

MOHAWK INDUSTRIES INC  
Form 10-K/A  
November 23, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K/A  
(Amendment No. 1)  
[Mark One]

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

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number  
01-13697

MOHAWK INDUSTRIES, INC.  
(Exact name of registrant as specified in its charter)  
Delaware 52-1604305  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

160 S. Industrial Blvd., 30701  
Calhoun, Georgia  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code: (706) 629-7721

Securities Registered Pursuant to Section 12(b) of the Act:  
Title of Each Class Name of Each Exchange on Which Registered  
Common Stock, \$.01 par value New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act  
Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company"

Edgar Filing: MOHAWK INDUSTRIES INC - Form 10-K/A

in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates (excludes beneficial owners of more than 10% of the Common Stock) of the Registrant (62,815,500 shares) on July 2, 2015 (the last business day of the Registrant's most recently completed fiscal second quarter) was \$12,157,940,025. The aggregate market value was computed by reference to the closing price of the Common Stock on such date.

Number of shares of Common Stock outstanding as of February 23, 2016: 73,956,759 shares of Common Stock, \$.01 par value.

---

#### DOCUMENTS INCORPORATED BY REFERENCE

None.

#### EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K (this “Amended Form 10-K”) of Mohawk Industries Inc. (the “Company”) for the fiscal year ended December 31, 2015 (Commission File Number 001-13697) is being filed to amend and restate in their entirety the following items of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015 that was filed on February 29, 2016 (the “Original Filing”): (i) Item 8 of Part II, “Consolidated Financial Statements and Supplementary Data,” (ii) Item 9A of Part II, “Controls and Procedures” and (iii) Item 15 of Part IV, “Exhibits, Financial Statement Schedules” because of a previously reported material weakness related to documenting management’s inventory control monitoring.

The Company’s consolidated financial statements as of and for the year ended December 31, 2015, which were included in the Original Filing, have not changed as a result of the material weakness. The Company’s independent registered public accounting firm, KPMG LLP, has amended its report on the effectiveness of internal control over financial reporting dated February 29, 2016 and expressed an adverse report on the operating effectiveness of our internal control over financial reporting as of December 31, 2015 because of the previously reported material weakness. KPMG LLP has also amended its report on the Company’s consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2015 included in the Original Filing solely to reference their adverse report on the operating effectiveness of internal control over financial reporting as of December 31, 2015. Item 8 of Part II, “Consolidated Financial Statements and Supplementary Data” of this 2015 Form 10-K/A is being amended and restated solely to include such amended reports.

Except as described above, this Amended Form 10-K does not amend, update or change any other items or disclosures in the Original Filing and does not purport to reflect any information or events after the filing date of the Original Filing. Except as described above, this Amended Form 10-K speaks only as of the date of the Original Filing and the Company has not undertaken to amend, supplement or update any information contained in the Original Filing to give effect to any subsequent events. Accordingly, this Amended Form 10-K should be read in conjunction with the Company’s filings made with the Securities and Exchange Commission after February 29, 2016, including any amendment to those filings.

#### Disclosure Controls and Procedures and Internal Control over Financial Reporting

At the time of the Original Filing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2015 and the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

Following management's conclusion in the Original Filing, as a result of questions raised during the Public Company Accounting Oversight Board’s routine inspection of the Company’s independent registered public accounting firm, the Company's management, including our Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures and internal control over financial reporting were not effective as of December 31, 2015 because of the previously reported material weakness related to documenting management’s inventory control monitoring. As a result, the Company has restated Item 9A of Part II, “Controls and Procedures” to include disclosure of the material weakness and has also restated Item 8 of Part II, “Financial Statements and Supplementary Data” to provide amended reports of the Company's independent registered public accounting firm that

take the material weakness into account.

The Company has significant controls in place with respect to its inventory and believes its inventories are properly stated despite the material weakness. After additional testing, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the consolidated financial statements included in the Original Filing and in the Company's subsequent Quarterly Reports on Form 10-Q fairly present, in all material respects, the Company's financial position, results of operations and cash flows as of the dates and for the periods presented in conformity with accounting principles generally accepted in the United States and Article 10 of Regulation S-X of the Securities and Exchange Commission. In addition, the Company's independent registered public accounting firm has also amended its reports included in the Original Filing as noted above.

---

Table of Contents

Index to Financial Statements

Table of Contents

	Page No.
<u>Part II</u>	
Item 8. <u>Consolidated Financial Statements and Supplementary Data</u>	<u>3</u>
Item 9A. <u>Controls and Procedures</u>	<u>39</u>
<u>Part IV</u>	
Item 15. <u>Exhibits, Financial Statement Schedules</u>	<u>41</u>

PART II

Item 8. Consolidated Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<u>Reports of Independent Registered Public Accounting Firm</u>	<u>4</u>
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	<u>7</u>
<u>Consolidated Statements of Operations for the Years ended December 31, 2015, 2014, and 2013</u>	<u>8</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the Years ended December 31, 2015, 2014 and 2013</u>	<u>9</u>
<u>Consolidated Statements of Stockholders' Equity for the Years ended December 31, 2015, 2014 and 2013</u>	<u>10</u>
<u>Consolidated Statements of Cash Flows for the Years ended December 31, 2015, 2014 and 2013</u>	<u>11</u>
<u>Notes to Consolidated Financial Statements</u>	<u>12</u>

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Mohawk Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mohawk Industries, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2016 except for the restatement as to the effectiveness of internal control over financial reporting for the material weakness in the design, operation and documentation of controls related to the monitoring of inventory cycle counts and the valuation of obsolete inventory at two of the Company's divisions, as to which the date is November 23, 2016, expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia

February 29, 2016, except for the restatement as to the effectiveness of internal control over financial reporting for the material weakness in the design, operation and documentation of controls related to the inventory cycle counts and the valuation of obsolete inventory at two of the Company's divisions, as to which the date is November 23, 2016

Table of Contents

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Mohawk Industries, Inc.:

We have audited Mohawk Industries, Inc.'s (the Company) internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Mohawk Industries, Inc.'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, as set forth in Management's Report on Internal Control over Financial Reporting included in Item 9A. of Mohawk Industries, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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.

In our report dated February 29, 2016, we expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting. As described in the following paragraph, the Company subsequently identified a material weakness in its internal control over financial reporting. Accordingly, management has revised its assessment about the effectiveness of the Company's internal control over financial reporting, and our present opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2015 as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness in the design, operation and documentation of controls related to the monitoring of inventory cycle counts and the valuation of obsolete inventory at two of the Company's divisions has been identified and included in management's assessment.

This material weakness was considered in evaluating the nature, timing and extent of audit tests applied in our audit of the consolidated financial statements for the year ended December 31, 2015, and this report does not affect our report dated February 29, 2016, which expressed an unqualified opinion on those consolidated financial statements.



In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

On May 12, 2015, June 12, 2015 and December 7, 2015, the Company completed the acquisitions of the KAI Group, the IVC Group and Xtratherm, respectively. As a result, management excluded the KAI Group, the IVC Group and Xtratherm from its assessment of internal control over financial reporting. The KAI Group, the IVC Group and Xtratherm represent 12.7% of the Company's total assets (excluding goodwill and intangible assets of 32.9%); and 4.9% of the Company's net sales of the related

Table of Contents

Index to Financial Statements

consolidated financial statement amounts as of and for the year ended December 31, 2015, respectively. Our audit of internal control over financial reporting of Mohawk Industries, Inc. also excluded an evaluation of the internal control over financial reporting of the KAI Group, the IVC Group and Xtratherm.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015, and our report dated February 29, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Atlanta, Georgia

February 29, 2016, except for the restatement as to the effectiveness of internal control over financial reporting for the material weakness in the design, operation and documentation of controls related to the monitoring of inventory cycle counts and the valuation of obsolete inventory at two of the Company's divisions, as to which the date is November 23, 2016

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Consolidated Balance Sheets

December 31, 2015 and 2014

	2015	2014
	(In thousands, except per share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 81,692	97,877
Receivables, net	1,257,505	1,081,963
Inventories	1,607,256	1,543,313
Prepaid expenses	258,633	225,759
Other current assets	44,886	31,574
Total current assets	3,249,972	2,980,486
Property, plant and equipment, net	3,147,118	2,703,210
Goodwill	2,293,365	1,604,352
Tradenames	632,349	622,691
Other intangible assets, net	304,192	79,318
Deferred income taxes and other non-current assets	315,368	295,487
	\$ 9,942,364	8,285,544
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 2,003,003	851,305
Accounts payable and accrued expenses	1,256,025	1,095,419
Total current liabilities	3,259,028	1,946,724
Deferred income taxes	388,130	410,764
Long-term debt, less current portion	1,196,928	1,402,135
Other long-term liabilities	215,463	103,108
Total liabilities	5,059,549	3,862,731
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interest	21,952	—
Stockholders' equity:		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued	—	—
Common stock, \$.01 par value; 150,000 shares authorized; 81,280 and 81,070 shares issued in 2015 and 2014, respectively	813	811
Additional paid-in capital	1,760,016	1,598,887
Retained earnings	4,102,707	3,487,079
Accumulated other comprehensive loss	(793,568)	(429,321)
	5,069,968	4,657,456
Less treasury stock at cost; 7,351 and 8,157 shares in 2015 and 2014, respectively	215,795	239,450
Total Mohawk Industries, Inc. stockholders' equity	4,854,173	4,418,006
Noncontrolling interest	6,690	4,807
Total stockholders' equity	4,860,863	4,422,813
	\$ 9,942,364	8,285,544

See accompanying notes to consolidated financial statements.



Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Operations

Years Ended December 31, 2015, 2014 and 2013

	2015	2014	2013
	(In thousands, except per share data)		
Net sales	\$8,071,563	7,803,446	7,348,754
Cost of sales	5,660,877	5,649,254	5,427,945
Gross profit	2,410,686	2,154,192	1,920,809
Selling, general and administrative expenses	1,573,120	1,381,396	1,373,878
Operating income	837,566	772,796	546,931
Interest expense	71,086	98,207	92,246
Other expense	17,619	10,698	9,114
Earnings from continuing operations before income taxes	748,861	663,891	445,571
Income tax expense	131,875	131,637	78,385
Earnings from continuing operations	616,986	532,254	367,186
Loss from discontinued operations, net of income tax benefit of \$1,050	—	—	(17,895 )
Net earnings including noncontrolling interest	616,986	532,254	349,291
Net earnings attributable to noncontrolling interest	1,684	289	505
Net earnings attributable to Mohawk Industries, Inc.	\$615,302	531,965	348,786
Basic earnings per share attributable to Mohawk Industries, Inc.			
Income from continuing operations	\$8.37	7.30	5.11
Loss from discontinued operations	—	—	(0.25 )
Basic earnings per share attributable to Mohawk Industries, Inc.	\$8.37	7.30	4.86
Weighted-average common shares outstanding—basic	73,516	72,837	71,773
Diluted earnings per share attributable to Mohawk Industries, Inc.			
Income from continuing operations	\$8.31	7.25	5.07
Loss from discontinued operations	—	—	(0.25 )
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$8.31	7.25	4.82
Weighted-average common shares outstanding—diluted	74,043	73,363	72,301

See accompanying notes to consolidated financial statements.

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Comprehensive Income (Loss)

Years Ended December 31, 2015, 2014 and 2013

	2015	2014	2013
	(in thousands)		
Net earnings including noncontrolling interest	\$616,986	532,254	349,291
Other comprehensive income (loss):			
Foreign currency translation adjustments	(360,147 )	(607,351 )	18,185
Prior pension and post-retirement benefit service cost and actuarial (loss) gain	(4,100 )	(659 )	771
Other comprehensive income (loss)	(364,247 )	(608,010 )	18,956
Comprehensive income (loss)	252,739	(75,756 )	368,247
Comprehensive income attributable to the non-controlling interest	1,684	289	505
Comprehensive income (loss) attributable to Mohawk Industries, Inc.	\$251,055	(76,045 )	367,742

See accompanying notes to consolidated financial statements.

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2015, 2014 and 2013

	Total Stockholders' Equity									
	Redeemable Noncontrolling Interest	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Noncontrolling Interest	Total Stockholders' Equity
Shares		Amount	Shares				Amount			
	(In thousands)									
Balances at December 31, 2012	\$—	80,185	\$802	\$1,277,521	\$2,605,023	\$159,733	(11,032)	\$(323,462)	\$—	\$3,719,617
Marazzi acquisition	—	—	—	229,631	—	—	2,874	84,275	—	313,906
Shares issued under employee and director stock plans	—	656	6	37,583	—	—	3	(47)	—	37,542
Stock-based compensation expense	—	—	—	18,311	—	—	—	—	—	18,311
Tax benefit from stock-based compensation	—	—	—	3,939	—	—	—	—	—	3,939
Noncontrolling earnings	—	—	—	—	—	—	—	—	505	505
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	—	8,744	8,744
Currency translation adjustment	—	—	—	—	—	18,185	—	—	—	18,185
Pension prior service cost and actuarial gain	—	—	—	—	—	771	—	—	—	771
Net income	—	—	—	—	348,786	—	—	—	—	348,786
Balances at December 31, 2013	—	80,841	808	1,566,985	2,953,809	178,689	(8,155)	(239,234)	9,249	4,470,306
Shares issued under employee and director stock plans	—	229	3	(1,113)	—	—	(2)	(216)	—	(1,326)
Stock-based compensation	—	—	—	27,961	—	—	—	—	—	27,961

Edgar Filing: MOHAWK INDUSTRIES INC - Form 10-K/A

expense										
Tax benefit from stock-based compensation	—	—	—	5,054	—	—	—	—	—	5,054
Distribution of noncontrolling interest	—	—	—	—	—	—	—	—	(1,087 )	(1,087 )
Noncontrolling earnings	—	—	—	—	—	—	—	—	289	289
Currency translation adjustment on non-controlling interests	—	—	—	—	—	—	—	—	(2,339 )	(2,339 )
Acquisition of noncontrolling interest	—	—	—	—	1,305	—	—	—	(1,305 )	—
Currency translation adjustment	—	—	—	—	—	(607,351 )	—	—	—	(607,351 )
Pension prior service cost and actuarial loss	—	—	—	—	—	(659 )	—	—	—	(659 )
Net income	—	—	—	—	531,965	—	—	—	—	531,965
Balances at December 31, 2014	—	81,070	811	1,598,887	3,487,079	(429,321 )	(8,157 )	(239,450 )	4,807	4,422,813
IVC Group acquisition	—	—	—	129,445	—	—	806	23,651	—	153,096
Shares issued under employee and director stock plans	—	210	2	(6,536 )	—	—	—	4	—	(6,530 )
Stock-based compensation expense	—	—	—	32,552	—	—	—	—	—	32,552
Tax benefit from stock-based compensation	—	—	—	5,668	—	—	—	—	—	5,668
Accretion of redeemable noncontrolling interest	194	—	—	—	(194 )	—	—	—	—	(194 )
Noncontrolling earnings	1,428	—	—	—	—	—	—	—	256	256
Currency translation adjustment on non-controlling	(713 )	—	—	—	—	—	—	—	(970 )	(970 )



interests											
Acquisition of noncontrolling interest, net of tax	21,043	—	—	—	520	—	—	—	2,597	3,117	
Currency translation adjustment	—	—	—	—	—	(360,147 )	—	—	—	(360,147 )	
Prior pension and post-retirement benefit service cost and actuarial loss	—	—	—	—	—	(4,100 )	—	—	—	(4,100 )	
Net income	—	—	—	—	615,302	—	—	—	—	615,302	
Balances as of December 31, 2015	\$21,952	81,280	\$813	\$1,760,016	\$4,102,707	\$(793,568)	(7,351 )	\$(215,795)	\$6,690	\$4,860,863	

See accompanying notes to consolidated financial statements.

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Cash Flows

Years Ended December 31, 2015, 2014 and 2013

	2015	2014	2013
	(In thousands)		
Cash flows from operating activities:			
Net earnings	\$616,986	532,254	349,291
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Restructuring	33,085	16,497	69,489
Loss on sale of discontinued operation	—	—	12,478
Loss on sale of subsidiary	—	11,954	—
Depreciation and amortization	362,647	345,570	308,871
Deferred income taxes	(28,883 )	(24,026 )	(62,525 )
Loss on extinguishment of debt	—	20,001	—
Loss on disposal of property, plant and equipment	3,007	2,153	1,261
Stock-based compensation expense	32,552	27,961	18,311
Changes in operating assets and liabilities, net of effects of acquisitions:			
Receivables, net	(14,383 )	(107,705 )	(96,313 )
Inventories	6,400	(67,016 )	(20,211 )
Accounts payable and accrued expenses	783	(49,204 )	(23,921 )
Other assets and prepaid expenses	(75,813 )	(30,376 )	(6,554 )
Other liabilities	(24,508 )	(15,875 )	(25,014 )
Net cash provided by operating activities	911,873	662,188	525,163
Cash flows from investing activities:			
Additions to property, plant and equipment	(503,657 )	(561,804 )	(366,550 )
Acquisitions, net of cash acquired	(1,370,567 )	19	(443,466 )
Net change in cash from sale of subsidiary	—	(3,867 )	—
Net cash used in investing activities	(1,874,224 )	(565,652 )	(810,016 )
Cash flows from financing activities:			
Payments on Senior Credit Facilities	(1,376,082 )	(1,613,484 )	(3,021,613 )
Proceeds from Senior Credit Facilities	1,315,930	1,448,191	3,229,503
Payments on Commercial Paper	(15,934,767 )	(7,424,751 )	—
Proceeds from Commercial Paper	16,402,507	7,726,351	—
Repayment of senior notes	—	(254,445 )	—
Proceeds from asset securitization borrowings	—	200,000	20,000
Proceeds from senior note issuance	564,653	—	600,000
Payments on other debt	—	(55,358 )	(1,745 )
Payments on acquired debt and other financings	(9,530 )	(42,954 )	(964,557 )
Debt issuance costs	(7,109 )	—	(7,669 )
Debt extinguishment costs	—	(18,921 )	—
Distribution to non-controlling interest	—	(1,087 )	—
Change in outstanding checks in excess of cash	(2,052 )	(1,920 )	(7,468 )
Proceeds and net tax benefit from stock transactions	10,533	12,828	46,776
Net cash provided by (used in) financing activities	964,083	(25,550 )	(106,773 )
Effect of exchange rate changes on cash and cash equivalents	(17,917 )	(27,175 )	(31,980 )

Edgar Filing: MOHAWK INDUSTRIES INC - Form 10-K/A

Net change in cash and cash equivalents	(16,185 )	43,811	(423,606 )
Cash and cash equivalents, beginning of year	97,877	54,066	477,672
Cash and cash equivalents, end of year	\$81,692	97,877	54,066

See accompanying notes to consolidated financial statements.

11

---

Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Years Ended December 31, 2015, 2014 and 2013

(In thousands, except per share data)

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

Mohawk Industries, Inc. ("Mohawk" or the "Company"), a term which includes the Company and its subsidiaries, is a leading global flooring manufacturer that creates products to enhance residential and commercial spaces around the world. The Company's vertically integrated manufacturing and distribution processes provide competitive advantages in the production of carpet, rugs, ceramic tile, laminate, wood, stone, luxury vinyl tile ("LVT") and vinyl flooring. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(b) Segment Realignment

During the second quarter of 2015, the Company realigned its reportable segments to reflect how the Company's results will be reported by management. The Company has reorganized its business into three segments - Global Ceramic, Flooring North America ("Flooring NA") and Flooring Rest of the World ("Flooring ROW"). In order to leverage its relationship and distribution capabilities, the Company organized its carpet, wood, laminate, LVT and vinyl operations by geography into the Flooring NA segment and Flooring ROW segment. The Company did not make changes to the Global Ceramic segment, which includes our ceramic tile and stone operations. Previously reported segment results have been reclassified to conform to the current period presentation.

This new segment structure is consistent with the strategic objective that management now applies to manage the growth and profitability of the Company's business. The Global Ceramic segment includes all worldwide tile and natural stone operations. The Flooring NA segment includes North American operations in all product categories except tile and natural stone. The new segment combines the former Carpet segment with the North American operations of the former Laminate and Wood segment and the North American operations of the Company's newly acquired LVT and vinyl flooring businesses. The Flooring ROW segment includes operations outside of North America in all product categories except tile and natural stone. The new segment combines the European and Rest of the World operations of the former Laminate and Wood segment and the European and Rest of the World operations of the Company's newly acquired LVT and vinyl flooring businesses.

(c) Cash and Cash Equivalents

The Company considers investments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2015, the Company had cash of \$81,692 of which \$61,173 was held outside the United States. As of December 31, 2014, the Company had cash of \$97,877 of which \$76,771 was held outside the United States.

(d) Accounts Receivable and Revenue Recognition

The Company is principally a carpet, rugs, ceramic tile, laminate, vinyl and hardwood flooring manufacturer and sells carpet, rugs, ceramic tile, natural stone, hardwood, sheet vinyl, LVT and laminate flooring products in the U.S. and to a lesser extent, Mexico, Europe and Russia principally for residential and commercial use. The Company grants credit to customers, most of whom are retail-flooring dealers, home centers and commercial end users, under credit terms

that the Company believes are customary in the industry.

Revenues, which are recorded net of taxes collected from customers, are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable, and collectability can be reasonably assured. The Company provides allowances for expected cash discounts, returns, claims, sales allowances and doubtful accounts based upon historical bad debt and claims experience and periodic evaluations of specific customer accounts and the aging of accounts receivable. Licensing revenues received from third parties for patents are recognized based on contractual agreements.

Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

(e) Inventories

The Company accounts for all inventories on the first-in, first-out (“FIFO”) method. Inventories are stated at the lower of cost or market (net realizable value). Cost has been determined using the FIFO method. Costs included in inventory include raw materials, direct and indirect labor and employee benefits, depreciation, general manufacturing overhead and various other costs of manufacturing. Market, with respect to all inventories, is replacement cost or net realizable value. Inventories on hand are compared against anticipated future usage, which is a function of historical usage, anticipated future selling price, expected sales below cost, excessive quantities and an evaluation for obsolescence. Actual results could differ from assumptions used to value obsolete inventory, excessive inventory or inventory expected to be sold below cost and additional reserves may be required.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost, including capitalized interest. Depreciation is calculated on a straight-line basis over the estimated remaining useful lives, which are 25-40 years for buildings and improvements, 5-15 years for machinery and equipment, the shorter of the estimated useful life or lease term for leasehold improvements and 3-7 years for furniture and fixtures.

(g) Accounting for Business Combinations

The Company accounts for business combinations under the acquisition method of accounting which requires it to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, the estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Company's consolidated statements of operations.

(h) Goodwill and Other Intangible Assets

In accordance with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic (“ASC”) 350, “Intangibles-Goodwill and Other,” the Company tests goodwill and other intangible assets with indefinite lives for impairment on an annual basis in the fourth quarter (or on an interim basis if an event occurs that might reduce the fair value of the reporting unit below its carrying value). The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. The goodwill impairment tests are based on determining the fair value of the specified reporting units based on management’s judgments and assumptions using the discounted cash flows and comparable company market valuation approaches. The Company has identified Global Ceramic, Flooring NA, and Flooring ROW as its reporting units for the purposes of allocating goodwill and intangibles as well as assessing impairments. The valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital (“WACC”), and comparable company market multiples.

When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the fair value of the reporting unit. However, estimates are inherently uncertain and represent only management’s reasonable expectations regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Should a significant or prolonged deterioration in economic conditions occur, such as continued declines in spending for new construction, remodeling and replacement activities; the inability to pass increases in the costs of raw materials and fuel on to customers; or a decline in comparable company market multiples, then key judgments and assumptions could be impacted.

The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted during the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. During 2012, the Company adopted Accounting Standard Update No. 2011-08, "Testing Goodwill for Impairment," and early adopted Accounting Standard Update No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment." As a result, beginning in 2012, the first step of the impairment tests for our indefinite lived intangible assets is a thorough assessment of qualitative factors to determine the existence of events or circumstances that would indicate that it is not more likely than not that the fair value of these assets is less than their carrying amounts. If the qualitative test indicates it is not more likely than not that the fair value of these assets is less than their carrying amounts, a quantitative assessment is not required. If a quantitative test is

Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

necessary, the second step of our impairment test involves comparing the estimated fair value of a reporting unit to its carrying amount. The determination of fair value used in the impairment evaluation is based on discounted estimates of future sales projections attributable to ownership of the trademarks. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with past performance and are also consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the trademarks. Estimated cash flows are sensitive to changes in the economy among other things. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Intangible assets that do not have indefinite lives are amortized based on average lives, which range from 7-16 years.

(i) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

(j) Financial Instruments

The Company's financial instruments consist primarily of receivables, accounts payable, accrued expenses and long-term debt. The carrying amounts of receivables, accounts payable and accrued expenses approximate their fair value because of the short-term maturity of such instruments. The carrying amount of the Company's floating rate debt approximates its fair value based upon level two fair value hierarchy. Interest rates that are currently available to the Company for issuance of long-term debt with similar terms and remaining maturities are used to estimate the fair value of the Company's long-term debt.

(k) Advertising Costs and Vendor Consideration

Advertising and promotion expenses are charged to earnings during the period in which they are incurred. Advertising and promotion expenses included in selling, general, and administrative expenses were \$49,056 in 2015, \$45,487 in 2014 and \$42,627 in 2013.

Vendor consideration, generally cash, is classified as a reduction of net sales, unless specific criteria are met regarding goods or services that the Company may receive in return for this consideration. The Company makes various payments to customers, including rebates, slotting fees, advertising allowances, buy-downs and co-op advertising. All of these payments reduce gross sales with the exception of co-op advertising. Co-op advertising is classified as a selling, general and administrative expense in accordance with ASC 605-50. Co-op advertising expenses, a component of advertising and promotion expenses, were \$5,419 in 2015, \$4,826 in 2014 and \$4,307 in 2013.

(l) Product Warranties

The Company warrants certain qualitative attributes of its flooring products. The Company has recorded a provision for estimated warranty and related costs, based on historical experience and periodically adjusts these provisions to reflect actual experience.

(m) Impairment of Long-Lived Assets



The Company reviews its long-lived asset groups, which include intangible assets subject to amortization, which for the Company are its patents and customer relationships, for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset groups may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated by these asset groups. If such asset groups are considered to be impaired, the impairment recognized is the amount by which the

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

carrying amount of the asset group exceeds the fair value of the asset group. Assets held for sale are reported at the lower of the carrying amount or fair value less estimated costs of disposal and are no longer depreciated.

## (n) Foreign Currency Translation

The Company's subsidiaries that operate outside the United States use their local currency as the functional currency. The functional currency is translated into U.S. Dollars for balance sheet accounts using the month end rates in effect as of the balance sheet date and average exchange rate for revenue and expense accounts for each respective period. The translation adjustments are deferred as a separate component of stockholders' equity, within accumulated other comprehensive income (loss). Gains or losses resulting from transactions denominated in foreign currencies are included in other income or expense, within the consolidated statements of operations.

## (o) Hedges of Net Investments in Non-U.S. Operations

The Company has numerous investments outside the United States. The net assets of these subsidiaries are exposed to changes and volatility in currency exchange rates. The Company uses foreign currency denominated debt to hedge its non-U.S. net investments against adverse movements in exchange rates. The gains and losses on the Company's net investments in its non-U.S. operations are economically offset by losses and gains on its foreign currency borrowings. The Company designated its €500,000 2.00% Senior Notes borrowing as a net investment hedge of a portion of its European operations. For the year ended December 31, 2015, the change in the U.S. dollar value of the Company's euro denominated debt was \$18,025 (\$11,266 net of taxes), which is recorded in the foreign currency translation adjustment component of accumulated other comprehensive income (loss). The increase in the U.S. dollar value of the Company's debt partially offsets the euro-to-dollar translation of the Company's net investment in its European operations.

## (p) Earnings per Share ("EPS")

Basic net earnings per share ("EPS") is calculated using net earnings available to common stockholders divided by the weighted-average number of shares of common stock outstanding during the year. Diluted EPS is similar to basic EPS except that the weighted-average number of shares is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued.

Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method. There were no common stock options and unvested restricted shares (units) that were not included in the diluted EPS computation because the price was greater than the average market price of the common shares for the periods presented for 2015, 2014 and 2013.

Computations of basic and diluted earnings per share from continuing operations are presented in the following table:

	2015	2014	2013
Earnings from continuing operations attributable to Mohawk Industries, Inc.	\$615,302	531,965	366,681
Accretion of redeemable noncontrolling interest <sup>(a)</sup>	(194)	—	—
Net earnings available to common stockholders	\$615,108	531,965	366,681
Weighted-average common shares outstanding-basic and diluted:			
Weighted-average common shares outstanding - basic	73,516	72,837	71,773
Add weighted-average dilutive potential common shares - options and RSU's to purchase common shares, net	527	526	528
Weighted-average common shares outstanding-diluted	74,043	73,363	72,301
Earnings per share from continuing operations attributable to Mohawk Industries, Inc.			
Basic	\$8.37	7.30	5.11

Diluted

\$8.31 7.25 5.07

(a) Represents the accretion of the Company's redeemable noncontrolling interest to redemption value. See Note 2 - Acquisitions for further information.

15

---

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

## (q) Stock-Based Compensation

The Company recognizes compensation expense for all share-based payments granted based on the grant-date fair value estimated in accordance with ASC 718-10, “Stock Compensation”. Compensation expense is generally recognized on a straight-line basis over the awards' estimated lives for fixed awards with ratable vesting provisions.

## (r) Employee Benefit Plans

The Company has a 401(k) retirement savings plan (the “Mohawk Plan”) open to substantially all U.S. and Puerto Rico based employees who have completed 90 days of eligible service. The Company contributes \$.50 for every \$1.00 of employee contributions up to a maximum of 6% of the employee’s salary based upon each individual participants election. Employee and employer contributions to the Mohawk Plan were \$45,279 and \$18,882 in 2015, \$42,681 and \$17,654 in 2014 and \$38,632 and \$15,994 in 2013, respectively.

The Company also has various pension plans covering employees in Belgium, France, and the Netherlands (the “Non-U.S. Plans”) within the Flooring ROW segment. Benefits under the Non-U.S. Plans depend on compensation and years of service. The Non-U.S. Plans are funded in accordance with local regulations. The Company uses December 31 as the measurement date for its Non-U.S. Plans. As of December 31, 2015, the funded status of the Non-U.S. Plans was a liability of \$3,224 of which \$1,075 was recorded in accumulated other comprehensive income, for a net liability of \$2,149 recorded in other long-term liabilities within the consolidated balance sheets. As of December 31, 2014, the funded status of the Non-U.S. Plans was a liability of \$3,320 of which \$1,450 was recorded in accumulated other comprehensive income (loss), for a net liability of \$1,870 recorded in other long-term liabilities within the consolidated balance sheets.

## (s) Comprehensive Income (Loss)

Comprehensive income (loss) includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature and pensions. The Company does not provide income taxes on currency translation adjustments, as earnings from foreign subsidiaries are considered to be indefinitely reinvested.

Effective January 1, 2013, the Company adopted the accounting guidance that requires the Company to separately disclose, on a prospective basis, the change in each component of other comprehensive income (loss) relating to reclassification adjustments and current period other comprehensive income (loss). As the guidance relates to presentation only, the adoption did not have a material impact on the Company's results of operations, financial position or cash flows.

The changes in accumulated other comprehensive income (loss) by component, net of tax, for years ended December 31, 2015, 2014 and 2013 are as follows:

	Foreign currency translation adjustments	Pensions and post-retirement benefits	Total
Balance as of December 31, 2012	\$ 160,661	(928 )	159,733
Current period other comprehensive income (loss) before reclassifications	18,185	771	18,956
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Balance as of December 31, 2013	178,846	(157 )	178,689
Current period other comprehensive income (loss) before reclassifications	(607,351 )	(659 )	(608,010)
Amounts reclassified from accumulated other comprehensive income	—	—	—
Balance as of December 31, 2014	(428,505 )	(816 )	(429,321)

Edgar Filing: MOHAWK INDUSTRIES INC - Form 10-K/A

Current period other comprehensive income (loss) before reclassifications	(360,147 )	(4,100 )	(364,247)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Balance as of December 31, 2015	\$(788,652 )	(4,916 )	(793,568)

(t) Self-Insurance Reserves

16

---

Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

The Company is self-insured in the U.S. for various levels of general liability, auto liability, workers' compensation and employee medical coverage. Insurance reserves, excluding workers' compensation, are calculated on an undiscounted basis based on actual claim data and estimates of incurred but not reported claims developed utilizing historical claim trends. Projected settlements and incurred but not reported claims are estimated based on pending claims and historical trends and data. Though the Company does not expect them to do so, actual settlements and claims could differ materially from those estimated. Material differences in actual settlements and claims could have an adverse effect on the Company's results of operations and financial condition.

(u) Fiscal Year

The Company ends its fiscal year on December 31. Each of the first three quarters in the fiscal year ends on the Saturday nearest the calendar quarter end with a thirteen week fiscal quarter.

(v) Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. This topic converges the guidance within U.S. GAAP and International Financial Reporting Standards ("IFRS") and supersedes ASC 605, Revenue Recognition. The new standard requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period and early application is not permitted. On July 9, 2015, the FASB decided to defer the effective date of ASC 606 for one year. The deferral results in the new revenue standard being effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. The Company currently plans to adopt the provisions of this new accounting standard at the beginning of fiscal year 2018, and is currently assessing the impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. This topic converges the guidance within U.S. GAAP and IFRS. The new standard intends to simplify the presentation of debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, versus recording the costs as a prepaid expense in other assets that is amortized. The new standard will more closely align the presentation of debt issuance costs under U.S. GAAP with the presentation under comparable IFRS. In August 2015, the FASB issued ASU 2015-15, Interest - Imputation of Interest (Subtopic 835-30) to address the measurement of debt issuance costs associated with line-of-credit arrangements. ASU 2015-15 states that an entity can defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless if there are outstanding borrowings on the line-of-credit arrangement. The new guidance is effective for annual reporting periods beginning after December 15, 2015, including interim reporting periods within that reporting period and early application is permitted. Accordingly, the Company plans to adopt the provisions of this new accounting standard at the beginning of fiscal year 2016. As this standard impacts only the classification of certain amounts within the consolidated balance sheets, the Company does not expect this ASU to have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. This update changes the measurement principle for inventory for entities using FIFO or average cost from the lower of cost or market to lower of cost and net realizable value. Entities that measure inventory using LIFO or the retail inventory method are not affected. This update will more closely align the accounting for inventory under U.S. GAAP with IFRS. The new

guidance is effective for annual reporting periods beginning after December 15, 2016 including interim periods within that reporting period and early adoption is permitted. The Company currently accounts for inventory using the FIFO method. Accordingly, the Company plans to adopt the provisions of this update at the beginning of fiscal year 2017, and is currently assessing the impact on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments, which eliminates the requirement for an acquirer in a business combination to account for measurement-period adjustments retrospectively. Under this ASU, acquirers must recognize measurement-period adjustments in the period in which they determine the amounts, including the effect on earnings of any amounts they would have recorded in previous periods if the accounting had been completed at the acquisition date. This guidance is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. Accordingly, the Company plans to adopt the provisions of this update at the beginning of fiscal year 2017, and is currently assessing the impact on its consolidated financial statements.

Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The new standard intends to simplify the accounting for and presentation of deferred taxes by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified balance sheet. The new standard will more closely align the presentation of deferred taxes under U.S. GAAP with the presentation under comparable IFRS. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period and early application is permitted. The guidance may be applied prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company has elected to apply the provisions of this guidance effective December 31, 2015 retrospectively. Accordingly, deferred tax liabilities and assets of \$9,090 and \$151,784, respectively, were reclassified from current to noncurrent in the December 31, 2014 consolidated balance sheet.

(2) Acquisitions

IVC Group

On January 13, 2015, the Company entered into a share purchase agreement (the “Share Purchase Agreement”) with Enterhold S.A., a Luxembourg societe anonyme (the “Seller”), to acquire all of the outstanding shares of International Flooring Systems S.A., a Luxembourg societe anonyme, and its subsidiaries (collectively, the “IVC Group”). The IVC Group is a global manufacturer, distributor and marketer of luxury vinyl tile (“LVT”) and sheet vinyl. On June 12, 2015, pursuant to the terms of the Share Purchase Agreement, the Company completed the acquisition of IVC Group for \$1,146,437. The results of the IVC Group's operations have been included in the consolidated financial statements since that date in the Flooring NA and the Flooring ROW segments. The IVC Group acquisition will position the Company as a major participant in both the fast growing LVT category and the expanding fiberglass sheet vinyl business.

Pursuant to the terms of the Share Purchase Agreement, the Seller will indemnify the Company for uncertain tax positions and tax liabilities that were incurred by the Seller. The Company has recorded these tax liabilities and related indemnification asset in the amount of \$34,781 as of the acquisition date in other long-term liabilities and other long-term assets, respectively. During the fourth quarter of 2015, the Company reversed \$11,180 of these tax liabilities due to the expiration of the statute of limitations on certain tax exposures, and released the related indemnification asset.

The equity value of IVC Group was paid to the Seller in cash and in shares of the Company's common stock (the “Shares”). Pursuant to the Share Purchase Agreement, the Company (i) acquired the entire issued share capital of IVC Group and (ii) acquired \$17,122 of indebtedness of the IVC Group, in exchange for a net cash payment of \$732,189, debt paid of \$261,152, and 806 issued treasury shares for a value of \$153,096.

The Company funded the cash portion of the IVC Group acquisition through a combination of proceeds from the 2.00% Senior Notes (as discussed in Note 9 - Long-Term Debt), cash on hand and borrowings under the 2015 Senior Credit Facility (as discussed in Note 9 - Long-Term Debt).

KAI Group

On May 12, 2015, the Company purchased approximately 90% of all outstanding shares of Advent KAI Luxembourg Holdings S.a r.l., a Luxembourg societe a responsabilitie limitee, and its subsidiaries (collectively, the “KAI Group”), an eastern European ceramic tile floor manufacturer. The Company completed the acquisition of the KAI Group for \$194,613. The results of the KAI Group's operations have been included in the consolidated financial statements since the date of acquisition in the Global Ceramic segment. The KAI Group has a low cost position in the Bulgarian and



Romanian markets. The combination with the Company will present opportunities to enhance the group's product offering, upgrade its technology and expand its exports to other countries. The remaining 10% ownership interest in the KAI Group is controlled by a third party. The 10% interest is subject to redemption provisions that are not solely within the Company's control and therefore is recorded as a redeemable noncontrolling interest in the mezzanine section of the balance sheet for \$21,952 as of December 31, 2015. Pursuant to the share purchase agreement, the Company (i) acquired approximately 90% of the issued share capital of the KAI Group and (ii) acquired \$24 of indebtedness of the KAI Group, in exchange for a net cash payment of \$169,540 and debt paid of \$25,073.

The Company accounted for the acquisitions of the IVC Group and the KAI Group (the "Acquisitions") using the acquisition method of accounting, with the Company as the acquirer of the IVC Group and the KAI Group. The preliminary estimated combined consideration transferred of \$1,341,050, including debt paid and shares issued, was determined in accordance with the respective share purchase agreements. The preliminary consideration transferred is allocated to tangible and intangible assets and liabilities based upon their respective fair values.

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

During the year ended December 31, 2015, the Company incurred direct transaction costs of \$9,502 for the Acquisitions which were expensed as incurred in selling, general and administrative expenses.

The following table summarizes the preliminary acquisition-date fair value of the consideration transferred for the Acquisitions and the estimated fair value of the consideration transferred to assets acquired and liabilities assumed as of the date of the Acquisitions, and the allocation of the aggregate purchase price of the IVC Group and the KAI Group acquisitions to the estimated fair values of the tangible and identifiable intangible assets acquired and liabilities assumed (in thousands):

Fair value of assets, net of cash acquired	\$1,382,356
Noncontrolling interests in assets acquired	(24,160 )
Assumed indebtedness	(17,146 )
Consideration transferred	\$1,341,050

Working capital	140,606
Property, plant and equipment	363,570
Tradenames	48,563
Customer relationships	224,326
Goodwill	740,140
Other long-term assets	50,236
Long-term debt, including current portion	(17,146 )
Other long-term liabilities	(57,832 )
Deferred tax liabilities	(127,253 )
Noncontrolling interest	(24,160 )
Consideration transferred	\$1,341,050

The Company is continuing to obtain information to complete its valuation of tax accounts, legal liabilities and other contingency attributes. The purchase price allocation is preliminary until the Company obtains final information regarding these fair values.

Intangible assets subject to amortization of \$224,326 related to customer relationships have estimated lives of 12 to 14 years. In addition to the amortizable intangible assets, there is an additional \$48,563 in indefinite-lived tradename intangible assets. The goodwill of \$740,140 was allocated to the Company's segments as disclosed in Note 7, Goodwill and Intangible Assets. The factors contributing to the recognition of the amount of goodwill are based on strategic and synergistic benefits that are expected to be realized from the Acquisitions. These benefits include the opportunities to improve the Company's performance by leveraging best practices, operational expertise, product innovation and manufacturing assets. The recognized goodwill from the Acquisitions is not expected to be deductible for tax purposes.

The amount of net sales and earnings of the Acquisitions since the acquisition date included in the consolidated statements of operations for the year ended December 31, 2015 was approximately \$396,000 for net sales and not material for earnings. The results of operations for the Acquisitions were not significant to the Company's consolidated results of operations and, accordingly, the Company has not provided pro forma information relating to

the Acquisitions.

#### Xratherm

On December 7, 2015, the Company completed its purchase of Xratherm Limited, an Irish company, and certain of its affiliates (collectively, "Xratherm"), a manufacturer of insulation boards in Ireland, the UK and Belgium. The total value of the acquisition was \$158,851. The Xratherm acquisition will expand the Company's existing insulation board footprint to include Ireland, the UK and Belgium while capitalizing on expanded product offerings in Belgium. The acquisition's results and purchase price allocation have been included in the consolidated financial statements since the date of the acquisition. The Company's acquisition of Xratherm resulted in a preliminary goodwill allocation of \$32,086, indefinite-lived trademark intangible assets of

19

---

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

\$4,681 and intangible assets subject to amortization of \$39,839. The goodwill is not expected to be deductible for tax purposes. The factors contributing to the recognition of the amount of goodwill include the opportunity to optimize the assets of Xtratherm with the Company's existing insulation assets. The Xtratherm results are reflected in the Flooring ROW segment.

The Company is continuing to obtain information to complete its valuation of intangible assets, as well as to determine the fair value of the acquired assets and liabilities including tax accounts, legal liabilities and other attributes. The purchase price allocation is preliminary until the Company obtains final information regarding these fair values.

## Other Acquisitions

During the first quarter of 2015, the Company acquired certain assets of a distribution business in the Flooring ROW segment for \$2,822, resulting in a preliminary goodwill allocation of \$2,659.

During the third quarter of 2015, the Company acquired certain assets of a ceramic business in the Global Ceramic segment for \$20,423, resulting in a preliminary goodwill allocation of \$269.

## (3) Restructuring, Acquisition and Integration-Related Costs

The Company incurs costs in connection with acquiring, integrating and restructuring acquisitions and in connection with its global cost-reduction/productivity initiatives. For example:

In connection with acquisition activity, the Company typically incurs costs associated with executing the transactions, integrating the acquired operations (which may include expenditures for consulting and the integration of systems and processes), and restructuring the combined company (which may include charges related to employees, assets and activities that will not continue in the combined company); and

In connection with the Company's cost-reduction/productivity initiatives, it typically incurs costs and charges associated with site closings and other facility rationalization actions including accelerated depreciation and workforce reductions.

Restructuring, acquisition transaction and integration-related costs consisted of the following during the year ended December 31, 2015, 2014 and 2013, respectively (in thousands):

	2015	2014	2013
Cost of sales			
Restructuring costs <sup>(a)</sup>	\$35,956	19,795	36,949
Acquisition integration-related costs	9,597	11,426	12,202
Restructuring and integration-related costs	\$45,553	31,221	49,151
Selling, general and administrative expenses			
Restructuring costs <sup>(a)</sup>	\$5,779	5,684	32,540
Acquisition transaction-related costs	9,502	—	14,199
Acquisition integration-related costs	13,770	14,697	16,049

Restructuring, acquisition and integration-related costs \$29,051 20,381 62,788

(a) The restructuring costs for 2015, 2014 and 2013 primarily relate to the Company's actions taken to lower its cost structure and improve efficiencies of manufacturing and distribution operations as the Company adjusted to changing economic conditions as well as actions related to the Company's recent acquisitions. In 2015 and 2014 restructuring costs included accelerated depreciation of \$8,650 and \$8,982, respectively.

The restructuring activity for the twelve months ended December 31, 2015 and 2014, respectively is as follows (in thousands):

20

---

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

	Lease impairments	Asset write-downs	Severance	Other restructuring costs	Total
Balance as of December 31, 2013	\$ 5,904	—	18,144	—	24,048
Provision - Global Ceramic segment	—	3,032	1,747	1,098	5,877
Provision - Flooring NA segment	—	—	1,192	—	1,192
Provision - Flooring ROW segment	—	8,728	2,540	7,142	18,410
Cash payments	(4,163 )	—	(20,586 )	(7,042 )	(31,791 )
Non-cash items	—	(11,760 )	—	(1,098 )	(12,858 )
Balance as of December 31, 2014	1,741	—	3,037	100	4,878
Provision - Global Ceramic segment	1,877	4,279	4,600	8,688	19,444
Provision - Flooring NA segment	—	2,318	3,227	(1,180 )	4,365
Provision - Flooring ROW segment	—	8,789	5,366	3,771	17,926
Cash payments	(3,618 )	—	(7,265 )	(11,494 )	(22,377 )
Non-cash items	—	(15,386 )	—	1,180	(14,206 )
Balance as of December 31, 2015	\$ —	—	8,965	1,065	10,030

The Company expects the remaining severance and other restructuring costs to be paid over the next four years.

## (4) Discontinued Operations

On January 22, 2014, the Company sold a non-core sanitary ware business acquired as part of the Marazzi acquisition because the Company did not believe the business was consistent with its long-term strategy. The Company determined that the business met the definition of discontinued operations. Sales attributable to discontinued operations for the year ended December 31, 2013 were immaterial. The loss on sale of \$16,569 (\$15,651, net of tax) related to the disposition of the business was recorded in discontinued operations for the year ended December 31, 2013.

## (5) Receivables

	December 31, 2015	December 31, 2014
Customers, trade	\$ 1,243,533	1,081,493
Income tax receivable	21,835	12,301
Other	71,084	60,772
	1,336,452	1,154,566
Less allowance for discounts, returns, claims and doubtful accounts	78,947	72,603
Receivables, net	\$ 1,257,505	1,081,963

The following table reflects the activity of allowances for discounts, returns, claims and doubtful accounts for the years ended December 31:

Balance at beginning	Acquisitions	Additions charged to	Deductions(1)	Balance at end
-------------------------	--------------	-------------------------	---------------	-------------------

of year		costs and expenses		of year	
2013	\$ 37,873	36,992	197,973	195,801	77,037
2014	77,037	—	252,982	257,416	72,603
2015	72,603	7,750	272,329	273,735	78,947

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

(1) Represents charge-offs, net of recoveries.

## (6) Inventories

The components of inventories are as follows:

	December 31, 2015	December 31, 2014
Finished goods	\$ 1,083,012	1,021,188
Work in process	137,186	129,471
Raw materials	387,058	392,654
Total inventories	\$ 1,607,256	1,543,313

## (7) Goodwill and Other Intangible Assets

The Company conducted its annual impairment assessment in the fourth quarter of 2015 and determined the fair values of its reporting units and trademarks exceeded their carrying values. As a result, no impairment was indicated.

The following table summarizes the components of intangible assets:

Goodwill:

	Global Ceramic	Flooring NA	Flooring ROW	Total
Balances as of December 31, 2013				
Goodwill	\$1,459,812	538,515	1,065,190	3,063,517
Accumulated impairments losses	(531,930 )	(343,054 )	(452,441 )	(1,327,425 )
	927,882	195,461	612,749	1,736,092
Goodwill recognized during the year	(2,497 )	—	6,507	4,010
Currency translation during the year	(62,183 )	—	(73,567 )	(135,750 )
Balances as of December 31, 2014				
Goodwill	1,395,132	538,515	998,130	2,931,777
Accumulated impairments losses	(531,930 )	(343,054 )	(452,441 )	(1,327,425 )
	863,202	195,461	545,689	1,604,352
Goodwill recognized during the year	\$99,848	329,401	345,905	775,154
Currency translation during the year	(22,223 )	—	(63,918 )	(86,141 )
Balances as of December 31, 2015				
Goodwill	1,472,757	867,916	1,280,117	3,620,790
Accumulated impairments losses	(531,930 )	(343,054 )	(452,441 )	(1,327,425 )
	\$940,827	524,862	827,676	2,293,365



Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

## Intangible assets:

	Tradenames			
Indefinite life assets not subject to amortization:				
Balance as of December 31, 2013	\$ 700,592			
Intangible assets acquired during the year	—			
Currency translation during the year	(77,901 )			
Balance as of December 31, 2014	622,691			
Intangible assets acquired during the year	53,244			
Currency translation during the year	(43,586 )			
Balance as of December 31, 2015	\$ 632,349			
	Customer relationships	Patents	Other	Total
Intangible assets subject to amortization:				
Balances as of December 31, 2013	\$ 40,998	69,071	941	111,010
Intangible assets acquired during the year	—	—	—	—
Amortization during the year	(6,901 )	(17,700)	(123 )	(24,724 )
Currency translation during the year	(180 )	(6,780 )	(8 )	(6,968 )
Balances as of December 31, 2014	33,917	44,591	810	79,318
Intangible assets acquired during the year	258,875	—	5,290	264,165
Amortization during the year	(16,567 )	(13,331)	(11 )	(29,909 )
Currency translation during the year	(5,102 )	(4,275 )	(5 )	(9,382 )
Balances as of December 31, 2015	\$ 271,123	26,985	6,084	304,192

## December 31, 2015

	Cost	Acquisitions	Currency translation	Accumulated amortization	Net Value
Customer Relationships	\$ 354,768	258,875	(24,927 )	317,593	271,123
Patents	270,466	—	(27,208 )	216,273	26,985
Other	1,479	5,290	21	706	6,084
Total	\$ 626,713	264,165	(52,114 )	534,572	304,192

## December 31, 2014

	Cost	Acquisitions	Currency translation	Accumulated amortization	Net Value
Customer Relationships	\$ 373,117	—	(180 )	339,020	33,917
Patents	297,999	—	(6,780 )	246,628	44,591
Other	1,833	—	(8 )	1,015	810
Total	\$ 672,949	—	(6,968 )	586,663	79,318

## Years Ended December 31,

	2015	2014	2013
Amortization expense	\$ 29,909	24,724	26,250

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

Estimated amortization expense for the years ending December 31 are as follows:

2016	\$36,648
2017	35,256
2018	26,689
2019	23,643
2020	23,644

## (8) Property, Plant and Equipment

Following is a summary of property, plant and equipment:

	December 31, December 31,	
	2015	2014
Land	\$ 305,943	294,553
Buildings and improvements	1,120,193	977,411
Machinery and equipment	3,750,787	3,324,657
Furniture and fixtures	133,857	121,147
Leasehold improvements	68,977	63,985
Construction in progress	403,500	348,460
	5,783,257	5,130,213
Less accumulated depreciation and amortization	2,636,139	2,427,003
Net property, plant and equipment	\$ 3,147,118	2,703,210

Additions to property, plant and equipment included capitalized interest of \$7,091, \$9,202 and \$8,167 in 2015, 2014 and 2013, respectively. Depreciation expense was \$328,486, \$315,840 and \$276,432 for 2015, 2014 and 2013, respectively. Included in the property, plant and equipment are capital leases with a cost of \$8,233 and \$5,477 and accumulated depreciation of \$4,431 and \$5,313 as of December 31, 2015 and 2014, respectively.

## (9) Long-Term Debt

## Senior Credit Facility

On September 25, 2013, the Company entered into a \$1,000,000, 5-year, senior revolving credit facility (the "2013 Senior Credit Facility"). The 2013 Senior Credit Facility provided for a maximum of \$1,000,000 of revolving credit, including limited amounts of credit in the form of letters of credit and swingline loans. The Company paid financing costs of \$1,836 in connection with its 2013 Senior Credit Facility. These costs were deferred and, along with unamortized costs of \$11,440 related to the Company's previous credit facility, were amortized over the term of the 2013 Senior Credit Facility.

On March 26, 2015, the Company amended and restated the 2013 Senior Credit Facility increasing its size from \$1,000,000 to \$1,800,000 and extending the maturity from September 25, 2018 to March 26, 2020 (the "2015 Senior Credit Facility"). The 2015 Senior Credit Facility eliminates certain provisions in the 2013 Senior Credit Facility, including those that: (a) accelerated the maturity date to 90 days prior to the maturity of senior notes due in January 2016 if certain specified liquidity levels were not met; and (b) required that certain subsidiaries guarantee the Company's obligations if the Company's credit ratings fell below investment grade. The 2015 Senior Credit Facility also modified certain negative covenants to provide the Company with additional flexibility, including that to make acquisitions and incur indebtedness.

At the Company's election, revolving loans under the 2015 Senior Credit Facility bear interest at annual rates equal to either (a) LIBOR for 1, 2, 3 or 6 month periods, as selected by the Company, plus an applicable margin ranging between 1.00% and 1.75% (1.25% as of December 31, 2015), or (b) the higher of the Wells Fargo Bank, National Association prime rate, the Federal Funds rate plus 0.5%, and a monthly LIBOR rate plus 1.0%, plus an applicable margin ranging between 0.00% and 0.75% (0.25% as of December 31, 2015). The Company also pays a commitment fee to the lenders under the 2015 Senior Credit Facility

Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

on the average amount by which the aggregate commitments of the lenders' exceed utilization of the 2015 Senior Credit Facility ranging from 0.10% to 0.225% per annum. As of December 31, 2015, the Company is paying a commitment fee of 0.15%. The applicable margins and the commitment fee are determined based on whichever of the Company's Consolidated Net Leverage Ratio or its senior unsecured debt rating (or if not available, corporate family rating) results in the lower applicable margins and commitment fee (with applicable margins and the commitment fee increasing as that ratio increases or those ratings decline, as applicable).

The obligations of the Company and its subsidiaries in respect of the 2015 Senior Credit Facility are unsecured.

The 2015 Senior Credit Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, subsidiary indebtedness, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, future negative pledges, and changes in the nature of the Company's business. The Company is also required to maintain a Consolidated Interest Coverage Ratio of at least 3.0 to 1.0 and a Consolidated Net Leverage Ratio of no more than 3.75 to 1.0, each as of the last day of any fiscal quarter. The limitations contain customary exceptions or, in certain cases, do not apply as long as the Company is in compliance with the financial ratio requirements and is not otherwise in default.

The 2015 Senior Credit Facility also contains customary representations and warranties and events of default, subject to customary grace periods.

The Company paid financing costs of \$2,641 in connection with its 2015 Senior Credit Facility. These costs were deferred and, along with unamortized costs of \$8,654 related to the Company's 2013 Senior Credit Facility, are being amortized over the term of the 2015 Senior Credit Facility.

As of December 31, 2015, amounts utilized under the 2015 Senior Credit Facility included \$134,075 of borrowings and \$1,381 of standby letters of credit related to various insurance contracts and foreign vendor commitments. The outstanding borrowings of \$756,867 under the Company's U.S. and European commercial paper programs as of December 31, 2015 reduce the availability of the 2015 Senior Credit Facility. Taking the commercial paper borrowings into account, the Company has utilized \$892,323 under the 2015 Senior Credit Facility resulting in a total of \$907,677 available under the 2015 Senior Credit Facility.

#### Commercial Paper

On February 28, 2014, the Company established a U.S. commercial paper program for the issuance of unsecured commercial paper in the United States capital markets. Under the commercial paper program, the Company issues commercial paper notes from time to time. On May 21, 2015, following the amendment and restatement of the 2013 Credit Facility, the Company expanded the amount of borrowings permitted under its U.S. commercial paper program from \$1,000,000 to \$1,800,000. The U.S. commercial paper notes have maturities ranging from one day to 397 days and are not subject to voluntary prepayment by the Company or redemption prior to maturity. The U.S. commercial paper notes rank pari passu with all of the Company's other unsecured and unsubordinated indebtedness.

On July 31, 2015, the Company established a European commercial paper program for the issuance of unsecured commercial paper in the Eurozone capital markets. Under the European commercial paper program, the Company issues commercial paper notes from time to time, subject to a cap equal to €1,000,000. The European commercial paper

notes have maturities ranging from one day to 183 days and are not subject to voluntary prepayment by the Company or redemption prior to maturity. The European commercial paper notes rank pari passu with all of the Company's other unsecured and unsubordinated indebtedness. To the extent European commercial paper notes are issued by a subsidiary of the Company, payment on such notes will be fully and unconditionally guaranteed by the Company.

The Company uses its 2015 Senior Credit Facility as a liquidity backstop for its commercial paper programs. Accordingly, the total amount due and payable under all of the Company's commercial paper programs may not exceed \$1,800,000 (less any amounts drawn on the 2015 Credit Facility) at any time.

The proceeds from the sale of commercial paper notes will be available for general corporate purposes. The Company used the initial proceeds from the sale of U.S. commercial paper notes to repay borrowings under its 2013 Senior Credit Facility and certain of its industrial revenue bonds. The Company used the initial proceeds from the sale of European commercial paper notes to repay euro-denominated borrowings under its 2015 Senior Credit Facility. As of December 31, 2015, the amount utilized

Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

under the commercial paper programs was \$756,867 with a weighted-average interest rate and maturity period of 0.65% and 28.35 days, respectively for the U.S. commercial paper program and 0.08% and 34.82 days, respectively for the European commercial paper program.

Senior Notes

On June 9, 2015, the Company issued €500,000 aggregate principal amount of 2.00% Senior Notes due January 14, 2022. The Notes are senior unsecured obligations of the Company and rank pari passu with all of the Company's existing and future unsecured indebtedness. Interest on the Notes is payable annually in cash on January 14 of each year, commencing on January 14, 2016. The Company paid financing costs of \$4,218 in connection with the 2.00% Senior Notes. These costs were deferred and are being amortized over the term of the 2.00% Senior Notes.

On January 31, 2013, the Company issued \$600,000 aggregate principal amount of 3.85% Senior Notes due February 1, 2023. The Company paid financing costs of \$6,000 in connection with the 3.85% Senior Notes. These costs were deferred and are being amortized over the term of the 3.85% Senior Notes.

On January 17, 2006, the Company issued \$900,000 aggregate principal amount of 6.125% Senior Notes due January 15, 2016. On August 15, 2014, the Company purchased for cash approximately \$200,000 aggregate principal amount of its outstanding 6.125% senior notes due January 15, 2016 at a price equal to 107.73% of the principal amount, resulting in a premium to redeeming noteholders of approximately \$15,450 and fees of \$1,080 associated with the redemption. The premium as well as the fees are included in interest expense on the condensed consolidated statement of operations as at December 31, 2015. On November 3, 2014, the Company purchased for cash approximately \$54,400 aggregate principal amount of its outstanding 6.125% senior notes due January 15, 2016 at a price equal to 106.38% of the principal amount, resulting in a premium to redeeming noteholders of approximately \$3,500. The premium is included in interest expense on the condensed consolidated statement of operations as at December 31, 2015.

On January 15, 2016, the Company paid the remaining approximately \$645,555 outstanding principal of its 6.125% senior notes utilizing cash on hand and borrowings under its 2015 Senior Credit Facility.

Accounts Receivable Securitization

On December 19, 2012, the Company entered into a three-year on-balance sheet trade accounts receivable securitization agreement (the "Securitization Facility"). On September 11, 2014, the Company made certain modifications to its Securitization Facility, which modifications, among other things, increased the aggregate borrowings available under the facility from \$300,000 to \$500,000 and decreased the interest margins on certain borrowings. On December 10, 2015, the Company amended the terms of the Securitization Facility, reducing the applicable margin and extending the termination date from December 19, 2015 to December 19, 2016. The Company paid financing costs of \$250 in connection with this extension. These costs were deferred and are being amortized over the remaining term of the Securitization Facility.

Under the terms of the Securitization Facility, certain subsidiaries of the Company sell at a discount certain of their trade accounts receivable (the "Receivables") to Mohawk Factoring, LLC ("Factoring") on a revolving basis. The Company has determined that Factoring is a bankruptcy remote subsidiary, meaning that Factoring is a separate legal

entity whose assets are available to satisfy the claims of the creditors of Factoring only, not the creditors of the Company or the Company's other subsidiaries. Factoring may borrow up to \$500,000 based on the amount of eligible Receivables owned by Factoring, and Factoring has granted a security interest in all of such Receivables to the third-party lending group as collateral for such borrowings. Amounts loaned to Factoring under the Securitization Facility bear interest at commercial paper interest rates, in the case of lenders that are commercial paper conduits, or LIBOR, in the case of lenders that are not commercial paper conduits, in each case, plus an applicable margin of 0.65% per annum. Factoring also pays a commitment fee at a per annum rate of 0.35% on the unused amount of each lender's commitment. At December 31, 2015, the amount utilized under the Securitization Facility was \$500,000.

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

The fair values and carrying values of our debt instruments are detailed as follows:

	December 31, 2015		December 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
3.85% senior notes, payable February 1, 2023; interest payable semiannually	\$584,730	600,000	603,180	600,000
6.125% notes, payable January 15, 2016; interest payable semiannually	646,130	645,555	677,833	645,555
2.00% senior notes, payable January 14, 2022; interest payable annually	554,209	546,627	—	—
Commercial paper	756,867	756,867	301,600	301,600
Five-year senior secured credit facility, due March 26, 2020	134,075	134,075	195,665	195,665
Securitization facility	500,000	500,000	500,000	500,000
Capital leases and other	16,805	16,807	10,620	10,620
Total debt	3,192,816	3,199,931	2,288,898	2,253,440
Less current portion of long term debt and commercial paper	2,003,578	2,003,003	851,305	851,305
Long-term debt, less current portion	\$1,189,238	1,196,928	1,437,593	1,402,135

The fair values of the Company's debt instruments were estimated using market observable inputs, including quoted prices in active markets, market indices and interest rate measurements. Within the hierarchy of fair value measurements, these are Level 2 fair values.

The aggregate maturities of long-term debt as of December 31, 2015 are as follows:

2016	\$1,999,161
2017	1,875
2018	1,650
2019	1,546
2020	43,161
Thereafter	1,152,538
	\$3,199,931

## (10) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are as follows:

	December 31, 2015	December 31, 2014
Outstanding checks in excess of cash	\$ 14,023	16,083
Accounts payable, trade	696,974	622,360
Accrued expenses	293,867	260,578
Product warranties	35,516	29,350
Accrued interest	34,623	28,365
Accrued compensation and benefits	181,022	138,683
Total accounts payable and accrued expenses	\$ 1,256,025	1,095,419

## (11) Stock-Based Compensation



The Company recognizes compensation expense for all share-based payments granted for the years ended December 31, 2015, 2014 and 2013 based on the grant-date fair value estimated in accordance with the provisions of ASC 718-10. Compensation

27

---

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

expense is recognized on a straight-line basis over the options' or other awards' estimated lives for fixed awards with ratable vesting provisions.

Under the Company's 2012 Incentive Plan ("2012 Plan"), the Company's principal stock compensation plan as of May 9, 2012, the Company reserved up to a maximum of 3,200 shares of common stock for issuance upon the grant or exercise of stock options, restricted stock, restricted stock units ("RSUs") and other types of awards, to directors and key employees through December 31, 2022. Option awards are granted with an exercise price equal to the market price of the Company's common stock on the date of the grant and generally vest between three and five years with a 10-year contractual term. Restricted stock and RSUs are granted with a price equal to the market price of the Company's common stock on the date of the grant and generally vest between three and five years.

## Stock Option Plans

Additional information relating to the Company's stock option plans follows:

	2015	2014	2013
Options outstanding at beginning of year	298	425	995
Options granted	—	—	—
Options exercised	(66 )	(108 )	(561 )
Options forfeited and expired	(63 )	(19 )	(9 )
Options outstanding at end of year	169	298	425
Options exercisable at end of year	164	257	343
Option prices per share:			
Options granted during the year	\$ —	—	—
Options exercised during the year	\$ 28.37-93.65	28.37-93.65	28.37-93.65
Options forfeited and expired during the year	\$ 28.37-88.33	46.80-93.65	48.50-88.33
Options outstanding at end of year	\$ 28.37-93.65	28.37-93.65	28.37-93.65
Options exercisable at end of year	\$ 28.37-93.65	28.37-93.65	28.37-93.65

During 2015, 2014 and 2013, a total of 1, 0 and 3 shares, respectively, were awarded to the non-employee directors in lieu of cash for their annual retainers.

The Company's Board of Directors has authorized the repurchase of up to 15,000 shares of the Company's outstanding common stock. For the year ended December 31, 2015, the Company did not repurchase any shares. The Company purchased common stock for the years ended December 31, 2014 and 2013, of 2 and 1 shares, respectively. Since the inception of the program, a total of approximately 11,521 shares have been repurchased at an aggregate cost of approximately \$335,455. All of these repurchases have been financed through the Company's operations and banking arrangements.

A summary of the Company's options under the 2002, 2007 and 2012 Plans as of December 31, 2015, and changes during the year then ended is presented as follows:

Shares	Weighted average exercise price	Weighted average remaining contractual term (years)	Aggregate intrinsic value
--------	--	---	---------------------------------

Edgar Filing: MOHAWK INDUSTRIES INC - Form 10-K/A

Options outstanding, December 31, 2014	298	\$ 68.63		
Granted	—	—		
Exercised	(66 )	73.33		
Forfeited and expired	(63 )	82.20		
Options outstanding, December 31, 2015	169	\$ 61.73	4.7	\$ 21,496
Vested and expected to vest as of December 31, 2015	168	\$ 61.73	4.7	\$ 21,492
Exercisable as of December 31, 2015	164	\$ 61.73	4.6	\$ 20,986

28

---

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

The Company has not granted options since the year ended December 31, 2012. The total intrinsic value of options exercised during the years ended December 31, 2015, 2014, and 2013 was \$7,252, \$6,613 and 20,101, respectively. Total compensation expense recognized for the years ended December 31, 2015, 2014 and 2013 was \$209 (\$131, net of tax), \$865 (\$548, net of tax) and \$1,366 (\$865, net of tax), respectively, which was allocated to selling, general and administrative expenses. The remaining unamortized expense for non-vested compensation expense as of December 31, 2015 was \$36 with a weighted average remaining life of 0.65 years.

The following table summarizes information about the Company's stock options outstanding as of December 31, 2015:

Exercise price range	Outstanding		Exercisable		
	Number of shares	Average life	Average price	Number of shares	Average price
\$28.37-\$28.37	14,725	3.1	\$ 28.37	14,725	\$ 28.37
\$46.80-\$46.80	12,317	4.1	46.80	12,317	46.80
\$57.34-\$57.34	45,782	5.2	57.34	43,782	57.34
\$66.14-\$66.14	68,913	6.1	66.14	66,913	66.14
\$74.47-\$74.47	7,500	2.1	74.47	7,500	74.47
\$75.09-\$75.09	2,250	1.0	75.09	2,250	75.09
\$83.50-\$83.50	9,150	0.1	83.50	9,150	83.50
\$93.65-\$93.65	7,750	1.1	93.65	7,750	93.65
Total	168,387	4.7	\$ 61.73	164,387	\$ 61.73

## Restricted Stock Plans

A summary of the Company's RSUs under the 2007 and 2012 Plans as of December 31, 2015, and changes during the year then ended is presented as follows:

	Shares	Weighted average price	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Restricted Stock Units outstanding, December 31, 2014	725	\$ 77.84		
Granted	248	141.90		
Released	(212 )	180.64		
Forfeited	(11 )	69.96		
Restricted Stock Units outstanding, December 31, 2015	750	\$ 84.67	1.8	\$ 131,028
Expected to vest as of December 31, 2015	731		1.7	\$ 127,444

The Company recognized stock-based compensation costs related to the issuance of RSUs of \$32,343 (\$20,832, net of taxes), \$27,096 (\$17,165, net of taxes) and \$16,945 (10,735, net of taxes) for the years ended December 31, 2015, 2014 and 2013, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized compensation expense for unvested RSUs granted to employees, net of estimated forfeitures, was \$31,416 as of December 31, 2015, and will be recognized as expense over a weighted-average period of approximately 1.93 years.

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

Additional information relating to the Company's RSUs under the 2007 and 2012 Plans is as follows:

	2015	2014	2013
Restricted Stock Units outstanding, January 1	725	733	605
Granted	248	189	301
Released	(212)	(189)	(152)
Forfeited	(11)	(8)	(21)
Restricted Stock Units outstanding, December 31	750	725	733
Expected to vest as of December 31	731	691	683

## (12) Other Expense (Income)

Following is a summary of other expense (income):

	2015	2014	2013
Foreign currency losses (gains)	\$9,295	6,869	9,531
Release of indemnification asset	11,180	—	—
All other, net	(2,856)	3,829	(417)
Total other expense	\$17,619	10,698	9,114

## (13) Income Taxes

Following is a summary of earnings from continuing operations before income taxes for United States and foreign operations:

	2015	2014	2013
United States	\$324,210	331,553	288,627
Foreign	424,651	332,338	156,944
Earnings before income taxes	\$748,861	663,891	445,571

Income tax expense (benefit) from continuing operations for the years ended December 31, 2015, 2014 and 2013 consists of the following:

	2015	2014	2013
Current income taxes:			
U.S. federal	\$117,602	100,826	84,686
State and local	11,175	13,686	9,774
Foreign	31,981	41,151	46,450
Total current	160,758	155,663	140,910
Deferred income taxes:			
U.S. federal	4,165	31,052	5,280
State and local	(3,983)	(3,473)	(5,720)
Foreign	(29,065)	(51,605)	(62,085)
Total deferred	(28,883)	(24,026)	(62,525)
Total	\$131,875	131,637	78,385

The geographic dispersion of earnings and losses contributes to the annual changes in the Company's effective tax rates. Approximately 43% of the Company's current year earnings from continuing operations before income taxes was generated in the United States at a combined federal and state effective tax rate that is higher than the Company's overall effective tax rate. The Company is also subject to taxation in other jurisdictions where it has operations, including Australia, Belgium, Ireland, Italy, Luxembourg, Malaysia, Mexico, the Netherlands, Russia and Spain. The effective tax rates that the Company pays in these



Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

jurisdictions vary widely, but they are generally lower than the Company's overall effective tax rate. The Company's domestic effective tax rates for the years ended December 31, 2015, 2014 and 2013 were 39.8%, 42.8%, and 32.6%, respectively, and its non-U.S. effective tax rates for the years ended December 31, 2015, 2014 and 2013 were 0.7%, (3.1)%, and (10.0)%, respectively. The difference in rates applicable in foreign jurisdictions results from a number of factors, including lower statutory rates, historical loss carry-forwards, financing arrangements and other factors. The Company's effective tax rate has been and will continue to be impacted by the geographical dispersion of the Company's earnings and losses. To the extent that domestic earnings increase while the foreign earnings remain flat or decrease, or increase at a lower rate, the Company's effective tax rate will increase.

Income tax expense (benefit) attributable to earnings from continuing operations before income taxes differs from the amounts computed by applying the U.S. statutory federal income tax rate to earnings from continuing operations before income taxes as follows:

	2015	2014	2013
Income taxes at statutory rate	\$262,102	232,362	155,950
State and local income taxes, net of federal income tax benefit	4,951	9,239	9,317
Foreign income taxes <sup>(a)</sup>	(95,198 )	(89,385 )	(80,937 )
Change in valuation allowance	(14,237 )	(6,482 )	(1,846 )
Tax contingencies and audit settlements <sup>(b)</sup>	(23,032 )	(7,882 )	(4,076 )
Other, net	(2,711 )	(6,215 )	(23 )
	\$131,875	131,637	78,385

(a) Foreign income taxes includes statutory rate differences, financing arrangements, withholding taxes, local income taxes, notional deductions, and other miscellaneous items.

(b) 2015 includes the \$11,180 reversal of uncertain tax positions.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2015 and 2014 are presented below:

	2015	2014
Deferred tax assets:		
Accounts receivable	\$11,134	12,454
Inventories	42,558	53,120
Employee benefits	70,989	58,461
Accrued expenses and other	54,652	62,287
Deductible state tax and interest benefit	491	7,067
Intangibles	34,003	62,079
Federal, foreign and state net operating losses and credits	458,743	432,906
Gross deferred tax assets	672,570	688,374
Valuation allowance	(287,580 )	(300,472 )
Net deferred tax assets	384,990	387,902
Deferred tax liabilities:		
Inventories	(8,663 )	(4,224 )
Plant and equipment	(429,258 )	(422,350 )
Intangibles	(267,571 )	(194,717 )
Other liabilities	(30,256 )	(19,564 )
Gross deferred tax liabilities	(735,748 )	(640,855 )
Net deferred tax liability	\$(350,758)	(252,953)





Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

The Company evaluates its ability to realize the tax benefits associated with deferred tax assets by analyzing its forecasted taxable income using both historic and projected future operating results, the reversal of existing temporary differences, taxable income in prior carry-back years (if permitted) and the availability of tax planning strategies. The valuation allowance as of December 31, 2015, and 2014 is \$287,580 and \$300,472, respectively. The valuation allowance as of December 31, 2015 relates to the net deferred tax assets of certain of the Company's foreign subsidiaries as well as certain state net operating losses and tax credits. The total change in the 2015 valuation allowance was a decrease of \$12,892 which includes (\$24,718) related to foreign currency translation. The total change in the 2014 valuation allowance was a decrease of \$75,387, which includes \$(39,243) related to foreign currency translation and \$(61,148) related to the disposal of a subsidiary.

Management believes it is more likely than not that the Company will realize the benefits of its deferred tax assets, net of valuation allowances, based upon the expected reversal of deferred tax liabilities and the level of historic and forecasted taxable income over periods in which the deferred tax assets are deductible.

As of December 31, 2015, the Company has state net operating loss carry forwards and state tax credits with potential tax benefits of \$56,745, net of federal income tax benefit; these carry forwards expire over various periods based on taxing jurisdiction. A valuation allowance totaling \$35,490 has been recorded against these state deferred tax assets as of December 31, 2015. In addition, as of December 31, 2015, the Company has net operating loss carry forwards in various foreign jurisdictions with potential tax benefits of \$401,999. A valuation allowance totaling \$218,577 has been recorded against these deferred tax assets as of December 31, 2015.

The Company does not provide for U.S. federal and state income taxes on the cumulative undistributed earnings of its foreign subsidiaries because such earnings are deemed to be permanently reinvested. As of December 31, 2015, the Company had not provided federal income taxes on earnings of approximately \$1,680,000 from its foreign subsidiaries. Should these earnings be distributed in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes and withholding taxes in various foreign jurisdictions. These taxes may be partially offset by U.S. foreign tax credits. Determination of the amount of the unrecognized deferred U.S. tax liability is not practical because of the complexities associated with this hypothetical calculation.

#### Tax Uncertainties

In the normal course of business, the Company's tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing jurisdictions. Accordingly, the Company accrues liabilities when it believes that it is not more likely than not that it will realize the benefits of tax positions that it has taken in its tax returns or for the amount of any tax benefit that exceeds the cumulative probability threshold in accordance with ASC 740-10. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest and penalties in income tax expense (benefit). Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on the Company's consolidated financial position but could possibly be material to the Company's consolidated results of operations or cash flow in any given quarter or annual period.

As of December 31, 2015, the Company's gross amount of unrecognized tax benefits is \$51,037, excluding interest and penalties. If the Company were to prevail on all uncertain tax positions, \$32,662 of the unrecognized tax benefits would affect the Company's effective tax rate, exclusive of any benefits related to interest and penalties.

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



Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

	2015	2014
Balance as of January 1	\$49,599	56,545
Additions based on tax positions related to the current year	684	3,424
Additions for tax positions of acquired companies	27,455	—
Additions for tax positions of prior years	2,330	219
Reductions resulting from the lapse of the statute of limitations	(13,471 )	(4,925 )
Settlements with taxing authorities	(11,693 )	(919 )
Effects of foreign currency translation	(3,867 )	(4,745 )
Balance as of December 31	\$51,037	49,599

The Company will continue to recognize interest and penalties related to unrecognized tax benefits as a component of its income tax provision. As of December 31, 2015 and 2014, the Company has \$5,394 and \$9,409, respectively, accrued for the payment of interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the years ending December 31, 2015, 2014 and 2013, the Company accrued interest and penalties through the consolidated statements of operations of \$(5,635), \$(3,579) and \$74, respectively.

The Company believes that its unrecognized tax benefits could decrease by \$10,273 within the next twelve months. The Company has effectively settled all Federal income tax matters related to years prior to 2010. Various other state and foreign income tax returns are open to examination for various years.

**Belgian Tax Matter**

In January 2012, the Company received a €23,789 assessment from the Belgian tax authority related to its year ended December 31, 2008, asserting that the Company had understated its Belgian taxable income for that year. The Company filed a formal protest in the first quarter of 2012 refuting the Belgian tax authority's position. The Belgian tax authority set aside the assessment in the third quarter of 2012 and refunded all related deposits, including interest income of €1,583 earned on such deposits. However, on October 23, 2012, the Belgian tax authority notified the Company of its intent to increase the Company's taxable income for the year ended December 31, 2008 under a revised theory. On December 28, 2012, the Belgian tax authority issued assessments for the years ended December 31, 2005 and December 31, 2009, in the amounts of €46,135 and €35,567, respectively, including penalties, but excluding interest. The Company filed a formal protest during the first quarter of 2013 relating to the new assessments. In September 2013, the Belgian tax authority denied the Company's protests, and the Company has brought these two years before the Court of First Appeal in Bruges. In December 2013, the Belgian tax authority issued additional assessments related to the years ended December 31, 2006, 2007, and 2010, in the amounts of €38,817, €39,635, and €43,117, respectively, including penalties, but excluding interest. The Company filed formal protests during the first quarter of 2014, refuting the Belgian tax authority's position for each of the years assessed. In the quarter ended June 28, 2014, the Company received a formal assessment for the year ended December 31, 2008, totaling €30,131, against which the Company also submitted its formal protest. All 4 additional years have been brought before the Court of First Appeal in November 2014. In January of 2015, the Company met with the Court of First Appeal in Bruges, Belgium and agreed with the Belgium tax authorities to consolidate and argue the issues regarding the years 2005 and 2009, and apply the ruling to all of the open years (to the extent there are no additional facts/procedural arguments in the other years).

On January 27, 2016, the Court of First Appeal in Bruges, Belgium ruled in favor of the Company with respect to the calendar years ending December 31, 2005 and December 31, 2009. The Company anticipates that the Belgian tax authority will appeal this ruling.

The Company disagrees with the views of the Belgian tax authority on this matter and will persist in its vigorous defense if there is an appeal. Although there can be no assurances, the Company believes the ultimate outcome of these actions will not have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations, liquidity or cash flows in a given quarter or year.

(14) Commitments and Contingencies

33

---

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

The Company is obligated under various operating leases for office and manufacturing space, machinery, and equipment. Future minimum lease payments under non-cancelable capital and operating leases (with initial or remaining lease terms in excess of one year) as of December 31:

	Capital	Operating	Total Future
			Payments
2016	\$1,385	95,407	96,792
2017	1,257	76,748	78,005
2018	1,139	54,306	55,445
2019	972	34,907	35,879
2020	555	20,263	20,818
Thereafter	4,537	15,454	19,991
Total payments	9,845	297,085	306,930
Less amount representing interest	1,913		
Present value of capitalized lease payments	\$7,932		

Rental expense under operating leases was \$110,771, \$114,529 and \$116,541 in 2015, 2014 and 2013, respectively.

The Company had approximately \$1,381 and \$47,713 in standby letters of credit for various insurance contracts and commitments to foreign vendors as of December 31, 2015 and 2014, respectively that expire within two years.

The Company is involved in litigation from time to time in the regular course of its business. Except as noted below and in Note 13-Income Taxes Belgian Tax Matter, there are no material legal proceedings pending or known by the Company to be contemplated to which the Company is a party or to which any of its property is subject.

#### Polyurethane Foam Litigation

Beginning in August 2010, a series of civil lawsuits were initiated in several U.S. federal courts alleging that certain manufacturers of polyurethane foam products and competitors of the Company's carpet underlay division had engaged in price fixing in violation of U.S. antitrust laws. The Company was named as a defendant in a number of the individual cases (the first filed on August 26, 2010), as well as in two consolidated amended class action complaints (the first filed on February 28, 2011, on behalf of a class of all direct purchasers of polyurethane foam products, and the second filed on March 21, 2011, on behalf of a class of indirect purchasers). All pending cases in which the Company was named as a defendant were filed in or transferred to the U.S. District Court for the Northern District of Ohio for consolidated pre-trial proceedings under the name In re: Polyurethane Foam Antitrust Litigation, Case No. 1:10-MDL-02196.

In these actions, the plaintiffs, on behalf of themselves and/or a class of purchasers, sought damages allegedly suffered as a result of alleged overcharges in the price of polyurethane foam products from at least 1999 to the present. Any damages actually awarded at trial would have been subject to being tripled under US antitrust laws.

On March 23, 2015, the Company entered into an agreement to settle all claims brought by the class of direct purchasers, and the trial court entered an order granting final approval of this settlement on November 19, 2015. On April 30, 2015, the Company entered into an agreement to settle all claims brought by the class of indirect purchasers, and the trial court entered an order granting final approval of this settlement on January 27, 2016. The Company has also entered into settlement agreements resolving all of the claims brought on behalf of all but one of the consolidated

individual lawsuits. The Company denies all allegations of wrongdoing but settled the class actions and individual lawsuits to avoid the uncertainty, risk, expense and distraction of protracted litigation.

The Company remains a defendant in one case involving an individual purchaser of polyurethane foam products not sold by the Company. This sole remaining case is in its early stages, no trial date has been set, and the amount of the damages has not yet been specified by the plaintiff. In addition to as yet unspecified actual damages, the plaintiff also seeks attorney fees, pre-judgment and post-judgment interest, court costs and injunctive relief against future violations.

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

In December 2011, the Company was named as a defendant in a Canadian Class action, Hi! Neighbor Floor Covering Co. Limited v. Hickory Springs Manufacturing Company, et al., filed in the Superior Court of Justice of Ontario, Canada and Options Consommateurs v. Vitafoam, Inc. et al., filed in the Superior Court of Justice of Quebec, Montreal, Canada, both of which alleged similar claims against the Company as raised in the U.S. actions and sought unspecified damages and punitive damages. On June 12, 2015, the Company entered into an agreement to settle all claims brought by the class of Canadian plaintiffs, as well as a separate action pending in the Supreme Court of British Columbia. The courts in Ontario, Quebec and British Columbia have all approved the settlement although certain administrative issues remain. The Company continues to deny all allegations of wrongdoing but settled the case to avoid the uncertainty, risk, expense and distraction of protracted litigation.

During the twelve months ended December 31, 2015 the Company recorded a \$122,480 charge within selling, general and administrative expenses for the settlement and defense of the antitrust cases. The Company believes that adequate provisions for resolution of all of these cases have been made. The Company does not believe that the ultimate outcome of the remaining case will have a material adverse effect on its financial condition.

The Company believes that adequate provisions for resolution of all contingencies, claims and pending litigation have been made for probable losses that are reasonably estimable. These contingencies are subject to significant uncertainties and we are unable to estimate the amount or range of loss, if any, in excess of amounts accrued. The Company does not believe that the ultimate outcome of these actions will have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations, cash flows or liquidity in a given quarter or year.

The Company is subject to various federal, state, local and foreign environmental health and safety laws and regulations, including those governing air emissions, wastewater discharges, the use, storage, treatment, recycling and disposal of solid and hazardous materials and finished product, and the cleanup of contamination associated therewith. Because of the nature of the Company's business, the Company has incurred, and will continue to incur, costs relating to compliance with such laws and regulations. The Company is involved in various proceedings relating to environmental matters and is currently engaged in environmental investigation, remediation and post-closure care programs at certain sites. The Company has provided accruals for such activities that it has determined to be both probable and reasonably estimable. The Company does not expect that the ultimate liability with respect to such activities will have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations, cash flows or liquidity in a given quarter or year.

## (15) Consolidated Statements of Cash Flows Information

Supplemental disclosures of cash flow information are as follows:

	2015	2014	2013
Net cash paid (received) during the years for:			
Interest	\$67,974	109,451	86,173
Income taxes	\$133,283	148,991	137,650
Supplemental schedule of non-cash investing and financing activities:			
Fair value of net assets acquired in acquisition	1,564,970	7,267	1,714,462
Noncontrolling interest of assets acquired	(24,160 )	—	(14,577 )
Liabilities assumed in acquisition	(17,147 )	(7,286 )	(942,513 )
Shares issued for acquisitions	(153,096 )	—	(313,906 )

\$1,370,567 (19 ) 443,466

(16) Segment Reporting

The Company has three reporting segments: the Global Ceramic segment, the Flooring NA segment and the Flooring ROW segment. The Global Ceramic segment designs, manufactures, sources and markets a broad line of ceramic tile, porcelain tile, natural stone and other products, which it distributes primarily in North America, Europe and Russia through its network of regional distribution centers and Company-operated service centers using company-operated trucks, common carriers or rail transportation. The segment's product lines are sold through Company-operated service centers, independent distributors, home

35

---



Table of Contents

Index to Financial Statements

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements—(Continued)

center retailers, tile and flooring retailers and contractors. The Flooring NA segment designs, manufactures, sources and markets its floor covering product lines, including carpets, rugs, carpet pad, hardwood, laminate and vinyl products, including luxury vinyl tile ("LVT"), which it distributes through its network of regional distribution centers and satellite warehouses using company-operated trucks, common carrier or rail transportation. The segment's product lines are sold through various selling channels, including independent floor covering retailers, distributors, home centers, mass merchandisers, department stores, shop at home, buying groups, commercial contractors and commercial end users. The Flooring ROW segment designs, manufactures, sources, licenses and markets laminate, hardwood flooring, roofing elements, insulation boards, medium-density fiberboard ("MDF"), chipboards, other wood products, sheet vinyl and LVT, which it distributes primarily in Europe and Russia through various selling channels, which include retailers, independent distributors and home centers.

The accounting policies for each operating segment are consistent with the Company's policies for the consolidated financial statements. Amounts disclosed for each segment are prior to any elimination or consolidation entries. Corporate general and administrative expenses attributable to each segment are estimated and allocated accordingly. Segment performance is evaluated based on operating income. Previously reported segment results have been reclassified to conform to the current period presentation. No single customer accounted for more than 10% of net sales for the years ended December 31, 2015, 2014 or 2013.

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

Segment information is as follows:

	2015	2014	2013
Net sales:			
Global Ceramic	\$3,012,859	3,015,279	2,677,058
Flooring NA	3,602,112	3,441,018	3,423,093
Flooring ROW	1,456,898	1,354,018	1,249,279
Intersegment sales	(306 )	(6,869 )	(676 )
	\$8,071,563	7,803,446	7,348,754
Operating income (loss):			
Global Ceramic	\$414,154	351,113	209,825
Flooring NA	264,271	299,992	259,753
Flooring ROW	203,370	151,528	107,850
Corporate and intersegment eliminations	(44,229 )	(29,837 )	(30,497 )
	\$837,566	772,796	546,931
Depreciation and amortization:			
Global Ceramic	\$118,801	120,121	97,126
Flooring NA	137,064	122,677	118,721
Flooring ROW	97,239	92,090	81,500
Corporate	9,543	10,682	11,524
	\$362,647	345,570	308,871
Capital expenditures (excluding acquisitions):			
Global Ceramic	\$247,829	192,642	110,750
Flooring NA	148,598	258,987	176,808
Flooring ROW	95,447	100,899	70,175
Corporate	11,783	9,276	8,817
	\$503,657	561,804	366,550
Assets:			
Global Ceramic	\$3,846,133	3,542,594	3,787,785
Flooring NA	3,164,525	2,587,151	2,371,872
Flooring ROW	2,805,246	1,909,487	2,115,152
Corporate and intersegment eliminations	126,460	246,312	219,367
	\$9,942,364	8,285,544	8,494,176
Geographic net sales:			
United States	\$5,399,561	5,233,796	5,083,605
All other countries	2,672,002	2,569,650	2,265,149
	\$8,071,563	7,803,446	7,348,754
Long-lived assets (1):			
United States	\$2,945,783	2,381,843	2,186,946
Belgium	1,377,533	949,169	1,026,771
All other countries	1,117,167	976,550	1,224,118
	\$5,440,483	4,307,562	4,437,835
Net sales by product categories (2):			
Soft surface	\$3,056,946	2,764,370	2,756,627
Tile	3,094,389	3,087,895	2,744,289
Laminate and wood	1,920,228	1,951,181	1,847,838

\$8,071,563 7,803,446 7,348,754

Table of ContentsIndex to Financial Statements

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements—(Continued)

(1) Long-lived assets are composed of property, plant and equipment, net, and goodwill.

The soft surface product category includes carpets, rugs, carpet pad sheet vinyl and LVT. The tile product category includes ceramic tile, porcelain tile and natural stone. The laminate and wood product category

(2) includes laminate, hardwood, roofing elements, insulation boards, MDF, chipboards, other wood-based products and licensing.

## (17) Quarterly Financial Data (Unaudited)

The supplemental quarterly financial data are as follows:

	Quarters Ended			
	April 4, 2015	July 4, 2015	October 3, 2015	December 31, 2015
Net sales	\$1,881,177	2,041,733	2,150,656	1,997,997
Gross profit	511,943	615,129	661,404	622,210
Net earnings	22,346	186,492	214,905	191,559
Basic earnings per share	0.31	2.54	2.91	2.59
Diluted earnings per share	0.30	2.53	2.89	2.57
	Quarters Ended			
	March 29, 2014	June 28, 2014	September 27, 2014	December 31, 2014
Net sales	\$1,813,095	2,048,247	1,990,658	1,951,446
Gross profit	481,355	574,812	556,422	541,603
Net earnings	81,081	152,750	151,266	146,868
Basic earnings per share	1.11	2.10	2.08	2.01
Diluted earnings per share	1.11	2.08	2.06	2.00

Table of Contents

Index to Financial Statements

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2015, an evaluation of the effectiveness of the Company's disclosure controls and procedures was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. At the time of the Original Filing, the Company's Chief Executive Officer and Chief Financial Officer concluded that such controls and procedures were effective at a reasonable assurance level as of December 31, 2015, the end of the period covered by this report.

After that evaluation and following questions raised during the Public Company Accounting Oversight Board's routine inspection of the Company's independent registered public accounting firm, a further evaluation of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2015 was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2015 because of the material weakness described below.

The Company has significant controls in place with respect to its inventory and believes its inventories are properly stated, despite a material weakness in the operation and documentation of controls related to the monitoring of inventory cycle counts and the valuation of obsolete inventory at two of the Company's divisions. Although management believes that the Company's other inventory controls allowed the Company to properly value its inventory, the Company cannot demonstrate that the monitoring controls were conducted effectively.

After additional testing, our Chief Executive Officer and Chief Financial Officer have concluded that the consolidated financial statements included in the Original Filing and in our subsequent Quarterly Reports on Form 10-Q fairly present, in all material respects, the Company's financial position, results of operations and cash flows as of the dates and for the periods presented in conformity with accounting principles generally accepted in the United States and Article 10 of Regulation S-X of the Securities and Exchange Commission.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company maintains internal control over financial reporting 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.

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. Therefore, internal control over financial reporting determined to be effective provides only reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

On May 12, 2015, June 12, 2015 and December 7, 2015, the Company completed the acquisitions of the KAI Group, the IVC Group and Xtratherm, respectively. As a result, management excluded the KAI Group, the IVC Group and

Xtratherm (the Acquisitions) from its assessment of internal control over financial reporting. The KAI Group, the IVC Group and Xtratherm represent 12.7% of the total assets (excluding goodwill and intangible assets of 32.9%); and 4.9% of net sales of the related consolidated financial statement amounts as of and for the year ended December 31, 2015, respectively.

Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company re-evaluated the effectiveness of the design and operation of the Company's internal control over financial reporting as of December 31, 2015. In conducting this evaluation, the Company used the framework set forth in the report titled "Internal Control - Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. As a result, management identified a material weakness in the design, operation and documentation of controls related to the monitoring of inventory cycle counts and the valuation of obsolete inventory at two of the Company's divisions. Specifically, the Company cannot demonstrate that the monitoring controls were conducted effectively.

## Table of Contents

### Index to Financial Statements

A material weakness (as defined in Rule 12b-2 under the Exchange Act) is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

None of these control deficiencies resulted in misstatements in the consolidated financial statements as of and for the year ended December 31, 2015 which were included in the Original Filing. However, these control deficiencies create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis. Accordingly, management concluded that the control deficiencies represent material weaknesses in the Company's internal control over financial reporting and its internal control over financial reporting was not effective as of December 31, 2015.

The independent registered public accounting firm, KPMG LLP, has amended its report on the effectiveness of internal control over financial reporting dated February 29, 2016 and expressed an adverse report on the operating effectiveness of the Company's internal control over financial reporting as of December 31, 2015. KPMG LLP has also amended its report on the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2015 dated February 29, 2016 to reference their adverse report on the operating effectiveness of internal control over financial reporting as of December 31, 2015. Such reports are included in Item 8 of Part II, "Consolidated Financial Statements and Supplementary Data" of this 2015 Form 10-K/A, and otherwise remain unchanged from the Original Filing.

### Remediation Plan

As of the date of this filing, the Company is now requiring that management's conduct of monitoring activities for inventory cycle counts and the valuation of obsolete inventory in these divisions be evidenced upon completion. The material weakness will only be considered remediated when the controls have been performing as designed for a sufficient period of time.

### Limitations on the Effectiveness of Controls

The Company's management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

### Changes in Internal Control Over Financial Reporting

Since the date of the Original Filing, the Company has integrated the recent Acquisitions into its system of internal control. As a result, the Company's internal control over financial reporting now includes controls, procedures and supporting systems with respect to transactions and account balances of the Acquisitions, which are reflected in the Company's consolidated financial statements.

There were no other changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, other than the identification of the material weakness in internal control and the remediation

plan described above.

40

---



PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) 1. Consolidated Financial Statements

The Consolidated Financial Statements of Mohawk Industries, Inc. and subsidiaries listed in Item 8 of Part II are incorporated by reference into this item.

2. Consolidated Financial Statement Schedules

Schedules not listed above have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibit number for the exhibit as originally filed is included in parentheses at the end of the description.

Mohawk  
Exhibit  
Number

Description

- |      |   |
|------|---|
| *2.1 | Agreement and Plan of Merger dated as of December 3, 1993 and amended as of January 17, 1994 among Mohawk, AMI Acquisition Corp., Aladdin and certain Shareholders of Aladdin. (Incorporated herein by reference to Exhibit 2.1(a) in the Company's Registration Statement on Form S-4, Registration No. 333-74220.)  |
| *3.1 | Restated Certificate of Incorporation of Mohawk, as amended. (Incorporated herein by reference to Exhibit 3.1 in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.)   |
| *3.2 | Restated Bylaws of Mohawk. (Incorporated herein by reference to Exhibit 3.1 in the Company's Report on Form 8-K dated February 19, 2016.)   |
| *4.4 | Indenture dated as of January 9, 2006, between Mohawk Industries, Inc. and SunTrust Bank, as trustee. (Incorporated herein by reference to Exhibit 4.4 in the Company's Registration Statement on Form S-3, Registration Statement No. 333-130910.)   |
| *4.5 | First Supplemental Indenture, dated as of January 17, 2006, by and between Mohawk Industries, Inc., and SunTrust Bank, as trustee. (Incorporated by reference to Exhibit 4.1 in the Company's Current Report on form 8-K dated January 17, 2006.)   |
| *4.6 | Indenture, dated as of January 31, 2013, by and between Mohawk Industries, Inc. and U.S. Bank National Association, as Trustee (Incorporated herein by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated January 31, 2013.)  |
| *4.7 | First Supplemental Indenture, dated as of January 31, 2013, by and between Mohawk Industries, Inc. and U.S. Bank National Association, as Trustee (Incorporated herein by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated January 31, 2013.)   |
| *4.8 | Second Supplemental Indenture, dated as of June 9, 2015, by and among Mohawk Industries, Inc., as Issuer, U.S. Bank National Association, as Trustee, Elavon Financial Services Limited, UK Branch, as initial Paying Agent and Elavon Financial Services Limited, as initial Registrar (Incorporated herein by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated June 9, 2015.) |

- \*10.3 Registration Rights Agreement by and among Mohawk and the former shareholders of Aladdin. (Incorporated herein by reference to Exhibit 10.32 of the Company's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1993.)
- \*10.4 Waiver Agreement between Alan S. Lorberbaum and Mohawk dated as of March 23, 1994 to the Registration Rights Agreement dated as of February 25, 1994 between Mohawk and those other persons who are signatories thereto. (Incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q (File No. 001-13697) for the quarter ended July 2, 1994.)
- \*10.5 Credit and Security Agreement, dated as of December 19, 2012, by and among Mohawk Factoring, LLC, as borrower, Mohawk Servicing, LLC, as servicer, the lenders from time to time party thereto, the liquidity banks from time to time party thereto, the co-agents from time to time party thereto and SunTrust Bank, as administrative agent (Incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 21, 2012.)

Table of Contents

Index to Financial Statements

- \*10.6 First Amendment to Credit and Security Agreement, dated as of January 22, 2013, by and among Mohawk Factoring, LLC, as borrower, Mohawk Servicing, LLC, as servicer, the lenders from time to time party thereto, the liquidity banks from time to time party thereto, the co-agents from time to time party thereto and SunTrust Bank, as administrative agent. (Incorporated herein by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 2012.)
- \*10.7 Amendment No. 2 to Credit and Security Agreement and Waiver, dated as of April 11, 2014, by and among Mohawk Factoring, LLC, Mohawk Servicing, LLC, the lenders party hereto, the liquidity banks party hereto, the co-agents party hereto and SunTrust Bank, as administrative agent (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014).
- \*10.8 Amendment No. 3 to Credit and Security Agreement and Omnibus Amendment, dated as of September 11, 2014, by and among Mohawk Factoring, LLC, Mohawk Servicing, LLC, the lenders party hereto, the liquidity banks party hereto, the co-agents party hereto and SunTrust Bank, as administrative agent (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 27, 2014).
- \*10.9 Amendment No. 4 to Credit and Security Agreement, dated as of January 5, 2015, by and among Mohawk Factoring, LLC, Mohawk Servicing, LLC, the lenders party hereto, the liquidity banks party hereto, the co-agents party hereto and SunTrust Bank, as administrative agent (Incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 4, 2015).
- \*10.10 Amendment No. 5 to Credit and Security Agreement, dated as of December 10, 2015, by and among Mohawk Factoring, LLC, Mohawk Servicing, LLC, the lenders party hereto, the liquidity banks party hereto, the co-agents party hereto and SunTrust Bank, as administrative agent. (Incorporated herein by reference to Exhibit 10.10 of the Original Filing).
- \*10.11 Receivables Purchase and Sale Agreement, dated December 19, 2012, by and among Mohawk Carpet Distribution, Inc., and Dal-Tile Distribution, Inc., as originators, and Mohawk Factoring, LLC, as buyer (Incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated December 21, 2012.)
- \*10.12 Amended and Restated Credit Facility, dated March 26, 2015, by and among the Company and certain of its subsidiaries, as borrowers, Wells Fargo Bank, National Association, as administrative agent, swing line lender, and an L/C issuer, and the other lenders party thereto. (Incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 26, 2015.)
- \*10.13 Share Purchase Agreement, dated January 13, 2015, by and among Mohawk Industries, Inc., Unilin BVBA, Enterhold S.A., International Flooring Systems S.A. and, for certain limited purposes, Filiep Balcaen, an individual resident of Belgium (Incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 16, 2015).

Exhibits Related to Executive Compensation Plans, Contracts and other Arrangements:

- \*10.14 Service Agreement dated February 24, 2009, by and between Unilin Industries BVBA and BVBA "F. De Cock Management" (Incorporated by reference to the Company's Current Report on Form 8-K dated February 24,

2009.)

\*10.15 Service Agreement dated February 9, 2009, by and between Unilin Industries BVBA and Comm. V. “Bernard Thiers” (Incorporated herein by reference to Exhibit 10.7 in the Company's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 2009.)

\*10.16 Second Amended and Restated Employment Agreement, dated as of November 4, 2009, by and between the Company and W. Christopher Wellborn (Incorporated by reference to the Company’s Current Report on Form 8-K dated November 4, 2009.)

\*10.17 Amendment No. 1 to Second Amended and Restated Employment Agreement, dated as of December 20, 2012, by and between the Company and W. Christopher Wellborn (Incorporated herein by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 2012.).

\*10.18 Mohawk Carpet Corporation Supplemental Executive Retirement Plan, as amended. (Incorporated herein by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-1, Registration No. 33-45418.)

42

---

Table of Contents

Index to Financial Statements

- \*10.19 The Mohawk Industries, Inc. Senior Management Deferred Compensation Plan, as amended and restated as of January 1, 2015. (Incorporated herein by reference to Exhibit 10.19 of the Original Filing.)
- \*10.20 Mohawk Industries, Inc. 1997 Non-Employee Director Stock Compensation Plan (Amended and Restated as of January 1, 2009) (Incorporated herein by reference to Exhibit 10.32 in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2008.)
- \*10.21 Mohawk Industries, Inc. 2012 Non-Employee Director Stock Compensation Plan (Incorporated herein by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q dated August 3, 2012.)
- \*10.22 Mohawk Industries, Inc. 2012 Non-Employee Director Stock Compensation Plan Amendment, approved October 23, 2013 (Incorporated herein by reference to Exhibit 10.18 in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2013.)
- \*10.23 2002 Long-Term Incentive Plan. (Incorporated herein by reference to Appendix A in the 2002 Mohawk Industries, Inc. Proxy Statement dated March 29, 2002.)
- \*10.24 Mohawk Industries, Inc. 2007 Incentive Plan (Incorporated herein by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A (File No. 001-13697) filed with the Securities and Exchange Commission on April 9, 2007.)
- \*10.25 Mohawk Industries, Inc. 2012 Incentive Plan (incorporated herein by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A (File No. 001-13697) filed with the Securities and Exchange Commission on April 3, 2012.)
- \*12.1 Ratio of Earnings to Fixed Charges (Incorporated herein by reference to Exhibit 12.1 of the Original Filing.)
- \*21 Subsidiaries of the Registrant. (Incorporated herein by reference to Exhibit 21 of the Original Filing.)
- 23.1 Consent of Independent Registered Public Accounting Firm (KPMG LLP).
- 31.1 Certification Pursuant to Rule 13a-14(a).
- 31.2 Certification Pursuant to Rule 13a-14(a).
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

\*Indicates exhibit incorporated by reference.

43

---

Table of Contents

Index to Financial Statements

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.

Mohawk Industries, Inc.

November 23, 2016 By: /s/ JEFFREY S. LORBERBAUM

Jeffrey S. Lorberbaum,  
Chairman and Chief Executive Officer

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

November 23, 2016 /s/ JEFFREY S. LORBERBAUM

Jeffrey S. Lorberbaum,  
Chairman and Chief Executive Officer  
(principal executive officer)

November 23, 2016 /s/ FRANK H. BOYKIN

Frank H. Boykin,  
Chief Financial Officer and Vice President-Finance  
(principal financial officer)

November 23, 2016 /s/ JAMES F. BRUNK

James F. Brunk,  
Vice President and Corporate Controller  
(principal accounting officer)

November 23, 2016 /s/ FILIP BALCAEN

Filip Balcaen,  
Director

November 23, 2016 /s/ BRUCE C. BRUCKMANN

Bruce C. Bruckmann,  
Director

November 23, 2016 /s/ FRANS DE COCK

Frans De Cock,  
Director

November 23, 2016 /s/ RICHARD C. ILL

Richard C. Ill,  
Director

November 23, 2016 /s/ JOSEPH A. ONORATO

Joseph A. Onorato,  
Director

November 23, 2016 /s/ WILLIAM H. RUNGE III

William Henry Runge III  
Director

November 23, 2016 /s/ KAREN A. SMITH BOGART

Karen A. Smith Bogart,  
Director

November 23, 2016 /s/ W. CHRISTOPHER WELLBORN

W. Christopher Wellborn,  
Director