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#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;border-top:1px solid #000000;">

Amount

Rate

Maturity Date
2016 Credit Agreement:

Term A Facility
$
525.0

(1)

$
555.0

(2)

April 6, 2021
Revolver
—

(1)

—

(2)

April 6, 2021
2026 Senior Notes
600.0

5.500%

600.0

5.500%

June 15, 2026
2023 Senior Notes
450.0

5.625%

450.0

5.625%

October 15, 2023
Securitized debt
9.1

(3)

49.0

(3)

April 12, 2019
Capital lease obligations (4)
66.7

71.8

Various
Other
3.0

36.7

Various
Total debt
1,653.8

1,762.5

Less: Deferred financing costs
7.6

9.4

Total debt, net
1,646.2

1,753.1

Less: Current portion
47.1

72.4

Total long-term debt, net
$
1,599.1

$
1,680.7

(1) Interest at LIBOR plus applicable margin of 2.00% as of December 31, 2018.
(2) Interest at LIBOR plus applicable margin of 1.75% as of December 31, 2017.
(3) Interest at one month LIBOR index plus 80 basis points.
(4) Capital lease obligations are a non-cash financing activity.

2016 Credit Agreement

On April 6, 2016, the Company entered into a senior secured credit agreement ("2016 Credit Agreement") with a syndicate of banks. The 2016 Credit Agreement replaced the Company’s 2012 Senior Secured Credit Agreement ("2012 Credit Agreement"). The 2016 Credit Agreement provides for a $500.0 million revolving credit facility, a $500.0 million initial term loan facility and a $100.0 million delayed draw term loan facility. At any time, the Company may also elect to request the establishment of one or more incremental term loan facilities and/or increase commitments under the revolving credit facility in an aggregate amount of up to $500.0 million. A portion of the revolving credit facility of up to $250.0 million is available in Canadian Dollars, Pounds Sterling, the Euro and any additional currencies determined by mutual agreement of the Company, the administrative agent and the lenders under the revolving credit facility. A portion of the revolving credit facility of up to $100.0 million is available for the issuance of letters of credit for the account of the Company and a portion of the revolving credit facility of up to $50.0 million is available for swing line loans to the Company.

Borrowings under the 2016 Credit Agreement will generally bear interest, at the election of Tempur Sealy International and the other subsidiary borrowers, at either (i) LIBOR plus the applicable margin or (ii) Base Rate plus the applicable margin. The applicable margins are determined by a pricing grid based on the consolidated total net leverage ratio of the Company following the delivery of the Consolidated Financial Statements of the Company for the most recent quarter. The delayed draw term loan facility has identical pricing to the revolving credit facility and initial term loan facility. As of December 31, 2018, the margin was either (i) LIBOR plus 2.00% per annum, or (ii) Base Rate plus 1.00%.

Obligations under the 2016 Credit Agreement are guaranteed by the Company’s existing and future direct and indirect wholly-owned domestic subsidiaries, subject to certain exceptions. The 2016 Credit Agreement is secured by a security interest in substantially all of Tempur Sealy International’s and the other subsidiary borrowers’ domestic assets and the domestic assets of each subsidiary guarantor, whether owned as of the closing or thereafter acquired, including a pledge of 100.0% of the equity interests of each subsidiary guarantor that is a domestic entity (subject to certain limited exceptions) and 65.0% of the voting equity interests of any direct first tier foreign entity owned by a subsidiary guarantor. The 2016 Credit Agreement requires compliance with certain financial covenants providing for maintenance of a minimum consolidated interest coverage ratio, maintenance of a maximum consolidated total net leverage ratio, and maintenance of a maximum consolidated secured net leverage ratio. The consolidated total net leverage ratio is calculated using consolidated funded debt less qualified cash. Consolidated funded debt includes debt recorded on the Consolidated Balance Sheets as of the reporting date, plus letters of credit outstanding and other short-term debt. The Company is allowed to subtract from consolidated funded debt an amount equal to 100.0% of domestic qualified cash and 60.0% of foreign qualified cash, the aggregate of which cannot exceed $150.0 million at the end of the reporting period. As of December 31, 2018, domestic qualified cash was $13.6 million and foreign qualified cash was $19.3 million. As of December 31, 2018, the Company's consolidated total net leverage ratio was 3.87 times, within the covenant in the Company's debt agreements which limits this ratio to 5.00 times for the year ended December 31, 2018.

The 2016 Credit Agreement contains certain customary negative covenants, which include limitations on liens, investments, indebtedness, dispositions, mergers and acquisitions, the making of restricted payments, changes in the nature of business, changes in fiscal year, transactions with affiliates, use of proceeds, prepayments of certain indebtedness, entry into burdensome agreements and changes to governing documents and other junior financing documents. The 2016 Credit Agreement also contains certain customary affirmative covenants and events of default, including upon a change of control.

The Company was in compliance with all applicable covenants in the 2016 Credit Agreement at December 31, 2018.

The Company is required to pay a commitment fee on the unused portion of the revolving credit facility. The commitment fee rate is determined by a pricing grid based on the consolidated total net leverage ratio of the Company. The commitment fee is payable quarterly in arrears following the delivery of Consolidated Financial Statements for the most recent quarter and on the date of termination or expiration of the commitments under the revolving credit facility. The Company and the other borrowers also pay customary letter of credit issuance and other fees under the 2016 Credit Agreement. As of December 31, 2018, the Company's commitment fee rate was 0.35%.

As a result of the Company’s 2016 Credit Agreement, $3.6 million of deferred financing costs were capitalized in 2016 and will be amortized as interest expense over the respective debt instrument period, 5 years, using the effective interest method. In addition, the Company expensed $1.9 million of lender fees associated with this transaction in 2016, which is included in loss on extinguishment of debt in the Consolidated Statements of Income.

The Company used the proceeds from the 2016 Credit Agreement to repay in full and terminate the 2012 Credit Agreement. The 2012 Credit Agreement initially provided for (i) a revolving credit facility of $350.0 million, (ii) a Term A facility of $550.0 million and (iii) a Term B facility of $870.0 million. In conjunction with the repayment of all outstanding borrowings on the 2012 Credit Agreement, the Company expensed approximately $11.0 million of deferred financing costs in 2016, which is included in loss on extinguishment of debt in the Consolidated Statements of Income.

Senior Notes

2026 Senior Notes

On May 24, 2016, Tempur Sealy International issued $600.0 million aggregate principal amount of 5.500% 2026 Senior Notes in a private offering to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The 2026 Senior Notes were issued pursuant to an indenture, dated as of May 24, 2016 (the "2026 Indenture"), among Tempur Sealy International, certain subsidiaries of Tempur Sealy International as guarantors (the "Combined Guarantor Subsidiaries"), and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2026 Senior Notes are general unsecured senior obligations of Tempur Sealy International and are guaranteed on a senior unsecured basis by the Combined Guarantor Subsidiaries. The 2026 Senior Notes mature on June 15, 2026, and interest is payable semi-annually in arrears on each June 15 and December 15, which began on December 15, 2016. The gross proceeds from the 2026 Senior Notes were used to refinance the $375.0 million aggregate principal amount of 6.875% 2020 Senior Notes and to pay related fees and expenses, and the remaining funds were used for share repurchases and general corporate purposes.

Tempur Sealy International has the option to redeem all or a portion of the 2026 Senior Notes at any time on or after June 15, 2021. The initial redemption price is 102.750% of the principal amount, plus accrued and unpaid interest, if any. The redemption price will decline each year after 2021 until it becomes 100.0% of the principal amount beginning on June 15, 2024. In addition, Tempur Sealy International has the option at any time prior to June 15, 2021 to redeem some or all of the 2026 Senior Notes at 100.0% of the original principal amount plus a “make-whole” premium and accrued and unpaid interest, if any. Tempur Sealy International may also redeem up to 35.0% of the 2026 Senior Notes prior to June 15, 2019, under certain circumstances with the net cash proceeds from certain equity offerings, at 105.500% of the principal amount plus accrued and unpaid interest, if any. Tempur Sealy International may make such redemptions as described in the preceding sentence only if, after any such redemption, at least 65.0% of the original aggregate principal amount of the 2026 Senior Notes issued remains outstanding.

The 2026 Indenture restricts the ability of Tempur Sealy International and the ability of certain of its subsidiaries to, among other things: (i) incur, directly or indirectly, debt; (ii) make, directly or indirectly, certain investments and restricted payments; (iii) incur or suffer to exist, directly or indirectly, liens on its properties or assets; (iv) sell or otherwise dispose of assets, directly or indirectly; (v) create or otherwise cause or suffer to exist any consensual restriction on the right of certain of the subsidiaries of Tempur Sealy International to pay dividends or make any other distributions on or in respect of their capital stock; (vi) enter into transactions with affiliates; (vii) engage in sale-leaseback transactions; (viii) purchase or redeem capital stock or subordinated indebtedness; (ix) issue or sell stock of restricted subsidiaries; and (x) effect a consolidation or merger. These covenants are subject to a number of exceptions and qualifications.

In conjunction with the issuance and sale of the 2026 Senior Notes, Tempur Sealy International and the Combined Guarantor Subsidiaries agreed through a Registration Rights Agreement to exchange the 2026 Senior Notes for a new issue of substantially identical senior notes registered under the Securities Act (the "Exchange Offer"). On October 18, 2016, Tempur Sealy International completed the Exchange Offer, with 100% of the outstanding notes tendered and received for new 2026 Senior Notes registered under the Securities Act.

As a result of the issuance of the 2026 Senior Notes, $3.1 million of deferred financing costs were capitalized in 2016 and will be amortized as interest expense over the respective debt instrument period, 10 years, using the effective interest method. In addition, the Company expensed $5.9 million of lender fees associated with this transaction in 2016, which is included in loss on extinguishment of debt in the Consolidated Statements of Income.

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
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The Company used the proceeds from the 2026 Senior Notes to refinance the 2020 Senior Notes and to pay related fees and expenses. The 2020 Senior Notes were redeemed at a price equal to the principal amount thereof and the applicable "make-whole" premium, $23.6 million, which is included in loss on extinguishment of debt in the Consolidated Statements of Income. In conjunction with the refinancing of the 2020 Senior Notes, the Company wrote off approximately $4.8 million of deferred financing costs in the second quarter of 2016, which is included in loss on extinguishment of debt in the Consolidated Statements of Income.

2023 Senior Notes

On September 24, 2015, Tempur Sealy International issued $450.0 million aggregate principal amount of 5.625% 2023 Senior Notes in a private offering to qualified institutional buyers pursuant to Rule 144A of the Securities Act, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The 2023 Senior Notes were issued pursuant to an indenture, dated as of September 24, 2015 (the “2023 Indenture”), among Tempur Sealy International, the Combined Guarantor Subsidiaries (the Combined Guarantor Subsidiaries are the same under the 2026 Indenture, the 2023 Indenture and the 2020 Indenture), and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2023 Senior Notes are general unsecured senior obligations of Tempur Sealy International and are guaranteed on a senior unsecured basis by the Combined Guarantor Subsidiaries. The 2023 Senior Notes mature on October 15, 2023, and interest is payable semi-annually in arrears on each April 15 and October 15, which began on April 15, 2016. The gross proceeds from the 2023 Senior Notes were used to refinance a portion of the term loan debt under the 2012 Credit Agreement and to pay related fees and expenses.

Since October 15, 2018, Tempur Sealy International has had the option to redeem all or a portion of the 2023 Senior Notes at any time. The initial redemption price is 104.219% of the principal amount, plus accrued and unpaid interest, if any. The redemption price will decline each year after 2018 until it becomes 100.0% of the principal amount beginning on October 15, 2021.

The 2023 Indenture restricts the ability of Tempur Sealy International and the ability of certain of its subsidiaries to, among other things: (i) incur, directly or indirectly, debt; (ii) make, directly or indirectly, certain investments and restricted payments; (iii) incur or suffer to exist, directly or indirectly, liens on its properties or assets; (iv) sell or otherwise dispose of, directly or indirectly, assets; (v) create or otherwise cause or suffer to exist any consensual restriction on the right of certain of the subsidiaries of Tempur Sealy International to pay dividends or make any other distributions on or in respect of their capital stock; (vi) enter into transactions with affiliates; (vii) engage in sale-leaseback transactions; (viii) purchase or redeem capital stock or subordinated indebtedness; (ix) issue or sell stock of restricted subsidiaries; and (x) effect a consolidation or merger. These covenants are subject to a number of exceptions and qualifications.

In conjunction with the issuance and sale of the 2023 Senior Notes, Tempur Sealy International and the Combined Guarantor Subsidiaries agreed through a Registration Rights Agreement to exchange the 2023 Senior Notes for a new issue of substantially identical senior notes registered under the Securities Act (the "2023 Exchange Offer"). On April 4, 2016, Tempur Sealy International completed the 2023 Exchange Offer, with 100% of the outstanding notes tendered and received for new 2023 Senior Notes registered under the Securities Act.

Securitized Debt

On April 12, 2017, Tempur Sealy International and certain of its subsidiaries entered into a securitization transaction with respect to certain accounts receivable due to and certain of the Company's subsidiaries (the "Accounts Receivable Securitization"). In connection with this transaction, Tempur Sealy International and its wholly-owned special purpose subsidiary, Tempur Sealy Receivables, LLC, entered into a credit agreement that provides for revolving loans to be made from time to time in a maximum amount that varies over the course of the year based on the seasonality of the Company's accounts receivable and is subject to an overall limit of $120.0 million. The Accounts Receivable Securitization matures on April 12, 2019.

The obligations of the Company and its relevant subsidiaries under the Accounts Receivable Securitization are secured by the accounts receivable and certain related rights and the facility agreements contain customary events of default. The accounts receivable continue to be owned by the Company and its subsidiaries and continue to be reflected as assets on the Company’s Consolidated Balance Sheets and represent collateral up to the amount of the borrowings under this facility. Borrowings under this facility are classified as long-term debt within the Consolidated Balance Sheets based on the Company's ability and intent to refinance on a long-term basis as of December 31, 2018.

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
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On April 2, 2018, the Company and its subsidiaries entered into an amendment to its Accounts Receivable Securitization that modified certain covenants and calculations. This amendment was designed to create more flexibility and to increase average availability on the line, while not changing the overall limit of maturity.

Fair Value

Financial instruments, although not recorded at fair value on a recurring basis, include cash and cash equivalents, accounts receivable, accounts payable, and the Company's debt obligations. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate fair value using Level 1 inputs because of the short-term maturity of those instruments. Borrowings under the 2016 Credit Agreement and the securitized debt are at variable interest rates and accordingly their carrying amounts approximate fair value. The fair value of the following material financial instruments were based on Level 2 inputs estimated using discounted cash flows and market-based expectations for interest rates, credit risk, and the contractual terms of debt instruments. The fair values of these material financial instruments are as follows:

(in millions)	Fair Value December 31, 2018	December 31, 2017
2023 Senior Notes	$435.6	$ 470.9
2026 Senior Notes	549.3	618.1

Capital Leases

The Company is party to capital leases as of December 31, 2018 and 2017. The approximate remaining life of the leases ranges from 1 to 14 years as of December 31, 2018, with several including an option to extend the lease term.

Deferred Financing Costs

The Company capitalizes costs associated with the issuance of debt and amortizes these costs as additional interest expense over the lives of the debt instruments using the effective interest method. These costs are recorded as deferred financing costs as a direct reduction from the carrying amount of the corresponding debt liability in the accompanying Consolidated Balance Sheets and the related amortization is included in interest expense, net in the accompanying Consolidated Statements of Income. Upon the prepayment of the related debt, the Company accelerates the recognition of an appropriate amount of the costs.

Future Obligations

As of December 31, 2018, the scheduled maturities of long-term debt outstanding, including capital lease obligations, for each of the next five years and thereafter are as follows:

(in millions)	
2019	$56.1
2020	59.4
2021	442.2
2022	5.9
2023	455.3
Thereafter	634.9
Total	$1,653.8

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
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(9) Retirement Plans

401(k) Plan

The Company has a defined contribution plan ("the 401(k) Plan") whereby eligible employees may contribute up to 85.0% of their pay subject to certain limitations as defined by the 401(k) Plan. Employees are eligible to participate in the 401(k) Plan upon hire and are eligible to receive matching contributions upon six months of continuous employment with the Company. The 401(k) Plan provides a 100.0% match of the first 3.0% and 50.0% of the next 2.0% of eligible employee contributions. The match for union employees is based on the applicable collective bargaining arrangement. All matching contributions vest immediately. The Company incurred $5.8 million, $4.0 million and $6.7 million of expenses associated with the 401(k) Plan for the years ended December 31, 2018, 2017 and 2016, respectively, which are included in the Consolidated Statements of Income.

Defined Benefit Pension Plans

The Company has a noncontributory, defined benefit pension plan covering current and former hourly employees at two of its active Sealy plants and ten previously closed Sealy U.S. facilities. Sealy Canada, Ltd. (a wholly-owned subsidiary of the Company) also sponsors a noncontributory, defined benefit pension plan covering hourly employees at one of its facilities (collectively, referred to as the "Plans"). The Plans provide retirement and survivorship benefits based on the employees' credited years of service. The Company's funding policy provides for contributions of an amount between the minimum required and maximum amount that can be deducted for federal income tax purposes.

The Plans' assets consist of investments in various common/collective trusts with equity investment strategies diversified across multiple industry sectors and company market capitalization within specific geographical investment strategies, fixed income common/collective trusts, which invest primarily in investment-grade and high-yield corporate bonds and U.S. treasury securities, as well as money market mutual funds. The fixed income investments are diversified as to ratings, maturities, industries and other factors. The Plans' assets contain no significant concentrations of risk related to individual securities or industry sectors. The Plans have no direct investment in the Company's common stock.

The long-term rate of return for the Plans is based on the weighted average of the Plans' investment allocation and the historical returns for those asset categories. Because future compensation levels are not a factor in these Plans' benefit formulas, the accumulated benefit obligation is equal to the projected benefit obligation as reported below. The discount rate is based on the returns on long-term bonds in the private sector and incorporates a long-term inflation rate. Summarized information for the Plans follows:

Expenses and Status

The Company recognizes the service cost component of net periodic pension cost within general, administrative and other expenses and all other components of net periodic pension cost are recognized within other income, net, in the accompanying Consolidated Statements of Income. Components of total net periodic pension cost for the years ended December 31 were as follows:

(in millions)	2018	2017	2016
Service cost	$1.0	$0.9	$0.8
Interest cost	1.1	1.2	1.2
Expected return on assets	(1.5)	(1.5)	(1.3)
Amortization of prior service cost	0.1	0.1	—

Settlement loss	—	—	0.2
Net periodic pension cost	$0.7	$0.7	$0.9

The other changes in plan assets and benefit obligations recognized in other comprehensive (loss) income for the years ended December 31 were:

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
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(in millions)	2018	2017	2016
Net loss	$0.6	$0.4	$1.5
Amortization of prior service cost	(0.1)	(0.1)	—
Amortization or settlement recognition of net loss	—	—	(0.2)
New prior service cost	0.1	0.5	—
Total recognized in other comprehensive (loss) income	$0.6	$0.8	$1.3

The following assumptions, calculated on a weighted-average basis, were used to determine net periodic pension cost for the Company’s Plans for the years ended December 31:

	2018	2017	2016
Discount rate [(a)]	3.58%	4.07%	4.27%
Expected long-term return on plan assets	6.25%	6.64%	6.71%

(a) The discount rates used in 2018 to determine the expenses for the U.S. retirement plan and Canadian retirement plan were 3.54% and 3.70%, respectively. The discount rates used in 2017 to determine the expenses for the U.S. retirement plan and Canadian retirement plan were 4.06% and 4.10%, respectively.

Obligations and Funded Status

The measurement date for the Company's Plans is December 31. The funded status of the Plans as of December 31 was as follows:

(in millions)	2018	2017
Change in Benefit Obligation:		
Projected benefit obligation at beginning of year	$32.1	$28.0
Service cost	1.0	0.9
Interest cost	1.1	1.2
Plan amendments	0.1	0.5
Actuarial (gain) loss	(3.0)	2.3
Benefits paid	(0.9)	(0.9)
Expenses paid	(0.1)	(0.1)
Foreign currency exchange rate changes	(0.3)	0.2
Projected benefit obligation at end of year	$30.0	$32.1
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$25.3	$21.7
Actual return on plan assets	(2.1)	3.5
Employer contribution	0.3	0.9
Benefits paid	(0.9)	(0.9)
Expenses paid	(0.1)	(0.1)
Foreign currency exchange rate changes	(0.3)	0.2
Fair value of plan assets at end of year	$22.2	$25.3
Funded status	$(7.8)	$(6.8)

The Company’s defined benefit pension plan for U.S. Sealy employees is underfunded. As of December 31, 2018, the projected benefit obligation and fair value of plan assets were $26.5 million and $18.4 million, respectively. As of December 31, 2017, the projected benefit obligation and fair value of plan assets were $28.3 million and $21.0 million, respectively. As of December 31, 2018, the projected benefit obligation and fair value of plan assets for the Sealy Canada Ltd. pension plan were $3.5 million and $3.8 million, respectively. As of December 31, 2017, the projected benefit obligation and fair value of plan assets for the Sealy Canada Ltd. pension plan were $3.8 million and

$4.3 million, respectively.

The accumulated benefit obligation for all pension plans was $30.0 million at December 31, 2018 and $32.1 million at December 31, 2017.

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
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The following table represents amounts recorded in the Consolidated Balance Sheets:

	December 31,	
(in millions)	2018	2017
Amounts recognized in the Consolidated Balance Sheets:		
Non-current benefit liability	$8.1	$7.3
Non-current benefit asset	0.3	0.5

The following assumption, calculated on a weighted-average basis, was used to determine benefit obligations for the Company's defined benefit pension plans as of December 31:

	2018	2017
Discount rate [(a)]	4.13%	3.56%

(a) The discount rates used in 2018 to determine the expenses for the U.S. retirement plan and Canadian retirement plan were 4.16% and 3.90%, respectively. The discount rates used in 2017 to determine the benefit obligations for the U.S. and Canadian defined benefit pension plans were 3.54% and 3.70%, respectively.

No material amounts are expected to be reclassified from AOCL to be recognized as components of net income during 2019.

Plan Contributions and Expected Benefit Payments

During 2019, the Company expects to contribute $1.4 million to the Company's Plans from available cash and cash equivalents.

The following table presents estimated future benefit payments:

(in millions)	
Fiscal 2019	$1.0
Fiscal 2020	1.0
Fiscal 2021	1.1
Fiscal 2022	1.2
Fiscal 2023	1.2
Fiscal 2024 Fiscal 2028	7.4

Pension Plan Asset Information

Investment Objective and Strategies

The Company's investment objectives are to minimize the volatility of the value of the Company's pension assets relative to pension liabilities and to ensure assets are sufficient to pay plan benefits. Target and actual asset allocations are as follows:

	2018 Target	2018 Actual
Common/collective trust consisting primarily of:		
Equity securities	60.0 %	79.5 %
Debt securities	40.0 %	20.0 %
Other	— %	0.5 %
Total plan assets	100.0%	100.0%

Investment strategies and policies reflect a balance of risk-reducing and return-seeking considerations. The objective of minimizing the volatility of assets relative to liabilities is addressed primarily through asset diversification. Assets are broadly diversified across many asset classes to achieve risk-adjusted returns that, in total, lower asset volatility relative to liabilities. The Company's policy to rebalance the Company's investment regularly ensures that actual allocations are in line with target allocations as appropriate.

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Strategies to address the goal of ensuring sufficient assets to pay benefits include target allocations to a broad array of asset classes that provide return, diversification and liquidity.

The plan investment fiduciaries are responsible for setting asset allocation targets, and monitoring asset allocation and investment performance. The Company’s pension investment manager has discretion to manage assets to ensure compliance with the asset allocations approved by the plan fiduciaries.

Significant Concentrations of Risk

Significant concentrations of risk in the Company's plan assets relate to equity, interest rate, and operating risk. In order to ensure assets are sufficient to pay benefits, a portion of plan assets is allocated to equity investments that are expected, over time, to earn higher returns with more volatility than fixed income investments which more closely match pension liabilities. Within the common/collective trusts, the plan assets contain no significant concentrations of risk related to individual securities or industry sectors.

In order to minimize asset volatility relative to the liabilities, a portion of the plan assets are allocated to fixed income investments that are exposed to interest rate risk. Rate increases will generally result in a decline in fixed income assets while reducing the present value of the liabilities. Conversely, rate decreases will increase fixed income assets, partially offsetting the related increase in the liabilities.

Operating risks primarily include the risks of inadequate diversification and insufficient oversight. To mitigate this risk, investments are diversified across and within asset classes in support of investment objectives. Policies and practices to address operating risks include ongoing oversight, plan and asset class investment guidelines, and periodic reviews against these guidelines to ensure adherence.

Expected Long-Term Return on Plan Assets

The expected long-term return assumption at December 31, 2018 was 6.50% for the defined benefit pension plan for U.S. Sealy employees and 5.50% for the defined benefit pension plan for Sealy Canada, Ltd. The expected long-term return assumption is based on historical and projected rates of return for current and planned asset classes in the plan’s investment portfolio. The assumption considers various sources, primarily inputs from advisors for long-term capital market returns, inflation, bond yields, and other variables, adjusted for specific aspects of the Company's investment strategy by plan.

The investments in plan assets primarily consist of common collective trusts and money market funds. Investments in common collective trusts and money market funds are valued at the net asset value ("NAV") per share or unit multiplied by the number of shares or units held as of the measurement date. The determination of NAV for the common/collective trusts includes market pricing of the underlying assets as well as broker quotes and other valuation techniques that represent fair value as determined by the respective administrator of the common/collective trust. Management has determined that the NAV is an appropriate estimate of the fair value of the common collective trusts at December 31, 2018 and 2017, based on the fact that the common/collective trusts are audited and accounted for at fair value by the administrators of the respective common/collective trusts. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the Consolidated Balance Sheet dates.

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
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The fair value of the Company’s plan assets, all valued at NAV, at December 31 by asset category was as follows:

(in millions)	2018	2017
Asset Category		
Common/collective trust		
U.S. equity	$14.1	$15.1
International equity	3.6	4.2
Total equity based funds	17.7	19.3
Common/collective trust - fixed income	4.4	5.9
Money market funds	0.1	0.1
Total	$22.2	$25.3

Multi Employer Benefit Plans

Approximately 25.5% of the Company’s domestic employees are represented by various labor unions with separate collective bargaining agreements. Hourly employees working at nine of the Company’s domestic manufacturing facilities are covered by union sponsored retirement plans. Further, employees working at three of the Company’s domestic manufacturing facilities are covered by union sponsored health and welfare plans. These plans cover both active employees and retirees. Through the health and welfare plans, employees receive medical, dental, vision, prescription and disability coverage. The Company’s cost associated with these plans consists of periodic contributions to these plans based upon employee participation. The expense recognized by the Company for such contributions for the years ended December 31 was follows:

(in millions)	2018	2017	2016
Multi employer retirement plan expense	$3.9	$4.3	$4.9
Multi employer health and welfare plan expense	3.6	3.5	2.8

The risks of participating in multi employer pension plans are different from the risks of sponsoring single employer pension plans in the following respects: 1) contributions to the multi employer plan by one employer may be used to provide benefits to employees of other participating employers; 2) if a participating employer ceases its contributions to the plan, the unfunded obligations of the plan allocable to the withdrawing employer may be borne by the remaining participating employers; and 3) if the Company withdraws from the multi employer pension plans in which it participates, the Company may be required to pay those plans an amount based on its allocable share of the underfunded status of the plan.

The following table presents information regarding the multi employer pension plans that are significant to the Company for the years ended December 31, 2018 and 2017, respectively:

Pension Fund	EIN/Pension Plan Number	Date of Plan Year-End	Pension Protection Act Zone Status[(1)] 2018	FIP/RP Status Pending/Implemented[(2)]	Contributions of the Company in 2018	Surcharge Imposed[(3)]	Expiration Date of Collective Bargaining Agreement	Year Contributions to Plan Exceeded More than 5 Percent of Total Contributions
(in millions)								
United Furniture	13-5511877-001	2/28/18	Red	Implemented	$ 0.7	No	2020	2016, 2017, 2018

Workers Pension Fund A[4]								
Pension Plan of the National Retirement Fund	13-6130178-001	12/31/17	Red	Implemented	$ 0.7	Yes, 10.0%	2019	N/A
Central States, Southeast & Southwest Areas Pension Plan	36-6044243-001	12/31/17	Red	Implemented	$ 0.8	Yes, 10.0%	2021	N/A

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Pension Fund	EIN/Pension Plan Number	Date of Plan Year-End	Pension Protection Act Zone Status(1) 2017	FIP/RP Status Pending/Implemented(2)	Contributions of the Company in 2017	Surcharge Imposed(3)	Expiration Date of Collective Bargaining Agreement	Year Contributions to Plan Exceeded More than 5 Percent of Total Contributions
(in millions)								
United Furniture Workers Pension Fund A(4)	13-5511877-001	2/28/17	Red	Implemented	$ 1.1	No	2020	2015, 2016, 2017
Pension Plan of the National Retirement Fund	13-6130178-001	12/31/16	Red	Implemented	$ 0.8	Yes, 10.0%	2019	N/A
Central States, Southeast & Southwest Areas Pension Plan	36-6044243-001	12/31/16	Red	Implemented	$ 0.7	Yes, 10.0%	2018	N/A

(1) The Pension Protection Act of 2006 ranks the funded status of multi-employer pension plans depending upon a plan’s current and projected funding. A plan is in the Red Zone (Critical) if it has a current funded percentage of less than 65.0%. A plan is in the Yellow Zone (Endangered) if it has a current funded percentage of less than 80.0%, or projects a credit balance deficit within seven years. A plan is in the Green Zone (Healthy) if it has a current funded percentage greater than 80.0% and does not have a projected credit balance deficit within seven years. The zone status is based on the plan’s year end rather than the Company’s. The zone status listed for each plan is based on information that the Company received from that plan and is certified by that plan’s actuary for the most recent year available.

(2) Funding Improvement Plan or Rehabilitation Plan as defined in the Employee Retirement Income Security Act of 1974 has been implemented or is pending.

(3) Indicates whether the Company paid a surcharge to the plan in the most current year due to funding shortfalls and the amount of the surcharge.

(4) The Company represented more than 5.0% of the total contributions for the most recent plan year available. For year ended December 31, 2016, the Company contributed $1.2 million to the plan.

(10) Stockholders' Equity

(a) Common Stock. Tempur Sealy International has 300.0 million authorized shares of common stock with $0.01 per share par value and 0.01 million authorized shares of preferred stock with $0.01 per share par value. The holders of the common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding preferred stock, holders of common stock are entitled to receive ratably such dividends as may be declared from time to time by the Board of Directors out of funds legally available for that purpose. In the event of liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock, if any, then outstanding.

The Board of Directors is authorized, subject to any limitations prescribed by law, without further vote or action by the stockholders, to issue from time to time shares of preferred stock in one or more series. Each such series of preferred stock will have such number of shares, designations, preferences, voting powers, qualifications, and special or relative rights or privileges as determined by the Board of Directors, which may include, among others, dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights.

(b) Treasury Stock. As of December 31, 2018, the Company had approximately $226.9 million remaining under an existing share repurchase program initially authorized by the Board of Directors in 2016. The Company did not repurchase any shares under the program during the year ended December 31, 2018. For the years ended December 31, 2017 and 2016, the Company repurchased 0.6 million and 8.7 million shares for approximately $40.1 million and $533.0 million, respectively, under the program.

In addition, the Company acquired 0.1 million, 0.1 million, and 0.0 million shares upon the vesting of certain performance restricted stock units ("PRSUs"), which were withheld to satisfy tax withholding obligations during the years ended December 31, 2018, 2017, and 2016, respectively. The shares withheld were valued at the closing price of the stock on the New York Stock Exchange on the vesting date or first business day thereafter, resulting in approximately $4.6 million, $4.8 million, and 2.0 million in treasury stock acquired during the years ended December 31, 2018, 2017, and 2016, respectively.

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(c) AOCL. AOCL consisted of the following:

	Year Ended December 31,		
(in millions)	2018	2017	2016
Foreign Currency Translation			
Balance at beginning of period	$(72.8)	$(101.9)	$(101.6)
Other comprehensive (loss) income:			
Foreign currency translation adjustments [1]	(18.9)	29.1	(0.3)
Balance at end of period	$(91.7)	$(72.8)	$(101.9)
Pension Benefits			
Balance at beginning of period	$(2.7)	$(2.2)	$(1.4)
Other comprehensive loss:			
Net change from period revaluation:	(0.4)	(0.8)	(1.5)
Tax benefit [2]	0.1	0.3	0.6
Total other comprehensive loss before reclassifications, net of tax	(0.3)	(0.5)	(0.9)
Net amount reclassified to earnings	—	—	0.2
U.S tax reform - reclassification to retained earnings upon adoption of ASU No. 2018-02	(0.5)	—	—
Tax expense [2]	(0.1)	—	(0.1)
Total amount reclassified from accumulated other comprehensive loss, net of tax	(0.6)	—	0.1
Total other comprehensive loss	(0.9)	(0.5)	(0.8)
Balance at end of period	$(3.6)	$(2.7)	$(2.2)
Foreign Exchange Forward Contracts			
Balance at beginning of period	$—	$0.6	$6.6
Other comprehensive loss:			
Net change from period revaluation:	—	(0.6)	(3.6)
Tax benefit [2]	—	0.1	1.0
Total other comprehensive loss before reclassifications, net of tax	—	(0.5)	(2.6)
Net amount reclassified to earnings [3]	—	(0.1)	(4.6)
Tax benefit [2]	—	—	1.2
Total amount reclassified from accumulated other comprehensive loss, net of tax	—	(0.1)	(3.4)
Total other comprehensive loss	—	(0.6)	(6.0)
Balance at end of period	$—	$—	$0.6

(1) In 2018, 2017 and 2016, there were no tax impacts related to foreign currency translation adjustments and no amounts were reclassified to earnings.
(2) These amounts were included in the income tax provision in the accompanying Consolidated Statements of Income.
(3) This amount was included in cost of sales, net in the accompanying Consolidated Statements of Income.

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(11) Other Items

Accrued expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following:

(in millions)	December 31, 2018	December 31, 2017
Taxes	$ 136.8	$ 6.3
Advertising	46.1	44.4
Wages and benefits	43.7	51.4
Sales returns	22.0	19.6
Warranty	14.9	16.7
Rebates	11.6	11.4
Other	84.1	72.5
	$ 359.2	$ 222.3

(12) Stock-based Compensation

Tempur Sealy International has two stock-based compensation plans which provide for grants of non-qualified and incentive stock options, stock appreciation rights, restricted stock and stock unit awards, performance shares, stock grants and performance based awards to employees, non-employee directors, consultants and Company advisors. The plan under which equity awards may be granted in the future is the Amended and Restated 2013 Equity Incentive Plan (the "2013 Plan"). It is the policy of the Company to issue stock out of treasury shares upon issuance or exercise of share-based awards. The Company believes that awards and purchases made under these plans better align the interests of the plan participants with those of its stockholders.

On May 11, 2017, the Company's stockholders approved the amendment and restatement of the original 2013 Plan. The 2013 Plan provides for grants of stock options to purchase shares of common stock to employees and directors of the Company. The 2013 Plan may be administered by the Compensation Committee of the Board of Directors, by the Board of Directors directly, or, in certain cases, by an executive officer or officers of the Company designated by the Compensation Committee. The shares issued or to be issued under the 2013 Plan may be either authorized but unissued shares of the Company’s common stock or shares held by the Company in its treasury. Tempur Sealy International may issue a maximum of 8.7 million shares of common stock under the 2013 Plan, subject to certain adjustment provisions.

The Amended and Restated 2003 Equity Incentive Plan, as amended (the “2003 Plan”), was administered by the Compensation Committee of the Board of Directors, which, together with the Board of Directors, had the exclusive authority to administer the 2003 Plan, including the power to determine eligibility to receive awards, the types and number of shares of stock subject to the awards, the price and timing of awards and the acceleration or waiver of any vesting and performance of forfeiture restrictions, in each case subject to the terms of the 2003 Plan. Any of the Company’s employees, non-employee directors, consultants and Company advisors, as determined by the Compensation Committee, were eligible to be selected to participate in the 2003 Plan. Tempur Sealy International allowed a maximum of 11.5 million shares of its common stock under the 2003 Plan to be issued. In May 2013, the Company's Board of Directors adopted a resolution that prohibited further grants under the 2003 Plan.
In 2010, the Board of Directors approved the terms of a Long-Term Incentive Plan established under the 2003 Plan. In 2013, the Board of Directors approved the terms of another Long-Term Incentive Plan established under the 2013

Plan. Awards under both Long-Term Incentive Plans have typically consisted primarily of a mix of stock options, RSUs and PRSUs. Shares with respect to the PRSUs will be granted and vest following the end of the applicable performance period and achievement of applicable performance metrics as determined by the Compensation Committee of the Board of Directors.

The Company’s stock-based compensation expense for the year ended December 31, 2018 included PRSUs, stock options, RSUs and DSUs. A summary of the Company’s stock-based compensation expense is presented below:

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	Year Ended December 31,		
(in millions)	2018	2017	2016
PRSU expense (benefit)	$2.5	$(6.5)	$3.9
Stock option expense	6.7	7.1	5.3
RSU/DSU expense	15.6	12.7	7.0
Total stock-based compensation expense	$24.8	$13.3	$16.2

The Company granted PRSUs during the years ended December 31, 2018, 2017 and 2016. Actual payout under the PRSUs is dependent upon the achievement of certain financial goals. The Company recorded a benefit in the accompanying Consolidated Statements of Income of $9.3 million and $3.8 million for the years ended December 31, 2017 and 2016, respectively, after the change in estimate to reduce accumulated performance based stock compensation amortization to actual cost based on updated projected or final financial results.

Performance Restricted Stock Units

A summary of the Company's PRSU activity and related information for the years ended December 31, 2018 and 2017 is presented below:

(shares in millions)	Shares	Weighted Average Grant Date Fair Value
Awards unvested at December 31, 2016	1.7	$ 68.02
Granted	1.6	59.64
Vested	(0.2)	59.39
Forfeited	(0.4)	65.48
Awards unvested at December 31, 2017	2.7	64.13
Granted	0.2	51.72
Vested	(0.1)	68.57
Forfeited	(0.8)	68.07
Awards unvested at December 31, 2018	2.0	$ 61.07

During 2017, the Company granted executive officers and certain members of management PRSUs if the Company achieves a certain level of adjusted earnings before interest, tax, depreciation and amortization ("Adjusted EBITDA") during four consecutive fiscal quarters as described below (the "2019 Aspirational Plan PRSUs"). Adjusted EBITDA is defined as the Company's "Consolidated EBITDA" as such term is defined in the Company's 2016 Credit Agreement. The 2019 Aspirational Plan PRSUs will vest based on the highest Adjusted EBITDA in any four consecutive fiscal quarter period ending between (and including) March 31, 2018 and December 31, 2019 (the "First Designated Period"). If the highest Adjusted EBITDA in the First Designated Period is $600.0 million, 66% will vest; if the highest Adjusted EBITDA equals or exceeds $650.0 million, then 100% will vest; if the highest Adjusted EBITDA is between $600.0 million and $650.0 million then a pro rata portion will vest; and if the highest Adjusted EBITDA is less than $600.0 million then one-half of the 2019 Aspirational Plan PRSUs will no longer be available for vesting based on performance and the remaining one-half will remain available for vesting based on the highest Adjusted EBITDA in any four consecutive fiscal quarter period ending between (and including) March 31, 2020 and December 31, 2020 (the "Second Designated Period"). If the highest Adjusted EBITDA in the Second Designated Period is $600.0 million then 66% of the remaining 2019 Aspirational Plan PRSUs will vest; if the Adjusted EBITDA is $650.0 million or more 100% will vest; if Adjusted EBITDA is between $600.0 million and $650.0 million then a pro rata portion will vest; and if Adjusted EBITDA is below $600.0 million then all of the remaining 2019 Aspirational Plan PRSUs will be forfeited.

The Company did not record any stock-based compensation expense related to the 2019 Aspirational Plan PRSUs during the year ended December 31, 2018, as it is not considered probable that the Company will achieve the specified performance target for either the First Designated Period or Second Designated Period. The Company will continue to evaluate the probability of achieving the performance condition in future periods and record the appropriate expense if necessary. At December 31, 2018, the Company has 1.6 million of these 2019 Aspirational PRSUs outstanding that will fully vest if the Company achieves more than $650.0 million of Adjusted EBITDA for 2019. Based on the price of the Company’s common stock on the grant date, the total unrecognized compensation expense related to this award if the performance target is met for the First Designated Period is $93.6 million, which would be expensed over the remaining service period if achievement of the performance condition becomes probable.

In March 2018, the Compensation Committee of the Board of Directors formally determined that the Company did not have more than $650.0 million of Adjusted EBITDA for 2017 ("the 2017 Aspirational Plan PRSUs"). As a result, approximately two-thirds of the PRSUs previously granted with a performance period for 2017 ("2017 Aspirational PRSUs") were forfeited as of this date. At December 31, 2018, the Company has 0.3 million of these 2017 Aspirational PRSUs still outstanding that will vest if the Company achieves more than $650.0 million of Adjusted EBITDA for 2018. The Company expects that in early March 2019 the Compensation Committee of the Board of Directors will formally determine that the Company did not have more than $650.0 million in Adjusted EBITDA for 2018. As a result, the remaining one-third of the total 2017 Aspirational Plan PRSUs will be forfeit as of this date. The Company did not record any stock-based compensation expense related to the 2017 Aspirational Plan PRSUs during the years ended December 31, 2018 and 2017, as it was not considered probable that the Company will achieve the specified performance target as of December 31, 2018. Based on the price of the Company’s common stock on the grant date, the total unrecognized compensation expense related to this award if the performance target was met for 2018 is $24.6 million, which would have been expensed over the remaining service period if achievement of the performance condition became probable.

Stock Options

The Company uses the Black-Scholes option-pricing model to calculate the fair value of stock options granted. During the year ended December 31, 2016, no stock options were granted. The assumptions used in the Black-Scholes option-pricing model for the years ended December 31, 2018, 2017 and 2016 are set forth in the following table. Expected volatility is based on the unbiased standard deviation of Tempur Sealy International’s common stock over the option term. The expected life of the options represents the period of time that the Company expects the options granted to be outstanding. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant of the option for the expected term of the instrument. The dividend yield reflects an estimate of dividend payouts over the term of the award. During 2017, the Company adopted a change in accounting policy to recognize forfeitures of awards as they occur instead of estimating potential forfeitures. Historically, the Company estimated the number of awards expected to be forfeited and adjusted the estimate when it was no longer probable that employees would fulfill their service conditions. The Company uses historical data to determine these assumptions.

	Year Ended December 31,		
	2018	2017	2016
Expected volatility range of stock	39.8% - 40.1%	37.4% - 40.8%	N/A
Expected life of option, range in years	5	5	N/A
Risk-free interest range rate	2.2% - 2.8%	1.8% - 1.9%	N/A
Expected dividend yield on stock	—%	—%	N/A

A summary of the Company’s stock option activity under the 2003 Plan and 2013 Plan for the years ended December 31, 2018 and 2017 is presented below:

(in millions, except per share amounts and years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding at December 31, 2016	1.5	$ 50.46		
Granted	0.6	69.04		
Exercised	(0.3)	38.44		
Forfeited	(0.1)	67.45		
Options outstanding at December 31, 2017	1.7	$ 58.93		

Granted	0.3	61.84		
Exercised	(0.2)	28.20		
Forfeited	(0.2)	60.45		
Options outstanding at December 31, 2018	1.6	$ 62.51	6.91	—
Options exercisable at December 31, 2018	1.0	$ 59.93	5.87	—

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The aggregate intrinsic value of options exercised during the years ended December 31, 2018, 2017 and 2016 was $3.9 million, $5.4 million and $23.9 million, respectively.

Cash received from options exercised under all stock-based compensation plans, including cash received from options issued from treasury shares, for the years ended December 31, 2018, 2017 and 2016, was $4.6 million, $12.8 million, and $15.7 million, respectively.

A summary of the Company’s unvested shares relating to stock options as of December 31, 2018 and 2017, and changes during the years ended December 31, 2018 and 2017, are presented below:

(shares in millions)	Shares	Weighted Average Grant Date Fair Value
Options unvested at December 31, 2016	0.5	$ 63.09
Granted	0.6	69.04
Vested	(0.3)	61.69
Forfeited	(0.1)	67.45
Options unvested at December 31, 2017	0.7	$ 67.95
Granted	0.3	61.84
Vested	(0.2)	66.72
Forfeited	(0.2)	60.45
Options unvested at December 31, 2018	0.6	$ 66.20

Restricted/Deferred Stock Units

A summary of the Company's RSU and DSU activity and related information for the years ended December 31, 2018 and 2017 is presented below:

(in millions, except per share amounts)	Shares	Weighted Average Release Price	Aggregate Intrinsic Value
Awards outstanding at December 31, 2016	0.4	$ 59.37	
Granted	0.4	68.08	
Vested	(0.1)	54.20	
Terminated	(0.1)	64.66	
Awards outstanding at December 31, 2017	0.6	$ 64.94	
Granted	0.3	61.29	
Vested	(0.1)	62.85	
Terminated	—	64.00	
Awards outstanding at December 31, 2018	0.8	$ 63.82	$ 34.6

The aggregate intrinsic value of RSUs and DSUs vested during the year ended December 31, 2018 was $9.3 million.

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Excluding any potential compensation expense related to the 2017 Aspirational Plan PRSUs and 2019 Aspirational Plan PRSUs discussed above, a summary of total unrecognized stock-based compensation expense based on current performance estimates related to stock options, DSUs, RSUs and PRSUs for the year ended December 31, 2018 is presented below:

(in millions, except years)	December 31, 2018	Weighted Average Remaining Vesting Period (Years)
Unrecognized stock option expense	$ 11.5	2.42
Unrecognized DSU/RSU expense	29.6	2.46
Unrecognized PRSU expense	3.4	2.65
Total unrecognized stock-based compensation expense	$ 44.5	2.46

(13) Commitments and Contingencies

(a) Lease Commitments. The Company has various operating leases that call for annual rental payments due in equal monthly installments and a lease with a rent free occupancy period. The Company's policy is to recognize expense for lease payment, including those with escalating provisions and rent free periods, on a straight-line basis over the lease term. Operating lease expenses were $56.9 million, $41.6 million, and $33.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Future minimum lease payments at December 31, 2018 under these non-cancelable leases are as follows:

(in millions)	
Year Ended December 31,	
2019	$49.4
2020	40.1
2021	34.8
2022	28.7
2023	22.1
Thereafter	60.9
	$236.0

The Company has the option to renew certain plant operating leases, with the longest renewal period extending through 2043. Certain of the operating leases provide for increased rent through increases in general price levels. The Company recognizes rent expense in these situations on a straight-line basis over the lease term.

(b) David Buehring, Individually and on Behalf of All Others Similarly Situated v. Tempur Sealy International, Inc., Scott L. Thompson, and Barry A. Hytinen, filed March 24, 2017.
On March 24, 2017, a suit was filed against Tempur Sealy International, Inc. and two of its officers in the U.S. District Court for the Southern District of New York, purportedly on behalf of a proposed class of stockholders who purchased Tempur Sealy common stock between July 28, 2016 and January 27, 2017. The complaint alleges that the Company made materially false and misleading statements regarding its then existing and future financial prospects, including those with one of its retailers, Mattress Firm, allegedly in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The Company does not believe the claims have merit and intends to vigorously defend against these claims. A Motion to Dismiss the case was filed by the Company on October 5, 2017. The plaintiffs filed their opposition to the Motion to Dismiss on November 20, 2017, and the Company filed its reply on December 21, 2017. The case is in the early stages of litigation. As a result, the outcome of the case is unclear and the Company is unable

to reasonably estimate the possible loss or range of loss, if any. Accordingly, the Company can give no assurance that this matter will not have a material adverse effect on the Company’s financial position or results of operations.

(c) Myla Gardner v. Scott L. Thompson, Barry A. Hytinen, Evelyn S. Dilsaver, John A. Heil, Jon L. Luther, Usman Nabi, Richard W. Neu, Robert B. Trussell, Jr. and Tempur Sealy International, Inc., filed July 10, 2017; Joseph L. Doherty v. Scott L. Thompson, Barry A. Hytinen, Evelyn S. Dilsaver, John A. Heil, Jon L. Luther, Usman Nabi, Richard W. Neu, Robert B. Trussell, Jr. and Tempur Sealy International, Inc., filed July 20, 2017; and Paul Onesti v. Scott L. Thompson, Barry A. Hytinen, Evelyn S. Dilsaver, John A. Heil, Jon L. Luther, Usman Nabi, Richard W. Neu, Robert B. Trussell, Jr. and Tempur Sealy International, Inc., filed July 21, 2017.

Three putative shareholder derivative suits were filed against the Company, each member of its Board of Directors and two of its officers in July 2017. Two suits were filed in the Fayette County Circuit Court on July 10, 2017 and July 14, 2017, respectively, and the third was filed in the U.S. District Court for the Eastern District of Kentucky on July 21, 2017. Each complaint alleges that the Board of Directors and officers caused the Company to make materially false and misleading statements regarding its business and financial prospects, including those with one of its retailers, Mattress Firm, which was a violation of the fiduciary duties they owed to the Company. The Company does not believe any of the suits have merit and intends to vigorously defend against the claims in each case. The Plaintiffs in each of the cases have agreed to stay their respective actions until after a decision is rendered on the Motion to Dismiss in the Buehring action noted above. These cases are in the early stages of litigation, and as a result the outcome of each case is unclear, so the Company is unable to reasonably estimate the possible loss, or range of loss, if any.

(d) Mattress Firm, Inc. v. Tempur-Pedic North America, LLC and Sealy Mattress Company, filed March 30, 2017 and a related matter.

On March 30, 2017, a suit was filed against Tempur-Pedic North America, LLC and Sealy Mattress Company (two wholly-owned subsidiaries of the Company) in the District Court of Harris County, Texas (the "Texas State Court Case") by Mattress Firm. The complaint alleged breach of contract and tortious interference and sought a declaratory judgment with respect to the interpretation of its agreements with the Company.

On April 7, 2017, the Company’s subsidiaries named above, among others, filed suit against Mattress Firm in the U.S. District Court for the Southern District of Texas, Houston Division (the "Federal Court Case"), seeking injunctive relief and damages for trademark infringement, unfair competition and trademark dilution in violation of the Lanham Act, and breach of contract and other state law violations. The complaint alleged that Mattress Firm violated the parties' transition agreements dated January 30, 2017, and consequently, federal and state law, by its use of the Company’s trademarks after April 3, 2017. On April 28, 2017, the complaint was amended to add a claim by Sealy Mattress Company for nonpayment by Mattress Firm for products sold and delivered. On May 23, 2017, the complaint was further amended to add allegations that Mattress Firm continued to use the Company’s trade names and trademarks on its website and in advertising in an inappropriate manner. On July 11, 2017, the Court in the Federal Court Case issued a preliminary injunction prohibiting Mattress Firm from using the Company’s names and marks in such manner. The complaint was further amended by the Company on July 31, 2017 and December 7, 2017 to add additional claims against Mattress Firm.

The discovery period in the Texas State Court case was extended, and the trial date initially set for September 2018 was reset for early 2019. Discovery was proceeding in the case until Mattress Firm's bankruptcy filing under Chapter 11 of the Bankruptcy Code on October 5, 2018, which stayed all Mattress Firm litigation.

In the Federal Court Case, discovery was completed and motions for summary judgment on certain claims filed by both parties in early 2018 were ruled on by the Court during June and July 2018. A trial date was set for October 10, 2018, but all Mattress Firm litigation was stayed on October 5, 2018 when Mattress Firm filed for bankruptcy. The Federal Court Case recommenced in November 2018 following Mattress Firm's exit from bankruptcy proceedings. On January 11, 2019, the parties agreed to a joint motion for a 30-day stay of the Federal Court Case to allow the parties the opportunity to discuss a global settlement of all litigation between them. Effective February 11, 2019, the parties agreed to settle all such litigation, including, but not limited to, the Texas State Court Case and the Federal Court Case, in consideration of full mutual releases of all claims. The parties remain subject to certain remaining obligations that were negotiated under their prior commercial agreements.

(e) Other. The Company is involved in various other legal proceedings incidental to the operations of its business. The Company believes that the outcome of all such other pending legal proceedings in the aggregate will not have a material adverse effect on its business, financial condition, liquidity, or operating results.

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(14) Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "Act”) was signed into law, making significant changes to U.S. tax law. Changes include, but are not limited to, a corporate income tax rate decrease from 35% to 21% effective for tax years beginning after December 31, 2017, the transition of U.S. international taxation from a worldwide tax system to a territorial system, and a one-time transition tax on the mandatory deemed repatriation of cumulative foreign earnings as of December 31, 2017. In accordance with the Act, the Company recorded an income tax benefit of $23.8 million in the fourth quarter of 2017, the period in which the legislation was enacted. The total benefit included a tax benefit of $69.7 million related to the remeasurement of certain deferred tax assets and liabilities net of $45.9 million in additional income tax expense related to the transition tax on foreign earnings. Additionally, Staff Accounting Bulletin No. 118 ("SAB 118") was issued to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Act. December 22, 2018 marked the end of the measurement period for purposes of SAB 118. As such, the Company has completed its analysis based on subsequent guidance issued with respect to the Act currently available which resulted in an additional SAB 118 tax benefit of $6.8 million in 2018 related to the finalization of the Company’s transition tax obligation.

The following sets forth the amount of income before income taxes attributable to each of the Company’s geographies for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
(in millions)	2018	2017	2016
Income before income taxes:			
United States	$59.2	$97.2	$179.0
Rest of the world	105.8	118.2	104.6
	$165.0	$215.4	$283.6

The Company’s effective income tax provision differs from the amount calculated using the statutory U.S. federal income tax rate, principally due to the following:

	Year Ended December 31,					
	2018		2017		2016	
(dollars in millions)	Amount	Percentage of Income Before Income Taxes	Amount	Percentage of Income Before Income Taxes	Amount	Percentage of Income Before Income Taxes
Statutory U.S. federal income tax	$34.6	21.0 %	$75.4	35.0 %	$99.3	35.0 %
State income taxes, net of federal benefit	1.8	1.1 %	(0.6)	(0.3)%	8.0	2.8 %
Foreign repatriation, net of foreign tax credits	—	—	—	—	(4.3)	(1.5)%
Foreign tax differential	2.5	1.5 %	(11.9)	(5.5)%	(12.0)	(4.2)%
Change in valuation allowances	(17.7)	(10.7)%	5.6	2.6 %	19.4	6.8 %
Uncertain tax positions	33.1	20.1 %	(1.0)	(0.5)%	(27.1)	(9.6)%
Subpart F income	6.6	4.0 %	2.7	1.2 %	2.0	0.7 %
Manufacturing deduction	—	—	(1.9)	(0.9)%	(4.2)	(1.5)%
Remeasurement of deferred taxes	—	—	(69.7)	(32.3)%	—	—
Transition Tax	(6.8)	(4.1)%	45.9	21.3 %	—	—

Permanent and other	(4.5)	(2.8)%	(0.7)	(0.3)%	5.2	1.9 %
Effective income tax provision	$49.6	30.1 %	$43.8	20.3 %	$86.3	30.4 %

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For 2018, Subpart F income includes Global Intangible Low-Taxed Income, or "GILTI" as well as certain sales made by foreign subsidiaries outside their respective countries of incorporation and taxable to Tempur Sealy International as if earned directly by Tempur Sealy International. The Company recognizes GILTI in the period in which such tax arises. For years prior to 2018, subpart F income represents interest and royalties earned by a foreign subsidiary as well as sales made by certain foreign subsidiaries outside of their country of incorporation and is taxable to Tempur Sealy International as if earned directly by Tempur Sealy International. The Transition Tax represents taxes on certain foreign sourced earnings and profits that were previously tax deferred.

The income tax provision consisted of the following:

	Year Ended December 31,		
(in millions)	2018	2017	2016
Current provision			
Federal	$(14.6)	$73.5	$73.5
State	1.1	3.1	4.6
Foreign	57.1	28.3	39.3
Total current	$43.6	$104.9	$117.4
Deferred provision			
Federal	$11.4	$(67.7)	$(21.4)
State	(4.5)	7.6	1.6
Foreign	(0.9)	(1.0)	(11.3)
Total deferred	6.0	(61.1)	(31.1)
Total income tax provision	$49.6	$43.8	$86.3

The income tax provision includes federal, state, and foreign income taxes currently payable and those deferred or prepaid because of temporary differences between financial statement and tax bases of assets and liabilities. The Company records income taxes under the liability method. Under this method, deferred income taxes are recognized for the estimated future tax effects of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws. The amount provided for deferred income taxes reflects that impact of the revaluation of the Company's deferred income tax assets and liabilities required as the result of the change in the U.S. federal and state income tax rates, as discussed above.

The net deferred tax assets and liabilities recognized in the accompanying Consolidated Balance Sheets, determined using the income tax rate applicable to each period, consist of the following:

	December 31,	
(in millions)	2018	2017
Deferred tax assets:		
Stock-based compensation	$12.8	$10.6
Accrued expenses and other	49.1	36.3
Net operating losses, foreign tax credits and other tax attribute carryforwards	56.1	92.9
Inventories	6.0	6.2
Transaction costs	13.5	13.4
Property, plant and equipment	3.6	2.8
Total deferred tax assets	141.1	162.2
Valuation allowances	(43.1)	(55.1)
Total net deferred tax assets	$98.0	$107.1
Deferred tax liabilities:		

Intangible assets	$(156.8)	$(162.1)
Property, plant and equipment	(30.3)	(29.5)
Accrued expenses and other	(5.8)	(6.4)
Total deferred tax liabilities	(192.9)	(198.0)
Net deferred tax liabilities	$(94.9)	$(90.9)

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No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the Transition Tax, or any additional outside basis differences inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations. At December 31, 2018, the Company’s tax basis in its top tier foreign subsidiary exceeded the Company’s book basis in this subsidiary in the hands of the top tier foreign subsidiary's U.S. shareholder. The Company has not recorded a deferred tax asset on such excess tax basis as it is not apparent that the excess tax basis will reverse in the foreseeable future. As it relates to the book to tax basis difference with respect to the stock of each of the Company’s lower tier foreign subsidiaries, as a general matter, the book basis exceeds the tax basis in the hands of such foreign subsidiaries' shareholders. By operation of the tax laws of the various countries in which these subsidiaries are domiciled, earnings of lower tier foreign subsidiaries are not subject to tax, in all material respects, when distributed to a foreign shareholder. It is the Company’s intent that the earnings of each lower tier foreign subsidiary, with the exception of its Danish subsidiary and one of its Canadian subsidiaries, will be permanently reinvested in each such foreign subsidiaries' own operations. As it relates to the Danish subsidiary, its earnings may be distributed without any income tax impact. Thus, no tax is provided for with respect to the book to tax basis difference of its stock. With respect to the Canadian subsidiary, Canadian income tax withholding applies to any distribution it makes to its foreign parent company. At December 31, 2018, the Company has concluded that the Canadian subsidiary does not have material accumulated earnings in excess of its operating needs and as such no material Canadian withholding tax has been accrued.

The Company has the following gross income tax attributes available at December 31, 2018 and 2017, respectively:

(in millions)	2018	2017
State net operating losses (“SNOLs”)	$355.7	$133.9
U.S. federal foreign tax credits (“FTCs”)	12.2	12.2
U.S. state income tax credits ("SITCs")	8.0	8.1
Foreign net operating losses (“FNOLs”)	57.0	33.1
Charitable contribution carryover ("CCCs")	39.6	18.0
Interest limitation carryover ("ILC")	10.6	—

The SNOLs, FTCs, SITCs, FNOLs and CCCs generally expire in 2021, 2023, 2023, 2023 and 2020, respectively. The ILC has an indefinite life.

Management believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realizability of certain of the SNOLs, FTCs, SITCs, FNOLs, CCCs, the ILC and certain other deferred tax assets related to certain foreign operations (together, the “Tax Attributes”). In assessing the realizability of deferred tax assets (including the Tax Attributes), management considers whether it is more likely than not that some portion of all of such deferred tax assets will not be realized. Accordingly, the Company has established a valuation allowance for certain Tax Attributes. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible or creditable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Company has recorded valuation allowances against approximately $124.2 million of the SNOLs, $12.2 million of the FTCs, and $8.1 million of SITCs. With respect to all other Tax Attributes above, based upon the level of historical taxable income and projections for future taxable income, management believes it is more likely than not the Company will realize the benefits of the underlying deferred tax assets. However, there can be no assurance that such assets will be realized if circumstances change.

GAAP prescribes a recognition threshold and measurement attribute for the accounting and financial statement disclosure of tax positions taken or expected to be taken in a tax return. The evaluation of a tax position is a two-step process. The first step requires the Company to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. The second step requires the Company to recognize in the financial statements each tax position that meets the more likely than not criteria, measured at the largest amount of benefit that has a greater than 50.0% likelihood of being realized. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

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(in millions)	
Balance as of December 31, 2016	$71.7
Additions based on tax positions related to 2017	3.9
Additions for tax positions of prior years	11.4
Expiration of statutes of limitations	—
Settlements of uncertain tax positions with tax authorities	(2.5)
Balance as of December 31, 2017	$84.5
Additions based on tax positions related to 2018	2.5
Additions for tax positions of prior years	21.2
Expiration of statutes of limitations	—
Settlements of uncertain tax positions with tax authorities	(4.4)
Balance as of December 31, 2018	$103.8

The amount of unrecognized tax benefits that would impact the effective tax rate if recognized at December 31, 2018, 2017 and 2016 would be $91.4 million, $31.7 million and $21.4 million, respectively. During the years ended December 31, 2018, 2017 and 2016, the Company recognized approximately $6.4 million, $0.4 million, and $1.6 million in interest and penalties, respectively, in income tax expense. The Company had approximately $66.3 million, $59.9 million, and $52.3 million of accrued interest and penalties at December 31, 2018, 2017, and 2016, respectively.

Since 2001, the Company has been involved in a dispute with the Danish Tax Authority ("SKAT") regarding the royalty paid by a U.S. subsidiary of Tempur Sealy International to a Danish subsidiary (the "Danish Tax Matter"). The royalty is paid by the U.S. subsidiary for the right to utilize certain intangible assets owned by the Danish subsidiary in the U.S. production process. SKAT has issued assessments to the Company asserting the royalties paid by the U.S. to the Danish subsidiary were too low, which the Company disputed. The tax assessments received from SKAT were based, in part, on a 20% royalty rate, which is substantially higher than that historically used or deemed appropriate by the Company.

During 2018, the Company reached agreements with both SKAT and the U.S. Internal Revenue Service ("IRS") with respect to the adjusted amount of royalties for tax years 2001 through 2011 (the "Settlement Years"). The Company has also entered into the Advance Pricing Agreement program (the “APA Program”) for the tax years 2012 through 2022 in which the IRS, on the Company’s behalf, will negotiate directly with SKAT the royalty to be paid by the U.S. subsidiary to the Danish Subsidiary. The Company maintains an uncertain income tax liability for both the Settlement Years and for the tax years 2012 through 2018 that are included in the APA Program. The APA Program request was filed with the IRS on October 26, 2018. The APA Program negotiation process is not expected to conclude in the near term.

The income tax assessed by SKAT for the Settlement Years is DKK 470.5 million ($72.2 million using the December 31, 2018 exchange rate) and has been accrued for by the Company at December 31, 2018 as an uncertain income tax position. The assessed value reflects materially the amount of the Danish tax liability that was historically accrued by the Company as an uncertain income tax position. The Company has determined the interest on such tax to be approximately DKK 376.8 million (approximately $57.8 million using the December 31, 2018 exchange rate), which has also been accrued for by the Company at December 31, 2018. The total tax and interest accrued at December 31, 2018 related to the Settlement Years is DKK 847.3 million (approximately $130.0 million using the December 31, 2018 exchange rate). The liability for the uncertain tax position and related interest is included in accrued expenses and other current liabilities within the Company’s Consolidated Balance Sheet. During 2018 the Company recorded approximately DKK 210.6 million (approximately $32.1 million) for Danish tax and interest related to the Danish Tax Matter for the years 2012 through 2018, applying the concepts of the settlement negotiated with SKAT to the APA

Program years. At December 31, 2018, the Company maintained an uncertain Danish tax position and related interest for such years of approximately DKK 230.2 million ($35.3 million using the December 31, 2018 exchange rates). The amount accrued is included in other non-current liabilities on the Company's Consolidated Balance Sheet at December 31, 2018. The deferred tax asset for the U.S. correlative benefit associated with this accrual is approximately $4.2 million.

At December 31, 2017, the Company had accrued Danish tax and interest for the Danish Tax Matter of approximately DKK 854.7 million (approximately $137.8 million using the December 31, 2017 exchange rate) as an uncertain income tax position. Approximately DKK 835.0 million (approximately $134.8 million using December 31, 2017 exchange rate) represents the amount accrued with respect to the Settlement Years. The balance of approximately DKK 19.7 million (approximately $3.2 million using the December 31, 2017 exchange rates) was accrued for the tax years 2012 through 2017. The amount accrued at December 31, 2017 is included in other non-current liabilities on the Company's Consolidated Balance Sheet. In addition, the Company had recorded a deferred tax asset for the U.S. correlative benefit related to the Danish Tax Matter of approximately $48.3 million at December 31, 2017. The Company maintained a valuation allowance with respect to this benefit (specifically related to the Settlement Years) of approximately $19.3 million at December 31, 2017, as it was more likely than not that this portion of the deferred tax asset would not be realized as certain periods were closed tax years in the U.S. The gross deferred tax asset was netted with the Company's U.S. deferred tax liabilities in non-current liabilities in the Company's Consolidated Balance Sheet at December 31, 2017. As a result of the settlement with SKAT and the IRS, the Company was able to realize the entire U.S. correlative benefit in its 2017 U.S. federal and state income tax returns (which the Company filed in September 2018). Accordingly, the associated valuation allowance was released and reflected as a benefit within the Company’s 2018 income tax provision.

The Company’s uncertain tax liability associated with the Danish Tax Matter is derived using the cumulative probability analysis with possible outcomes based on the Company's updated evaluation of the facts and circumstances regarding this matter and applying the technical requirements applicable to U.S., Danish, and international transfer pricing standards as required by GAAP, taking into account both the U.S. and Danish income tax implications of such outcomes. Both the uncertain tax liability and the deferred tax asset discussed herein reflects the Company’s best judgment of the facts, circumstances and information available through December 31, 2018.

It is reasonably possible that there could be material changes to the amount of uncertain tax positions due to activities of the taxing authorities, settlement of audit issues, reassessment of existing uncertain tax positions, including the Danish Tax Matter, or the expiration of applicable statute of limitations; however, the Company is not able to estimate the impact of these items at this time. The Company continues to discuss certain matters with SKAT relating to the Danish Tax Matter. For instance, the Company’s calculation of interest for the Settlement Years differs from the amount asserted by SKAT by approximately DKK 125.0 million (approximately $19.2 million using the December 31, 2018 exchange rate). The Company believes its calculations properly reflect the mechanics of the calculation of interest as provided in Danish tax law and as such has not recorded a liability for the incremental interest proposed by SKAT. Further, if the IRS and SKAT are unable to reach a mutually acceptable agreement with respect to the years included in the APA Program, the Company could be required to make a significant payment to SKAT for Danish tax related to such years, which could have a material adverse effect on the Company’s results of operations and liquidity.

From June 2012 through December 31, 2018, SKAT withheld Value Added Tax refunds otherwise owed to the Company, pending resolution of the Danish Tax Matter. Total withheld refunds at December 31, 2018 and 2017 are approximately DKK 347.1 million (approximately $53.3 million at the December 31, 2018 exchange rate) and DKK 336.5 million (approximately $54.1 million at the December 31, 2017 exchange rate), respectively. In July 2016, the Company paid a deposit to SKAT in the amount of approximately DKK 615.2 million (approximately $94.4 million and $98.9 million using the applicable exchange rates at December 31, 2018 and 2017, respectively) (the “Tax Deposit”) and applied approximately DKK 232.1 million (approximately $35.6 million and $37.4 million using the exchange rates at December 31, 2018 and 2017, respectively) of its Value Added Tax refund (the “VAT Refund Applied”) to the aforementioned potential Danish income tax liability, consistent with the Company’s reserve position for this royalty matter. The deposit was made to mitigate additional interest and foreign exchange exposure. The Tax Deposit and the VAT Refund Applied are included within prepaid and other current assets and other non-current assets on the

Consolidated Balance Sheets as of December 31, 2018 and 2017, respectively.

With few exceptions, the Company is no longer subject to tax examinations by the U.S. state and local municipalities for periods prior to 2011, and in non-U.S. jurisdictions for periods prior to 2001. The Company is currently under examination by various tax authorities around the world. The Company anticipates it is reasonably possible an increase or decrease in the amount of unrecognized tax benefits could be made in the next twelve months as a result of the statute of limitations expiring and/or the examinations being concluded on these returns. However, the Company does not presently anticipate that any increase or decrease in unrecognized tax benefits will be material to the Consolidated Financial Statements. Other than the changes relating to the Danish Tax Matter discussed in the preceding paragraphs, there were no significant changes to the liability for unrecognized tax benefits during the year ended December 31, 2018.

(15) Earnings Per Common Share

The following table sets forth the components of the numerator and denominator for the computation of basic and diluted earnings per share for net income attributable to Tempur Sealy International.

	Year Ended December 31,		
(in millions, except per common share amounts)	2018	2017	2016
Numerator:			
Net income from continuing operations, net of loss attributable to non-controlling interests	$118.3	$182.3	$202.9
Denominator:			
Denominator for basic earnings per common share—weighted average shares	54.4	54.0	59.0
Effect of dilutive securities:			
Employee stock-based compensation	0.7	0.7	0.8
Denominator for diluted earnings per common share—adjusted weighted average shares	55.1	54.7	59.8
Basic earnings per common share for continuing operations	$2.17	$3.37	$3.44
Diluted earnings per common share for continuing operations	$2.15	$3.33	$3.39

The Company excluded 1.5 million, 1.3 million and 0.4 million shares issuable upon exercise of outstanding stock options for the years ended December 31, 2018, 2017, and 2016, respectively, from the diluted earnings per common share computation because their exercise price was greater than the average market price of Tempur Sealy International’s common stock or they were otherwise anti-dilutive. Holders of non-vested stock-based compensation awards do not have voting rights or rights to receive any dividends thereon.

(16) Business Segment Information

The Company operates in two segments: North America and International. Corporate operating expenses are not included in either of the segments and are presented separately as a reconciling item to consolidated results. These segments are strategic business units that are managed separately based on geography. The North America segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in the U.S. and Canada. The International segment consists of Tempur and Sealy manufacturing and distribution subsidiaries, joint ventures and licensees located in Europe, Asia-Pacific and Latin America. The Company evaluates segment performance based on net sales, gross profit and operating income. There were no customers that contributed more than 10% of the Company's sales in 2018 or 2017. Mattress Firm, previously a customer in the North America segment, represented 21.7% of the Company's sales for the year ended December 31, 2016.

The Company’s North America and International segment assets include investments in subsidiaries that are appropriately eliminated in the Company’s accompanying Consolidated Financial Statements. The remaining inter-segment eliminations are comprised of intercompany accounts receivable and payable.

The following table summarizes total assets by segment:

(in millions)	December 31, 2018	December 31, 2017
North America	$2,788.1	$2,771.9

International	604.8	593.8
Corporate	569.0	614.9
Inter-segment eliminations	(1,246.5)	(1,302.2)
Discontinued operations	—	15.6
Total assets	$2,715.4	$2,694.0

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes property, plant and equipment, net, by segment:

(in millions)	December 31, 2018	December 31, 2017
North America	$ 317.5	$ 320.0
International	51.1	53.1
Corporate	52.2	60.4
Total property, plant and equipment, net	$ 420.8	$ 433.5

The following table summarizes segment information for the year ended December 31, 2018:

(in millions)	North America	International	Corporate	Eliminations	Consolidated
Bedding sales	$2,002.1	$ 453.2	$ —	$ —	$ 2,455.3
Other sales	134.1	113.5	—	—	247.6
Net sales	$2,136.2	$ 566.7	$ —	$ —	$ 2,702.9
Inter-segment sales	$3.4	$ 0.5	$ —	$ (3.9)	$ —
Inter-segment royalty expense (income)	3.1	(3.1)	—	—	—
Gross profit	823.4	297.3	—	—	1,120.7
Operating income (loss)	250.0	107.5	(101.2)	—	256.3
Income (loss) from continuing operations before income taxes	241.1	101.0	(177.1)	—	165.0
Depreciation and amortization (1)	$59.0	$ 13.5	$ 39.4	$ —	$ 111.9
Capital expenditures	52.7	14.0	6.9	—	73.6

(1) Depreciation and amortization includes stock-based compensation amortization expense.

The following table summarizes segment information for the year ended December 31, 2017:

(in millions)	North America	International	Corporate	Eliminations	Consolidated
Bedding sales	$2,051.8	$ 421.6	$ —	$ —	$ 2,473.4
Other sales	122.0	105.2	—	—	227.2
Net sales	$2,173.8	$ 526.8	$ —	$ —	$ 2,700.6
Inter-segment sales	$3.8	$ 1.0	$ —	$ (4.8)	$ —
Gross profit	844.7	276.3	—	—	1,121.0
Inter-segment royalty expense (income)	5.5	(5.5)	—	—	—
Operating income (loss)	273.2	112.0	(89.7)	—	295.5
Income (loss) from continuing operations before income taxes	276.0	104.5	(165.1)	—	215.4
Depreciation and amortization (1)	$51.4	$ 14.1	$ 28.5	$ —	$ 94.0
Capital expenditures	39.9	9.0	17.7	—	66.6

(1) Depreciation and amortization includes stock-based compensation amortization expense.

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table summarizes segment information for the year ended December 31, 2016:

(in millions)	North America	International	Corporate	Eliminations	Consolidated
Bedding sales	$2,447.8	$ 399.9	$ —	$ —	$ 2,847.7
Other sales	122.3	109.7	—	—	232.0
Net sales	$2,570.1	$ 509.6	$ —	$ —	$ 3,079.7
Inter-segment sales	$4.5	$ 0.4	$ —	$ (4.9)	$ —
Gross profit	1,017.4	272.1	—	—	1,289.5
Inter-segment royalty expense (income)	(7.2)	7.2	—	—	—
Operating income (loss)	411.8	100.6	(99.0)	—	413.4
Income (loss) from continuing operations before income taxes	406.8	94.3	(217.5)	—	283.6
Depreciation and amortization (1)	$43.7	$ 14.7	$ 30.2	$ —	$ 88.6
Capital expenditures	32.8	14.8	14.3	—	61.9

(1) Depreciation and amortization includes stock-based compensation amortization expense.

The following table summarizes property, plant and equipment, net by geographic region:

(in millions)	December 31, 2018	December 31, 2017
United States	$ 350.7	$ 373.2
Canada	19.1	7.2
Other International	51.0	53.1
Total property, plant and equipment, net	$ 420.8	$ 433.5
Total International	$ 70.1	$ 60.3

The following table summarizes net sales by geographic region:

	Year Ended December 31,		
(in millions)	2018	2017	2016
United States	$1,928.9	$1,954.2	$2,361.9
Canada	207.3	219.6	208.2
Other International	566.7	526.8	509.6
Total net sales	$2,702.9	$2,700.6	$3,079.7
Total International	$774.0	$746.4	$717.8

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(17) Quarterly Financial Data (unaudited)

Quarterly results of operations for the years ended December 31, 2018 and 2017 are summarized below:

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2018				
Net sales	$637.4	$659.9	$729.5	$676.1
Gross profit	264.7	272.8	300.0	283.2
Operating income	55.7	58.0	84.7	57.9
Income from continuing operations	25.6	26.6	44.1	19.1
Net income attributable to Tempur Sealy International, Inc.	23.1	22.8	42.3	12.3
Basic earnings per common share for continuing operations	$0.48	$0.52	$0.83	$0.35
Diluted earnings per common share for continuing operations	$0.47	$0.52	$0.82	$0.35
2017				
Net sales	$710.4	$647.3	$711.5	$631.4
Gross profit	282.0	264.1	307.0	267.9
Operating income	59.3	56.5	97.3	82.4
Income from continuing operations	32.6	22.1	53.2	63.7
Net income attributable to Tempur Sealy International, Inc.	33.9	24.5	44.6	48.4
Basic earnings per common share for continuing operations	$0.64	$0.46	$1.05	$1.22
Diluted earnings per common share for continuing operations	$0.63	$0.46	$1.03	$1.21

The sum of the quarterly earnings per common share amounts may not equal the annual amount reported because per share amounts are computed independently for each quarter and for the full year based on respective weighted-average common shares outstanding and other dilutive potential common shares. The Company’s quarterly operating results fluctuate as a result of seasonal variations in the Company’s business.

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(18) Guarantor/Non-Guarantor Financial Information

The $450.0 million and $600.0 million aggregate principal amount of 2023 Senior Notes and 2026 Senior Notes (collectively the "Senior Notes"), respectively, are general unsecured senior obligations of Tempur Sealy International and are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by the Combined Guarantor Subsidiaries. The $375.0 million aggregate principal amount of 2020 Senior Notes were general unsecured senior obligations at December 31, 2015 but were redeemed in full in 2016. The foreign subsidiaries (the "Combined Non-Guarantor Subsidiaries") represent the foreign operations of the Company and do not guarantee the Senior Notes. A subsidiary guarantor will be released from its obligations under the applicable indenture governing the Senior Notes when: (a) the subsidiary guarantor is sold or sells all or substantially all of its assets; (b) the subsidiary is declared "unrestricted" under the applicable indenture governing the Senior Notes; (c) the subsidiary's guarantee of indebtedness under the 2016 Credit Agreement (as it may be amended, refinanced or replaced) is released (other than a discharge through repayment); or (d) the requirements for legal or covenant defeasance or discharge of the applicable indenture have been satisfied. The principal elimination entries relate to investments in subsidiaries and intercompany balances and transactions, including transactions with the Company's wholly-owned subsidiary guarantors and non-guarantor subsidiaries. The Company has accounted for its investments in its subsidiaries under the equity method.

The following financial information presents Consolidated Balance Sheets as of December 31, 2018 and December 31, 2017, and the related Consolidated Statements of Income and Comprehensive Income and Cash Flows for the years ended December 31, 2018, 2017 and 2016 for Tempur Sealy International, Combined Guarantor Subsidiaries and Combined Non-Guarantor Subsidiaries.

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

TEMPUR SEALY INTERNATIONAL, INC.
Supplemental Consolidated Statements of Income and Comprehensive Income
Year Ended December 31, 2018
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Net sales	$ —	$ 2,000.9	$ 800.5	$ (98.5)	$ 2,702.9
Cost of sales	—	1,208.3	464.3	(90.4)	1,582.2
Gross profit	—	792.6	336.2	(8.1)	1,120.7
Selling and marketing expenses	8.4	392.0	199.8	(12.4)	587.8
General, administrative and other expenses	17.8	225.8	57.4	(6.8)	294.2
Equity income in earnings of unconsolidated affiliates	—	—	(17.6)	—	(17.6)
Operating (loss) income	(26.2)	174.8	96.6	11.1	256.3
Other expense, net:					
Third party interest expense, net	59.2	30.2	4.6	(1.7)	92.3
Intercompany interest (income) expense, net	(6.9)	10.8	(3.9)	—	—
Interest expense, net	52.3	41.0	0.7	(1.7)	92.3
Other (income) expense, net	—	(9.9)	13.9	(5.0)	(1.0)
Total other expense, net	52.3	31.1	14.6	(6.7)	91.3
Income from equity investees	162.0	26.6	—	(188.6)	—
Income from continuing operations before income taxes	83.5	170.3	82.0	(170.8)	165.0
Income tax benefit (provision)	14.1	(8.3)	(55.4)	—	(49.6)
Income from continuing operations	97.6	162.0	26.6	(170.8)	115.4
Loss from discontinued operations, net of tax	—	—	—	(17.8)	(17.8)
Net income before non-controlling interests	97.6	162.0	26.6	(188.6)	97.6
Less: Net loss attributable to non-controlling interest	(2.9)	(2.6)	(0.3)	2.9	(2.9)
Net income attributable to Tempur Sealy International, Inc.	$ 100.5	$ 164.6	$ 26.9	$ (191.5)	$ 100.5
Comprehensive income attributable to Tempur Sealy International, Inc.	$ 80.7	$ 164.2	$ 7.5	$ (171.7)	$ 80.7

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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Supplemental Consolidated Statements of Income and Comprehensive Income
Year Ended December 31, 2017
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Net sales	$ —	$ 1,961.2	$ 862.5	$ (123.1)	$ 2,700.6
Cost of sales	—	1,185.4	497.6	(103.4)	1,579.6
Gross profit	—	775.8	364.9	(19.7)	1,121.0
Selling and marketing expenses	5.6	406.8	188.9	(15.2)	586.1
General, administrative and other expenses	17.5	176.6	78.9	(11.6)	261.4
Customer termination charges, net	(8.4)	21.7	1.1	—	14.4
Equity income in earnings of unconsolidated affiliates	—	—	(15.6)	—	(15.6)
Royalty income, net of royalty expense	—	(20.8)	—	—	(20.8)
Operating (loss) income	(14.7)	191.5	111.6	7.1	295.5
Other expense, net:					
Third party interest expense, net	59.6	26.0	22.4	(20.7)	87.3
Intercompany interest (income) expense, net	(4.7)	8.3	(3.6)	—	—
Interest expense, net	54.9	34.3	18.8	(20.7)	87.3
Other (income) expense, net	—	(17.2)	9.2	0.8	(7.2)
Total other expense, net	54.9	17.1	28.0	(19.9)	80.1
Income from equity investees	193.1	51.3	—	(244.4)	—
Income from continuing operations before income taxes	123.5	225.7	83.6	(217.4)	215.4
Income tax benefit (provision)	17.2	(32.6)	(32.3)	3.9	(43.8)
Income from continuing operations	140.7	193.1	51.3	(213.5)	171.6
Loss from discontinued operations, net of tax	—	—	—	(30.9)	(30.9)
Net income before non-controlling interests	140.7	193.1	51.3	(244.4)	140.7
Less: Net loss attributable to non-controlling interests	(10.7)	(5.2)	(5.5)	10.7	(10.7)
Net income attributable to Tempur Sealy International, Inc.	$ 151.4	$ 198.3	$ 56.8	$ (255.1)	$ 151.4
Comprehensive income attributable to Tempur Sealy International, Inc.	$ 179.4	$ 193.0	$ 89.9	$ (282.9)	$ 179.4

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TEMPUR SEALY INTERNATIONAL, INC.
Supplemental Consolidated Statements of Income and Comprehensive Income
Year Ended December 31, 2016
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Net sales	$ —	$ 2,355.9	$ 837.6	$ (113.8)	$ 3,079.7
Cost of sales	—	1,409.4	476.6	(95.8)	1,790.2
Gross profit	—	946.5	361.0	(18.0)	1,289.5
Selling and marketing expenses	2.9	458.6	187.0	(13.0)	635.5
General, administrative and other expenses	14.8	186.8	79.8	(8.0)	273.4
Equity income in earnings of unconsolidated affiliates	—	—	(13.3)	—	(13.3)
Royalty income, net of royalty expense	—	(19.5)	—	—	(19.5)
Operating (loss) income	(17.7)	320.6	107.5	3.0	413.4
Other expense, net:					
Third party interest expense, net	66.0	15.4	10.2	(8.7)	82.9
Intercompany interest (income) expense, net	(4.1)	(0.1)	4.2	—	—
Interest expense, net	61.9	15.3	14.4	(8.7)	82.9
Loss on extinguishment of debt	34.3	12.9	—	—	47.2
Other (income) expense, net	—	(1.4)	1.2	(0.1)	(0.3)
Total other expense, net	96.2	26.8	15.6	(8.8)	129.8
Income from equity investees	260.1	65.3	—	(325.4)	—
Income from continuing operations before income taxes	146.2	359.1	91.9	(313.6)	283.6
Income tax benefit (provision)	38.8	(99.0)	(26.6)	0.5	(86.3)
Income from continuing operations	185.0	260.1	65.3	(313.1)	197.3
Loss from discontinued operations	—	—	—	(12.3)	(12.3)
Net income before non-controlling interests	185.0	260.1	65.3	(325.4)	185.0
Less: Net income attributable to non-controlling interests	(5.6)	—	(5.6)	5.6	(5.6)
Net income attributable to Tempur Sealy International, Inc.	$ 190.6	$ 260.1	$ 70.9	$ (331.0)	$ 190.6
Comprehensive income attributable to Tempur Sealy International, Inc.	$ 183.5	$ 260.4	$ 63.5	$ (323.9)	$ 183.5

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
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TEMPUR SEALY INTERNATIONAL, INC.
Supplemental Consolidated Balance Sheets
December 31, 2018
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 0.1	$ 6.2	$ 39.5	$ —	$ 45.8
Accounts receivable, net	—	15.2	303.3	3.0	321.5
Inventories	—	159.4	62.9	—	222.3
Prepaid expenses and other current assets	276.9	65.4	148.1	(274.6)	215.8
Total Current Assets	277.0	246.2	553.8	(271.6)	805.4
Property, plant and equipment, net	—	350.7	70.1	—	420.8
Goodwill	—	508.8	214.2	—	723.0
Other intangible assets, net	—	572.7	76.6	—	649.3
Deferred income taxes	15.0	—	22.6	(15.0)	22.6
Other non-current assets	—	49.2	45.1	—	94.3
Net investment in subsidiaries	661.7	210.0	—	(871.7)	—
Due from affiliates	422.1	153.8	15.4	(591.3)	—
Total Assets	$ 1,375.8	$ 2,091.4	$ 997.8	$ (1,749.6)	$ 2,715.4
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ —	$ 186.7	$ 63.3	$ 3.0	$ 253.0
Accrued expenses and other current liabilities	6.7	143.9	208.6	—	359.2
Income taxes payable	—	274.7	9.6	(274.6)	9.7
Current portion of long-term debt	—	44.0	3.1	—	47.1
Total Current Liabilities	6.7	649.3	284.6	(271.6)	669.0
Long-term debt, net	1,043.0	547.1	9.0	—	1,599.1
Deferred income taxes	—	118.0	14.5	(15.0)	117.5
Other non-current liabilities	1.9	58.2	52.2	—	112.3
Due to affiliates	106.7	57.1	427.5	(591.3)	—
Total Liabilities	1,158.3	1,429.7	787.8	(877.9)	2,497.9
Total Stockholder's Equity	217.5	661.7	210.0	(871.7)	217.5
Total Liabilities and Stockholders' Equity	$ 1,375.8	$ 2,091.4	$ 997.8	$ (1,749.6)	$ 2,715.4

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December 31, 2017
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 0.1	$ 12.3	$ 29.5	$ (0.8)	$ 41.1
Accounts receivable, net	—	5.1	322.2	(16.5)	310.8
Inventories	—	103.4	79.6	(3.9)	179.1
Prepaid expenses and other current assets	261.0	50.6	13.4	(261.6)	63.4
Current assets of discontinued operations	—	—	—	13.0	13.0
Total Current Assets	261.1	171.4	444.7	(269.8)	607.4
Property, plant and equipment, net	—	360.4	74.7	(1.6)	433.5
Goodwill	—	507.6	225.5	(0.4)	732.7
Other intangible assets, net	—	577.5	89.9	(0.3)	667.1
Deferred income taxes	11.8	—	23.6	(12.0)	23.4
Other non-current assets	—	47.2	180.2	(0.1)	227.3
Net investment in subsidiaries	2,381.0	127.7	—	(2,508.7)	—
Due from affiliates	87.2	1,975.9	15.6	(2,078.7)	—
Non-current assets of discontinued operations	—	—	—	2.6	2.6
Total Assets	$ 2,741.1	$ 3,767.7	$ 1,054.2	$ (4,869.0)	$ 2,694.0
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY					
Current Liabilities:					
Accounts payable	$ —	$ 174.6	$ 76.2	$ (22.5)	$ 228.3
Accrued expenses and other current liabilities	7.6	144.2	82.4	(11.9)	222.3
Income taxes payable	—	279.3	10.0	(261.1)	28.2
Current portion of long-term debt	—	35.7	36.7	—	72.4
Current liabilities of discontinued operations	—	—	—	25.7	25.7
Total Current Liabilities	7.6	633.8	205.3	(269.8)	576.9
Long-term debt, net	1,041.6	589.4	49.7	—	1,680.7
Deferred income taxes	—	107.8	18.3	(11.8)	114.3
Other non-current liabilities	—	55.2	152.2	(1.3)	206.1
Due to affiliates	1,577.2	0.5	501.0	(2,078.7)	—
Non-current liabilities of discontinued operations	—	—	—	1.3	1.3
Total Liabilities	2,626.4	1,386.7	926.5	(2,360.3)	2,579.3
Redeemable non-controlling interest	2.2	—	2.2	(2.2)	2.2

Total Stockholders’ Equity	112.5	2,381.0	125.5	(2,506.5)	112.5
Total Liabilities, Redeemable Non-Controlling Interest and Stockholders’ Equity	$ 2,741.1	$ 3,767.7	$ 1,054.2	$ (4,869.0)	$ 2,694.0

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
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TEMPUR SEALY INTERNATIONAL, INC.
Supplemental Consolidated Statements of Cash Flows
Year Ended December 31, 2018
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Net cash (used in) provided by operating activities from continuing operations	$ (55.8)	$ 166.6	$ 72.3	$ 24.4	$ 207.5
CASH FLOWS FROM INVESTING ACTIVITIES:					
Contributions (paid to) received from subsidiaries and affiliates	—	(75.8)	75.8	—	—
Purchases of property, plant and equipment	—	(58.8)	(15.3)	0.5	(73.6)
Other	—	0.1	4.9	(2.6)	2.4
Net cash (used in) provided by investing activities from continuing operations	—	(134.5)	65.4	(2.1)	(71.2)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under long-term debt obligations	—	414.0	680.9	—	1,094.9
Repayments of borrowings under long-term debt obligations	—	(444.0)	(751.8)	—	(1,195.8)
Net activity in investment in and advances from (to) subsidiaries and affiliates	55.8	(3.0)	(52.8)	—	—
Proceeds from exercise of stock options	4.6	—	—	—	4.6
Treasury stock repurchased	(4.6)	—	—	—	(4.6)
Other	—	(5.2)	(0.9)	—	(6.1)
Net cash provided by (used in) financing activities from continuing operations	55.8	(38.2)	(124.6)	—	(107.0)
Net cash (used in) provided by continuing operations	—	(6.1)	13.1	22.3	29.3
CASH USED IN DISCONTINUED OPERATIONS					
Operating cash flows, net	—	—	—	(24.4)	(24.4)
Investing cash flows, net	—	—	—	2.1	2.1
Financing cash flows, net	—	—	—	—	—
Net cash used in discontinued operations	—	—	—	(22.3)	(22.3)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	(3.1)	—	(3.1)
(Decrease) increase in cash and cash equivalents	—	(6.1)	10.0	—	3.9
	0.1	12.3	29.5	—	41.9

CASH AND CASH EQUIVALENTS, beginning of period					
CASH AND CASH EQUIVALENTS, end of period	$ 0.1	$ 6.2	$ 39.5	$ —	$ 45.8

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

TEMPUR SEALY INTERNATIONAL, INC.
Supplemental Consolidated Statements of Cash Flows
Year Ended December 31, 2017
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Net cash (used in) provided by operating activities from continuing operations	$ (55.3)	$ 376.9	$ (98.7)	$ 33.6	$ 256.5
CASH FLOWS FROM INVESTING ACTIVITIES:					
Contributions (paid to) received from subsidiaries and affiliates	—	(129.7)	129.7	—	—
Purchases of property, plant and equipment	—	(55.8)	(11.2)	0.4	(66.6)
Other	—	0.8	4.1	(4.0)	0.9
Net cash (used in) provided by investing activities from continuing operations	—	(184.7)	122.6	(3.6)	(65.7)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under long-term debt obligations		603.9	729.0	—	1,332.9
Repayments of borrowings under long-term debt obligations		(790.8)	(680.7)	—	(1,471.5)
Net activity in investment in and advances from (to) subsidiaries and affiliates	87.5	0.5	(88.0)	—	—
Proceeds from exercise of stock options	12.8	—	—	—	12.8
Treasury stock repurchased	(44.9)	—	—	—	(44.9)
Payment of deferred financing costs			(0.5)	—	(0.5)
Other	—	(1.4)	(2.6)	—	(4.0)
Net cash provided by (used in) financing activities from continuing operations	55.4	(187.8)	(42.8)	—	(175.2)
Net cash provided by (used in) continuing operations	0.1	4.4	(18.9)	30.0	15.6
CASH USED IN DISCONTINUED OPERATIONS					
Operating cash flows, net	—	—	—	(33.6)	(33.6)
Investing cash flow, net	—	—	—	3.6	3.6
Financing cash flows, net	—	—	—	—	—
Net cash used in discontinued operations	—	—	—	(30.0)	(30.0)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	(9.4)	—	(9.4)
Increase (decrease) in cash and cash equivalents	0.1	4.4	(28.3)	—	(23.8)

CASH AND CASH EQUIVALENTS, beginning of period	—	7.9	57.8	—	65.7
CASH AND CASH EQUIVALENTS, end of period	0.1	12.3	29.5	—	41.9
LESS: CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	—	—	0.8	—	0.8
CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	$ 0.1	$ 12.3	$ 28.7	$ —	$ 41.1

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Supplemental Consolidated Statements of Cash Flows
Year Ended December 31, 2016
(in millions)

	Tempur Sealy International, Inc. (Ultimate Parent)	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Reclassifications and Eliminations	Consolidated
Net cash (used in) provided by operating activities from continuing operations	$ (63.1)	$ 110.7	$ 117.9	$ 2.6	$ 168.1
CASH FLOWS FROM INVESTING ACTIVITIES:					
Contributions (paid to) received from subsidiaries and affiliates	—	(76.7)	76.7	—	—
Purchases of property, plant and equipment	—	(43.0)	(19.4)	0.5	(61.9)
Net cash (used in) provided by investing activities from continuing operations	—	(119.7)	57.3	0.5	(61.9)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from borrowings under long-term debt obligations	600.0	1,523.6	109.7	—	2,233.3
Repayments of borrowings under long-term debt obligations	(375.0)	(1,406.2)	(86.5)	—	(1,867.7)
Net activity in investment in and advances from (to) subsidiaries and affiliates	383.1	(212.5)	(170.6)	—	—
Proceeds from exercise of stock options	15.7	—	—	—	15.7
Excess tax benefit from stock-based compensation	7.0	—	—	—	7.0
Treasury stock repurchased	(535.0)	—	—	—	(535.0)
Payment of deferred financing costs	(3.1)	(3.8)	—	—	(6.9)
Fees paid to lenders	(6.0)	(1.8)	—	—	(7.8)
Call premium on 2020 Senior Notes	(23.6)	—	—	—	(23.6)
Other	—	(2.1)	2.0	—	(0.1)
Net cash provided by (used in) financing activities from continuing operations	63.1	(102.8)	(145.4)	—	(185.1)
Net cash (used in) provided by continuing operations	—	(111.8)	29.8	3.1	(78.9)
CASH USED IN DISCONTINUED OPERATIONS					
Operating cash flows, net	—	—	—	(2.6)	(2.6)
Investing cash flow, net	—	—	—	(0.5)	(0.5)
Financing cash flows, net	—	—	—	—	—
Net cash used in discontinued operations	—	—	—	(3.1)	(3.1)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	(6.2)	—	(6.2)

(Decrease) increase in cash and cash equivalents	—	(111.8)	23.6	—	(88.2)
CASH AND CASH EQUIVALENTS, beginning of period	—	119.7	34.2	—	153.9
CASH AND CASH EQUIVALENTS, end of period	—	7.9	57.8	—	65.7
LESS: CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS	—	—	1.1	—	1.1
CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS	$ —	$ 7.9	$ 56.7	$ —	$ 64.6

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2018, and designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting as of December 31, 2018 based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment and those criteria, management believes that we maintained effective internal control over financial reporting as of December 31, 2018.

Our independent registered public accounting firm, Ernst & Young LLP, has issued a report on the Company’s internal control over financial reporting as of December 31, 2018. That report appears on page 105 of this Report.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

The Stockholders and the Board of Directors of Tempur Sealy International, Inc. and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Tempur Sealy International, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). In our opinion, Tempur Sealy International, Inc. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2018 consolidated financial statements of the Company, and our report dated February 25, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Annual Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Ernst & Young LLP

Louisville, Kentucky
February 25, 2019

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated herein by reference from our definitive proxy statement for the 2019 Annual Meeting of Stockholders (the "Proxy Statement") under the sections entitled “Proposal One—Election of Directors,” and “Board of Directors’ Meetings, Committees of the Board and Related Matters—Corporate Governance,” — "Committees of the Board,” —“Policies Governing Director Nominations,” and “Executive Compensation and Related Information—Section 16(a) Beneficial Ownership Reporting Compliance.”

Information relating to executive officers is incorporated herein by reference from our Proxy Statement under the section entitled “Proposal One—Election of Directors—Executive Officers.”

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference from the Proxy Statement under the sections entitled “Executive Compensation and Related Information” and “Board of Directors’ Meetings, Committees of the Board and Related Matters—Compensation Committee Interlocks and Insider Participation.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table sets forth equity compensation plan information as of December 31, 2018:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
Amended and Restated 2003 Equity Incentive Plan (1)	201,334	$ 41.59	—
Amended and Restated 2013 Equity Incentive Plan (2)	4,263,926	65.45	3,752,785
Equity compensation plans not approved by security holders	—	—	—
Total	4,465,260	$ 62.51	3,752,785

(1) In May 2013, our Board of Directors adopted a resolution that prohibited further grants under the Amended and Restated 2003 Equity Incentive Plan. The number of securities to be issued upon exercise of outstanding stock options, warrants and rights issued under the Amended and Restated 2003 Equity Incentive Plan includes 404 shares issuable under restricted stock units and deferred stock units. These restricted and deferred stock units are

excluded from the weighted average exercise price calculation above.

(2) The number of securities to be issued upon exercise of outstanding stock options, warrants and rights issued under the Amended and Restated 2013 Equity Incentive Plan includes 836,122 shares issuable under restricted stock units and deferred stock units. Additionally, this number includes 2,007,319 performance restricted stock units which reflects a maximum payout of the awards granted. These restricted, deferred and performance restricted stock units are excluded from the weighted average exercise price calculation above.

For information regarding the material features of each of the above plans see Note 12, “Stock-based Compensation,” in our Consolidated Financial Statements included in Part II, ITEM 8 of this Report.

All other information required by this Item is incorporated by reference from the Proxy Statement under the section entitled "Principal Security Ownership and Certain Beneficial Owners."

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference from the Proxy Statement under the section entitled "Executive Compensation and Related Information—Certain Relationships and Related Transactions" and "Board of Directors' Meetings, Committees of the Board and Related Matters—Directors' Independence."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference from the Proxy Statement under the sections entitled "Proposal Two— Ratification of Independent Auditors—Fees for Independent Auditors During the Years Ended December 31, 2018 and 2017" and "—Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditors."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) 1. The following is a list of the financial statements of Tempur Sealy International, Inc. included in this Report, which are filed herewith pursuant to ITEM 8:

Report of Independent Registered Public Accounting Firm
Consolidated Statements of Income for the years ended December 31, 2018, 2017 and 2016
Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016
Consolidated Balance Sheets as of December 31, 2018 and 2017
Consolidated Statements of Stockholders' Equity/(deficit) for the years ended December 31, 2018, 2017, and 2016
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016
Notes to the Consolidated Financial Statements

2. Financial Statement Schedule:
Schedule II—Valuation of Qualifying Accounts and Reserves

All other schedules have been omitted because they are inapplicable, not required, or the information is included elsewhere in the Consolidated Financial Statements or notes thereto.

3. Exhibits:

The following is an index of the exhibits included in this Report or incorporated herein by reference.

(b) EXHIBIT INDEX

3.1 Amended and Restated Certificate of Incorporation of Tempur-Pedic International Inc. (filed as Exhibit 3.1 to Amendment No. 3 to the Registrant's registration statement on Form S-1 (File No. 333-109798) as filed on December 12, 2003). (1)

3.2 Amendment to Certificate of Incorporation of Tempur-Pedic International Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on May 24, 2013).(1)

3.3 Seventh Amended and Restated By-laws of Tempur Sealy International, Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on February 11, 2019). (1)

3.4 Amended and Restated Certificate of Designation of Series A Junior Participating Preferred Stock of Tempur Sealy International, Inc. (filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K as filed on March 15, 2017). (1)

4.1

	Specimen certificate for shares of common stock (filed as Exhibit 4.1 to the Registrant's Annual Report on Form 10-K as filed on March 1, 2018). (1)
4.2	Indenture, dated as of September 24, 2015, among Tempur Sealy International, Inc., the Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K as filed on September 24, 2015). (1)
4.3	Registration Rights Agreement, dated as of September 24, 2015, by and among Tempur Sealy International, Inc., the Guarantors named therein and Merrill Lynch, Pierce, Fenner &Smith Incorporated, as representative of the several Initial Purchasers named therein (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K as filed on September 24, 2015). (1)
4.4	Indenture, dated as of May 24, 2016, among Tempur Sealy International, Inc., the Guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on May 24, 2016). (1)

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4.5	Registration Rights Agreement, dated as of May 24, 2016, by and among Tempur Sealy International, Inc., the Guarantors named therein and J.P. Morgan Securities LLC, as representative of the several Initial Purchasers named therein (filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K as filed on May 24, 2016).(1)
4.6	Amended and Restated Rights Agreement, dated as of March 14, 2017, by and between Tempur Sealy International, Inc. and American Stock Transfer & Trust Company, LLC, as rights agent (filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K as filed on March 15, 2017).(1)
10.1	Purchase Agreement, dated September 21, 2015, among Tempur Sealy International, Inc., the Guarantors named therein, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the Initial Purchasers named therein (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed on September 24, 2015). (1)
10.2	Credit Agreement, dated as of April 6, 2016, by and among Tempur Sealy International, Inc., as parent borrower, the several banks and other financial institutions party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed on April 7, 2016). (1)
10.3	Amendment No. 1 to Credit Agreement dated as of April 4, 2017 among Tempur Sealy International, Inc., as parent borrower, the several banks and other financial institutions party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.
10.4	Amendment No. 2 to Credit Agreement dated as of January 8, 2019 among Tempur Sealy International, Inc., as parent borrower, the several banks and other financial institutions party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.
10.5	Purchase Agreement dated May 19, 2016, among Tempur Sealy International, Inc., the Guarantors named therein and JP Morgan Securities LLC, as representative of the Initial Purchasers named therein (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed on May 24, 2016).(1)
10.6	Credit and Security Agreement, dated as of April 12, 2017, among Tempur Sealy Receivables, LLC, as borrower, Tempur Sealy International, Inc., as master servicer and Wells Fargo Bank, National Association, as lender (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K as filed on April 18, 2017).(1)
10.7	Receivables Sale and Contribution Agreement, dated as of April 12, 2017, between Tempur-Pedic North America, LLC, as seller and contributor, and Tempur Sealy Receivables LLC, as purchaser and contribute (filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K as filed on April 18, 2017).(1)
10.8	Receivables Sale Agreement, dated as of April 12, 2017, between Sealy Mattress Manufacturing Company, LLC, as seller and Tempur-Pedic North America, LLC, as purchaser (filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K as filed on April 18, 2017). (1)
10.9	Amendment No. 1, dated as of September 25, 2017, to that certain Credit and Security Agreement, dated as of April 12, 2017, among Tempur Sealy Receivables, LLC, as borrower, Tempur Sealy International, Inc., as master servicer and Wells Fargo Bank, National Association, as lender (filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q as filed on August 2, 2018). (1)
10.10	Amendment No. 2, dated as of April 2, 2018, to that certain Credit and Security Agreement, dated as of April 12, 2017, among Tempur Sealy Receivables, LLC, as borrower, Tempur Sealy International, Inc., as master servicer and Wells Fargo Bank, National Association, as lender (filed as Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q as filed on August 2, 2018). (1)
10.11	Omnibus Amendment dated as of October 31, 2018 and constituting (a) Amendment No. 3 to the Credit and Security Agreement dated as of April 12, 2017 among Tempur Sealy Receivables, LLC, Tempur Sealy International, Inc. and Wells Fargo Bank, National Association, (b) Amendment No. 1 to the Receivables Sale and Contribution Agreement dated as of April 12, 2017 by and between Tempur Pedic North America, LLC and Tempur Sealy Receivables, LLC and (c) Amendment No. 1 to the Receivables Sale Agreement dated as of April 12, 2017 by and between Sealy Mattress Manufacturing Company, LLC and Tempur Pedic North America, LLC (filed as Exhibit 10.1 to the Registrant's Current Report on Form 10-Q as filed on November 8, 2018).(1)
10.12	Bond Purchase Agreement, dated October 26, 2005, by and among Tempur World LLC, Tempur Production USA, Inc. and Bernalillo County (filed as Exhibit 10.5 to the Registrant's Annual Report on Form 10-K as filed

	on March 14, 2006). [1]
10.13	Trust Indenture, dated September 1, 2005, by and between Bernalillo County and The Bank of New York Trust Company, N.A., as Trustee (filed as Exhibit 10.2 to the Registrant’s Annual Report on Form 10-K as filed on March 14, 2006). [1]
10.14	Mortgage, Assignment, Security Agreement and Fixture Filing, dated as of October 27, 2005, by and between Bernalillo County and Tempur Production USA, Inc. (filed as Exhibit 10.7 to the Registrant’s Annual Report on Form 10-K as filed on March 14, 2006). [1]
10.15	Lease Agreement, dated September 1, 2005, by and between Bernalillo County and Tempur Production USA, Inc. (filed as Exhibit 10.3 to the Registrant’s Annual Report on Form 10-K as filed on March 14, 2006).[1]
10.16	Non-Disclosure and Standstill Agreement, dated as of June 26, 2017, by and among Tempur Sealy International, Inc., Usman Nabi, H Partners Management, LLC and the other parties named therein (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K as filed on June 28, 2017).[1]
10.17	Letter Agreement dated March 23, 2018 from Tempur Sealy International, Inc. to H Partners Management, LLC and the other H Partners Group Members listed therein (filed as filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K as filed on March 26, 2018). [1]
10.18	Amended and Restated Non-Employee Director Deferred Compensation Plan (filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K as filed on February 13, 2015). [1][2]
10.19	Tempur Sealy International, Inc. Amended and Restated 2013 Long-Term Incentive Plan (filed as Exhibit 10.1 to Registrant’s Current Report on Form 8-K as filed on July 26, 2017).[1][2]
10.20	Tempur Sealy International, Inc. Severance and Retention Plan (filed as Exhibit 10.2 to Registrant’s Current Report on Form 8-K as filed on October 23, 2013). [1][2]
10.21	Amended and Restated Tempur-Pedic International Inc. 2003 Equity Incentive Plan (filed as Appendix B to the Registrant’s Definitive Proxy Statement on Schedule 14A (File No. 001-31922) as filed on March 25, 2009).[1][2]
10.22	First Amendment to the Amended and Restated 2003 Equity Incentive Plan (filed as Appendix A to the Registrant’s Definitive Proxy Statement on Schedule 14A (File No. 001-31922) as filed on March 25, 2009).[1][2]

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10.23	Tempur Sealy International, Inc. Amended and Restated 2013 Equity Incentive Plan (filed as Exhibit 99.1 to the Registrant's Current Report on Form 8-K as filed on May 2, 2017).(1)(2)
10.24	Second Amended and Restated Annual Incentive Bonus Plan for Senior Executives (filed as Appendix B to the Registrant's Definitive Proxy Statement (File No.001-31922) filed on March 16, 2015).(1)(2)
10.25	Employment Agreement dated September 12, 2003, between Tempur International Limited and David Montgomery (filed as Exhibit 10.13 to Amendment No. 1 to the Registrant's registration statement on Form S-4 ((File No. 333-109054-02) as filed on October 31, 2003). (1)(2)
10.26	Employment Agreement dated as of July 18, 2006 between Tempur-Pedic International Inc. and Richard Anderson (filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q as filed November 7, 2006).(1)(2)
10.27	Employment and Non-Competition Agreement dated as of September 4, 2015, by and between Tempur Sealy International, Inc. and Scott L. Thompson (filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K as filed on September 8, 2015). (1)(2)
10.28	First Amendment to Employment and Non-Competition Agreement dated November 27, 2017 by and between Tempur Sealy International, Inc. and Scott L. Thompson (filed as Exhibit 10.32 to the Registrant's Annual Report on Form 10-K as filed on March 1, 2018) (1)(2)
10.29	Employment and Non-Competition Agreement dated September 5, 2017, by and between Tempur Sealy International, Inc. and H. Clifford Buster, III (filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q as filed on November 9, 2017). (1)(2)
10.30	Employment and Non-Competition Agreement dated October 13, 2017, by and between Tempur Sealy International, Inc. and Bhaskar Rao (filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q as filed on November 9, 2017). (1)(2)
10.31	Employment and Non-Competition Agreement dated February 27, 2018, by and between Tempur Sealy International, Inc. and Scott Vollet (filed as Exhibit 10.35 to the Registrant's Annual Report on Form 10-K as filed on March 1, 2018) (1)(2)
10.32	Form of Stock Option Agreement under the Amended and Restated 2003 Equity Incentive Plan (Executive) (filed as Exhibit 9.01 to Registrant's Current Report on Form 8-K as filed on May 19, 2008).(1)(2)
10.33	Form of Stock Option Agreement under the Amended and Restated 2003 Equity Incentive Plan (Director) (filed as Exhibit 10.40 to Registrant's Annual Report on Form 10-K as filed on February 12, 2009).(1)(2)
10.34	Form of Stock Option Agreement under the United Kingdom Approved Share Option Sub Plan to the 2003 Equity Incentive Plan (filed as Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q as filed on April 30, 2009). (1)(2)
10.35	Form of Stock Option Agreement under the Amended and Restated 2003 Equity Incentive Plan (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K as filed on February 19, 2010). (1)(2)
10.36	Form of Stock Option Agreement under Amended and Restated 2003 Equity Incentive Plan (Executive) (filed as Exhibit 10.4 to the Registrant's Current Report on Form 8-K as filed on February 19, 2010).(1)(2)
10.37	Form of Stock Option Agreement under the Amended and Restated 2003 Equity Incentive Plan (Director) (filed as Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q as filed on July 28, 2010).(1)(2)
10.38	Form of Stock Option Agreement under the 2013 Equity Incentive Plan (Director) (filed as Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q as filed on November 8, 2013).(1)(2)
10.39	Form of Stock Option Agreement under the 2013 Equity Incentive Plan (filed as Exhibit 10.37 to Registrant's Annual Report on Form 10-K as filed on February 13, 2015). (1)(2)
10.40	Stock Option Agreement dated as of September 4, between Tempur Sealy International, Inc. and Scott L. Thompson (filed as Exhibit 10.2 to Registrant's Current Report on Form 8-K as filed September 8, 2015).(1)(2)
10.41	Form of Stock Option Agreement under the 2013 Equity Incentive Plan (filed as Exhibit 10.57 to Registrant's Annual Report on Form 10-K filed on February 24, 2017). (1)(2)
10.42	Form of Special Grant Stock Option Agreement under the Amended and Restated 2013 Equity Incentive Plan (filed as Exhibit 10.46 to the Registrant's Annual Report on Form 10-K as filed on March 1, 2018).(1) (2)
10.43	Form of Amendment to Stock Option Agreement (filed as Exhibit 10.47 to the Registrant's Annual Report on Form 10-K as filed on March 1, 2018) (1)(2)

10.44	Form of Performance Restricted Stock Unit Award Agreement under the 2013 Equity Incentive Plan (filed as Exhibit 10.38 to Registrant's Annual Report on Form 10-K as filed on February 13, 2015). (1)(2)
10.45	2015 Performance Restricted Stock Unit Award Agreement dated as of September 4, 2015, between Tempur Sealy International, Inc. and Scott L. Thompson (filed as Exhibit 10.5 to Registrant’s Current Report on Form 8-K as filed on September 8, 2015). (1)(2)
10.46	Form of 2015 Performance Restricted Stock Unit Award Agreement (filed as Exhibit 10.1 to Registrant’s Current Report on Form 8-K as filed on October 29, 2015). (1)(2)
10.47	Form of 2017 Performance Restricted Stock Unit Award Agreement (filed as Exhibit 10.1 to the Registrant’s Current Report on Form 8-K as filed on August 7, 2017). (1)(2)
10.48	2017 Performance Restricted Stock Unit Award Agreement dated October 13, 2017 by and between Tempur Sealy International, Inc. and Bhaskar Rao (filed as Exhibit 10.7 to the Registrant’s Quarterly Report on Form 10-Q as filed on November 9, 2017). (1)(2)
10.49	2017 Performance Restricted Stock Unit Award Agreement dated September 5, 2017 by and between Tempur Sealy International, Inc. and H. Clifford Buster, III (filed as Exhibit 10.4 to the Registrant’s Quarterly Report on Form 10-Q as filed on November 9, 2017). (1)(2)
10.50	Matching Performance Restricted Stock Unit Award Agreement dated as of September 4, 2015 between Tempur Sealy International, Inc. and Scott L. Thompson (filed as Exhibit 10.4 to Registrant’s Current Report on Form 8-K as filed on September 8, 2015). (1)(2)
10.51	Amendment to Matching Performance Restricted Stock Unit Award Agreement dated as of October 12, 2015, between Tempur Sealy International, Inc. and Scott L. Thompson (filed as Exhibit 10.1 to Registrant’s Current Report on Form 8-K as filed on October 14, 2015). (1)(2)

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10.52	Form of Matching PRSU Award Agreement under the 2013 Equity Incentive Plan (filed as Exhibit 99.1 to the Registrant’s Current Report on Form 8-K filed on February 26, 2016).(1)(2)
10.53	Form of Amendment to Matching PRSU Agreement (filed as Exhibit 10.58 to the Registrant’s Annual Report on Form 10-K as filed on March 1, 2018). (1)(2)
10.54	Restricted Stock Unit Award Agreement dated as of September 4, 2015, between Tempur Sealy International, Inc. and Scott L. Thompson (filed as Exhibit 10.3 to Registrant’s Current Report on Form 8-K as filed on September 8, 2015). (1)(2)
10.55	Form of Restricted Stock Unit Award Agreement under the 2013 Equity Incentive Plan (filed as Exhibit 10.58 to Registrant's Annual Report on Form 10-K as filed on February 24, 2017). (1)(2)
10.56	Restricted Stock Unit Award Agreement dated October 13, 2017 by and between Tempur Sealy International, Inc. and Bhaskar Rao (filed as Exhibit 10.8 to the Registrant’s Quarterly Report on Form 10-Q as filed on November 9, 2017). (1)(2)
10.57	Restricted Stock Unit Award Agreement dated September 5, 2017 by and between Tempur Sealy International, Inc. and H. Clifford Buster, III (filed as Exhibit 10.5 to the Registrant’s Quarterly Report on Form 10-Q as filed on November 9, 2017). (1)(2)
10.58	Form of Restricted Stock Unit Award Agreement under the Amended and Restated 2013 Equity Incentive Plan (filed as Exhibit 10.63 to the Registrant's Annual Report on Form 10-K as filed on March 1, 2018) (1)(2)
10.59	Form of Amendment to RSU Award Agreement (filed as Exhibit 10.64 to the Registrant's Annual Report on Form 10-K as filed on March 1, 2018) (1)(2)
10.60	Form of Restricted Stock Unit Award Agreement under the Amended and Restated 2013 Equity Incentive Plan. (2)
10.61	Subscription Agreement dated as of September 4, 2015, between Tempur Sealy International, Inc. and Scott L. Thompson (filed as Exhibit 10.6 to Registrant’s Current Report on Form 8-K as filed on September 8, 2015). (1)(2)
10.62	Amended and Restated Sealy Benefit Equalization Plan dated December 18, 2008 (filed as Exhibit 10.44 to Sealy Corporation's Annual Report on Form 10-K as filed on January 15, 2009). (1)(2)
21.1	Subsidiaries of Tempur Sealy International, Inc.
23.1	Consent of Ernst & Young LLP.
31.1	Certification of Chief Executive Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002. (3)
101	The following materials from Tempur Sealy International Inc.'s Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements, tagged as blocks of text.

(1) Incorporated by reference.
(2) Indicates management contract or compensatory plan or arrangement.
(3) This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

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TEMPUR SEALY INTERNATIONAL, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
SCHEDULE II
(in millions)

Description	Balance at Beginning of Period	Additions Charges to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Allowance for doubtful accounts:					
Year Ended December 31, 2016	$ 22.4	4.0	—	(5.5)	$ 20.9
Year Ended December 31, 2017	$ 20.9	9.8	—	(6.0)	$ 24.7
Year Ended December 31, 2018	$ 24.7	31.3	—	(8.4)	$ 47.6

Description	Balance at Beginning of Period	Additions Charges to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Valuation allowance for deferred tax assets:					
Year Ended December 31, 2016	$ 24.2	20.2	0.8	—	$ 45.2
Year Ended December 31, 2017	$ 45.2	9.9	—	—	$ 55.1
Year Ended December 31, 2018	$ 55.1	9.5	—	(21.5)	$ 43.1

ITEM 16. FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

	TEMPUR SEALY INTERNATIONAL, INC. (Registrant)	
Date: February 25, 2019	By:	/S/ Scott L. Thompson Scott L. Thompson Chairman, President and Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on February 25, 2019, on behalf of the registrant and in the capacities indicated.

Signature	Capacity
/S/ SCOTT L. THOMPSON Scott L. Thompson	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/S/ BHASKAR RAO Bhaskar Rao	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/S/ EVELYN S. DILSAVER Evelyn S. Dilsaver	Director
/S/ CATHY R. GATES Cathy R. Gates	Director
/S/ JOHN A. HEIL John A. Heil	Director
/S/ JON L. LUTHER Jon L. Luther	Director
/S/ RICHARD W. NEU Richard W. Neu	Director
/S/ ARIK W. RUCHIM Arik W. Ruchim	Director
/S/ ROBERT B. TRUSSELL, JR. Robert B. Trussell, Jr.	Director