LEGGETT & PLATT INC
Form 10-K
February 25, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission File Number 001-07845
LEGGETT & PLATT, INCORPORATED
(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: (417) 358-8131
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act.

Large accelerated filerý Accelerated filer ¨

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant (based on the closing price of our common stock on the New York Stock Exchange) on June 30, 2015 was $6,398,567,985.

There were 135,694,918 shares of the registrant's common stock outstanding as of February 12, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Part of Item 10, and all of Items 11, 12, 13 and 14 of Part III are incorporated by reference from the Company's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on May 17, 2016.

Table of Contents

TABLE OF CONTENTS
LEGGETT & PLATT, INCORPORATED—FORM 10-K
FOR THE YEAR ENDED December 31, 2015

Table of Contents

Forward-Looking Statements

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

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

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

- factors that could affect the industries or markets in which we participate, such as growth rates and opportunities in those industries;
- adverse changes in inflation, currency, political risk, and U.S. or foreign laws or regulations (including tax law changes);
- adverse changes in consumer sentiment, housing turnover, employment levels, interest rates, trends in capital spending and the like;
- factors that could impact raw materials and other costs, including the availability and pricing of steel scrap and rod and other raw materials, the availability of labor, wage rates and energy costs;
- our ability to pass along raw material cost increases through increased selling prices;
- price and product competition from foreign (particularly Asian and European) and domestic competitors;
- our ability to improve operations and realize cost savings (including our ability to fix under-performing operations and to generate future earnings from restructuring-related activities);
- our ability to maintain profit margins if our customers change the quantity and mix of our components in their finished goods;
- our ability to realize 25-35% contribution margin on incremental unit volume growth;
- our ability to achieve expected levels of cash flow;
- our ability to maintain and grow the profitability of acquired companies;
- our ability to maintain the proper functioning of our internal business processes and information systems and avoid modification or interruption of such systems, through cyber-security breaches, technology failures or otherwise;
- a decline in the long-term outlook for any of our reporting units that could result in asset impairment;
- the loss of one or more of our significant customers; and
-

litigation accruals related to various contingencies including antitrust, intellectual property, product liability and warranty, taxation, environmental and workers' compensation expense.

1

Table of Contents

PART I

Item 1. Business.

Summary

Leggett & Platt, Incorporated was founded as a partnership in Carthage, Missouri in 1883 and was incorporated in 1901. The Company, a pioneer of the steel coil bedspring, has become an international diversified manufacturer that conceives, designs and produces a wide range of engineered components and products found in many homes, offices, automobiles and commercial aircraft. As discussed below, our continuing operations are organized into 17 business units, which are divided into 10 groups under our four segments: Residential Furnishings; Commercial Products; Industrial Materials; and Specialized Products.

Overview of Our Segments

Residential Furnishings Segment

Our Residential Furnishings segment began in 1883 with the manufacture of steel coiled bedsprings. Today, we supply a variety of components used by bedding and upholstered furniture manufacturers in the assembly of their finished products. Our range of products offers our customers a single source for many of their component needs.

Innovative proprietary products and low cost have made us the largest U.S. manufacturer in many of these businesses. We strive to understand what drives consumer purchases in our markets and focus our product development activities on meeting those end-consumer needs. We attain a cost advantage from efficient manufacturing methods, internal production of key raw materials, purchasing leverage, and large-scale production. Sourcing components from us allows our customers to focus on designing, merchandising, and marketing their products.

Products

Bedding Group

- Innersprings (sets of steel coils, bound together, that form the core of a mattress)
- Wire forms for mattress foundations
- Machines that we use to shape wire into various types of springs

Table of Contents
PART I

Furniture Group
- Steel mechanisms and hardware (enabling furniture to recline, tilt, swivel, rock and elevate) for reclining chairs and sleeper sofas
- Springs and seat suspensions for chairs, sofas and love seats

Fabric & Carpet Cushion Group
- Structural fabrics for mattresses, residential furniture and industrial uses
- Carpet cushion (made from bonded scrap foam, fiber, rubber and prime foam)
- Geo components (synthetic fabrics and various other products used in ground stabilization, drainage protection, erosion and weed control, as well as silt fencing)

Customers

- Manufacturers of finished bedding (mattresses and foundations) and upholstered furniture
- Retailers and distributors of carpet cushion
- Contractors, landscapers, road construction companies and government agencies using geo components

Commercial Products Segment

In our Commercial Products segment we design, manufacture, and distribute a wide range of components and finished products for the office seating and specialty retail markets. We are a major supplier of fashion beds and adjustable beds, with domestic manufacturing and distribution capability as well as established relationships with global sources.

Products

Work Furniture Group
- Bases, columns, back rests, casters and frames for office chairs, and control devices that allow office chairs to tilt, swivel and elevate
- Select lines of private-label finished furniture

Consumer Products Group
- Fashion beds and bed frames
- Adjustable beds

Customers

- Office, institutional and commercial furniture manufacturers
- Mattress manufacturers and retailers

Industrial Materials Segment

The quality of our products and service, together with our low cost, have made Leggett & Platt the leading U.S. supplier of high carbon drawn steel wire. Our Wire group operates a steel rod mill with an annual output of approximately 500,000 tons, of which a substantial majority is used by our own wire mills. We have three wire mills that supply virtually all the wire consumed by our other domestic businesses. We also supply steel wire to external customers that operate in a broad range of markets.

We sold our Steel Tubing business in the fourth quarter of 2015. This unit supplied steel tubing to many external customers, including automotive seat frame producers, and also supplied a portion of our internal needs.

Products

Wire Group
- Drawn wire
- Fabricated wire products
- Steel rod

Customers

We use about 70% of our wire output to manufacture our own products, including:
- Bedding and furniture components
- Automotive seat suspension systems

The Industrial Materials segment also has a diverse group of external customers that include:
- Bedding producers
- Mechanical spring manufacturers
- Waste recyclers and waste removal businesses

Specialized Products Segment

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

We are considering strategic alternatives for our CVP Group, including the possible divestiture of this business. For more information, please refer to "Commercial Vehicle Products Divestiture" on page 31.

Products

Automotive Group
- Mechanical and pneumatic lumbar support and massage systems for automotive seating
- Seat suspension systems
- Automotive control cables
- Low voltage motors and actuators

Aerospace Products Group
- Titanium, nickel and stainless steel tubing and sub-assemblies for the aerospace industry

Machinery Group
- Full range of quilting machines for mattress covers
- Industrial sewing/finishing machines

Commercial Vehicle Products Group
- Van interiors (the racks, shelving and cabinets installed in service vans)
- Computer docking stations

Customers

- Automobile seating manufacturers
- Aerospace suppliers and OEMs
- Bedding manufacturers
- Telecommunication, cable, home service and delivery companies

Table of Contents
PART I

Strategic Direction

Key Financial Metric

Total Shareholder Return (TSR), relative to peer companies, is the key financial measure that we use to assess long-term performance. TSR = (Change in Stock Price + Dividends)/Beginning Stock Price. Our goal is to achieve TSR in the top third of the S&P 500 companies over rolling three-year periods through a balanced approach that employs four TSR sources: revenue growth, margin expansion, dividends, and share repurchases. For the three-year measurement period that ended December 31, 2015, we met our goal of producing TSR in the top third of the S&P 500. We generated compounded annual TSR of 20% per year, on average, over the last three years, significantly better than the S&P 500's 15% annual TSR over the same time period.

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

Returning Cash to Shareholders

During the past three years, we generated approximately $1.2 billion of operating cash, and we returned much of this cash to shareholders in the form of dividends and share repurchases. Dividends and share repurchases are expected to remain significant contributors to long-term TSR.

We currently pay a quarterly dividend of $.32 per share. Our target for dividend payout is 50-60% of earnings, however actual payout has been higher in recent years (88% in 2013 and 179% in 2014, impacted by goodwill impairment in both years and litigation accruals in 2014). As a result, dividend growth has been modest, at about 3% per year. With significant earnings improvement in 2015, dividend payout for the year was 55%, within the target range. This allows us flexibility to consider future dividend growth that more closely aligns with EPS growth. We have consistently (for over 25 years) generated operating cash in excess of our annual requirement for capital expenditures and dividends.

Our top priorities for use of cash are organic growth (capital expenditures), dividends, and strategic acquisitions. After funding those priorities, if there is still cash available, we generally intend to repurchase stock rather than repay debt early or stockpile cash. During the last three years, we repurchased a total of 15.6 million shares of our stock and issued 9.1 million shares (through employee benefit plans and stock option exercises), reducing outstanding shares by 5%. In 2015, we repurchased 4.3 million shares (at an average of $45.72) and issued 2.1 million shares (at an average of $23.61).

Portfolio Management

We utilize a rigorous strategic planning process to help guide decisions regarding business unit roles, capital allocation priorities, and new areas in which to grow. We review the portfolio classification of each unit on an annual basis to determine its appropriate role (Grow, Core, Fix, or Divest). This review includes criteria such as competitive position, market attractiveness, business unit size, and fit within our overall objectives, as well as financial indicators such as growth of EBIT (earnings before interest and taxes) and EBITDA (earnings before interest, taxes, depreciation and amortization), operating cash flows, and return on assets. Business units in the Grow category should provide avenues for profitable growth from competitively advantaged positions in attractive markets. Core business units are expected to enhance productivity, improve market share, and generate cash flow from operations while using minimal capital. To remain in the portfolio, business units are expected to consistently generate after-tax returns in excess of our cost of capital. Business units that fail to consistently attain minimum return goals will be moved to the Fix or Divest categories.

Table of Contents
PART I

Disciplined Growth

Long-term, we aim to achieve consistent, profitable growth of 4-5% annually. To attain this goal, we will need to supplement the approximate 2-3% growth that our markets typically produce (in normal economic times) with two additional areas of opportunity. First, we must develop and commercialize innovative new products within markets in which we already enjoy strong competitive positions. Second, we need to uncover new growth platforms: opportunities in markets new to us containing margins and growth higher than the Company's average, and in which we would possess a competitive advantage.

Our long-term 4-5% annual growth objective envisions periodic acquisitions. We primarily seek acquisitions within our Grow businesses, and look for opportunities to enter new, higher growth markets (carefully screened for sustainable competitive advantage). We expect all acquisitions to (a) have a clear strategic rationale, a sustainable competitive advantage, a strong fit with the Company, and be in an attractive and growing market; (b) create value by enhancing TSR; (c) for stand-alone businesses: generally possess revenue in excess of $50 million, strong management and future growth opportunity with a strong market position in a market growing faster than GDP; and (d) for add-on businesses: generally possess revenue in excess of $15 million, significant synergies, and a strategic fit with an existing business unit.

Acquisitions

2015

We acquired a 70% interest in a European private-label manufacturer of high-end upholstered furniture for office, commercial and other settings for a purchase price of $23 million. This business is complementary to our North American private-label operation and allows us to support our Work Furniture customers as they expand globally. We will acquire the remaining 30% over the next five years, under the terms of the agreement, and have recorded a long-term liability of approximately $10 million for the future payments. Future payments are based upon a calculation that incorporates future EBITDA. The recorded liability is based upon estimates and may fluctuate significantly until the 2018 and 2020 payment dates. Fluctuations in this liability will be reflected in interest income or expense on the Consolidated Statement of Operations.

2014

We acquired Tempur Sealy's three U.S. innerspring component production facilities for a purchase price of $45 million. This additional volume enhanced our economies of scale, benefited from our vertical integration in steel rod and wire, and allowed manufacturing optimization across a broad asset base. These factors contributed to the recognition of $18 million in goodwill from this acquisition.

We also acquired a German designer and distributor of high-end, European-styled motion components for a purchase price of $17 million. This business allows us to meet varying design preferences and broadens the range of our furniture component products, which contributed to the recognition of $4 million in goodwill from this acquisition.

2013

We expanded our Aerospace Products business unit with the acquisition of two companies.

The first was a UK-based business that extended our capability in aerospace tube fabrication. This business was acquired for a purchase price of $12 million, and $6 million of goodwill was recorded related to this acquisition. Factors that contributed to a purchase price resulting in the recognition of goodwill included its international presence and complimentary fit with our Aerospace Products business unit.

The second was a French company that added small-diameter, high-pressure seamless tubing to our product portfolio for a cash purchase price of $15 million. This business was acquired at a price less than fair value of the net identifiable assets, and we recorded a $9 million non-taxable bargain purchase gain. The bargain purchase gain is reported in the "Other (income) expense, net" line of our Consolidated Statements of Operations.

For more information regarding our acquisitions and factors that contributed to the bargain purchase price referenced above, please refer to Note R on page 109 of the Notes to Consolidated Financial Statements.

Divestitures

2015

We sold our final two Store Fixtures operations for $8 million and recorded an after-tax gain of $3 million. These divestitures were reported in discontinued operations.

We sold our Steel Tubing business unit for total consideration of $25 million. This operation reached held for sale status in the first quarter of 2015, but did not meet the requirements for discontinued operations. The results for this operation (including a pre-tax loss on sale of $3 million) was included in the Industrial Materials segment.

Finally, we divested a small operation within our CVP business for $3 million, which resulted in a pre-tax gain of $1 million. The business was reported in our Specialized Products segment and did not meet the requirements for discontinued operations.

2014

We divested the majority of the Store Fixtures group for total consideration of $64 million and recorded an after-tax loss of $5 million. The Store Fixtures group was previously part of the Commercial Products segment and was reported in discontinued operations.

2013

There were no significant divestitures in 2013.

For further information about divestitures and discontinued operations, see Note B on page 76 of the Notes to Consolidated Financial Statements.

Change in Segment Reporting

Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. Because of the divestiture of the majority of the Store Fixtures business in late 2014, along with the retirement of the Senior Operating Vice President of the Industrial Materials segment, our management organizational structure and all related internal reporting changed in 2015.

The Adjustable Bed and Fashion Bed businesses were moved from Residential Furnishings to Commercial Products. The Aerospace business was moved from Industrial Materials to Specialized Products. The Spuhl machinery operation (which produces wire forming equipment primarily for our internal use) was moved from Specialized Products to Residential Furnishings. Additionally, our logistics operations, which primarily include intercompany transportation activity, were moved from Residential Furnishings to Industrial Materials. These segment changes were retrospectively applied to all prior periods presented.

Table of Contents
PART I

Segment Financial Information

For information about sales to external customers, sales by product line, EBIT, and total assets of each of our segments, refer to Note F on page 84 of the Notes to Consolidated Financial Statements.

Foreign Operations

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

Our international operations are principally located in Europe, China, Canada and Mexico. Our products in these foreign locations primarily consist of:

Europe

- Innersprings for mattresses
- Wire and wire products
- Lumbar and seat suspension systems for automotive seating
- Seamless tubing and specialty formed products for aerospace applications
- Select lines of private-label finished furniture
- Recliner mechanisms
- Machinery and equipment designed to manufacture innersprings for mattresses

China

- Lumbar and seat suspension systems for automotive seating
- Cables, small electric motors, and actuators for automotive applications
- Recliner mechanisms and bases for upholstered furniture
- Formed wire for upholstered furniture
- Innersprings for mattresses
- Office furniture components, including chair bases and casters

Canada

- Lumbar supports for automotive seats
- Fabricated wire for the furniture and automotive industries
- Office chair controls, chair bases and table bases

Mexico

- Innersprings and fabricated wire for the bedding industry
- Automotive control cable systems and seating components
- Adjustable beds

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

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

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

Our Specialized Products segment, which derives roughly 65% of its trade sales from foreign operations, is particularly subject to the above risks. These and other foreign-related risks could result in cost increases, reduced profits, the inability to carry on our foreign operations and other adverse effects on our business.

Table of Contents
PART I

Geographic Areas of Operation

We have manufacturing facilities in countries around the world, as shown below.

	Residential Furnishings	Commercial Products	Industrial Materials	Specialized Products
North America				
Canada	n	n		n
Mexico	n		n	n
United States	n	n	n	n
Europe				
Austria				n
Belgium				n
Croatia	n			n
Denmark	n			
France				n
Germany				n
Hungary				n
Italy	n	n		
Poland		n		
Switzerland	n			
United Kingdom	n			n
South America				
Brazil	n			
Asia				
China	n	n		n
India				n
South Korea				n
Africa				
South Africa	n			

For further information concerning our continuing operations external sales related to products manufactured, and our tangible long-lived assets located outside the United States, refer to Note F on page 84 of the Notes to Consolidated Financial Statements.

Table of Contents
PART I

Sales by Product Line

The following table shows our approximate percentage of continuing operations external sales by classes of similar products for the last three years:

Product Line	2015	2014	2013
Bedding Group	23 %	22 %	20 %
Fabric & Carpet Cushion Group	17	18	18
Automotive Group	16	16	14
Furniture Group	11	11	12
Wire Group	9	11	12
Consumer Products Group	8	7	8
Work Furniture Group	6	5	5
Aerospace Products Group	3	3	2
Commercial Vehicle Products Group	3	3	4
Steel Tubing Group	2	2	3
Machinery Group	2	2	2

Distribution of Products

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

Raw Materials

The products we manufacture require a variety of raw materials. We believe that worldwide supply sources are readily available for all the raw materials we use. Among the most important are:

- Various types of steel, including scrap, rod, wire, sheet, stainless and angle iron
- Foam scrap
- Woven and non-woven fabrics
- Titanium and nickel-based alloys and other high strength metals

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

- Innersprings and foundations for mattresses
- Springs and seat suspensions for chairs and sofas
- Automotive seating suspension systems

We supply a substantial majority of our domestic steel rod requirements through our own rod mill. Our wire drawing mills supply nearly all of our U.S. requirements for steel wire.

Customer Concentration

We serve thousands of customers worldwide, sustaining many long-term business relationships. In 2015, our largest customer accounted for approximately 8% of our consolidated revenues. Our top 10 customers accounted for approximately 29% of these consolidated revenues. The loss of one or more of these customers could have a

Table of Contents

material adverse effect on the Company, as a whole, or on the respective segment in which the customer's sales are reported, including our Residential Furnishings, Commercial Products and Specialized Products segments.

Patents and Trademarks

The chart below shows the approximate number of patents issued, patents in process, trademarks registered and trademarks in process held by our continuing operations as of December 31, 2015. No single patent or group of patents, or trademark or group of trademarks, is material to our operations, as a whole. Most of our patents relate to products sold in the Specialized Products segment, while a substantial majority of our trademarks relate to products sold in the Residential Furnishings and Specialized Products segments.

Some of our most significant trademarks include:

- ComfortCore®, Mira-Coil®, VertiCoil®, Lura-Flex®, and Superlastic® (mattress innersprings)
- Semi-Flex® (box spring components and foundations)
- Active Support Technology® (mattress innersprings)
- Spuhl® (mattress innerspring manufacturing machines)
- Wall Hugger® (recliner chair mechanisms)
- Super Sagless® (motion and sofa sleeper mechanisms)
- No-Sag® (wire forms used in seating)
- LPSense® (capacitive sensing)
- Hanes® (fabric materials)
- Schukra®, Pullmaflex® and Flex-O-Lator® (automotive seating products)
- Gribetz® and Porter® (quilting and sewing machines)

Product Development

One of our strongest performing product categories across the company is ComfortCore®, our fabric-encased spring coils used in hybrid and other mattresses. Many mattress producers have moved to higher valued innersprings like ComfortCore® in more of their product lines, typically replacing foam cores or traditional innersprings. Our ComfortCore® volume has continued to grow, and represented 30% of our total U.S. innerspring units in 2015.

Table of Contents
PART I

Research and Development

We maintain research, development and testing centers in many locations around the world. We are unable to calculate precisely the cost of research and development because the personnel involved in product and machinery development also spend portions of their time in other areas. However, we estimate the cost of research and development was approximately $25 million in each of the last three years.

Employees

At December 31, 2015, we had approximately 20,000 employees, of which roughly 15,000 were engaged in production. Of the 20,000, approximately 11,000 were international employees (5,600 in China). Roughly 15% of our employees are represented by labor unions that collectively bargain for work conditions, wages or other issues. We did not experience any material work stoppage related to contract negotiations with labor unions during 2015. Management is not aware of any circumstances likely to result in a material work stoppage related to contract negotiations with labor unions during 2016. The chart below shows the approximate number of employees by segment.

At December 31, 2014, we had approximately 19,000 employees.

Competition

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

We believe we are the largest U.S. manufacturer, in terms of revenue, of the following:

- Components for residential furniture and bedding
- Carpet cushion
- Adjustable bed bases
- Components for office furniture
- High carbon drawn steel wire

- Automotive seat support and lumbar systems
- Bedding industry machinery
- Thin-walled, titanium, nickel and other specialty tubing for the aerospace industry

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, even versus many foreign manufacturers, as a result of our efficient operations, low labor content, vertical integration in steel and wire, logistics and distribution efficiencies, and large scale purchasing of raw materials and commodities. However, we have also reacted to foreign competition in certain cases by selectively adjusting prices, and by developing new proprietary products that help our customers reduce total costs.

Since 2009, there have been antidumping duty orders on innerspring imports from China, South Africa and Vietnam, ranging from 116% to 234%. In March 2014, the Department of Commerce (DOC) and the International Trade Commission (ITC) determined that the duties should be continued. In April 2014, the DOC published its final order continuing the duties through February 2019 (for China) and December 2018 (for South Africa and Vietnam). Also, a case brought in January 2014 by major U.S. steel wire rod producers resulted in a ruling in December 2014, and the implementation of antidumping duties of 106% to 110% and countervailing duties of 178% to 193% on imports of Chinese steel wire rod through December 2019.

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

Seasonality

As a diversified manufacturer, we generally have not experienced significant seasonality. However, unusual economic factors in any given year, along with acquisitions and dispositions, can create sales variability and obscure the underlying seasonality of our businesses. Historically, for the Company as a whole, the second and third quarters typically have slightly higher sales, while the first and fourth quarters have generally been lower. Segment level seasonality has also been relatively limited, however the Residential Furnishings segment usually has lower sales in the fourth quarter and the Specialized Products segment typically experiences lower sales in the third quarter.

Backlog

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

Working Capital Items

For information regarding working capital items, see the discussion of “Cash from Operations” in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations on page 40.

Government Contracts

The Company does not have a material amount of sales derived from government contracts subject to renegotiation of profits or termination at the election of any government.

Environmental Regulation

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

Internet Access to Information

We routinely post information for investors to our website (www.leggett.com) under the Investor Relations section. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are made available, free of charge, on our website as soon as reasonably practicable after electronically filed with, or furnished to, the SEC. In addition to these reports, the Company's Financial Code of Ethics, Code of Business Conduct and Ethics, and Corporate Governance Guidelines, as well as charters for the Audit, Compensation, and Nominating & Corporate Governance Committees of our Board of Directors, can be found on our website under the Corporate Governance section. Information contained on our website does not constitute part of this Annual Report on Form 10-K.

Discontinued Operations

For information on discontinued operations, see Note B on page 76 of the Notes to Consolidated Financial Statements.

Item 1A. Risk Factors.

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

Costs of raw materials could negatively affect our profit margins and earnings.

Raw material cost increases (and our ability to respond to cost increases through selling price increases) can significantly impact our earnings. We typically have short-term commitments from our suppliers; therefore, our raw material costs generally move with the market. When we experience significant increases in raw material costs, we typically implement price increases to recover the higher costs. Inability to recover cost increases (or a delay in the recovery time) can negatively impact our earnings. Conversely, if raw material costs decrease, we generally pass through reduced selling prices to our customers. Reduced selling prices combined with higher cost inventory can reduce our segment margins and earnings.

Steel is our principal raw material. The global steel markets are cyclical in nature and have been volatile in recent years. This volatility can result in large swings in pricing and margins from year to year. Our operations can also be impacted by changes in the cost of fabrics and foam scrap. We experienced significant fluctuations in the cost of these commodities in recent years.

Table of Contents
PART I

As a producer of steel rod, we are also impacted by volatility in metal margins (the difference between the cost of steel scrap and the market price for steel rod). If market conditions cause scrap costs and rod pricing to change at different rates (both in terms of timing and amount), metal margins could be compressed and this would negatively impact our results of operations.

Higher raw material costs in past years led some of our customers to modify their product designs, changing the quantity and mix of our components in their finished goods. In some cases, higher cost components were replaced with lower cost components. This primarily impacted our Residential Furnishings and Industrial Materials product mix and decreased profit margins. If this was to occur again it could negatively impact our results of operations.

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

We operate in markets that are highly competitive. We believe that most companies in our lines of business compete primarily on price, but, depending upon the particular product, we experience competition based on quality and performance. We face ongoing pressure from foreign competitors as some of our customers source a portion of their components and finished products from Asia and Europe. In addition to lower labor rates, foreign competitors benefit (at times) from lower raw material costs. They may also benefit from currency factors and more lenient regulatory climates. If we are unable to purchase key raw materials, such as steel, at prices competitive with those of foreign suppliers, our ability to maintain market share and profit margins could be harmed by foreign competitors.

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 previously disclosed that we were a party to a series of civil antitrust lawsuits involving the sale of polyurethane foam products. During 2015, we settled the substantial majority of these cases but there are a few cases yet to be resolved. Although we deny liability in all threatened or pending litigation proceedings and believe that we have valid bases to contest all claims made against us, we have, at December 31, 2015, an aggregate litigation contingency accrual of $8 million. The accrual amount decreased from the prior year primarily due to cash payments for litigation settlements of $82 million. 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 VAT, antitrust, patent, and other matters) are estimated to be $25 million. If our assumptions or analysis regarding these contingencies is incorrect, or if facts and circumstances change, we could realize loss in excess of the recorded accruals (and in excess of the $25 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, see Note T on page 114 of the Notes to Consolidated Financial Statements.

We are exposed to foreign currency risk which may negatively impact our competitiveness, profit margins and earnings.

We expect that international sales will continue to represent a significant percentage of our total sales, which exposes us to currency exchange rate fluctuations. In 2015, 31% of our sales were generated by international operations. The revenues and expenses of our foreign operations are generally denominated in local currencies; however, certain of our operations experience currency-related gains and losses where sales or purchases are denominated in currencies other than their local currency. Further, our competitive position may be affected by the relative strength of the currencies in countries where our products are sold. Foreign currency exchange risks inherent in doing business in foreign countries may have a material adverse effect on our future operations and financial results.

17

Table of Contents

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 December 31, 2015, goodwill and other intangible assets represented $998 million, or 34% of our total assets. In addition, net property, plant and equipment and sundry assets totaled $658 million, or 22% of total assets. If actual results differ from the assumptions and estimates used in the goodwill and long-lived asset valuation calculations, we could incur impairment charges, which could negatively impact our earnings.

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

For more information regarding potential goodwill and other long-lived asset impairment, refer to Note C on page 79 of the Notes to Consolidated Financial Statements.

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

We rely on 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 expect to transition certain corporate-level shared service systems primarily related to our domestic U.S. operations for general ledger, sales invoicing, cash application, purchasing and accounts payable disbursements to a new platform during the last half of 2016 and the first half of 2017. Technology failures or security breaches of a new or existing infrastructure could create system disruptions or unauthorized disclosure of confidential information. If this occurs, our operations could be disrupted, or we may suffer financial loss because of lost or misappropriated information. We cannot be certain that advances in criminal capabilities or new discoveries in the field of cryptography 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.

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. Economic uncertainty or tax law changes could impact our underlying assumptions on which valuation reserves are established and negatively affect future period earnings and balance sheets.

We have exposure to economic and other factors that affect market demand for our products which may negatively impact our sales, operating cash flow and earnings.

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

Table of Contents
PART I

Demand weakness in our markets can lead to lower unit orders, sales and earnings in our businesses. Several factors, including a weak global economy, low consumer confidence, or a depressed housing market could contribute to conservative spending habits by consumers around the world. Short lead times in most of our markets allow for limited visibility into demand trends. If economic and market conditions deteriorate, we may experience material negative impacts on our business, financial condition, operating cash flows and results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company’s corporate office is located in Carthage, Missouri. We currently have 130 manufacturing locations, of which 81 are located across the United States and 49 are located in 18 foreign countries. We also have various sales, warehouse and administrative facilities. However, our manufacturing plants are our most important properties.

Manufacturing Locations by Segment

Manufacturing Locations	Company-Wide	Subtotals by Segment			
		Residential Furnishings	Commercial Products	Industrial Materials	Specialized Products
United States	81	46	11	8	16
Europe	18	5	2	—	11
China	14	4	1	—	9
Canada	8	2	2	—	4
Mexico	5	2	—	1	2
Other	4	2	—	—	2
Total	130	61	16	9	44

For more information regarding the geographic location of our manufacturing facilities refer to "Geographic Areas of Operation" under Item 1 Business on page 11.

Manufacturing Facilities Owned or Leased by Segment

Manufacturing Locations	Company-Wide	Subtotals by Segment			
		Residential Furnishings	Commercial Products	Industrial Materials	Specialized Products
Owned	72	41	9	8	14
Leased	58	20	7	1	30
Total	130	61	16	9	44

In 2015, seventy-one percent of the Company's net sales allocated to the 130 manufacturing facilities was produced by owned facilities. We also lease many of our manufacturing, warehouse and other facilities on terms that vary by lease (including purchase options, renewals and maintenance costs). For additional information regarding lease obligations, see Note K on page 92 of the Notes to Consolidated Financial Statements. Of our 130 manufacturing facilities, none are subject to liens or encumbrances that are material to the segment in which they are reported or to the Company as a whole.

Table of Contents
PART I

None of our physical properties are, by themselves, material to the Company’s overall manufacturing processes, except for our steel rod mill in Sterling, Illinois, which is reported in Industrial Materials. The rod mill consists of approximately 1 million square feet of production space and has annual output of approximately 500,000 tons of steel rod, of which a substantial majority is used by our own wire mills. Although we have alternative sources of steel rod from external sources, a prolonged disruption to the operation of the rod mill could have a material adverse effect on the Industrial Materials segment and the Company’s results of operations.

In the opinion of management, the Company’s owned and leased facilities are suitable and adequate for the manufacture, assembly and distribution of our products. Our properties are located to allow quick and efficient delivery of products and services to our diverse customer base. Our productive capacity, in general, continues to exceed current operating levels. However, utilization has increased in many of our businesses with improving market demand, and we are investing to support rapid growth in a few of our businesses, including Automotive, U.S. Spring, European Spring and Adjustable Bed.

Item 3. Legal Proceedings.

The information in Note T beginning on page 114 of the Notes to Consolidated Financial Statements is incorporated into this section by reference.

Leggett's Claim for Alleged Antitrust Violations

On October 17, 2008, the Company, along with Carpenter Co., Flexible Foam Products, Inc., Foam Supplies, Inc., Hickory Springs Manufacturing Company, J.M. Huber Corporation, Lubrizol Advanced Materials, Inc., The Sherwin-Williams Company, Skypark Manufacturing, LLC, Vitafoam Incorporated; and their respective affiliates, as plaintiffs, filed a complaint in the United States District Court for the District of New Jersey under the caption Carpenter Co., et al. v. BASF SE, et al., Case No. 2:08-cv-05169 against BASF Corporation, The Dow Chemical Company, Huntsman International LLC, Lyondell Chemical Company, and their affiliates, alleging that defendants conspired to fix prices and allocate customers and markets for certain urethane chemical products. The Company previously settled its claims against certain defendants for immaterial amounts and all other defendants have been dismissed except for The Dow Chemical Company.

The Company, along with co-plaintiffs, seeks to recover three times the amount of damages suffered as a result of the alleged overcharges in the price of the urethane chemical products purchased from the defendant from at least 1994 through at least 2004. The plaintiffs also seek attorney fees, pre-judgment interest and injunctive relief. The defendant denies the claims. Based on the maturation of the proceeding, discovery becoming substantially complete, and the scheduled trial date of March 7, 2016, the Company now believes that it is reasonably likely that it may recover material damages from the defendant. However, because of uncertainties, the Company cannot estimate the amount of recovery. Also, because of these uncertainties, it is possible that the Company may recover only an immaterial amount of the alleged damages, or recover no damages at all.

Environmental Matters Involving Potential Monetary Sanctions of $100,000 or More

On March 27, 2013, Region 5 of the U.S. Environmental Protection Agency (EPA) issued a Notice of Violation/Finding of Violation ("NOV/FOV") alleging that our subsidiary, Sterling Steel Company, violated the Clean Air Act and the Illinois State Implementation Plan currently in place. Sterling operates a steel rod mill in Sterling, Illinois. The NOV/FOV alleges that Sterling, since 2008, has exceeded the allowable annual particulate matter and manganese emission limits for its electric arc furnace. Sterling requested a conference with the EPA to discuss the alleged violations. The conference was held on May 20, 2013.

20

Table of Contents
PART I

On July 23, 2013, the EPA issued a Finding of Violation alleging that Sterling violated the opacity limitations of its air permit and Federal and state regulations. A conference to discuss the Finding of Violation occurred in the third quarter of 2013.

There had been no material updates with respect to these matters until mid-July 2015 when the Company learned from counsel for the EPA that the matters had been referred to the U.S. Department of Justice (DOJ). The Company met with representatives of the DOJ on February 2, 2016. At the meeting, the DOJ focused on Sterling's compliance with capture and control efficiency and fugitive emissions with its electric arc furnace. Sterling intends to vigorously defend these matters in any enforcement action that may be pursued by the EPA or DOJ. Neither the EPA nor DOJ specified any amount of penalty or injunctive relief being sought in the NOV/FOV, Finding of Violation or in any conference or meeting. Any settlement or adverse finding could result in the payment by Sterling of fines, penalties, capital expenditures, or some combination thereof. Although the outcome of these matters cannot be predicted with certainty, we do not expect them, either individually or in the aggregate, to have a material adverse effect on our financial position, cash flows or results of operations.

Item 4. Mine Safety Disclosures.

Not applicable.

Supplemental Item. Executive Officers of the Registrant.

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

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

Name [1,2,3]	Age	Position
Karl G. Glassman	57	President and Chief Executive Officer
Matthew C. Flanigan	54	Executive Vice President and Chief Financial Officer
Jack D. Crusa	61	Senior Vice President, Industrial Materials & Specialized Products
Perry E. Davis	56	Senior Vice President, Residential Furnishings
David M. DeSonier	57	Senior Vice President, Strategy & Investor Relations
J. Mitchell Dolloff	50	Senior Vice President, Specialized Products
Scott S. Douglas	56	Senior Vice President, General Counsel
Russell J. Iorio	46	Senior Vice President, Mergers & Acquisitions
John G. Moore	55	Senior Vice President, Chief Legal & HR Officer and Secretary
Dennis S. Park	61	Senior Vice President, Commercial Products
Tammy M. Trent	49	Vice President, Chief Accounting Officer

1 David S. Haffner, age 63, served as the Company's Board Chair and Chief Executive Officer until December 31, 2015.

2 Joseph D. Downes, Jr., age 71, retired from his position as Senior Vice President - Industrial Materials on April 5, 2015. He continued to be employed by the Company in a lesser position until his retirement on December 31, 2015.

3

William S. Weil, age 57, retired from his position as Senior Vice President, Chief Accounting Officer and Corporate Controller on May 5, 2015.

Subject to the employment and severance benefit agreements with Mr. Glassman and Mr. Flanigan, listed as exhibits to this Report, the executive officers generally serve at the pleasure of the Board of Directors. Our employment agreements with Mr. Glassman and Mr. Flanigan provide that they may terminate their agreements if not nominated as a director of the Company. In addition, each may terminate their agreement if not appointed to the executive position listed in their respective agreement (or above). See Exhibit Index on page 126 for reference to the agreements.

Karl G. Glassman was appointed Chief Executive Officer of the Company effective January 1, 2016. He was appointed President of the Company in 2013 and previously served the Company as Chief Operating Officer from 2006 to 2015. He also served as Executive Vice President from 2002 to 2013, President of Residential Furnishings from 1999 to 2006, Senior Vice President from 1999 to 2002 and in various capacities since 1982.

Matthew C. Flanigan was appointed Executive Vice President of the Company in 2013 and has served as Chief Financial Officer since 2003. He previously served as Senior Vice President from 2005 to 2013, Vice President from 1999 to 2005, President of the Office Furniture Components Group from 1999 to 2003 and in various capacities since 1997.

Jack D. Crusa was appointed Senior Vice President in 1999 and President of Specialized Products in 2004. He previously served as President of Industrial Materials from 1999 to 2004, and President of the Automotive Group from 1996 to 1999. He has served the Company in various capacities since 1986. Upon the retirement of Joseph D. Downes, Jr. effective April 5, 2015, as discussed above, Mr. Crusa assumed the additional position of President of Industrial Materials.

Perry E. Davis was appointed Senior Vice President and President of Residential Furnishings in 2012. He previously served as Vice President of the Company, President—Bedding Group from 2006 to 2012, as Vice President of the Company, Executive VP of the Bedding Group and President—U.S. Spring beginning in 2005. He also served as Executive VP of the Bedding Group and President—U.S. Spring from 2004 to 2005, President—Central Division Bedding Group from 2000 to 2004, and in various capacities since 1981.

David M. DeSonier was appointed Senior Vice President—Strategy & Investor Relations in 2011. He previously served as Vice President—Strategy & Investor Relations from 2007 to 2011 and served as Vice President—Investor Relations and Assistant Treasurer from 2002 to 2007. He joined the Company as Vice President—Investor Relations in 2000.

J. Mitchell Dolloff was appointed Senior Vice President and President of Specialized Products effective January 1, 2016. He previously served the Company as Vice President, President of the Automotive Group from 2014 to 2015, President of Automotive Asia from 2011 to 2013, Vice President of Specialized Products from 2009 to 2013, and Director of Business Development for Specialized Products from 2007 to 2009. He served the Company in various other capacities since 2000.

Scott S. Douglas was appointed Senior Vice President—General Counsel in 2011. He previously served the Company as Vice President beginning in 2008, and General Counsel beginning in 2010. He also served as Vice President—Law and Deputy General Counsel from 2008 to 2010, Associate General Counsel—Mergers & Acquisitions from 2001 to 2007, and Assistant General Counsel from 1991 to 2001. He has served the Company in various legal capacities since 1987.

Russell J. Iorio was appointed Senior Vice President, Mergers & Acquisitions in 2014. He previously served the Company as Vice President, Mergers & Acquisitions from 2005 to 2014, and Director of Mergers, Acquisitions & Strategic Planning from 2002 to 2005.

Table of Contents
PART I

John G. Moore was appointed Senior Vice President, Chief Legal and HR Officer and Secretary in 2011. He was appointed Secretary in 2010, Chief Legal and HR Officer in 2009 and Vice President—Corporate Affairs & Human Resources in 2008. He served as Vice President—Corporate Governance from 2006 to 2008, Vice President and Associate General Counsel from 2001 to 2006, and as Managing Counsel and Assistant General Counsel from 1998 to 2001. He has served the Company in various legal capacities since 1993.

Dennis S. Park was appointed Senior Vice President and President of Commercial Products in 2006. He previously served as Vice President and President of Home Furniture and Consumer Products from 2004 to 2006, and Vice President and President of Home Furniture Components from 1996 to 2004. He has served the Company in various capacities since 1977.

Tammy M. Trent was appointed Vice President, Chief Accounting Officer effective May 5, 2015. She served as Staff Vice President, Financial Reporting from 2007 to 2015. She previously served the Company in a series of progressively more responsible accounting capacities since 1998.

Table of Contents

PART II

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

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

	Price Range		Volume of Shares Traded (in Millions)	Dividend Declared
	High	Low		
2015				
First Quarter	$46.95	$41.36	74.2	$0.31
Second Quarter	49.95	42.34	58.6	0.31
Third Quarter	51.28	39.58	69.7	0.32
Fourth Quarter	47.35	40.83	56.0	0.32
For the Year	$51.28	$39.58	258.5	$1.26
2014				
First Quarter	$32.75	$28.90	59.4	$0.30
Second Quarter	34.80	31.54	55.2	0.30
Third Quarter	35.94	32.53	52.7	0.31
Fourth Quarter	43.15	32.64	72.8	0.31
For the Year	$43.15	$28.90	240.1	$1.22

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

Shareholders and Dividends

As of February 12, 2016, we had 8,745 shareholders of record.

Increasing the dividend remains a priority. We currently pay a quarterly dividend of $.32 per share. Our target for dividend payout is 50-60% of earnings, however actual payout has been higher in recent years (88% in 2013 and 179% in 2014, impacted by goodwill impairment in both years and litigation accrual in 2014). As a result, dividend growth has been modest, at about 3% per year. With significant earnings improvement in 2015, dividend payout for the year was 55%, within the target range. This allows us flexibility to consider future dividend growth that more closely aligns with EPS growth. We have consistently (for over 25 years) generated operating cash in excess of our annual requirement for capital expenditures and dividends. We expect this again to be the case in 2016. We have no restrictions that currently materially limit our ability to pay such dividends or that we reasonably believe are likely to limit the future payment of dividends.

See the discussion of the Company's targeted dividend payout ratio under "Pay Dividends" in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations on page 44.

Table of Contents
PART II

Issuer Purchases of Equity Securities

The table below is a listing of our purchases of the Company’s common stock during each calendar month of the fourth quarter of 2015.

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)
October 2015	1,035	$45.00	—	6,936,199
November 2015	322,070	$45.62	305,836	6,630,363
December 2015	332,125	$43.25	331,746	6,298,617
Total	655,230	$44.42	637,582	

(1) This number includes 17,648 shares which were not repurchased 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, or forfeitures of restricted stock units.

(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 will remain in force until repealed by the Board of Directors. As such, effective January 1, 2016, the Company was authorized by the Board of Directors to repurchase up to 10 million shares in 2016. No specific repurchase schedule has been established.

Table of Contents
PART II

Item 6. Selected Financial Data.

(Unaudited) (Dollar amounts in millions, except per share data)	2015 [1]	2014 [2]	2013 [3]	2012 [4]	2011 [5]
Summary of Operations					
Net Sales from Continuing Operations	$3,917	$3,782	$3,477	$3,415	$3,303
Earnings from Continuing Operations	328	225	186	231	173
(Earnings) Attributable to Noncontrolling Interest, net of tax	(4)	(3)	(2)	(2)	(3)
Earnings (loss) from Discontinued Operations, net of tax	1	(124)	13	19	(17)
Net Earnings attributable to Leggett & Platt, Inc. common shareholders	325	98	197	248	153
Earnings per share from Continuing Operations					
Basic	2.30	1.57	1.27	1.59	1.16
Diluted	2.27	1.55	1.25	1.57	1.15
Earnings (Loss) per share from Discontinued Operations					
Basic	.01	(.88)	.09	.13	(.11)
Diluted	.01	(.87)	.09	.13	(.11)
Net Earnings (Loss) per share					
Basic	2.31	.69	1.36	1.72	1.05
Diluted	2.28	.68	1.34	1.70	1.04
Cash Dividends declared per share	1.26	1.22	1.18	1.14	1.10
Summary of Financial Position					
Total Assets	$2,968	$3,141	$3,108	$3,255	$2,915
Long-term Debt, including capital leases	$945	$767	$688	$854	$833

All amounts are presented after tax.

1 Net earnings from Continuing Operations for 2015 includes $4 million of impairments and $2 million on the loss on the sale of our steel tubing business; $4 million associated with litigation accruals; and $8 million lump sum pension buyout.

2 Net earnings from Continuing Operations for 2014 includes $33 million associated with litigation accruals. Discontinued Operations includes the following items: $93 million of goodwill impairment, a $5 million loss on the sale of the majority of our Store Fixtures unit, and $22 million associated with litigation accruals.

3 Net earnings from Continuing Operations for 2013 include charges of $45 million related to the Commercial Vehicle Products group ($43 million goodwill impairment charge and $2 million accelerated amortization of a customer-related intangible asset), and a $9 million bargain purchase gain related to an acquisition.

4 Net earnings from Continuing Operations for 2012 include a $27 million net tax benefit primarily related to the release of valuation allowances on certain Canadian deferred tax assets, partially offset by deferred withholding taxes on earnings in China.

5

The Company incurred asset impairment and restructuring-related charges totaling $28 million in 2011. Of these charges, $13 million were associated with continuing operations and $15 million were related to discontinued operations.

Table of Contents
PART II

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

2015 HIGHLIGHTS

Earnings from continuing operations increased significantly (versus 2014) reflecting several factors, including the benefit from higher sales, pricing discipline, and lower foam litigation expense.

Sales from continuing operations also grew in 2015, with higher unit volume and acquisitions partially offset by raw material-related price deflation and currency impact. Nearly all of our businesses experienced unit volume growth during the year, from a combination of new program awards, market share gains, and broadly improving end market demand.

A major component of our strategy since 2007 has been the optimization of our portfolio of businesses, by increasing investment in businesses that possess strong competitive advantage and reducing our exposure to businesses and markets that are less attractive. In 2015, we made further progress on both fronts. During the year, we expanded our operations to support continued growth of our Automotive business, invested in machinery to support the growing demand for ComfortCore® innersprings, and added three new facilities to support growth in our Adjustable Bed business. We also acquired, in our Work Furniture business, a European private-label manufacturer of high-end upholstered furniture for office, commercial, and other settings. Additionally, in 2015, we completed the divestitures of several small operations including our Steel Tubing business, the two remaining Store Fixtures operations, and a small part of the Commercial Vehicle Products business.

Operating cash decreased versus 2014 levels, primarily due to payments made to settle foam litigation. However, we once again generated more than enough cash from operations to comfortably fund dividends and capital expenditures, something we've accomplished for over 25 years.

2015 marked the 44th consecutive annual dividend increase for the company, with a compound annual growth rate of 13% over that time period. Only one other S&P 500 company can claim as high a rate of dividend growth for as many years.

Our financial profile remains strong. We ended 2015 with net debt to net capital comfortably within our long-standing targeted range of 30-40%. In August, we repaid $200 million of notes that matured. We ended the year with over $400 million available under our commercial paper program.

We assess our overall performance by comparing our Total Shareholder Return (TSR) to that of peer companies on a rolling three-year basis. We target TSR in the top third of the S&P 500 over the long term. For the three years ended December 31, 2015, we generated TSR of 20% per year on average. That placed us in the top third of the S&P 500, meeting our long-term goal.

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

Table of Contents
PART II

INTRODUCTION

Total Shareholder Return

Total Shareholder Return (TSR), relative to peer companies, is the key financial measure that we use to assess long-term performance. TSR is driven by the change in our share price and the dividends we pay [TSR = (Change in Stock Price + Dividends) / Beginning Stock Price]. We seek to achieve TSR in the top third of the S&P 500 over the long-term through a balanced approach that employs four TSR drivers: 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. For the three-year measurement period that ended December 31, 2015, we met our top third TSR goal. We generated TSR of 20% per year on average over the last three years, well above the S&P 500's 15% annual TSR for that same time period.

Customers

We serve a broad suite of customers, with our largest customer representing approximately 8% of our sales. Many are companies whose names are widely recognized. They include most producers of residential furniture and bedding, auto and office seating manufacturers, and a variety of other companies.

Major Factors That Impact Our Business

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

Market Demand

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

Raw Material Costs

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

We typically have short-term commitments from our suppliers; accordingly, our raw material costs generally move with the market. Our ability to recover higher costs (through selling price increases) is crucial. When we experience significant increases in raw material costs, we typically implement price increases to recover the higher costs. Conversely, when costs decrease significantly, we generally pass those lower costs through to our customers. The timing of our price increases or decreases is important; we typically experience a lag in recovering higher costs and we also realize a lag as costs decline, as was the case in the last half of 2015.

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. Throughout 2015, market prices for steel scrap, rod, and flat-rolled products decreased significantly, leading to downward pressure on selling prices. We realized a beneficial pricing lag during the year, as costs generally decreased at a faster rate than selling prices. Assuming that steel costs stabilize, we expect that 2015's pricing lag benefit will not recur in 2016.

As a producer of steel rod, we are also impacted by changes in metal margins (the difference between the cost of steel scrap and the market price for steel rod). Metal margins within the steel industry have been volatile during certain periods in recent years. In late 2013 and early 2014, metal margins decreased significantly as market conditions did not allow full recovery of higher scrap costs. An antidumping and countervailing duty case filed in January 2014 by major U.S. steel wire rod producers was concluded in December 2014, resulting in the implementation of duties on imports of Chinese steel wire rod. The antidumping duties range from 106% to 110% and the countervailing duties range from 178% to 193%. Both remain in effect through December 2019.

Our other raw materials include woven and non-woven fabrics, foam scrap, and chemicals. We have experienced changes in the cost of these materials in recent years, and in most years, 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 and manage the cost of their products, while providing higher margin and profit contribution 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 better product quality, innovation, and customer service.

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

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

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

Settlement of Polyurethane Foam Litigation

We previously disclosed that we were one of several defendants in a series of civil antitrust lawsuits involving the sale of polyurethane foam. During 2015, we settled the substantial majority of these cases. Although there are a few cases yet to be resolved, based upon current facts, we do not believe that the outcome of these remaining cases will have a material effect on our consolidated financial position, results of operations, or cash flow.

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

Although we deny liability in all threatened or pending litigation proceedings and believe that we have valid bases to contest all claims made against us, we have an aggregate litigation contingency accrual of $8 million. The accrual amount decreased from the prior year primarily due to cash payments for litigation settlements of $82 million. Based upon current facts and circumstances, aggregate reasonably possible (but not probable) losses in excess of the recorded accruals for litigation contingencies are estimated to be $25 million. These include Brazilian VAT, antitrust, patent, and other matters. For more information regarding litigation contingency accruals and reasonably possible losses in excess of accruals, see Note T to the Consolidated Financial Statements on page 114.

Leggett's Claim for Alleged Antitrust Violations

We are also a plaintiff in an antitrust case against The Dow Chemical Company. We, along with other plaintiffs, have alleged that several defendants conspired to fix prices and allocate customers and markets for certain urethane chemical products. The trial is scheduled to begin on March 7, 2016. We believe that it is reasonably likely that we may recover material damages. However, because of uncertainties we cannot estimate the amount of recovery, and it is possible that we won't recover any damages at all. For more information regarding our antitrust litigation, see Note T to the Consolidated Financial Statements on page 114.

Discontinued Operations

For information regarding discontinued operations, see Note B to the Consolidated Financial Statements on page 76.

Goodwill Impairment of Store Fixtures Group

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. We review our reporting units for potential goodwill impairment in June of each year, and more often if an event or circumstance occurs making it likely that impairment exists. We performed our annual goodwill impairment review in June 2014, and on July 14, 2014, concluded that an impairment charge of $108 million ($93 million after tax) was required for our Store Fixtures group. This non-cash impairment charge reflected the complete write-off of the goodwill associated with the Store Fixtures group and was recognized in discontinued operations. For more information, see Note C to the Notes to Consolidated Financial Statements on page 79.

Divestiture of Store Fixtures Operations

On November 1, 2014, we sold the majority of the Store Fixtures business for $64 million. These divested operations represented approximately three-quarters of the business unit's revenues. The transaction resulted in an after-tax loss of $5 million, which was recognized in discontinued operations.

The two remaining Store Fixtures facilities were sold in 2015 and resulted in an after-tax gain of $3 million, which was also recognized in discontinued operations.

Table of Contents
PART II

Commercial Vehicle Products Divestiture

In late 2015, we sold a small CVP operation that did not meet the discontinued operations criteria, leaving two remaining operations within that group. In February 2016, one of these operations reached held-for-sale status. Under a separate arrangement, we have agreed to sell real estate associated with the CVP unit and expect to realize a gain on this transaction. The real estate sale is subject to certain contingencies, which we anticipate will be resolved within the next twelve months. We will continue to explore strategic alternatives for the remaining CVP operation.

Change in Segment Reporting

Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. Because of the divestiture of the majority of the Store Fixtures business in late 2014, along with the retirement of the Senior Operating Vice President of the Industrial Materials segment, our management organizational structure and all related internal reporting changed in 2015.

The Adjustable Bed and Fashion Bed businesses were moved from Residential Furnishings to Commercial Products. The Aerospace business was moved from Industrial Materials to Specialized Products. The Spuhl machinery operation (which produces wire forming equipment primarily for our internal use) was moved from Specialized Products to Residential Furnishings. Additionally, our logistics operations, which primarily include intercompany transportation activity, were moved from Residential Furnishings to Industrial Materials. These segment changes were retrospectively applied to all prior periods presented.

Table of Contents
PART II

RESULTS OF OPERATIONS—2015 vs. 2014

Sales from continuing operations grew 4% in 2015, with higher unit volume and acquisitions partially offset by raw material-related price deflation and currency impact. Nearly all of our businesses experienced unit volume growth during the year, from a combination of new program awards, market share gains, and broadly improving end market demand.

Full year earnings from continuing operations increased significantly reflecting several factors, including the benefit from higher sales, pricing discipline, and lower foam litigation expense. Further details about our consolidated and segment results are discussed below.

Consolidated Results (continuing operations)

The following table shows the changes in sales and earnings from continuing operations during 2015, and identifies the major factors contributing to the changes.

(Dollar amounts in millions, except per share data)	Amount	%
Net sales (continuing operations):		
Year ended December 31, 2014	$3,782	
Approximate volume gains	196	6%
Approximate raw material-related deflation and currency impact	(183)	(5)%
Same location sales	13	1%
Acquisition sales growth	123	3%
Divestitures	(1)	—%
Year ended December 31, 2015	$3,917	4%
Earnings from continuing operations:		
(Dollar amounts, net of tax)		
Year ended December 31, 2014	$225	
Lower foam litigation expense	30	
Lump sum pension buyout	(8)	
Other, including benefit from higher sales and pricing discipline	81	
Year ended December 31, 2015	$328	
Earnings Per Diluted Share (continuing operations)—2014	$1.55	
Earnings Per Diluted Share (continuing operations)—2015	$2.27	

Same location sales (from continuing operations) grew 1%, with volume gains in Automotive, in most of our Residential Furnishings businesses, and in Adjustable Bed, largely offset by raw material-related price deflation and currency impact.

Full-year 2015 sales growth also benefited from the July 2014 acquisition of Tempur Sealy's three innerspring component production facilities, the March 2015 acquisition of a Work Furniture business, and other smaller acquisitions. The divestiture of the Steel Tubing business occurred in late December, and did not significantly impact the full year sales comparison.

Earnings from continuing operations increased significantly in 2015, primarily from higher sales and pricing discipline. As indicated in the table above, earnings also benefited from the reduction in foam litigation expense ($3 million in 2015 versus $33 million in 2014; further discussed on page 114). Partially offsetting these improvements was a one-time lump sum pension buyout funded from pension plan assets late in 2015.

Table of Contents
PART II

LIFO Impact

All of our segments use the first-in, first-out (FIFO) method for valuing inventory. In our consolidated financials, an adjustment is made at the corporate level (i.e., outside the segments) to convert about 50% of our inventories to the last-in, first-out (LIFO) method. These are primarily our domestic, steel-related inventories. In 2014, steel costs were relatively stable and we ended the year with LIFO expense of $1 million. Significant deflation in steel costs during 2015 resulted in a full-year pretax LIFO benefit of $46 million.

For further discussion of inventories, see Note A to the Consolidated Financial Statements on page 72.

Interest and Income Taxes

Net interest expense in 2015 increased slightly versus 2014.

Our 2015 worldwide effective income tax rate on continuing operations was 27%, compared to 24% for 2014. The 2015 tax rate benefited from $11 million of favorable adjustments, including a reduction associated with changes to our permanent reinvestment assertions in China, and a tax benefit associated with our Australian operations. The 2014 tax rate includes $14 million of favorable adjustments primarily related to additional Domestic Production Activities Deduction tax benefits for the current and prior years, incremental deferred foreign tax credits, and net favorable adjustments related to prior year tax return filings. These adjustments benefited our 2014 rate more favorably due to lower pretax income.

Table of Contents
PART II

Segment Results (continuing operations)

In the following section we discuss 2015 sales and EBIT (earnings before interest and taxes) from continuing operations for each of our segments. We provide additional detail about segment results and a reconciliation of segment EBIT to consolidated EBIT in Note F to the Consolidated Financial Statements on page 84. Prior year segment data has been retrospectively adjusted to reflect the change in segment structure discussed on page 31.

(Dollar amounts in millions)	2015	2014	Change in Sales $	Change in Sales %	% Change Same Location Sales (1)
Sales (continuing operations)					
Residential Furnishings	$2,064	$1,958	$106	5%	1%
Commercial Products	623	516	107	21%	12%
Industrial Materials	777	813	(36)	(4)%	(4)%
Specialized Products	955	914	41	4%	4%
Total	4,419	4,201	218		
Intersegment sales elimination	(502)	(419)	(83)		
External sales	$3,917	$3,782	$135	4%	1%

	2015	2014	Change in EBIT $	Change in EBIT %	EBIT Margins (2) 2015	EBIT Margins (2) 2014
EBIT (continuing operations)						
Residential Furnishings	$205	$136	$69	51%	9.9%	6.9%
Commercial Products	42	31	11	35%	6.8%	6.0%
Industrial Materials	51	43	8	19%	6.5%	5.3%
Specialized Products	156	126	30	24%	16.3%	13.7%
Intersegment eliminations & other	(13)	(3)	(10)			
Change in LIFO reserve	46	(1)	47			
Total	$487	$332	$155	47%	12.4%	8.8%

(1) This is the change in sales not attributable to acquisitions or divestitures. These are sales that come from the same plants and facilities that we owned one year earlier.
(2) Segment margins are calculated on total sales. Overall company margin is calculated on external sales.

Residential Furnishings

Residential Furnishings sales increased 5% in 2015, with unit volume growth in most product categories and acquisitions partially offset by raw material-related price decreases and currency impact. Volume grew in Bedding, Home Furniture, Geo Components, and Fabric Converting. Within our U.S. Spring business, we again experienced significant growth in ComfortCore® (our pocketed coil innerspring), with unit volume in that product category up 51%. We expect strong growth in this category to continue from our introduction of new ComfortCore® products and our customers' growing use of these components in their product lines.

EBIT and EBIT margin increased in 2015 due to higher sales, pricing discipline, and significantly lower foam litigation expense ($48 million).

Table of Contents
PART II

Commercial Products

Sales in Commercial Products increased 21% in 2015, with same location sales up 12%. Continued strong demand in the Adjustable Bed and Fashion Bed businesses drove this improvement. Unit volume in the Adjustable Bed business increased 51% from a combination of new programs and strength in ongoing customer programs. Acquisitions also contributed 9% to the segment's sales growth during the year. In our Work Furniture business, we acquired a European private-label manufacturer of high-end upholstered furniture for office, commercial, and other settings.

EBIT and EBIT margin increased in 2015, primarily from higher sales and improved operating efficiency.

Industrial Materials

Sales in the segment decreased 4% in 2015, with higher unit volume in Drawn Wire more than offset by steel-related price decreases and reduced rod mill trade sales.

EBIT and EBIT margin improved versus 2014, with cost reductions more than offsetting $6 million of impairment charges and a $3 million loss on divestiture, both of which related to our Steel Tubing business.

Specialized Products

In Specialized Products, sales increased 4% in 2015, with volume gains in Automotive and Machinery partially offset by currency impact. Our Automotive business continued to experience strong growth from a combination of factors, including expanded component content (via upgraded features), participation in new vehicle platforms, and continued industry growth in each of the major markets.

EBIT and EBIT margin increased primarily from higher sales.

Results from Discontinued Operations

Full year earnings from discontinued operations, net of tax, increased to $1 million from a loss of $124 million in 2014. This significant increase is primarily due to the non-recurrence of an impairment charge of $93 million related to the goodwill of the Store Fixtures business discussed on page 80, and foam litigation accruals of $22 million discussed on page 114. The divestiture of the majority of that business late in 2014 resulted in an additional loss of $5 million. For further information about discontinued operations, see Note B to the Consolidated Financial Statements on page 76.

Table of Contents
PART II

RESULTS OF OPERATIONS—2014 vs. 2013

Sales from continuing operations grew 9% in 2014 from a combination of strong organic growth in many of our major businesses and acquisitions. Earnings from continuing operations increased in 2014, largely due to sales growth. Other items in 2013 and 2014 essentially offset.

Further details about our consolidated and segment results are discussed below.

Consolidated Results (continuing operations)

The following table shows the changes in sales and earnings from continuing operations during 2014, and identifies the major factors contributing to the changes.

(Dollar amounts in millions, except per share data)	Amount	%
Net sales (continuing operations):		
Year ended December 31, 2013	$3,477	
Same location sales - primarily unit volume growth	189	6%
Acquisition sales growth	116	3%
Year ended December 31, 2014	$3,782	9%
Earnings from continuing operations:		
(Dollar amounts, net of tax)		
Year ended December 31, 2013	$186	
Non-recurrence of Commercial Vehicle Products impairment and related charges	45	
Non-recurrence of acquisition-related bargain purchase gain	(9)	
Litigation accrual	(33)	
Other factors, including benefit from higher sales	36	
Year ended December 31, 2014	$225	
Earnings Per Diluted Share (continuing operations)—2013	$1.25	
Earnings Per Diluted Share (continuing operations)—2014	$1.55	

Same location sales (from continuing operations) grew 6%, reflecting strong volume gains in Automotive and in most of the company's Residential Furnishings businesses. These improvements were partially offset by weak demand in Commercial Vehicle Products (CVP).

Sales growth in 2014 also benefited from the acquisition of Tempur Sealy's three innerspring component production facilities and other smaller acquisitions. In conjunction with the purchase of the facilities from Tempur Sealy, we expanded and extended our supply relationship and became the exclusive long-term provider in the U.S. and Canada of wire-based innersprings for Tempur Sealy and boxsprings for Sealy.

Earnings from continuing operations increased in 2014, with several items contributing to the year-over-year comparison. Operationally, earnings growth resulted primarily from higher sales, however this benefit was partially offset by higher stock compensation expense that resulted in large part from the significant increase in Leggett & Platt share price versus the market in late 2014. Reduced metal margins in our steel rod and wire operations and weather-related costs and inefficiencies early in the year also offset some of the earnings benefit from higher sales.

As indicated in the table above, a few additional items impacted the year-over-year earnings comparison. In 2013, earnings from continuing operations reflected non-cash impairment and other charges related to the goodwill and other intangible assets of our CVP business, and a bargain purchase gain related to the acquisition of an aerospace tubing business. Earnings from continuing operations in 2014 were negatively impacted by litigation accruals, which primarily related to the foam antitrust cases discussed on page 114.

LIFO Impact

All of our segments use the first-in, first-out (FIFO) method for valuing inventory. In our consolidated financials, an adjustment is made at the corporate level (i.e., outside the segments) to convert about 50% of our inventories to the last-in, first-out (LIFO) method. These are primarily our domestic, steel-related inventories. Steel inflation in late 2013 resulted in full-year LIFO expense of $4 million. In 2014, steel costs were relatively stable and we ended the year with LIFO expense of $1 million.

For further discussion of inventories, see Note A to the Consolidated Financial Statements on page 72.

Interest and Income Taxes

Net interest expense in 2014 decreased slightly versus 2013.

Our 2014 worldwide effective income tax rate on continuing operations was 24%, compared to 22% for 2013. The 2014 tax rate benefited from $14 million of favorable adjustments, including additional Domestic Production Activities Deduction tax benefits for the current and prior years, incremental deferred foreign tax credits, and net favorable adjustments related to prior year tax return filings. The 2013 tax rate includes $17 million of favorable adjustments primarily related to the impact of Mexico tax law changes, the settlement of certain foreign and state tax audits, and a non-taxable bargain purchase gain.

Table of Contents
PART II

Segment Results (continuing operations)

In the following section we discuss 2014 sales and EBIT from continuing operations for each of our segments. We provide additional detail about segment results and a reconciliation of segment EBIT to consolidated EBIT in Note F to the Consolidated Financial Statements on page 84. All segment data has been retrospectively adjusted to reflect the change in segment structure discussed on page 31.

(Dollar amounts in millions)	2014	2013	Change in Sales $	Change in Sales %	% Change Same Location Sales (1)
Sales (continuing operations)					
Residential Furnishings	$1,958	$1,725	$233	14 %	9 %
Commercial Products	516	469	47	10 %	10 %
Industrial Materials	813	790	23	3 %	3 %
Specialized Products	914	817	97	12 %	8 %
Total	4,201	3,801	400		
Intersegment sales elimination	(419)	(324)	(95)		
External sales	$3,782	$3,477	$305	9 %	6 %

	2014	2013	Change in EBIT $	Change in EBIT %	EBIT Margins (2) 2014	EBIT Margins (2) 2013
EBIT (continuing operations)						
Residential Furnishings	$136	$151	$(15)	(10)%	6.9 %	8.8 %
Commercial Products	31	28	3	11 %	6.0 %	5.9 %
Industrial Materials	43	57	(14)	(25)%	5.3 %	7.2 %
Specialized Products	126	34	92	271 %	13.7 %	4.2 %
Intersegment eliminations & other	(3)	9	(12)			
Change in LIFO reserve	(1)	(4)	3			
Total	$332	$275	$57	21 %	8.8 %	7.9 %

(1) This is the change in sales not attributable to acquisitions or divestitures. These are sales that come from the same plants and facilities that we owned one year earlier.
(2) Segment margins are calculated on total sales. Overall company margin is calculated on external sales.

Residential Furnishings

Residential Furnishings sales increased 14% in 2014, from unit volume growth in most product categories and acquisitions (including the purchase of the three Tempur Sealy innerspring production facilities). Volume grew in Bedding, Home Furniture, Geo Components, Fabric Converting, and Carpet Cushion, from a combination of market share gains and broadly improving market demand in the second half of the year. Within our U.S. Spring business, we experienced significant growth in ComfortCore® (our pocketed coil innerspring), with unit volume in that product category up 52%. Mattress producers continued to integrate these higher-valued innersprings into more of their product lines, in many cases replacing lower-valued innersprings. In our Furniture Hardware business, unit volume increased 10% as consumer demand for reclining chairs and sofas continued to grow.

EBIT and EBIT margin decreased in 2014, with the benefit from higher sales more than offset by a $54 million accrual related to the foam litigation discussed on page 114, and higher stock compensation expense.

Table of Contents
PART II

Commercial Products

Sales in Commercial Products increased 10% in 2014. Demand was extremely strong in our Adjustable Bed business, with unit volume increasing 56% from a combination of new programs and strength in ongoing customer programs. We also benefited from market share gains and improved market demand in our Work Furniture business.

EBIT improved slightly and EBIT margin was flat in 2014, with the benefit from higher sales partially offset by operational challenges with a Chinese joint venture.

Industrial Materials

Sales in the segment increased 3% in 2014. Growth in logistics services (primarily with other Leggett operations) was partially offset by reduced trade sales from our rod mill and lower wire volume.

EBIT and EBIT margin declined versus 2013, primarily due to reduced metal margin in our steel rod and wire operations, and weather-related costs and inefficiencies early in 2014.

Specialized Products

In Specialized Products, sales increased 12% in 2014. Same location sales were up 8% and Aerospace acquisitions completed in 2013 also contributed to the full-year sales growth. Our Automotive business continued to experience strong growth, with sales up 17% from a combination of factors, including expanded component content (via upgraded features), participation in new vehicle platforms, and demand strength in each of the major markets. Partially offsetting this growth, CVP sales declined 21%, reflecting delayed vehicle replacement by major fleet operators and a change in an OEM incentive program. Machinery sales increased modestly for the year.

EBIT and EBIT margin increased due to higher sales and the non-recurrence of impairment and other charges (of $67 million) related to the goodwill and other intangible assets of our CVP business that were recognized in 2013.

Results from Discontinued Operations

Full year earnings from discontinued operations, net of tax, decreased to a loss of $124 million in 2014 (versus earnings of $13 million in 2013). This significant decline is primarily due to an impairment charge of $93 million related to the goodwill of the Store Fixtures business discussed on page 80, and foam litigation accruals of $22 million discussed on page 114. The divestiture of the majority of that business late in 2014 resulted in an additional loss of $5 million. Earnings in 2013 reflected an $8 million tax benefit attributable to another small operation. For further information about discontinued operations, see Note B to the Consolidated Financial Statements on page 76.

LIQUIDITY AND CAPITALIZATION

Our operations provide most of the cash we require, and debt may also be used to fund a portion of our needs. Cash from operations was once again strong in 2015. For over 25 years, our operations have provided more than enough cash to fund both capital expenditures and dividend payments. We expect this to again be the case in 2016.

Capital expenditures increased in 2015 from investments to support growth in Automotive, U.S. Spring, and Adjustable Bed. We increased the quarterly dividend and extended our record of consecutive annual increases to 44 years. We also bought back 4.3 million shares of our stock during the year.

In August 2015, we repaid $200 million of 5.0% notes that matured. We ended 2015 with over $400 million of our commercial paper program available. Net debt to net capital at year end was 34.5%, within our long-standing targeted range of 30-40%. The calculation of net debt as a percent of net capital is presented on page 47.

Cash from Operations

Cash from operations is our primary source of funds. Earnings and changes in working capital levels are the two broad factors that generally have the greatest impact on our cash from operations.

Cash from operations decreased in 2015. Though earnings increased during the year, the benefit to operating cash flow was more than offset by foam litigation payments totaling $82 million. The decrease in 2014 (versus 2013) was primarily from higher accounts receivable associated with increased sales volume late in that year.

With the foam litigation settlements largely complete, we expect cash from operations to approximate $450 million in 2016.

Table of Contents
PART II

We continue to closely monitor our working capital levels, and ended 2015 with adjusted working capital at 9.5% of annualized sales[1]. The table below explains this non-GAAP calculation. We eliminate cash and current debt maturities from working capital to monitor our performance related to operating efficiency and believe this provides a more useful measurement. The increase in adjusted working capital as a percent of annualized sales in 2015 primarily reflects decreased litigation accruals from payments made during the year.

(Dollar amounts in millions)	2015	2014
Current assets	$1,311	$1,430
Current liabilities	(701)	(992)
Working capital	610	438
Cash and cash equivalents	(253)	(333)
Current debt maturities	3	202
Adjusted working capital	$360	$307
Annualized sales [1]	$3,780	$3,812
Adjusted working capital as a percent of annualized sales	9.5%	7.9%
Working capital as a percent of annualized sales	16.1%	11.5%

1. Annualized sales equal 4th quarter sales ($945 million in 2015 and $953 million in 2014) 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 are discussed below.

Trade Receivables - The payment trends by our major customers remained stable in 2015, with slight improvements in full year bad debt expense compared to 2014 levels. We continue to look for ways to improve payment patterns of customers and offer programs with incentives for early payment offered in conjunction with third parties when appropriate. Trade Receivables decreased slightly in 2015, primarily due to price deflation and currency translation impacts.

Total Inventories - The physical flow of materials through our production facilities is materially the same as in prior periods, and we are not experiencing a buildup of inventory. Expense associated with slow moving and obsolete inventories in 2015 was generally in line with that of 2014. Further, we review usage and inventory quantities at the part number level to determine if current inventory amounts are recoverable by future demand, and reserve necessary amounts on a timely basis.

FIFO Inventory decreased in 2015 primarily due to significant steel-related price deflation and currency fluctuations. These decreases were partially offset by the timing of certain customer orders late in the year, opportunistic purchases of raw materials, and continued sales growth (which requires additional inventory for support).

The increase in our fourth quarter DIO is directly related to the effects of the LIFO method of accounting for inventories and the significant deflation in steel prices during 2015. Under LIFO accounting, the most recent raw material purchases are assumed to be the first consumed in production. Significant steel price deflation resulted in a significant decrease in our LIFO reserves, particularly in the fourth quarter, making comparability to prior quarter's DIO difficult.

Accounts Payable - Our payment terms are materially consistent with our past practices. We strive to optimize payment terms with our vendors and third parties that allow flexible payment options. Our accounts payable balance decreased at December 31, 2015 vs. 2014 primarily due to steel deflation (that led to lower cost of raw material purchases), currency fluctuations, and timing of payments for inventory purchases. Steel deflation (which was particularly sharp in the fourth quarter), also drove a decrease in our fourth quarter 2015 DPO.

Table of Contents
PART II

The following table presents dollar amounts of key working capital components at the end of the past two years.

	Amount (in millions)		
	2015	2014	Change
Trade Receivables, net	$449	$470	$(21)
Inventories at FIFO	$528	$554	$(26)
LIFO Reserve	(23)	(73)	50
Total inventories at LIFO, net	$505	$481	$24
Accounts Payable	$307	$370	$(63)

The next chart shows recent trends in key working capital components (expressed in numbers of days at the end of the past five quarters).

1. The inventory ratio represents days of inventory on hand calculated as: ending net inventory ÷ (quarterly cost of goods sold ÷ number of days in the quarter).
2. The trade receivables ratio represents the days of sales outstanding calculated as: ending net trade receivables ÷ (quarterly net sales ÷ number of days in the quarter).
3. The accounts payable ratio represents the days of payables outstanding calculated as: ending accounts payable ÷ (quarterly cost of goods sold ÷ number of days in the quarter).

Table of Contents
PART II

Uses of Cash

Finance Capital Requirements

Cash is readily available to fund selective growth, both internally (through capital expenditures) and externally (through acquisitions).

In certain of our businesses and product lines we have minimal excess capacity, and we are investing to support continued growth. In Automotive, we are expanding capacity to support new programs that will begin production in 2016 and later years. In Bedding, we are investing in equipment (that we build in our own Swiss operation) to support ongoing growth in ComfortCore® innersprings. In Adjustable Bed, which operated a single large location until 2015, we have added new locations to broaden our geographic scope and now operate four facilities in North America.

In many of our other businesses, we have available capacity to accommodate additional volume. For each additional $100 million of sales from incremental unit volume produced utilizing spare capacity, we expect to generate approximately $25 million to $35 million of additional pre-tax earnings. With market share gains and higher market demand, our capacity utilization has increased. The earnings and margin improvement that we have realized over the past few years reflects, in part, that higher utilization.

We will continue to make investments to support growth in businesses and product lines where sales are strong, and for efficiency improvement and maintenance. We expect capital expenditures to approximate $130 million in 2016. Our incentive plans emphasize returns on capital, which include net fixed assets and working capital. This emphasis heightens the focus on asset utilization and helps ensure that we are investing additional capital dollars where attractive return potential exists.

Our strategic, long-term, 4-5% annual growth objective envisions periodic acquisitions. We are seeking acquisitions primarily within our business units that have been designated as Grow businesses, and are looking for opportunities to enter new, higher growth markets (carefully screened for sustainable competitive advantage).

In 2013, we acquired two small businesses that supply tubing and tubing sub-assemblies to the aerospace market.

In 2014, we purchased the three Tempur Sealy U.S. innerspring component production facilities for $45 million. We also acquired a German designer and distributor of high-end, European-styled motion components for residential furniture.

In 2015, we acquired a 70% interest in a European private-label manufacturer of high-end upholstered furniture for office, commercial, and other settings for $23 million. This business is complementary to our North American private-label operation and allows us to support our Work Furniture customers as they expand globally.

Additional details about these and other smaller acquisitions can be found in Note R to the Consolidated Financial Statements on page 109.

Pay Dividends

Increasing the dividend remains a high priority. In 2015, we increased the quarterly dividend to $.32 per share and extended our record of consecutive annual dividend increases to 44 years, at an average compound growth rate of 13%. Our targeted dividend payout ratio is approximately 50-60% of net earnings, however the actual payout has been higher in recent years. As a result, dividend growth in recent years has been modest, at about 3% per year. With significant earnings improvement in 2015, the dividend payout ratio for the year was within the target range. This should allow us flexibility to consider future dividend growth that more closely aligns with earnings growth.

During 2012, we declared four quarterly dividends, but paid five, given our decision to accelerate into December 2012 the dividend typically paid in January 2013 (of $41 million) in anticipation of tax rate increases on individual taxpayers. In 2013, we returned to our prior practice and paid the fourth quarter dividend in January 2014. Therefore, the cash requirement for dividends in 2013 was lower, at $125 million.

Table of Contents
PART II

Repurchase Stock

As shown in the chart above, share repurchases were significant in each of the last three years. During that time frame, we repurchased a total of 15.6 million shares of our stock and issued 9.1 million shares (through employee benefit plans and stock option exercises), reducing outstanding shares by 5%. In 2015, we repurchased 4.3 million shares (at an average of $45.72) and issued 2.1 million shares (at an average of $23.61).

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

Table of Contents
PART II

Capitalization

This table presents key debt and capitalization statistics at the end of the three most recent years.

(Dollar amounts in millions)	2015	2014	2013
Long-term debt outstanding:			
Scheduled maturities	$764	$767	$673
Average interest rates [1]	3.7 %	4.6 %	4.6 %
Average maturities in years [1]	6.8	6.4	4.7
Revolving credit/commercial paper	181	—	16
Average interest rate	.5 %	—	.2 %
Total long-term debt	945	767	689
Deferred income taxes and other liabilities	223	226	191
Equity	1,098	1,155	1,399
Total capitalization	$2,266	$2,148	$2,279
Unused committed credit:			
Long-term	$419	$600	$584
Short-term	—	—	—
Total unused committed credit	$419	$600	$584
Current maturities of long-term debt	$3	$202	$181
Cash and cash equivalents	$253	$333	$273
Ratio of earnings to fixed charges [2]	8.6 x	6.0 x	4.8 x

(1) These rates include current maturities, but exclude commercial paper to reflect the averages of outstanding debt with scheduled maturities. The rates also include amortization of interest rate swaps.

(2) Fixed charges include interest expense, capitalized interest, plus implied interest included in operating leases. Earnings consist principally of income from continuing operations before income taxes, plus fixed charges.

Table of Contents
PART II

The next table shows the percent of long-term debt to total capitalization at December 31, 2015 and 2014, calculated in two ways:

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

We believe that adjusting this measure for cash and current maturities allows a more useful comparison to periods during which cash fluctuates significantly. We use these adjusted measures to monitor our financial leverage.

(Dollar amounts in millions)	2015	2014
Long-term debt	$945	$767
Current debt maturities	3	202
Cash and cash equivalents	(253)	(333)
Net debt	$695	$636
Total capitalization	$2,266	$2,148
Current debt maturities	3	202
Cash and cash equivalents	(253)	(333)
Net capitalization	$2,016	$2,017
Long-term debt to total capitalization	41.7%	35.7%
Net debt to net capitalization	34.5%	31.5%

Total debt (which includes long-term debt and current debt maturities) decreased $21 million in 2015. We repaid $200 million of 5.0% notes that matured in August 2015 and funded the payoff with a combination of cash and commercial paper.

Short Term Borrowings

We can raise cash by issuing up to $600 million in commercial paper through a program that is backed by a $600 million revolving credit agreement with a syndicate of 12 lenders. This agreement expires in 2019. The credit agreement allows us to issue letters of credit totaling up to $250 million. When we issue letters of credit in this manner, our capacity under the agreement, and consequently, our ability to issue commercial paper, is reduced by a corresponding amount. Amounts outstanding related to our commercial paper program were:

(Dollar amounts in millions)	2015	2014	2013
Total program authorized	$600	$600	$600
Commercial paper outstanding (classified as long-term debt)	(181)	—	(16)
Letters of credit issued under the credit agreement	—	—	—
Total program usage	(181)	—	(16)
Total program available	$419	$600	$584

The average and maximum amount of commercial paper outstanding during 2015 was $136 million and $315 million, respectively. During the fourth quarter, the average and maximum amounts outstanding were $255 million and $289 million respectively. At year end, we had no letters of credit outstanding under the credit agreement, but we had $64 million of stand-by letters of credit outside the agreement to take advantage of more attractive fee pricing.

With operating cash flows, our commercial paper program, and our ability to issue debt in the capital markets, we believe we have sufficient funds available to repay maturing debt, as well as support our ongoing operations, pay dividends, fund future growth, and repurchase stock.

Our revolving credit agreement and certain other long-term debt contain restrictive covenants, with which we were comfortably in compliance as of December 31, 2015. For more information, see Note J on page 91 of the Notes to Consolidated Financial Statements.

Accessibility of Cash

At December 31, 2015, we had cash and cash equivalents of $253 million primarily invested in interest-bearing bank accounts and in bank time deposits with original maturities of three months or less.

A substantial portion of these funds are held in the international accounts of our foreign operations. Though we do not rely on this foreign cash as a source of funds to support our ongoing domestic liquidity needs, we believe we could bring most of this cash back to the U.S. over a period of two to three years without material cost. However, due to capital requirements in various jurisdictions, approximately $90 million of this cash is currently inaccessible for repatriation. Additionally, if we had to bring all of the foreign cash back immediately in the form of dividends, we would incur incremental tax expense of up to approximately $107 million. In 2015, 2014, and 2013, we brought back cash of $112 million, $129 million, and $119 million, respectively, in each case at little to no added tax cost.

Table of Contents

CONTRACTUAL OBLIGATIONS

The following table summarizes our future contractual cash obligations and commitments at December 31, 2015:

		Payments Due by Period			
Contractual Obligations	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
(Dollar amounts in millions)					
Long-term debt [1]	$945	$3	$153	$182	$607
Capitalized leases	4	1	2	1	—
Operating leases	142	36	50	28	28
Purchase obligations [2]	296	296	—	—	—
Interest payments [3]	186	28	53	43	62
Deferred income taxes	39	—	—	—	39
Other obligations (including pensions and net reserves for tax contingencies) [4]	189	3	16	22	148
Total contractual cash obligations	$1,801	$367	$274	$276	$884

1. The long-term debt payment schedule presented above could be accelerated if we were not able to make the principal and interest payments when due.
2. Purchase obligations primarily include open short-term (30-120 days) purchase orders that arise in the normal course of operating our facilities.
3. Interest payments are calculated on debt outstanding at December 31, 2015 at rates in effect at the end of the year.
4. Other obligations include our net reserves for tax contingencies in the "More Than 5 Years" column because these obligations are long-term in nature and actual payment dates can not be specifically determined. Other obligations also include our current estimate of minimum contributions to defined benefit pension plans.

Table of Contents
PART II

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. To do so, we must make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and disclosures. If we used different estimates or judgments our financial statements would change, and some of those changes could be significant. Our estimates are frequently based upon historical experience and are considered by management, at the time they are made, to be reasonable and appropriate. Estimates are adjusted for actual events, as they occur.

"Critical accounting estimates" are those that are: a) subject to uncertainty and change, and b) of material impact to our financial statements. Listed below are the estimates and judgments which we believe could have the most significant effect on our financial statements.

We provide additional details regarding our significant accounting policies in Note A to the Consolidated Financial Statements on page 72.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Goodwill		
Goodwill is assessed for impairment annually as of June 30 and as triggering events occur. The Steel Tubing unit met the held for sale criteria during the first quarter of 2015. Because fair value less cost to sell had fallen below recorded book value, we fully impaired this unit's goodwill and incurred a non-cash charge of $4 million in the first quarter of 2015. In July 2014, we concluded that an impairment was required related to the goodwill of the Store Fixtures group, which was formerly part of the Commercial Products segment and is now reported in discontinued operations. A non-cash charge of $108 million was recorded in the second quarter of 2014 for the complete write-off of the goodwill associated with this business. In December 2013, we concluded that an impairment was required relating to the goodwill of the Commercial Vehicle Products (CVP)	In order to assess goodwill for potential impairment, judgment is required to estimate the fair market value of each reporting unit (which is one level below reportable segments) using the combination of a discounted cash flow model and a market approach using price to earnings ratios for comparable publicly traded companies with characteristics similar to the reporting unit. The cash flow model contains uncertainties related to the forecast of future results as many outside economic and competitive factors can influence future performance. Margins, sales growth, and discount rates are the most critical estimates in determining enterprise values using the cash flow model. The market approach requires judgment to determine the appropriate price to earnings ratio. Ratios are derived from comparable publicly-traded companies that operate in the same	The second quarter 2015 goodwill impairment review indicated no impairments, with all reporting units having fair values that exceed carrying value by more than 50%. We have $806 million of goodwill at December 31, 2015, including $12 million associated with the CVP reporting unit. As discussed in Note C to the Consolidated Financial Statements on page 79, we continue to explore strategic alternatives for this reporting unit. If we are not able to meet projected performance levels, future impairments could be possible. Information regarding material assumptions used to determine if a goodwill impairment exists can be found in Note C to the Consolidated Financial Statements on page 79.

group. A non-cash charge of $63 million was recorded in the fourth quarter of 2013.	or similar industry as the reporting unit.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Other Long-lived Assets		
	Impairments of other long-lived assets usually occur when major restructuring activities take place, or we decide to discontinue product lines completely.	
Other long-lived assets are tested for recoverability at year-end and whenever events or circumstances indicate the carrying value may not be recoverable. For other long-lived assets we estimate fair value at the lowest level where cash flows can be measured (usually at a branch level).	Our impairment assessments have uncertainties because they require estimates of future cash flows to determine if undiscounted cash flows are sufficient to recover carrying values of these assets. For assets where future cash flows are not expected to recover carrying value, fair value is estimated which requires an estimate of market value based upon asset appraisals for like assets.	These impairments are unpredictable. Impairments were $2 million in 2015, $1 million in 2014 and $2 million in 2013.
Inventory Reserves		
We reduce the carrying value of inventories to reflect an estimate of net realizable value for obsolete and slow-moving inventory. We value inventory at net realizable value (what we think we will recover). Generally a reserve is not required unless we have more than a one-year's supply of the product. If we have had no sales of a given product for 12 months, those items are generally deemed to have no value and are written down completely.	Our inventory reserve contains uncertainties because the calculation requires management to make assumptions about the value of products that are obsolete or slow-moving (i.e., not selling very quickly). Changes in customer behavior and requirements can cause inventory to quickly become obsolete or slow moving. The calculation also uses an estimate of the ultimate recoverability of items identified as slow moving based upon historical experience (65% on average).	At December 31, 2015, the reserve for obsolete and slow-moving inventory was $33 million (approximately 6% of FIFO inventories). This is consistent with the December 31, 2014 and 2013 reserves of $30 million and $36 million, respectively, representing 6% of FIFO inventories. Additions to inventory reserves in 2015 were $10 million, which were comparable to the previous year. We do not expect obsolescence to change from current levels.

Table of Contents
PART II

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Workers' Compensation		
We are substantially self-insured for costs related to workers' compensation, and this requires us to estimate the liability associated with this obligation.	Our estimates of self-insured reserves contain uncertainties regarding the potential amounts we might have to pay (since we are self-insured). We consider a number of factors, including historical claim experience, demographic factors, and potential recoveries from third party insurance carriers.	Over the past five years, we have incurred, on average, $9 million annually for costs associated with workers' compensation. Average year-to-year variation over the past five years has been approximately $1 million. At December 31, 2015, we had accrued $35 million to cover future self-insurance liabilities. Internal safety statistics and cost trends have improved in the last several years and are expected to remain at current lower levels for the foreseeable future.
Credit Losses		
For accounts and notes receivable, we estimate a bad debt reserve for the amount that will ultimately be uncollectible. When we become aware of a specific customer's potential inability to pay, we record a bad debt reserve for the amount we believe may not be collectible.	Our bad debt reserve contains uncertainties because it requires management to estimate the amount uncollectible based upon an evaluation of several factors such as the length of time that receivables are past due, the financial health of the customer, industry and macroeconomic considerations, and historical loss experience. Our customers are diverse and many are small-to-medium sized companies, with some being highly leveraged. Bankruptcy can occur with some of these customers relatively quickly and with little warning.	A significant change in the financial status of a large customer could impact our estimates. The average annual amount of customer-related bad debt expense was $5 million (significantly less than 1% of annual net sales) over the last three years. At December 31, 2015, our reserves for doubtful accounts totaled $10 million (about 2% of our accounts and customer-related notes receivable of $459 million). We have not experienced any significant individual customer bankruptcies in the past three years. We believe the financial health of our major customers has modestly improved, but some are highly leveraged, and this could cause circumstances to change in the future. At December 31, 2015, we had less than $1 million of non-customer notes receivable.

Table of Contents
PART II

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Pension Accounting		
For our pension plans, we must estimate the cost of benefits to be provided (well into the future) and the current value of those benefit obligations.	The pension liability calculation contains uncertainties because it requires management to estimate an appropriate discount rate to calculate the present value of future benefits paid, which also impacts current year pension expense. Determination of pension expense requires an estimate of expected return on pension assets based upon the mix of investments held (bonds and equities). Other assumptions include rates of compensation increases, withdrawal and mortality rates, and retirement ages. These estimates impact the pension expense or income we recognize and our reported benefit obligations.	Each 25 basis point decrease in the discount rate increases pension expense by $.5 million and increases the plans' benefit obligation by $9 million. A 25 basis point reduction in the expected return on assets would increase pension expense by $.4 million, but have no effect on the plans' funded status. Assuming a long-term investment horizon, we do not expect a material change to the return on asset assumption. Mortality assumptions represent our best estimate of the duration of future benefit payments at the measurement date. These estimates are based on each plans' demographics and other relevant facts and circumstances. Longer life expectancies increased our pension liability for our most significant plans by approximately $20 million in 2014.

Table of Contents
PART II

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Contingencies		
We evaluate various legal, environmental, and other potential claims against us to determine if an accrual or disclosure of the contingency is appropriate. If it is probable that an ultimate loss will be incurred, we accrue a liability for the reasonable estimate of the ultimate loss.	Our disclosure and accrual of loss contingencies (i.e., losses that may or may not occur) contain uncertainties because they are based on our assessment of the likelihood that the expenses will actually occur, and our estimate of the likely cost. Our estimates and judgments are subjective and can involve matters in litigation, the results of which are generally unpredictable.	Legal contingencies are related to numerous lawsuits and claims described in Note T to the Consolidated Financial Statements on page 114. With the exception of 2014, our largest annual cost for litigation claims was $6 million for the five years ending December 31, 2015 (excluding legal fees). During 2014, we recorded expense of $92 million ($57 million for continuing operations and $35 million in discontinued operations) for various proceedings and other claims. By far the largest portion of these accruals was associated with a series of antitrust lawsuits involving the sale of polyurethane foam as discussed in Note T to the Consolidated Financial Statements on page 114. During 2015, we settled the substantial majority of these cases.

Table of Contents
PART II

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Income Taxes		
	Our tax liability for unrecognized tax benefits contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures related to our various filing positions.	Potential changes in tax laws could impact assumptions related to the non-repatriation of certain foreign earnings. If all non-repatriated earnings were taxed at current rates, we would incur additional taxes of approximately $107 million.
In the ordinary course of business, we must make estimates of the tax treatment of many transactions, even though the ultimate tax outcome may remain uncertain for some time. These estimates become part of the annual income tax expense reported in our financial statements. Subsequent to year end, we finalize our tax analysis and file income tax returns. Tax authorities periodically audit these income tax returns and examine our tax filing positions, including (among other things) the timing and amounts of deductions, and the allocation of income among tax jurisdictions. If necessary, we adjust income tax expense in our financial statements in the periods in which the actual outcome becomes more certain.	Our effective tax rate is also impacted by changes in tax laws, the current mix of earnings by taxing jurisdiction, and the results of current tax audits and assessments.	Audits by various taxing authorities continue as governments look for ways to raise additional revenue. Based upon past audit experience, we do not expect any material changes to our tax liability as a result of this audit activity; however, we could incur additional tax expense if we have audit adjustments higher than recent historical experience.
	At December 31, 2015 and 2014, we had $32 million and $34 million, respectively, of net deferred tax assets on our balance sheet related to net operating losses and other tax carryforwards. The ultimate realization of these deferred tax assets is dependent upon the amount, source, and timing of future taxable income. In cases where we believe it is more likely than not that we may not realize the future potential tax benefits, we establish a valuation allowance against them. In addition, assumptions have been made regarding the non-repatriation of earnings from certain subsidiaries. Those assumptions may change in the future, thereby affecting future period results for the tax impact of possible repatriation.	The likelihood of recovery of net operating losses and other tax carryforwards has been closely evaluated and is based upon such factors as the time remaining before expiration, viable tax planning strategies, and future taxable earnings expectations. We believe that appropriate valuation allowances have been recorded as necessary. However, if earnings expectations or other assumptions change such that additional valuation allowances are required, we could incur additional tax expense. Likewise, if fewer valuation allowances are needed, we could incur reduced tax expense.

LITIGATION CONTINGENCIES

Accruals for Probable Losses

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

	Twelve Months Ended December 31,	
	2015	2014
Litigation contingency accrual - Beginning of period	$83.9	$3.7
Adjustment to accruals - expense - Continuing operations	5.7	56.8
Adjustment to accruals - expense - Discontinued operations	.7	35.4
Cash payments	(82.2)	(12.0)
Litigation contingency accrual - End of period	$8.1	$83.9

We expect to pay the majority of the accrual balance within the next year. The above litigation contingency accrual does not include accrued expenses related to workers' compensation, automobile, product and general liability claims, taxation issues and environmental matters, some of which may contain a portion of litigation expense. However, any litigation expense associated with these categories are not anticipated to have a material effect on our financial condition, results of operation, or cash flows. For more information regarding accrued expenses, see Footnote I - Supplemental Balance Sheet Information under "Accrued expenses" on page 90.

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

Reasonably Possible Losses in Excess of Accruals

Based upon current facts and circumstances, as of December 31, 2015, aggregate reasonably possible (but not probable) losses in excess of the accruals noted above are estimated to be approximately $25 million. Although there are a number of uncertainties and potential outcomes associated with all of our pending or threatened litigation proceedings, we believe, based on current facts and circumstances, that additional losses, if any (other than approximately $14 million plus interest and attorney fees of approximately $2 million of reasonably possible losses associated with Brazilian VAT matters and approximately $9 million of reasonably possible losses primarily related to patent infringement, antitrust matters and other matters), are not expected to materially affect our consolidated financial position, results of operations or cash flows.

For more information regarding litigation contingencies, please refer to Note T on page 114 of the Consolidated Financial Statements, which are incorporated herein by reference.

NEW ACCOUNTING STANDARDS

As discussed in Note A to the Consolidated Financial Statements on page 72, the FASB has issued accounting guidance effective for current and future periods. We are currently evaluating the newly issued guidance and the impact on our future financial statements.

Table of Contents
PART II

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

(Unaudited)
(Dollar amounts in millions)

Interest Rates

The table below provides information about the Company’s debt obligations sensitive to changes in interest rates. Substantially all of the debt shown in the table below is denominated in United States dollars. The fair value of fixed rate debt was not materially different than its $950 carrying value at December 31, 2014, and greater than its $750 carrying value by $13.4 at December 31, 2015. The increase in the fair market value of the Company’s debt is primarily due to the maturity and repayment of $200 of notes in 2015, the increase in credit spreads as compared to the prior year end, increased interest rates, and the timing of interest payments. The fair value of fixed rate debt was calculated using a Bloomberg secondary market rate, as of December 31, 2015 for similar remaining maturities, plus an estimated “spread” over such Treasury securities representing the Company’s interest costs for its medium-term notes. The fair value of variable rate debt is not significantly different from its recorded amount.

	Scheduled Maturity Date							
Long-term debt as of December 31,	2016	2017	2018	2019	2020	Thereafter	2015	2014
Principal fixed rate debt	$—	$—	$150.0	$—	$—	$600.0	$750.0	$950.0
Average interest rate [1]	—	—	4.40%	—	—	3.60%	3.76%	4.02%
Principal variable rate debt	2.3	2.3	2.4	—	—	7.7	14.7	14.7
Average interest rate	.24%	.35%	.35%	—	—	.35%	.33%	.18%
Miscellaneous debt [2]							184.1	3.7
Total debt							948.8	968.4
Less: current maturities							(3.4)	(201.7)
Total long-term debt							$945.4	$766.7

1. These rates exclude the amortization of interest rate swap.

2. Includes $181 and $0 of commercial paper in 2015 and 2014, respectively, supported by a $600 revolving credit agreement which terminates in 2019.

Derivative Financial Instruments

The Company is subject to market and financial risks related to interest rates, foreign currency, and commodities. In the normal course of business, the Company utilizes derivative instruments (individually or in combinations) to reduce or eliminate these risks. The Company seeks to use derivative contracts that qualify for hedge accounting treatment; however, some instruments may not qualify for hedge accounting treatment. It is the Company’s policy not to speculate using derivative instruments. Information regarding cash flow hedges and fair value hedges is provided in Note S beginning on page 111 to the Notes to the Consolidated Financial Statements and is incorporated by reference into this section.

Investment in Foreign Subsidiaries

The Company views its investment in foreign subsidiaries as a long-term commitment, and does not hedge translation exposures. The investment in a foreign subsidiary may take the form of either permanent capital or notes. The Company's net investment (i.e., total assets less total liabilities subject to translation exposure) in foreign subsidiaries at December 31 is as follows:

Functional Currency	2015	2014
European Currencies	$296.9	$329.4
Chinese Renminbi	281.9	286.6
Canadian Dollar	155.6	192.7
Mexican Peso	26.2	29.2
Other	52.1	55.8
Total	$812.7	$893.7

Item 8. Financial Statements and Supplementary Data.

The Consolidated Financial Statements and Notes, Financial Statement Schedule and supplementary financial information included in this Report are listed and included in Item 15, and are incorporated by reference into this item.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

Effectiveness of the Company’s Disclosure Controls and Procedures

An evaluation as of December 31, 2015, 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 December 31, 2015, 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.

Management’s Annual Report on Internal Control over Financial Reporting and Auditor’s Attestation Report

Management’s Annual Report on Internal Control over Financial Reporting can be found on page 65, and the Report of Independent Registered Public Accounting Firm regarding the effectiveness of the Company’s internal control over financial reporting can be found on page 66 of this Form 10-K. Each is incorporated by reference into this Item 9A.

Changes in the Company’s Internal Control Over Financial Reporting

During the fourth quarter of 2015, we completed the design to transition certain corporate-level shared service systems for general ledger, sales invoicing, cash application, accounts payable, purchasing and accounts payable disbursements to a new platform. The new platform is expected to further automate and enhance a number of existing processes and activities primarily related to our domestic U.S. operations. We anticipate total capital outlay for this activity to be approximately $20 million over three years, and expect the majority of the systems to be transitioned during the last half of 2016 and the first half of 2017.

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

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The subsections entitled "Proposal 1—Election of Directors," "Corporate Governance," "Board and Committee Composition and Meetings," "Consideration of Director Nominees and Diversity," "Section 16(a) Beneficial Ownership Reporting Compliance" and "Director Independence" in the Company's definitive Proxy Statement for the Company's Annual Meeting of Shareholders to be held on May 17, 2016, are incorporated by reference.

Directors of the Company

Directors are normally elected annually at the Annual Meeting of Shareholders and hold office until the next annual meeting of shareholders or until their successors are elected and qualified. Except for Richard T. Fisher, all current directors have been nominated for re-election at the Company's Annual Meeting of Shareholders to be held May 17, 2016. As previously reported in our Form 8-K filed August 17, 2015, David S. Haffner, retired from the Board effective December 31, 2015.

In order to be nominated for election as a director, a nominee must submit a contingent resignation to the Nominating & Corporate Governance Committee (N&CG Committee). The resignation will become effective only if (i) the director nominee fails to receive an affirmative majority of the votes cast in the director election; and (ii) the Board accepts the resignation. If a nominee fails to receive an affirmative majority of the votes cast in the director election, the N&CG Committee will make a recommendation to the Board of Directors whether to accept or reject the director's resignation and whether any other action should be taken. If a director's resignation is not accepted, that director will continue to serve until the Company's next annual meeting or until his or her successor is duly elected and qualified. If the Board accepts the director's resignation, it may, in its sole discretion, either fill the resulting vacancy or decrease the size of the Board to eliminate the vacancy.

The Company's Bylaws and Corporate Governance Guidelines set the director retirement age at 72; however, the Board Chair, the Lead Director, CEO or President may request a waiver for any director. At the request of Leggett's CEO, the N&CG Committee recommended, and the full Board granted, a retirement age waiver for R. Ted Enloe, III so he may stand for re-election at the 2016 annual meeting.

Brief biographies of the Company's Board of Directors are provided below. Our employment agreements with Mr. Glassman and Mr. Flanigan provide that they may terminate their agreements if not nominated as a director. See the Exhibit Index on page 126 for reference to the agreements.

Robert E. Brunner, age 58, was the Executive Vice President of Illinois Tool Works (ITW), a diversified manufacturer of advanced industrial technology, from 2006 until his retirement in 2012. He previously served ITW as President—Global Auto beginning in 2005 and President—North American Auto from 2003. Mr. Brunner holds a degree in finance from the University of Illinois and an MBA from Baldwin-Wallace College. He currently serves as a director of NN, Inc., a global manufacturer of precision bearings and plastic, rubber and metal components, and Lindsay Corporation, a global manufacturer of irrigation equipment and road safety products. Mr. Brunner's experience and leadership with ITW, a diversified manufacturer with a global footprint, provides valuable insight to our Board on operational and international issues. He was first elected as a director of the Company in 2009.

Robert G. Culp, III, age 69, is the co-founder of Culp, Inc., an upholstery and bedding fabrics designer and manufacturer, where he has been the Chairman since 1990 and served as CEO from 1988 to 2007. Mr. Culp holds a degree in economics from the University of North Carolina - Chapel Hill and an MBA from the Wharton School of the University of Pennsylvania. Mr. Culp is the Chairman of the Board of Culp, Inc. and the lead independent director of Old Dominion Freight Line, Inc., a national motor transportation and logistics company. He previously served as a director of Stanley Furniture Company, Inc., a manufacturer and importer of wooden residential furniture, until 2011. Mr. Culp's experience in the bedding and furniture industries provides valuable insight into a number of the Company's key markets. Through his leadership of Culp, Inc., a publicly-traded company with an

Table of Contents
PART III

international scope, he understands the complexities of the financial and regulatory requirements facing U.S. companies, as well as the challenges and opportunities of developing global operations. He was first elected as a director of the Company in 2013.

R. Ted Enloe, III, age 77, has been Managing General Partner of Balquita Partners, Ltd., a family securities and real estate investment partnership, since 1996. Previously, he served as President and Chief Executive Officer of Optisoft, Inc., a manufacturer of intelligent traffic systems, from 2003 to 2005. His former positions include Vice Chairman of the Board and member of the Office of the Chief Executive for Compaq Computer Corporation and President of Lomas Financial Corporation and Liberte Investors. He holds a degree in petroleum engineering from Louisiana Polytechnic University and a law degree from Southern Methodist University. Mr. Enloe currently serves as a director of Silicon Laboratories Inc., a designer of mixed-signal integrated circuits, and Live Nation, Inc., a venue operator, promoter and producer of live entertainment events. Mr. Enloe’s professional background and experience, previously held senior-executive level positions, financial expertise and service on other company boards, qualifies him to serve as a member of our Board of Directors. Further, his wide-ranging experience combined with his intimate knowledge of the Company from over 40 years on the Board provides an exceptional mix of familiarity and objectivity. He was first elected as a director of the Company in 1969 and was appointed as Independent Board Chair, effective January 1, 2016.

Manuel A. Fernandez, age 69, co-founded SI Ventures, a venture capital firm focusing on IT and communications infrastructure, and served as the managing director from 1998 until his retirement in 2014. Mr. Fernandez was the Executive Chairman of Sysco Corporation, a marketer and distributor of foodservice products, from 2012 until his retirement in 2013. He previously served Sysco as Non-executive Chairman from 2009 and as a director from 2006. His previous positions include Chairman and CEO of Gartner, Inc. and CEO of Dataquest, Inc. Mr. Fernandez holds a degree in electrical engineering from the University of Florida, and completed post-graduate work in solid-state engineering at the University of Florida and in business administration at the Florida Institute of Technology. Mr. Fernandez currently serves as lead independent director of Brunswick Corporation, a market leader in the marine, fitness, bowling and billiards industries, and as a director of Time Inc., a global media company. He was previously a director of Flowers Foods, Inc., a national producer and marketer of packaged bakery foods, Tibco, a global leader in infrastructure and business intelligence software, and Black & Decker, a manufacturer of power tools, hardware and home improvement products. Mr. Fernandez' venture capital experience, leadership of several technology companies as CEO and service on a number of public company boards offers Leggett outstanding insight into corporate strategy and development, information technology, international growth, and corporate governance. He was first appointed as a director in May 2014.

Richard T. Fisher, age 77, has been Managing Director of Oppenheimer & Co., an investment banking firm, since 2002. He served as Managing Director of CIBC World Markets Corp., an investment banking firm, from 1990 to 2002. Mr. Fisher holds a degree in economics from the Wharton School of the University of Pennsylvania.
Mr. Fisher’s career in investment banking provides the Board with a unique perspective on the Company’s strategic initiatives, financial outlook and investor markets. His valuable business skills and long-term perspective of the Company bolster his leadership as the Company’s Lead Independent Director. He served as the independent Board Chair from 2008 until May 2013, when he was elected as Lead Independent Director. He was first elected as a director of the Company in 1972. The Board did not nominate Mr. Fisher to stand for re-election at the 2016 shareholders meeting.

Matthew C. Flanigan, age 54, was appointed Executive Vice President of the Company in 2013 and has served as Chief Financial Officer since 2003. He previously served as Senior Vice President from 2005 to 2013, Vice President from 2003 to 2005, President of the Office Furniture Components Group from 1999 to 2003 and in various capacities since 1997. Mr. Flanigan holds a degree in finance and business administration from the University of Missouri. He serves as the lead director of Jack Henry & Associates, Inc., a provider of core information processing solutions for financial institutions. As the Company’s CFO, Mr. Flanigan adds valuable knowledge of the Company’s finance, risk and compliance functions to the Board. In addition, his prior experience as one of the Company’s group presidents provides valuable operations insight. He was first elected as a director of the Company in 2010.

Table of Contents
PART III

Karl G. Glassman, age 57, was appointed the Company's Chief Executive Officer effective January 1, 2016 and continues to serve as President since his appointment in 2013. He previously served as Chief Operating Officer from 2006 to 2015, Executive Vice President from 2002 to 2013, President of Residential Furnishings from 1999 to 2006, Senior Vice President from 1999 to 2002 and in various capacities since 1982. Mr. Glassman holds a degree in business management and finance from California State University—Long Beach. He previously served as a director of Remy International, Inc., a leading global manufacturer of alternators, starter motors and electric traction motors. As the Company's CEO, Mr. Glassman provides comprehensive insight to the Board from strategic planning to implementation at all levels of the Company around the world, as well as the Company's relationships with investors, the financial community and other key stakeholders. He also serves on the Board of Directors of the National Association of Manufacturers. Mr. Glassman was first elected as a director of the Company in 2002.

Joseph W. McClanathan, age 63 served as President and Chief Executive Officer of the Energizer Household Products Division of Energizer Holdings, Inc., a manufacturer of portable power solutions, from 2007 through his retirement in 2012. Previously, he served Energizer as President and Chief Executive Officer of the Energizer Battery Division from 2004 to 2007, as President—North America from 2002 to 2004, and as Vice President—North America from 2000 to 2002. Mr. McClanathan holds a degree in management from Arizona State University. Through his leadership experience at Energizer and as a former director of the Retail Industry Leaders Association, Mr. McClanathan offers an exceptional perspective to the Board on manufacturing operations, marketing and development of international capabilities. He was first elected as a director of the Company in 2005.

Judy C. Odom, age 63, served, until her retirement in 2002, as Chief Executive Officer and Board Chair at Software Spectrum, Inc., a global business to business software services company which she co-founded in 1983. Prior to founding Software Spectrum, she was a partner with the international accounting firm, Grant Thornton. Ms. Odom is a licensed Certified Public Accountant and holds a degree in business administration from Texas Tech University. She is a director of Harte-Hanks, a direct marketing service company, and Sabre, Inc., which provides technology solutions for the global travel and tourism industry. Ms. Odom's director experience with several companies offers a broad leadership perspective on strategic and operating issues. Her experience co-founding Software Spectrum and growing it to a global Fortune 1000 enterprise before selling it to another public company provides the insight of a long-serving CEO with international operating experience. Ms. Odom was first elected as a director of the Company in 2002.

Phoebe A. Wood, age 62, has been a principal in CompaniesWood, a consulting firm specializing in early stage investments, since her 2008 retirement as Vice Chairman and Chief Financial Officer of Brown-Forman Corporation, a diversified consumer products manufacturer, where she had served since 2001. Ms. Wood previously held various positions at Atlantic Richfield Company, an oil and gas company, from 1976 to 2000. She holds a degree in psychology from Smith College and an MBA from UCLA. Ms. Wood is a director of Invesco, Ltd., an independent global investment manager, Coca-Cola Enterprises, Inc., a major bottler and distributor of Coca-Cola products, and Pioneer Natural Resources, an independent oil and gas company. From her career in business and various directorships, Ms. Wood provides the Board with a wealth of understanding of the strategic, financial, and accounting issues the Board faces in its oversight role. Ms. Wood was first elected as a director of the Company in 2005.

Please see the "Supplemental Item" in Part I hereof, for a listing of and a description of the positions and offices held by the executive officers of the Company.

The Company has adopted a code of ethics that applies to its chief executive officer, chief financial officer, principal accounting officer or corporate controller called the Leggett & Platt, Incorporated Financial Code of Ethics. The Company has also adopted a Code of Business Conduct and Ethics for directors, officers and employees and Corporate Governance Guidelines. The Financial Code of Ethics, the Code of Business Conduct and Ethics and the Corporate Governance Guidelines are available on the Company's website at www.leggett-search.com/governance. Each of these documents is available in print to any person, without charge, upon request. Such requests may be made to the Company's Secretary at Leggett & Platt, Incorporated, No. 1 Leggett Road, Carthage, Missouri 64836.

Table of Contents

PART III

As previously reported in the Company's Form 10-Q filed November 4, 2015, on November 2, 2015, the Nominating & Corporate Governance Committee of the Board amended the Company’s procedures for shareholder recommendations for nomination of directors. In addition to the previously enumerated protected classes, the procedure was amended to expressly provide that the Company will consider qualified candidates without regard to sexual orientation, gender identity or any other status protected by law. The procedure was also amended to include the Lead Director in the lists of persons with whom the Committee may arrange candidate interviews and to whom shareholder recommendations for nomination will be forwarded. The complete procedure can be found at www.leggett.com, under Corporate Governance, Director Nomination Procedure.
The Company intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting any applicable amendment or waiver to its Financial Code of Ethics, within four business days, on its website at the above address for at least a 12 month period. We routinely post important information to our website. However, the Company’s website does not constitute part of this Annual Report on Form 10-K.

Item 11. Executive Compensation.

The subsections entitled “Board’s Oversight of Risk Management,” “Director Compensation,” “Compensation Committee Interlocks and Insider Participation” together with the entire section entitled “Executive Compensation and Related Matters” in the Company’s definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 17, 2016, are incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The entire sections entitled “Security Ownership” and “Equity Compensation Plan Information” in the Company’s definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 17, 2016, are incorporated by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The subsections entitled "Proposal 1 - Election of Directors," “Transactions with Related Persons,” “Director Independence” and “Board and Committee Composition and Meetings” in the Company’s definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 17, 2016, are incorporated by reference.

Item 14. Principal Accounting Fees and Services.

The subsections entitled “Audit and Non-Audit Fees” and “Pre-Approval Procedures for Audit and Non-Audit Services” in the Company’s definitive Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 17, 2016, are incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Financial Statements and Financial Statement Schedule.

The Reports, Financial Statements and Notes, supplementary financial information and Financial Statement Schedule listed below are included in this Form 10-K:

We have omitted other information schedules because the information is inapplicable, not required, or in the financial statements or notes.

(b) Exhibits—See Exhibit Index beginning on page 126.

We did not file other long-term debt instruments because the total amount of securities authorized under all of these instruments does not exceed ten percent of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of such instruments to the SEC upon request.

Table of Contents
PART IV

Management's Annual Report on Internal Control Over Financial Reporting

Management of Leggett & Platt, Incorporated is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Leggett & Platt's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Leggett & Platt;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of Leggett & Platt are being made only in accordance with authorizations of management and directors of Leggett & Platt; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Leggett & Platt assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management (including ourselves), we conducted an evaluation of the effectiveness of Leggett & Platt's internal control over financial reporting, as of December 31, 2015, based on the criteria in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation under this framework, we concluded that Leggett & Platt's internal control over financial reporting was effective as of December 31, 2015.

Leggett & Platt's internal control over financial reporting, as of December 31, 2015, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on page 66 of this Form 10-K.

/s/ KARL G. GLASSMAN	/s/ MATTHEW C. FLANIGAN
Karl G. Glassman	Matthew C. Flanigan
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer
February 25, 2016	February 25, 2016

Table of Contents
PART IV

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
Leggett & Platt, Incorporated:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a) present fairly, in all material respects, the financial position of Leggett & Platt, Incorporated and its subsidiaries at December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note N to the consolidated financial statements, the Company changed the manner in which it classifies deferred income taxes in 2015.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

St. Louis, Missouri
February 25, 2016

Table of Contents

LEGGETT & PLATT, INCORPORATED

Consolidated Statements of Operations

	Year Ended December 31		
(Amounts in millions, except per share data)	2015	2014	2013
Net sales	$3,917.2	$3,782.3	$3,477.2
Cost of goods sold	2,994.0	2,991.9	2,767.3
Gross profit	923.2	790.4	709.9
Selling and administrative expenses	416.9	449.6	367.9
Amortization of intangibles	20.8	19.7	25.4
Goodwill impairment	4.1	—	63.0
Other (income) expense, net	(5.1)	(10.4)	(21.0)
Earnings from continuing operations before interest and income taxes	486.5	331.5	274.6
Interest expense	41.1	41.8	44.7
Interest income	4.4	5.8	7.7
Earnings from continuing operations before income taxes	449.8	295.5	237.6
Income taxes	121.8	70.3	51.3
Earnings from continuing operations	328.0	225.2	186.3
Earnings (loss) from discontinued operations, net of tax	1.2	(124.0)	13.4
Net earnings	329.2	101.2	199.7
(Earnings) attributable to noncontrolling interest, net of tax	(4.1)	(3.2)	(2.4)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	$325.1	$98.0	$197.3
Earnings per share from continuing operations attributable to Leggett & Platt, Inc. common shareholders			
Basic	$2.30	$1.57	$1.27
Diluted	$2.27	$1.55	$1.25
Earnings (loss) per share from discontinued operations attributable to Leggett & Platt, Inc. common shareholders			
Basic	$.01	$(.88)	$.09
Diluted	$.01	$(.87)	$.09
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders			
Basic	$2.31	$.69	$1.36
Diluted	$2.28	$.68	$1.34

The accompanying notes are an integral part of these financial statements.

Table of Contents

LEGGETT & PLATT, INCORPORATED

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31		
(Amounts in millions)	2015	2014	2013
Net earnings	$329.2	$101.2	$199.7
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(92.1)	(71.7)	(5.0)
Cash flow hedges	(8.1)	3.4	2.0
Defined benefit pension plans	11.2	(29.0)	26.7
Other comprehensive income (loss)	(89.0)	(97.3)	23.7
Comprehensive income	240.2	3.9	223.4
Less: comprehensive (income) attributable to noncontrolling interest	(3.6)	(3.0)	(2.6)
Comprehensive income attributable to Leggett & Platt, Inc.	$236.6	$.9	$220.8

The accompanying notes are an integral part of these financial statements.

Table of Contents

LEGGETT & PLATT, INCORPORATED
Consolidated Balance Sheets

(Amounts in millions, except per share data)	December 31 2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	$253.2	$332.8
Trade receivables, net	448.7	470.4
Other receivables, net	71.5	52.9
Total receivables, net	520.2	523.3
Inventories		
Finished goods	242.8	251.9
Work in process	42.6	55.5
Raw materials and supplies	241.8	247.0
LIFO reserve	(22.6)	(73.0)
Total inventories, net	504.6	481.4
Other current assets	33.2	91.8
Total current assets	1,311.2	1,429.3
Property, Plant and Equipment—at cost		
Machinery and equipment	1,099.1	1,151.4
Buildings and other	548.2	551.1
Land	40.0	40.1
Total property, plant and equipment	1,687.3	1,742.6
Less accumulated depreciation	1,146.5	1,193.8
Net property, plant and equipment	540.8	548.8
Other Assets		
Goodwill	806.1	829.4
Other intangibles, less accumulated amortization of $142.1 and $129.7 at December 31, 2015 and 2014, respectively	192.3	204.7
Sundry	117.2	128.4
Total other assets	1,115.6	1,162.5
TOTAL ASSETS	$2,967.6	$3,140.6
LIABILITIES AND EQUITY		
Current Liabilities		
Current maturities of long-term debt	$3.4	$201.7
Accounts payable	307.2	369.8
Accrued expenses	286.7	337.6
Other current liabilities	103.9	83.1
Total current liabilities	701.2	992.2
Long-term Liabilities		
Long-term debt	945.4	766.7
Other long-term liabilities	184.7	185.0
Deferred income taxes	38.6	41.8
Total long-term liabilities	1,168.7	993.5
Commitments and Contingencies		
Equity		
Capital stock: Preferred stock—authorized, 100.0 shares; none issued; Common stock—authorized, 600.0 shares of $.01 par value; 198.8 shares issued	2.0	2.0

Additional contributed capital	529.5	502.4
Retained earnings	2,209.2	2,061.3
Accumulated other comprehensive income (loss)	(91.1)	(2.6)
Less treasury stock—at cost (63.2 and 61.0 shares at December 31, 2015 and 2014, respectively)	(1,564.0)	(1,416.6)
Total Leggett & Platt, Inc. equity	1,085.6	1,146.5
Noncontrolling interest	12.1	8.4
Total equity	1,097.7	1,154.9
TOTAL LIABILITIES AND EQUITY	$2,967.6	$3,140.6

The accompanying notes are an integral part of these financial statements.

Table of Contents

LEGGETT & PLATT, INCORPORATED
Consolidated Statements of Cash Flows

	Year Ended December 31		
(Amounts in millions)	2015	2014	2013
Operating Activities			
Net earnings	$329.2	$101.2	$199.7
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	83.5	89.9	90.1
Amortization of intangibles and debt issuance costs	29.7	28.0	32.5
Long-lived asset impairments	2.4	1.3	2.4
Goodwill impairment	4.1	108.0	63.0
Provision for losses on accounts and notes receivable	2.6	4.9	6.1
Writedown of inventories	9.8	10.0	11.8
Net (gain) loss from sales of assets and businesses	(3.7)	4.2	(8.6)
Bargain purchase gain from acquisition	—	—	(8.8)
Deferred income tax expense (benefit)	24.1	(39.8)	(32.9)
Stock-based compensation	45.2	41.6	36.3
Excess tax benefits from stock-based compensation	(15.7)	(10.6)	(6.6)
Pension expense (benefit), net of contributions	15.6	(1.0)	4.5
Other, net	3.1	(9.4)	1.0
Increases/decreases in, excluding effects from acquisitions and divestitures:			
Accounts and other receivables	(16.4)	(97.7)	(13.3)
Inventories	(49.1)	(21.9)	(4.1)
Other current assets	(.4)	1.4	(1.0)
Accounts payable	(54.3)	47.5	35.0
Accrued expenses and other current liabilities	(50.6)	124.3	9.8
Net Cash Provided by Operating Activities	359.1	381.9	416.9
Investing Activities			
Additions to property, plant and equipment	(103.2)	(94.1)	(80.6)
Purchases of companies, net of cash acquired	(11.1)	(70.4)	(27.9)
Proceeds from sales of assets and businesses	51.4	76.5	18.9
Liquidation of unconsolidated entity	—	—	21.2
Other, net	(6.7)	(14.7)	(6.9)
Net Cash Used for Investing Activities	(69.6)	(102.7)	(75.3)
Financing Activities			
Additions to long-term debt	.4	299.3	—
Payments on long-term debt	(205.0)	(188.1)	(203.7)
Change in commercial paper and short-term debt	201.3	(24.2)	23.3
Dividends paid	(171.6)	(167.5)	(124.9)
Issuances of common stock	8.3	21.8	36.9
Purchases of common stock	(191.5)	(149.7)	(169.4)
Excess tax benefits from stock-based compensation	15.7	10.6	6.6
Other, net	(6.8)	(5.8)	(3.1)
Net Cash Used for Financing Activities	(349.2)	(203.6)	(434.3)
Effect of Exchange Rate Changes on Cash	(19.9)	(15.5)	6.3
Increase (decrease) in Cash and Cash Equivalents	(79.6)	60.1	(86.4)
Cash and Cash Equivalents—Beginning of Year	332.8	272.7	359.1

Cash and Cash Equivalents—End of Year	$253.2	$332.8	$272.7
Supplemental Information			
Interest paid (net of amounts capitalized)	$43.6	$40.1	$45.2
Income taxes paid	91.6	84.6	71.1
Property, plant and equipment acquired through capital leases	1.6	3.7	1.1

The accompanying notes are an integral part of these financial statements.

Table of Contents

LEGGETT & PLATT, INCORPORATED

Consolidated Statements of Changes in Equity

(Amounts in millions, except per share data)	Common Stock Shares	Common Stock Amount	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Non-controlling Interest	Total Equity
Balance, December 31, 2012	198.8	$2.0	$458.6	$2,109.6	$71.0	(56.7)	$(1,206.7)	$7.7	$1,442.2
Net earnings	—	—	—	199.7	—	—	—	—	199.7
(Earnings) attributable to noncontrolling interest, net of tax	—	—	—	(2.4)	—	—	—	2.4	—
Dividends declared (A)	—	—	3.5	(170.5)	—	—	—	—	(167.0)
Dividends paid to noncontrolling interest	—	—	—	—	—	—	—	(2.4)	(2.4)
Treasury stock purchased	—	—	—	—	—	(5.9)	(183.6)	—	(183.6)
Treasury stock issued	—	—	(12.8)	—	—	3.2	69.6	—	56.8
Foreign currency translation adjustments	—	—	—	—	(5.2)	—	—	.2	(5.0)
Cash flow hedges, net of tax	—	—	—	—	2.0	—	—	—	2.0
Defined benefit pension plans, net of tax	—	—	—	—	26.7	—	—	—	26.7
Stock options and benefit plan transactions, net of tax	—	—	29.8	—	—	—	—	—	29.8
Balance, December 31, 2013	198.8	$2.0	$479.1	$2,136.4	$94.5	(59.4)	$(1,320.7)	$7.9	$1,399.2
Net earnings	—	—	—	101.2	—	—	—	—	101.2
(Earnings) attributable to noncontrolling interest, net of tax	—	—	—	(3.2)	—	—	—	3.2	—
Dividends declared (A)	—	—	4.9	(173.1)	—	—	—	—	(168.2)
Dividends paid to noncontrolling interest	—	—	—	—	—	—	—	(2.5)	(2.5)
Treasury stock purchased	—	—	—	—	—	(5.4)	(183.9)	—	(183.9)
Treasury stock issued	—	—	(16.0)	—	—	3.8	88.0	—	72.0
Foreign currency translation adjustments	—	—	—	—	(71.5)	—	—	(.2)	(71.7)
Cash flow hedges, net of tax	—	—	—	—	3.4	—	—	—	3.4
Defined benefit pension plans, net of	—	—	—	—	(29.0)	—	—	—	(29.0)

tax