of Directors, and (iii) shall not have the right to vote on matters before such meetings.

ARTICLE 3. OFFICERS

Section 3.1 Officers. The officers of the Corporation may include the Board Chair, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the President, one or more Vice Presidents, the Secretary, the Treasurer, and such other officers, assistant or deputy officers as may be appointed from time to time. Any two or more offices may be held by the same person. The officers of the

Corporation shall have such authority and shall perform such duties as are customarily incident to their respective offices or as shall be specified from time to time by the Board of Directors or the Board Chair, regardless of whether such authority and duties are customarily incident to such office.

Section 3.2 Appointment. The officers of the Corporation shall be appointed by the Board of Directors. The Board of Directors may delegate its authority to appoint one or more officers to the Chief Executive Officer; provided, however, that the authority to appoint the Board Chair, the Chief Executive Officer, the President and the Secretary shall not be delegated. Each officer shall hold office until his or her death, resignation, retirement or removal or until such officer's successor is appointed.

Section 3.3 Removal. Any officer may be removed by the Board of Directors at any time, with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. In addition, any officer which the Chief Executive Officer has the authority to appoint may be removed by the Chief Executive Officer at any time, with or without cause. Election or appointment of an officer shall not of itself create contract rights.

ARTICLE 4. CERTIFICATES FOR SHARES

Section 4.1 Issuance of Certificates. The shares of the Corporation shall be represented by certificates, provided, however, that the Board of Directors may provide by resolution that some or all of any classes or series of the Corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to have a certificate, in any form approved by the Board of Directors, certifying the number and class of shares owned by the shareholder in the Corporation, signed by (i) the Board Chair, the Chief Executive Officer, the President or a Vice President, and (ii) the Secretary or Treasurer or an Assistant Secretary or an Assistant Treasurer of the Corporation, and sealed with the seal of the Corporation which may be a facsimile engraved or printed. Each certificate representing shares shall state upon the face thereof that the Corporation is organized under the laws of the State of Missouri, the name of the person to whom issued, the number and class and the designation of the series, if any, which such certificate represents, and the par value of each share represented by such certificate or a statement that the shares are without par value.

If the certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, any other signature on the certificate maybe a facsimile signature, or may be engraved or printed. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on the certificate shall have ceased to be an officer, transfer agent or registrar before the certificate is issued, the certificate may nevertheless be issued by the Corporation with the same effect as if such person were an officer, transfer agent or registrar at the date of issue.

Section 4.2 Lost, Stolen, Destroyed or Mutilated Certificate. The holder of any shares of stock of the Corporation shall immediately notify the Corporation and its transfer agents and registrars, if any, of any loss, theft, destruction or mutilation of the certificates representing the same. The Corporation, acting through any of its duly authorized officers or other duly authorized employees, may direct a new certificate or certificates or uncertificated shares to be issued in place of any certificate or certificates previously issued by the Corporation alleged to have been lost, stolen, destroyed or mutilated, upon the filing of an affidavit of that fact by the person claiming the certificate to be lost, stolen, destroyed or mutilated. When authorizing such issue of a new certificate or certificates or uncertificated shares, the Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, destroyed or mutilated certificate or certificates, or the owner's legal representative, to advertise the same in

such manner as the Corporation shall require and/or to give the Corporation a bond in such sum and in such form as the Corporation may direct, and with a surety or sureties which the Corporation finds satisfactory, as indemnity against any claim or liability that may be made against or incurred by the Corporation and its transfer agents and registrars, if any, with respect to the certificate alleged to have been lost, stolen, destroyed or mutilated.

Section 4.3 Transfer of Stock; Certificate Cancellation. The shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives. Upon transfer of certificated shares, the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers or to such other persons as the Board of Directors may designate, by whom they shall be cancelled and new certificates shall thereupon be issued. In the case of uncertificated shares, transfer shall be made only upon receipt of transfer documentation reasonably acceptable to the Corporation.

Section 4.4 Registered Owner. The Corporation shall be entitled to recognize the exclusive rights of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Missouri.

Section 4.5 Transfer Agents and Registrars. The Board of Directors may appoint one or more transfer agents or transfer clerks and one or more registrars which may be banks, trust companies or other financial institutions located within or without the State of Missouri; may define the authority of such transfer agents and registrars of transfers; may require all stock certificates to bear the signature of a transfer agent or registrar of transfers, or both; may impose such rules, regulations or procedures regarding uncertificated shares as it deems appropriate; and may change or remove any such transfer agent or registrar of transfers.

Section 4.6 Closing of Transfer Books and Fixing of Record Date. The Board of Directors shall have the power to close the transfer books of the Corporation for a period not exceeding 70 days prior to the date of any meeting of shareholders, or the date for payment of any dividend, or the date for all allotment of rights, or the date when any change or conversion or exchange of shares shall go into effect. In lieu of so closing the transfer books, the Board of Directors may fix in advance a record date for the determination of the shareholders entitled to notice of and to vote at any meeting and any adjournment or postponement thereof, or entitled to receive payment of any dividend or any allotment of rights, or entitled to exercise the rights in respect of any change, conversion or exchange of shares, up to 70 days prior to the date of any meeting of shareholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares shall go into effect. In such case only the shareholders who are shareholders of record on the date of closing the share transfer books, or on the record date so fixed, shall be entitled to receive notice of and to vote at such meeting and any adjournment or postponement thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the date of closing of the transfer books or the record date. If the Board of Directors does not close the transfer books or set a record date for the determination of the shareholders entitled to notice of and to vote at any meeting of shareholders, only the shareholders who are shareholders of record at the close of business on the 20th day preceding the date of the meeting shall be entitled to notice of and to vote at the meeting and upon any adjournment or postponement of the meetings, except that if prior to the meeting written waivers of notice of the meeting are signed and delivered to the Corporation by all of the shareholders of record at the time the meeting is convened, only the shareholders who are shareholders of record at the time the meeting is convened shall be entitled to vote at the meeting and any adjournment or postponement of the meeting.

ARTICLE 5. INDEMNIFICATION

Section 5.1 Right of Directors and Officers to Indemnification. Each person who was or is a Director or officer of the Corporation shall be indemnified by the Corporation as a matter of right to the fullest extent permitted or authorized by applicable law and as otherwise provided in Article VIII of the Corporation's Restated Articles of Incorporation.

The indemnification described in the preceding paragraph of this Article 5 shall pertain to all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person who was or is a party to or who was or is involved in any proceeding by reason of acts or omissions:

- (a) in such person's capacity as or arising out of such person's status as (i) a Director or officer of the Corporation; or (ii) a Director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise when so serving at the request of the Corporation; or
- (b) in any other capacity while holding the office of either Director or officer of the Corporation.

Section 5.2 Indemnification of Employees, Agents, Etc. Each person who was or is an employee or agent of the Corporation, or who was or is serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of each such person) may, at the discretion of the Board of Directors, be indemnified by the Corporation to the same extent as provided herein with respect to any person who was or is a Director or officer of the Corporation.

Section 5.3 Right of Directors and Officers to Advance of Expenses. Expenses (including attorneys' fees) incurred by any person who was or is a Director or officer of the Corporation in defending any proceeding (including those by or in the right of the Corporation) shall be promptly advanced by the Corporation when so requested by such person at any time and from time to time, but only if the requesting person delivers to the Corporation an undertaking to repay to the Corporation all amounts so advanced if it should ultimately be determined that the requesting person is not entitled to be indemnified by the Corporation under the "indemnification sources" as defined below, agreement, vote of shareholders or disinterested Directors or otherwise.

Section 5.4 Right of Claimant to Bring Suit. If a claim for indemnification under Section 5.1 or 5.3, respectively, is not paid in full by the Corporation within 90 or 15 days, respectively, after a written claim has been received by the Corporation, the claimant may bring suit against the Corporation to recover the unpaid amount of the claim. If the claimant is successful in whole or in part in such suit, the claimant shall also be paid the expense of prosecuting such claim.

It shall be a defense to any suit seeking indemnification under Section 5.1 of these Bylaws that the claimant has not met the standards of conduct which make it permissible (under indemnification sources, agreement, vote of shareholders or disinterested Directors or otherwise) for the Corporation to indemnify the claimant. The failure of the Corporation (through its Directors, independent legal counsel or shareholders) to make a determination before the commencement of such suit that indemnification of the claimant is proper under the circumstances (because the claimant has met the applicable standard of conduct) shall not be a defense to the claimant's action or create a presumption that the claimant has not met the applicable standard of conduct. Similarly, an actual determination by the Corporation that the claimant has not met such applicable standard of conduct, shall not be a defense to the claimant's action nor create a presumption that the claimant has not met the applicable standard of conduct.

Section 5.5 Definitions. In this Article the following terms have the following meanings:

- (a) The term “applicable law” means (i) Section 351.355 of The Missouri General and Business Corporation Law (other than Subsection 6 thereof and any other Subsection comparable in purpose to Subsection 6) as in effect on May 7, 1986 and as thereafter amended (but in the case of any such amendment, only to the extent such amendment permits the Corporation to provide broader indemnification rights than The Missouri General and Business Corporation Law permitted the Corporation to provide immediately prior to such amendment) and (ii) any other statutory indemnification provisions adopted after May 7, 1986.
- (b) The term “Directors” or “officers” of the Corporation shall include the heirs, executors, administrators and estate of each such person who was a Director or officer, which heirs, executors, administrators and estate shall succeed to all of the indemnification and other rights of such Director or officer.
- (c) The term “proceedings” shall mean any threatened, pending or completed action, suit or other proceeding (including those by or in the right of the Corporation) whether civil, criminal, administrative or investigative.
- (d) The term “fines” shall include any excise taxes assessed on a person with respect to any employee benefit plan.
- (e) The term “indemnification sources” shall refer jointly and severally to applicable law as defined above, this Article 5 and Article VIII of the Corporation’s Restated Articles of Incorporation.
- (f) The term “other enterprise” shall include employee benefit plans.
- (g) The term “serving at the request of the Corporation” shall include any service as a Director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such Director, officer, employee or agent with respect to any employee benefit plan, its participants or beneficiaries.

Section 5.6 Rights Not Exclusive. The indemnification and other rights provided by this Article and the other indemnification sources shall not be deemed exclusive of any other rights to which a Director or officer may be entitled under any agreement, vote of shareholders or disinterested Directors or otherwise, both as to action in such person’s official capacity and as to action in any other capacity while holding the office of Director or officer, and the Corporation may, at its discretion, provide such indemnification and other rights by any agreements, vote of shareholders or disinterested Directors or otherwise.

Section 5.7 Insurance. The Corporation may purchase and maintain insurance on behalf of any person who was or is a Director, officer, employee or agent of the Corporation, or was or is serving at the request of the Corporation as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against or incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such liability under these Bylaws, other indemnification sources, agreement, vote of shareholders or disinterested Directors or otherwise.

Section 5.8 Enforceability; Amendment. Each person who was or is a Director or officer of the Corporation is a third party beneficiary of this Article 5 and shall be entitled to enforce against the Corporation all indemnification and other rights provided or contemplated by this Article 5.

This Article 5 may be hereafter amended or repealed; provided, however, no such amendment or repeal shall reduce, terminate or otherwise adversely affect the right of any person who was or is a Director or officer (i) to obtain indemnification or an advance of expenses with respect to a proceeding that pertains to or arises out of actions or omissions that occurred prior to the “Deadline Indemnification Date” as defined in the next paragraph of this Section, or (ii) to bring suit with respect to the foregoing under Section 5.4 hereof.

The term “Deadline Indemnification Date” means the later of (a) the effective date of any amendment or repeal of this Article 5 which reduces, terminates or otherwise adversely affects the rights hereunder of any person who was or is a Director or officer; (b) the expiration date of such person’s then current term of office with, or service for, the Corporation (provided such person has a stated term of office or service and completes such term); or (c) the effective date such person resigns his or her office or terminates his or her service (provided such person has a stated term of office or service but resigns prior to the expiration of such term).

ARTICLE 6. GENERAL PROVISIONS

Section 6.1 Dividends. The Board of Directors may declare and the Corporation may pay dividends on its outstanding shares in cash, property, or its own shares pursuant to law and subject to the provisions of its Restated Articles of Incorporation.

Section 6.2 Reserves. The Board of Directors may by resolution create a reserve or reserves out of earned surplus for any purpose or purposes, and may abolish any such reserve in the same manner.

Section 6.3 Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors. In the absence of such resolution, the fiscal year of the Corporation shall be the calendar year.

Section 6.4 Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation and may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Section 6.5 Examination of Books. Any shareholder of record desiring to examine the books and records of the Corporation may do so during regular business hours at the office of the Corporation where such books and records are normally kept. No such shareholder, however, may remove any such books and records from such premises, and no such shareholder shall make alterations to such books or records, and in each instance of examination by such shareholder of such books or records, an officer or employee designated by an officer of the Corporation shall be present at all times during such examination, and the regular wage or salary of such officer or employee for the period of time spent in such examination shall be paid to the Corporation by such shareholder or shareholders making such examination. Notwithstanding any provision hereinabove to the contrary, no shareholder shall have the right to examine the books or the records of the Corporation if any officer of the Corporation determines, in his or her discretion, that such examination may be to the detriment or competitive disadvantage of the Corporation or if the purpose of such examination is improper.

Section 6.6 Amendments. These Bylaws may be altered, amended, or repealed, to the extent not prohibited by law or the Restated Articles of Incorporation, by the Board of Directors.

Section 6.7 Provisions Additional to Provisions of Law. All restrictions, limitations, requirements and other provisions of these Bylaws shall be construed, insofar as possible, as supplemental and additional to all provisions of law applicable to the subject matter thereof and shall be fully complied with in addition to the said provisions of law unless such compliance shall be illegal.

Section 6.8 Provisions Contrary to Provisions of Law. Any portion of these Bylaws which, upon being construed in the manner provided in Section 6.7 hereof, shall be contrary to or inconsistent with any applicable provisions of law, shall not apply so long as said provisions of law remain in effect, but such result shall not affect the validity or applicability of any other portion of these Bylaws, it being hereby declared that these Bylaws and each portion thereof would have been adopted, irrespective of the fact that any portion is illegal.

PROTECTED BYLAWS

The following bylaws have been designated by the Corporation's Board of Directors as Protected Bylaws in accordance with Article IX, Section 2 of the Corporation's Restated Articles of Incorporation:

ARTICLE 1

- Section 1.1 — Annual Meeting – Date, Place and Time
- Section 1.2 — Business at Annual Meetings
- Section 1.3 — Special Meetings
- Section 1.4 — Quorum
- Section 1.6 — No Cumulative Voting
- Section 1.7 — Procedure

ARTICLE 2

- Section 2.1 — Number, Election, Removal and Vacancies
- Section 2.2 — Advance Notice of Nominations
- Section 2.3 — Qualification
- Section 2.4 — Regular and Special Directors' Meetings
- Section 2.6 — Committees

ARTICLE 5

All Sections

ARTICLE 6

- Section 6.6 — Amendments

Approved: November 7, 2017

Leggett & Platt, Incorporated and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges
(Amounts in millions of dollars)

	Nine Months Ended		Twelve Months Ended				
	September 30,		December 31,				
	2017	2016	2016	2015	2014	2013	2012
Earnings:							
Pre-tax income from continuing operations including equity-method investment earnings (a)	\$321.4	\$377.1	\$487.1	\$449.8	\$295.5	\$237.6	\$287.5
Add:							
Interest expense and amortization of interest rate swaps and debt discount and premium on all indebtedness (including amount capitalized)	31.4	29.4	39.4	41.8	42.3	45.2	44.0
Portion of rental expense under operating leases representative of an interest factor (b)	14.0	14.3	17.1	17.3	17.0	16.5	16.0
Amortization of capitalized interest	.8	.8	.8	1.0	1.0	.9	.9
Less:							
Equity-method investment (earnings) loss	(.3)	(.3)	(.5)	(.4)	(.3)	(.5)	(.6)
Interest capitalized	(.2)	(.5)	(.6)	(.7)	(.5)	(.5)	(.6)
Total Earnings (c)	\$ 367.1	\$ 420.8	\$ 543.3	\$ 508.8	\$ 355.0	\$ 299.2	\$ 347.2
Fixed Charges:							
Interest expense and amortization of interest rate swaps and debt discount and premium on all indebtedness	\$31.2	\$28.9	\$38.8	\$41.1	\$41.8	\$44.7	\$43.4
Interest capitalized	.2	.5	.6	.7	.5	.5	.6
Portion of rental expense under operating leases representative of an interest factor (b)	14.0	14.3	17.1	17.3	17.0	16.5	16.0
Total Fixed Charges	\$ 45.4	\$ 43.7	\$ 56.5	\$ 59.1	\$ 59.3	\$ 61.7	\$ 60.0
Ratio of Earnings to Fixed Charges	8.1	9.6	9.6	8.6	6.0	4.8	5.8

(a) 2012 and 2013 amounts have been retrospectively adjusted to reflect the reclassification of certain operations to discontinued operations.

(b) Estimated portion of rent expense representing interest.

(c) Earnings consist principally of income from continuing operations before income taxes, plus fixed charges less capitalized interest. Fixed charges consist principally of interest costs.

CERTIFICATION

I, Karl G. Glassman, certify that:

1. I have reviewed this report on Form 10-Q of Leggett & Platt, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2017

/s/ KARL G. GLASSMAN

Karl G. Glassman
President and Chief Executive Officer
Leggett & Platt, Incorporated

CERTIFICATION

I, Matthew C. Flanigan, certify that:

1. I have reviewed this report on Form 10-Q of Leggett & Platt, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2017

/s/ MATTHEW C. FLANIGAN

Matthew C. Flanigan
Executive Vice President and Chief Financial Officer
Leggett & Platt, Incorporated

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Leggett & Platt, Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karl G. Glassman, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Leggett & Platt, Incorporated and will be retained by Leggett & Platt, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ KARL G. GLASSMAN

Karl G. Glassman
President and Chief Executive Officer

November 7, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Leggett & Platt, Incorporated (the "Company") on Form 10-Q for the period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew C. Flanigan, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Leggett & Platt, Incorporated and will be retained by Leggett & Platt, Incorporated and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ MATTHEW C. FLANIGAN

Matthew C. Flanigan

Executive Vice President and Chief Financial Officer

November 7, 2017