

**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 March 31, 2021
OR

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

For the transition period from _____ to _____
Commission File Number: 001-07845

LEGGETT & PLATT, INCORPORATED

(Exact name of registrant as specified in its charter)

Missouri
(State or other jurisdiction of
incorporation or organization)

44-0324630
(I.R.S. Employer
Identification No.)

No. 1 Leggett Road
Carthage, Missouri
(Address of principal executive offices)

64836
(Zip Code)

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

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$.01 par value	LEG	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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"/>	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 April 27, 2021: 133,232,696

LEGGETT & PLATT, INCORPORATED
FORM 10-Q
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Amounts in millions)	March 31, 2021	December 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 333.8	\$ 348.9
Trade receivables, net	577.4	535.2
Other receivables, net	25.5	28.4
Total receivables, net	602.9	563.6
Inventories	801.8	691.5
Prepaid expenses and other current assets	50.5	54.1
Total current assets	1,789.0	1,658.1
PROPERTY, PLANT AND EQUIPMENT—AT COST		
Machinery and equipment	1,403.2	1,396.2
Buildings and other	741.4	740.9
Land	44.6	43.6
Total property, plant and equipment	2,189.2	2,180.7
Less accumulated depreciation	1,413.9	1,395.9
Net property, plant and equipment	775.3	784.8
OTHER ASSETS		
Goodwill	1,392.5	1,388.8
Other intangibles, less accumulated amortization of \$186.9 and \$199.0 as of March 31, 2021 and December 31, 2020, respectively	695.9	701.6
Operating lease right-of-use assets	154.9	161.6
Sundry	104.0	105.1
Total other assets	2,347.3	2,357.1
TOTAL ASSETS	\$ 4,911.6	\$ 4,800.0
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 50.8	\$ 50.9
Current portion of operating lease liabilities	42.8	42.4
Accounts payable	536.3	552.2
Accrued expenses	270.8	275.2
Other current liabilities	94.9	85.3
Total current liabilities	995.6	1,006.0
LONG-TERM LIABILITIES		
Long-term debt	1,952.9	1,849.3
Operating lease liabilities	115.4	122.1
Other long-term liabilities	182.2	192.1
Deferred income taxes	209.3	205.4
Total long-term liabilities	2,459.8	2,368.9
COMMITMENTS AND CONTINGENCIES		
EQUITY		
Common stock	2.0	2.0
Additional contributed capital	540.0	543.2
Retained earnings	2,829.9	2,797.2
Accumulated other comprehensive loss	(64.8)	(52.4)
Treasury stock	(1,851.4)	(1,865.4)
Total Leggett & Platt, Inc. equity	1,455.7	1,424.6
Noncontrolling interest	.5	.5
Total equity	1,456.2	1,425.1
TOTAL LIABILITIES AND EQUITY	\$ 4,911.6	\$ 4,800.0

See accompanying notes to consolidated condensed financial statements.

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

(Amounts in millions, except per share data)	Three Months Ended March 31,	
	2021	2020
Net trade sales	\$ 1,150.9	\$ 1,045.5
Cost of goods sold	903.4	824.8
Gross profit	247.5	220.7
Selling and administrative expenses	106.3	117.8
Amortization of intangibles	15.8	16.4
Impairments	—	3.5
Other (income) expense, net	(2.3)	4.4
Earnings before interest and income taxes	127.7	78.6
Interest expense	19.3	20.9
Interest income	.9	.9
Earnings before income taxes	109.3	58.6
Income taxes	21.8	14.5
Net earnings	87.5	44.1
(Earnings) attributable to noncontrolling interest, net of tax	—	—
Net earnings attributable to Leggett & Platt, Inc. common shareholders	<u>\$ 87.5</u>	<u>\$ 44.1</u>
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders		
Basic	\$.64	\$.33
Diluted	\$.64	\$.33
Weighted average shares outstanding		
Basic	136.0	135.4
Diluted	136.3	135.6

See accompanying notes to consolidated condensed financial statements.

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

(Amounts in millions)	Three Months Ended	
	March 31,	
	2021	2020
Net earnings	\$ 87.5	\$ 44.1
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(14.3)	(65.5)
Cash flow hedges	1.1	(6.3)
Defined benefit pension plans	.8	1.2
Other comprehensive loss	(12.4)	(70.6)
Comprehensive income (loss)	75.1	(26.5)
Add: comprehensive loss attributable to noncontrolling interest	—	.1
Comprehensive income (loss) attributable to Leggett & Platt, Inc.	\$ 75.1	\$ (26.4)

See accompanying notes to consolidated condensed financial statements.

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

(Amounts in millions)	Three Months Ended March 31,	
	2021	2020
OPERATING ACTIVITIES		
Net earnings	\$ 87.5	\$ 44.1
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	29.1	30.1
Amortization of intangibles and supply agreements	17.0	17.4
Long-lived asset impairment	—	3.5
(Decrease) increase in provision for losses on accounts and notes receivable	(3.3)	19.8
Writedown of inventories	2.9	3.9
Deferred income tax expense (benefit)	.8	(15.6)
Stock-based compensation	12.4	7.5
Other, net	(4.5)	7.8
Increases/decreases in, excluding effects from acquisitions and divestitures:		
Accounts and other receivables	(34.8)	(7.1)
Inventories	(107.2)	(33.0)
Other current assets	3.2	(3.4)
Accounts payable	(12.7)	(27.8)
Accrued expenses and other current liabilities	(1.0)	(36.8)
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(10.6)	10.4
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(24.0)	(24.2)
Purchases of companies, net of cash acquired	(27.3)	—
Other, net	1.4	6.9
NET CASH USED FOR INVESTING ACTIVITIES	(49.9)	(17.3)
FINANCING ACTIVITIES		
Payments on long-term debt	(12.6)	(12.5)
Change in commercial paper and short-term debt	121.8	352.6
Dividends paid	(53.0)	(52.7)
Issuances of common stock	2.0	.6
Purchases of common stock	(8.7)	(8.2)
Other, net	(.4)	(.8)
NET CASH PROVIDED BY FINANCING ACTIVITIES	49.1	279.0
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(3.7)	(13.9)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15.1)	258.2
CASH AND CASH EQUIVALENTS—January 1,	348.9	247.6
CASH AND CASH EQUIVALENTS—March 31,	<u>\$ 333.8</u>	<u>\$ 505.8</u>

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 (SEC). 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, 2020 financial position data included herein was derived from the audited consolidated financial statements, but does not include all disclosures required by GAAP.

Accounts Receivable and Accounts Payable Programs

We have participated in trade receivables sales programs with third-party banking institutions and trade receivables sales programs that have been implemented by certain of our customers the last few years. Under each of these programs, we sell our entire interest in the trade receivable for 100% of face value, less a discount. Because control of the sold receivable is transferred to the buyer at the time of sale, accounts receivable balances sold are removed from the Consolidated Condensed Balance Sheets and the related proceeds are reported as cash provided by operating activities in the Consolidated Condensed Statements of Cash Flows. We had approximately \$40.0 and \$45.0 of trade receivables that were sold and removed from our Consolidated Condensed Balance Sheets at March 31, 2021 and December 31, 2020, respectively.

We sometimes utilize third-party programs that allow our suppliers to be paid earlier at a discount. While these programs assist us in negotiating payment terms with our suppliers, we continue to make payments based on our customary terms. A vendor can elect to take payment from a third party earlier with a discount, and in that case, we pay the third party on the original due date of the invoice. Contracts with our suppliers are negotiated independently of supplier participation in the programs, and we cannot increase payment terms pursuant to the programs. The accounts payable, which remain on our Consolidated Condensed Balance Sheets, settled through the third-party programs, were approximately \$105.0 at March 31, 2021 and December 31, 2020.

Change in Accounting Methodology

As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories) to the first-in, first-out (FIFO) cost method from the last-in, first-out (LIFO) cost method. The effects of this change have been retrospectively applied to all periods presented. See [Note 10](#) for additional information.

2. ACCOUNTING STANDARDS 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.

Adopted in 2021:

- ASU 2019-12 “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”: This ASU was effective January 1, 2021 and is a part of the FASB overall simplification initiative. The adoption of this ASU did not materially impact our financial statements.

The FASB has issued accounting guidance, in addition to the issuance discussed above, effective for current and future periods. This guidance did not have a material impact on our current financial statements, and we do not believe it will have a material impact on our future financial statements.

3. REVENUE

Performance Obligations and Shipping and Handling Costs

We recognize revenue when performance obligations, under the terms of a contract with our customers, are satisfied. Substantially all of our revenue is recognized upon transfer of control of our products to our customers, which is generally upon shipment from our facilities or upon delivery to our customers' facilities, and is dependent on the terms of the specific contract. This conclusion considers the point at which our customers have the ability to direct the use of and obtain substantially all of the remaining benefits of the products that were transferred. Substantially all unsatisfied performance obligations as of March 31, 2021, will be satisfied within one year or less.

Shipping and handling costs are included as a component of "Cost of goods sold." Sales, value added, and other taxes collected in connection with revenue-producing activities are excluded from revenue.

Sales Allowances and Returns

The amount of consideration we receive and revenue we recognize varies with changes in various sales allowances, discounts, and rebates (variable consideration) that we offer to our customers. We reduce revenue by our estimates of variable consideration, based on contract terms and historical experience. Changes in estimates of variable consideration for the periods presented were not material.

Some of our products transferred to customers can be returned, and we recognize the following for this right:

- An estimated refund liability and a corresponding reduction to revenue, based on historical returns experience.
- An asset and a corresponding reduction to cost of sales for our right to recover products from customers upon settling the refund liability. We reduce the carrying amount of these assets by estimates of costs associated with the recovery and any additional expected reduction in value.

Our refund liability and the corresponding asset associated with our right to recover products from our customers were immaterial for the periods presented.

Other

We expect that at contract inception, the time period between when we transfer a promised good to our customer and our receipt of payment from that customer for that good will be one year or less (our typical trade terms are 30 to 60 days for U.S. customers and up to 90 days for our international customers).

We generally expense costs of obtaining a contract because the amortization period would be one year or less.

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

Revenue by Product Family

We disaggregate revenue by customer group, which is the same as our product families for each of our segments, as we believe this best depicts how the nature, amount, timing, and uncertainty of our revenue and cash flows are affected by economic factors. For information on our segment structure, see [Note 4](#).

	Three Months Ended March 31,	
	2021	2020
Bedding Products		
Bedding Group	\$ 535.8	\$ 490.6
Specialized Products		
Automotive Group	210.8	173.7
Aerospace Products Group	23.7	38.4
Hydraulic Cylinders Group	23.1	22.4
	257.6	234.5
Furniture, Flooring & Textile Products		
Home Furniture Group	96.1	81.2
Work Furniture Group	63.7	63.6
Flooring & Textile Products Group	197.7	175.6
	357.5	320.4
	<u>\$ 1,150.9</u>	<u>\$ 1,045.5</u>

4. SEGMENT INFORMATION

Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. We have three operating segments that supply a wide range of products:

- *Bedding Products*: This segment supplies a variety of components and machinery used by bedding manufacturers in the production and assembly of their finished products, as well as produces private label finished mattresses for bedding brands and adjustable bed bases. This segment is also backwardly integrated into the production and supply of specialty foam chemicals, steel rod, and drawn steel wire to our own operations and to external customers. Our trade customers for wire make mechanical springs and many other end products.
- *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 and engineered hydraulic cylinders used in the material-handling and construction industries.
- *Furniture, Flooring & Textile 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. We also produce or distribute carpet cushion, hard surface flooring underlayment, and textile and geo components.

Each reportable segment has an executive vice president who has accountability to, and maintains regular contact with, our 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.

The accounting principles used in the preparation of the segment information are the same as those used for the consolidated condensed financial statements. We evaluate performance based on Earnings Before Interest and Taxes (EBIT). Intersegment sales are made primarily at prices that approximate market-based selling prices. Centrally incurred costs are allocated to the segments based on estimates of services used by the segment. Certain of our general and administrative costs and miscellaneous corporate income and expenses are allocated to the segments based on sales or other appropriate metrics.

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

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.

As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories) to the FIFO cost method from the LIFO cost method. The effects of this change have been retrospectively applied to all periods presented. See [Note 10](#) for additional information.

A summary of segment results is shown in the following tables.

	Trade ¹ Sales	Inter- Segment Sales	Total Sales	EBIT	Depreciation and Amortization
Three Months Ended March 31, 2021					
Bedding Products	\$ 535.8	\$ 10.0	\$ 545.8	\$ 63.8	\$ 26.1
Specialized Products	257.6	.9	258.5	35.2	11.1
Furniture, Flooring & Textile Products	357.5	3.6	361.1	28.3	6.1
Intersegment eliminations and other ²				.4	2.8
	<u>\$ 1,150.9</u>	<u>\$ 14.5</u>	<u>\$ 1,165.4</u>	<u>\$ 127.7</u>	<u>\$ 46.1</u>
Three Months Ended March 31, 2020					
Bedding Products	\$ 490.6	\$ 9.6	\$ 500.2	\$ 28.3	\$ 26.8
Specialized Products	234.5	.8	235.3	27.7	11.2
Furniture, Flooring & Textile Products	320.4	5.2	325.6	26.1	6.5
Intersegment eliminations and other ^{2,3}				(3.5)	3.0
	<u>\$ 1,045.5</u>	<u>\$ 15.6</u>	<u>\$ 1,061.1</u>	<u>\$ 78.6</u>	<u>\$ 47.5</u>

¹ See [Note 3](#) for revenue by product family.

² Depreciation and Amortization: Other relates to non-operating assets (assets not included in segment assets) and is allocated to segment EBIT as discussed above.

³ 2020 EBIT: Other includes a charge to write off stock associated with a prior year divestiture that filed bankruptcy in 2020.

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.

	March 31, 2021	December 31, 2020
Bedding Products	\$ 709.5	\$ 739.0
Specialized Products	297.6	299.5
Furniture, Flooring & Textile Products	345.3	348.6
Average current liabilities included in segment numbers above	757.2	665.0
Unallocated assets ¹	2,756.7	2,759.1
Difference between average assets and period-end balance sheet	45.3	(11.2)
Total assets	<u>\$ 4,911.6</u>	<u>\$ 4,800.0</u>

¹ 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. IMPAIRMENT CHARGES

Impairment charges (pretax) are reported in “Impairments” in the Consolidated Condensed Statements of Operations. We incurred a \$3.5 charge in the three months ended March 31, 2020 to write off stock associated with a prior year divestiture that filed bankruptcy in 2020. We did not have any impairment charges in the three months ended March 31, 2021.

6. EARNINGS PER SHARE (EPS)

Basic and diluted earnings per share were calculated as follows:

	Three Months Ended March 31,	
	2021	2020
Net earnings		
Net earnings	\$ 87.5	\$ 44.1
(Earnings) attributable to noncontrolling interest, net of tax	—	—
Net earnings attributable to Leggett & Platt, Inc. common shareholders	<u>\$ 87.5</u>	<u>\$ 44.1</u>
Weighted average number of shares (in millions):		
Weighted average number of common shares used in basic EPS	136.0	135.4
Dilutive effect of stock-based compensation	.3	.2
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	<u>136.3</u>	<u>135.6</u>
Basic and diluted EPS:		
Basic EPS attributable to Leggett & Platt common shareholders	<u>\$.64</u>	<u>\$.33</u>
Diluted EPS attributable to Leggett & Platt common shareholders	<u>\$.64</u>	<u>\$.33</u>
Other information:		
Anti-dilutive shares excluded from diluted EPS computation	.2	.2
Cash dividends declared per share	\$.40	\$.40

7. ACCOUNTS AND OTHER RECEIVABLES

Effective January 1, 2020, we adopted ASU 2016-13 “Financial Instruments—Credit Losses” (Topic 326), which amended the impairment model to require a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses on certain types of financial instruments, including trade receivables. In accordance with guidance, the new standard was adopted using the modified retrospective approach as of the effective date; prior periods were not restated. The increase to the allowance for doubtful accounts, net of the deferred tax impact, resulted in a \$2.5 adjustment to beginning retained earnings as presented in [Note 12](#).

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

Accounts and other receivables consisted of the following:

	March 31, 2021		December 31, 2020	
	Current	Long-term	Current	Long-term
Trade accounts receivable ¹	\$ 592.2	\$ —	\$ 553.5	\$ —
Trade notes receivable	1.1	.4	.9	.3
Total trade receivables	593.3	.4	554.4	.3
Other notes receivable ¹	—	22.6	—	22.8
Taxes receivable, including income taxes	16.9	—	14.8	—
Other receivables	8.6	—	13.6	—
Subtotal other receivables	25.5	22.6	28.4	22.8
Total trade and other receivables	618.8	23.0	582.8	23.1
Allowance for doubtful accounts:				
Trade accounts receivable ¹	(15.8)	—	(19.2)	—
Trade notes receivable	(.1)	(.1)	—	—
Total trade receivables	(15.9)	(.1)	(19.2)	—
Other notes receivable ¹	—	(22.6)	—	(22.8)
Total allowance for doubtful accounts	(15.9)	(22.7)	(19.2)	(22.8)
Total net receivables	\$ 602.9	\$.3	\$ 563.6	\$.3

¹ The “Trade accounts receivable” and “Other notes receivable” line items above include \$24.0 and \$24.6 as of March 31, 2021 and December 31, 2020, respectively, from a customer in our Bedding Products segment who is experiencing financial difficulty and liquidity problems. This customer was placed on nonaccrual status in 2018 and was delinquent in their first quarter interest payment in 2020. As a result, we increased and fully reserved the balances for this customer in the first quarter of 2020. The reserve for this customer was \$24.0 (\$22.6 for the note and \$1.4 for the trade receivable) at March 31, 2021, and \$24.6 (\$22.8 for the note and \$1.8 for the trade receivable) at December 31, 2020.

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

	Balance at December 31, 2020	Add: Charges	Less: Net Charge-offs/ (Recoveries) and Other	Balance at March 31, 2021
Trade accounts receivable	\$ 19.2	\$ (3.3)	\$.1	\$ 15.8
Trade notes receivable	—	.2	—	.2
Total trade receivables	19.2	(3.1)	.1	16.0
Other notes receivable	22.8	(.2)	—	22.6
Total allowance for doubtful accounts	\$ 42.0	\$ (3.3)	\$.1	\$ 38.6

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

8. STOCK-BASED COMPENSATION

The following table recaps the impact of stock-based compensation on the results of operations for each of the periods presented:

	Three Months Ended March 31, 2021		Three Months Ended March 31, 2020	
	To be settled with stock	To be settled in cash	To be settled with stock	To be settled in cash
Stock-based retirement plans contributions	\$ 1.4	\$.1	\$ (.3)	\$.1
Discounts on various stock awards:				
Deferred Stock Compensation Program	.4	—	.5	—
Stock-based retirement plans	.3	—	.2	—
Discount Stock Plan	.2	—	.3	—
Performance Stock Unit (PSU) awards: ¹				
PSU - TSR based ^{1A}	.8	.3	.9	(2.8)
PSU - EBIT CAGR based ^{1B}	1.7	2.2	(2.1)	(2.8)
Prior PSU awards ^{1C}	—	—	—	.1
Restricted Stock Unit (RSU) awards	5.3	—	4.7	—
Other, primarily non-employee directors restricted stock	—	—	.4	—
Total stock-related compensation expense (income)	10.1	\$ 2.6	4.6	\$ (5.4)
Employee contributions for above stock plans	2.3		2.9	
Total stock-based compensation	\$ 12.4		\$ 7.5	
Tax benefits on stock-based compensation expense	\$ 2.5		\$ 1.1	
Tax benefits on stock-based compensation payments	2.6		2.8	
Total tax benefits associated with stock-based compensation	\$ 5.1		\$ 3.9	

¹ PSU Awards

For the following programs, we intend to pay 50% in shares of our common stock and 50% in cash, although we reserve the right, subject to Compensation Committee approval, to pay up to 100% in cash. Cash settlements are recorded as a liability and adjusted to fair value at each reporting period.

^{1A} PSU - TSR based

PSU awards are based 50% upon our TSR compared to a peer group. A small number of PSU awards are based 100% upon relative TSR for certain business unit employees to complement their particular mix of incentive compensation. Grant date fair values are calculated using a Monte Carlo simulation of stock and volatility data for Leggett and each of the peer companies. Grant date fair values are amortized using the straight-line method over the three-year vesting period.

The relative TSR vesting condition of the PSU award contains 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 TSR 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 300 companies). Participants will earn from 0% to 200% of the base award depending upon how our TSR ranks within the peer group at the end of the three-year performance period.

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1B PSU - EBIT CAGR based

PSU awards are based 50% upon our or the applicable segment's EBIT CAGR. Grant date fair values are calculated using the grant date stock price discounted for dividends over the vesting period. Expense is adjusted every quarter over the three-year vesting period based on the number of shares expected to vest.

The EBIT CAGR portion of this award contains the following conditions:

- A service requirement—Awards generally “cliff” vest three years following the grant date; and
- A performance condition—Awards are based on achieving specified EBIT CAGR performance targets for our or the applicable segment's EBIT during the third year of the performance period compared to the EBIT during the fiscal year immediately preceding the performance period. Participants will earn from 0% to 200% of the base award.

In connection with the decision to move a significant portion of the long-term incentive opportunity from a two-year to a three-year performance period by eliminating PGI awards, in February 2018, we also granted participants a one-time transition PSU award, based upon EBIT CAGR over a two-year performance period. This award was paid in the first quarter 2020. Average payout percentage of base award was 114%, and the number of shares paid was .1. The cash portion payout was \$4.1.

1C Prior PSU Awards

The 2017 award was paid out in 2020. The 2017 and prior PSU awards were based solely on relative TSR. Vesting conditions were the same as (1A) above other than the maximum payout of 175% of the base award.

Below is a summary of the number of shares and grant date fair value related to PSU for the periods presented:

	Three Months Ended March 31,	
	2021	2020
<u>TSR based</u>		
Total shares base award	.1	.1
Grant date per share fair value	\$ 49.43	\$ 38.23
Risk-free interest rate	.2 %	1.4 %
Expected life in years	3.0	3.0
Expected volatility (over expected life)	44.3 %	24.0 %
Expected dividend yield (over expected life)	3.7 %	3.6 %
<u>EBIT CAGR based</u>		
Total shares base award	.1	.1
Grant date per share fair value	\$ 38.77	\$ 40.52
Vesting period in years	3.0	3.0

Three-Year Performance Cycle for PSU - TSR Based						
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
2017	December 31, 2019	63 rd percentile	49.0%	.1 million	\$ 1.6	First quarter 2020
2018	December 31, 2020	60 th percentile	56.0%	< .1 million	\$ 2.0	First quarter 2021

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9. ACQUISITIONS

The following table contains the estimated fair values (using inputs as discussed in [Note 13](#)) of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions during the periods presented. Of the goodwill included in the table below, none is expected to be deductible for tax purposes.

	Three Months Ended March 31, 2021
Accounts receivable	\$ 4.7
Inventory	8.8
Property, plant and equipment	1.8
Goodwill	6.3
Other intangible assets:	
Customer relationships (1 to 15-year life)	11.8
Noncompete agreements (1-year life)	.2
Other current and long-term assets	1.8
Current liabilities	(4.2)
Deferred income taxes	(2.7)
Other long-term liabilities	(1.2)
Net cash consideration	<u>\$ 27.3</u>

The following table summarizes acquisitions for the periods presented.

Three Months Ended	Number of Acquisitions	Segment	Product/Service
March 31, 2021	1	Specialized Products	Manufacturer of high-pressure and high-temperature ducting, flexible joints and components
March 31, 2020	None		

We are finalizing all the information required to complete the purchase price allocation related to the recent acquisition and do not anticipate any material modifications.

2021

We acquired one business:

- A UK manufacturer specializing in metallic ducting systems, flexible joints, and components for the space, military, and commercial applications. This acquisition expands the capabilities of our Aerospace Products business unit to include flexible joint fabrication. The acquisition date was January 30. The purchase price was \$27.3 and added \$6.3 of goodwill.

2020

No businesses were acquired during the first three months of 2020.

10. INVENTORIES

As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories, largely in the Bedding Products and Furniture, Flooring & Textile Products segments) to the FIFO cost method from the LIFO cost method. We believe that this change in accounting is preferable as it more closely resembles the physical flow of inventory, is a more consistent method to value inventory across our businesses, and results in improved comparability with industry peers. After this change, we no longer utilize the LIFO cost method; the majority of our inventories are now

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valued using the FIFO cost method, with the remainder valued using an average-cost method. Prior to this change, our LIFO inventories represented about one-third of our total inventories as of December 31, 2020.

The effects of this change have been retrospectively applied to all periods presented. This change resulted in an increase to retained earnings of \$29.4 as of January 1, 2020 in accordance with ASC 250, Accounting Changes and Error Corrections.

In addition, certain financial statement line items in our Consolidated Condensed Statement of Operations and our Consolidated Condensed Statement of Cash Flows for the three months ended March 31, 2020 and our Consolidated Condensed Balance Sheet as of December 31, 2020, were adjusted as follows:

	As Originally Reported		Effect of Change		As Adjusted
Consolidated Condensed Statement of Operations for the three months ended March 31, 2020					
Cost of goods sold	\$ 822.7	\$	2.1	\$	824.8
Earnings before interest and taxes	80.7		(2.1)		78.6
Income taxes	15.0		(.5)		14.5
Net earnings	45.7		(1.6)		44.1
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders:					
Basic	\$.34	\$	(.01)	\$.33
Diluted	\$.34	\$	(.01)	\$.33
Consolidated Condensed Balance Sheet as of December 31, 2020					
Inventories	\$ 645.5	\$	46.0	\$	691.5
Deferred income taxes	194.2		11.2		205.4
Retained earnings	2,762.4		34.8		2,797.2
Consolidated Condensed Statement of Cash Flows for the three months ended March 31, 2020					
Net earnings	\$ 45.7	\$	(1.6)	\$	44.1
Writedown of inventories	3.1		.8		3.9
Deferred income tax (benefit) expense	(15.1)		(.5)		(15.6)
Inventories	(34.3)		1.3		(33.0)

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The following table recaps the components of inventory for each period presented inclusive of the accounting method change discussed above:

	March 31, 2021	December 31, 2020
Finished goods	\$ 343.7	\$ 302.3
Work in process	57.2	47.1
Raw materials and supplies	400.9	342.1
Inventories	<u>\$ 801.8</u>	<u>\$ 691.5</u>

All inventories are stated at the lower of cost or net realizable value. We generally use standard costs which include materials, labor, and production overhead at normal production capacity.

Inventories are reviewed at least quarterly for slow-moving and potentially obsolete items using actual inventory turnover and, if necessary, are written down to estimated net realizable value. Restructuring activity and decisions to narrow product offerings also impact the estimated net realizable value of inventories. We have had no material changes in inventory writedowns or slow-moving and obsolete inventory reserves in any of the years presented.

11. EMPLOYEE BENEFIT PLANS

Employer contributions for 2021 are expected to approximate \$4.0.

The following table provides interim information as to our domestic and foreign defined benefit pension plans:

	Three Months Ended March 31,	
	2021	2020
Components of net pension expense		
Service cost	\$ 1.2	\$ 1.1
Interest cost	1.5	1.9
Expected return on plan assets	(3.1)	(3.0)
Recognized net actuarial loss	1.3	1.0
Net pension expense	<u>\$.9</u>	<u>\$ 1.0</u>

The components of net pension expense, other than the service cost component, are included in the line item "Other (income) expense, net" in the Consolidated Condensed Statements of Operations.

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

	Three Months Ended March 31, 2021					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)
Beginning balance, January 1, 2021	\$ 1,425.1	\$ 2,797.2	\$ 545.2	\$ (1,865.4)	\$.5	\$ (52.4)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	87.5	87.5	—	—	—	—
Dividends declared (See Note 6)	(53.4)	(54.8)	1.4	—	—	—
Treasury stock purchased	(8.9)	—	—	(8.9)	—	—
Treasury stock issued	3.3	—	(19.6)	22.9	—	—
Foreign currency translation adjustments	(14.3)	—	—	—	—	(14.3)
Cash flow hedges, net of tax	1.1	—	—	—	—	1.1
Defined benefit pension plans, net of tax	.8	—	—	—	—	.8
Stock-based compensation transactions, net of tax	15.0	—	15.0	—	—	—
Ending balance, March 31, 2021	<u>\$ 1,456.2</u>	<u>\$ 2,829.9</u>	<u>\$ 542.0</u>	<u>\$ (1,851.4)</u>	<u>\$.5</u>	<u>\$ (64.8)</u>

	Three Months Ended March 31, 2020					
	Total Equity	Retained Earnings	Common Stock & Additional Contributed Capital	Treasury Stock	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)
Beginning balance, January 1, 2020	\$ 1,341.9	\$ 2,763.9	\$ 538.1	\$ (1,883.8)	\$.5	\$ (76.8)
Effect of accounting change on prior years (Topic 326-See Note 7)	(2.5)	(2.5)	—	—	—	—
Adjusted beginning balance, January 1, 2020	1,339.4	2,761.4	538.1	(1,883.8)	.5	(76.8)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	44.1	44.1	—	—	—	—
Dividends declared (See Note 6)	(52.8)	(54.2)	1.4	—	—	—
Treasury stock purchased	(8.4)	—	—	(8.4)	—	—
Treasury stock issued	2.5	—	(16.2)	18.7	—	—
Foreign currency translation adjustments	(65.5)	—	—	—	(.1)	(65.4)
Cash flow hedges, net of tax	(6.3)	—	—	—	—	(6.3)
Defined benefit pension plans, net of tax	1.2	—	—	—	—	1.2
Stock-based compensation transactions, net of tax	12.2	—	12.2	—	—	—
Ending balance, March 31, 2020	<u>\$ 1,266.4</u>	<u>\$ 2,751.3</u>	<u>\$ 535.5</u>	<u>\$ (1,873.5)</u>	<u>\$.4</u>	<u>\$ (147.3)</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:

	Three Months Ended March 31,			
	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2021	\$ 6.4	\$ 1.4	\$ (60.2)	\$ (52.4)
Other comprehensive income (loss)	(14.3)	2.0	(.2)	(12.5)
Reclassifications, pretax ¹	—	(.5)	1.3	.8
Income tax effect	—	(.4)	(.3)	(.7)
Balance, March 31, 2021	<u>\$ (7.9)</u>	<u>\$ 2.5</u>	<u>\$ (59.4)</u>	<u>\$ (64.8)</u>
Balance, January 1, 2020	\$ (21.5)	\$ (4.1)	\$ (51.2)	\$ (76.8)
Other comprehensive income (loss)	(65.5)	(7.6)	.6	(72.5)
Reclassifications, pretax ²	—	.3	1.0	1.3
Income tax effect	—	1.0	(.4)	.6
Attributable to noncontrolling interest	.1	—	—	.1
Balance, March 31, 2020	<u>\$ (86.9)</u>	<u>\$ (10.4)</u>	<u>\$ (50.0)</u>	<u>\$ (147.3)</u>

¹ 2021 pretax reclassifications are comprised of:

Net sales	\$ —	\$ (1.8)	\$ —	\$ (1.8)
Cost of goods sold; selling and administrative expenses	—	.2	—	.2
Interest expense	—	1.1	—	1.1
Other income (expense), net	—	—	1.3	1.3
Total reclassifications, pretax	<u>\$ —</u>	<u>\$ (.5)</u>	<u>\$ 1.3</u>	<u>\$.8</u>

² 2020 pretax reclassifications are comprised of:

Net sales	\$ —	\$ (.5)	\$ —	\$ (.5)
Cost of goods sold; selling and administrative expenses	—	(.3)	—	(.3)
Interest expense	—	1.1	—	1.1
Other income (expense), net	—	—	1.0	1.0
Total reclassifications, pretax	<u>\$ —</u>	<u>\$.3</u>	<u>\$ 1.0</u>	<u>\$ 1.3</u>

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

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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 March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	\$ —	\$ 154.0	\$ —	\$ 154.0
Derivative assets ¹ (Note 14)	—	7.5	—	7.5
Diversified investments associated with the ESUP ¹	45.7	—	—	45.7
Total assets	\$ 45.7	\$ 161.5	\$ —	\$ 207.2
Liabilities:				
Derivative liabilities ¹ (Note 14)	\$ —	\$ 1.6	\$ —	\$ 1.6
Liabilities associated with the ESUP ¹	44.9	—	—	44.9
Total liabilities	\$ 44.9	\$ 1.6	\$ —	\$ 46.5

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	\$ —	\$ 156.5	\$ —	\$ 156.5
Derivative assets ¹ (Note 14)	—	7.9	—	7.9
Diversified investments associated with the ESUP ¹	45.9	—	—	45.9
Total assets	\$ 45.9	\$ 164.4	\$ —	\$ 210.3
Liabilities:				
Derivative liabilities ¹ (Note 14)	\$ —	\$ 2.5	\$ —	\$ 2.5
Liabilities associated with the ESUP ¹	45.4	—	—	45.4
Total liabilities	\$ 45.4	\$ 2.5	\$ —	\$ 47.9

¹ Includes both current and long-term amounts.

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

The fair value for fixed rate debt (Level 1) was approximately \$130.0 greater than carrying value of \$1,588.1 at March 31, 2021 and was approximately \$170.0 greater than carrying value of \$1,587.6 at December 31, 2020.

Items measured at fair value on a non-recurring basis

The primary areas in which we utilize fair value measurements of non-financial assets and liabilities are allocating purchase price to the assets and liabilities of acquired companies (Note 9) and evaluating long-term assets (including goodwill) for potential impairment (Note 5). Determining fair values for these items requires significant judgment and includes a variety of methods and models that utilize significant Level 3 inputs. For methodologies used in determining fair value, reference is made to Footnote A in the Notes to Consolidated Financial Statements in our Form 10-K filed February 24, 2021.

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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.

Interest Rate Cash Flow Hedges—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.

The following table presents assets and liabilities representing the fair value of 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 March 31, 2021			
			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/purchases of Canadian, Chinese, European, South Korean, Swiss, and UK subsidiaries	Sep 2022	\$ 117.6	\$ 4.7	\$ —	\$.7	\$ —
Future DKK sales of Polish subsidiary	Sep 2022	18.0	—	—	.6	.1
Future EUR sales of Chinese, Swiss, and UK subsidiaries	Sep 2022	40.9	1.5	.1	—	—
Future MXN purchases of a USD subsidiary	Jun 2022	7.1	.5	—	—	—
Total cash flow hedges			6.7	.1	1.3	.1
Fair value hedges:						
Intercompany and third-party receivables and payables exposed to multiple currencies (DKK, EUR, MXN, USD, and ZAR) in various countries (CAD, CNY, PLN, and USD)	Jul 2021	49.5	.3	—	.2	—
<u>Derivatives not designated as hedging instruments</u>						
Non-deliverable hedges (EUR and USD) exposed to the CNY	Mar 2022	14.4	.3	—	—	—
USD receivable on a CAD subsidiary	Apr 2021	15.0	.1	—	—	—
Total derivatives not designated as hedging instruments			.4	—	—	—
Total derivatives			\$ 7.4	\$.1	\$ 1.5	\$.1

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	Expiring at various dates through:	Total USD Equivalent Notional Amount	As of December 31, 2020			
			Assets		Liabilities	
			Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
Derivatives designated as hedging instruments						
Cash flow hedges:						
Currency hedges:						
Future USD sales/purchases of Canadian, Chinese, European, South Korean, Swiss and UK subsidiaries	Jun 2022	\$ 149.3	\$ 6.3	\$.1	\$ 1.2	\$.1
Future MXN purchases of a USD subsidiary	Jun 2022	9.3	.7	.1	—	—
Future DKK sales of a Polish subsidiary	Jun 2022	18.5	—	—	.5	.1
Future EUR sales of Chinese and UK subsidiaries	Jun 2022	46.7	—	—	.2	.1
Total cash flow hedges			7.0	.2	1.9	.3
Fair value hedges:						
Intercompany and third-party receivables and payables exposed to multiple currencies (DKK, EUR, MXN, USD and ZAR) in various countries (CAD, CNY, GBP, PLN and USD)	Jun 2021	49.5	.3	—	.1	—
Derivatives not designated as hedging instruments						
Non-deliverable hedges (EUR and USD) exposed to the CNY	Dec 2021	14.4	.4	—	—	—
Hedge of USD receivable on a CAD subsidiary	Jan 2021	18.5	—	—	.2	—
Total derivatives not designated as hedging instruments			.4	—	.2	—
Total derivatives			\$ 7.7	\$.2	\$ 2.2	\$.3

The following table sets forth the pretax (gains) losses for our hedging activities for the years presented. This schedule includes reclassifications (including impact of underlying transactions probable of not occurring) from accumulated other comprehensive income (see [Note 12](#)) as well as derivative settlements recorded directly to income or expense.

	Caption in Consolidated Condensed Statements of Operations	Amount of (Gain) Loss Recorded in Income Three Months Ended March 31,	
		2021	2020
		Derivatives designated as hedging instruments	
Interest rate cash flow hedges	Interest expense	\$ 1.1	\$ 1.1
Currency cash flow hedges	Net trade sales	(2.2)	.6
Currency cash flow hedges	Cost of goods sold	.2	(.3)
Total cash flow hedges		(.9)	1.4
Fair value hedges	Other (income) expense, net	(.5)	5.0
Derivatives not designated as hedging instruments			
Total derivative instruments	Other (income) expense, net	.3	(1.3)
		\$ (1.1)	\$ 5.1

15. CONTINGENCIES

We are a party to various proceedings and matters involving employment, intellectual property, environmental, taxation, vehicle-related personal injury, antitrust, 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.

Brazilian Value-Added Tax Matters

All dollar amounts presented in this section reflect the U.S. Dollar (USD) equivalent of Brazilian Real (BRL).

We deny all allegations in the below Brazilian tax actions. We believe that we have valid bases to contest such actions and are vigorously defending ourselves. However, these contingencies are subject to uncertainties, and based on current known facts, we believe that it is reasonably possible (but not probable) that we may incur losses of approximately \$9.8 including interest and attorney fees with respect to these assessments, except for the March 27, 2014 assessment of the \$.5 from the State of São Paulo, Brazil (SSP), which has been fully accrued and is discussed below. Therefore, because it is not probable we will incur a loss, no accrual has been recorded for Brazilian value-added tax (VAT) matters (except for the aforementioned March 27, 2014 SSP assessment). As of the date of this filing, we have \$7.5 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 and December 29, 2011, and December 17, 2012, the Brazilian Finance Ministry, Federal Revenue Office (Finance Ministry) issued notices of violation against our wholly-owned subsidiary, Leggett & Platt do Brasil Ltda. (L&P Brazil) in the amount of \$1.4 (\$2.1 with updated interest), \$.1, and \$2.5 (\$2.9 with updated interest), respectively. The Finance Ministry claimed that for November 2006 and continuing through 2011, L&P Brazil used an incorrect tariff code for the collection and payment of VAT primarily on the sale of mattress innerspring units in Brazil (VAT Rate Dispute). L&P Brazil denied the violations. On December 4, 2015 and October 18, 2018, we filed actions related to the \$2.9 assessment and \$2.1 assessment, respectively, in Sorocaba Federal Court. On August 17, 2020, the Sorocaba Federal Court ruled in our favor and annulled the \$2.9 assessment. On October 9, 2020, the Federal Treasury filed an appeal which is pending. The \$.1 assessment remains pending at the second administrative level. The action seeking to annul the \$2.1 assessment also remains pending.

In addition, L&P Brazil received assessments on December 22, 2011, and June 26, July 2, and November 5, 2012, September 13, 2013, and September 4, 2014 from the Finance Ministry where it challenged L&P Brazil's use of tax credits in years 2005 through 2012. Such credits are generated based upon the VAT rate used by L&P Brazil on the sale of mattress innersprings. L&P Brazil filed its defenses denying the assessments. L&P Brazil received aggregate assessments totaling \$1.7 updated with interest on these denials of tax credit matters. L&P Brazil filed an appeal on April 16, 2021 after the first level administrative decision denied its defenses to the remaining assessments pending at the first level. The actions are now pending.

On February 1, 2013, the Finance Ministry filed a Tax Collection action against L&P Brazil in the Camanducaia Judicial District Court, and also, on June 26, 2014, issued a notice of violation, alleging, in the aggregate, the untimely payment of \$.5 of social security and social assistance payments from September to October 2010, 2011, and 2012. L&P Brazil argued the payments were not required because of the application of tax credits generated by L&P Brazil's use of a correct VAT rate on the sale of mattress innersprings. On April 16, 2021, L&P Brazil filed an appeal in the June 26, 2014 action, after the first level administrative decision denied its defenses to the assessments pending at the first level. These cases remain pending.

We have also received a small number of other assessments from the Finance Ministry on the same or related subject matter that are immaterial individually and in the aggregate.

State of São Paulo, Brazil Cases. SSP, on October 4, 2012, issued a Tax Assessment against L&P Brazil in the amount of \$.8 for the tax years 2009 through 2011 regarding the same VAT Rate Dispute but as applicable to the sale of mattress innerspring units in the SSP (SSP VAT Rate Dispute). On June 21, 2013, the SSP converted the Tax Assessment to a tax collection action against L&P Brazil in the amount of \$1.1 (\$1.4 with updated interest) in Sorocaba Judicial District Court. L&P Brazil denied all allegations. This case remains pending.

L&P Brazil also received a Notice of Tax Assessment from the SSP dated March 27, 2014 in the amount of \$.5 for the tax period January 2011 through August 2012 regarding the SSP VAT Rate Dispute. L&P Brazil filed its response denying the

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(Unaudited)

allegations, but the tax assessment was maintained at the administrative level. On June 9, 2016, L&P Brazil filed an action in Sorocaba State Court to annul the entire assessment. The Court ruled against L&P Brazil and the Court of Appeals upheld the unfavorable ruling. The High Court denied our appeal and L&P Brazil filed an interlocutory appeal. On November 5, 2019, SSP announced an amnesty program that provides discounts on penalties and interest on SSP assessments. We decided to move forward with the amnesty program as it relates to the \$.5 assessment. We expect to pay \$.5 to resolve this matter using a portion of our \$.6 cash deposit. On October 6, 2020, the Court began the process of releasing part of L&P Brazil's cash deposit to pay the \$.5. We expect the return of approximately \$.1 consisting of cash deposit and accrued interest in 2022.

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 the same VAT Rate Dispute but as applicable to the sale of mattress innerspring units in Minas Gerais from March 2008 through August 2012 in the amount of \$.3. L&P Brazil filed its response denying any violation. The Minas Gerais Taxpayer's Council ruled against us, and L&P Brazil filed a Motion to Stay the Execution of the Judgment in Camanducaia Judicial District Court, which remains pending.

Accruals and Reasonably Possible Losses in Excess of Accruals

Accruals for Probable Losses

Although we deny liability in all threatened or pending litigation proceedings in which we are or may be a party, and believe that we have valid bases to contest all claims threatened or made against us, we have recorded a litigation contingency accrual for our reasonable estimate of probable loss for pending and threatened litigation proceedings, in aggregate, as follows:

	Three Months Ended March 31,	
	2021	2020
Litigation contingency accrual - Beginning of period	\$.5	\$.7
Adjustment to accruals - expense	.2	.1
Currency	—	(.1)
Cash payments	—	(.1)
Litigation contingency accrual - End of period	<u>\$.7</u>	<u>\$.6</u>

The above litigation contingency accrual does not include accrued expenses related to workers' compensation, vehicle-related personal injury, 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.

Reasonably Possible Losses in Excess of Accruals

Although there are a number of uncertainties and potential outcomes associated with 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 March 31, 2021, aggregate reasonably possible (but not probable, and therefore, not accrued) losses in excess of the accruals noted above are estimated to be \$10.6, including \$9.8 for Brazilian VAT matters disclosed above and \$.8 for other matters. If our assumptions or analyses regarding any of our contingencies are incorrect, or if facts change, we could realize losses in excess of the recorded accruals (and in excess of the \$10.6 referenced above), which could have a material negative impact on our financial condition, results of operations, and cash flows.

16. RISKS AND UNCERTAINTIES

Because of the COVID-19 pandemic, various governments in Asia, Europe, North America, and elsewhere instituted, and some have reinstated, quarantines, shelter-in-place, or stay-at-home orders, or restrictions on public gatherings as well as limitations on social interactions, which have had, and could further have, an adverse effect on the demand for our products.

We have manufacturing facilities in the United States and 16 other countries. All of these countries have been affected by the COVID-19 pandemic. All of our facilities are open and running at this time. From time to time we have some capacity restrictions on our plants due to governmental orders in various parts of the world. We have been and could be further negatively affected by governmental action in any one or more of the countries in which we operate by the imposition, or re-imposition, of restrictive measures concerning shelter-in-place or stay-at-home orders, public gatherings and human interactions, mandatory closures of retail establishments that sell our products or our customers' products, travel restrictions, and restrictions on the import or export of products.

Because of the shift of production by semiconductor microchip manufacturers to consumer electronics, such as laptops and tablets for home schooling and home offices, and away from automotive applications during the COVID-19-related automotive industry shutdowns in 2020, currently there is a shortage of microchips in the automotive industry. Our Automotive Group uses the microchips in seat comfort products, and to a lesser extent in motors and actuators. Although, to date, our Automotive Group has been able to obtain an adequate supply of microchips, we are dependent on our suppliers to deliver these microchips in accordance with our production schedule, and a shortage of the microchips can disrupt our operations and our ability to deliver products to our customers. Also, because of the industry shortage, automotive OEMs and other suppliers have not been able to secure an adequate supply of microchips, and as a result have reduced their production of automobiles or parts, which in turn has recently reduced, and may continue to reduce, our sale of products. We anticipate these shortages to continue throughout the year. If we cannot secure an adequate supply of microchips in our supply chain, and the microchips cannot be sourced from a different supplier, or the automotive OEMs and other suppliers continue to reduce their production as a result of such shortage, this may negatively impact our sales, earnings, and financial condition.

In early 2020, the U.S. and other governments ordered that certain nonwoven fabrics used to produce ComfortCore® innersprings be prioritized to produce medical supplies. This resulted in shortages of the fabrics for non-medical applications beginning in second quarter 2020. These shortages and strong bedding demand caused us to temporarily be unable to supply full industry demand for ComfortCore® and resulted in higher costs for nonwoven fabrics. Beginning in late 2020, nonwoven fabrics supply constraints began to alleviate. As demand improved in mid-2020, we also experienced some temporary labor shortages. In the first quarter of 2021, our supply of nonwoven fabrics, additional staffing, and additional machine capacity has allowed us to increase our production of ComfortCore®. In the first quarter, we added over half of our planned 25% capacity additions through the combination of labor and machinery additions. We will continue to add staffing and machinery as we move through the next two quarters. If we cannot produce an adequate amount of ComfortCore® to meet demand, our results of operations may be negatively impacted.

Depending on the length and severity of the COVID-19 pandemic, and the timing and effectiveness of any vaccines, our ability to keep our manufacturing operations open or fully operational, build and maintain appropriate labor levels, obtain necessary raw materials and parts, and ship finished products to customers may be partially or completely disrupted, either on a temporary or prolonged basis. The continued realization of these risks to our manufacturing operations, labor force, and supply chain could also increase labor, commodity, and energy costs.

We also experienced chemical shortages that began in 2020, which are ongoing and may persist for the remainder of the year. These shortages have resulted in constraints of overall mattress production in the industry and higher pricing for chemicals. In the first quarter of 2021, chemicals experienced further supply shortages from severe weather impacts. If we are unable to obtain the chemicals or pass the cost along to our customers, our results of operations may be negatively impacted.

Some facilities have experienced problems delivering products to customers and disruptions in logistics necessary to import, export, or transfer products, which has generally resulted in increased freight costs. Our supply chains have also been hampered by congested ports.

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

What We Do

Leggett & Platt, Incorporated (the Company, we, or our) 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.-based manufacturer of: a) bedding components; b) automotive seat support and lumbar systems; c) specialty bedding foams and private-label finished mattresses; d) components for home furniture and work furniture; e) flooring underlayment; f) adjustable beds; and g) bedding industry machinery.

Our Segments

Our operations are comprised of over 130 production facilities located in 17 countries around the world. Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. Our segments are described below.

Bedding Products: This segment supplies a variety of components and machinery used by bedding manufacturers in the production and assembly of their finished products, as well as produces private-label finished mattresses for bedding brands and adjustable bed bases. This segment is also backwardly integrated into the production and supply of specialty foam chemicals, steel rod, and drawn steel wire to our own operations and to external customers. Our trade customers for wire make mechanical springs and many other end products. This segment generated 47% of our trade sales during the first three months of 2021.

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 and engineered hydraulic cylinders used in the material-handling and construction industries. This segment contributed 22% of our trade sales in the first three months of 2021.

Furniture, Flooring & Textile 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. We also produce or distribute carpet cushion, hard surface flooring underlayment, and textile and geo components. This segment contributed 31% of our trade sales in the first three months of 2021.

COVID-19 Impacts on our Business

The impact of the COVID-19 pandemic began in January 2020, directly affecting our operations in China, as well as the global supply chain. The crisis accelerated, impacting virtually all geographies by mid-March of 2020. The pandemic had, and could further have, an adverse impact, in varying degrees, to among other things (i) the demand for our products and our customers' products, growth rates in the industries in which we participate, and opportunities in those industries; (ii) our manufacturing operations' ability to remain fully operational, obtain necessary raw materials and parts, maintain appropriate labor levels, and ship finished products to customers; (iii) operating costs related to pay and benefits for terminated employees; (iv) the collection of trade and other notes receivables in accordance with their terms due to customer bankruptcy, financial difficulties, or insolvency; (v) impairment of goodwill and long-lived assets; and (vi) our ability to borrow under our credit facility in compliance with restrictive covenants; all of which, in the aggregate, had, and could further have, a material negative impact on our trade sales, earnings, cash flow, and financial condition.

In response to the COVID-19 pandemic, we took action to:

- Implement comprehensive safety protocols
- Monitor and manage supply chain risks
- Align our variable cost structure to demand levels
- Significantly reduce fixed costs and cut capital expenditures
- Prioritize accounts receivable collections and manage inventory levels
- Amend the financial covenant in our revolving credit facility to provide additional liquidity

These efforts helped to strengthen cash flow and protect our balance sheet. Consumers quickly moved from travel and entertainment spending to purchasing home-related products and autos. This has benefited our Bedding, Home Furniture, Flooring & Textiles, and Automotive businesses. We also have seen modest recovery in businesses that are in industries most negatively impacted by the COVID-19 pandemic. We believe that our financial resources and liquidity levels, along with various contingency plans to reduce costs, are sufficient to manage the impact currently anticipated from the COVID-19 pandemic.

The fixed cost actions we took in 2020 reduced our first quarter costs by approximately \$20 million. As we move through 2021, we expect to focus on controlling our costs by keeping our variable cost structure aligned with demand levels and only adding fixed costs as necessary to support higher volume and future growth opportunities.

Below is a more in-depth discussion of the various impacts of COVID-19 on our business.

Demand for our Products. Various governments in Asia, Europe, North America, and elsewhere instituted, and some have reinstated, quarantines, shelter-in-place, or stay-at-home orders, or restrictions on public gatherings as well as limitations on social interactions, which have had, and could further have, an adverse effect on the demand for our products.

Trade sales in the first quarter of 2021 were up 10% versus the first quarter of 2020. Following steep declines in the last two weeks of first quarter 2020, we returned to year-over-year sales growth in the majority of our businesses in the first quarter of 2021. While demand in Aerospace and Work Furniture was lower in first quarter 2021 than first quarter 2020, sales improved sequentially from fourth quarter 2020.

Impact on our Manufacturing Operations. We have manufacturing facilities in the United States and 16 other countries. All of these countries have been affected by the COVID-19 pandemic. Our facilities are open but we have, from time to time, some capacity restrictions on our plants due to governmental orders in various parts of the world. We have been and could be further negatively affected by governmental action in any one or more of the countries in which we operate by the imposition, or re-imposition, of restrictive social measures, mandatory closures of retail establishments that sell our products or our customers' products, travel restrictions, and restrictions on the import or export of products.

Because of the shift of production by semiconductor microchip manufacturers to consumer electronics, such as laptops and tablets for home schooling and home offices, and away from automotive applications during the COVID-19-related automotive industry shutdowns in 2020, currently there is a shortage of microchips in the automotive industry. Our Automotive Group uses the microchips in seat comfort products, and to a lesser extent in motors and actuators. Although, to date, our Automotive Group has been able to obtain an adequate supply of microchips, we are dependent on our suppliers to deliver these microchips in accordance with our production schedule, and a shortage of the microchips can disrupt our operations and our ability to deliver products to our customers. Also, because of the industry shortage, automotive OEMs and other suppliers have not been able to secure an adequate supply of microchips, and as a result have reduced their production of automobiles or parts, which in turn has recently reduced, and may continue to reduce our, sale of products. We anticipate these shortages to continue throughout the year. If we cannot secure an adequate supply of microchips in our supply chain, and the microchips cannot be sourced from a different supplier, or the automotive OEMs and other suppliers continue to reduce their production as a result of such shortage, this may negatively impact our sales, earnings, and financial condition.

In early 2020, the U.S. and other governments ordered that certain nonwoven fabrics used to produce ComfortCore® innersprings be prioritized to produce medical supplies. This resulted in shortages of the fabrics for non-medical applications beginning in second quarter 2020. These shortages and strong bedding demand caused us to temporarily be unable to supply full industry demand for ComfortCore® and resulted in higher costs for nonwoven fabrics. Beginning in late 2020, nonwoven fabrics supply constraints began to alleviate. As demand improved in mid-2020, we also experienced some temporary labor shortages. In the first quarter of 2021, our supply of nonwoven fabrics, additional staffing, and additional machine capacity has allowed us to increase our production of ComfortCore®. In the first quarter, we added over half of our planned 25% capacity additions through the combination of labor and machinery additions. We will continue to add staffing and machinery as we move through the next two quarters.

Some facilities have experienced problems delivering products to customers and disruptions in logistics necessary to import, export, or transfer products, which has generally resulted in increased freight costs. Our supply chains have also been hampered by congested ports.

Our inability to keep our manufacturing operations open, build and maintain appropriate labor levels, obtain necessary raw materials and parts, and ship finished products to customers may increase labor and commodity costs and otherwise negatively impact our results of operations.

The Company has implemented comprehensive safety protocols focused on protecting our employees and ensuring a safe work environment. Where possible, our employees are working remotely. However, most of our production employees have returned to work. When employees test positive for COVID-19, we follow adopted protocols which include enhanced disinfecting that targets areas that have likely exposure to COVID-19. The employee is required to observe a quarantine period, monitor symptoms, and follow medical guidance prior to returning to work. Contact tracing is performed to identify any other employees who had direct contact with the employee who tested positive for COVID-19. If any direct contacts are identified, those employees (except if fully vaccinated or have recovered from COVID-19 within the last 90 days, unless the employee is experiencing symptoms) must also self-isolate, monitor symptoms, and follow medical guidance prior to returning to work. A significant increase in COVID-19 cases among our employees may disrupt our ability to maintain necessary labor levels and produce and deliver products to our customers if we are unable to shift production to other manufacturing facilities.

Severance Costs Related to Workforce Reductions. To align our variable cost structure to reduced demand for our products in certain business units, we decreased the size of our workforce in 2020. We incurred severance costs of \$7 million in 2020 and we do not expect any additional material charges. We did not incur significant severance costs in the first quarter of 2021. However, if circumstances change because of lack of demand, mandatory governmental closure of our facilities, or otherwise, we may incur future material separation costs.

Collection of Trade and Notes Receivables. Some of our customers and other third parties have been adversely affected by the social and governmental restrictions and limitations related to the COVID-19 pandemic. If these parties suffer significant financial difficulty, they may be unable to pay their debts to us, they may reject their contractual obligations to us under bankruptcy laws or otherwise, or we may have to negotiate significant discounts and/or extend financing terms with these parties. If we are unable to collect trade receivables and other notes receivables on a timely basis, this inability will require larger provisions for bad debt. We are closely monitoring accounts receivable and collections. However, at March 31, 2021, the level of our accounts receivable in current status was above pre-COVID-19 levels. We reduced our allowance for doubtful accounts by \$3 million during the quarter ended March 31, 2021 reflecting continued positive trends in customer payment experience and a lower qualitative risk for improved macroeconomic conditions.

Impairment of Goodwill and Long-Lived Assets. 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 March 31, 2021, goodwill and other intangible assets represented \$2.1 billion, or 43% of our total assets. In addition, net property, plant and equipment, operating lease right-of-use assets, and sundry assets totaled \$1.0 billion, or 21% of total assets.

Our annual goodwill impairment testing performed in the second quarter of 2020 resulted in a \$25 million non-cash goodwill impairment charge with respect to our Hydraulic Cylinders reporting unit, which is a part of the Specialized Products segment. Of the remaining six reporting units, fair value exceeded carrying value by only a small amount for two units: Aerospace (51%) and Work Furniture (25%). The goodwill balances for these two units as of March 31, 2021 were \$66 million and \$97 million, respectively.

Although both reporting units' sales are below pre-pandemic levels, their sales improved sequentially from fourth quarter 2020. While aerospace industry data suggest that it could be a few years before this business returns to pre-pandemic levels, work furniture industry data suggests this business may begin to normalize in more near-term quarters. We are continuing to monitor all factors impacting these industries. If the adverse economic impact from the COVID-19 pandemic is longer than expected, we may not be able to achieve projected performance levels. If actual results of any of our reporting units materially differ from the assumptions and estimates used in the goodwill and long-lived asset valuation calculations, we could incur future impairment charges. These non-cash charges could have a material negative impact on our earnings.

Our Ability to Borrow under our Credit Facility. Our multi-currency credit facility matures in January 2024 and provides us the ability, from time to time subject to certain restrictive covenants and customary conditions, to borrow, repay, and re-borrow up to \$1.2 billion. Our leverage ratio covenant requires us to maintain a ratio of consolidated funded indebtedness less unrestricted cash (as defined in the credit facility) of 4.75 to 1.00 for each fiscal quarter-end date through March 31, 2021; 4.25 to 1.00 at June 30, 2021; 3.75 to 1.00 at September 30, 2021; and 3.25 to 1.00 at December 31, 2021 and thereafter. In addition, the amount of total secured debt may not exceed 5% of our total consolidated assets until December 31, 2021, at which time it will revert to 15%. Our credit facility also contains an anti-cash hoarding provision that limits borrowing if the Company has a consolidated cash balance (as defined in the credit facility) in excess of \$300 million without planned expenditures. At March 31, 2021, the Company was in compliance with all of its debt covenants and expects to be able to maintain compliance with the debt covenant requirements.

Our credit facility serves as back-up for our commercial paper program. At March 31, 2021, we had \$116 million of commercial paper outstanding and had no borrowing under the credit facility. As our trailing 12-month consolidated EBITDA, unrestricted cash, and debt levels change, our borrowing capacity increases or decreases. Based on our trailing 12-month consolidated EBITDA, unrestricted cash, and debt levels at March 31, 2021, our borrowing capacity under the credit facility was \$1.1 billion at March 31, 2021. However, this may not be indicative of the actual borrowing capacity going forward, which may be materially different depending on our consolidated EBITDA, unrestricted cash, debt levels, and leverage ratio requirements at that time. Also, our access to the commercial paper market may be restricted depending on the impact of the COVID-19 pandemic to the short-term debt markets.

Relief under the CARES Act and Foreign Governmental Subsidies. We deferred \$19 million of our 2020 payment of employer's Social Security match into 2021 and 2022 as provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Half of the amount will be paid in December 2021 and half in December 2022. Although we did not receive a significant amount of government subsidies in our international locations for the three months ended March 31, 2021 and 2020, we received \$21 million for the full year 2020. These deferrals and subsidies are not expected to have a material impact on our short- or long-term financial condition, results of operations, liquidity, or capital resources and do not contain material restrictions on our operations, sources of funding or otherwise.

Customers

We serve a broad suite of customers, with our largest customer representing approximately 6% of our trade sales in 2020. Many are companies whose names are widely recognized. They include bedding brands and manufacturers; residential and office furniture producers; automotive OEM and Tier 1 manufacturers; and a variety of other companies.

Raw Material Costs

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. Over the past few years, we have seen varying degrees of inflation and deflation in U.S. steel pricing. In 2020, steel costs deflated modestly through the majority of the year followed by significant inflation late in the year. Steel costs inflated further in the first quarter of 2021.

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). In early 2021, as steel prices inflated significantly, metal margins expanded.

With the acquisition of ECS, we now have greater exposure to the cost of chemicals, including TDI, MDI, and polyol. The cost of these chemicals has fluctuated at times, but ECS has generally passed the changes through to its customers. In 2020, chemicals deflated further in the first half of the year followed by inflation in the second half of the year as a result of supply shortages. In the first quarter of 2021, chemicals experienced further supply shortages from severe weather impacts as well as significant cost inflation. The supply shortages resulted in significant restrictions by producers. We anticipate these chemical allocations will continue to improve but may persist throughout the remainder of the year.

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

When we raise our prices to recover higher raw material costs, this sometimes causes customers to modify their product designs and replace higher cost components with lower cost components. We must continue providing product options to our customers that enable them to improve the functionality of their products and manage their costs, while providing higher profits for our operations.

Competition

Many of our markets are highly competitive, with the number of competitors varying by product line. In general, our competitors tend to be smaller, private companies. Many of our competitors, both domestic and foreign, compete primarily on the basis of price. Our success has stemmed from the ability to remain price competitive, while delivering innovation, better product quality, and customer service.

We continue to face pressure from foreign competitors, as some of our customers source a portion of their components and finished products offshore. In addition to lower labor 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 in most of our business units, even versus many foreign manufacturers, as a result of our highly efficient operations, automation, vertical integration in steel and wire, logistics and distribution efficiencies, and large scale purchasing of raw materials and commodities. However, we have also reacted to foreign competition in certain cases by selectively adjusting prices, developing new proprietary products that help our customers reduce total costs, and shifting production offshore to take advantage of lower input costs.

Since 2009, there have been antidumping duty orders on innerspring imports from China, South Africa, and Vietnam, ranging from 116% to 234%. In September 2019, the Department of Commerce (DOC) and the International Trade Commission (ITC) concluded a second sunset review extending the orders for an additional five years, through October 2024, at which time the DOC and ITC will conduct a third sunset review to determine whether to extend the orders for an additional five years.

Antidumping and countervailing duty cases filed by major U.S. steel wire rod producers have resulted in the imposition of antidumping duties on imports of steel wire rod from Brazil, China, Belarus, Indonesia, Italy, Korea, Mexico, Moldova, Russia, South Africa, Spain, Trinidad & Tobago, Turkey, Ukraine, United Arab Emirates, and the United Kingdom, ranging from 1% to 757%, and countervailing duties on imports of steel wire rod from Brazil, China, Italy, and Turkey, ranging from 3% to 193%. In June 2020, the ITC and DOC concluded a first sunset review, extending the orders on China through June 2025, and in July 2020, the ITC and DOC concluded a third sunset review, determining to extend the orders on Brazil, Indonesia, Mexico, Moldova, and Trinidad & Tobago through August 2025. Duties will continue through December 2022 for Belarus, Italy, Korea, Russia, South Africa, Spain, Turkey, Ukraine, United Arab Emirates, and the United Kingdom. At those times, the DOC and the ITC will conduct sunset reviews to determine whether to extend those orders for an additional five years.

In September 2018, the Company, along with other domestic mattress producers, filed petitions with the DOC and the ITC alleging that manufacturers of mattresses in China were unfairly selling their products in the United States at less than fair value (dumping) and seeking the imposition of duties on mattresses imported from China. In October 2019, the DOC made a final determination assigning duty rates from 57% to 1,732%. In November 2019, the ITC made a unanimous final determination that domestic mattress producers were materially injured by reason of the unfairly priced imported mattresses. An antidumping order on imports of Chinese mattresses will remain in effect for five years, through December 2024, at which time the DOC and ITC will conduct a sunset review to determine whether to extend the order for an additional five years.

In March 2020, the Company, along with other domestic mattress producers and two labor unions representing workers at other mattress producers, filed antidumping petitions with the DOC and the ITC alleging that manufacturers of mattresses in Cambodia, Indonesia, Malaysia, Serbia, Thailand, Turkey, and Vietnam were unfairly selling their products in the United States at less than fair value (dumping) and a countervailing duty petition alleging manufacturers of mattresses in China were benefiting from subsidies. In March 2021, the DOC made final determinations, assigning China a countervailing duty rate of 97.78% and antidumping duty rates on the other seven countries from 2.22% – 763.28%. In April 2021, the ITC made a unanimous affirmative final determination that domestic mattress producers were materially injured by reason of the unfairly priced or subsidized imported mattresses. Final antidumping and countervailing duty orders will remain in effect for five years, through May 2026, at which time the DOC and ITC will conduct a sunset review to determine whether to extend the order for an additional five years. See [Item 1 Legal Proceedings](#) on page 41 for more information.

Total Shareholder Return

Total Shareholder Return (TSR), relative to peer companies, is a primary financial measure that we use to assess long-term performance. $TSR = (\text{Change in Stock Price} + \text{Dividends}) \div \text{Beginning Stock Price}$. 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. We believe our disciplined growth strategy, portfolio management, and prudent use of capital will support achievement of our goal over time.

Senior executives participate in an incentive program with a three-year performance period based on two equal measures: (i) our TSR performance compared to the performance of a group of approximately 300 peers, and (ii) the Company or segment Earnings Before Interest and Taxes (EBIT) Compound Annual Growth Rate (CAGR).

Acquisition of Elite Comfort Solutions

On January 16, 2019, we acquired ECS for a cash purchase price of approximately \$1.25 billion (the "ECS Acquisition"). ECS is a leader in specialized foam technology, primarily for the bedding and furniture industries. With 16 facilities across the United States, ECS operates a vertically-integrated model, developing many of the chemicals and additives used in foam production, producing specialty foam, and manufacturing private-label finished products. These innovative specialty foam products include finished mattresses sold through both traditional and online channels, mattress components, mattress toppers and pillows, and furniture foams. ECS has a diversified customer mix and a strong position in the high-growth compressed mattress market segment. ECS operates within the Bedding Products segment.

For information on the financing of the ECS acquisition, please see "Commercial Paper Program and Term Loan Financing" on page 36.

Organic Sales

We calculate organic sales as trade sales excluding sales attributable to acquisitions and divestitures consummated within the last twelve months. Management uses the organic sales metric, and it is useful to investors, as supplemental information to analyze our underlying sales performance from period to period in our legacy businesses.

Climate Change

Many scientists, legislators, and others attribute global warming to increased levels of greenhouse gas emissions, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit such emissions. We have developed and implemented a company-wide environmental management system to ensure we are compliant with environmental regulations everywhere we operate, and to drive continual improvement in environmental sustainability. Although we have not experienced a material impact from climate change legislative and regulatory efforts, we have experienced (due to severe weather impacts) supply shortages in chemicals which have restricted foam supply. The restriction of foam supply has constrained overall mattress production in the bedding industry and has reduced our production levels. The cost of chemicals and foam has also increased due to the shortages. Finally, we have experienced increased property insurance premiums, in part, due to enhanced weather-related risks, but this increase in premiums has not had a material impact on our results of operations or financial condition.

Change in Method for Valuing Inventories from Last-In, First-Out (LIFO) Cost Method

As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories) to the First-in, First-out (FIFO) cost method from the LIFO cost method. The effects of this change have been retrospectively applied to all periods presented. With the change from LIFO to FIFO, we expect to make tax payments of \$21 million, in the aggregate, during the years 2021- 2023 based on current tax rates. The cash outlay during 2021 will approximate \$11 million. See [Note 10](#) to the Consolidated Condensed Financial Statements on page 13 for additional information.

RESULTS OF OPERATIONS

Discussion of Consolidated Results

First Quarter:

Trade Sales were \$1,150.9 million in the current quarter, a 10% increase versus the first quarter 2020. Organic sales increased 11%, with volume up 4% from strong demand in residential end markets and Automotive partially offset by weakness in Aerospace. Raw material-related selling price increases of 5% and currency benefit of 2% added to sales growth. Divestitures, net of acquisitions, reduced sales by 1%.

Earnings Before Interest and Taxes (EBIT) increased 62%, to \$127.7 million, primarily from volume growth, lower fixed costs, and the non-recurrence of an \$8 million impairment charge related to a note receivable and a \$4 million charge to write off stock associated with a prior year divestiture.

Earnings Per Share (EPS) increased to \$.64 in the current quarter, versus \$.33 in the first quarter of 2020, primarily from volume growth, lower fixed costs, the non-recurrence of an impairment charge and stock write off as discussed above, a lower tax rate, and lower interest expense.

Net Interest Expense and Income Taxes

First quarter 2021 net interest expense was lower by \$2 million than the first quarter 2020 primarily due to reduced debt levels (including commercial paper) and lower interest rates.

Our worldwide effective tax rate was 20% for the first quarter of 2021, compared to 25% for the same quarter last year. While the U.S. statutory federal income tax rate was 21% in both years, in 2020, due to the anticipated earnings across our operations, our annual effective tax rate calculation was 3% higher than normal. In 2021, we realized a 2% benefit for prior year tax adjustments related to amended tax returns we expect to file. Less significant items added 1% to our tax rate in both years.

For the full year, we are anticipating an effective tax rate of approximately 23%, including the impact of discrete tax items that we expect to occur from quarter to quarter. Other factors, such as our overall profitability, the mix and level of earnings among jurisdictions, the type of income earned, business acquisitions and dispositions, the impact of tax audits, the effect of other tax law changes, and prudent tax planning strategies, can also influence our rate.

Discussion of Segment Results

First 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 7. As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories) to the FIFO cost method from the LIFO cost method. The effects of this change have been retrospectively applied to all periods presented. See [Note 10](#) to the Consolidated Condensed Financial Statements on page 13 for additional information. A summary of segment results is shown in the following tables.

Trade Sales (Dollar amounts in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Change in Trade Sales		% Change in Organic Sales ¹
			\$	%	
Bedding Products	\$ 535.8	\$ 490.6	\$ 45.2	9.2 %	11.9 %
Specialized Products	257.6	234.5	23.1	9.9	8.9
Furniture, Flooring & Textile Products	357.5	320.4	37.1	11.6	11.6
Total	\$ 1,150.9	\$ 1,045.5	\$ 105.4	10.1 %	11.1 %

EBIT (Dollar amounts in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Change in EBIT		EBIT Margins	
			\$	%	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Bedding Products	\$ 63.8	\$ 28.3	\$ 35.5	125.4 %	11.9 %	5.8 %
Specialized Products	35.2	27.7	7.5	27.1	13.7	11.8
Furniture, Flooring & Textile Products	28.3	26.1	2.2	8.4	7.9	8.1
Intersegment eliminations & other	.4	(3.5)	3.9			
Total	\$ 127.7	\$ 78.6	\$ 49.1	62.5 %	11.1 %	7.5 %

Depreciation and Amortization (Dollar amounts in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Bedding Products	\$ 26.1	\$ 26.8
Specialized Products	11.1	11.2
Furniture, Flooring & Textile Products	6.1	6.5
Unallocated ²	2.8	3.0
Total	\$ 46.1	\$ 47.5

¹ This is a change in trade sales not attributable to acquisitions or divestitures in the last 12 months. Refer to the Bedding Products and Specialized Products segment discussions below for a reconciliation of the change in total segment trade sales to organic sales.

² Unallocated consists primarily of depreciation and amortization on non-operating assets.

Bedding Products

Trade sales increased \$45 million, or 9%. Organic sales increased 12%. Raw material-related selling price increases added 9% to sales, volume was up 2%, and currency benefit increased sales 1%. Divestitures of small operations in Drawn Wire and our former Fashion Bed business reduced trade sales 3%.

EBIT increased \$36 million, primarily from volume growth, higher metal margin, lower fixed costs, a reduction of bad debt expense, and the non-recurrence of an \$8 million impairment charge related to a note receivable.

Specialized Products

Trade sales increased \$23 million, or 10%. Organic sales increased 9%, from currency benefit of 6% and volume growth of 3%. Volume growth in Automotive and Hydraulic Cylinders was partially offset by weak demand in Aerospace. A small Aerospace acquisition completed in January added 1% to trade sales.

EBIT increased \$8 million, primarily from volume in Automotive and lower fixed costs, partially offset by lower volume in Aerospace.

Furniture, Flooring & Textile Products

Trade sales increased \$37 million, or 12%. Volume was up 8%, driven by strong demand in Geo Components, Home Furniture, and Flooring Products' residential business. Raw material-related selling price increases added 3% to sales and currency benefit increased sales 1%.

EBIT increased \$2 million, primarily from volume growth and lower fixed cost reductions, partially offset by pricing lag associated with passing along higher raw material costs.

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 factors that generally have the greatest impact on our cash from operations. Cash from operations for the three months ended March 31, 2021 was \$(10.6) million, down \$21.0 million from the same period last year, primarily from working capital investments to support growth and inflationary impact, which more than offset higher earnings.

We closely monitor our working capital levels and ended the quarter with adjusted working capital at 12.0% of annualized trade sales. The table below explains this non-GAAP calculation. We eliminate cash, current debt maturities, and the current portion of operating lease liabilities from working capital to monitor our operating efficiency and performance related to trade receivables, 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 36, substantially all of these funds are held by international operations and may not be immediately available to reduce debt on a dollar-for-dollar basis.

(Amounts in millions)	March 31, 2021	December 31, 2020
Current assets	\$ 1,789.0	\$ 1,658.1
Current liabilities	995.6	1,006.0
Working capital	793.4	652.1
Cash and cash equivalents	333.8	348.9
Current debt maturities and current portion of operating lease liabilities	93.6	93.3
Adjusted working capital	\$ 553.2	\$ 396.5
Annualized trade sales ¹	\$ 4,603.6	\$ 4,728.0
Working capital as a percent of annualized trade sales	17.2 %	13.8 %
Adjusted working capital as a percent of annualized trade sales	12.0 %	8.4 %

¹ Annualized trade sales equal first quarter 2021 trade sales of \$1,150.9 million and fourth quarter 2020 trade sales of \$1,182.0 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			
	March 31, 2021	December 31, 2020	March 31, 2020	Three Months Ended March 31, 2021	Twelve Months Ended December 31, 2020	Three Months Ended March 31, 2020	
	Trade Receivables	\$ 577.4	\$ 535.2	\$ 546.0	DSO ¹	45	47
Inventories	\$ 801.8	\$ 691.5	\$ 692.3	DIO ²	80	74	76
Accounts Payable	\$ 536.3	\$ 552.2	\$ 429.1	DPO ³	53	55	47

¹ Days sales outstanding

a. Quarterly: end of period trade receivables ÷ (quarterly net trade sales ÷ number of days in the period).

b. Annually: ((beginning of year trade receivables + end of period trade receivables) ÷ 2) ÷ (net trade sales ÷ number of days in the period).

² Days inventory on hand

a. Quarterly: end of period inventory ÷ (quarterly cost of goods sold ÷ number of days in the period).

b. Annually: ((beginning of year inventory + end of period inventory) ÷ 2) ÷ (cost of goods sold ÷ number of days in the period).

³ Days payables outstanding

a. Quarterly: end of period accounts payable ÷ (quarterly cost of goods sold ÷ number of days in the period).

b. Annually: ((beginning of year accounts payable + end of period accounts payable) ÷ 2) ÷ (cost of goods sold ÷ number of days in the period).

We continue to monitor all elements of working capital in order to optimize cash flow.

Trade Receivables - Our trade receivables increased at March 31, 2021 compared to both December 31 and March 31, 2020 as a result of strong sales late in the first quarter of 2021 and inflation. Our DSO decreased compared to last year. These changes were driven by strong credit discipline and a return to more normalized sales patterns since the onset of COVID-19. We reduced our allowance for doubtful accounts by \$3 million during the first quarter of 2021, reflecting continued positive customer payment trends and lower qualitative risk for improved macroeconomic conditions. We are closely monitoring accounts receivable and collections. We monitor all accounts for possible loss. We also monitor general macroeconomic conditions and other items that could impact the expected collectibility of all customers, or pools of customers, with similar risk. We obtain credit applications, credit reports, bank and trade references, and periodic financial statements from our customers to establish credit limits and terms as appropriate. In cases where a customer's payment performance or financial condition begins to deteriorate or in the event of a customer bankruptcy, we tighten our credit limits and terms and make appropriate reserves based upon the facts and circumstances for each individual customer, as well as pools of customers, with similar risk.

Inventories - Our inventories and DIO increased as compared to both December 31 and March 31, 2020. This was due to the planned build of inventories throughout the first quarter to support increased demand and higher costs as a result of inflation. We continuously monitor our slower-moving and potentially obsolete inventory through reports on inventory quantities compared to usage within the previous 12 months. 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 writedowns to maintain an adequate level of reserves. Our reserve balances, as a percentage of period-end inventory, were consistent with our historical average.

Accounts Payable - Our accounts payable and DPO both increased compared to March 31, 2020, as we were reducing purchases and fulfilling orders out of existing inventory in the first quarter of 2020. Although our inventories increased as of March 31, 2021, as discussed above, our accounts payable and DPO both decreased compared to December 31, 2020 due to the timing of payments and inventory purchases. Our payment terms did not change meaningfully since last year and we have continued to focus on optimizing payment terms with our vendors. We continue to look for ways to establish and maintain favorable payment terms through our significant purchasing power and also utilize third-party services that offer flexibility to our vendors, which in turn helps us manage our DPO as discussed below.

Accounts Receivable and Accounts Payable Programs - We have participated in trade receivables sales programs in combination with third-party banking institutions and certain customers the last few years. Under each of these programs, we sell our entire interest in the trade receivable for 100% of face value, less a discount. Because control of the sold receivable is transferred to the buyer at the time of sale, accounts receivable balances sold are removed from the Consolidated Condensed Balance Sheets and the related proceeds are reported as cash provided by operating activities in the Consolidated Condensed Statements of Cash Flows. We had approximately \$40 million and \$45 million of trade receivables that were sold and removed from our Consolidated Condensed Balance Sheets at March 31, 2021 and December 31, 2020. These sales reduced our quarterly DSO by roughly three days, and the impact to year-to-date operating cash flow was approximately (\$5) million and \$5 million, at March 31, 2021 and December 31, 2020, respectively.

For accounts payable, we have historically looked for ways to optimize payment terms through utilizing third-party programs that allow our suppliers to be paid earlier at a discount. While these programs assist us in negotiating payment terms with our suppliers, we continue to make payments based on our customary terms. A vendor can elect to take payment from a third party earlier with a discount, and in that case, we pay the third party on the original due date of the invoice. Contracts with our suppliers are negotiated independently of supplier participation in the programs, and we cannot increase payment terms pursuant to the programs. As such, there is no direct impact on our DPO, accounts payable, operating cash flows, or liquidity. The accounts payable, which remain on our Consolidated Condensed Balance Sheets, settled through the third-party programs, were approximately \$105 million at both March 31, 2021 and December 31, 2020.

While we utilize the above items as tools in our cash flow management, and offer them as options to facilitate customer and vendor operating cycles, if there were to be a cessation of these programs, we do not expect it would materially impact our operating cash flows or liquidity.

Uses of Cash

Finance Capital Requirements

We are making investments to support expansion in businesses and product lines where sales are profitably growing, for efficiency improvement and maintenance, and for system enhancements. We expect capital expenditures to approximate \$150 million in 2021. 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.

Our long-term, 6-9% annual revenue growth objective envisions periodic acquisitions. With the deleveraging progress made over the past year, we are in a strong position to capture both near- and long-term growth opportunities that add capabilities or products to our existing business.

In the first quarter of 2021, we acquired a small aerospace business located in the UK that specializes in metallic ducting systems, flexible joints, and components for space, military, and commercial applications for total consideration of approximately \$27 million. Additional details about acquisitions are discussed in Note 9 on page 13 to the Consolidated Condensed Financial Statements.

Pay Dividends

Dividends are one of the primary means by which we return cash to shareholders. In May, we declared a quarterly dividend of \$.42 per share, which represented a \$.02 or 5.0% increase versus second quarter of 2020.

Our long-term targeted dividend payout ratio is approximately 50% of adjusted EPS (which excludes special items such as significant tax law impacts, impairment charges, restructuring-related charges, divestiture gains, litigation accruals, and settlement proceeds).

Repurchase Stock

Our long-term priorities for uses of cash remain: fund organic growth, pay dividends, fund strategic acquisitions, and repurchase stock with available cash. With the increase in leverage from our acquisition of ECS in January 2019, we are prioritizing debt repayment after funding organic growth and dividends, and as a result, are temporarily limiting share repurchases. 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 our key debt and capitalization statistics:

(Dollar amounts in millions)	March 31, 2021	December 31, 2020
Total debt excluding revolving credit/commercial paper	\$ 1,887.7	\$ 1,900.2
Less: Current maturities of long-term debt	50.8	50.9
Scheduled maturities of long-term debt	1,836.9	1,849.3
<i>Average interest rates</i> ¹	3.7 %	3.7 %
<i>Average maturities in years</i> ¹	5.1	5.3
Revolving credit/commercial paper ²	116.0	—
<i>Average interest rate on period-end balance outstanding</i>	.2 %	— %
<i>Average interest rate during the period (three months)</i>	.2 %	2.0 %
Total long-term debt	1,952.9	1,849.3
Deferred income taxes and other liabilities	506.9	519.6
Shareholders' equity and noncontrolling interest	1,456.2	1,425.1
Total capitalization	<u>\$ 3,916.0</u>	<u>\$ 3,794.0</u>
Unused committed credit:		
Long-term	\$ 1,084.0	\$ 1,200.0
Short-term	—	—
Total unused committed credit ²	<u>\$ 1,084.0</u>	<u>\$ 1,200.0</u>
Cash and cash equivalents	<u>\$ 333.8</u>	<u>\$ 348.9</u>

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 committed credit amount is based on our revolving credit facility and commercial paper program which, at year end 2020 and at the end of the first quarter of 2021, had a total authorized program amount of \$1,200. However, our borrowing capacity may be limited by covenants to our credit facility.

Commercial Paper Program and Term Loan Financing

In January 2019, we expanded the borrowing capacity under our credit facility from \$800 million to \$1.2 billion, extended the term to January 2024, and correspondingly increased permitted borrowings under our commercial paper program primarily to finance the ECS Acquisition. The ECS Acquisition was financed through the issuance of approximately \$750 million of commercial paper (of which roughly \$500 million was subsequently refinanced through the public issuance of 10-year 4.4% notes due 2029) and the issuance of a \$500 million five-year Term Loan A with our current bank group, pursuant to which we pay principal in the amount of \$12.5 million each quarter and pay the remaining principal at maturity. As of March 31, 2021, we had repaid \$207.5 million, including \$107.5 million in prepayments of a portion of the Term Loan A during 2020. The credit facility allows us to issue letters of credit totaling up to \$125 million. When we issue letters of credit under the facility, we reduce our available credit and commercial paper capacity by a corresponding amount. We may borrow funds in advance of expected outflows to provide additional flexibility during the COVID-19 disruption. Amounts outstanding related to our commercial paper program were:

(Amounts in millions)	March 31, 2021	December 31, 2020
Total authorized program	\$ 1,200.0	\$ 1,200.0
Commercial paper outstanding (classified as long-term debt)	116.0	—
Letters of credit issued under the credit agreement	—	—
Total program usage	116.0	—
Total program available	\$ 1,084.0	\$ 1,200.0

The average and maximum amounts of commercial paper outstanding during the first quarter of 2021 were \$88.0 million and \$148.0 million, respectively. At quarter end, we had no letters of credit outstanding under the credit facility, but we had issued \$40.4 million of stand-by letters of credit under other bank agreements to take advantage of better pricing. 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. 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 \$1.2 billion revolving credit facility maturing in 2024 discussed above.

With cash on hand, operating cash flow, our commercial paper program and/or our credit facility, and our ability to obtain debt financing, we believe we have sufficient funds available to repay maturing debt, as well as support our ongoing operations.

Our credit facility was amended effective May 6, 2020 and contains revised restrictive covenants. The revised covenants limit: a) as of the last day of each fiscal quarter, the leverage ratio of consolidated funded indebtedness (minus unrestricted cash) to trailing 12-month consolidated EBITDA (each as defined in the credit facility) must not exceed 4.75 to 1.00 for each fiscal quarter end date through March 31, 2021; 4.25 to 1.00 at June 30, 2021; 3.75 to 1.00 at September 30, 2021; and 3.25 to 1.00 at December 31, 2021 and thereafter; b) the amount of total secured debt to 5% of our total consolidated assets until December 31, 2021, at which time it will revert to 15% of our total consolidated assets; and c) our ability to sell, lease, transfer, or dispose of all or substantially all of total consolidated assets. The amendment also added an anti-cash hoarding provision that limits borrowing if the Company has a consolidated cash balance (as defined in the credit facility) in excess of \$300 million without planned expenditures. We were comfortably in compliance with our covenants at the end of the first quarter 2021. For more information about the restrictive covenants in our credit facility, see "Our Ability to Borrow under our Credit Facility" on page 26.

Accessibility of Cash

At March 31, 2021, we had cash and cash equivalents of \$334 million primarily invested in interest-bearing bank accounts and in bank time deposits with original maturities of three months or less. Substantially all of these funds are held in the international accounts of our foreign operations. We currently expect to bring back approximately \$165 million of additional foreign cash before year end.

If we were to immediately bring back all our foreign cash to the U.S. in the form of dividends, we would pay foreign withholding taxes of approximately \$22 million. Although there are capital requirements in various jurisdictions, none of this cash is currently inaccessible for repatriation.

CONTINGENCIES

For contingencies related to the impact of the COVID-19 pandemic on our business, please see “COVID-19 Impacts on our Business” on page 24.

Potential Sale of Real Estate

We have agreed to sell certain real estate associated with prior years' restructuring activities in the Bedding Products segment and expect to realize a gain of up to \$30 million on this transaction upon closing, which may be as early as the second quarter of 2021. Although substantially all outstanding significant conditions of the sale have been finalized, other factors could impact the timing, the amount of proceeds, and whether the sale is completed.

Cybersecurity Risks

We rely on our industrial control systems to manufacture our products, and information systems to obtain, process, analyze, and manage data, as well as to facilitate the manufacture and distribution of inventory to and from our facilities. We receive, process, and ship orders, manage the billing of and collections from our customers, and manage the accounting for and payment to our vendors. We have a formal process in place for both incident response and cybersecurity continuous improvement that includes a cross functional Cybersecurity Oversight Committee. Members of the Cybersecurity Oversight Committee update the Board quarterly on cyber activity, with procedures in place for interim reporting if necessary.

Although we have not experienced any material cybersecurity incidents, we have enhanced our cybersecurity protection efforts over the last few years. We use a third party to periodically benchmark our information security program against the National Institute of Standards and Technology's Cybersecurity Framework. We provide quarterly cybersecurity training for employees with access to our email and data systems, and we have purchased broad-form cyber insurance coverage. However, because of risk due to the COVID-19 pandemic regarding increased remote access, remote work conditions, and associated strain on employees, technology failures or cybersecurity breaches could still create system disruptions or unauthorized disclosure of confidential information. We cannot be certain that the attacker's capabilities will not compromise our technology protecting information systems. We could still experience material technology failures or cybersecurity breaches, including those resulting from ransomware attached to our industrial control systems. If these systems are interrupted or damaged by any incident or fail for any extended period of time, then our results of operations could be adversely affected. We may incur remediation costs, increased cybersecurity protection costs, lost revenues resulting from unauthorized use of proprietary information, litigation and legal costs, reputational damage, damage to our competitiveness, and negative impact on stock price and long-term shareholder value.

Litigation

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 we have valid bases to contest all claims made against us. At March 31, 2021, our litigation contingency accrual was immaterial (which does not include accrued expenses related to workers' compensation, vehicle-related personal injury, product and general liability claims, taxation issues and environmental matters). Based on current known facts, aggregate reasonably possible (but not probable, and therefore, not recorded) losses in excess of accruals for litigation contingencies are estimated to be \$11 million, including \$10 million for Brazilian VAT matters and \$1 million for other matters. If our assumptions or analyses regarding any of our contingencies are incorrect, or if facts change, we could realize loss in excess of the recorded accruals (and in excess of the \$11 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 21 of the Notes to Consolidated Condensed Financial Statements.

ACCOUNTING STANDARDS UPDATES

The FASB has issued accounting guidance effective for the current and future periods. See [Note 2](#) to the Consolidated Condensed Financial Statements on page 5 for a more complete discussion.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rates

Substantially all of our debt is denominated in United States dollars. The fair value of fixed rate debt was approximately \$130 million greater than carrying value at March 31, 2021 and approximately \$170 million greater than carrying value at December 31, 2020. The fair value of fixed rate debt was based on quoted market prices in an active market. 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 \$999 million at March 31, 2021, compared to \$952 million at December 31, 2020.

Derivative Financial Instruments

We are subject to market and financial risks related to interest rates and foreign currency. In the normal course of business, we utilize derivative instruments (individually or in combinations) to reduce or eliminate these risks. We seek to use derivative contracts that qualify for hedge accounting treatment; however, some instruments may not qualify for hedge accounting treatment. It is our policy not to speculate using derivative instruments. Information regarding cash flow hedges and fair value hedges is provided in [Note 14](#) Derivative Financial Instruments beginning on page 19 of the Notes to Consolidated Condensed Financial Statements and is incorporated by reference into this section.

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: the profitable growth and operating performance of the Company; projections of Company revenue, income, earnings, capital expenditures, dividends, capital structure, cash from operations, cash repatriation, restructuring-related costs, tax impacts or other financial items, and effective tax rate; maintenance of indebtedness under the commercial paper program; litigation exposure; our ability to deleverage; possible plans, goals, objectives, prospects, strategies, or trends concerning future operations; statements concerning future economic performance, possible goodwill or other asset impairment; access to liquidity; compliance with the debt covenant requirements; amount of fixed cost savings; raw material availability and pricing; supply chain disruptions; labor, microchip, and chemical shortages; employee termination costs; 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,” “guidance,” “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 24, 2021 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 our future operations or our performance, 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:

- the ongoing adverse impact on our trade sales, earnings, liquidity, cash flow, and financial condition caused by the COVID-19 pandemic which has had and, depending on the length and severity of the pandemic and the timing and effectiveness of any vaccines, could continue, in varying degrees, to materially negatively impact, among other things (i) the demand for our products and our customers’ products, growth rates in the industries in which we participate, and opportunities in those industries; (ii) our manufacturing facilities’ ability to remain fully operational, obtain necessary raw

materials and parts, maintain appropriate labor levels, and ship finished products to customers; (iii) operating costs related to pay and benefits for our terminated employees; (iv) our ability to collect trade and other notes receivables in accordance with their terms due to customer bankruptcy, financial difficulties, or insolvency; (v) impairment of goodwill and long-lived assets; (vi) restructuring and related costs; and (vii) our ability to borrow under our revolving credit facility, including our ability to comply with the restrictive covenants in our credit facility that may limit our operational flexibility and our ability to pay our debt when it comes due;

- inability to “deleverage” after the ECS acquisition due to increases or decreases in our capital needs, which may vary depending on a variety of factors, including, without limitation, demand for our products, cash flow, any acquisition or divestiture activity, our working capital needs, and capital expenditures;
- our ability to manage working capital;
- 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, chemicals, nonwoven fabrics, microchips, 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 access the commercial paper market;
- the speed at which vaccines for the COVID-19 virus are administered, the percentage of the population vaccinated, and the effectiveness of those vaccines;
- our ability to maintain and grow the profitability of acquired companies;
- adverse changes in political risk and U.S. or foreign laws, regulations, or legal systems (including tax law changes);
- cash generation sufficient to pay the dividend;
- our ability to realize deferred tax assets on our balance sheet;
- cash repatriation from offshore accounts;
- tariffs imposed by the U.S. government that result in increased costs of imported raw materials and products that we purchase;
- 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 and industrial control systems through cybersecurity breaches;
- the loss of business with one or more of our significant customers;
- our ability to comply with environmental, social, and governance responsibilities;
- litigation risks related to various contingencies including antitrust, intellectual property, contract disputes, product liability and warranty, taxation, environmental, and workers’ compensation expense;
- our borrowing costs and access to liquidity resulting from credit rating changes;
- business disruptions to our steel rod mill;
- risks related to operating in foreign countries, including, without limitation, credit risks, ability to enforce intellectual property rights, currency exchange rate fluctuations, industry labor strikes, increased customs and shipping rates, inconsistent interpretation, and enforcement of foreign laws;
- risks relating to the United Kingdom’s exit from the European Union (commonly known as “Brexit”);
- the effectiveness and enforcement of anti-dumping and countervailing duties on the import of innersprings, steel wire rod, and finished mattresses;
- our ability to realize gain from the sale of real estate;
- our ability to comply with privacy and data protection regulations; and
- our ability to comply with climate change laws and regulations.

MARKET AND INDUSTRY DATA

Unless we indicate otherwise, we base the information concerning our markets/industry contained herein on our general knowledge of and expectations concerning those markets/industry, on data from various industry analyses, on our internal research, and on adjustments and assumptions that we believe to be reasonable. However, we have not independently verified data from market/industry analyses and cannot guarantee their accuracy or completeness.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The “Quantitative and Qualitative Disclosures About Market Risk” section under [Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations](#) is incorporated herein by reference.

ITEM 4. CONTROLS AND PROCEDURES

Effectiveness of the Company’s Disclosure Controls and Procedures

An evaluation as of March 31, 2021 was carried out by the Company’s management, with the 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 were effective, as of March 31, 2021, 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 March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information in [Note 15](#) beginning on page 21 of our Notes to Consolidated Condensed Financial Statements is incorporated into this section by reference. Reference is made to Item 3. Legal Proceedings and Note T Contingencies in the Notes to Consolidated Financial Statements in our [Form 10-K](#) filed February 24, 2021.

Mattress Anti-Dumping Matter

On March 31, 2020, the Company, along with six other domestic mattress producers, Brooklyn Bedding, Corsicana Mattress Company, Elite Comfort Solutions (a Leggett subsidiary), FXI, Inc., Innocor, Inc., and Kolcraft Enterprises, Inc., and two unions, the International Brotherhood of Teamsters and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union, AFL-CIO, filed petitions with the U.S. Department of Commerce (DOC) and the U.S. International Trade Commission (ITC) alleging that manufacturers of mattresses in Cambodia, Indonesia, Malaysia, Serbia, Thailand, Turkey, and Vietnam were unfairly selling their products in the United States at less than fair value (dumping) and manufacturers of mattresses in China were unfairly benefiting from subsidies, causing harm to the U.S. industry and seeking the imposition of duties on mattresses imported from these countries. On March 18, 2021, the DOC made final determinations on Chinese subsidies, assigning a duty rate of 97.78%, and on dumping, assigning duty rates on imports from Cambodia (45.34%), Indonesia (2.22%), Malaysia (42.92%), Serbia (112.11%), Thailand (37.48% – 763.28%), Turkey (20.03%), and Vietnam (144.92% - 668.38%). On April 21, 2021, the ITC made a unanimous, affirmative final determination that domestic mattress producers were materially injured by reason of the unfairly priced or subsidized imported mattresses. The U.S. government will continue to impose duties on mattresses imported from China, Cambodia, Indonesia, Malaysia, Serbia, Thailand, Turkey, and Vietnam at the rate determined by the DOC for five years, through May 2026, at which time the DOC and ITC will conduct a sunset review to determine whether to extend the order for an additional five years.

Environmental Matters Involving Potential Monetary Sanctions of \$300,000 or More

On February 16, 2021, a summons was issued to the Company's French subsidiary, Specitubes SAS, to appear before the Judicial Court of Boulogne-Sur-Mer, France. The hearing is set for late June 2021. The prosecutor has alleged (i) that Specitubes violated certain French environmental air emission standards, and an administrative order concerning those standards, by its use of a chlorinated lubricant, and (ii) that Specitubes, because of its use of the chlorinated lubricant, created a human health hazard. The allegations carry a possible fine of up to approximately \$600,000 USD. Specitubes intends to defend this matter and will challenge the allegation. Although the outcome of this matter cannot be predicted with certainty, we do not expect it to have a material adverse effect on our financial position, cash flows, or results of operations.

ITEM 1A. RISK FACTORS

Our 2020 Annual Report on [Form 10-K](#) filed February 24, 2021 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 Securities and Exchange Commission.

OPERATIONAL RISK FACTORS

The COVID-19 pandemic has had, and could further have, an adverse impact to (i) our manufacturing operations' ability to remain open, or fully operate; (ii) our ability to obtain necessary raw materials and parts, maintain appropriate labor levels, and ship finished products to customers; and (iii) our operating costs related to pay and benefits for terminated employees; all of which, in the aggregate, have had, and could further have, a material negative impact on our trade sales, earnings, liquidity, cash flow, financial condition, and our stock price.

We have manufacturing facilities in the United States and 16 other countries. All of these countries have been affected by the COVID-19 pandemic. All of our facilities are open and running at this time. From time to time we have some capacity restrictions on our plants due to governmental orders in various parts of the world. We have been and could be further negatively affected by governmental action in any one or more of the countries in which we operate by the imposition, or re-

imposition, of restrictive measures concerning shelter-in-place or stay-at-home orders, public gatherings and human interactions, mandatory closures of retail establishments that sell our products or our customers' products, travel restrictions, and restrictions on the import or export of products.

Because of the shift of production by semiconductor microchip manufacturers to consumer electronics, such as laptops and tablets for home schooling and home offices, and away from automotive applications during the COVID-19-related automotive industry shutdowns in 2020, currently there is a shortage of microchips in the automotive industry. Our Automotive Group uses the microchips in seat comfort products, and to a lesser extent in motors and actuators. Although, to date, our Automotive Group has been able to obtain an adequate supply of microchips, we are dependent on our suppliers to deliver these microchips in accordance with our production schedule, and a shortage of the microchips can disrupt our operations and our ability to deliver products to our customers. Also, because of the industry shortage, automotive OEMs and other suppliers have not been able to secure an adequate supply of microchips, and as a result have reduced their production of automobiles or parts, which in turn has recently reduced, and may continue to reduce, our sale of products. We anticipate these shortages to continue throughout the year. If we cannot secure an adequate supply of microchips in our supply chain, and the microchips cannot be sourced from a different supplier, or the automotive OEMs and other suppliers continue to reduce their production as a result of such shortage, this may negatively impact our sales, earnings, and financial condition.

In early 2020, the U.S. and other governments ordered that certain nonwoven fabrics used to produce ComfortCore® innersprings be prioritized to produce medical supplies. This resulted in shortages of the fabrics for non-medical applications beginning in second quarter 2020. These shortages and strong bedding demand caused us to temporarily be unable to supply full industry demand for ComfortCore® and resulted in higher costs for nonwoven fabrics. Beginning in late 2020, nonwoven fabrics supply constraints began to alleviate. As demand improved in mid-2020, we also experienced some temporary labor shortages. In the first quarter of 2021, our supply of nonwoven fabrics, additional staffing, and additional machine capacity has allowed us to increase our production of ComfortCore®. In the first quarter, we added over half of our planned 25% capacity additions through the combination of labor and machinery additions. We will continue to add staffing and machinery as we move through the next two quarters. If we cannot produce an adequate amount of ComfortCore® to meet demand, our results of operations may be negatively impacted.

Depending on the length and severity of the COVID-19 pandemic, and the timing and effectiveness of any vaccines, our ability to keep our manufacturing operations open or fully operational, build and maintain appropriate labor levels, obtain necessary raw materials and parts, and ship finished products to customers, may be partially or completely disrupted, either on a temporary or prolonged basis. The continued realization of these risks to our manufacturing operations, labor force, and supply chain could also increase labor, commodity, and energy costs.

We also experienced chemical shortages that began in 2020, which are ongoing and may persist for the remainder of the year. These shortages have resulted in constraints of overall mattress production in the industry and higher pricing for chemicals. In the first quarter of 2021, chemicals experienced further supply shortages from severe weather impacts. If we are unable to obtain the chemicals or pass the cost along to our customers, our results of operations may be negatively impacted.

Some facilities have experienced problems delivering products to customers and disruptions in logistics necessary to import, export, or transfer products, which has generally resulted in increased freight costs. Our supply chains have also been hampered by congested ports.

When our employees have tested positive for COVID-19, we follow adopted protocols which include enhanced disinfecting that targets areas that have likely exposure to COVID-19. The employee is required to observe a quarantine period, monitor symptoms, and follow medical guidance prior to returning to work. Contact tracing is performed to identify any other employees who had direct contact with the employee who tested positive for COVID-19. If any direct contacts are identified, those employees (except if fully vaccinated or have recovered from COVID-19 within the last 90 days, unless the employee is experiencing symptoms) must also self-isolate, monitor symptoms, and follow medical guidance prior to returning to work. A significant increase in COVID-19 cases among our employees may disrupt our ability to maintain necessary labor levels and produce and deliver products to our customers if we are unable to shift production to other manufacturing facilities.

To align our variable cost structure to reduced demand for our products in certain business units, we decreased the size of our workforce in 2020. We incurred severance costs of \$7 million in 2020 and we do not expect any additional material charges. We did not incur significant severance costs in the first quarter of 2021. However, if circumstances change because of lack of demand, additional governmental capacity restrictions related to our facilities or otherwise, we may incur future material separation costs.

FINANCIAL RISK FACTORS

The COVID-19 pandemic has had, and could further have, an adverse impact on the collection of trade and other notes receivables in accordance with their terms due to customer bankruptcy, financial difficulties, or insolvency.

Bankruptcy, financial difficulties, or insolvency caused by the COVID-19 pandemic, or otherwise, can and has occurred with some of our customers which can impact their ability to pay their debts to us. As of March 31, 2021, we had \$24 million allowance for doubtful accounts (\$23 million on a note receivable and \$1 million on trade accounts receivable) associated with a customer in our Bedding Products segment who is experiencing financial difficulty and liquidity problems. This customer was placed on nonaccrual status in 2018 and became delinquent in quarterly interest payments in the first quarter of 2020.

In addition to the customer referenced above, many of our customers and other third parties have been adversely affected by the social and governmental restrictions and limitations related to the COVID-19 pandemic. As such, we increased our allowance for doubtful accounts by \$20 million in the first quarter of 2020, including \$9 million for the customer referenced above. We had modest activity for the remainder of 2020, and our bad debt expense for the year ended December 31, 2020 was \$17 million. We had a \$3 million reduction of bad debt expense for the quarter ended March 31, 2021 reflecting continued positive trends in customer payment experience and a lower qualitative risk for improved macroeconomic conditions. However, if these parties suffer significant financial difficulty, they may be unable to pay their debts to us, they may reject their contractual obligations to us under bankruptcy laws or otherwise, or we may have to negotiate significant discounts and/or extend financing terms with these parties. If we are unable to collect trade receivables and other notes receivables on a timely basis, this inability will require additional provisions for bad debt and result in a negative impact on our earnings, liquidity, cash flow, and financial condition.

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 March 31, 2021, goodwill and other intangible assets represented \$2.1 billion, or 43% of our total assets. In addition, net property, plant and equipment, operating lease right-of-use assets, and sundry assets totaled \$1.0 billion, or 21% of total assets.

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.

The 2020 goodwill impairment testing resulted in a \$25 million non-cash goodwill impairment charge in the second quarter of 2020 with respect to our Hydraulic Cylinders reporting unit, which is a part of the Specialized Products segment. Demand for hydraulic cylinders is dependent upon capital spending for material handling equipment.

The impairment charge reflects the complete write-off of the goodwill associated with the Hydraulic Cylinders reporting unit and will not result in future cash expenditures. We also evaluated other long-lived assets associated with this unit for impairment; no impairments were indicated other than goodwill.

Of the remaining six reporting units, three had fair values in excess of carrying value of less than 100%.

- Fair value for our Bedding reporting unit exceeded carrying value by 65%. Our 2019 acquisition of ECS is part of our Bedding reporting unit, and goodwill for our Bedding reporting unit was \$855 million at March 31, 2021.
- Fair value for our Aerospace reporting unit exceeded carrying value by 51%. Goodwill for the Aerospace reporting unit was \$66 million at March 31, 2021.
- Fair value for our Work Furniture reporting unit exceeded carrying value by 25%. Goodwill for the Work Furniture reporting unit was \$97 million at March 31, 2021.

If there is a prolonged adverse economic impact from the COVID-19 pandemic, or otherwise, we may not be able to achieve projected performance levels. Although we do not believe that a triggering event has occurred, internal forecasts and industry data suggest that economic impacts of COVID-19 for the aerospace industry may be longer than previously expected during the second quarter impairment testing. We are continuing to monitor all factors impacting this industry. If actual results materially differ from the assumptions and estimates used in the goodwill and long-lived asset valuation calculations, we could incur future impairment charges. These non-cash charges could have a material negative impact on our earnings.

For more information regarding potential goodwill and other long-lived asset impairment, please refer to Note 5 Impairment Charges on page 9 of the Notes to Consolidated Condensed Financial Statements.

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

Our ability to realize deferred tax assets on our balance sheet is dependent upon the amount and source of future taxable income. As of March 31, 2021, we had \$138 million of deferred tax assets (\$154 million less a \$16 million valuation allowance). After netting of deferred tax liabilities, the net amount presented within Sundry assets on our Consolidated Condensed Balance Sheet is \$10 million. It is possible the amount and source of our taxable income could materially change in the future. Particularly, our mix of earnings by taxing jurisdiction may materially change in that we may have more or less taxable income generated in North America, Europe, or Asia as compared to prior years. This change may impact our underlying assumptions on which valuation allowances are established and negatively affect future period earnings and balance sheets. As a result, we may not be able to realize deferred tax assets on our balance sheet.

MARKET RISK FACTORS

Unfair competition could adversely affect our market share, sales, profit margins, and earnings.

We produce innersprings for mattresses that are sold to bedding manufacturers. We produce steel wire rod for consumption by our wire mills (primarily to produce innersprings) and to sell to third parties. We also produce and sell finished mattresses.

Since 2009, there have been antidumping duties on the import of innersprings from China, South Africa, and Vietnam imposed by the Department of Commerce (DOC) and International Trade Commission (ITC) extending through 2024. The DOC and ITC have also imposed antidumping duties and countervailing duties on imports of steel wire rod from various countries, including China. These duties will expire, unless extended, at different times ranging from 2022 to 2025. Also, antidumping duties have been imposed by the DOC and ITC on the import of finished mattresses from various countries including China, Cambodia, Indonesia, Malaysia, Serbia, Thailand, Turkey, and Vietnam, at different times ranging from 2024 to 2026. If the existing antidumping and countervailing duties are not extended beyond their current terms and dumping and/or subsidization recurs, or manufacturers in the subject countries circumvent the existing duties through transshipment in other jurisdictions or otherwise, our market share, sales, profit margins, and earnings could be adversely affected.

TECHNOLOGY AND CYBERSECURITY RISK FACTORS

Technology failures or cybersecurity breaches could have a material adverse effect on our operations.

As a manufacturer with over 130 production facilities in 17 different countries, primarily in Asia, Europe, North America, and elsewhere, we rely on several on-premise and cloud-based computerized systems and networks to obtain, secure, process, analyze, and manage data, as well as to facilitate the manufacture and distribution of inventory to and from our production facilities. We receive, process, manufacture, and ship orders, manage the billing of and collections from our customers, and manage the accounting for and payment to our vendors. We also have risk associated with the network connectivity and systems for consolidated reporting. Technology failures or security breaches of a new or existing infrastructure, including our industrial control systems, could impede normal operations, create system disruptions, or create unauthorized disclosure of confidential information.

We have a formal process in place for both incident response and cybersecurity continuous improvement that includes a cross functional Cybersecurity Oversight Committee. Members of the Cybersecurity Oversight Committee update the Board of Directors quarterly on cyber activity, with procedures in place for interim reporting if necessary.

Although we have not experienced any material technology failures or cybersecurity breaches, we have enhanced our cybersecurity protection efforts over the last few years. We use a third party to periodically benchmark our information security program against the National Institute of Standards and Technology's Cybersecurity Framework. We provide quarterly cybersecurity training for employees with access to our email and data systems, and we have purchased broad-form cyber insurance coverage. However, because of the risk due to the COVID-19 pandemic regarding increased remote access, remote work conditions, and associated strain on employees, technology failures or cybersecurity breaches could still create system disruptions or unauthorized disclosure of confidential information. We cannot be certain that the attacker's capabilities will not compromise our technology protecting information systems. We could still experience material technology failures or cybersecurity breaches, including those resulting from ransomware attached to our industrial control systems. If this occurs, our operations could be disrupted, or we may suffer financial loss because of lost or misappropriated information. Also, we may

incur remediation costs, increased cybersecurity protection costs, lost revenues resulting from unauthorized use of proprietary information, litigation and legal costs, reputational damages, proprietary and confidentiality impacts, damage to our competitiveness, and negative impact on our stock price and long-term shareholder value. We cannot be certain that advances in criminal capabilities will not compromise our technology protecting information systems. If these systems are interrupted or damaged by these events or fail for any extended period of time, then our results of operations could be adversely affected.

REGULATORY RISK FACTORS

Privacy and data protection regulations are complex and could harm our business, reputation, financial condition, and operating results.

Governments around the world have adopted legislative and regulatory proposals concerning the collection and use of personal data. As a company with personal data primarily consisting of employee data and business contact information, we are subject to many different data protection laws, including U.S. state laws, such as the California Consumer Data Privacy Act, and the laws of other jurisdictions where we operate, such as those in Europe, China, and Brazil. For example, the EU's General Data Protection Regulation (GDPR) applies to our operations that collect or process personal data of EU individuals, such as personal information concerning our employees at our facilities in Croatia and Poland. If these operations are found to violate GDPR, we may incur substantial fines, face reputational harm, and be required to change our business practices, any of which could have an adverse effect on our business.

As a U.S. company, the ability to centrally manage aspects of our operation and workforce, and to make decisions based on complete and accurate global data, is important and requires the ability to transfer and access personal data. The adequacy of the laws of the data-importing country are of increasing importance under various laws, including the GDPR and Brazil's general data protection law. The validity of data transfer mechanisms remains subject to legal, regulatory, and political developments in many countries, including Brazil, Europe, and the U.S. The invalidation of the EU-U.S. Privacy Shield in 2020 and the potential invalidation of other EU data transfer mechanisms, as well as the lack of adequate guidance from Brazil, could have an adverse impact on our ability to process and transfer personal data. This may inhibit our ability to transfer our employee personal data from our other operations, such as Europe and Brazil, to the Company's headquarters in the U.S., or elsewhere, making it much more difficult to effectively manage our global human capital. These evolving privacy and data protection requirements create uncertainty and added compliance obligations that could harm our business, reputation, financial condition, and operating results.

Climate change laws, regulations, and impacts could negatively impact the Company's business, capital expenditures, results of operations, financial condition, competitive position, and reputation.

We have over 130 production facilities worldwide. Some of our facilities are engaged in manufacturing processes that produce greenhouse gas emissions, including carbon dioxide. We also maintain a fleet of over-the-road tractor trailers that emit greenhouse gases. Climate change has received increased attention worldwide. Many scientists, legislators, and others attribute global warming to increased levels of greenhouse gas emissions, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit such emissions. Although we have developed and implemented a company-wide environmental management system to ensure we are compliant with environmental regulations everywhere we operate, and to drive continual improvement in environmental sustainability, either the enactment of, or change to existing laws and regulations, could mandate more restrictive standards or require such changes on a more accelerated time frame. Our manufacturing facilities are primarily located in North America, Europe, and Asia. There continues to be a lack of consistent climate legislation in the jurisdictions where we operate, which creates economic and regulatory uncertainty. To the extent our customers are subject to any of these or other similar proposed or newly enacted laws and regulations, additional costs by customers to comply with such laws and regulations could impact their ability to operate at similar levels in certain jurisdictions, which could adversely impact their demand for our products and services. Also, if these laws or regulations impose significant operational restrictions and compliance requirements on us, they could increase costs associated with our operations, including costs for raw materials and transportation. In either event, they could negatively impact our business, capital expenditures, results of operations, financial condition, and competitive position. Non-compliance with climate change legislative and regulatory requirements could also negatively impact our reputation.

Also, we have experienced, due to severe weather impacts, supply shortages in chemicals, which have restricted foam supply. The restriction of foam supply has constrained overall mattress production in the bedding industry and has reduced our production levels. The cost of chemicals and foam have also increased due to the shortages. If we are unable to secure an

adequate supply of chemicals and foam, or the cost of these raw materials materially increases, it could have a negative impact on our business, results of operations and financial condition.

Increased scrutiny from investors, lenders, and other market participants regarding our environmental, social and governance, or sustainability responsibilities, could expose us to additional costs or risks and adversely impact our liquidity, results of operations, reputation, employee retention, and stock price.

Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants, shareholders, and customers have focused increasingly on the environmental, social and governance (ESG) or “sustainability” practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. If our ESG practices do not meet investor, lender, or other industry stakeholder expectations and standards, which continue to evolve, our access to capital may be negatively impacted based on an assessment of our ESG practices. These limitations, in both the debt and equity markets, may materially negatively affect our ability to manage our liquidity, our ability to refinance existing debt, grow our businesses, implement our strategies, our results of operations, and the price of our common stock.

We recently published our first sustainability report, which details how we seek to manage our operations responsibly and ethically. The sustainability report includes our policies and practices on a variety of social and ethical matters, including, but not limited to, corporate governance, environmental compliance, employee health and safety practices, human capital management, product quality, supply chain management, and workforce inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. Also, our failure, or perceived failure, to meet the standards set forth in the sustainability report could negatively impact our reputation, employee retention, and the willingness of our customers and suppliers to do business with us. Our sustainability report can be found at www.leggett.com. Our website does not constitute part of this Form 10-Q.

LITIGATION RISK FACTORS

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.

Although 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 have recorded an immaterial aggregate litigation contingency accrual at March 31, 2021. Based on current facts and circumstances, aggregate reasonably possible (but not probable) losses in excess of the recorded accruals for litigation contingencies (which include Brazilian value-added tax and other matters) are estimated to be \$11 million. If our assumptions or analyses regarding any of our contingencies are incorrect, or if facts and circumstances change, we could realize loss in excess of the recorded accruals (and in excess of the \$11 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 legal contingencies, please see [Note 15](#) on page 21 of the Notes to Consolidated Condensed Financial Statements.

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
January 2021	—	\$ —	—	10,000,000
February 2021	—	\$ —	—	10,000,000
March 2021	5,523	\$ 47.86	—	10,000,000
Total	5,523	\$ 47.86	—	

¹ This number represents shares which were not purchased as part of a publicly announced plan or program, all of which were shares surrendered in transactions permitted under the Company's benefit plans. It does not include shares withheld for taxes on option exercises and stock unit conversions, all of which totaled 196,142 shares for the first quarter of 2021.

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. As such, effective January 1, 2021, the Company was authorized by the Board of Directors to repurchase up to 10 million shares in 2021. No specific repurchase schedule has been established.

ITEM 5. OTHER INFORMATION

As previously reported, on February 23, 2021, the Company's Nominating & Corporate Governance Committee of the Board (the "Committee") amended the Company's procedures regarding shareholder recommendations for nominations of directors. Prior to the amendment, the procedures provided that the Committee will always have regard for the need to consider candidates to maintain and strengthen the Board's diversity, and that it consider director candidates from a wide variety of backgrounds, without discrimination based on race, ethnicity, color, ancestry, national origin, religion, sex, sexual orientation, gender identity, age, disability, or any other status protected by law. The Committee amended the procedures to expressly require that (i) the Committee actively seek director candidates from a wide variety of backgrounds without discrimination based on any of the enumerated categories listed above and (ii) for each director search, the pool of candidates must include female and racial or ethnic minority candidates. The complete procedure can be found at www.leggett.com/governance/director-nomination-procedure, under Leggett & Platt Governance, Director Nomination Procedure.

ITEM 6. EXHIBITS**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Description</u>
2.1 ***	<u>Stock Purchase Agreement by and among Leggett & Platt, Incorporated, Elite Comfort Solutions, Inc. and Elite Comfort Solutions LP, dated November 6, 2018, filed November 7, 2018, as Exhibit 2.1 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845) Schedules to the Stock Purchase Agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Stock Purchase Agreement contains a list briefly identifying the omitted schedules. Leggett agrees to furnish, supplementally, a copy of any omitted schedule to the SEC upon request.</u>
3.2	<u>Bylaws of the Company as amended through February 24, 2021, filed February 24, 2021, as Exhibit 3.2.1 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845).</u>
10.1	<u>Summary Sheet of Executive Cash Compensation, filed February 24, 2021, as Exhibit 10.1 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845).</u>
10.2	<u>2021 Key Officers Incentive Plan Award Formula, filed February 24, 2021, as Exhibit 10.2 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845).</u>
10.3	<u>2021 Form of Performance Stock Unit Award Agreement, filed February 24, 2021, as Exhibit 10.5 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845).</u>
10.4*	<u>2021 Form of Performance Stock Unit Award Agreement, as amended.</u>
10.5	<u>2021 Form of Restricted Stock Unit Award Agreement, filed February 24, 2021, as Exhibit 10.6 to the Company's Form 8-K, is incorporated by reference. (SEC File No. 001-07845).</u>
18*	<u>Preferability Letter from PricewaterhouseCoopers LLP dated May 6, 2021.</u>
31.1*	<u>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 May 6, 2021.</u>
31.2*	<u>Certification of Jeffrey L. Tate, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 6, 2021.</u>
32.1*	<u>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 May 6, 2021.</u>
32.2*	<u>Certification of Jeffrey L. Tate, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 6, 2021.</u>
101.INS**	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH**,**	Inline XBRL Taxonomy Extension Schema.
101.CAL**,**	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF**,**	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB**,**	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE**,**	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Denotes filed herewith.

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

(i) Consolidated Condensed Balance Sheets at March 31, 2021 and December 31, 2020; (ii) Consolidated Condensed Statements of Operations for the three months ended March 31, 2021 and March 31, 2020; (iii) Consolidated Condensed Statements of Comprehensive Income (Loss) for the three months ended March 31, 2021 and March 31, 2020; (iv) Consolidated Condensed Statements of Cash Flows for the three months ended March 31, 2021 and March 31, 2020; and (v) Notes to Consolidated Condensed Financial Statements.

*** The assertions embodied in the representations and warranties made in the Stock Purchase Agreement are solely for the benefit of the parties to the Stock Purchase Agreement, and are qualified by information in confidential disclosure schedules that we have exchanged in connection with signing the Stock Purchase Agreement. While Leggett does not believe the schedules contain information required to be publicly disclosed, the schedules do contain information that modifies, qualifies, and creates exceptions to the representations and warranties in the Stock Purchase Agreement. You are not a third party beneficiary to the Stock Purchase Agreement and should not rely on the representations and warranties as characterizations of the actual state of facts, since (i) they are modified in part by the disclosure schedules; (ii) they may have changed since the date of the Stock Purchase Agreement; (iii) they may represent only the parties' risk allocation in this particular transaction; and (iv) they may be qualified by materiality standards that differ from what may be viewed as material for securities law purposes. The Stock Purchase Agreement has been included to provide you with information regarding its terms. It is not intended to provide any other factual information about Leggett or ECS. Such information about Leggett can be found in other public filings we make with the SEC.

2021 FORM OF PERFORMANCE STOCK UNIT AWARD AGREEMENT
Relative TSR and EBIT CAGR
[3-Year Performance Period]

Congratulations! On _____, [2021], Leggett & Platt, Incorporated (the "*Company*") granted you a Performance Stock Unit Award (the "*Award*") under the Company's Flexible Stock Plan (the "*Plan*"). The Award is granted subject to the enclosed *Terms and Conditions – [2021-2023] Performance Stock Unit Award – Relative TSR and EBIT CAGR* (the "*Terms and Conditions*").

You have been granted a base award of Performance Stock Units as reflected in your Morgan Stanley account. The number of PSUs for your base Award was determined by multiplying your current annual base salary by your Award multiple (set by Senior Management and approved by the Compensation Committee) and dividing this amount by the average closing share price of the Company's stock for the 10 trading days following the [2020] fourth quarter earnings release.

A percentage of your base award will vest on December 31, [2023] and will be paid out by March 15, [2024]. Fifty percent of your vested Award will be paid out in cash, and the Company intends to pay out the remaining 50% in shares of the Company's common stock.

As described in the Terms and Conditions, the payout you ultimately receive from this Award depends on the level of achievement of two performance objectives: 50% of your Award will vest based upon the Company's Total Shareholder Return compared to our Peer Group ("*Relative TSR*"), and 50% of your Award will vest based upon **the Company's or your Profit Centers', as applicable**, compound annual growth rate of Earnings Before Interest and Taxes ("*EBIT CAGR*"), according to the schedules below.

Relative TSR Percentile	Relative TSR Vesting %	EBIT CAGR %	EBIT CAGR Vesting %
25%	25%		
30%	35%		
35%	45%		
40%	55%		
45%	65%		
50%	75%	2%	75%
55%	100%	4%	100%
60%	125%	6%	125%
65%	150%	8%	150%
70%	175%	10%	175%
75%	200%	12%	200%

You are not required to accept the Award. By signing below, you confirm that you understand and agree that this Award of Performance Stock Units is granted in exchange for you agreeing to the Terms and Conditions and the Plan, that the Terms and Conditions and the Plan are included in this Agreement by reference, and that you are not otherwise entitled to the Award. A summary of the Plan and the Company's most recent Annual Report to Shareholders are available upon request to the Corporate Human Resources Department.

Accepted and Agreed:

_____ Date:_____

TERMS AND CONDITIONS - PERFORMANCE STOCK UNIT AWARD
Relative TSR and EBIT CAGR
[2021-2023]

1. **Performance Period.** Your payout under this Performance Stock Unit Award (the "Award") will depend on (i) the base award shown on your Award Agreement and (ii) the Company's, or applicable Profit Centers', performance during the three-year period beginning January 1, [2021] and ending December 31, [2023] (the "Performance Period").
2. **Performance Objectives.** The payout under this Award is based upon the level of achievement of two performance objectives: 50% of your Award will vest based upon the Company's relative Total Shareholder Return ("Relative TSR"), and 50% of your Award will vest based upon the Company's, or applicable Profit Centers', compound annual growth rate of Earnings Before Interest and Taxes ("EBIT CAGR").
 - a. **Relative TSR.** The Company's Total Shareholder Return ("TSR") during the Performance Period will be compared to the TSR of all the companies in the Industrial, Consumer Discretionary, and Materials sectors of the S&P 500 and the S&P 400 (the "Peer Group"). TSR is calculated as follows and assumes dividends are reinvested on the ex-dividend date:

$$\frac{\text{Ending Stock Price} - \text{Beginning Stock Price} + \text{Reinvested Dividends}}{\text{Beginning Stock Price}}$$

The "Beginning Stock Price" is the average closing share price of the Company's stock for the last 20 trading days prior to the Performance Period. The "Ending Stock Price" is the average closing share price of the Company's stock for the last 20 trading days within the Performance Period.

The 50% of your Award allocated to Relative TSR will vest according to the following schedule. Payouts will be interpolated for results falling between the levels shown.

Relative TSR Percentile	Relative TSR Vesting %
<25%	0%
25%	25%
30%	35%
35%	45%
40%	55%
45%	65%
50%	75%
55%	100%
60%	125%
65%	150%
70%	175%
75%	200%
>75%	200%

Notwithstanding the foregoing vesting schedule, in the event that the Company's TSR for the Performance Period is negative (Ending Stock Price plus Reinvested Dividends is less than the Beginning Stock Price), the Relative TSR vesting percentage will be capped at 100%.

- b. **EBIT CAGR.** EBIT CAGR during the Performance Period will be the compound annual growth rate of the total earnings before income and taxes (“*EBIT*”) for the Company, or applicable Profit Centers, during the third fiscal year of the Performance Period compared to the Base Year EBIT. “*Base Year EBIT*” is the total EBIT of the Company, or applicable Profit Centers, during the fiscal year immediately preceding the Performance Period.

The calculation of EBIT CAGR will include results from businesses acquired during the Performance Period. EBIT CAGR will exclude results for any businesses divested during the Performance Period, and the divested businesses’ EBIT will also be deducted from Base Year EBIT. EBIT CAGR will exclude (i) results from non-operating branches, (ii) certain currency and hedging-related gains and losses, (iii) gains and losses from asset disposals, (iv) items that are outside the scope of the Company’s core, on-going business activities, and (v) with respect to Profit Centers, all amounts relating to corporate allocations. EBIT CAGR will be adjusted to eliminate gain, loss, or expense, as determined in accordance with standards established under Generally Accepted Accounting Principles, (i) from non-cash impairments; (ii) related to loss contingencies identified in footnotes to the financial statements in the Company’s 10-K relating to the fiscal year immediately preceding the Performance Period; (iii) related to the disposal of a segment of a business; or (iv) related to a change in accounting principle.

The 50% of your Award allocated to EBIT CAGR will vest according to the following schedule. Payouts will be interpolated for results falling between the levels shown.

EBIT CAGR %	EBIT CAGR Vesting %
<2%	0%
2%	75%
4%	100%
6%	125%
8%	150%
10%	175%
12%	200%
>12%	200%

If, during the Performance Period, your responsibilities shift due to a transfer or a corporate restructuring (a “*Reassignment*”), the 50% of your Award allocated to EBIT CAGR will be reallocated as follows:

- (i) You will have EBIT CAGR results calculated for any full calendar year(s) during the Performance Period completed prior to the Reassignment based upon the Company, or applicable Profit Centers, identified in your original Award Agreement.
- (ii) You will have EBIT CAGR results calculated for the calendar year in which the Reassignment occurs, and any subsequent calendar year(s) during the Performance Period, based upon the Company, or applicable Profit Centers, according to your responsibilities following the Reassignment.
- (iii) The vesting percentage for the EBIT CAGR portion of your Award will be the weighted average of the results calculated under paragraphs (i) and (ii).

3. ***Vesting of Award and Form of Payout.*** With the exception of early vesting for circumstances described in Sections 4 and 5, this Award will vest on December 31, [2023] (the “*Vesting Date*”). Fifty percent (50%) of your vested Award will be paid out in cash (the “*Cash Portion*”), and the Company intends to pay out the remaining fifty percent (50%) in shares of the Company’s common stock (the “*Stock Portion*”), although the Company reserves the right, subject to approval by the Committee (as defined below), to pay up to one hundred percent (100%) of the vested Award in cash. Your vested Award will be paid out as soon as reasonably practicable

following the end of the Performance Period but in no event later than March 15, [2024] (the “Payout Date”). On the Payout Date, the Company will issue to you (i) one share of the Company’s common stock for each vested Performance Stock Unit comprising the Stock Portion of your Award, subject to reduction for tax withholding, and (ii) a check with a gross value equal to the closing market price of the Company’s common stock on the last business day of the Performance Period (or the date of the Change of Control if Section 5 applies) times the number of vested Performance Stock Units comprising the Cash Portion of your Award, subject to reduction for tax withholding as described in Section 8.

4. Termination of Employment.

- a. Except as provided in Section 4(b), Section 4(c), and Section 5, if your employment is terminated for any reason before the Vesting Date, your right to this Award will terminate immediately upon such termination of employment. Termination of employment and similar terms when used in this Award refer to a termination of employment that constitutes a separation from service within the meaning of Section 409A of the Internal Revenue Code.
- b. If your termination of employment during the Performance Period is due to Retirement (as defined below), your Award will vest at the end of the Performance Period and will be prorated for the number of days during the Performance Period prior to your termination.

“Retirement” means a termination, other than for Cause (as defined below), occurring (i) on or after age 65, or (ii) on or after the date at which the combination of your age and your years of service with the Company or any company or division acquired by the Company is greater than or equal to 70 years.

- c. If your termination of employment during the Performance Period is due to death or Disability (as defined below), your Award will vest immediately at 100% of your Base Award and be payable within 60 days of such event.

“Disability” means the inability to substantially perform your duties and responsibilities by reason of any accident or illness that can be expected to result in death or to last for a continuous period of not less than one year.

- d. The employment relationship will be treated as continuing intact while you are on military leave, sick leave, or other bona fide leave of absence if (i) the Company does not terminate the employment relationship or (ii) your right to re-employment is guaranteed by statute or by contract.

5. Change in Control. If, during the Performance Period, a Change in Control of the Company (as defined in the Flexible Stock Plan, the “Plan”) occurs and your employment is terminated either (i) by the Company (for reasons other than Disability or Cause, as defined below) or (ii) by you for Good Reason (as defined below), then the Company (or its successor) will issue to you 200% of your Base Award, within thirty (30) days following your termination of employment (subject to delay until the first day of the first month that is more than six months following your separation from service to the extent required in Section 16.7 of the Plan, if you are a specified employee within the meaning of Section 409A of the Internal Revenue Code).

- a. Termination by Company for Cause. Termination for "Cause" under this Agreement shall be limited to the following:
- i. Your conviction of any crime involving money or other property of the Company or any of its affiliates (including entering any plea bargain admitting criminal guilt), or a conviction of any other crime (whether or not involving the Company or any of its affiliates) that constitutes a felony in the jurisdiction involved; or
 - ii. Your willful act or omission involving fraud, misappropriation, or dishonesty that (i) causes significant injury to the Company or (ii) results in significant personal enrichment to you at the expense of the Company; or
 - iii. Your continued, repeated, willful failure to substantially perform your duties; provided, however, that no discharge shall be deemed for Cause under this subsection (a) unless you first receive written notice from the Company advising you of specific acts or omissions alleged to constitute a failure to perform your duties, and such failure continues after you have had a reasonable opportunity to correct the acts or omissions so complained of.

A termination shall not be deemed for Cause if, for example, the termination results from the Company's determination that your position is redundant or unnecessary or that your performance is unsatisfactory for reasons not otherwise specified above.

- b. Termination by Employee for Good Reason. You may terminate your employment for "Good Reason" by giving notice of termination to the Company during the Performance Period following (i) any action or omission by the Company described in this Section or (ii) receipt of notice from the Company of the Company's intention to take any such action or engage in any such omission.

The actions or omissions which may lead to a termination of employment for Good Reason are as follows:

- i. A reduction by the Company in your base salary as in effect immediately prior to the Change in Control; or
- ii. A change in your reporting responsibilities, titles, or offices as in effect immediately prior to a Change in Control that results in a material diminution within the Company of title, status, authority, or responsibility; or
- iii. A material reduction in your target annual incentive opportunity as in effect immediately prior to the Change in Control, expressed as a percentage of base salary; or

- iv. A requirement by the Company that you be based or perform your duties anywhere other than at the location immediately prior to the Change in Control, except for required travel on the Company's business to an extent substantially consistent with your business travel obligations immediately prior to the Change in Control; or
 - v. A material reduction in annual target value of your long-term incentive awards as in effect immediately prior to the Change in Control (with the value determined in accordance with generally accepted accounting standards); or
 - vi. A failure by the Company to obtain the assumption agreement to perform this Agreement by any successor as contemplated by Section 13 of this Agreement; or
 - vii. Any purported termination of your employment for Disability or for Cause that is not carried out pursuant to a notice of termination which satisfies the requirements of Section 5(c); and for purposes of this Agreement, no such purported termination shall be effective.
- c. Notice of Termination. Any purported termination by the Company of your employment shall be communicated by notice of termination to the other party. A notice of termination shall set forth, in reasonable detail, the facts and circumstances claimed to provide a basis for termination of employment under the Section so indicated.
- d. Date of Termination. The date your employment is terminated under Section 5 of this Agreement is called the "Date of Termination". In cases of Disability, the Date of Termination shall be 30 days after notice of termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such 30-day period). If your employment is terminated for Cause, the Date of Termination shall be the date specified in the notice of termination. If your employment is terminated for Good Reason, the Date of Termination shall be the date set out in the notice of termination.

Any dispute by a party hereto regarding a notice of termination delivered to such party must be conveyed to the other party within 30 days after the notice of termination is given. If the particulars of the dispute are not conveyed within the 30-day period, then the disputing party's claims regarding the termination shall be forever deemed waived.

6. Transferability. The Performance Stock Units may not be transferred, assigned, pledged, or otherwise encumbered until the underlying shares have been issued or settled in cash.
7. No Rights as Shareholder. You will not have the rights of a shareholder with respect to the Stock Portion of the Performance Stock Units until the underlying shares have been issued. You will not have the right to vote the shares or receive any dividends that may be paid on the underlying shares prior to issuance.
8. Withholding. You will recognize taxable income equal to the fair market value of the shares underlying the Stock Portion of the Award plus the dollar value of the Cash Portion of the Award on the Payout Date. This amount is subject to ordinary income tax and payroll tax. The Company will withhold (at the Company's

required withholding rate) any amount required to satisfy applicable tax laws (i) in cash from the Cash Portion of the payout and (ii) in shares from the Stock Portion of the payout.

The income and tax withholding generated by your payout will be reported on your W-2. If your personal income tax rate is higher than the Company's required withholding rate, you will owe additional tax on the issuance. After payment of the ordinary income tax, the shares you receive for the Stock Portion of your payout will have a tax basis equal to the closing price of L&P stock on the Payout Date.

9. Restrictive Covenants. Due to your leadership role in the Company, you are in a position of trust and confidence and have access to and knowledge of valuable confidential information of the Company, including business processes, techniques, plans, and strategies across the Company, trade secrets, sensitive financial and legal information, terms and arrangements with business partners, customers, and suppliers, trade secrets, and other confidential information that if known outside the Company would cause irreparable harm to the Company. In addition, you may have influence upon customer or supplier relationships, goodwill or loyalty which are valuable interests to the Company.

During your employment and through one year after the Payout Date of this Award, you will not directly or indirectly (i) engage in any Competitive Activity, (ii) solicit orders from or seek or propose to do business with any customer, supplier, or vendor of the Company or its subsidiaries or affiliates (collectively, the "Companies") relating to any Competitive Activity, (iii) influence or attempt to influence any employee, representative or advisor of the Companies to terminate his or her employment or relationship with the Companies, or (iv) engage in activity that may require or inevitably will require disclosure of trade secrets, proprietary information, or confidential information. "Competitive Activity" means any manufacture, sale, distribution, engineering, design, promotion or other activity that competes with any business of the Companies in which you were involved during the last year of your employment in the Restricted Territory. "Restricted Territory" means any geographic area in which any of the following occurred or existed during the last year of your employment with one or more of the Companies: (i) you contacted any customer, supplier or vendor, or (ii) any customer, supplier or vendor you serviced or used were located, or (iii) operations for which you had responsibility sold any products, or (iv) any products you designed were sold or distributed. You agree the covenants in this Section are reasonable in time and scope and justified based on your position and receipt of the Award. In the event you violate the terms of this Section, the one-year term of the restrictive covenants shall be automatically extended by the period you were violating any term of this Section and by any period that the Companies seek to enforce its rights for any violating conduct through litigation.

If you violate the preceding paragraph, then you will pay to the Company any Award Gain you realized from this Award. "Award Gain" for the Cash Portion of your Award is equal to (i) the cash paid to you on the Payout Date of this Award (including the tax withholding), minus (ii) any non-refundable taxes paid by you as a result of the distribution. "Award Gain" for the Stock Portion of your Award is equal to (i) the number of shares distributed to you on the Payout Date of this Award times the fair market value of L&P stock on the Payout Date (including the tax withholding), minus (ii) any non-refundable taxes paid by you as a result of the distribution. In addition, the Company shall be entitled to seek a temporary or permanent injunction or other equitable relief against you for any breach or threatened breach of this Section from any court of competent jurisdiction, without the necessity of showing any actual damages or showing money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. Such equitable relief shall be in addition to, not in lieu of, any legal remedies, monetary damages, or other available forms of relief.

If any restriction in this Section is deemed unenforceable, then you and the Company contemplate that the appropriate court will reduce the scope or other provisions and enforce the restrictions set out in this section in their reduced form. The covenants in this Section are in addition to any similar covenants under any other agreement between the Company and you.

10. Repayment of Awards. If, within 24 months after an Award is paid, the Company is required to restate previously reported financial results, the Committee will require all Award recipients to repay any amounts

paid in excess of the amounts that would have been paid based on the restated financial results. The Committee will issue a written Notice of Repayment documenting the corrected Award calculation and the amount and terms of repayment.

In addition, the Committee may require repayment of the entire Award from any Award recipients determined, in its discretion, to be personally responsible for gross misconduct or fraud that caused the need for the restatement.

The Award recipient must repay the amount specified in the Notice of Repayment. The Committee may, in its discretion, reduce a current year Award payout as necessary to recoup any amounts outstanding under a previously issued Notice of Repayment.

11. *Award Not Benefit Eligible*. This Award will be considered special incentive compensation and will not be included as earnings, wages, salary or compensation in any pension, retirement, welfare, life insurance or other employee benefit plan or arrangement of the Company.
12. *Plan Controls; Committee*. This Award is subject to all terms, provisions and definitions of the Plan, which is incorporated by reference. In the event of any conflict, the Plan will control over this Award. Upon request, a copy of the Plan will be furnished to you. The Plan is administered by a committee of non-employee directors or their designees (the "*Committee*"). The Committee's decisions and interpretations with regard to this Award will be binding and conclusive.
13. *Assignment*. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Award in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Award. As used in this Award, "*Company*" means (i) Leggett & Platt, Incorporated, its subsidiaries and affiliates, and (ii) any successor to its business and/or assets which executes and delivers the agreement provided for in this Section or which otherwise becomes bound by all the terms and provisions of this Award by operation of law.
14. *Section 409A*. The Company believes this Award constitutes a short-term deferral within the meaning of Section 409A of the Internal Revenue Code and the regulations thereunder. Notwithstanding anything contained in these terms and conditions, it is intended that the Award will at all times meet the requirements of Section 409A and any regulations or other guidance issued thereunder, and that the provisions of the Award will be interpreted to meet such requirements.

To the extent permitted by Section 409A, the Committee retains the right to delay a distribution of this Award if the distribution would violate securities laws or otherwise result in material harm to the Company.
15. *Data Privacy*. You acknowledge and agree that the Company may collect and use your personal information to implement and administer the Award. This personal information may include, without limitation, your: employee identification number; first and last names; home and other physical address; email addresses; telephone and fax numbers; organization name, job title, and department name; reporting hierarchy; work history; performance ratings; and payroll information. You further acknowledge and agree that the Company may disclose such information to non-agent third parties assisting the Company in administering Award.

Additional information concerning the Company's collection and use of your personal information is available in the Privacy Policy located on the Company's intranet site.
16. *Other*. In the absence of any specific agreement to the contrary, the grant of this Award to you will not affect any right of the Company or its subsidiaries to terminate your employment or your right to resign from employment.

This Award is entered into and accepted in Carthage, Missouri. The Award will be governed by Missouri law, excluding any conflicts or choice of law provision that might otherwise refer construction or interpretation of the Award to the substantive law of another jurisdiction.

Any action or proceeding arising from or related to this Award is subject to the exclusive venue and subject matter jurisdiction of the Circuit Court for Jasper County, Missouri or the United States District Court for the Western District of Missouri, and the parties agree to submit to the jurisdiction of such Courts. The parties also waive the defense of an inconvenient forum and agree not to seek any change of venue from such Courts.

May 6, 2021

Board of Directors
Leggett & Platt, Incorporated
1 Leggett Road
Carthage, Missouri 64836

Dear Directors:

We are providing this letter to you for inclusion as an exhibit to Leggett & Platt, Incorporated's (the "Company") Quarterly Report on Form 10-Q for the period ended March 31, 2021 (the "Form 10-Q") pursuant to Item 601 of Regulation S-K.

We have been provided a copy of the Company's Form 10-Q. Note 10 therein describes a change in accounting principle for certain inventories from the last-in, first-out (LIFO) method of inventory costing to the first-in, first-out (FIFO) method of inventory costing. It should be understood that the preferability of one acceptable method of accounting over another for determining the cost of inventory has not been addressed in any authoritative accounting literature, and in expressing our concurrence below we have relied on management's determination that this change in accounting principle is preferable. Based on our reading of management's stated reasons and justification for this change in accounting principle in the Form 10-Q, and our discussions with management as to their judgment about the relevant business planning factors relating to the change, we concur with management that such change represents, in the Company's circumstances, a change to a preferable accounting principle in conformity with Accounting Standards Codification 250, *Accounting Changes and Error Corrections*.

We have not audited any financial statements of the Company as of any date or for any period subsequent to December 31, 2020. Accordingly, our comments are subject to change upon completion of an audit of the financial statements covering the period of the accounting change.

Very truly yours,

/s/ PRICEWATERHOUSECOOPERS LLP

St. Louis, Missouri

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: May 6, 2021

/s/ KARL G. GLASSMAN

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

CERTIFICATION

I, Jeffrey L. Tate, 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: May 6, 2021

/s/ JEFFREY L. TATE

Jeffrey L. Tate
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 March 31, 2021, 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.

/s/ KARL G. GLASSMAN

Karl G. Glassman
Chairman and Chief Executive Officer

May 6, 2021

**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 March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey L. Tate, 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.

/s/ JEFFREY L. TATE

Jeffrey L. Tate

Executive Vice President and Chief Financial Officer

May 6, 2021