

Company Update

December 2017



LEG (NYSE)
www.leggett.com

Leggett & Platt
INCORPORATED

Forward Looking Statements

Statements in this presentation that are not historical in nature are “forward-looking.” These statements involve uncertainties and risks, including the company’s ability to achieve its longer-term operating targets, price and product competition from foreign and domestic competitors, changes in demand for the company’s products, cost and availability of raw materials and labor, fuel and energy costs, future growth of acquired companies, loss of one or more of our customers, our ability to consummate strategically-screened acquisitions, our ability to achieve expected levels of cash flow, possible goodwill or other asset impairment, foreign currency fluctuation, litigation risks, and other factors described in the company’s Form 10-K and Form 10-Q’s. Any forward-looking statement reflects only the company’s beliefs when the statement is made. Actual results could differ materially from expectations, and the company undertakes no duty to update these statements.

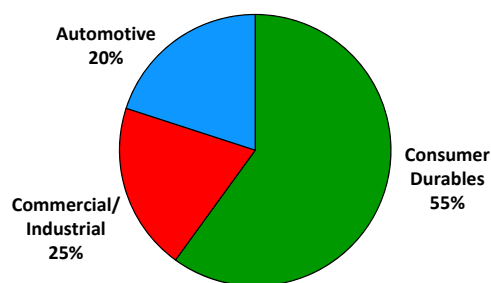
TSR Focused Mid-Cap Manufacturer

- ❑ Targeting **Total Shareholder Return in top third** of S&P 500
- ❑ **~3.0%** dividend **yield**; 46 consecutive annual increases
- ❑ **Strong** balance sheet and cash flow
- ❑ **Leader** in most markets; few/no large competitors
- ❑ Poised for **continued growth**
 - Internal initiatives + market growth + bolt-on acquisitions
- ❑ Management has **“skin in the game”**
 - Significant stock owners; forego comp in exchange for shares
 - Incentive comp aligned with TSR focus

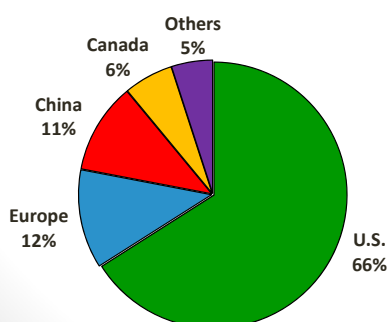
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Our Markets

Macro Market Exposure

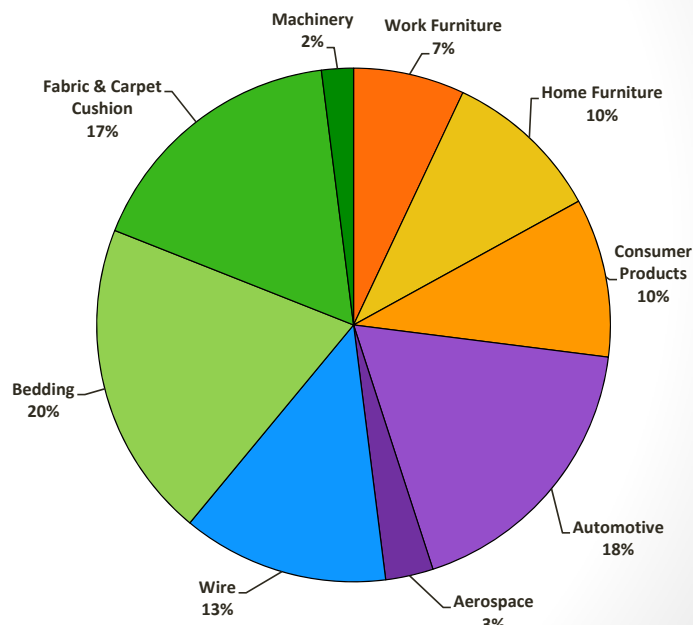


Geographic Split (based on production)



Product Mix

% of 2017 est. total sales*



4 segments; 9 groups

*from continuing ops, CVP fully divested Aug 2017

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Strategy

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TSR in Top Third of S&P 500

Sources of TSR: Growth, Margin Improvement, Dividend Yield, and Share Buybacks

$\text{Total Shareholder Return} = (\Delta \text{ Stock Price} + \text{Dividends}) / \text{Initial Price}$

Revenue Growth Target: 6-9% annually

Margin Improvement: Growth in attractive markets, product development, cost savings, efficiency impr.

Dividend Payout Target: 50-60% of earnings

Excess Cash Use: Stock Buyback

TSR Performance

	3-year CAGR				Target
	12-15	13-16	14-17 ²	16-19t ⁴	
Revenue Change	5	3	2	8	6-9
<i>ex divestitures/deflation/currency</i>	7	7	5		
Margin Change	11	12	6	1	1
Change in Multiple	(2)	--	(5)	--	--
Dividend Yield	4	3	3	3	3
Stock Buyback	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>
Annual TSR	20	20	7	13	11-14
% Rank in S&P 500 ¹	31%	11%	55% ³		

¹ 1% is best.

² TSR estimate based on mid-point of 2017 guidance and assumes a \$48 year-end share price.

³ Relative TSR performance through October 2017.

⁴ TSR estimate based on 2019 operating targets.

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Growth Framework

- ❑ Targeting 6-9% average annual revenue growth; organic + acquisition
- ❑ Three avenues of growth:
 1. **Recent Growth Sources** should continue for next few years
 2. Implemented a **Growth Identification Process** → to generate profitable growth initiatives in current markets
 3. Utilizing our **Styles of Competition** → to identify longer-term opportunities in new attractive markets

Enhanced framework for consistent, disciplined long-term profitable growth

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1. Recent Growth Sources

- ❑ Market growth + **Other Sources**
 - Volume +6% in 2014 & 2015; +2% in 2016
 - Guiding mid-single-digit volume growth in 2017
- ❑ **Other Sources** include:
 - Content gains in Automotive and Bedding
 - New programs in Adjustable Bed and continued market growth
- ❑ Program awards, customer focus, consumer preference trends provide visibility for next few years
- ❑ Acquisitions should also contribute to growth
 - Averaged ~2% acquisition growth over past 3 years

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2. Growth Identification Process

- ❑ Implemented **Growth Toolkit** to generate profitable growth initiatives in current markets
- ❑ Toolkit framework:
 1. Understand where we are starting and define attractive spaces for growth
 2. Identify specific opportunities within spaces of interest and prioritize based on value creation
 3. Determine action plans, including both **Organic** and **Acquisition** initiatives

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3. Styles of Competition

- ❑ Defines and measures **“fit”** based on fundamentals of where and how we currently compete
- ❑ Lens used longer term to identify, screen, and pursue opportunities across **more diverse spaces**
- ❑ Helps guide growth process in current markets
- ❑ Leggett’s predominant style is **Critical Components**
 - ~60% of sales; typically higher margins/returns
 - Majority of recent sales growth

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Acquisition Criteria Unchanged

- ❑ Strategy: clear strategic rationale; sustainable competitive advantage; strong **“fit”** with L&P
- ❑ Financials: TSR accretive; IRR > 10%
- ❑ **New Platforms**: revenue > \$50m; strong management; subsequent growth opportunity
 - Mkt size > \$250m; growing > GDP
 - Industry EBIT margin approximates Leggett’s average
- ❑ **Add-on** businesses: revenue > \$15m; significant synergy; strategic fit in an existing BU

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Sources of Margin Improvement

- ❑ **Incremental volume**
 - **25-35%** contribution margin in businesses with spare capacity
- ❑ **Portfolio management**
 - Continue to invest in our advantaged businesses
 - Improve or exit low-margin operations
- ❑ **New products** with higher margins
- ❑ **Continuous improvement**
 - Management tools
 - Cost reduction, efficiency, etc.

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Priorities for Use of Cash

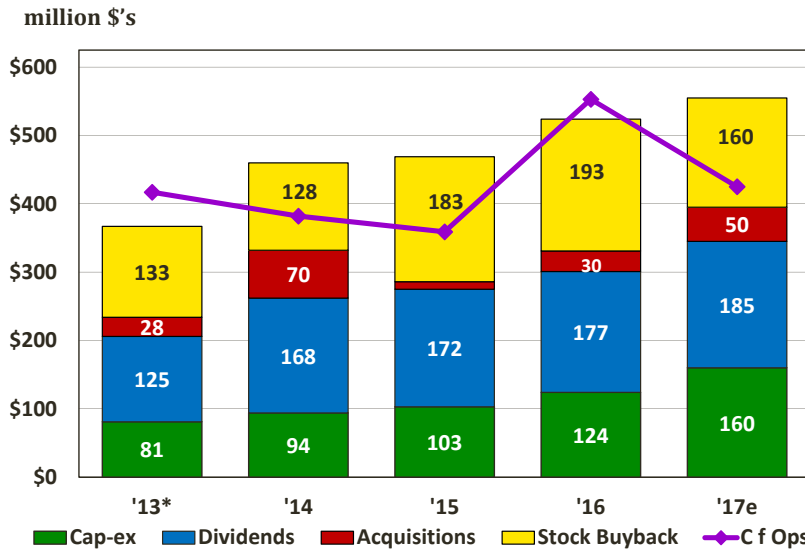
1. Fund capital expenditures
 - Support organic growth in attractive businesses
2. Increase dividends
 - **46 year history** of dividend increases
 - Member of S&P Dividend Aristocrats
3. Fund selective growth (acquisitions, new growth platforms)
4. Excess cash (if any) used to repurchase stock

**Operating Cash has exceeded Dividends &
Capital Expenditures every year for over 25 years**

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Operating Cash & Uses

- Cash use consistent with stated priorities



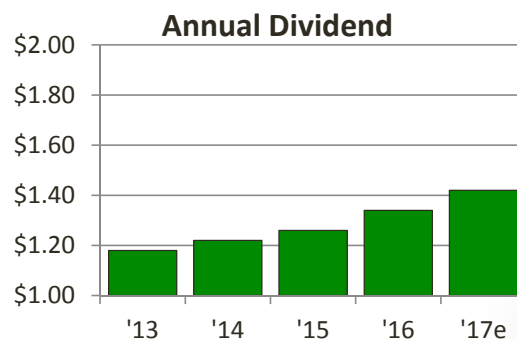
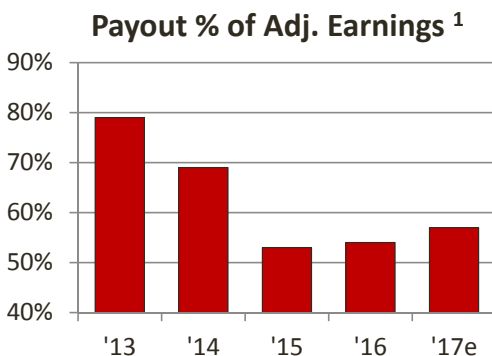
* 3 qtr dividends paid in 2013; accelerated the Jan-2013 dividend payment of \$41 million into Dec 2012 in anticipation of higher tax rates.

**2017 estimates based on mid-point of guidance.

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Dividend Growth

- Increased 4Q dividend by \$.02, to **\$.36 per share**
 - Up 5.9% vs 4Q 2016 dividend of \$.34 per share
- Dividend payout target is **50-60% of earnings**
- Future dividend growth should approx earnings growth



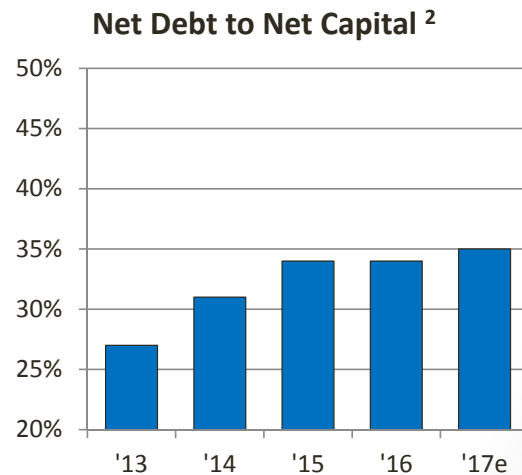
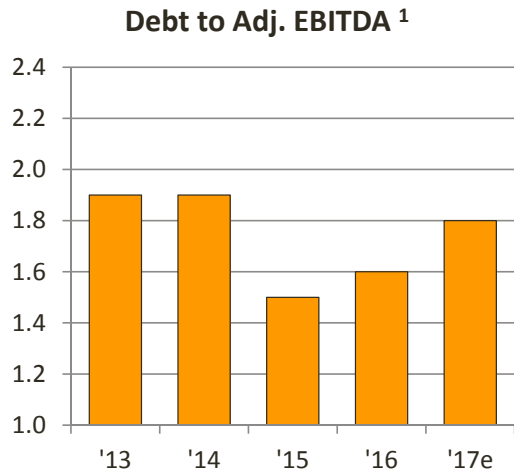
¹ Earnings from continuing ops exclude unusual items. See appendix for non-GAAP reconciliations.

² 2017 estimates based on mid-point of guidance.

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Strong Balance Sheet

- ❑ Maintaining long-held priority on financial strength
- ❑ Flexibility to capture attractive investment opportunities



¹ EBITDA from continuing ops exclude unusual items. See appendix for non-GAAP reconciliations.

² See appendix for calculation of Net Debt to Net Capital.

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Current Topics

Q3 2017 Highlights

- ❑ Sales were up 6% vs. Q3-16, to \$1,010 million
 - Organic sales grew 6%
 - Acquisitions added 2%, offset by divestitures (2%)
- ❑ Adj¹ EPS from continuing ops of \$.61, down 9% vs. \$.67 in Q3-16
- ❑ Adj¹ EBIT of \$117 million, down 10% vs. Q3-16
- ❑ Adj¹ EBIT margin of 11.6%, down 210 bps vs. Q3-16
- ❑ Cash from ops of \$105 million, vs. \$124 million in Q3-16
- ❑ Adjusted working capital at 11.6% of annualized sales
- ❑ Net debt to net capital at 38.1% (target is 30-40%)
 - Debt to TTM EBITDA of 2.1x

¹ See Appendix for non-GAAP adjustments.

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2017 Guidance (Issued 10/26/17; not updated since)

- ❑ Sales guidance narrowed to \$3.95-\$4.0 billion
 - 5-7% growth versus 2016
 - Assumes **mid-single-digit volume growth** plus commodity inflation
- ❑ Continuing Ops Adj.¹ EPS narrowed to \$2.45-\$2.50
- ❑ Adj.¹ full-year implied EBIT margin of ~12.0%
- ❑ Implied 4Q guidance
 - Sales of \$991-1,041 million
 - Adjusted¹ continuing ops EPS of \$.58-\$.63
- ❑ Operating cash should approximate \$425 million
- ❑ Dividends should require ~\$185 million
- ❑ Cap-ex of ~\$160 million
- ❑ Adj.¹ full-year tax rate of ~23%
 - Q1 = 20%; Q2 = 23%; Q3 = 24%; Q4 ~24%
- ❑ Diluted shares of ~137 million

¹ See Appendix for non-GAAP adjustments.

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Macro Indicators

❑ **Consumer confidence**

- More crucial than home sales since majority (~2/3rds) of bedding/furniture purchases are replacement of existing product
- “Large ticket” purchases that are deferrable

❑ **Total housing turnover**

- Combination of **new and existing** home sales

❑ **Employment levels**

❑ **Consumer discretionary spending**

❑ **Interest rate levels**

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Key Take-Aways

- ❑ **TSR in top-third of S&P 500** remains key financial goal
- ❑ Enhanced framework for long-term **profitable growth**
- ❑ Maintaining vigilant **capital discipline**
- ❑ **Dividend growth** remains a top priority
- ❑ Optimistic about near/medium-term opportunities

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FOR ADDITIONAL INFORMATION

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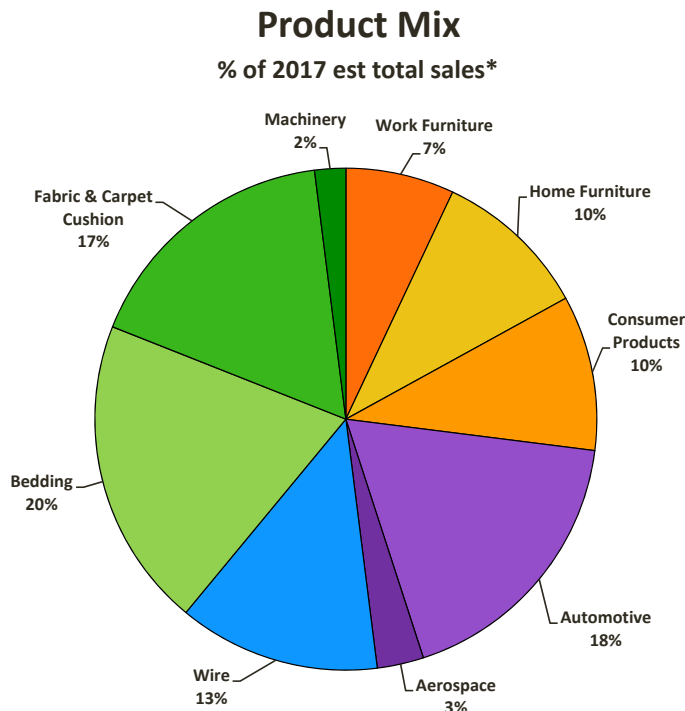
Find our Fact Book at www.leggett.com.

Susan McCoy
Wendy Watson
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VP, Investor Relations
Director, Investor Relations
Sr VP, Corporate Strategy & IR

**ADDITIONAL
INFORMATION**

Product Mix

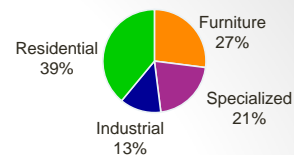


4 segments; 9 groups; 15 business units

*from continuing ops, CVP fully divested Aug 2017

Segments

% of 2017 est total sales from cont ops



Residential Products

Bedding

- Mattress springs
- Foundations

Fabric & Carpet Cushion

- Textile converting
- Carpet cushion
- Geo components

Machinery

- Quilting and sewing machinery for bedding mfg.



Industrial Products

Wire

- Drawn steel wire
- Steel rod



Furniture Products

Work Furniture

- Chair controls, bases, frames
- Private-label finished seating

Home Furniture

- Recliner mechanisms
- Seating and sofa sleeper components

Consumer Products

- Adjustable beds
- Fashion beds
- Bed frames



Specialized Products

Automotive

- Auto seat support and lumbar systems
- Motors, actuators & cables

Aerospace

- Tubing
- Tube assemblies



Customers Include

In North America:

Aaron's	Corsicana	Lowe's	Serta
Adient (JCI)	Haworth	Magna	Simmons
Airbus	Herman Miller	Mattress Firm	Steelcase
Ashley Furniture	HNI	Overhead Door	Tempur Sealy
Best Home Furniture	La-Z-Boy	Rooms-to-Go	Toyota Boshoku
Berkshire Hathaway	Lear	Sanyo	Walmart
Boeing	Lincoln Electric	Select Comfort	Wayfair

In Europe and Asia:

Hilding Anders	Steinhoff	Hay	Dauphin
Silentnight Beds	Eurasia	Howe	Profim
Dreams	Kuka	Fritz Hansen	Faurecia
Nestledown	Natuzzi	Himolla	Volkswagen

Diverse Customer Base – Low Concentration

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Cost Structure

Cost of Goods Sold composition (approximate):

- ❑ 55% Materials, composed of:
 - Steel ~25% of RMs
 - Woven & non-woven fabrics ~15% of RMs
 - Foam scrap, fibers, chemicals ~10% of RMs
 - Titanium, nickel, stainless ~2% of RMs
 - Others, including sub-assemblies, hardware, components, finished products purchased for resale, etc. ~50% of RMs
- ❑ 20% Labor (includes all burden and overhead)
- ❑ 25% Other, composed of:
 - Depreciation, utilities, maintenance, supplies -- each ~3% of COGS
 - Shipping/transportation ~10% of COGS
 - Other also includes rent, insurance, property tax, etc.
- ❑ Costs are roughly 75% variable, 25% fixed
- ❑ \$100 million of incremental volume (produced utilizing spare capacity) yields ~\$25-\$35 million of additional EBIT

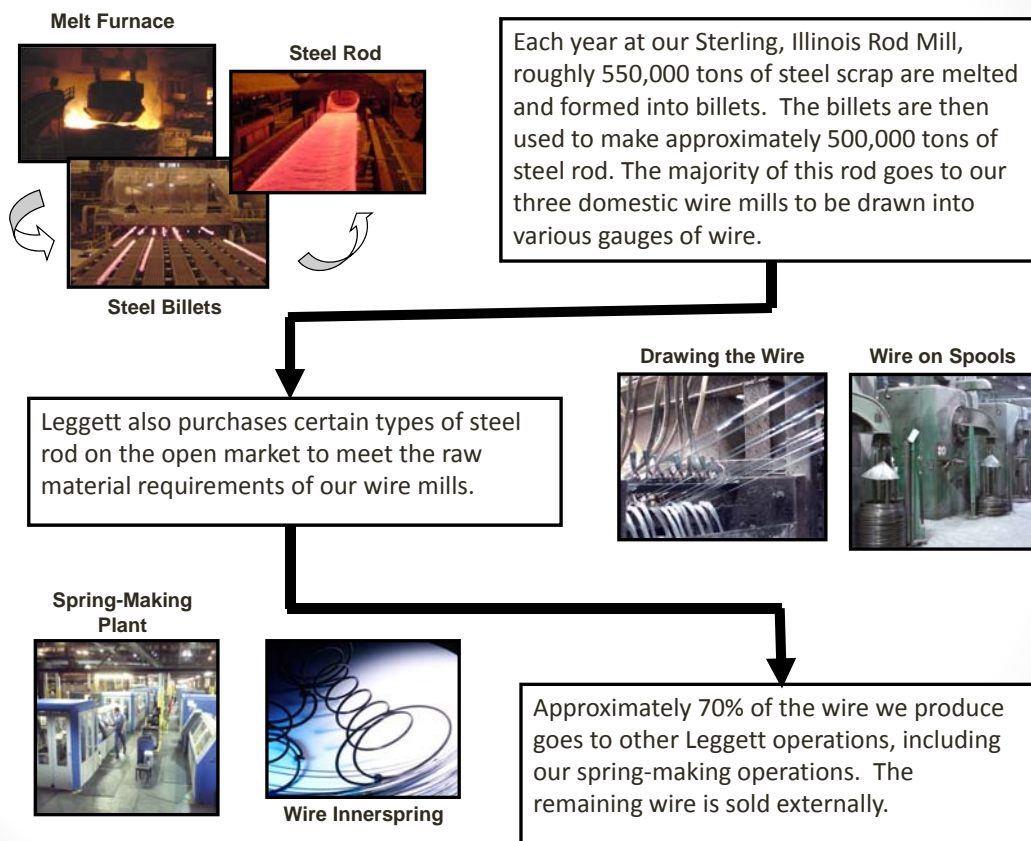
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Commodity Impact

- ❑ Primary commodity exposure is steel; ~25% of RM's
- ❑ Main categories are scrap, rod, and flat-rolled
 - Many grades of scrap, market data is generally available
 - Limited credible data to track moves in other types of steel
- ❑ Impact from inflation/deflation
 - Typically pass through and maintain/improve margin; lag is ~90 days
 - Majority of our customer pricing is negotiated vs contractual
- ❑ LIFO accelerates inflation/deflation into COGS
- ❑ Changes in metal margin (mkt price for rod - mkt price for scrap) also impact earnings
 - Our scrap cost and rod pricing moves with the market; large swings cause Industrial segment earnings volatility

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Vertical Integration in Steel



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Strong Peer Group

Diversified Manufacturers

w/ Ticker & Fortune 1000 Ranking (May 2017)

Leggett Ranking = 613

CSL	Carlisle	623	ITW	Illinois Tool Works	202
DHR	Danaher	144	IR	Ingersoll Rand	n/a
DOV	Dover	392	MAS	Masco	372
ETN	Eaton Corp	n/a	PNR	Pentair	n/a
EMR	Emerson	139	PPG	PPG Industries	183

Characteristics of the Group

Multiple Business Segments
 Sell Mainly to Other Manufacturers
 Low Customer Concentration
 Stamp, Cast, & Machine Materials
 Moderate Labor & Capital Intensity

Primarily Manufacturers
 In "Old Economy" Markets
 Complex; Hard to Grasp
 Old, Established Firms
 Diverse Products

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Governance/Directors

November 2017

- ❑ 7 Non-Management Directors (out of 9 total)
- ❑ Only Non-Mgmt Directors on Key Board Committees

Non-Mgmt

		<u>Age</u>	<u>Joined</u>	<u>Position</u>	<u>Firm</u>
Robert Brunner	✎♦	60	2009	Retired EVP	ITW
Robert Culp	✎*	71	2013	Chairman	Culp, Inc.
R. Ted Enloe †	✎♦*	79	1969	Managing Partner	Balquita Partners
Manuel Fernandez	♦*	71	2014	Managing Director	SI Ventures
Joe McClanathan	✎♦*	65	2005	Retired President & CEO	Energizer Household Products
Judy Odom	✎♦*	65	2002	Retired Chmn, CEO	Software Spectrum
Phoebe Wood	✎♦	64	2005	Principal	CompaniesWood

Management

Karl Glassman	59	2002	President & CEO	Leggett & Platt
Matthew Flanigan	55	2010	EVP & CFO	Leggett & Platt

† Independent Board Chair

Committees: ✎ Audit ♦ Compensation * Nominating & Corporate Governance

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Compensation Rewards Strong Performance

□ Annual Incentive

- Based on current year **ROCE, free cash flow**, and individual goals

□ Profitable Growth Incentive

- Based on **revenue growth & EBITDA margin** over a 2-year period
- Replaced annual option grants for **execs** beginning 2013

□ Performance Stock Units

- Based on 3-year **relative TSR performance** (vs. peer group of ~320 companies)
- Initiated in 2008 to align with change in strategy
- Payout based on sliding scale; significant portion of total comp for top execs

□ Deferred Comp Program

- Opportunity (in December) to **forego** a portion of next year's cash salary and bonus to **buy** stock units

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STRATEGY

Strategic Shift Outlined in 2007

What We Said:

Goal = TSR in top third of S&P 500

Sources: **Growth, Margin Improvement, Dividend Yield, and Share Buybacks**

3 STEPS:

1. **FOCUS** by divesting low performing businesses
2. **IMPROVE** margins & returns on assets we keep
3. **GROW** revenue, long-term, at 4-5% annually

- ❑ Successfully executed “**Focus**” and “**Improve**”
- ❑ Now turning more attention to **Growth**

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TSR Targets & Performance

3-year CAGR

	<u>07-16 Target</u>	<u>12-15 Actual</u>	<u>13-16 Actual</u>	<u>Revised Target</u>
Revenue Change <i>ex divest/deflation/currency</i>	4-5	5 7	3 7	6-9
Margin Change	2-3	11	12	1
Change in Multiple	--	(2)	--	--
Dividend Yield	3-4	4	3	3
Stock Buyback	<u>2-4</u>	<u>2</u>	<u>2</u>	<u>1</u>
Annual TSR	12-15	20	20	11-14

% Rank in S&P 500 ¹

31% 11%

¹ Goal is top-third of S&P 500. 1% is best.

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Role-Based Portfolio Management

□ Strategic Planning Process

- Assess market attractiveness and Leggett's advantages
- 3-year plan to achieve $\geq 10\%$ TBR/year
- Used to determine portfolio role

□ Place each BU into Portfolio Role

- Grow, core, fix, or divest
- Different goals for each
 - Grow: profitable **Growth**
 - Core: maximize **Cash**
 - Fix: rapidly **Improve**
- Allocate capital based on role

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Criteria for Role Assignments

	<u>GROW</u>	<u>CORE</u>	<u>FIX / DIVEST</u>
1. COMPETITIVE POSITION	Advantaged	Solid, Stable	Tenuous or Disadvantaged
2. MARKET ATTRACTIVE?	Strong, Growing	Attractive, but With Lower Growth Potential	Poor or Declining
3. FIT w/ LEGGETT	Strong	Strong	Limited
4. RETURN (ROGI)	Consistently > 12%	Stable, 9-12%	Erratic or < WACC
5. BU SIZE & MATERIALITY	Large, Significant	Large, Significant	Inconsequential, Distracting

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Expectations by Portfolio Role

❑ All: Credible Path to $\geq 10\%$ TBR Required, else Exit

❑ Grow: Provide Profitable **Growth**; Return $>$ WACC

- Invest capital in competitively advantaged positions
- Identify major organic, M&A, or rollup investments

❑ Core: **Generate Cash**; Return \geq WACC

- Maintain stable, competitive positions to generate cash
- Aggressively improve EBITDA and free cash flow
- Profitably grow market share, but with minimal capex
- Enhance productivity; reduce costs, overhead, working capital

❑ Fix: **Rapidly** Restructure, else Exit

- Limited time to achieve return \geq WACC, else divest / liquidate

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Critical Components Style Defined

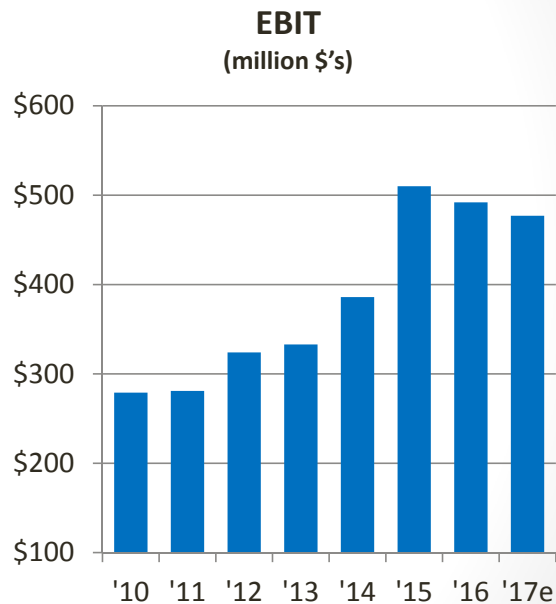
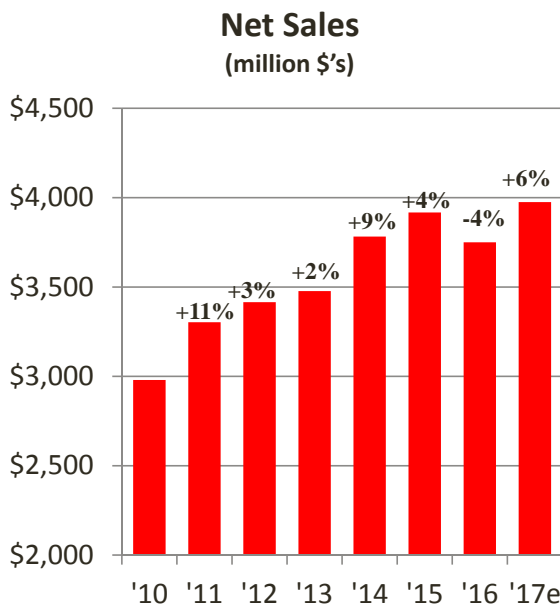
		Dimension	Characteristic
Where we compete	Product / service / Solution	1. Role in value chain	Translate RM or components into critical component
		2. Functional role	Functionally essential to end product
		3. % of finished COGS	<25% of finished COGS
	Industry Structure	4. Customer set	Concentrated in few large customers
		5. Competitive set	Small private companies w/ single focus
	Economics	6. Gross margin	Earns attractive returns at $\sim 20\text{-}30\%$ GM
		7. Asset intensity	Light manufacturing $\sim 2x$ asset turns
How we compete		8. Deep customer engagements	Deep understanding of customer design, production pain points, long-term relationships
		9. Collaborative design	Co-design products/components for better functionality and lower total cost
		10. Flexible mfg	Long-run SKUs that can be adjusted to deliver custom specs w/minimal additional capital
		11. Continuous cost improvement	Continuous cost improvement throughout life of long run-length SKUs

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FINANCIAL INFORMATION

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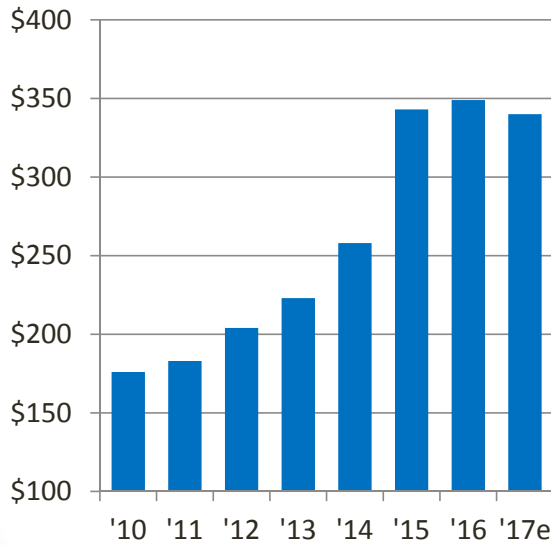
Sales and EBIT



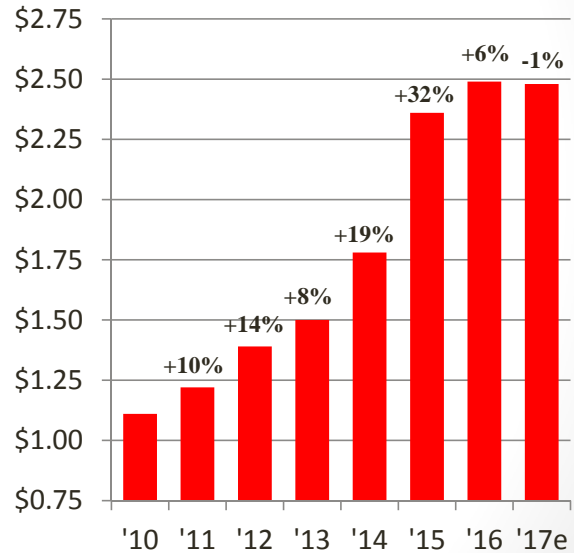
- Amounts are from continuing operations and exclude unusual items. See appendix for non-GAAP recon.
- 2017 estimates are based on mid-point of guidance.

Net Earnings and EPS

Net Earnings
(million \$'s)



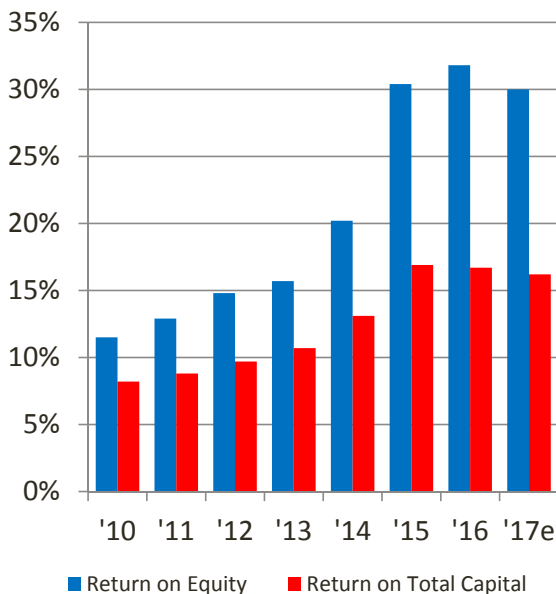
EPS
(\$'s per share)



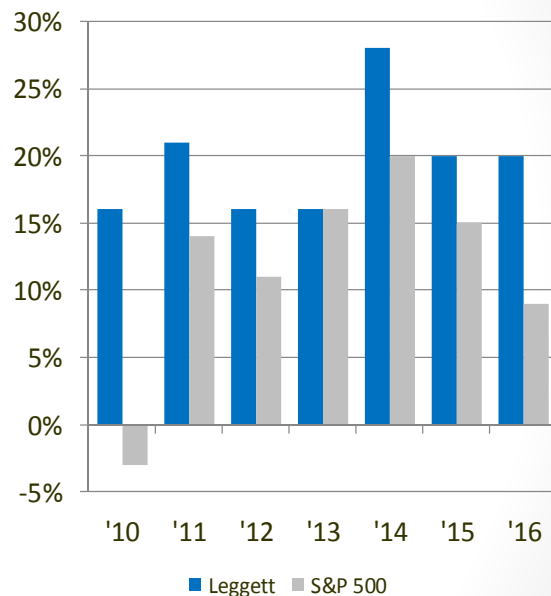
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Returns and TSR

Returns

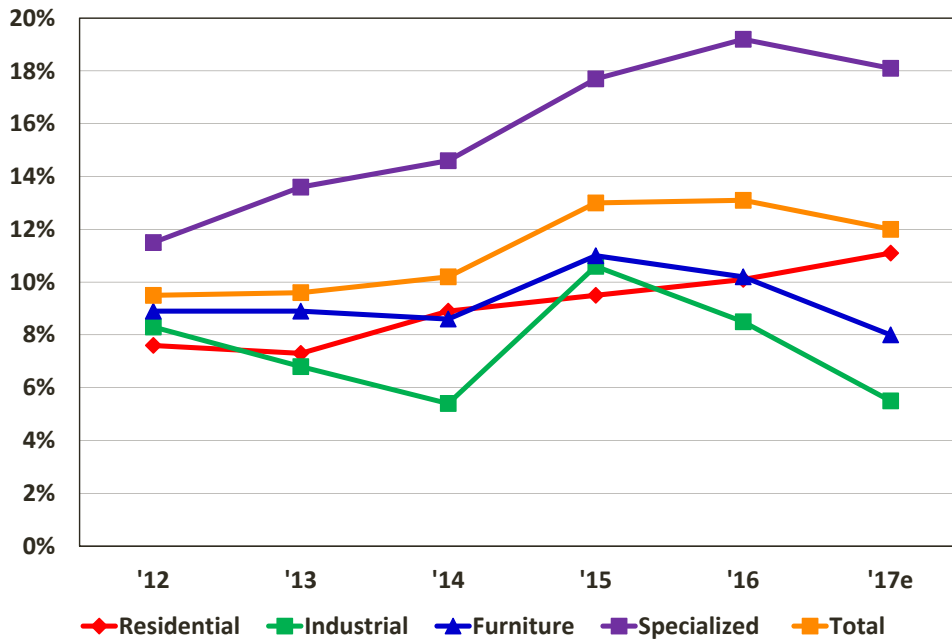


3-Year Avg TSR - at year end



- See appendix for return calculations.
- 2017 estimates based on mid-point of guidance.
- TSR assuming dividends continually reinvested.

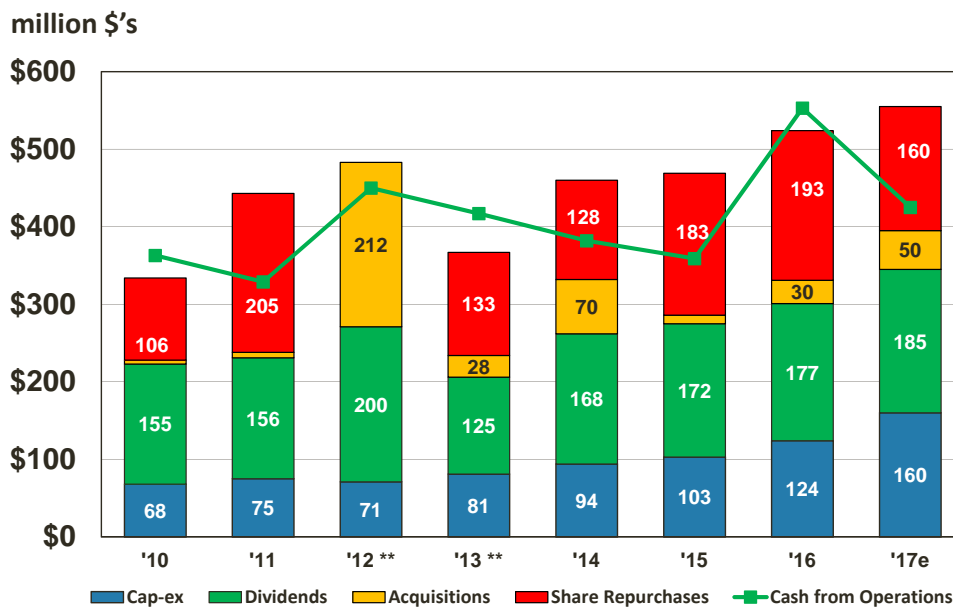
Segment EBIT Margins



- Amounts exclude unusual items. See appendix for non-GAAP recon.
- 2017 estimates are based on mid-point of guidance.

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Uses of Cash Flow



** 3 qtr dividends paid in 2013; accelerated the Jan-2013 dividend payment of \$41 million into Dec 2012 in anticipation of higher tax rates.

Operating Cash > Capital expenditures + Dividends for over 25 years

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Cash Flow Details

<u>\$'s in millions</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017e</u> ²
Net Income	183	156	251	200	101	329	386	345
Deprec & Amort	123	117	116	123	118	113	115	125
Def Income Taxes	30	(1)	(22)	(33)	(40)	24	18	
Impairment & Other	22	54	17	83	124	19	(18)	
Working Capital	(17)	(14)	57	26	54	(171)	15	(70)
Other Non-Cash	22	17	31	18	25	45	37	25
Cash from Operations	363	329	450	417	382	359	553	425
Uses of Cash								
Capital Expenditures	(68)	(75)	(71)	(81)	(94)	(103)	(124)	(160)
Dividends ¹	(155)	(156)	(200)	(125)	(168)	(172)	(177)	(185)
Acquisitions	(5)	(7)	(212)	(28)	(70)	(11)	(30)	(50)
Share Repurchases	(106)	(205)	6	(133)	(128)	(183)	(193)	(160)

¹ 5 qtr dividends paid in 2012 and 3 qtr dividends paid in 2013; accelerated the Jan-2013 dividend payment of \$41 million into Dec-2012 in anticipation of higher tax rates.

² 2017 estimated net income is based on mid-point of guidance.

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Debt Structure

September 2017:

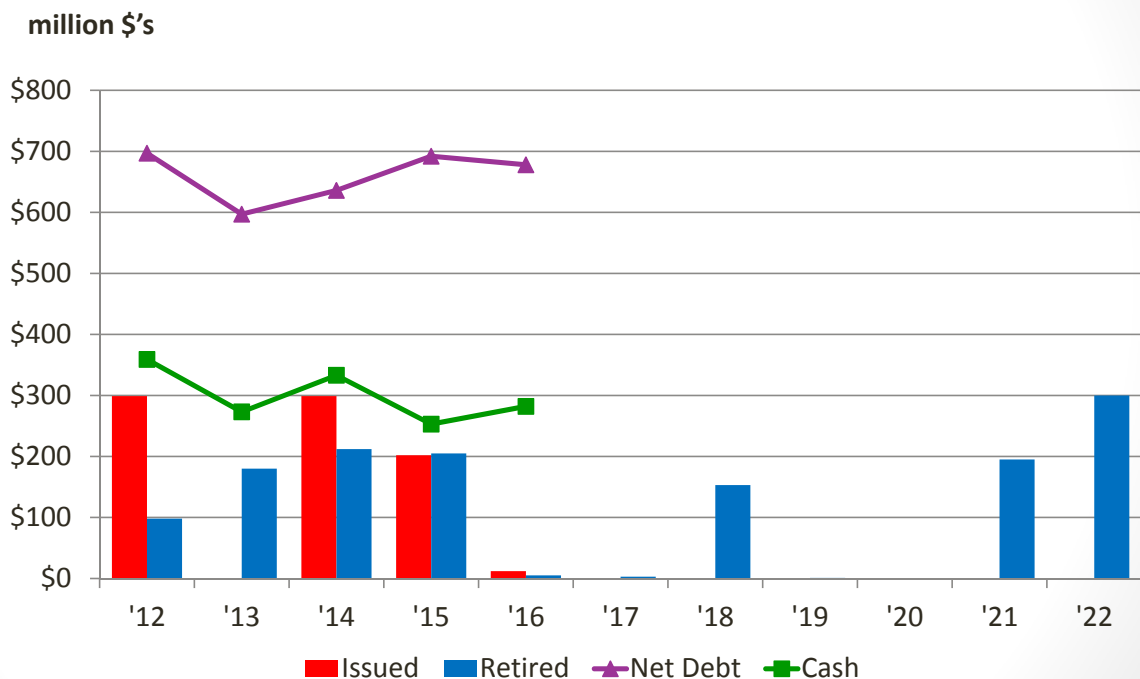
- ❑ \$1,198 million total debt
 - 3.7% avg. rate, 5.1 years avg. maturity
 - \$855 million net debt (\$1,198m debt less \$343m cash)
- ❑ \$313 million available commercial paper
 - Backed by \$750 million revolver
 - 14 participating banks
 - Matures in May 2021

November 2017:

- ❑ Issued \$500 million of 10-year Notes at 3.5%
- ❑ Increased Revolver capacity to \$800 million
 - 14 participating banks
 - Matures November 2022

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Debt Issued and Retired



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Financial Metrics Defined

□ TSR: Total Shareholder Return

- Total benefit investor realizes from owning our stock
- $(\Delta \text{ stock price} + \text{dividends}) / \text{initial stock price}$

□ ROCE: Return on Capital Employed

- Drives ~60-70% of annual bonus at operating level & corporate
- $\text{EBIT} / (\text{working capital (ex cash \& current debt)} + \text{net PP\&E})$

□ FCF: Free Cash Flow

- Drives ~20-30% of annual bonus at operating level and corporate
- $\text{EBITDA} - \text{capex} \pm \Delta \text{ working capital (ex cash \& current debt)}$

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Appendix

Non-GAAP Reconciliations



Non-GAAP Adjustments, Continuing Ops

<i>(\$ millions, except EPS)</i>	2011	2012	2013	2014	2015	2016	2017e
Non-GAAP Adjustments (\$'s)							
Gain from real estate sale	-	-	-	-	-	-	(23)
Restructuring-related charges	15	-	-	-	-	-	-
Impairment charges	-	-	67	-	6	4	5
Litigation accruals	-	-	-	54	6	-	-
Acq-related bargain purchase gain	-	-	(9)	-	-	-	-
Pension settlement charge	-	-	-	-	12	-	18
Gain/loss from sale of business	-	-	-	-	-	(27)	3
Litigation settlement gain	-	-	-	-	-	(7)	-
Non-GAAP adjustments (pre-tax \$'s)	15	-	58	54	23	(30)	3
Income tax impact	(5)	-	(21)	(21)	(9)	12	(1)
Unusual tax items	-	(27)	-	-	-	-	(8)
Non-GAAP adjustments (after tax \$'s)	10	(27)	37	33	15	(18)	(6)
Diluted shares outstanding	147.0	146.0	147.2	143.2	142.9	140.0	137.3
EPS impact of non-GAAP adjustments	\$.07	\$ (.18)	\$.25	\$.23	\$.09	\$ (.13)	\$ (.04)

Reconciliation of Adj EBIT, Adj EBIT Margin, Adj Earnings, and Adj EPS

(\$ millions, except EPS)	2010	2011	2012	2013	2014	2015	2016	2017e ²
EBIT (continuing operations)	\$279	\$266	\$324	\$275	\$332	\$487	\$522	474
Non-GAAP adjustments, pre-tax ¹	-	15	-	58	54	23	(30)	3
Adjusted EBIT (cont. operations)	\$279	\$281	\$324	\$333	\$386	\$510	\$492	\$477
Net sales	\$2,980	\$3,303	\$3,415	\$3,477	\$3,782	\$3,917	\$3,750	\$3,975
Adjusted EBIT margin	9.4%	8.5%	9.5%	9.6%	10.2%	13.0%	13.1%	12.0%
Earnings from cont. operations	\$176	\$173	\$231	\$186	\$225	\$328	\$367	\$346
Non-GAAP adjustments, after tax ¹	-	10	(27)	37	33	15	(18)	(6)
Adj Earnings from cont. operations	\$176	\$183	\$204	\$223	\$258	\$343	\$349	\$340
Diluted EPS from cont. operations	\$1.11	\$1.15	\$1.57	\$1.25	\$1.55	\$2.27	\$2.62	\$2.52
EPS impact from non-GAAP adjs ¹	-	.07	(.18)	.25	.23	.09	(.13)	(.04)
Adjusted EPS from cont. operations	\$1.11	\$1.22	\$1.39	\$1.50	\$1.78	\$2.36	\$2.49	\$2.48

¹ See slide 52 for adjustment details.

² 2017 estimates are based on mid-point of guidance.

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Calculation of Return on Equity and Return on Total Capital

(\$ millions)	2010	2011	2012	2013	2014	2015	2016	2017e ³
Return on Equity								
Earnings from cont. operations	\$176	\$173	\$231	\$186	\$225	\$328	\$367	\$346
Non-GAAP adjustments, after tax ¹	-	10	(27)	37	33	15	(18)	(6)
Adj earnings from cont. operations	\$176	\$183	\$204	\$223	\$258	\$343	\$349	\$340
Avg shareholder equity	\$1,530	\$1,416	\$1,375	\$1,421	\$1,277	\$1,126	\$1,096	\$1,131
Adj. Return on Avg. Equity	11.5%	12.9%	14.8%	15.7%	20.2%	30.4%	31.8%	30.0%
Return on Total Capital								
Adj earnings from cont. operations	\$176	\$183	\$204	\$223	\$258	\$343	\$349	\$340
Plus: After-tax interest expense	27	28	31	34	31	30	30	34
	\$203	\$211	\$235	\$257	\$289	\$373	\$379	\$374
Avg total capital ²	\$2,481	\$2,402	\$2,424	\$2,398	\$2,210	\$2,204	\$2,270	\$2,306
Adj. Return on Avg. Total Capital	8.2%	8.8%	9.7%	10.7%	13.1%	16.9%	16.7%	16.2%

¹ See slide 52 for adjustment details.

² Total capital = long-term debt + shareholder equity + d. taxes + other LT liabilities

³ 2017 estimates are based on mid-point of guidance

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Calculation of Dividend Payout % of Adjusted EPS

	2013	2014	2015	2016	2017e ²
Diluted EPS from cont. operations	\$1.25	\$1.55	\$2.27	\$2.62	\$2.52
EPS impact from non-GAAP adjs ¹	.25	.23	.09	(.13)	(.04)
Adjusted EPS from cont. operations	\$1.50	\$1.78	\$2.36	\$2.49	\$2.48
Annual dividend per share	\$1.18	\$1.22	\$1.26	\$1.34	\$1.42
Dividend payout % of diluted EPS from continuing operations	94%	79%	56%	51%	56%
Dividend payout % of adjusted EPS	79%	69%	53%	54%	57%

¹ See slide 52 for adjustment details.

² 2017 estimates are based on mid-point of guidance.

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Calculation of Debt to Adjusted EBITDA

(\$ millions)	2013	2014	2015	2016	2017e ³
EBIT (cont. operations)	\$275	\$332	\$487	\$522	\$474
Non-GAAP adjustments, pre-tax ¹	58	54	23	(30)	3
Adjusted EBIT (cont. operations)	333	386	510	492	477
Depreciation and amortization ²	116	118	113	115	125
Adjusted EBITDA	\$449	\$504	\$623	\$607	\$602
Total Debt (long-term + current)	\$866	\$964	\$945	\$960	\$1,100
Debt to Adjusted EBITDA	1.9	1.9	1.5	1.6	1.8

¹ See slide 52 for adjustment details.

² D&A is from continuing operations.

³ 2017 estimates are based on mid-point of guidance.

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Calculation of Net Debt to Net Capital

Net Debt (\$ millions)	2013	2014	2015	2016	2017e ¹
Current Maturities of Long-Term Debt	\$181	\$202	\$3	\$4	\$150
Long-Term Debt	685	762	942	956	950
Total Debt	866	964	945	960	1,100
<u>Less:</u>					
Cash and Cash Equivalents	(273)	(333)	(253)	(282)	(340)
Net Debt	\$593	\$631	\$692	\$678	\$760

Net Capital (\$ millions)	2013	2014	2015	2016	2017e ¹
Long-Term Debt	\$685	\$762	\$942	\$956	\$950
<u>Plus:</u>					
Deferred Income Taxes	63	42	38	54	55
Other Long-Term Liabilities	128	185	185	173	165
Total Equity	1,399	1,155	1,098	1,094	1,170
Total Capital	2,275	2,144	2,263	2,277	2,340
<u>Add:</u>					
Current Maturities of Long-Term Debt	181	202	3	4	150
<u>Less:</u>					
Cash and Cash Equivalents	(273)	(333)	(253)	(282)	(340)
Net Capital	\$2,183	\$2,013	\$2,013	\$1,999	\$2,150
Long-term Debt to Total Capital	30%	36%	42%	42%	41%
Net Debt to Net Capital	27%	31%	34%	34%	35%

¹ 2017 estimates are based on mid-point of guidance.

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Non-GAAP Financial Measures

While we report financial results in accordance with accounting principles generally accepted in the U.S. ("GAAP"), this presentation includes non-GAAP measures. These include **adjusted EBIT**, **adjusted EBIT margin**, **adjusted earnings**, and **adjusted EPS**. We believe these non-GAAP measures are useful to investors in that they assist investors' understanding of underlying operational profitability. Management uses these non-GAAP measures as supplemental information to assess the company's operational performance.

Other non-GAAP measures included in this presentation are **net debt**, **net capital**, and **adjusted EBITDA**. We believe the presentation of net debt to net capital provides investors a useful way to evaluate the company's debt leverage if we were to use cash to pay down debt. Our cash has fluctuated, sometimes significantly, from period to period. We use this ratio as supplemental information to track leverage trends across time periods with variable levels of cash. Because we may not be able to use our cash to reduce our debt on a dollar-for-dollar basis, the net debt to net capital ratio may have material limitations.

We also believe the presentation of debt to adjusted EBITDA provides investors a useful way to assess the time it would take the Company to pay off all of its debt, ignoring various factors including interest and taxes. Management uses this ratio as supplemental information to assess its ability to pay off its incurred debt.

The above non-GAAP measures may not be comparable to similarly titled measures used by other companies and should not be considered a substitute for, or more meaningful than, their GAAP counterparts.

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