Leggett & Platt, Incorporated

Notes to Consolidated Financial Statements

(Dollar amounts in millions, except per share data)

December 31, 2021, 2020 and 2019

A—Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of Leggett & Platt, Incorporated and its majority-owned subsidiaries (“we” or “our”). Management does not expect foreign exchange restrictions to significantly impact the ultimate realization of amounts consolidated in the accompanying financial statements for subsidiaries located outside the United States. All intercompany transactions and accounts have been eliminated in consolidation.

ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the accrual and disclosure of loss contingencies.

CASH EQUIVALENTS: Cash equivalents include cash in excess of daily requirements, which is invested in various financial instruments with original maturities of three months or less.

TRADE AND OTHER RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS: Trade receivables are recorded at the invoiced amount and generally do not bear interest. Credit is also occasionally extended in the form of a note receivable to facilitate our customers’ operating cycles. Other notes receivable are established in special circumstances, such as in partial payment for the sale of a business or to support other business opportunities. Other notes receivable generally bear interest at market rates commensurate with the corresponding credit risk on the date of origination.

We participate in trade receivables sales programs in combination with third-party banking institutions and certain customers. Under each of these programs, we sell our entire interest in the trade receivable for 100% of face value, less a discount. Because control of the sold receivable is transferred to the buyer at the time of sale, accounts receivable balances sold are removed from the Consolidated Balance Sheets and the related proceeds are reported as cash provided by operating activities in the Consolidated Statements of Cash Flows. We had approximately $35.0 and $45.0 of trade receivables that were sold and removed from our Consolidated Balance Sheets at December 31, 2021 and 2020, respectively.

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

The allowance for doubtful accounts is an estimate of the amount of probable credit losses. On January 1, 2020, we adopted ASU 2016-13 "Financial Instruments—Credit Losses" (Topic 326) as discussed in Note H. Prior to adoption, allowances and nonaccrual status designations were determined by individual account reviews by management and were based on several factors, such as the length of time that receivables were past due, the financial health of the companies involved, industry and macroeconomic considerations, and historical loss experience. To determine our allowance for doubtful accounts under the new guidance, we also utilize a pool approach to group our receivables with similar risk characteristics. Our pools correspond with our business units, which generally have similar terms, industry-specific conditions, and historical or expected loss patterns. Reserves are established for each pool based on their level of risk exposure. When credit deterioration occurs on a specific customer within a pool, we evaluate the receivable separately to estimate the expected credit loss, based on the specific risk characteristics. A qualitative reserve is also established for any current macroeconomic conditions or reasonable and supportable forecasts that could impact the expected collectability of all or a portion of our receivables portfolio.

Account balances are charged against the allowance when it is probable the receivable will not be recovered. Interest income is not recognized for nonperforming accounts that are placed on nonaccrual status. For accounts on nonaccrual status, any interest payments received are applied against the balance of the nonaccrual account.

ACCOUNTS PAYABLE: Accounts payable are recorded at the invoiced amount for services at the time they are rendered and for inventory based on the delivery terms of the purchase. We sometimes utilize third-party programs that allow our suppliers to be paid earlier at a discount. While these programs assist us in negotiating payment terms with our suppliers, we continue to make payments based on our customary terms. A supplier can elect to take payment from a third party earlier with a discount, and in that case, we pay the third party on the original due date of the invoice. Contracts with our suppliers are negotiated independently of supplier participation in the programs, and we cannot increase payment terms pursuant to the programs. The accounts payable settled through the third-party programs, which remain on our Consolidated Balance Sheets, were approximately $130.0 and $105.0 at December 31, 2021 and 2020, respectively.

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

INVENTORIES: As of January 1, 2021, we changed our method for valuing certain inventories (primarily domestic steel-related inventories, largely in the Bedding Products and Furniture, Flooring & Textile Products segments) to the first-in, first-out (FIFO) cost method from the last-in, first-out (LIFO) cost method. We believe that this change in accounting is preferable as it more closely resembles the physical flow of inventory, is a more consistent method to value inventory across all our businesses, and results in improved comparability with industry peers. After this change, we no longer utilize the LIFO cost method; the majority of our inventories are now valued using the FIFO cost method, with the remainder valued using an average-cost method. Prior to this change, our LIFO inventories represented about one-third of our total inventories as of December 31, 2020.

The effects of this change have been retrospectively applied to all periods presented. This change resulted in an increase to retained earnings of $49.2 as of January 1, 2019 in accordance with ASC 250, Accounting Changes and Error Corrections.

In addition, certain financial statement line items in our Consolidated Statements of Operations and Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019 and our Consolidated Balance Sheet as of December 31, 2020, were adjusted as follows:

	As Originally Reported	Effect of Change	As Adjusted
Consolidated Statement of Operations for the year ended December 31, 2020			
Cost of goods sold	$ 3,385.7	$ (9.6)	$ 3,376.1
Other (income) expense, net	(25.0)	2.6	(22.4)
Earnings before interest and income taxes	400.5	7.0	407.5
Income taxes	73.2	1.6	74.8
Net earnings	247.7	5.4	253.1
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders:			
Basic	$ 1.82	$ .04	$ 1.86
Diluted	$ 1.82	$ .04	$ 1.86
Consolidated Statement of Operations for the year ended December 31, 2019			
Cost of goods sold	$ 3,701.9	$ 26.6	$ 3,728.5
Earnings before interest and income taxes	513.4	(26.6)	486.8
Income taxes	96.2	(6.8)	89.4
Net earnings	333.9	(19.8)	314.1
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders:			
Basic	$ 2.48	$ (.15)	$ 2.33
Diluted	$ 2.47	$ (.15)	$ 2.32
Consolidated Balance Sheet as of December 31, 2020			
Inventories	$ 645.5	$ 46.0	$ 691.5
Deferred income taxes	194.2	11.2	205.4
Retained earnings	2,762.4	34.8	2,797.2
Consolidated Statement of Cash Flows for the year ended December 31, 2020			
Net earnings	$ 247.7	$ 5.4	$ 253.1
Writedown of inventories	10.9	2.7	13.6
Net gain from sales of assets and businesses	(2.5)	2.5	—
Deferred income tax (benefit) expense	(22.5)	1.6	(20.9)
Inventories	(19.7)	(12.2)	(31.9)
Consolidated Statement of Cash Flows for the year ended December 31, 2019			
Net earnings	$ 333.9	$ (19.8)	$ 314.1
Writedown of inventories	9.0	6.1	15.1
Deferred income tax (benefit) expense	7.6	(6.8)	.8
Inventories	53.3	20.5	73.8

The following table compares the amounts that would have been reported under LIFO with the amounts recorded under FIFO in the Consolidated Financial Statements as of December 31, 2021 and for the year then ended:

	As Reported under FIFO	LIFO Calculations	Computed as if the LIFO Methodology was Utilized
Consolidated Statement of Operations for the year ended December 31, 2021			
Cost of goods sold	$ 4,034.3	$ 66.9	$ 4,101.2
Earnings before interest and income taxes	596.0	(66.9)	529.1
Income taxes	119.5	(16.5)	103.0
Net earnings	402.6	(50.4)	352.2
Net earnings per share attributable to Leggett & Platt, Inc. common shareholders:			
Basic	$ 2.95	$ (.37)	$ 2.58
Diluted	$ 2.94	$ (.37)	$ 2.57
Consolidated Balance Sheet as of December 31, 2021			
Inventories	$ 993.2	$ (112.9)	$ 880.3
Deferred income taxes	217.4	(27.7)	189.7
Retained earnings	2,973.0	(85.2)	2,887.8
Consolidated Statement of Cash Flows for the year ended December 31, 2021			
Net earnings	$ 402.6	$ (50.4)	$ 352.2
Writedown of inventories	13.7	(2.2)	11.5
Deferred income tax (benefit) expense	(8.5)	(16.5)	(25.0)
Inventories	(305.0)	69.1	(235.9)

The following table recaps the components of inventory for each period presented:

	December 31, 2021	December 31, 2020
Finished goods	$ 429.1	$ 303.8
Work in process	66.9	47.2
Raw materials and supplies	497.2	340.5
Inventories	$ 993.2	$ 691.5

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

Increased inventories in 2021 were primarily driven by inflationary impacts (including higher freight costs), stock build to ensure consistent supply to our customers, and planned investments to rebuild inventory levels in our Rod, Wire, and U.S. Spring businesses. Softening demand in the bedding market in the fourth quarter, along with our decision to postpone the reheat furnace replacement at our steel rod mill until first quarter of 2022 also contributed to higher year-end inventories.

Inventories are reviewed at least quarterly for slow-moving and potentially obsolete items using actual inventory turnover and, if necessary, are written down to estimated net realizable value. Restructuring activity and decisions to narrow product offerings (as discussed in Note E) also impact the estimated net realizable value of inventories. We have had no material changes in inventory writedowns or slow-moving and obsolete inventory reserves in any of the years presented, and our recent increased inventory levels are not indicative of slow-moving or potential inventory obsolescence.

ACQUISITIONS: When acquisitions occur, we value the assets acquired, liabilities assumed, and any noncontrolling interest in acquired companies at estimated acquisition-date fair values. Goodwill is measured as the excess amount of consideration transferred, compared to fair value of the assets acquired and the liabilities assumed. While we use our best

estimates and assumptions to accurately value these items at the acquisition date (as well as contingent consideration where applicable), our estimates are inherently uncertain and subject to refinement during the measurement period, which may be up to one year from the acquisition date.

We utilize the following methodologies in determining fair value:

- Inventory is valued at current replacement cost for raw materials, with a step-up for work in process and finished goods items that reflects the amount of ultimate profit earned as of the valuation date.
- Other working capital items are generally recorded at carrying value, unless there are known conditions that would impact the ultimate settlement amount of the particular item.
- Buildings and machinery are valued at an estimated replacement cost for an asset of comparable age and condition. Market pricing of comparable assets is used to estimate replacement cost where available.
- The most common identified intangible assets are customer relationships, technology, and tradenames. Discount rates discussed below are typically derived from a weighted-average cost of capital analysis and adjusted to reflect inherent risks.
    - Customer relationships are valued using an excess earnings method using various inputs, such as the estimated customer attrition rate, revenue growth rate and cost of sales, the amount of contributory asset charges, and an appropriate discount rate. The economic useful life is determined based on historical customer turnover rates.
    - Technology and tradenames are valued using a relief-from-royalty method, with various inputs, such as comparable market royalty rates for items of similar value, future earnings forecast, an appropriate discount rate, and a replacement rate for technology. The economic useful life is determined based on the expected life of the technology and tradenames.

LOSS CONTINGENCIES: Loss contingencies are accrued when a loss is probable and reasonably estimable. If a range of outcomes is possible, the most likely outcome is used to accrue these costs. If no outcome is more likely, we accrue at the minimum amount of the range. Any insurance recovery is recorded separately if it is determined that a recovery is probable. Legal fees are accrued when incurred.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment is stated at cost, less accumulated depreciation. Assets are depreciated by the straight-line method and salvage value, if any, is assumed to be minimal. The table below presents the depreciation periods of the estimated useful lives of our property, plant and equipment. Accelerated methods are used for tax purposes.

	Useful Life Range	Weighted Average Life
Machinery and equipment	3-20 years	10 years
Buildings	5-40 years	27 years
Other items	3-15 years	10 years

Property is reviewed for recoverability at year end and whenever events or changes in circumstances indicate that its carrying value may not be recoverable as discussed above.

GOODWILL: Goodwill results from the acquisition of existing businesses. It is assessed for impairment annually and as triggering events may occur. Our seven reporting units are the business groups one level below the operating segment level for which discrete financial information is available. We perform our annual review in the second quarter of each year using a quantitative analysis.

Prior to 2020, the quantitative analysis utilized a two-step approach which involved a comparison of the fair value of a reporting unit with its carrying value. If the carrying value of the reporting unit exceeded its fair value, the second step of the process was necessary and involved a comparison of the implied fair value and the carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeded the implied fair value of that goodwill, an impairment loss was recognized in an amount equal to the excess.

Beginning in 2020, we implemented ASU 2017-04 "Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment." The new process eliminated Step 2 from the goodwill impairment test. The test is now performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge is recognized for

the amount by which the carrying amount exceeds the reporting unit's fair value, up to the total amount of goodwill for the reporting unit.

Fair value of reporting units is determined using a combination of two valuation methods: a market approach and an income approach. Absent an indication of fair value from a potential buyer or similar specific transaction, we believe that the use of these two methods provides a reasonable estimate of a reporting unit’s fair value. Assumptions common to both methods are operating plans and economic projections, which are used to project future revenues, earnings, and after-tax cash flows for each reporting unit. These assumptions are applied consistently for both methods.

The market approach estimates fair value by first determining price-to-earnings ratios for comparable publicly-traded companies with similar characteristics of the reporting unit. The price-to-earnings ratio for comparable companies is based upon current enterprise value compared to the projected earnings for the next two years. The enterprise value is based upon current market capitalization and includes a control premium. Projected earnings are based upon market analysts’ projections. The earnings ratios are applied to the projected earnings of the comparable reporting unit to estimate fair value. Management believes this approach is appropriate because it provides a fair value estimate using multiples from entities with operations and economic characteristics comparable to our reporting units.

The income approach is based on projected future (debt-free) cash flow that is discounted to present value using factors that consider the timing and risk of future cash flows. Management believes that this approach is appropriate because it provides a fair value estimate based upon the reporting unit’s expected long-term operating cash flow performance. Discounted cash flow projections are based on 10-year financial forecasts developed from operating plans and economic projections noted above, sales growth, estimates of future expected changes in operating margins, an appropriate discount rate, terminal value growth rates, future capital expenditures, and changes in working capital requirements. There are inherent assumptions and judgments required in the analysis of goodwill impairment. It is possible that assumptions underlying the impairment analysis will change in such a manner that impairment in value may occur in the future.

OTHER INTANGIBLE ASSETS: Substantially all other intangible assets are amortized using the straight-line method over their estimated useful lives and are evaluated for impairment using a process similar to that used in evaluating the recoverability of property, plant and equipment.

	Useful Life Range	Weighted Average Life
Other intangible assets	1-20 years	15 years

STOCK-BASED COMPENSATION: The cost of employee services received in exchange for all equity awards granted is based on the fair market value of the award as of the grant date. Expense is recognized net of an estimated forfeiture rate using the straight-line method over the vesting period of the award.

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

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

Some of our customers have the right to return products after transfer. For this right, we recognize an estimated refund liability and a corresponding reduction to revenue, based on historical returns experience. We also record an asset and a corresponding reduction to cost of sales for our right to recover products from customers upon settling the refund liability. We reduce the carrying amount of these assets by estimates of costs associated with the recovery and any additional expected reduction in value. Our refund liability and the corresponding asset associated with our right to recover products from our customers were immaterial for the periods presented.

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

because the amortization period would be one year or less. Sales, value added, and other taxes collected in connection with revenue-producing activities are excluded from revenue.

SHIPPING AND HANDLING FEES AND COSTS: Shipping and handling costs are included as a component of “Cost of goods sold.”

RESTRUCTURING COSTS: Restructuring costs are items such as employee termination, contract termination, plant closure, and asset relocation costs related to exit activities or workforce reductions. Restructuring-related items are primarily inventory writedowns. We recognize a liability for costs associated with an exit or disposal activity when the liability is incurred. Certain termination benefits for which employees are required to render service are recognized ratably over the respective future service periods.

INCOME TAXES: The provision for income taxes is determined using the asset and liability approach of accounting for income taxes. Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of our assets and liabilities and are adjusted for changes in tax rates and laws, as appropriate. A valuation allowance is provided to reduce deferred tax assets when management cannot conclude that it is more likely than not that a tax benefit will be realized. A provision is also made for incremental withholding taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be indefinitely invested.

The calculation of our U.S., state, and foreign tax liabilities involves dealing with uncertainties in the application of complex global tax laws. We recognize potential liabilities for anticipated tax issues which might arise in the U.S. and other tax jurisdictions based on management’s estimate of whether, and the extent to which, additional taxes will be due. If payment of these amounts ultimately proves to be unnecessary, the reversal of the liabilities would result in tax benefits being recognized in the period when we determine the liabilities are no longer necessary. Conversely, if the estimate of tax liabilities proves to be less than the ultimate tax assessment, a further charge to tax expense would result.

CONCENTRATION OF CREDIT RISKS, EXPOSURES, AND FINANCIAL INSTRUMENTS: We manufacture, market, and distribute products for the various end markets described in Note F. Our operations are principally located in the United States, although we also have operations in Europe, China, Canada, Mexico, and other countries.

We maintain allowances for potential credit losses. We perform ongoing credit evaluations of our customers’ financial conditions and generally require no collateral from our customers, some of which are highly leveraged. Management also monitors the financial condition and status of other notes receivable. Other notes receivable have historically primarily consisted of notes accepted as partial payment for the divestiture of a business or to support other business opportunities. Some of these companies are highly leveraged and the notes are not fully collateralized.

We have no material guarantees or liabilities for product warranties which require disclosure.

From time to time, we will enter into contracts to hedge foreign currency denominated transactions and interest rates related to our debt. To minimize the risk of counterparty default, only highly-rated financial institutions that meet certain requirements are used. We do not anticipate that any of the financial institution counterparties will default on their obligations.

The carrying value of cash and short-term financial instruments approximates fair value due to the short maturity of those instruments.

OTHER RISKS: Although we obtain insurance for workers’ compensation, automobile, product and general liability, property loss, and medical claims, we have elected to retain a significant portion of expected losses through the use of deductibles. Accrued liabilities include estimates for unpaid reported claims and for claims incurred but not yet reported. Provisions for losses are recorded based upon reasonable estimates of the aggregate liability for claims incurred utilizing our prior experience and information provided by our third-party administrators and insurance carriers.

DERIVATIVE FINANCIAL INSTRUMENTS: We utilize derivative financial instruments to manage market and financial risks related to foreign currency and interest rates. We seek to use derivative contracts that qualify for hedge accounting treatment; however, some instruments that economically manage currency risk may not qualify for hedge accounting treatment. It is our policy not to speculate using derivative instruments.

Under hedge accounting, we formally document our hedge relationships, including identification of the hedging instruments and the hedged items, as well as our risk management objectives and strategies for entering into the hedge transaction. The process includes designating derivative instruments as hedges of specific assets, liabilities, firm commitments, or forecasted transactions. We also formally assess both at inception and on a quarterly basis thereafter, whether the underlying transactions are probable of occurring. If it is determined that an underlying transaction is probable of not occurring, deferred gains or losses are recorded in the Consolidated Statements of Operations.

On the date the contract is entered into, we designate the derivative as one of the following types of hedging instruments and account for it as follows:

Cash Flow Hedge—The hedge of a forecasted transaction or of the variability of cash flows to be received or paid, related to a recognized asset or liability or anticipated transaction, is designated as a cash flow hedge. The change in fair value is recorded in accumulated other comprehensive income. When the hedged item impacts the income statement, the gain or loss included in "Other comprehensive income (loss)" is reported on the same line of the Consolidated Statements of Operations as the hedged item, to match the gain or loss on the derivative to the gain or loss on the hedged item. If it is determined that an underlying transaction is probable of not occurring, the change in the fair value is immediately reported in the Consolidated Statements of Operations on the same line as the hedged item. Settlements associated with the sale or production of product are presented in operating cash flows, and settlements associated with debt issuance are presented in financing cash flows.

Fair Value Hedge—The hedge of a recognized asset or liability or an unrecognized firm commitment is designated as a fair value hedge. For fair value hedges the changes in fair value of the derivative, along with the gain or loss on the hedged item that is attributable to the hedged risk, are recorded in earnings and reported in the Consolidated Statements of Operations on the same line as the hedged item. Cash flows from settled contracts are presented in the category consistent with the nature of the item being hedged.

FOREIGN CURRENCY TRANSLATION: The functional currency for most foreign operations is the local currency. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for income and expense accounts using monthly average exchange rates. The cumulative effects of translating the functional currencies into the U.S. dollar are included in comprehensive income.

RECLASSIFICATIONS: Certain immaterial reclassifications have been made to the prior years' information in the Consolidated Financial Statements and related notes to conform to the 2021 presentation.

NEW ACCOUNTING GUIDANCE: The Financial Accounting Standards Board (FASB) regularly issues updates to the FASB Accounting Standards Codification that are communicated through issuance of an Accounting Standards Update (ASU).

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

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

B—Revenue

Revenue by Product Family

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

	Year Ended December 31		
	2021	2020	2019
Bedding Products			
Bedding Group	**$ 2,455.9**	$ 2,039.3	$ 2,254.3
	2,455.9	2,039.3	2,254.3
Specialized Products			
Automotive Group	**801.4**	719.0	816.1
Aerospace Products Group	**102.9**	102.4	157.7
Hydraulic Cylinders Group	**94.6**	69.8	93.0
	998.9	891.2	1,066.8
Furniture, Flooring & Textile Products			
Home Furniture Group	**434.3**	320.9	357.4
Work Furniture Group	**284.1**	231.1	297.3
Flooring & Textile Products Group	**899.4**	797.7	776.7
	1,617.8	1,349.7	1,431.4
	$ 5,072.6	$ 4,280.2	$ 4,752.5

C—Impairment Charges

Pretax impairment charges are reported in “Impairments” in the Consolidated Statements of Operations and summarized in the following table. We did not have any impairment charges in 2021.

	Year Ended			
	2020			2019
	Goodwill Impairment	Other Long-Lived Asset Impairments [2]	Total Impairments	Other Long-Lived Asset Impairments [2]
Bedding Products	$ —	$ .3	$ .3	$ 4.4
Specialized Products	25.4	—	25.4	—
Furniture, Flooring & Textile Products	—	.2	.2	3.4
Unallocated [1]	—	3.5	3.5	—
Total impairment charges	$ 25.4	$ 4.0	$ 29.4	$ 7.8

[1] This charge was incurred to write off stock associated with a prior year divestiture that filed bankruptcy in 2020.
[2] Except as noted above, other long-lived asset impairments are primarily associated with restructuring activities, as discussed in Note E.

Goodwill Impairment Testing

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

The 2021 and 2019 annual goodwill impairment reviews indicated no goodwill impairments.

The annual goodwill impairment testing performed in the second quarter of 2020 resulted in a $25.4 non-cash goodwill impairment charge with respect to our Hydraulic Cylinders reporting unit (which is a part of the Specialized Products segment) and reflected the complete write-off of the goodwill associated with this reporting unit.

The fair values of our reporting units in relation to their respective carrying values and significant assumptions used are presented in the tables below. If actual results differ materially from estimates used in these calculations, we could incur future impairment charges.

The tables below exclude Hydraulic Cylinders, as this unit had no goodwill remaining after the second quarter 2020 impairment.

2021						
Fair Value over Carrying Value divided by Carrying Value		**December 31, 2021 Goodwill Value**	**10-year Compound Annual Growth Rate Range for Sales**	**Terminal Values Long-term Growth Rate for Debt-Free Cash Flow**		**Discount Rate Ranges**
Less than 50% [1]	$	67.5	7.8%	3.0	%	10.0%
50% - 100% [2]		101.0	5.5	3.0		9.0
101% - 300%		1,086.9	3.1 - 3.3	3.0		8.0 - 8.5
Greater than 300%		194.2	2.9 - 10.4	3.0		9.0
	$	1,449.6	2.9% - 10.4%	3.0	%	8.0% - 10.0%

2020						
Fair Value over Carrying Value divided by Carrying Value		**December 31, 2020 Goodwill Value**	**10-year Compound Annual Growth Rate Range for Sales**	**Terminal Values Long-term Growth Rate for Debt-Free Cash Flow**		**Discount Rate Ranges**
Less than 50% [2]	$	97.2	2.1%	3.0	%	9.0%
50% - 100% [3]		916.3	2.0 - 3.6	3.0		9.0 - 10.0
101% - 300%		247.7	1.6 - 1.7	3.0		8.5 - 9.5
Greater than 300%		127.6	6.7	3.0		9.0
	$	1,388.8	1.6% - 6.7%	3.0	%	8.5% - 10.0%

[1] This category includes one reporting unit, Aerospace, which had fair value exceeding its carrying value by 28% at June 30, 2021, as compared to 51% in 2020. Goodwill associated with the Aerospace reporting unit was $67.5 at December 31, 2021 and $59.5 at December 31, 2020.

[2] This category includes one reporting unit, Work Furniture, which had fair value exceeding its carrying value by 85% at June 30, 2021 as compared to 25% in 2020. Goodwill associated with the Work Furniture reporting unit was $101.0 at December 31, 2021 and $97.2 at December 31, 2020.

[3] This category includes two reporting units consisting of Aerospace (discussed above) and Bedding, which had fair value exceeding its carrying value by 171% at June 30, 2021, as compared to 65% in 2020. Goodwill associated with the Bedding reporting unit was $908.3 at December 31, 2021 and $856.8 at December 31, 2020.

Other long-lived assets

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

D—Goodwill and Other Intangible Assets

The changes in the carrying amounts of goodwill are as follows:

	Bedding Products	Specialized Products	Furniture, Flooring & Textile Products	Total
Net goodwill as of January 1, 2020	$ 855.9	$ 208.8	$ 341.6	$ 1,406.3
Adjustments to prior year acquisitions	—	—	.6	.6
Reductions for sale of business	(2.5)	—	—	(2.5)
Impairment charge	—	(25.4)	—	(25.4)
Foreign currency translation adjustment/other	3.5	3.6	2.7	9.8
Net goodwill as of December 31, 2020	856.9	187.0	344.9	1,388.8
Additions for current year acquisitions	58.3	8.2	4.4	70.9
Reductions for sale of business	(1.3)	—	—	(1.3)
Foreign currency translation adjustment	(5.6)	(2.5)	(.7)	(8.8)
Net goodwill as of December 31, 2021	**$ 908.3**	**$ 192.7**	**$ 348.6**	**$ 1,449.6**
Net goodwill as of December 31, 2021 is comprised of:				
Gross goodwill	$ 913.7	$ 284.8	$ 599.2	$ 1,797.7
Accumulated impairment losses	(5.4)	(92.1)	(250.6)	(348.1)
Net goodwill as of December 31, 2021	**$ 908.3**	**$ 192.7**	**$ 348.6**	**$ 1,449.6**

The gross carrying amount and accumulated amortization by intangible asset class and intangible assets acquired during the periods presented, included in "Other intangibles, net" on the Consolidated Balance Sheets, are as follows:

	December 31, 2021			Year Ended December 31, 2021	
	Gross Carrying Amount	Accumulated Amortization	Net Intangibles	Gross carrying amounts of items acquired	Weighted average amortization in years for items acquired
Customer-related intangibles	**$ 610.6**	**$ 172.0**	**$ 438.6**	**$ 64.9**	**15.0**
Technology	**183.5**	**38.4**	**145.1**	**5.4**	**8.0**
Patents and trademarks	**139.8**	**47.2**	**92.6**	**8.7**	**15.1**
Non-compete agreements, supply agreements and other	**72.0**	**40.5**	**31.5**	**4.3**	**2.9**
Total	**$ 1,005.9**	**$ 298.1**	**$ 707.8**	**$ 83.3**	**13.9**
	December 31, 2020			**Year Ended December 31, 2020**	
Customer-related intangibles	$ 572.6	$ 156.1	$ 416.5	$ .2	15.0
Technology	178.2	25.5	152.7	—	0
Patents and trademarks	134.6	42.8	91.8	1.0	19.3
Non-compete agreements, supply agreements and other	79.8	39.2	40.6	6.2	6.2
Total	$ 965.2	$ 263.6	$ 701.6	$ 7.4	8.2

The gross carrying amount of acquired intangible assets related to business acquisitions was $80.3 and $0 at December 31, 2021 and 2020, respectively. For information regarding our business acquisitions, see Note R.

Estimated amortization expense for the items above included in our December 31, 2021 Consolidated Balance Sheets in each of the next five years is as follows:

2022	$	69.9
2023		68.2
2024		60.4
2025		58.3
2026		56.5

E—Restructuring and Restructuring-Related Charges

We implemented various cost reduction initiatives to improve our operating cost structures in the periods presented. These cost initiatives have, among other actions, included workforce reductions and the closure or consolidation of certain operations. Except as discussed below, none of these initiatives has individually resulted in a material charge to earnings.

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

In response to the effect the COVID-19 pandemic had on the nature and focus of our operations during 2020, we incurred $6.5 severance expense, primarily for permanent workforce reductions associated with changes in management and organizational structure.

We incurred $4.1 of restructuring and restructuring-related costs in 2019 through 2021 concluding the 2018 Restructuring Plan (Plan) which was substantially complete by the end of 2019. This Plan was primarily associated with our Furniture, Flooring & Textile Products and Bedding Products segments, the most significant of which was the exit of our Fashion Bed business. In 2021, we sold the remaining real estate associated with our exited Fashion Bed business and realized a $28.2 gain on sale this property that is not reflected in the tables below. We also incurred impairment costs of $8.1 in 2019 and 2020 associated with this Plan. See Note C for additional information.

The table below presents all restructuring and restructuring-related activity for the periods presented:

	Year Ended December 31		
	2021	**2020**	**2019**
Charged to other (income) expense, net:			
Severance and other restructuring costs	**$ (.3)**	$ 7.6	$ 8.1
Charged to cost of goods sold:			
Inventory obsolescence and other	**—**	.3	(5.3)
Total restructuring and restructuring-related costs	**$ (.3)**	$ 7.9	$ 2.8
Amount of total that represents cash charges	**$ (.3)**	$ 7.6	$ 8.1

Restructuring and restructuring-related charges by segment were as follows:

	Year Ended December 31		
	2021	**2020**	**2019**
Bedding Products	**$ .1**	$ 2.6	$ 1.2
Specialized Products	**(.9)**	3.9	—
Furniture, Flooring & Textile Products	**.5**	1.4	1.6
Total	**$ (.3)**	$ 7.9	$ 2.8

The accrued liability associated with our total restructuring initiatives consisted of the following:

	Balance at December 31, 2019	Add: 2020 Charges	Less: 2020 Payments	Balance at December 31, 2020	Add: 2021 Charges	Less: 2021 Payments	Balance at December 31, 2021
Termination benefits	$ 3.5	$ 7.0	$ 7.1	$ 3.4	**$ (.4)**	**$ 2.2**	**$ .8**
Contract termination costs	—	.2	—	.2	**—**	**.2**	**—**
Other restructuring costs	.7	.4	.6	.5	**.1**	**.1**	**.5**
	$ 4.2	$ 7.6	$ 7.7	$ 4.1	**$ (.3)**	**$ 2.5**	**$ 1.3**

Divestitures

During 2021, we divested a specialty wire operation in our Drawn Wire business within our Bedding Products segment.

- Annual external sales for this business were approximately $12.0, and EBIT was approximately $2.0.
- The aggregate selling price was approximately $7.0, and there was no material gain or loss recognized on the sale of this business.

During 2020, we divested two small businesses in our Bedding Products segment: the final operation in our exited Fashion Bed business and a specialty wire operation in our Drawn Wire business.

- Annual external sales for these businesses were approximately $45.0, and EBIT was approximately $2.0.
- The aggregate selling price was approximately $11.0, and there was no material gain or loss recognized on the sale of these businesses.

F—Segment Information

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

- *Bedding Products:* This segment supplies a variety of components and machinery used by bedding manufacturers in the production and assembly of their finished products, as well as produces private label finished mattresses for bedding brands and adjustable bed bases. This segment is also vertically integrated into the production and supply of specialty foam chemicals, steel rod, and drawn steel wire to our own operations and to external customers. Our trade customers for wire make mechanical springs and many other end products.
- *Specialized Products:* From this segment, we supply lumbar support systems, seat suspension systems, motors and actuators, and control cables used by automotive manufacturers. We also produce and distribute tubing and tube assemblies for the aerospace industry and engineered hydraulic cylinders used in the material-handling and construction industries.
- *Furniture, Flooring & Textile Products:* Operations in this segment supply a wide range of components for residential and work furniture manufacturers, as well as select lines of private label finished furniture. We also produce or distribute carpet cushion, hard surface flooring underlayment, and textile and geo components.

Our reportable segments are the same as our operating segments, which also correspond with our management organizational structure. Each reportable segment has a vice president who has accountability to, and maintains regular contact with, our chief executive officer, who is the chief operating decision maker (CODM). The operating results and financial information reported through the segment structure are regularly reviewed and used by the CODM to evaluate segment performance, allocate overall resources, and determine management incentive compensation.

The accounting principles used in the preparation of the segment information are the same as those used for the consolidated financial statements. We evaluate performance based on Earnings Before Interest and Taxes (EBIT). Intersegment sales are made primarily at prices that approximate market-based selling prices. Centrally incurred costs are allocated to the segments based on estimates of services used by the segment. Certain of our general and administrative costs and miscellaneous corporate income and expenses are allocated to the segments based on sales or other appropriate metrics. These allocated corporate costs include depreciation and other costs and income related to assets that are not allocated or otherwise included in the segment assets.

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

A summary of segment results for the periods presented are as follows:

	Year Ended December 31				
	Trade Sales [1]	Inter-Segment Sales	Total Segment Sales	EBIT	Depreciation and Amortization
2021					
Bedding Products [2]	**$ 2,455.9**	**$ 44.1**	**$ 2,500.0**	**$ 321.3**	**$ 106.8**
Specialized Products	**998.9**	**3.6**	**1,002.5**	**115.9**	**44.8**
Furniture, Flooring & Textile Products	**1,617.8**	**13.4**	**1,631.2**	**159.5**	**24.0**
Intersegment eliminations and other [3]				**(.7)**	**11.7**
	$ 5,072.6	**$ 61.1**	**$ 5,133.7**	**$ 596.0**	**$ 187.3**
2020					
Bedding Products	$ 2,039.3	$ 32.2	$ 2,071.5	$ 192.4	$ 106.7
Specialized Products [4]	891.2	2.8	894.0	92.0	44.3
Furniture, Flooring & Textile Products	1,349.7	13.8	1,363.5	126.5	25.5
Intersegment eliminations and other [3,5]				(3.4)	12.9
	$ 4,280.2	$ 48.8	$ 4,329.0	$ 407.5	$ 189.4
2019					
Bedding Products	$ 2,254.3	$ 41.3	$ 2,295.6	$ 214.9	$ 107.3
Specialized Products	1,066.8	3.2	1,070.0	169.9	41.8
Furniture, Flooring & Textile Products	1,431.4	16.0	1,447.4	102.3	25.7
Intersegment eliminations and other [3]				(.3)	17.1
	$ 4,752.5	$ 60.5	$ 4,813.0	$ 486.8	$ 191.9

[1] See Note B for revenue by product family.

[2] 2021 EBIT: Includes $28.2 gain on the sale of real estate associated with our exited Fashion Bed business.

[3] Depreciation and amortization: Other relates to non-operating assets (assets not included in segment assets) and is allocated to segment EBIT as discussed above.

[4] 2020 EBIT: Includes $25.4 of goodwill impairment for the Hydraulic Cylinders unit as discussed in Note C.

[5] 2020 EBIT: Other includes a charge to write off stock associated with a prior year divestiture that filed bankruptcy in 2020.

Average assets for our segments are shown in the table below and reflect the basis for return measures used by management to evaluate segment performance. These segment totals include working capital (all current assets and current liabilities) plus net property, plant and equipment. Segment assets for all years are reflected at their estimated average for the year. Acquired companies' long-lived assets as disclosed below include property, plant and equipment, goodwill, and intangible assets.

	Year Ended December 31		
	Assets	Additions to Property, Plant and Equipment	Acquired Companies' Long-Lived Assets
2021			
Bedding Products	**$ 836.0**	**$ 67.1**	**$ 136.6**
Specialized Products	**316.7**	**20.6**	**25.1**
Furniture, Flooring & Textile Products	**373.5**	**9.8**	**6.2**
Average current liabilities included in segment numbers above	**814.1**	**—**	**—**
Unallocated assets and other	**2,828.5**	**9.1**	**—**
Difference between average assets and year-end balance sheet	**138.5**	**—**	**—**
	$ 5,307.3	**$ 106.6**	**$ 167.9**
2020			
Bedding Products	$ 739.0	$ 27.1	$ —
Specialized Products	299.5	13.2	—
Furniture, Flooring & Textile Products	348.6	7.9	—
Average current liabilities included in segment numbers above	665.0	—	—
Unallocated assets and other	2,759.1	18.0	—
Difference between average assets and year-end balance sheet	(11.2)	—	—
	$ 4,800.0	$ 66.2	$ —
2019			
Bedding Products	$ 829.6	$ 65.4	$ 1,279.8
Specialized Products	346.4	29.3	.2
Furniture, Flooring & Textile Products	383.2	13.7	17.4
Average current liabilities included in segment numbers above	735.3	—	—
Unallocated assets and other	2,689.7	34.7	—
Difference between average assets and year-end balance sheet	(128.8)	—	—
	$ 4,855.4	$ 143.1	$ 1,297.4

Trade sales and tangible long-lived assets are presented below, based on the geography of manufacture.

	Year Ended December 31		
	2021	**2020**	**2019**
Trade sales			
Foreign sales			
Europe	**$ 589.0**	$ 420.9	$ 508.5
China	**559.0**	441.7	449.9
Canada	**262.0**	261.5	312.8
Mexico	**276.0**	215.4	256.0
Other	**116.1**	94.7	92.6
Total foreign sales	**1,802.1**	1,434.2	1,619.8
United States	**3,270.5**	2,846.0	3,132.7
Total trade sales	**$ 5,072.6**	$ 4,280.2	$ 4,752.5
Tangible long-lived assets			
Foreign tangible long-lived assets			
Europe	**$ 150.1**	$ 155.0	$ 160.2
China	**44.1**	45.4	51.6
Canada	**26.9**	30.2	36.4
Mexico	**13.9**	8.8	10.1
Other	**9.8**	11.1	14.7
Total foreign tangible long-lived assets	**244.8**	250.5	273.0
United States	**536.7**	534.3	557.8
Total tangible long-lived assets	**$ 781.5**	$ 784.8	$ 830.8

G—Earnings Per Share

Basic and diluted earnings per share were calculated as follows:

	Year Ended December 31		
	2021	**2020**	**2019**
Earnings:			
Net earnings	**$ 402.6**	$ 253.1	$ 314.1
(Earnings) attributable to noncontrolling interest, net of tax	**(.2)**	(.1)	(.1)
Net earnings attributable to Leggett & Platt, Inc. common shareholders	**$ 402.4**	$ 253.0	$ 314.0
Weighted average number of shares (in millions):			
Weighted average number of common shares used in basic EPS	**136.3**	135.7	134.8
Dilutive effect of stock-based compensation	**.4**	.2	.6
Weighted average number of common shares and dilutive potential common shares used in diluted EPS	**136.7**	135.9	135.4
Basic and Diluted EPS:			
Basic EPS attributable to Leggett & Platt, Inc. common shareholders	**$ 2.95**	$ 1.86	$ 2.33
Diluted EPS attributable to Leggett & Platt, Inc. common shareholders	**$ 2.94**	$ 1.86	$ 2.32
Other information:			
Anti-dilutive shares excluded from diluted EPS computation	**.2**	.2	.2
Cash dividends declared per share	**$ 1.66**	$ 1.60	$ 1.58

H—Accounts and Other Receivables

Accounts and other receivables at December 31 consisted of the following:

	2021		2020	
	Current	Long-term	Current	Long-term
Trade accounts receivable [1]	$ 634.2	$ —	$ 553.5	$ —
Trade notes receivable	.7	.2	.9	.3
Total trade receivables	634.9	.2	554.4	.3
Other notes receivable [1]	.7	22.5	—	22.8
Taxes receivable, including income taxes	18.8	—	14.8	—
Other receivables	12.0	—	13.6	—
Subtotal other receivables	31.5	22.5	28.4	22.8
Total trade and other receivables	666.4	22.7	582.8	23.1
Allowance for doubtful accounts:				
Trade accounts receivable [1]	(14.9)	—	(19.2)	—
Trade notes receivable	—	(.1)	—	—
Total trade receivables	(14.9)	(.1)	(19.2)	—
Other notes receivable [1]	—	(22.0)	—	(22.8)
Total allowance for doubtful accounts	(14.9)	(22.1)	(19.2)	(22.8)
Total net receivables	$ 651.5	$ .6	$ 563.6	$ .3

[1] The “Trade accounts receivable” and “Other notes receivable” line items above include $22.5 and $24.6 as of December 31, 2021 and December 31, 2020, respectively, from a customer in our Bedding Products segment who is experiencing financial difficulty and liquidity problems. This customer was placed on nonaccrual status in 2018 and was delinquent in their first quarter interest payment in 2020. As a result, we increased and fully reserved the balances for this customer in the first quarter of 2020. The reserve for this customer was $22.5 ($22.0 for the note and $.5 for the trade receivable) at December 31, 2021, and $24.6 ($22.8 for the note and $1.8 for the trade receivable) at December 31, 2020.

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

	Balance at January 1, 2020 [1]	Add: Charges [2]	Less: Net Charge-offs/(Recoveries) and Other	Balance at December 31, 2020	Add: Charges [2]	Less: Net Charge-offs/(Recoveries) and Other	Balance at December 31, 2021
Trade accounts receivable	$ 11.7	$ 9.4	$ 1.9	$ 19.2	$ (2.7)	$ 1.6	$ 14.9
Trade notes receivable	.1	(.1)	—	—	.1	—	.1
Total trade receivables	11.8	9.3	1.9	19.2	(2.6)	1.6	15.0
Other notes receivable	15.0	7.8	—	22.8	(.8)	—	22.0
Total allowance for doubtful accounts	$ 26.8	$ 17.1	$ 1.9	$ 42.0	$ (3.4)	$ 1.6	$ 37.0

[1] Effective January 1, 2020, we adopted ASU 2016-13 “Financial Instruments—Credit Losses” (Topic 326), which amended the impairment model to require a forward-looking approach based on expected losses rather than incurred losses to estimate credit losses. The new standard was adopted using the modified retrospective approach resulting in an increase to the allowance for doubtful accounts on trade accounts receivable of $3.3 and a $2.5 adjustment to 2020 beginning retained earnings as presented in the Consolidated Statements of Changes in Equity.

[2] The $17.1 million of bad debt expense in 2020 was primarily associated with one Bedding Products segment customer discussed above and pandemic-related risk across the entire portfolio. We reduced our allowance for doubtful accounts by $3.4 million during 2021, reflecting lower qualitative risk compared to 2020 due to improved economic conditions and continued strong customer payment trends.

I—Supplemental Balance Sheet Information

Additional supplemental balance sheet details at December 31 consisted of the following:

	2021	2020
Sundry		
Deferred income taxes (see Note N)	**$ 8.6**	$ 11.0
Diversified investments associated with stock-based compensation plans (see Note L)	**47.4**	42.7
Pension plan assets (see Note M)	**2.8**	.9
Brazilian VAT deposits (see Note T)	**7.6**	8.2
Finance leases (see Note K)	**3.8**	3.6
Other	**40.3**	38.7
	$ 110.5	$ 105.1
Accrued expenses		
Litigation contingency accruals (see Note T)	**$ 1.0**	$ .5
Wages and commissions payable	**75.1**	77.5
Workers' compensation, vehicle-related and product liability, medical/disability	**45.2**	45.1
Sales promotions	**53.4**	49.9
Liabilities associated with stock-based compensation plans (see Note L)	**9.1**	8.2
Accrued interest	**16.4**	14.6
General taxes, excluding income taxes [1]	**28.8**	26.3
Environmental reserves	**3.8**	4.0
Other	**51.8**	49.1
	$ 284.6	$ 275.2
Other current liabilities		
Dividends payable	**$ 56.0**	$ 53.0
Customer deposits	**19.5**	19.4
Sales tax payable	**7.5**	5.4
Derivative financial instruments (see Note S)	**1.1**	2.2
Liabilities associated with stock-based compensation plans (see Note L)	**3.5**	3.2
Outstanding checks in excess of book balances	**.3**	1.6
Other	**4.3**	.5
	$ 92.2	$ 85.3
Other long-term liabilities		
Liability for pension benefits (see Note M)	**$ 45.2**	$ 71.7
Liabilities associated with stock-based compensation plans (see Note L)	**51.1**	45.7
Deemed repatriation tax payable	**27.6**	31.6
Net reserves for tax contingencies	**6.3**	6.4
Deferred compensation	**13.2**	14.6
Other [1]	**19.5**	22.1
	$ 162.9	$ 192.1

[1] In 2020, we deferred our payment of employer's U.S. Social Security match as provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Through December 31, 2020, we deferred $19.0. Approximately half was paid in January 2022 in accordance with the holiday schedule for the December 31, 2021 deferral date. The remaining deferral is anticipated to be paid in January 2023.

J—Long-Term Debt

2020 and prior

In response to the COVID-19 pandemic, in May 2020, we amended our five-year multi-currency $1,200.0 credit facility to change, among other things, the restrictive financial covenants. Prior to the pandemic, the leverage ratio of debt to trailing 12-month EBITDA was 4.25 to 1.00 with a single step-down to 3.50 to 1.00 on March 31, 2020.

The leverage ratio covenant was changed in two ways: (i) the calculation of the ratio now subtracts unrestricted cash (as defined in the credit facility) from consolidated funded indebtedness; and (ii) the ratio levels, calculated as of the last day of the applicable fiscal quarter, were changed to 4.75 to 1.00 for each fiscal quarter-end date through March 31, 2021; 4.25 to 1.00 at June 30, 2021; 3.75 to 1.00 at September 30, 2021; and 3.25 to 1.00 at December 31, 2021 and thereafter.

In addition, the amount of total secured debt limit was changed from 15% to 5% of our total consolidated assets until December 31, 2021, at which time it would revert back to 15%. Various interest rate terms were also changed. The credit facility also contained an anti-cash hoarding provision that limited borrowing for a consolidated cash balance (as defined in the credit facility) in excess of $300.0 without planned expenditures. The maturity date of January 2024 was not modified.

2021

Our credit facility was amended effective September 30, 2021 to create more financial flexibility. It matures in September 2026 and contains revised restrictive covenants. At December 31, 2021, we were in compliance with all of our debt covenants and expect to be able to maintain compliance with the amended debt covenant requirements.

The amended covenants (a) require us to maintain as of the last day of each fiscal quarter i) Consolidated Funded Indebtedness minus the lesser of: (A) Unrestricted Cash, or (B) $750.0 to ii) Consolidated EBITDA for the four consecutive trailing quarters, such ratio not being greater than 3.50 to 1.00, provided, however, subject to certain limitations, if we have made a Material Acquisition in any fiscal quarter, at our election, the maximum Leverage Ratio shall be 4.00 to 1.00 for the fiscal quarter during which such Material Acquisition is consummated and the next three consecutive fiscal quarters; (b) limit the amount of total secured debt to 15% of our total consolidated assets, and (c) limit our ability to sell, lease, transfer or dispose of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole (other than accounts receivable sold in a Permitted Securitization Transaction, products sold in the ordinary course of business and our ability to sell, lease, transfer, or dispose of any of our assets or the assets of one of our subsidiaries to us or one of our subsidiaries, as applicable) at any given point in time; each (a), (b), and (c) above as determined by the terms of the Credit Agreement.

In November 2021, we issued $500.0 aggregate principal amount of notes that mature in 2051. The notes bear interest at a rate of 3.5% per year, with interest payable semi-annually beginning May 15, 2022. The net proceeds of these notes were used to repay commercial paper and may be used to repay a portion of the 3.4% Senior Notes due in August 2022.

Long-term debt, interest rates, and due dates at December 31 are as follows:

	2021			2020		
	Year-end Interest Rate	Due Date Through	Balance	Year-end Interest Rate	Due Date Through	Balance
Senior Notes [1]	**3.4 %**	**2022**	**$ 300.0**	3.4 %	2022	$ 300.0
Senior Notes [1]	**3.8 %**	**2024**	**300.0**	3.8 %	2024	300.0
Senior Notes [1]	**3.5 %**	**2027**	**500.0**	3.5 %	2027	500.0
Senior Notes [1]	**4.4 %**	**2029**	**500.0**	4.4 %	2029	500.0
Senior Notes [1]	**3.5 %**	**2051**	**500.0**			
Term Loan A [2]				3.0 %	2024	305.0
Industrial development bonds, principally variable interest rates	**.3 %**	**2030**	**3.8**	.3 %	2030	3.8
Commercial paper [3]	**— %**	**2026**	**—**	— %	2024	—
Finance leases			**3.7**			3.6
Other, partially secured			**.5**			.5
Unamortized discounts and deferred loan costs			**(17.7)**			(12.7)
Total debt			**2,090.3**			1,900.2
Less: current maturities			**300.6**			50.9
Total long-term debt			**$ 1,789.7**			$ 1,849.3

[1] Senior Notes are unsecured and unsubordinated obligations. For each of the Senior Notes: (i) interest is paid semi-annually in arrears; (ii) principal is due at maturity with no sinking fund; and (iii) we may, at our option, at any time, redeem all or a portion of any of the debt at a make-whole redemption price equal to the greater of: (a) 100% of the principal amount of the notes being redeemed; and (b) the sum of the present values of the remaining scheduled payments of principal and interest thereon (either to the maturity or the "par call date" depending on the respective note), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a specified discount rate, determined by the terms of each respective note. The Senior Notes may also be redeemed by us within 90 days of maturity (or within 180 days of maturity for the notes maturing in 2051) at 100% of the principal amount plus accrued and unpaid interest, and we are required to offer to purchase such notes at 101% of the principal amount, plus accrued and unpaid interest, if we experience a Change of Control Repurchase Event, as defined in the Senior Notes. Also, each respective Senior Note contains restrictive covenants, including a limitation on secured debt of 15% of our consolidated assets, a limitation on sale and leaseback transactions, and a limitation on certain consolidations, mergers, and sales of assets.

[2] In January 2019 and in connection with the ECS acquisition (Note R), we issued a $500.0 five-year Term Loan A with our current bank group. We paid quarterly principal installments of $12.5 and were required to pay the remaining principal through the maturity date of January 2024. Additional principal payments, including a complete early payoff, were allowed without penalty. As of August 31, 2021, we pre-paid the remaining $280.0 outstanding principal under the Term Loan A utilizing borrowings under our commercial paper program. The Term Loan A bore a variable interest rate as defined in the agreement.

[3] The weighted average interest rate for the net commercial paper activity during the years ended December 31, 2021 and 2020 was .2% and 2.0%, respectively. We view the notes as a source of long-term funds and have classified the borrowings under the commercial paper program as long-term borrowings on our balance sheet. We have the intent to roll over such obligations on a long-term basis and have the ability to refinance these borrowings on a long-term basis, as evidenced by our $1,200.0 revolving credit facility maturing in 2026 discussed above.

Maturities are as follows:

2022	$	300.6
2023		1.7
2024		299.7
2025		.6
2026		—
Thereafter		1,487.7
	$	2,090.3

Amounts outstanding at December 31 related to our commercial paper program were:

		2021		2020
Total program authorized	**$**	**1,200.0**	$	1,200.0
Commercial paper outstanding (classified as long-term debt)	**$**	**—**	$	—
Letters of credit issued under the credit facility		**—**		—
Total program usage	**$**	**—**	$	—

At December 31, 2021, subject to restrictive covenants, we could raise cash by issuing commercial paper through a program that is backed by a $1,200.0 revolving credit facility with a syndicate of 12 lenders. The credit facility allows us to issue total letters of credit up to $125.0. When we issue letters of credit in this manner, our capacity under the revolving facility, and consequently, our ability to issue commercial paper, is reduced by a corresponding amount. We had no outstanding letters of credit under the facility at year end for the periods presented. Our borrowing capacity may be limited by covenants to our credit facility.

Generally, we may elect one of five types of borrowing under the revolving credit facility, which determines the rate of interest to be paid on the outstanding principal balance. The interest rate would typically be commensurate with the currency borrowed and the term of the borrowing, as well as either (i) a competitive variable or fixed rate; or (ii) various published rates plus a pre-defined spread.

We are required to periodically pay accrued interest on any outstanding principal balance under the revolving credit facility at different time intervals based upon the elected interest rate and the elected interest period. Any outstanding principal under this facility will be due upon the maturity date. We may also terminate or reduce the lending commitments under this facility, in whole or in part, upon three business days' notice.

K—Lease Obligations

Initial adoption of new ASU

Effective January 1, 2019, we adopted ASU 2016-02 "Leases" (Topic 842), which requires the recognition of lease assets and liabilities for items classified as operating leases under previous guidance. As permitted under ASU 2018-11 "Targeted Improvements to ASC 842", we elected to not restate comparative periods in transition. Adoption of the new standard resulted in the recording of additional net operating lease assets and lease liabilities of $135.9 and $135.8, respectively, as of January 1, 2019. The difference between the additional lease assets and lease liabilities, net of the deferred tax impact, was recorded as an adjustment to retained earnings.

Lease Details

Substantially all of our operating lease right-of-use assets and operating lease liabilities represent leases for certain operating facilities, warehouses, office space, trucking equipment, and various other assets. Finance lease balances consist of vehicle and certain equipment leases. We are not involved in any material sale and leaseback transactions, and our sublease arrangements were not material for the periods presented.

At the inception of a contract, we assess whether a contract is, or contains, a lease. Our assessment is based on whether the contract involves the use of a distinct identified asset, whether we obtain the right to substantially all the economic benefit of the asset, and whether we have the right to direct the use of the asset.

Our leases have remaining lease terms that expire at various dates through 2035, some of which include options to extend or terminate the leases at our discretion. Where renewal or termination options are reasonably likely to be exercised, we recognize the option as part of the right-of-use asset and lease liability. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Both lease and non-lease components are accounted for as a single lease component, as we have elected to group lease and non-lease components for all leases.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate in determining the present value of the lease payments. We apply a portfolio approach for determining the incremental borrowing rate based on the applicable lease terms and the economic environment in the various regions where our operations are located.

At December 31, 2021, we had $7.3 of additional operating leases and $.8 of additional finance leases that had not yet commenced. These leases will commence in 2022 with average lease terms of 6 years for the operating leases and 7 years for the finance leases.

Supplemental balance sheet information related to leases was as follows:

	December 31	
	2021	**2020**
Operating leases:		
Operating lease right-of-use assets	**$ 192.6**	$ 161.6
Current portion of operating lease liabilities	**$ 44.5**	$ 42.4
Operating lease liabilities	**153.0**	122.1
Total operating lease liabilities	**$ 197.5**	$ 164.5
Finance leases:		
Sundry	**$ 3.8**	$ 3.6
Current maturities of long-term debt	**$ .8**	$ .9
Long-term debt	**2.9**	2.7
Total finance lease liabilities	**$ 3.7**	$ 3.6

The components of lease expense were as follows:

	Year Ended December 31		
	2021	**2020**	**2019**
Operating lease costs:			
Lease costs	**$ 50.1**	$ 48.4	$ 45.0
Variable lease costs	**15.4**	12.1	12.9
Total operating lease costs	**$ 65.5**	$ 60.5	$ 57.9
Short-term lease costs	**$ 7.0**	$ 4.9	$ 5.0
Finance lease costs:			
Amortization of right-of-use assets	**$ 1.7**	$ 2.4	$ 2.7
Interest on lease liabilities	**.1**	.1	.2
Total finance lease costs	**$ 1.8**	$ 2.5	$ 2.9
Total lease costs	**$ 74.3**	$ 67.9	$ 65.8

Variable lease costs consist primarily of taxes, insurance, and common-area or other maintenance costs for our leased facilities and equipment, which are paid based on actual costs incurred by the lessor.

Supplemental cash flow information related to leases was as follows:

	Year Ended December 31		
	2021	**2020**	**2019**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	**$ 48.6**	$ 47.3	$ 40.7
Operating cash flows from finance leases	**.1**	.1	.2
Financing cash flows from finance leases	**1.7**	2.4	2.7
Right-of-use assets obtained in exchange for new operating lease liabilities	**74.0**	43.6	40.7
Right-of-use assets obtained in exchange for new finance lease liabilities	**1.9**	1.8	2.1

In connection with the ECS transaction discussed in Note R, we acquired operating right-of-use assets in 2019 of approximately $24.0 (including a favorable lease position of $2.4). The operating lease liability associated with these right-of-use assets was approximately $21.6. Finance right-of-use assets acquired in the ECS transaction and the related finance lease liabilities were immaterial.

The following table reconciles the undiscounted cash flows for the operating and finance leases at December 31, 2021 to the operating and finance lease liabilities recorded on the Consolidated Balance Sheets:

	December 31, 2021	
	Operating Leases	Finance Leases
2022	$ 49.0	$ 1.5
2023	43.2	1.1
2024	35.2	.6
2025	25.8	.3
2026	20.1	.2
Thereafter	38.6	.3
Total	211.9	4.0
Less: Interest	14.4	.3
Lease Liability	$ 197.5	$ 3.7
Weighted average remaining lease term (years)	5.7	3.7
Weighted average discount rate	2.7 %	2.7 %

L—Stock-Based Compensation

We use various forms of share-based compensation which are summarized below. One stock unit is equivalent to one common share for accounting and earnings-per-share purposes. Shares are issued from treasury for the majority of our stock plans' activity. All share information is presented in millions.

Stock options and stock units are granted pursuant to our Flexible Stock Plan (the "Plan"). Each option counts as one share against the shares available under the Plan, but each share granted for any other awards will count as three shares against the Plan.

At December 31, 2021, the following common shares were authorized for issuance under the Plan:

	Shares Available for Issuance	Maximum Number of Authorized Shares
Unexercised options	.3	.3
Outstanding stock units—vested	3.3	8.4
Outstanding stock units—unvested	1.0	2.9
Available for grant	10.9	10.9
Authorized for issuance at December 31, 2021	**15.5**	**22.5**

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

	Year Ended December 31					
	2021		2020		2019	
	To Be Settled With Stock	To Be Settled In Cash	To Be Settled With Stock	To Be Settled In Cash	To Be Settled With Stock	To Be Settled In Cash
Executive Stock Unit (ESU) program contributions [1]	**$ 4.0**	**$ .6**	$ 3.5	$ .7	$ 3.7	$ .6
Discounts on various stock awards:						
Deferred Stock Compensation Program [2]	**1.5**	**—**	2.2	—	2.1	—
ESU program [1]	**1.1**	**—**	1.4	—	1.3	—
Discount Stock Plan [3]	**.9**	**—**	.9	—	1.0	—
Performance Stock Unit (PSU) awards: [4]						
PSU - TSR based [4A]	**3.1**	**(1.0)**	3.2	(.7)	2.8	4.1
PSU - EBIT CAGR based [4B]	**4.7**	**5.0**	(1.9)	(2.0)	3.8	5.3
2017 and prior PSU awards [4C]	**—**	**—**	—	—	1.8	1.0
Restricted Stock Units (RSU) awards [5]	**8.2**	**—**	6.8	—	2.0	—
Other, primarily non-employee directors restricted stock	**.4**	**—**	.9	—	1.4	—
Total stock-related compensation expense (income)	**23.9**	**$ 4.6**	17.0	$ (2.0)	19.9	$ 11.0
Employee contributions for above stock plans	**10.3**		12.2		13.1	
Total stock-based compensation	**$ 34.2**		$ 29.2		$ 33.0	
Tax benefits on stock-based compensation expense	**$ 5.8**		$ 4.0		$ 4.7	
Tax benefits on stock-based compensation payments	**3.4**		2.5		5.6	
Total tax benefits associated with stock-based compensation	**$ 9.2**		$ 6.5		$ 10.3	

In addition to the above, certain key management employees participated in a Profitable Growth Incentive (PGI) program based on a two-year EBITDA margin performance which was replaced in 2018 with the PSU-EBIT CAGR award discussed below. There was no expense in the periods presented for this program, but the final payout was made in the first quarter of 2019. The average payout percentage of the base award was 155%, and the number of shares paid was .1. The cash portion payout was $2.2.

Table of Contents

The following table recaps the impact of stock-based compensation on assets and liabilities for each of the periods presented:

	2021			2020		
	Current	**Long-term**	**Total**	**Current**	**Long-term**	**Total**
Assets:						
Diversified investments associated with the ESU program [1]	**$ 3.6**	**$ 47.4**	**$ 51.0**	$ 3.2	$ 42.7	$ 45.9
Liabilities:						
ESU program [1]	**$ 3.6**	**$ 47.3**	**$ 50.9**	$ 3.2	$ 42.2	$ 45.4
Performance Stock Unit (TSR) award [4A]	**—**	**1.1**	**1.1**	1.9	2.2	4.1
Performance Stock Unit (EBIT) award [4B]	**3.5**	**2.7**	**6.2**	.4	1.3	1.7
Other - primarily timing differences between employee withholdings and related employer contributions to be submitted to various plans' trust accounts	**5.6**	—	**5.6**	5.9	—	5.9
Total liabilities associated with stock-based compensation	**$ 12.7**	**$ 51.1**	**$ 63.8**	$ 11.4	$ 45.7	$ 57.1

[1] ESU Program

The ESU program is a stock-based retirement plan for highly compensated employees. We make a matching contribution of 50% and will make another matching contribution of up to 50% of the employee’s contributions for the year if certain profitability levels, as defined in the ESU program, are obtained.

Participants in the ESU program may contribute up to 10% (depending upon certain qualifications) of their compensation above the threshold. Participant contributions are credited to a diversified investment account established for the participant, and we make premium contributions to the diversified investment accounts equal to 17.65% of the participant’s contribution. A participant’s diversified investment account balance is adjusted to mirror the investment experience, whether positive or negative, of the diversified investments selected by the participant. Participants may change investment elections in the diversified investment accounts, but cannot purchase Company common stock or stock units. The diversified investment accounts consist of various mutual funds and retirement target funds and are unfunded, unsecured obligations of the Company that will be settled in cash. Both the assets and liabilities associated with this program are presented in the table above and are adjusted to fair value at each reporting period.

Company matching contributions to the ESU program, including dividend equivalents, are used to acquire stock units at 85% of the common stock market price on the acquisition date. Stock units are converted to common stock at a 1-to-1 ratio upon distribution from the program and may be settled in cash but only if there is not a sufficient amount of shares reserved for future issuance under the Flexible Stock Plan.

Company matches in the ESU program fully vest upon five years of cumulative service, subject to certain participation requirements. Distributions are triggered by an employee’s retirement, death, disability, or separation from Leggett.

In 2021, employee contributions were $4.0, and employer premium contributions to diversified investment accounts were $.6. See the stock-based compensation table above for information regarding employer contributions.

Details regarding stock unit activity for the ESU program are reflected in the stock units summary table below.

Table of Contents

[2] Deferred Stock Compensation Program

We offer a Deferred Compensation Program under which key managers and outside directors may elect to receive stock options, stock units, or interest-bearing cash deferrals in lieu of cash compensation:

- Stock options under this program are granted in the last month of the year prior to the year the compensation is earned. The number of options granted equals the deferred compensation times five, divided by the stock's market price on the date of grant. The option has a 10-year term. It vests as the associated compensation is earned and becomes exercisable beginning 15 months after the grant date. Stock is issued when the option is exercised. Grant date fair values are calculated using the Black-Scholes option pricing model and are amortized by the straight-line method over the options' total vesting period, except for employees who are retirement eligible. Expense for employees who are retirement eligible is recognized immediately.
- Deferred stock units (DSU) under this program are acquired every two weeks (when the compensation would have otherwise been paid) at a 20% discount to the market price of our common stock on each acquisition date, and they vest immediately. Expense is recorded as the compensation is earned. Stock units earn dividends at the same rate as cash dividends paid on our common stock. These dividends are used to acquire stock units at a 20% discount. Stock units are converted to common stock and distributed in accordance with the participant's pre-set election. However, stock units may be settled in cash, but only if there is not a sufficient amount of shares reserved for future issuance under the Flexible Stock Plan. Participants must begin receiving distributions no later than 10 years after the effective date of the deferral, and installment distributions cannot exceed 10 years.
- Interest-bearing cash deferrals under this program are reported in "Other long-term liabilities" on the Consolidated Balance Sheets and are disclosed in Note I.

	Options	Units	Cash
Aggregate amount of compensation deferred during 2021	$ .1	$ 5.4	$ .5

Stock option information is as follows:

	Total Stock Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding at December 31, 2020	.5	$ 35.72		
Granted	—	41.32		
Exercised	(.2)	27.83		
Outstanding at December 31, 2021	.3	$ 41.02	5.7	$ .6
Vested or expected to vest	.3	$ 41.02	5.7	$ .6
Exercisable (vested) at December 31, 2021	.3	$ 41.00	5.4	$ .6

Additional information related to stock option activity for the periods presented is as follows:

	Year Ended December 31		
	2021	2020	2019
Total intrinsic value of stock options exercised	**$ 4.5**	$ 2.3	$ 23.6
Cash received from stock options exercised	**3.5**	1.5	9.3
Total fair value of stock options vested	**.1**	.9	.3
Aggregate grant date fair value of options granted *	**.2**	.2	.5

* We granted .1 options or less in each of the periods presented.

3 Discount Stock Plan

Under the Discount Stock Plan (DSP), a tax-qualified §423 stock purchase plan, eligible employees may purchase shares of Leggett common stock at 85% of the closing market price on the last business day of each month. Shares are purchased and issued on the last business day of each month and generally cannot be sold or transferred for one year.

Average 2021 purchase price per share (net of discount)	$	38.97
2021 number of shares purchased by employees		.1
Shares purchased since inception in 1982		23.6
Maximum shares under the plan		27.0

4 PSU Awards

Starting in 2020 our long-term incentive awards were split between PSUs and RSUs. For executive officers, the split was two thirds PSUs and one third RSUs. For other selected participants, the award was granted at either half PSUs and half RSUs or 100% RSUs.

PSU awards have a component based on relative Total Shareholder Return (TSR = (Change in Stock Price + Dividends) / Beginning Stock Price) and another component based on EBIT Compound Annual Growth Rate (CAGR). These components are discussed below.

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

4A PSU - TSR Based

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

The relative TSR component of the PSU awards contain the following conditions:

- A service requirement—Awards generally “cliff” vest three years following the grant date; and
- A market condition—Awards are based on our TSR as compared to the TSR of a group of peer companies. The peer group consists of all the companies in the Industrial, Materials, and Consumer Discretionary sectors of the S&P 500 and S&P Midcap 400 (approximately 300 companies). Participants will earn from 0% to 200% of the base award depending upon how our TSR ranks within the peer group at the end of the three-year performance period.

4B PSU - EBIT CAGR Based

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

The EBIT CAGR component of the PSU awards contain the following conditions:

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

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

4C 2017 and Prior PSU Awards

The 2017 award was paid out in 2020. The 2017 and prior PSU awards were based solely on relative TSR. Vesting conditions were the same as (**4A**) above, other than a maximum payout of 175% of the base award.

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

	Year Ended December 31		
	2021	**2020**	**2019**
TSR Based			
Total shares base award	**.1**	.1	.1
Grant date per share fair value	**$ 49.43**	$ 38.23	$ 57.86
Risk-free interest rate	**.2 %**	1.4 %	2.4 %
Expected life in years	**3.0**	3.0	3.0
Expected volatility (over expected life)	**44.3 %**	24.0 %	21.5 %
Expected dividend yield (over expected life)	**3.7 %**	3.6 %	3.4 %
EBIT CAGR Based			
Total shares base award	**.1**	.1	.1
Grant date per share fair value	**$ 38.77**	$ 40.52	$ 39.98
Vesting period in years	**3.0**	3.0	3.0

Three-Year Performance Cycle for PSU - TSR Based

Award Year	Completion Date	TSR Performance Relative to the Peer Group (1%=Best)	Payout as a Percent of the Base Award	Number of Shares Distributed	Cash Portion	Distribution Date
2017	December 31, 2019	63 rd percentile	49.0%	.1 million	$ 1.6	First quarter 2020
2018	December 31, 2020	60 th percentile	56.0%	<.1 million	$ 2.0	First quarter 2021
2019	December 31, 2021	78 th percentile	—%	—	$ —	First quarter 2022

Three-Year Performance Cycle for PSU - EBIT CAGR Based

Award Year	Completion Date	Payout as a Percent of the Base Award	Number of Shares Distributed	Cash Portion	Distribution Date
2018	December 31, 2020	16.0%	<.1 million	$ .4	First quarter 2021
2019	December 31, 2021	127.0%	<.1 million	$ 3.5	First quarter 2022

5 Restricted Stock Unit Awards

Starting in 2020 RSUs are granted as part of our long-term incentive awards, along with PSUs, to executive officers and other selected participants as discussed in the PSU Awards section above. Also in 2020, the RSU award was amended so that those who retire (1) after age 65 or (2) after the date where the participant's age plus years of service are greater than or equal to 70 years, will continue to receive shares that will vest after the retirement date. Expense associated with these retirement-eligible employees is recognized immediately at the RSU grant date. For those employees who become retirement eligible after the grant date, any remaining RSU expense is recognized at the date the employee meets the retirement-eligible criteria.

RSU awards are generally granted as follows:

- Annual awards to selected managers
- On a discretionary basis to selected employees
- As compensation for outside directors

The value of these awards is determined by the stock price on the day of the award, and expense is recognized over the vesting period, except for retirement-eligible employees that are expensed as they become retirement eligible.

Stock Units Summary

As of December 31, 2021, the unrecognized cost of non-vested stock units that is not adjusted to fair value was $11.4 with a weighted-average remaining contractual life of one year.

Stock unit information for the plans discussed above is presented in the table below:

	DSU	ESU	PSU	RSU	Total Units	Weighted Average Grant Date Fair Value per Unit	Aggregate Intrinsic Value
Unvested at December 31, 2020	—	—	.8	.1	.9	$ 24.07	
Granted based on current service	.2	.2	—	.3	.7	44.08	
Granted based on future conditions*	—	—	.3	—	.3	30.10	
Vested	(.2)	(.2)	(.1)	(.2)	(.7)	38.94	
Forfeited*	—	—	(.2)	—	(.2)	22.37	
Unvested at December 31, 2021	**—**	**—**	**.8**	**.2**	**1.0**	**$ 44.41**	**$ 39.5**
Fully vested shares available for issuance at December 31, 2021					**3.3**		**$ 136.6**

*PSU awards are presented at maximum payout of 200% at grant date and when forfeited.

	Year Ended December 31		
	2021	2020	2019
Total intrinsic value of vested stock units converted to common stock	$ 10.5	$ 11.7	$ 8.0

M—Employee Benefit Plans

The Consolidated Balance Sheets reflect a net liability for the funded status of our domestic and foreign defined benefit pension plans as of all periods presented. Our U.S. plans (comprised primarily of three significant plans) represent approximately 84% of our pension benefit obligation in each of the periods presented. Participants in one of the significant domestic plans have stopped earning benefits; this plan is referred to as our Frozen Plan in the following narrative.

A summary of our pension obligations and funded status as of December 31 is as follows:

	2021	2020	2019
Change in benefit obligation			
Benefit obligation, beginning of period	**$ 286.5**	$ 259.1	$ 219.8
Service cost	**5.1**	5.1	4.0
Interest cost	**6.0**	7.2	8.5
Plan participants' contributions	**.5**	.5	.5
Actuarial (gain) loss [1]	**(10.8)**	27.7	36.7
Benefits paid	**(15.6)**	(14.2)	(13.8)
Plan amendments	**.1**	(.4)	1.9
Curtailments and settlements	**(1.1)**	—	—
Foreign currency exchange rate changes	**(.3)**	1.5	1.5
Benefit obligation, end of period	**$ 270.4**	$ 286.5	$ 259.1
Change in plan assets			
Fair value of plan assets, beginning of period	**$ 215.3**	$ 201.5	$ 181.8
Actual return on plan assets	**25.6**	24.1	30.0
Employer contributions	**2.8**	2.2	1.5
Plan participants' contributions	**.5**	.5	.5
Benefits paid	**(15.6)**	(14.2)	(13.8)
Settlements	**(.8)**	—	—
Foreign currency exchange rate changes	**(.1)**	1.2	1.5
Fair value of plan assets, end of period	**$ 227.7**	$ 215.3	$ 201.5
Net funded status	**$ (42.7)**	$ (71.2)	$ (57.6)
Funded status recognized in the Consolidated Balance Sheets			
Other assets—sundry	**$ 2.8**	$ .9	$ 1.4
Other current liabilities	**(.3)**	(.4)	(.4)
Other long-term liabilities	**(45.2)**	(71.7)	(58.6)
Net funded status	**$ (42.7)**	$ (71.2)	$ (57.6)

[1] Year-over-year fluctuations in "Actuarial (gain) loss" are primarily driven by changes in the weighted average discount rate assumptions.

Our accumulated benefit obligation was not materially different from our projected benefit obligation for the periods presented.

Included in the above plans is a subsidiary's unfunded supplemental executive retirement plan. This is a non-qualified plan, and these benefits are secured by insurance policies that are not included in the plan's assets. Cash surrender values associated with these policies were approximately $2.7 at December 31, 2021, 2020, and 2019.

Comprehensive Income (Loss)

Amounts and activity included in accumulated other comprehensive income associated with pensions are reflected below:

	December 31, 2020	2021 Amortization	2021 Net Actuarial Loss	2021 Foreign Currency Exchange Rates Change	2021 Income Tax Change	December 31, 2021
Net (loss) gain (before tax)	$ (82.0)	$ 5.3	$ 24.0	$ —	$ (.4)	$ (53.1)
Deferred income taxes	21.8	—	—	—	(7.2)	14.6
Accumulated other comprehensive income (loss) (net of tax)	$ (60.2)	$ 5.3	$ 24.0	$ —	$ (7.6)	$ (38.5)

Net Pension Expense (Income)

Components of net pension expense (income) for the years ended December 31 were as follows:

	2021	2020	2019
Service cost	**$ 5.1**	$ 5.1	$ 4.0
Interest cost	**6.0**	7.2	8.5
Expected return on plan assets	**(12.5)**	(11.9)	(11.3)
Recognized net actuarial loss	**5.3**	4.0	2.9
Prior service cost	**—**	(.4)	1.7
Curtailments and settlements	**(.2)**	—	—
Net pension expense	**$ 3.7**	$ 4.0	$ 5.8
Weighted average assumptions for pension costs:			
Discount rate used in net pension costs	**2.1 %**	2.8 %	3.9 %
Rate of compensation increase used in pension costs	**3.5 %**	3.4 %	3.0 %
Expected return on plan assets	**5.9 %**	6.1 %	6.4 %
Weighted average assumptions for benefit obligation:			
Discount rate used in benefit obligation	**2.5 %**	2.1 %	2.8 %
Rate of compensation increase used in benefit obligation	**3.5 %**	3.5 %	3.4 %

Assumptions used for U.S. and international plans were not significantly different.

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

We use the average of a Pension Liability Index rate and a 10+ year AAA-AA US Corporate Index rate to determine the discount rate used for our significant pension plans (rounded to the nearest 25 basis points). The Pension Liability Index rate is a calculated rate using yearly spot rates matched against expected future benefit payments. The 10+ year AAA-AA US Corporate Index rate is based on the weighted average yield of a portfolio of high-grade Corporate Bonds with an average duration approximating the plans' projected benefit payments. The discount rates used for our other, primarily foreign, plans are based on rates appropriate for the respective country and the plan obligations.

The overall, expected long-term rate of return is based on each plan's historical experience and our expectations of future returns based upon each plan's investment holdings, as discussed below.

Pension Plan Assets

The fair value of our major categories of pension plan assets is disclosed below using a three-level valuation hierarchy that separates fair value valuation techniques into the following categories:

- Level 1: Quoted prices for identical assets or liabilities in active markets.

- Level 2: Other significant inputs observable either directly or indirectly (including quoted prices for similar securities, interest rates, yield curves, credit risk, etc.).
- Level 3: Unobservable inputs that are not corroborated by market data.

Presented below are our major categories of investments for the periods presented:

	Year Ended December 31, 2021					Year Ended December 31, 2020				
	Level 1	Level 2	Level 3	Assets Measured at NAV [1]	Total	Level 1	Level 2	Level 3	Assets Measured at NAV [1]	Total
Mutual and pooled funds										
Fixed income	**$ 34.1**	**$ 21.3**	**$ —**	**$ —**	**$ 55.4**	$ 35.3	$ 16.5	$ —	$ —	$ 51.8
Equities	**127.0**	**8.4**	**—**	**—**	**135.4**	114.0	10.4	—	—	124.4
Stable value funds	**—**	**31.6**	**—**	**—**	**31.6**	—	30.9	—	—	30.9
Money market funds, cash and other	**—**	**—**	**—**	**5.3**	**5.3**	—	—	—	8.2	8.2
Total investments at fair value	**$ 161.1**	**$ 61.3**	**$ —**	**$ 5.3**	**$ 227.7**	$ 149.3	$ 57.8	$ —	$ 8.2	$ 215.3

[1] Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

Plan assets are invested in diversified portfolios of equity, debt, and government securities, as well as a stable value fund. The aggregate allocation of these investments is as follows:

	2021	2020
Asset Category		
Equity securities	**60 %**	58 %
Debt securities	**24**	24
Stable value funds	**14**	14
Other, including cash	**2**	4
Total	**100 %**	100 %

Our investment policy and strategies are established with a long-term view in mind. We strive for a sufficiently diversified asset mix to minimize the risk of a material loss to the portfolio value due to the devaluation of any single investment. In determining the appropriate asset mix, our financial strength and ability to fund potential shortfalls that might result from poor investment performance are considered. The assets in our Frozen Plan employ a liability-driven investment strategy and have a target allocation of 60% fixed income and 40% equities. The remaining two significant plans have a target allocation of 75% equities and 25% fixed income, as historical equity returns have tended to exceed bond returns over the long term.

Assets of our domestic plans represent the majority of plan assets and are allocated to seven different investments. Six are mutual funds, all of which are passively managed low-cost index funds, and include:

- U.S. Total Stock Market Index: Large-, mid-, and small-cap equity diversified across growth and value styles.
- U.S. Large-Cap Index: Large-cap equity diversified across growth and value styles.
- U.S. Small-Cap Index: Small-cap equity utilizing value style.
- World ex US Index: International equity; broad exposure across developed and emerging non-U.S. equity markets.
- Long-term Bond Index: Diversified exposure to the long-term, investment-grade U.S. bond market.
- Extended Duration Treasury Index: Diversified exposure to U.S. treasuries with maturities of 20-30 years.

The stable value fund consists of a fixed income portfolio offering consistent return and protection against interest rate volatility.

Future Contributions and Benefit Payments

We expect to contribute approximately $3.0 to our defined benefit pension plans in 2022.

Estimated benefit payments expected over the next 10 years are as follows:

2022	$	15.2
2023		13.3
2024		14.0
2025		14.8
2026		14.9
2027-2031		72.2

Defined Contribution Plans

Total expense for defined contribution plans was as follows:

	2021		2020		2019	
401(k) Plan	**$**	**6.8**	$	6.8	$	6.9
Other defined contribution plans		**4.6**		4.9		5.3
	$	**11.4**	$	11.7	$	12.2

Multi-employer Pension Plans

We have limited participation in one union-sponsored, defined benefit, multi-employer pension plan. The plan is not administered by us, and contributions are determined in accordance with provisions of negotiated labor contracts. Aggregate contributions to the plan were immaterial for each of the years presented. In addition to regular contributions, we could be obligated to pay additional contributions (known as complete or partial withdrawal liabilities) if a plan has unfunded vested benefits. Factors that could impact the funded status of the plan include investment performance, changes in the participant demographics, financial stability of contributing employers, and changes in actuarial assumptions. Withdrawal liability triggers could include a plan's termination, a withdrawal of substantially all employers, or our voluntary withdrawal from the plan (such as decision to close a facility or the dissolution of a collective bargaining unit). We have a very small share of the liability among the participants of the plan. Based upon the information available from the plan administrator, the multi-employer plan in which we participate is underfunded, and we estimate our aggregate share of potential withdrawal liability for the plan to approximate $19.0. We have not recorded any material withdrawal liabilities for the years presented.

N—Income Taxes

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

The components of earnings before income taxes are as follows:

	Year Ended December 31					
	2021		2020		2019	
Domestic	**$**	**249.7**	$	115.3	$	168.9
Foreign		**272.4**		212.6		234.6
Earnings before income taxes	**$**	**522.1**	$	327.9	$	403.5

Income tax expense (benefit) is comprised of the following components:

	Year Ended December 31		
	2021	2020	2019
Current			
Federal	**$ 57.0**	$ 36.9	$ 34.6
State and local	**11.5**	7.8	5.3
Foreign	**59.5**	51.0	48.7
Total current	**128.0**	95.7	88.6
Deferred			
Federal	**(9.3)**	(15.0)	2.2
State and local	**(2.3)**	(2.6)	(.9)
Foreign	**3.1**	(3.3)	(.5)
Total deferred	**(8.5)**	(20.9)	.8
Total income taxes	**$ 119.5**	$ 74.8	$ 89.4

Income tax expense (benefit), as a percentage of earnings before income taxes, differs from the statutory federal income tax rate as follows:

	Year Ended December 31		
	2021	2020	2019
Statutory federal income tax rate	**21.0 %**	21.0 %	21.0 %
Increases (decreases) in rate resulting from:			
State taxes, net of federal benefit	**1.5**	.8	1.3
Tax effect of foreign operations	**(.9)**	(2.2)	(1.7)
Global intangible low-taxed income	**.5**	(.3)	2.3
Current and deferred foreign withholding taxes	**2.3**	2.7	1.3
Stock-based compensation	**(.5)**	(.6)	(1.1)
Change in valuation allowance	**—**	.8	.4
Change in uncertain tax positions, net	**—**	.6	(.3)
Goodwill impairment	**—**	1.6	—
Other permanent differences, net	**(.8)**	(1.3)	(.3)
Other, net	**(.2)**	(.3)	(.7)
Effective tax rate	**22.9 %**	22.8 %	22.2 %

For all periods presented, the tax rate benefited from income earned in various foreign jurisdictions at rates lower than the U.S. federal statutory rate. The 2021 rate benefited from income earned primarily in China, Croatia, and Switzerland, while the 2020 and 2019 rates benefited from income earned primarily in China, Croatia, and Luxembourg.

In 2021, we recognized tax expense of $14.6 related to foreign withholding taxes of $11.9 and other net tax expenses of $2.7.

In 2020, we recognized tax expense of $13.1 related to foreign withholding taxes of $8.9, a non-deductible goodwill impairment associated with our Hydraulic Cylinders reporting unit of $5.3, and a Korean audit settlement of $3.2. These expenses were partially offset by prior year tax benefits totaling $3.9 from the GILTI high-tax exception final regulations issued in 2020, and other net tax benefits of $.4.

In 2019, we recognized tax expense of $11.7 related to GILTI of $9.3 and other net tax expenses of $2.4.

We file tax returns in each jurisdiction where we are required to do so. In these jurisdictions, a statute of limitations period exists. After a statute period expires, the tax authorities can no longer assess additional income tax for the expired period. In addition, once the statute expires we are no longer eligible to file claims for refund for any tax that we may have overpaid.

Unrecognized Tax Benefits

The total amount of our gross unrecognized tax benefits at December 31, 2021 was $6.6, of which $5.3 would impact our effective tax rate, if recognized. A reconciliation of the beginning and ending balance of our gross unrecognized tax benefits for the periods presented is as follows:

	2021	2020	2019
Gross unrecognized tax benefits, January 1	**$ 5.3**	$ 6.4	$ 8.2
Gross increases—tax positions in prior periods [1]	**.7**	2.9	—
Gross decreases—tax positions in prior periods	**(.3)**	(.4)	(.4)
Gross increases—current period tax positions	**.7**	.6	.7
Change due to exchange rate fluctuations	**(.1)**	.1	—
Settlements [1]	**—**	(3.2)	—
Lapse of statute of limitations	**(1.0)**	(1.1)	(2.1)
Gross unrecognized tax benefits, December 31	**5.3**	5.3	6.4
Interest	**1.1**	1.4	1.9
Penalties	**.2**	.2	.3
Total gross unrecognized tax benefits, December 31	**$ 6.6**	$ 6.9	$ 8.6

[1] In 2020, we effectively settled a tax matter in Korea totaling $2.9 plus $.3 in interest.

We recognize interest and penalties related to unrecognized tax benefits as part of income tax expense in the Consolidated Statements of Operations, which is consistent with prior reporting periods.

We are currently in various stages of audit by certain governmental tax authorities. We have established liabilities for unrecognized tax benefits as appropriate, with such amounts representing a reasonable provision for taxes we ultimately might be required to pay. However, these liabilities could be adjusted over time as more information becomes known and management continues to evaluate the progress of these examinations.

In 2021, the Internal Revenue Service (IRS) completed its examination of our 2016 U.S. federal income tax return and has asserted that income earned in that year by our Luxembourg subsidiary through its Mexican branch should be recognized as income in the U.S. We believe their position is without merit and have contested this matter through IRS Appeals, and a hearing has been scheduled during the second quarter of 2022. We believe that we will be successful upon appeal and have not recorded any impact of this matter in our Consolidated Statements of Operations.

We are no longer subject to significant U.S. federal tax examinations for years prior to 2018, or significant U.S. state or foreign income tax examinations for years prior to 2013.

It is reasonably possible that the resolution of certain tax audits could reduce our unrecognized tax benefits within the next 12 months, as certain tax positions may either be sustained on audit or we may agree to certain adjustments, or resulting from the expiration of statutes of limitations in various jurisdictions. It is not expected that any change would have a material impact on our Consolidated Financial Statements.

Deferred Income Taxes

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of our assets and liabilities. The major temporary differences and their associated deferred tax assets or liabilities are as follows:

	December 31			
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	**$ 16.8**	**$ (79.3)**	$ 17.4	$ (81.7)
Inventories	**3.0**	**(13.1)**	2.6	(21.4)
Accrued expenses	**65.5**	**(10.2)**	68.1	(6.3)
Net operating losses and other tax carryforwards	**29.1**	**—**	32.3	—
Pension cost and other post-retirement benefits	**14.6**	**(.7)**	22.3	(.7)
Intangible assets	**.2**	**(200.0)**	.2	(194.7)
Derivative financial instruments	**1.2**	**(4.4)**	2.4	(2.4)
Tax on undistributed earnings (primarily from Canada and China)	**—**	**(16.0)**	—	(14.8)
Uncertain tax positions	**.9**	**—**	1.1	—
Other	**5.5**	**(5.7)**	5.7	(6.4)
Gross deferred tax assets (liabilities)	**136.8**	**(329.4)**	152.1	(328.4)
Valuation allowance	**(16.2)**	**—**	(18.1)	—
Total deferred taxes	**$ 120.6**	**$ (329.4)**	$ 134.0	$ (328.4)
Net deferred tax liability		**$ (208.8)**		$ (194.4)

Deferred tax assets (liabilities) included in the Consolidated Balance Sheets are as follows:

	December 31	
	2021	2020
Sundry	**$ 8.6**	$ 11.0
Deferred income taxes	**(217.4)**	(205.4)
Net deferred tax liability	**$ (208.8)**	$ (194.4)

Significant fluctuations in our deferred taxes from 2020 to 2021 relate to the following:

- The decrease of $8.3 in our deferred tax liability associated with inventories relates primarily to the change from LIFO to FIFO and related tax payments made during 2021;

- The decrease of $7.7 in our deferred tax asset associated with pension cost and other post-retirement benefits relates primarily to increased discount rate assumptions impacting the year-end pension plan valuations; and

- The increase of $5.3 in our deferred tax liability associated with intangible assets relates primarily to the amortization of various intangibles.

The valuation allowance recorded primarily relates to net operating loss, tax credit, and capital loss carryforwards for which utilization is uncertain. Cumulative tax losses in certain state and foreign jurisdictions during recent years, limited carryforward periods in certain jurisdictions, future reversals of existing taxable temporary differences, and reasonable tax planning strategies were among the factors considered in determining the valuation allowance. Individually, none of these tax carryforwards presents a material exposure.

Most of our tax carryforwards have expiration dates that vary generally over the next 20 years, with no amount greater than $10.0 expiring in any one year.

Deferred withholding taxes (tax on undistributed earnings) have been provided on the earnings of our foreign subsidiaries to the extent it is anticipated that the earnings will be remitted in the future as dividends. We are not asserting permanent reinvestment on $603.6 of our earnings and have accrued tax on these undistributed earnings as presented in the table above.

Foreign withholding taxes have not been provided on certain foreign earnings which are indefinitely reinvested outside the U.S. The cumulative undistributed earnings which are indefinitely reinvested as of December 31, 2021, are $339.3. If such earnings were repatriated to the U.S. through dividends, the resulting incremental tax expense would approximate $14.4, based on present income tax laws.

O—Other (Income) Expense, Net

The components of other (income) expense, net were as follows:

	Year Ended December 31		
	2021	**2020**	**2019**
Restructuring (See Note E)	**$ (.3)**	$ 7.6	$ 8.1
Currency loss	**1.3**	2.4	3.0
Gain from diversified investments associated with the ESU program (See Note L)	**(6.2)**	(6.0)	(7.2)
Insurance proceeds [1]	**(6.6)**	—	—
COVID-19 government subsidies [2]	**(3.5)**	(21.4)	—
Non-service pension (income) expense (See Note M)	**(1.4)**	(1.1)	1.8
Other income	**(1.2)**	(3.9)	(4.3)
	$ (17.9)	$ (22.4)	$ 1.4

[1] This represents receipt of $5.0 from a business interruption policy for COVID disruptions and $1.6 for storm damage at a manufacturing facility.

[2] This represents government subsidies primarily from our international locations, which do not contain material restrictions on our operations, sources of funding or otherwise. Also in 2020, we deferred our payment of employer's U.S. Social Security match as discussed in Note I.

P—Accumulated Other Comprehensive Income (Loss)

The following table sets forth the changes in each component of accumulated other comprehensive income (loss):

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Defined Benefit Pension Plans	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2019	$ (26.5)	$ (11.8)	$ (39.3)	$ (77.6)
Other comprehensive income (loss)	5.0	2.5	(18.6)	(11.1)
Reclassifications, pretax [1]	—	7.4	2.9	10.3
Income tax effect	—	(2.2)	3.8	1.6
Balance at December 31, 2019	(21.5)	(4.1)	(51.2)	(76.8)
Other comprehensive income (loss)	27.8	4.5	(15.8)	16.5
Reclassifications, pretax [2]	—	2.4	4.0	6.4
Income tax effect	—	(1.4)	2.8	1.4
Attributable to noncontrolling interest	.1	—	—	.1
Balance at December 31, 2020	6.4	1.4	(60.2)	(52.4)
Other comprehensive income (loss)	**(18.2)**	**14.6**	**24.0**	**20.4**
Reclassifications, pretax [3]	**—**	**(.6)**	**5.3**	**4.7**
Income tax effect	**—**	**(3.5)**	**(7.6)**	**(11.1)**
Attributable to noncontrolling interest	**.1**	**—**	**—**	**.1**
Balance at December 31, 2021	**$ (11.7)**	**$ 11.9**	**$ (38.5)**	**$ (38.3)**
[1] 2019 pretax reclassifications are comprised of:				
Net trade sales	$ —	$ 3.6	$ —	$ 3.6
Cost of goods sold; selling and administrative expenses	—	(.6)	—	(.6)
Interest expense	—	4.4	—	4.4
Other (income) expense, net	—	—	2.9	2.9
Total 2019 reclassifications, pretax	$ —	$ 7.4	$ 2.9	$ 10.3
[2] 2020 pretax reclassifications are comprised of:				
Net trade sales	$ —	$ (1.4)	$ —	$ (1.4)
Cost of goods sold; selling and administrative expenses	—	(.7)	—	(.7)
Interest expense	—	4.5	—	4.5
Other (income) expense, net	—	—	4.0	4.0
Total 2020 reclassifications, pretax	$ —	$ 2.4	$ 4.0	$ 6.4
[3] 2021 pretax reclassifications are comprised of:				
Net trade sales	**$ —**	**$ (5.6)**	**$ —**	**$ (5.6)**
Cost of goods sold; selling and administrative expenses	**—**	**.5**	**—**	**.5**
Interest expense	**—**	**4.5**	**—**	**4.5**
Other (income) expense, net	**—**	**—**	**5.3**	**5.3**
Total 2021 reclassifications, pretax	**$ —**	**$ (.6)**	**$ 5.3**	**$ 4.7**

Q—Fair Value

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

Items measured at fair value on a recurring basis

Fair value measurements are established using a three-level valuation hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into the following categories:

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability either directly or indirectly. Short-term investments in this category are valued using discounted cash flow techniques with all significant inputs derived from or supported by observable market data. Derivative assets and liabilities in this category are valued using models that consider various assumptions and information from market-corroborated sources. The models used are primarily industry-standard models that consider items such as quoted prices, market interest rate curves applicable to the instruments being valued as of the end of each period, discounted cash flows, volatility factors, current market and contractual prices for the underlying instruments and other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.
- Level 3: Unobservable inputs that are not corroborated by market data.

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

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents:				
Bank time deposits with original maturities of three months or less	$ —	$ 114.4	$ —	$ 114.4
Derivative assets [1] (see Note S)	—	5.9	—	5.9
Diversified investments associated with the ESU program [1] (see Note L)	51.0	—	—	51.0
Total assets	$ 51.0	$ 120.3	$ —	$ 171.3
Liabilities:				
Derivative liabilities [1] (see Note S)	$ —	$ 1.2	$ —	$ 1.2
Liabilities associated with the ESU program [1] (see Note L)	50.9	—	—	50.9
Total liabilities	$ 50.9	$ 1.2	$ —	$ 52.1

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

[1] Includes both current and long-term amounts.

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

The fair value for fixed rate debt (Level 1) was approximately $130.0 greater than carrying value of $2,082.3 at December 31, 2021 and was approximately $170.0 greater than carrying value of $1,587.6 at December 31, 2020.

Items measured at fair value on a non-recurring basis

The primary areas in which we utilize fair value measures of non-financial assets and liabilities are allocating purchase price to the assets and liabilities of acquired companies (Note R) and evaluating long-term assets (including goodwill) for potential impairment (Note C). Determining fair values for these items requires significant judgment and includes a variety of methods and models that utilize significant Level 3 inputs (Note A).

R—Acquisitions

The following table contains the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions during the periods presented (using inputs discussed in Note A). Of the goodwill included in the table below, approximately $134.0 is expected to be deductible for tax purposes.

	2021	2019
Accounts receivable	**$ 18.3**	$ 75.2
Inventory	**17.0**	63.2
Property, plant and equipment	**16.4**	82.3
Goodwill (see Note D)	**70.9**	566.3
Other intangible assets (see Note D)		
Customer relationships (15-year life)	**64.9**	378.9
Technology (8 to 15-year life)	**5.5**	173.3
Trademarks and trade names (15 to 20-year life)	**7.2**	67.1
Non-compete agreements and other (1 to 15-year life)	**2.7**	28.7
Other current and long-term assets	**5.5**	29.4
Current liabilities	**(39.2)**	(48.2)
Deferred income taxes	**(11.9)**	(127.4)
Long-term liabilities	**(4.7)**	(23.7)
Net cash consideration	**$ 152.6**	$ 1,265.1

The following table summarizes acquisitions for the periods presented.

Year Ended	Number of Acquisitions	Segment	Product/Service
December 31, 2021	3	Bedding Products	Manufacturer of specialty foam for the bedding and furniture industries
		Furniture, Flooring & Textile Products	Manufacturer of bent metal tubing for furniture used in office, residential, and other settings
		Specialized Products	Manufacturer of high-pressure and high-temperature ducting, flexible joints, and components
December 31, 2020	None		
December 31, 2019	2	Bedding Products	A leader in proprietary specialized foam technology, primarily for the bedding and furniture industries
		Furniture, Flooring & Textile Products	Manufacturer and distributor of geosynthetic and mine ventilation products

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

The results of operations of the above acquired companies have been included in the consolidated financial statements since the dates of acquisition. The unaudited pro forma consolidated net sales, net earnings and earnings per

share as though these acquisitions had occurred on January 1 of each year presented are not materially different from the amounts reflected in the accompanying financial statements.

Certain of our prior years' acquisition agreements provide for additional consideration to be paid in cash at a later date and are recorded as a liability at the acquisition date. At December 31, 2021 and 2020, we had no material liability for future payments. Additional consideration, including interest, paid for acquisitions was $.2, $8.4, and $1.1 for the years ended 2021, 2020, and 2019, respectively.

A brief description of our acquisition activity by year is included below.

2021

We acquired three businesses:

- A specialty foam and finished mattress manufacturer serving the United Kingdom (UK) and Irish marketplace with two manufacturing facilities in the Dublin area. This acquisition became a part of our Bedding Products segment. The acquisition date was June 4. The purchase price was $119.7 and added $58.3 of goodwill.
- A Polish manufacturer of bent metal tubing for furniture used in office, residential, and other settings. This acquisition became a part of our Furniture, Flooring & Textile Products segment. The acquisition date was May 31. The purchase price was $5.4 and added $4.4 of goodwill.
- A UK manufacturer specializing in metallic ducting systems, flexible joints, and components for the space, military, and commercial applications. This acquisition expands the capabilities of our aerospace products business to include flexible joint fabrication and operates within our Specialized Products segment. The acquisition date was January 30. The purchase price was $27.7 and added $8.2 of goodwill.

2020

No businesses were acquired during 2020.

2019

We acquired two businesses:

- ECS, a leader in proprietary specialized foam technology, primarily for the bedding and furniture industries. Through this acquisition, we gained critical capabilities in proprietary foam technology, along with scale in the production of private label finished mattresses. The acquisition date was January 16. The purchase price was $1,244.3 and, upon finalization of the purchase price allocation, added $559.3 of goodwill. The most significant other intangibles added were customer relationships and technology, whose finalized values were $372.3 and $173.3, respectively. There was no contingent consideration associated with this acquisition.
- A manufacturer and distributor of geosynthetic and mine ventilation products, expanding the geographic scope and capabilities of our Geo Components business unit. The acquisition date was December 9. The purchase price was $20.6 and added $7.6 of goodwill.

S—Derivative Financial Instruments

Cash Flow Hedges

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

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

Interest Rate Cash Flow Hedges—We have also occasionally used interest rate cash flow hedges to manage interest rate risks. In November 2021, we issued $500.0 aggregate principal amount of notes that mature in 2051. The notes bear interest at a rate of 3.5% per year. As a part of this transaction, in the 4th quarter of 2021 we settled our $300.0 treasury locks and recognized a gain of $10.2, which will be amortized over the life of the notes.

The effective changes in fair value of unexpired contracts are recorded in accumulated other comprehensive income and reclassified to income or expense in the period in which earnings are impacted. Cash flows from settled contracts are

presented in the category consistent with the nature of the item being hedged. (Settlements associated with the sale or production of product are presented in operating cash flows, and settlements associated with debt issuance are presented in financing cash flows.)

Fair Value Hedges and Derivatives not Designated as Hedging Instruments

These derivatives typically manage foreign currency risk associated with subsidiaries' assets and liabilities, and gains or losses are recognized currently in earnings. Cash flows from settled contracts are presented in the category consistent with the nature of the item being hedged.

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

			As of December 31, 2021			
			Assets		Liabilities	
Derivatives	Expiring at various dates through:	Total USD Equivalent Notional Amount	Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
Designated as hedging instruments						
Total cash flow hedges-currency hedges	Jun 2023	260.6	$ 5.1	$ —	$ .7	$ .1
Total fair value hedges	Mar 2022	54.2	.4	—	—	—
Not designated as hedging instruments	Dec 2022	40.1	.4	—	.4	—
Total derivatives			$ 5.9	$ —	$ 1.1	$ .1

			As of December 31, 2020			
			Assets		Liabilities	
Derivatives	Expiring at various dates through:	Total USD Equivalent Notional Amount	Other Current Assets	Sundry	Other Current Liabilities	Other Long-Term Liabilities
Designated as hedging instruments						
Total cash flow hedges-currency hedges	Jun 2022	223.8	$ 7.0	$ .2	$ 1.9	$ .3
Total fair value hedges	Jun 2021	49.5	.3	—	.1	—
Not designated as hedging instruments	Dec 2021	55.1	.4	—	.2	—
Total derivatives			$ 7.7	$ .2	$ 2.2	$ .3

The following table sets forth the pretax (gains) losses for our hedging activities for the years presented. This schedule includes reclassifications from accumulated other comprehensive income as well as derivative settlements recorded directly to income or expense.

		Amount of (Gain) Loss Recorded in Income for the Year Ended December 31		
Derivatives	Income Statement Caption	2021	2020	2019
Designated as hedging instruments				
Interest rate cash flow hedges	Interest expense	**$ 4.5**	$ 4.5	$ 4.4
Currency cash flow hedges	Net trade sales	**(9.6)**	1.1	2.7
Currency cash flow hedges	Cost of goods sold	**(.2)**	(.1)	(1.6)
Currency cash flow hedges	Other (income) expense, net	**—**	—	.1
Total cash flow hedges		**(5.3)**	5.5	5.6
Fair value hedges	Other (income) expense, net	**(5.9)**	(.2)	.8
Not designated as hedging instruments	Other (income) expense, net	**(1.9)**	.2	.1
Total derivative instruments		**$ (13.1)**	$ 5.5	$ 6.5

T—Contingencies

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

Brazilian Value-Added Tax Matters

We previously disclosed various proceedings brought by the Brazilian Federal government and the Brazilian States of São Paulo and Minas Gerais against our wholly-owned subsidiary Leggett & Platt do Brasil, Ltda. The proceedings relate to a dispute over the correct tariff rate for the collection and payment of value-added tax on the sale of mattress innersprings in the relevant jurisdictions. Although the proceedings continue, positive changes in currency exchange rates and favorable rulings over the last few years have decreased the reasonably possible loss associated with these proceedings. Because of the lower reasonably possible loss, coupled with our higher earnings, the proceedings are no longer material, either individually or in the aggregate, to our results of operations, cash flow from operations or financial condition.

Accruals and Reasonably Possible Losses in Excess of Accruals

Accruals for Probable Losses

Although we deny liability in all currently threatened or pending litigation proceedings in which we are or may be a party, and believe that we have valid bases to contest all claims threatened or made against us, we recorded a litigation contingency accrual for our reasonable estimate of probable loss for pending and threatened litigation proceedings, in aggregate, of $1.0, $.5, and $.7 at December 31, 2021, 2020, and 2019, respectively. There were no material adjustments to the accrual, including cash payments and expense, for each of the years ended December 31, 2021, 2020, and 2019, respectively. The accruals do not include accrued expenses related to workers' compensation, vehicle-related personal injury, product and general liability claims, taxation issues, and environmental matters, some of which may contain a portion of litigation expense. However, any litigation expense associated with these categories is not anticipated to have a material effect on our financial condition, results of operations, or cash flows. For more information regarding accrued expenses, see Note I.

Reasonably Possible Losses in Excess of Accruals

Although there are a number of uncertainties and potential outcomes associated with all of our pending or threatened litigation proceedings, we believe, based on current known facts, that additional losses, if any, are not expected to materially affect our consolidated financial position, results of operations, or cash flows. However, based upon current known facts, as of December 31, 2021, aggregate reasonably possible (but not probable, and therefore not accrued) losses in excess of the accruals noted above are estimated to be $10.0. If our assumptions or analyses regarding these contingencies are incorrect, or if facts change, we could realize losses in excess of the recorded accruals (and in excess of the $10.0 referenced above), which could have a material negative impact on our financial condition, results of operations, and cash flows.

U—Risks and Uncertainties

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

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

Supply chain disruptions have continued into 2021, most notably in chemicals, semiconductors, labor, and transportation, constraining volume growth.

We have exposure to the cost of chemicals, including TDI, MDI, and polyol. The cost of these chemicals has fluctuated at times, but we have generally passed the changes through to our customers. Chemical prices deflated in the first half of 2020. Inflation began in the second half of the year and continued throughout 2021 as a result of several factors, including robust demand, shortages from severe weather, supplier production disruptions, port delays, and logistics challenges. The supply shortages resulted in significant restrictions by producers, however, supply availability improved in late fourth quarter 2021.

Currently there is a shortage of semiconductors in the automotive industry. Automotive OEMs and other suppliers have not been able to secure an adequate supply of semiconductors, and as a result have reduced or completely shut down their production of some automobiles or parts, which in turn has reduced our sale of products. Consumer demand remains strong, but the semiconductor shortage has pushed vehicle inventories to very low levels. Our Automotive Group uses the semiconductors in seat comfort products, and to a lesser extent in motors and actuators. To date, our Automotive Group has been able to obtain an adequate supply of semiconductors. We are dependent on our suppliers to deliver these semiconductors in accordance with our production schedule, and a shortage of the semiconductors can disrupt our operations and our ability to deliver products to our customers. If we cannot secure an adequate supply of semiconductors in our supply chain, or the automotive OEMs and other suppliers continue to reduce their production as a result of such shortage, this may negatively impact our sales, earnings, and financial condition.

Because of shortages in the labor markets, several industries in which we operate have experienced challenges in hiring and maintaining adequate workforce levels, as well as increased labor costs. If this continues, our results of operations may be negatively impacted.

Certain governmental authorities, including state or foreign jurisdictions, may adopt laws mandating COVID-19 vaccination or periodic testing with masking requirements for unvaccinated employees. Because some of our employees may be hesitant to take a vaccine or be tested, the requirements, if adopted, may cause some employees to terminate employment with us which may challenge our ability to maintain appropriate labor levels in our facilities and keep our manufacturing locations fully operational. If these requirements are adopted, they may also create disruptions to our suppliers and customers.

Some facilities have experienced disruptions in logistics necessary to import, export, or transfer raw materials or finished goods, which has generally resulted in increased transportation costs that are typically passed through to our customers. Our supply chains have also been hampered by congested ports and trucking constraints.