ATTACHMENT A: PROPOSAL REQUIREMENTS & SPECIFICATIONS
EQUALIS GROUP: COMMERCIAL FLOORING MATERIALS WITH INSTALLATION AND RELATED SERVICES & SOLUTIONS

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Section 1. General Guidelines

1.1. Instructions for Completing Attachment A

The specific requirements and proposal specifications for this Program are detailed in this Attachment A – Technical Proposal Requirements & Proposal Specifications. Attachment A is provided to Bidders in an editable Microsoft Word form so that it can easily serve as the base document for a Bidder's Technical Proposal. Bidders should incorporate their Technical Proposal responses directly into this document and include referenced attachments separately.

Use the following electronic file naming convention for naming your Technical Proposal prior to uploading your completed Technical Proposal to Bonfire: *Technical Proposal – Bidder Name.docx*.

For sections of Attachment A structured like the example below, simply click in the green cell on the "Click here to enter response" text and either type in or paste (using the *Paste Special > Merge Formatting* function in Microsoft Word) your response.

1.1.1.	*Formation.* In what year was the company formed? For how long has your company been operating under its present business name? If your company has changed its business name, include the most recent prior business name and the year of the name change.
Mohawk Industries was incorporated in the State of Delaware in 1988. Mohawk has been in business for more than 140 years.	

For sections of Attachment A structured like the example below, click on the "Yes" checkbox if your solution fully provides the defined requirement. Click on the "No" checkbox if your solution does not provide or only provides part of the defined requirement. The green cell is included for Bidders to provide any additional information or capabilities relating to that defined requirement. For example, if your solution i) provides more capabilities around that requirement, ii) meets some, but not all of that requirement, or iii) does not meet the defined requirement, but provides an alternative solution for the Proposal Review Team's ("PRT's") consideration, click in the green cell on the "Click here to provide additional commentary, if necessary." text and either type in or paste (using the *Paste Special > Merge Formatting* function in Microsoft Word) clarifying or additional information as appropriate.

1.1.2.	*Installers.* Is the installation service performed by a company owned installation team or one of your dealers or resellers?	☒ Yes ☐ No
MohawkOne provides solutions that bridge any gaps in your ability to manage a project internally, such as connecting you with our trusted installation partners domestic and international, or providing a complete turnkey solution managed by MohawkOne. Our turnkey program may include estimating, installation, project management and post-installation services. Mohawk supports the independent contractor relationship, believing that in a competitive marketplace the best outcome for your project will be achieved through strong manufacturer and external installer partnerships, each providing the product or service they do Domestically, we work with the largest commercial networks of the most highly regarded installation firms in North America. Using these networks, we have the capability to manage installation services either through a turnkey or a direct sales approach with consistent service and quality.		

1.2. Trade Secrets

Bidders are encouraged to review RFP Section 3.4 – Trade Secrets Prohibition; Public Information Disclaimer in conjunction with developing their responses to this RFP. Any information provided by a Bidder in its proposal that is not marked as trade secret information shall be deemed to be public records in accordance with Ohio law.

1.3. Attachments

Bidders may incorporate additional documents by reference as part of their response to Attachment A – Technical Proposal Requirements & Proposal Specifications. For example, you may want to include brochures, charts, or graphs in response to specific questions included in this Attachment A. Bidders should clearly state in their response to questions in Attachment A whether any specific documents are incorporated in their proposal by reference. In the event the attached documents are not references or referenced correctly, the PRT may exclude those attachments from consideration when scoring proposals.

The file names of such referenced documents that are included in a Bidder's electronic Technical Proposal submissions and uploaded to Bonfire should include, in the following order: i) Technical Proposal, ii) Bidder's name, iii) the Section number of the question for which the file is included as part of the response, and iv) a brief description of what is included in the electronic file. For example, if a Bidder references an attachment that includes financial statements in response to Section 3.2.1., the following electronic file name would be appropriate: *Technical Proposal – Bidder Name – Section 3.2.1. – Financial Statements.pdf*.

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Section 2. Initial Qualifying Criteria

2.1. Completing & Submitting Initial Qualifying Criteria Documentation

As described in RFP Section 5 – Criteria for Proposal Evaluation & Selection, Bidders must complete and provide executed originals of the following documents as part of the proposal Bidders submit. *Equalis Group will not consider a Bidder's Technical and Cost Proposals unless these forms are properly completed and submitted as part of the Bidder's proposal*.

2.1.1.	Attachment C – Required Bidder Information & Certifications. This document includes information about the Bidder, key points of contact for proposal and legal questions that may arise during Equalis Group's review of the response, minority business enterprise and certifications, required affirmations subject to Ohio Revised Code guidelines, equal employment opportunity questions, questions regarding the subcontracting of certain elements of a Bidder's service delivery to Members, and confirmation that Bidder has reviewed and annotated, if applicable, the Equalis Group model i) Master Agreement, and ii) Administration Agreement entered into with Winning Suppliers.	
Attachment C attached: Technical Proposal - Mohawk Carpet Distribution, Inc. - Section 2.1.1. - Attachment C		
2.1.2.	Attachment D – W-9. Bidders must complete the W-9 form and include the completed W-9 form in their response.	
Mohawk Carpet Distribution, Inc. W-9 attached: Technical Proposal – Mohawk Carpet Distribution, Inc. – Section 2.1.2 – Attachment D – W-9		
2.1.3.	Does your proposal include the properly completed and executed Attachment C and Attachment D?	☒ Yes ☐ No
Attachment C and Attachment D are completed and attached.		

Section 3. Bidder Overview & Qualifications

3.1. Company Information

3.1.1.	*Company Name & Address.*

Company Name:	Mohawk Carpet Distribution, Inc.
Headquarters Street Address:	160 South Industrial Blvd.
City, State & Zip Code:	Calhoun, Georgia 30701
Main Telephone Number:	706-629-7721
Website:	www.mohawkgroup.com

3.1.2.	*Formation.* In what year was the company formed? For how long has your company been operating under its present business name? If your company has changed its business name, include the most recent prior business name and the year of the name change.

Mohawk Industries was incorporated in the State of Delaware in 1988. Mohawk has been in business for more than 140 years.

3.1.3.	*Legal Structure.* Check the box next to the option that best describes the company's legal structure. Include requested narrative in the space provided.

☒	Corporation – provide the State of incorporation and the company ownership structure.	State of Delaware - 1988 - C Corporation
☐	Partnership – provide the State of registration and the names of all partners.	Click here to enter response.
☐	Sole Proprietorship – provide the State of registration and the name and title of the principal.	Click here to enter response.
☐	Joint Venture – provide the State of registration and the names and titles of all principals.	Click here to enter response.
☐	Other – provide detailed description of corporate structure and ownership.	Click here to enter response.

3.2. Financial Strength & Legal Considerations

3.2.1.	*Financial Strength.* Provide three (3) years of company and any parent company financial statements or other documents that speak to the financial strength of the company, such as the most recent Annual Report to Shareholders and 10K Report (if applicable) or audited financial statements, including income statement and balance sheet. *Note: you may mark this information as a "Trade Secret" per the terms of <u>RFP Section 3.4 – Trade Secrets Prohibition; Public Information Disclaimer</u> and provide your response to this question in a separate electronic file that includes a "Trade Secret" watermark. Any company financial information provided should be included as part of the Technical Proposal*. The proposal scoring of this <u>Section 3.2.1.</u> for Bidders that do not provide any financial information will be zero/fails to meet.

Mohawk Industies, Inc. 10-K reports for 2017, 2018, 2019 attached: Technical Proposal – Mohawk Carpet Distribution, Inc. – Section 3.2.1. – Financial Strength. 10-K Filings can be found at: https://www.sec.gov/Archives/edgar/data/851968/000085196820000020/0000851968-20-000020-index.htm	
3.2.2.	*Bankruptcy & Insolvency.* Describe any bankruptcy or insolvency for your organization (or its predecessors, if any) or any principal of the firm in the last three (3) years.
N/A	
3.2.3.	*Litigation.* Describe any litigation in which your company has been involved in the last three (3) years and the status of that litigation.
Mohawk is involved in litigation from time to time in the regular course of its business. Except as noted in Mohawk filings with the Securities Exchange Commission, there are no material legal proceedings pending or known by Mohawk to be contemplated to which Mohawk is a party or to which any of its property is subject.	
3.2.4.	*Mandatory Contract Performance Disclosure*. Pursuant to RFP Section 3.13, disclose whether the your company's performance and/or the performance of any of the proposed subcontractor(s) under contracts for the provision of services that are the same or similar to those to be provided for the Program which is the subject of this RFP has resulted in any "formal claims" for breach of those contracts. For purposes of this disclosure, "**formal claims**" means any claims for breach that have been filed as a lawsuit in any court, submitted for arbitration (whether voluntary or involuntary, binding or not), or assigned to mediation. For any such claims disclosed, fully explain the details of those claims, including the allegations regarding all alleged breaches, any written or legal action resulting from those allegations, and the results of any litigation, arbitration, or mediation regarding those claims, including terms of any settlement. While disclosure of any formal claims will not automatically disqualify a Bidder from consideration, at the sole discretion of Equalis Group, such claims and a review of the background details may result in a rejection of a Bidder's proposal. Equalis Group will make this decision based on the Proposal Review Team's determination of the seriousness of the claims, the potential impact that the behavior that led to the claims could have on the Bidder's performance of the work, and the best interests of Members.
MohawkOne performance, nor any of their subcontractors performance, has resulted in formal claims or investigations.	
3.2.5.	*Mandatory Disclosure of Governmental Investigations*. Pursuant to RFP Section 3.14, indicate whether your company and/or any of the proposed subcontractor(s) has been the subject of any adverse regulatory or adverse administrative governmental action (federal, state, or local) with respect to your company's performance of services similar to those described in this RFP. If any such instances are disclosed, Bidders must fully explain, in detail, the nature of the governmental action, the allegations that led to the governmental action, and the results of the governmental action including any legal action that was taken against the Bidder by the governmental agency. While disclosure of any governmental action will not automatically disqualify a Bidder from consideration, such governmental action and a review of the background details may result in a rejection of the Bidder's proposal at Group's sole discretion. Equalis Group will make this decision based on the Proposal Review Team's determination of the seriousness of the claims, the potential impact that the behavior that led to the claims could have on the Bidder's performance of the work, and the best interests of Members.
MohawkOne services, nor any of their subcontractors services, have been subject to any adverse regulatory or adverse administrative governmental action.	

3.3. Industry Qualifications

3.3.1.	*Company Identification.* How is your organization best identified? Is it a manufacturer, distributor/dealer/reseller, or service provider? Based on your answer, please provide a response to question 3.3.1.1 or 3.1.1.2.

Mohawk Industries is the world's largest flooring company. We are a market leader in all flooring categories, including both hard and soft surfaces and residential and commercial applications. Our global reach encompasses manufacturing operations in 19 nations and sales to more than 170 countries. Our operations are vertically integrated from design through manufacturing and distribution, benefiting both our customers and our business through operational efficiencies, product innovation and industry-leading service.

Mohawk Group is the commercial division of Mohawk Industries. We offer exceptional floorcovering solutions for all environments, markets and price points. No matter the size or complexity of your floorcovering challenge, we have what it takes to meet your needs. Core Capabilities document attached: Technical Proposal – Mohawk Carpet Distribution, Inc. – Section 3.3.1. – Company Identification

3.3.1.1.	*Authorization.* If your company is best described as a distributor/dealer/reseller (or similar entity), please provide your written authorization to act as a distributor/dealer/reseller for the manufacturer of the products proposed in this RFP. If applicable, is your dealer network independent or company owned?

N/A

3.3.1.2.	*Network Relationship*. If your company is best described as a manufacturer or service provider, please describe your direct sales and service force and how your dealer network operates to sell and deliver the Products & Services proposed in this RFP. Is your direct sales force employed by your company or by a third party? Please explain.

Mohawk is best described as a flooring manufacturer with the capacity to provide services through our turnkey division known as MohawkOne. Mohawk maintains a commercial sales force of 172 personel, segmented with a government and education focus, including a Senior Vice President, a Vice President, 12 Regional Vice Presidents of Sales, 5 Regional Vice Presidents of Strategic Accounts, and 143 Account Executives situated strategically across the United States and Canada. Mohawk views our dealers as partners in our daily operations. Mohawk partners with 481 local subcontractor/dealers who will serve as the labor subcontractors if awarded this contract, so the relationship maintained with our dealers is vital in the success of our business. Dealers are not direct Mohawk employees and will be locally subcontracted for work to be performed in their respective areas.

3.3.2.	*Industry Experience.* For how long has your company been in the commercial flooring and/or related products and services industry? What percentage of your company's revenue in each of the last three (3) full calendar years was generated from the provision of commercial flooring and/or related products and services?

Mohawk Industries was established in 1878. Mohawk's hard surface market share for the past 3 years has been approximately 15% in the US. Mohawk's soft surface market share has been between 15%-25% for the past 3 years in the US.

3.3.3.	*Geographic Reach.* Describe your company's service area in the United States (e.g., nationwide, the continental United States, or specific states or regions). If your company does not currently provide services nationwide, describe your plans/timeframes to achieve nationwide service provision, if applicable.

MohawkOne provides full turnkey services in the US, as well as, Canada.

3.3.4.	*Certifications and Licenses.* Provide a detailed explanation outlining the licenses and certifications that are i) required to be held, and ii) actually held by your organization (including third parties and subcontractors that you use). Has your company maintained these certifications on an ongoing basis? If not, when and why did your company lose any referenced certifications?

Mohawk holds a business license in all 50 states, as well as, Canada.

3.4. Public Sector Focus

3.4.1.	*Public Sector Contract Vehicles.* What Public Sector contract vehicles (e.g., state term contracts, General Services Administration schedules, group purchasing organization contracts, etc.) does your company have in place to provide commercial flooring and/or related products and services to public sector entities under an exemption from the standard public sector bid/RFP process? For each contract vehicle, when was the contract established, what is the expiration date, and is the award sole source or multi-source (i.e., is your company the only supplier for the spending category or are multiple competing suppliers included in the contract vehicle), and how much annual revenue your company generated through the contract(s) in each of the last three (3) calendar years?

Mohawk Carpet Distribution, Inc. holds 4 Cooperative Contracts, 2 Group Purchasing Organization Contracts, and 22 State Contracts.

3.4.2.	*Public Sector Success.* What is the i) total dollar amount, and ii) percentage of your company's total annual revenue generated by sales to educational institutions (i.e., K-12 schools & school districts and high education) and local governments (i.e., municipalities, counties, special districts, and state agencies)?

Mohawk Group (Commercial Division of Mohawk Industries) total sales dollar and percentage of sales for education:

2017 – $73M (11%)

2018 – $73M (11%)

2019 – $63M (10%)

Mohawk Group (Commercial Division of Mohawk Industries) total sales dollar and percentage of sales for government:

2017 – $215M (75%)

2018 – $214M (74%)

2019 – $222M (78%)

3.4.3.	*Public Sector Strategic Growth Plan.* Describe your company's three to five-year local government, K-12, and higher education sales objectives and the key elements of your strategic plan to achieve those objectives. What is the total annual dollar value of your company's revenue generated by sales to local governments and educational institutions in each of the last three (3) calendar years? What percentage of your company's total annual revenue is generated by sales to local governments and educational institutions?

Mohawk provides a solution based approach to assist our customers and provide them with an easy process to procure flooring and services. We focus our thinking around five strategic imperatives that ensure we are positioned and ready to capitalize on these opportunities. We are particularly pleased that each of these imperatives has the potential to contribute not only to our financial sustainability, but also to the benefit of our environment, our employees and the communities in which we live and work.

1. Develop Talent to Drive Innovation
2. Maximize Sales in Current Geographic Markets
3. Expand Into High-Growth Markets
4. Optimize Resources Continuously
5. Upgrade and Develop Systems to Improve Execution and Customer Support

(Annual dollar value is referenced in 3.4.2.)

3.5. Customer References

3.5.1.	Provide references of at least five (5) local government or educational institution customers for which your company has provided products and services similar in nature and scope to those defined in this RFP in the last three (3) years. Your references should include a mix of types and sizes of public sector entities such as municipalities, K-12 schools or schools districts, and colleges and universities. Each reference should include: • Customer name and location; • Customer contact person and their title, telephone number, and email address; • A brief description of the products and services provided by your company; • Customer relationship starting and ending dates; and, • Notes or other pertinent information relating to the customer and/or the products and services your company provided.
Reference document attached: Techinical Proposal – Mohawk Carpet Distribution, Inc. – Section 3.5.1. - Customer References	

3.6. Insurance Coverage

3.6.1.	*General Liability, Property & Automobile Insurance.* If your company is selected as the Winning Supplier, during the term of any agreements between your company and Equalis Group, and for two (2) years following expiration or termination of such agreements, your company, at its own expense, will maintain and will require that its agents, subcontractors, or suppliers engaged in your company's performance of its duties under such agreements, maintain general liability insurance, property insurance, and automobile insurance (at a minimum, in the amount of $1,000,000 per occurrence/$5,000,000 annual aggregate) applicable to any claims, liabilities, damages, costs, or expenses arising out of its performance under such agreements. Confirm that your company either a) has, or b) will purchase insurance coverage as described herein.	☒ Yes ☐ No
N/A		
3.6.2.	*Employee Dishonesty – Members.* The Winning Supplier shall be held fully liable for any and all dishonest acts of its employees and/or its subcontractor's employees. Coverage must be provided for Third Party Employee Dishonesty, covering all employees and all officers of your company and any subcontractors, in an amount not less than $100,000 per occurrence. Confirm that your company either a) has, or b) will purchase insurance coverage as described above covering all employees and all officers of your company, in an amount not less than $100,000 per occurrence for each Equalis Group Member utilizing the Program.	☒ Yes ☐ No
N/A		
3.6.3.	*Third Party Employment Practice Liability – Members.* The Winning Supplier shall be held fully liable for any and all employment practice acts of its employees and/or its subcontractor's employees, such as, but not limited to, sexual harassment and discrimination. Coverage must be provided for employment practice liability, covering all employees and all officers of your company and any subcontractors, in an amount not less than $1,000,000 per occurrence. Confirm that your company either a) has, or b) will purchase insurance coverage as described above covering all employees and all officers of your company, in an amount not less than $1,000,000 per occurrence for each Equalis Group Member utilizing the Program.	☒ Yes ☐ No
N/A		

Section 4. Products and Services

4.1. Products

Note: The products priced and included in Attachment B – Cost Proposal will be used to define the products that will be offered to Equalis Group Members.	
4.1.1.	*Product Description(s).* Provide a detailed description of the products you are including in your proposal.

Mohawk Group will propose our complete commercial portfolio including broadloom carpet, carpet tiles - inclusive of square and plank, walk off carpet tiles, luxury vinyl tile, wood, laminate, sheet vinyl, rubber tile, rubber sheet, adhesives, ancillary items including trims, base, and cushion pad. Mohawk Group will also offer delivery, installation services for all the above listed products along with reclamation services.

4.1.2.	*Differentiators.* Describe what differentiates your company's products from your competitors.

Fiber Innovation & Technology – Mohawk began investing in fiber extrusion facilities over 30 years ago and was the first "carpet manufacturer" to do so. The motivation behind plowing resources into vertical integrated systems and supply chains was revolutionary at the time. Now, those early moves and the subsequent additional investments have enhanced cost controls, improved processes through the delivery of consistent raw materials, increased manufacturing outputs and have greatly improved overall product quality. Mohawk continues to be recognized by our customers as a tremendous value-added partner for innovative products and customer based solutions. Our fiber technology includes:

•Duracolor® Permanent Stain Resistant Technology – Mohawk's flagship Duracolor® anti-stain carpet fiber invention has long been the undisputed leader in cationic technology, which set a new benchmark in the flooring industry in 1991. While Duracolor is offered at a slight premium relative to traditional solution dyed offerings in the market, it has been demonstrated that the investment will pay back within 3 years due to reduced maintenance costs while providing the added benefit of a much more desirable workplace environment for end users. Additionally, the Duracolor technology provides a platform allowing for extended life cycles of the product and is 100% recyclable when it is replaced. It is the only fiber in the market that can pass the GSA Stain Test (modified AATCC 175) with an 8 out of 10 rating.

•Duracolor® Tricor Fiber System – The latest engineering development in fiber technology, the Duracolor® Tricor system incorporates Duracolor® stain resistance with a modified delta shape, inverted triangular hollow core that produces superior soil hiding and durable performance under severe traffic conditions.

•Modular Carpet Tile Backing Systems – As noted in the product section of this proposal, Mohawk offers three reliable carpet tile backing systems in convenient sizes (24"x24" and 12"x36") that work together to provide aesthetic design options with minimal waste. The EcoFlex® NXT, EcoFlex® Matrix, EcoFlex® Air cushion platforms are Red List Free and PVC free. They offer Limited Lifetime Warranty coverage for the useful life of the carpet.

Living Products Certification – As part of our commitment to believe in better, Mohawk Group has embarked on the journey of creating handprints over footprints through the Living Product Challenge. This International Living Future Institute (ILFI) program provides a framework for manufacturers to reimagine the design and construction of products to function as elegantly and efficiently as anything found in the natural world.

With a full suite of Living Products across carpet and hard surface, Mohawk Group is setting a higher standard to help ensure products contribute to healthy spaces, are designed to inspire and will give more back to the environment than they take through unique "hand-printing" initiatives.

Living Product Certification ratings include considerations of: Place (where the products are manufactured); Water usage and conservation and off-sets; Energy usage and conservation and off-sets; Health (employee, customer – throughout product lifecycle); Materials (100% Red List Free); Equity (social justice, business practices); and Beauty (aesthetic intent, biophilic design)

Glasgow Plant: Mohawk Group's Living Site - Through innovations in materials, manufacturing and community involvement, all of Mohawk Group's carpet tile styles manufactured at our Glasgow, Virginia plant on EcoFlex® NXT, EcoFlex® NXT AIR or EcoFlex® Matrix backings have met the stringent requirements for the ILFI's Living Product Challenge Petal Certification. Being the genesis of more than 300 Living Product carpet tile styles, we refer to the Glasgow plant as our "Living Site" — a facility dedicated to the future and bettering our planet. Never has this level of certification within the Living Product Challenge been accomplished by a product manufacturer.

Transparency – In addition to Living Product certifications, our commitment to total transparency and partnership with customers is exemplified through the LVC Declare. These Declare Labels provide a window into Mohawk product ingredients. We are very aware of the chemicals we used in all our product categories and the environmental concerns about certain chemical groups. We strive for full disclosure so the customer knows that Mohawk products are Declare: Red List Free of such chemicals.

Standard and High-Performance Broadloom Carpet Backing Systems – set Mohawk apart as we offer a variety of backing options that meet the specific needs of each end use requirement, including high moisture subfloor issues, K-12 abusive traffic environments and even simple administrative office tenant development projects. We can tailor the offering to match the budget and performance criteria of the customer.

4.1.3.	*Commercial Flooring Product Coverage.* Identify which commercial flooring products in sections 4.1.3.1. to 4.1.3.9. are available as a part of your proposal.	
4.1.3.1.	Laminate Wood Flooring.	☒ Yes ☐ No
4.1.3.2.	Engineered Hardwood.	☒ Yes ☐ No
4.1.3.3.	Solid Wood Flooring.	☐ Yes ☒ No
4.1.3.4.	Vinyl Composite Tile (VCT).	☐ Yes ☒ No
4.1.3.5.	Luxury Vinyl Tile (LVT).	☒ Yes ☐ No
4.1.3.6.	Broadloom Carpet.	☒ Yes ☐ No

4.1.3.7.	Carpet Tiles.	☒ Yes ☐ No
4.1.3.8.	Rubber Tile.	☒ Yes ☐ No
4.1.3.9.	**Other Product Types.** If yes, please identify and describe the other flooring types included as a part of your proposal.	☒ Yes ☐ No
Mohawk has included our resilient sheet vinyl in this product offering.		
4.1.4.	*Ancillary Products.* Provide a detailed description of the ancillary products included as a part of your proposal. Your response may include, but is not limited to, adhesives, trim, or padding.	
Document attached provides detailed description of ancillary products, including adhesives and padding: Technical Proposal - Mohawk Carpet Distribution, Inc. - Section 4.1.4. - Ancillary Products Additional information can be found on the following websites: https://www.mohawkgroup.com/carpet/more/performance-and-technical?tab=tab5 https://www.mohawkgroup.com/carpet/more/performance-and-technical?tab=tab3		

4.2. Manufacturing

4.2.1.	*Manufacturing.* Describe your manufacturing operations. Your response may include, but is not limited to, any operational advantages and locations of your manufacturing facilities.

Mohawk's manufacturing and distribution processes provide competitive advantages in the production of carpet, rugs, ceramic tile, laminate, wood, stone and LVT. Our global reach encompasses manufacturing operations in 19 nations and sales to more than 170 countries. Our operations are vertically integrated from design through manufacturing and distribution, benefiting both our customers and our business operations through operational efficiencies, product innovation and industry-leading service.

Mohawk's carpet and rug manufacturing operations include the extrusion of triexta, polyester, nylon and polypropylene resins, as well as, recycled post-consumer plastics into fiber. The carpet segment is also vertically integrated in fiber and yarn processing, backing manufacturing, tufting, weaving, dyeing, coating and finishing.

Our primary global manufacturing location for modular carpet tile is located in Glasgow, Virginia, our state of the art carpet tile production facility, which spans approximately 35 acres and is one of the largest carpet mills in the industry. This facility encompasses production processes for the manufacturing of all our tufted carpet including yarn dyeing, spinning, tufting, backing, shipping and warehousing.

Mohawk's luxury vinyl tile (LVT) and laminate flooring facility is located in Dalton, Georgia and currently operates as one of the biggest producers of sheet vinyl and luxury vinyl tile in our modern fiberglass vinyl sheet manufacturing facility.

The Laminate & Wood segment consists of Unilin, one of the world's leading suppliers of premium laminate and hardwood flooring through its Quick-Step brand, as well as Columbia Flooring and Century Flooring. It is the leader in product innovation and

installation techniques with a strong portfolio of intellectual property rights. Unilin laminate flooring is distributed through retailers and distributors in North America and Europe.

Section 5. Services

5.1. Turnkey Capabilities

Note: The capabilities priced and included in Attachment B – Cost Proposal will be used to define the capabilities that will be offered to Equalis Group Members.	
5.1.1.	*Turnkey Capabilities.* Describe the capabilities available through your organization and, if applicable, your authorized dealers and resellers that align with providing turnkey solutions for Equalis Group Members. Please identify which of those services are available directly through your organization and which are a part of the services your dealers and resellers offer.

MohawkOne is a single, integrated solution to your entire flooring project. That means one source of accountability and one contact working to reduce associated risks. We execute and custom-manage every detail, from ordering to scheduling, installing to maintaining.

5.2. Installation

Note: The services priced and included in Attachment B – Cost Proposal will be used to define the services that will be offered to Equalis Group Members.		
5.2.1.	*Installation*. Is installation available as a part of your proposal? If yes, continue answering the remaining questions in 5.2.	☒ Yes ☐ No

Mohawk has been providing coordination of installation of services on a "turn-key" basis, along with all necessary installation material, to international, national, regional, and local end users since 1999. During these past 21 years, we have strengthened our own in-house project management teams and built an extensive network of installation partners throughout the country. We call this special services team: "MohawkOne".

MohawkOne has successfully managed the installation of millions of yards of carpet, carpet tile and millions of square feet of hard surface floorcoverings, including LVT, rubber and sheet vinyl product categories. MohawkOne has arrangements with several of the top floorcovering installation companies to provide excellent and timely product selection and installation services for its Eligible Users. MohawkOne is also supported by regional Field Services Technicians that assist with job-starts to make sure all floor preparation and installation procedures are followed.

Our installation partners have been working with State projects for over 35 years so we understand the expectations, procedures and desired outcomes. Together with these installation experts, we follow best practices to thoroughly evaluate every project and execute the most effective project installation timeline based on the requirements of the End User (i.e. location, facility type, occupied space, expected traffic and use, project size, product type(s), installation deadlines, etc.). Nationwide service coverage is not an issue as our MohawkOne installation partners are located throughout the country.

5.2.2.	*Installers.* Is the installation service performed by a company owned installation team or one of your dealers or resellers?	☒ Yes ☐ No

Mohawk utilizes local or national installation companies via subcontract, dependent upon your needs.

5.2.3.	*Qualifications.* Describe the qualification of your installation crews. Your response may include, but is not limited to, training and certification requirements.

All installers are vetted and Mohawk approved. Many are factory or field trained by our Field Managers. Mohawk vets our installation partners by only using proven installers with whom we have long term experience or who come highly recommended to us from only highly trusted sources. We hold our installers responsible for the quality of their installations by requiring references, by requiring that

they hold all proper insurance documentation, by requiring that they have crews large enough for the scope of work required, and that their skills fit the job at hand. We also ask for each installation that our customer sign off on the job with comments related to each installation for ongoing vetting. Performance criteria of our installer partners is based on: On time delivery of services, accuracy and response time of customer service, customer satisfaction survey per job (sign off), accuracy of performance, and whether our partners stand behind their work.

5.3. Other Services

5.3.1.	*Interior Design & Consultation.* If yes, provide a description of your interior design and consultation capabilities including, but not limited to, if that service is offered by an employee within your company or one of your dealers or resellers.	☐ Yes ☒ No
N/A		
5.3.2.	Training. If yes, provide a description of the training services offered. Note: Training services are not limited to those provided to the members but can also extend to the training you provide you dealers, distributors, and resellers.	☒ Yes ☐ No

Mohawk trains and qualifies a network of flooring contractors that can be found in over 130 countries. These experts follow Mohawk installation guidelines and procedures to ensure that our installation partners will be able to assist with any issues that might arise after the installation.

Mohawk's internal after sales service and support team is based in Dalton, GA. This team of professional's offers 24/7 installation training and support, maintenance instruction, inspection and solutions across the globe.

The Field Service Managers are available to assist with the following services:

- On site installation training
- On site Job Start assistance
- Internal phone hotline for installation questions or issues
- Verification of pattern repeats and roll mapping
- Coordination with Planning and Estimating to insure production meets floor plan requirements
- Review floor plans via AutoCAD for material/seam placement on job site
- Coordinate with manufacturing during production to verify roll size yield and proper seam placement
- Installation certification training
- Maintenance seminars

5.3.3.	*Maintenance Services.* If yes, provide a description of the maintenance services included in your proposal.	☒ Yes ☐ No

We can provide on-site maintenance training through one of our maintenance specialists. We will come to your facility to train your personnel on the proper methods to maintain your carpet and can tailor these services to best fit your needs based on your schedule. We will also work with your staff to design and implement carpet maintenance programs to help you manage your flooring assets. We will design a maintenance program specific to servicing frequencies and cleaning systems appropriate for product, the traffic patterns and soiling levels.to your facility.

5.3.4.	*Carpet Removal.* If yes, provide a description of your carpet removal services.	☒ Yes ☐ No

MohawkOne provides these quotes separately as a stand alone entry because in many instances, our products are being installed on new construction projects or renovation projects without carpet removal requirements. In this manner, we believe the customer gets

what they are paying for and not subsidizing those which have recycling requirements. Costs will vary dependent upon material types, quantities and recycling facility destination, if applicable.		
5.3.5.	*Carpet Reclamation and/or Recycling.* If yes, provide a description of your reclamation and/or recycling services.	☒ Yes ☐ No

Mohawk's ReCover program offers the opportunity to recycle carpet domestically at the end of life. Depending on the project location, we will recycle the old carpet through our network of carpet recyclers across North America. We will take any type of carpet, regardless of manufacturer. We handle containers and coordinate shipping. Recycling your carpet helps us ReCover a valuable resource for the future of our planet. It can be achieved in three easy steps.

- Step 1: Contact us at 1-877-373-2925 or email us at reclaim@mohawkind.com.
- Step 2: Get an all-inclusive quote within 24-48 hours and we handle all the logistics.
- Step 3: Our network of carpet recyclers will handle all aspects of your carpet recycling.

Reclamation Fees
Recycling/landfill diversion fees are assessed on a project by project basis. Costs and diversion methods are associated with the collection and shipping of used carpet and vary upon material types, quantities, and recycling facility destination. Currently, our ReCover Program offers the opportunity to recycle old carpet and carpet tile through our network of recycling partners across North America.

Reclamation Prep for Shipping and Reclamation Freight
Transportation/Hauling costs are calculated per project and based on specific client requirements. Client Personnel is responsible for packaging of material for proper preparation and for transport (usually palletization and shrink wrap labor/material), pick-up and delivery to recycling site (freight) as well as any special freight needs (such as special lift gates, drop trailers, special truck size, city truck size, city truck, etc.).

You may also be interested in viewing the link below regarding Mohawk Sustainability Proximity Hotel Recycles Carpet with Durkan's ReCover Program: https://youtu.be/Ye-Hj2DavyM

ReCover Partner Spotlight: Boise Valley Habitat for Humanity: https://youtu.be/oh4bPUepIIk
ReCover Partner Spotlight: Blue Ridge Recycling: https://youtu.be/Gt4OPNp3n1U

Section 6. Sustainability

6.1. Sustainability, Reclamation, and Recycling Initiatives

6.1.1.	*Sustainable Company Initiatives.* Describe the ways in which your company is addressing the issue of sustainability.

Mohawk Industries believes that sustainability is an essential business practice in today's global economy. Mohawk's goal is to be a leader in the area of sustainability and environmental responsibility for the industry, the corporation, and our stakeholders. We will plan for the future, while accepting the urgency of today. We are committed to the communities where we live and work as well as our other stakeholders. In line with these principles, Mohawk strives to encourage continuous improvement in all areas of environmental stewardship-responsible use of raw materials and natural resources, design processes and operations of all facilities, to reduce the impact of our activities on the environment and our associates.

Mohawk Industries has been working toward meaningful and measurable reductions in our water, waste, energy and GHG footprints. With continued growth of the company, we realized a cumulative 26.5 percent reduction for water intensity since 2018. Our waste intensity has decreased by 53.9 percent since our 2010 baseline. By focusing on improving energy efficiency, we reduced our greenhouse gas intensity 18.8 percent and energy intensity by 7.23 percent. While our businesses operate in a decentralized manner, all are working toward shared goals in reducing our use of natural resources.

While working to shrink our environmental footprint, we're working to expand our social handprint – always striving to ultimately achieve a net positive impact. An important way Mohawk leaves a positive handprint is by touching communities through innovative partnerships and projects to give back to the places where we live and do business.

Mohawk has engaged in a special partnership with Groundswell to reduce greenhouse gas emissions and offset the energy and resources used during manufacturing. This three-year partnership will oversee the donation of 10 SmartFlower solar energy units to underserved communities and educational institutions with STEM programs across the United States. The first SmartFlower was unveiled in June 2018 in Chicago at the Renaissance Collaborative, a community development corporation that exists to promote self-sufficiency for members of the Bronzeville community. Last fall, the second SmartFlower was located near three schools in Eden, North Carolina. Eden is home to Mohawk's historic Karastan woven rug and broadloom manufacturing facility. These projects will bring the benefits of clean solar power to the area, create educational opportunities for students and the community while contributing to Mohawk's sustainability efforts to leave more handprints over footprints. Since our 2nd flower in Eden, Mohawk Group has installed 3 more smartflowers in Griffin Georgia, Cocoa Beach Florida, and Baltimore. The monetary savings from the clean energy will be used to improve education materials and fund student programs.

Over the past two years, Mohawk has engaged in innovative partnerships with educational institutions to offset the water resources used during manufacturing. We developed a handprinting strategy with Morehouse College in Atlanta and installed new, low-flow showerheads in their dormitories saving them more than 1.2 million gallons annually. In expanding our water handprint, we have provided Hampton University in Virginia with low flow showerheads for select dormitories to save the college more than 4 million gallons annually. Alabama State University and Benedict College also received a combined over 800 low-flow showerheads in their dorms to expand Mohawk Group's path to net-positive. The subsequent reduction in water usage has resulted in lower operational costs for the universities allowing those funds to be redistributed in the form of scholarships. As Mohawk continues its journey to Believe to Better, we move one step closer in our quest to create a healthier, socially and culturally rich, and ecologically restorative future. Our products have a net positive impact for people and the environment through innovations in materials, manufacturing and community involvement. Mohawk is committed to helping their customers build a better tomorrow.

For more information on sustainability initiatives, please visit: http://mohawksustainability.com

6.1.2.	*Sustainable Product Initiatives.* Describe the ways in which your company is addressing the issue of sustainability in your product offering.

Mohawk Group is a leader for transparency in the industry. Sustainability is addressed in many product offerings through attention to material health, reducing material inputs, and product transparency. A prominent way Mohawk Group focuses on material health is

prioritizing products, where possible, to be red-list ingredient free. The red-list is an over 800 individual common chemical ingredients and elements that are ubiquitous to the built environment and have known adverse health effects during life cycle. Mohawk started the journey to becoming red list free in multiple product offerings in 2014. The process involves closely examining our material ingredients, sourcing alternatives, and communicating with suppliers about the importance of healthier materials. A prominent way that we demonstrate our red-list products is through the use of Declare labels – an easy to read "nutrition label" of material ingredients. If any ingredient on the label appears in red, that means it is a part of the red-list and was "Declared" by the manufacturer. A label with no colored ingredients show that a product is "Red-list Free". Mohawk offers over 30 declare labels that apply to hundreds of products. In addition, we have multiple Health Product Declarations and Environmental Product Declarations that apply to hundreds of products. The path of transparency and product innovation led Mohawk to create some of the most sustainable products on the market: Living Products. The Living Product challenge is a sustainable product platform from the Living Future Institute that aims for products to give back more to the environment than they take, be red-list-free, and foster positivity with users and company stakeholders. Mohawk's first Petal-certified living product was Lichen in 2017. With its success, we have gone on to create 2 petal-certified woven collections, 1 enhanced resilient tile collection, and the entire production line of nylon carpet tile on NXT and Matrix backing. The Petal-certified Living Product carpet tiles are net-positive water, net positive carbon, red-list free, and percentage of profits is donated to organizations that promote community well-being. Several of mohawk products contain post-industrial recycled content. For our nylon carpet tile products, we use an N-6 fiber technology that has increased recycled content and reduced raw material that didn't compromise quality. The innovation reduces maintenance of the consumer and reduces overall product weight. Please visit this link to view more on Mohawk product transparency: https://www.mohawkgroup.com/sustainability/product-transparency

6.1.3.	*Recycled Content.* Provide a statement(s) identifying the recycled content levels used in the products in your proposal.

<u>Average Recycled Content by Product Type:</u> EcoFlex NXT modular nylon carpet tiles: 53% Recycled Content (53% Pre-consumer) EcoFlex NXT Air modular nylon carpet tiles: 55% Recycled Content (12% Post-consumer, 43% Pre-consumer) EcoFlex ICT Modular nylon carpet tiles: 54% Recycled Content (54% Pre-consumer) EcoFlex Matrix modular nylon carpet tiles: 40% Recycled Content (40% Pre-consumer) Nylon Broadloom on Weldlok: 46% Recycled Content (46% Pre-consumer) Nylon Broadloom on Weldlok Unitary: 36% Recycled Content (36% Pre-consumer) Nylon Broadloom on Weldlok Air: 51% Recycled Content (15% Post-consumer, 36% Pre-consumer) Nylon Broadloom on Weldlok Plus Air: 36% Recycled Content (13% Post-consumer, 23% Pre-consumer) Nylon Broadloom on Weldlok Onguard: 47% Recycled Content (47% Pre-consumer) Nylon Broadloom on Weldlok Plus Onguard: 33% Recycled Content (33% Pre-consumer) Nylon Broadloom on Unibond Plus: 34% Recycled Content (34% Pre-consumer) Nylon Broadloom on Unibond Plus Bloc: 30% Recycled Content (30% Pre-consumer) Nylon Broaloom on Unibond Plus Air: 36% Recycled Content (13% Post-consumer, 23% Pre-consumer) Nylon Broadloom on Unibond Plus Onguard: 33% Recycled Content (33% Pre-consumer) Nylon Woven Carpet: 0% Recycled Content Master Step Sheet Rubber: 1% Pre-consumer Recycled Content TRUE Rubber Hammered, Natural Slate, Round, and Slate: 10% Pre-consumer Recycled Content Floating LVT Second Home Wood: 100% Pre-consumer Recycled Content Glue Down LVT Large and Local Wood: 100% Pre-consumer Recycled Content Luxury Vinyl Centrato, Living Local Glue Down, Urban Native Stone, Urban Native Wood: 100% Pre-consumer Recycled Content Resilient Sheet products Calmness, Ephemeral, Geomorphic 6', Geomorphic 12', Inner Glow, Juniperus 6', Juniperous 12', Klei Firma 6', Klei Firma 12', Resplendent Refuge, Sensory, Sisalana 6', Sisalana 12', Striking Balance, Therapeutic, Living Kind: 100% Pre-consumer Recycled Content Rubber Master Step Tile Hammered and Slate: 2% Pre-consumer Recycled Content

Floating LVT Hot and Heavy Collection products Bolder, Lineate, Mixte Solid, Mixte Stripe, and Secoya: 59% Recycled Content (22% Post-consumer, 37% Pre-consumer)	
6.1.4.	*Circular Economy.* Describe the efforts your organization makes to ensure the materials removed from a project site are recycled to make new carpet, carpet components or other consumer products.
Mohawk's take-back program called ReCover is committed to keeping more material out of landfills. ReCover has donated enough carpet to cover more than 5,000 professional American football fields. The Mohawk Group's carpet recycling program turned 10 years old in 2016. Through this program, Mohawk removes carpet from customer buildings, then donates it to nonprofit organizations instead of sending it to landfills. Over the past decade, ReCover has given 148.5 million pounds – or 32.6 million square yards – of carpet new life. We've also expanded into other types of flooring removal, including working with an airline customer to divert carpet and other materials from inside airplanes. ReCover offers the opportunity to recycle carpet the sustainable way. Depending on the project location, Mohawk will recycled old carpet through our wide network of carpet recyclers. We will take any type of carpet – not just Mohawk carpet. We handle containers and coordinate shipping. Recycling your carpet helps us ReCover a valuable resource for the future of our planet. Recycling/landfill diversion fees are assessed on a project to project basis. Costs are associated with the collection and shipping of used carpet and vary upon material types, quantities, and recycling facility destination. Depending on material condition, Reuse, Recycle, and Down-cycle landfill diversion methods will be utilized. In addition to recycling/landfill diversion, our ReCover Program also offers Reuse options when applicable. In our continued efforts to reduce waste, material that is in good condition is donated to Non-Profit Organizations. Reuse options vary and are based on a project by project basis. Client Personnel is responsible for removal of material, as well as packaging of material for transport. Coordination of donated material is facilitated by our ReCover Project Manager. Recycling letters and certificates are provided for each project.	
6.1.5.	*Embodied Carbon Impact.* Describe the efforts your organization makes to reduce the Scope 3 (supply chain) emissions whenever possible.
Scope 3 emission are tracked by our company but we do not currently make efforts to mitigate or have targets of reduction for scope 3. Scope 3 emissions that are tracked are business miles flown. We do disclose these emissions where it is asked in ESG surveys.	

Section 7. Business Operations

7.1. Customer Service

7.1.1.	*Customer Service.* Describe your company's customer service department and operations. Your description may include, but is not limited to, hours of operation, number and location of service centers, parts outlets, number of customer service representatives. Clarify if the service centers are owned by your company of if they are a network of subcontractors.

Mohawk Group provides a Dedicated Project Manager for turnkey solutions, located at our corporate campus in Calhoun, Georgia. This single point of contact is responsible for handling all aspects of a turnkey project, such as proposal preparation, order entry/tracking, shipping and installation scheduling, as well as any other customer service activities related to your account. In addition, they will coordinate reporting metrics (if needed) and assist with technical information. Your dedicated Project Manager is available Monday-Friday 8am–5pm EST.

Additional support can be obtained through our Global Support Center (Dedicated Customer Experience Solutionist Team), located at our corporate campus in Calhoun, Georgia, which provides a single source/single solution supporting all brands, disciplines and locations (Domestic and International). Customer Service is available Monday-Friday 8am-8pm EST. Orders can be placed via phone, email, or website (Mohawknet is available 24/7).

Phone calls are routed based on caller's selection of automated options.

Any order entered after 8pm Eastern will process the following business day.

Orders must include the Strategic Account code.

7.1.2.	*Expedited Orders.* Describe your approach to handling emergency orders and/or service. Your description may include, but is not limited to, response time, breadth of service coverage, and service level.

Our primary commitment to all Strategic Partners is to deliver on time, every time. In the event we fall short on that commitment, we will expedite delivery using tandem drivers and our own trucks to ensure that no delivery forces a delay in the schedule, provided any additional freight costs are approved.

Production priorities are normally based on first in first out and our customers required date. We are able to be flexible with our scheduling to support unforeseen emergency needs for our customers, on an exception basis. When rush orders are necessary, we navigate the order through each 'order gate' quickly to ensure the order is expedited in a timely manner. To also help alleviate delays, our QuickShip In Stock (QIS) program of select products are in stock and available for immediate shipment upon credit approval for up to 2,000 SY.

The scope of Mohawk's manufacturing and marketing operations extends to an industry-leading distribution infrastructure. The backbone of Mohawk's customer service effort is a distribution fleet and logistics system that includes more than 720 trucks, 2,400 trailers and more than 50 distribution warehouses across the lower 48 states. For expedited shipments, we can offer tandem drivers that drive 24/7 and remain compliant with FTC regulations.

7.1.3.	*Complaint Resolution.* Describe your customer complaint resolution process. Describe how unresolved complaints are handled.

Mohawk After Sales – Claims Resolution Process:

When an issue arises, the local Account Executive alerts the Project Manager and/or Claim Analyst and Field Services Technician to file a Claim. This may be done via phone, email or Mohawk.Net (internal web portal). A description of the problem, pictures, invoices and samples (if possible) are secured by the local Account Executive.

Within 24 hours of filing the claim, an Acknowledgement of the Claim along with a Claim Reference Number are assigned and any additional needed information is requested. If the situation requires an inspection by Mohawk Field Services or by an Independent Flooring Inspector, it is scheduled as soon as all parties can connect at the job site.

Mohawk works in "good faith" with the customer representatives, installation company and other interested parties, to resolve the claim as quickly and efficiently as possible. Mohawk honors all warranties and often goes beyond the letter of the law to ensure the customer is fully satisfied with the resolution.

Our approach to determine and correct root causes is multi-faceted. Comprehensive and formalized root cause analysis is used to address and permanently correct "special cause" or "one-off" issues to identify and implement effective, permanent corrective action(s). We approach "common-cause" issues with empowered, multi-functional project teams and employ Six Sigma, Lean or any other applicable tools to make breakthrough improvements.

7.1.4.	*Product Returns.* Describe your product return policy and procedures.

Orders are processed based upon customer instructions received via hard copy PO, fax or phone call. Expenses are incurred to stage materials, cut or process, and ship. When an order is cancelled or returned, restock fees assist in recouping a portion of Mohawk's expenses. Sales Support Services will review and pre-approve all returned materials.

- Cancellations, returns and/or pending shipments under 100 yards (cut made or en route) - 25% cancellation fee/ No returns will be accepted
- Cancellations, returns and/or pending shipments over 100 yards (cut made or en route) - 25% of material value
- Karastan brands over 100 yards or any Running Line order over 2000 yards incur 25% cancellation fee after 3rd business day from order placement
- Customs, Drops, Promotional Goods - No return/cancellation
- Returns - Outbound and return freight- Customer obligation
- Invoices over 90 days old- No returns

7.2. Order & Invoice Processing; Payment

7.2.1.	*Purchasing Options*. Describe the different channels in which this contract will be made available to Equalis Group Members. Your response should include, but is not limited to, whether your organization will serve as the single point of contact or if the contract will be made available to your dealers and reseller to serve as the single point of contact.

MohawkOne will serve as a single point of contact for sales and service.

7.2.2.	*Order Process*. Describe your company's proposal development and order submission process.

Mohawk prefers to sell direct through our turnkey MohawkOne team where Mohawk sells the material and labor along with coordinating the installs. This provides a one source solution. Equalis Group will be assigned a Project Manager who will quote all projects under the contract to the members. Members will issue a purchase order to Mohawk then the Project Manager will have the PO placed with a strategic account code. In the event a member would like to use a specific dealer, Mohawk will vet the dealer accordingly and execute a contract with the dealer to sell under Mohawk's awarded Equalis Group contract. The order will be sent to a designated Customer Service Solutionist and coded with the same strategic account code as orders processed through MohawkOne. At the end of each

quarter, the Mohawk accounting team will pull together all sales under the Equalis Group strategic account code then process the quarterly administrative fees against the data pulled for the quarter product sales.	
7.2.3.	*Invoice Process.* Describe your company's invoicing process.
Materials are invoiced upon shipment, and Labor services are invoiced upon completion or invoiced in phases as required by the scope of work.	
7.2.4.	*Payment.* Provide your standard payment terms? Identify all acceptable methods of payment?
Ner 30 Day Terms – Payments are accepted via CBD | Check | MohawkNet | Mastercard & American Express with 2.75% Fee	
7.2.5.	*Financing.* Does your company offer any financing options or programs? ☐ Yes ☒ No
Mohawk does not offer any financing options or programs.	

7.3. Members Contracting for Services

7.3.1.	*Customer Set Up*. Once an Equalis Group Member decides to accept your company's proposal for services as described in this RFP, what is the process for the Member to become a customer?
Mohawk uses a strategic account profile to set up and assign a group number to track sales. Strategic Accounts with Pricing Agreements are registered in our system and all orders, whether placed direct or through a third party the customer should utilize the Strategic Account Code. The Strategic Account Code reference initiates the recorded pricing to pull into the order and ensures prompt clearing through the system.	
7.3.2.	*Customer Agreements*. Does your company have standard customer agreements? If yes, please provide copies of any standard customer agreements and provide a response to question 6.3.3. ☒ Yes ☐ No
Technical Proposal - Mohawk Carpet Distribution, Inc. - Section 7.3.2. - Customer Agreements	
7.3.3.	*Contracting*. What is the process for reviewing, negotiating, and finalizing any customer-specific contract terms or requirements? Approximately how long does the contracting process take to complete (i.e., secure a fully executed contract document)? What is the typical term length of your customer agreements?
Mohawk's negotiations can vary from a week to months depending on both parties legal teams as well as the language in the contract. Mohawk understands that time is of the essence; therefore, we look to execute contracts as expeditiously as possible.	

7.4. Bonding Capabilities

7.4.1.	*Bonding.* Describe your company's bonding capacity.
Bonding Company Name: Travelers Casualty and Surety Company of America Bonding capacity per job: $5,000,000 Aggregate: $20,000,000 Current bonding capacity: $11,000,000 Bond company rating: A+ Superior rating by A.M. Best, Financial Size Category XV	

Bond Rate: The rate is $5.00/$1,000 which would equate in percentage as .005 No formal line established. MAC Code: G0188-080		
7.4.2.	*Rating.* Is your bonding obtained from a surety with an “A” rating from AM Best?	☒ Yes ☐ No
A+ Superior rating by AM Best		

Section 8. Warranty

8.1. Warranty

8.1.1.	*Warranty.* Provide a copy of the manufacturer's warranty. If required, please attach the warranty as an attachment as instructed in ***Section 2.3*** of this document. Describe notable features and/or characteristics of the warranty that a public sector customer would find interesting or appealing. How long is the warranty? Please indicate, and describe if applicable, if there are any optional extended warranty coverage available to Members. How does your warranty coverage compare to that of your competitors? Pricing related to the any extended warranty options must be included in ***Attachment B – Cost Proposal***.
Product, Installation, & Ancillary Warranties attached: Technical Proposal – Mohawk Carpet Distribution, Inc. – Section 8.1.1. - Warranty	
8.1.2.	*Claims.* Describe your warranty claims process.
When an issue arises, the local Account Executive (AE) alerts the Claim Analyst and Field Services Technician to file a Claim. This may be done via phone, email or Mohawk.Net (internal web portal). A description of the problem, pictures, invoices and samples (if possible) are secured by the local AE. Within 24 hours of filing the claim, an Acknowledgement of the Claim, along with a Claim Reference Number, are assigned and additional information may be requested. If the situation requires an inspection by Mohawk Field Services or by an Independent Flooring Inspector, it is scheduled as soon as all parties can connect at the job site. Mohawk works in "good faith" with the customer representatives, installation company and other interested parties, to resolve the claim as quickly and efficiently as possible. Mohawk honors all warranties and often goes beyond the letter of the law to ensure the customer is fully satisfied with the resolution.	

Section 9. Additional Features & Other Offerings

9.1. Additional Features

9.1.1.	*Value Add.* Describe any other features or capabilities relating to commercial flooring that would improve or enhance the Program. Your response may include, but is not limited to, ecommerce capabilities, marketing capabilities, green initiatives, and technological advancements.

- Virtual Design Services:

Personal Studio by Mohawk – a web-based design tool (ps.mohawkgroup.com) - For many customers the standard colors and patterns offered in sample books are just fine and suit their needs. However, others would like a quick and simple way to "personalize" their project by swapping a color or enhancing a pattern. Mohawk's Personal Studio allows for just this type of user-friendly service, at no charge.

VIS – Virtual Interactive Studio (in the Mohawk SLC Design Studio)

Some Agencies and Eligible Users have difficulty imagining or picturing what their new floorcovering selection will look like in their space. Mohawk offers several types of excellent virtual visualization tools to assist them!

We have been using these complementary tools and the response has been exceptional.

2-Dimensional Layouts –

- Customized layouts based on DWG plans
- Layouts can simulate any number of products in the same space based on your specifications
- Generate easy-to-read guides for installation process no matter how complex the project
- Estimates of quantity of product required, including estimated waste material

Product and Room Renderings –

- Visualize your carpet simulations in a photorealistic environment
- Choose from one of our standard room scenes or send us a photo of your existing space, and we will replace the floor with your choice of products
- We could also replace the floors of your custom room scenes using the 2D Floor plan layout created from the DWG file
- Choose from a variety of presentation layouts that can be emailed as PDF files or printouts that are shipped

- Job-Start Installation Services – When a project is of a certain size or is projected to be a difficult installation, a Mohawk Field Services Technician may be invited to assist the crew at the start of the job. Field Services Technicians can be dispatched as needed.

- Bundling - Mohawk is uniquely able to bundle hard surface products with your carpet requirements to reduce structural costs. Additionally, as the owner of Daltile, the world's largest tile manufacturer, Mohawk is capable of bundling ceramic tile & stone into a wide variety of flooring solution packages.

- Business Management Tools – Mohawk offers online tools and professional consulting services that leverage our 100 years in the flooring business. With volatile markets and raw materials availability, we apply sound financial practices to ensure Equalis Group members will be receiving the best value now and will control cost escalation for future pricing through consistent evaluation. Our team of Credit Analysts assist Mohawk customers through credit management, inventory controls and shared technologies (such as Mohawk.Net and Mohawk Exchange – customer facing business management tools) available to our customers to help them run their businesses more efficiently as well.

• Logistics - Our efficient national and international service model is unparalleled in the flooring industry. Mohawk Logistics owns 720 Trucks and over 2,400 Trailers operating in the USA, and we move over 100 containers globally per day on average. Our volume provides leverage for best in class service at reduced cost – providing significant value add to our customers. • Post Sales Services We noted earlier that Maintenance is one of the most important contributing factors for long term appearance retention of any floorcovering product installation. To protect the flooring investments made by Equalis Group members, Mohawk will provide the following post-sale services: • Upon completion of a floorcovering project by MohawkOne Installation Services, we will meet with the Facilities/Maintenance Managers to review proper care and maintenance of the recently installed Mohawk products. (Note: Mohawk does not manufacture flooring maintenance machinery or chemicals, nor does it participate in any financial renumeration or joint agreements between Mohawk and any janitorial or flooring maintenance machinery manufacturer.) • One year after the product has been in use, we will do a “1-Year Post Project Assessment” with the installer, sales associate and facilities manager and/or maintenance manager, where we will assess the product performance, the suitability of the product specified and purchased, review maintenance procedures, note any warranty related issues that need to be addresses, and evaluate overall customer satisfaction. • Upon identification of any significant areas of improvement, Mohawk will work with the end user to schedule agree upon remedies or actions.

9.2. Additional Offerings

9.2.1.	*Other Capabilities.* Identify and describe any other products and/or services your company offers outside the primary scope of this RFP that can be made available to Equalis Group Members. Include proposed pricing for any additional products or services your company offers in Attachment B – Cost Proposal in accordance with the directions provide in RFP Section 2.3 Cost Proposal & Acceptable Pricing Formats.
Mohawk Carpet Distribution, Inc. is offering the Commercial Product Line, which includes: Broadloom, Modular Tile, LVT, Engineered Hardwood, Laminate, Resilient Sheet, Rubber, Cushion Pad, Ancillary Products, along with turnkey installation services.	

Section 10. Partnering with Equalis Group

10.1. Bidder Organizational Structure & Staffing of Relationship

10.1.1.	*Primary Point of Contact for Equalis Group.* Who is the individual that will serve as Equalis Group's primary point of contact for developing and implementing a go-to-market strategy to increase Program participation by local governments and educational institutions across the country? Include the individual's name, title, a description of their role, and a resume or biography.

Earle Jenkins, VP Government and Education, 160 S. Industrial Blvd., Calhoun, GA 30701
(305) 205-6096 | earle_jenkins@mohawkind.com
Earle joined Mohawk more than 19 years ago and currently serves as Vice President, Government and Education. Currently, Earle oversees Regional Vice Presidents of Government and Education Strategic Accounts for the US and Canada. He works to develop and maintain strategic business relationships throughout the country.

Earle has been in the flooring industry for more than 34 years. Before being promoted to Vice President of Government and Education he served as Regional Vice President, where he oversaw 18 Account Executives and was responsible for the daily business in the region. Previous assignments include serving as Account Executive with Mohawk in South Florida for 15 years. Prior to joining Mohawk, Earle was the Director of Commercial Business for a local flooring dealer in Miami, FL. He was responsible for business development, project management, estimating, and for the P&L of the commercial division. Earle has served in his community as President of the Southwest Kiwanis Club, and continues to donate time to other charitable organizations in the community.

10.1.2.	*Key Staff.* Provide the names, roles, and tenure with the company of other key staff members who will be working with Equalis Group in such areas as sales management, field sales, marketing, collateral development and approval, accounting, and reporting.

David Dembowitz – Sr. Vice President Mohawk Group
(770) 314-0182 | david_dembowitz@mohawkind.com
David Dembowitz grew up in the construction industry. He has worked in floorcovering for 18 years in various capacities starting as an Account Executive. He currently serves as Senior Vice President, Government and Education overseeing 12 Regional Vice Presidents, 5 Strategic Account Managers, and 143 Account Executives.

AnnaLeigh Warmack – Manager Compliance & Contracting Mohawk Group
(706) 459-4965 | annaleigh_warmack@mohawkind.com
AnnaLeigh Warmack started her career with Mohawk and has spent the last 10 years in different capacities including hospitality, turnkey, and government contracts. She is currently the Manager of Contracting and Compliance for Mohawk Group. She holds an MBA with majors in Business Administration and Management.

Stacey Ridley - Contract Coordinator Mohawk Group
(706) 879-6582 | stacey_ridley@mohawkind.com
Stacey Ridley is the Contract Coordinator for Mohawk Group. She has 27 years of experience in the flooring industry, including 4 years in administration, 14 years in manufacturing/administration, 8 years of project management of installations in the commercial and government sectors, and 2 years of contract coordination. She holds a BS in Organizational Management.

Andy Ostman, Director MohawkOne Installation Services
(404) 790-7567 | andy_ostman@mohawkind.com
Andy Ostman is responsible for leading our MohawkOne Group located in Calhoun, Georgia. He was recruited to Mohawk to increase our customer's experience through our turnkey service offerings. Starting in the flooring industry in 1986 at a full-service flooring dealer he has gained great knowledge of the turnkey side of the flooring industry. Andy founded the company Renovisions in 1991, which was the first company to offer occupied office carpet replacement. Renovisions developed tools (seven patents) and labor to handle all size carpet replacement projects throughout North America and Europe. In 1996 Ostman sold Renovisions to

Interface. His professional relationships and knowledge gained over the last 30 years in the flooring industry make him an industry leader in turnkey services. Andy received a BS degree from Penn State University. Michele Vowell, Sr. Project Manager MohawkOne (706) 879-9199 | michele_vowell@mohawkind.com Michele Vowell assists in leading our MohawkOne Group with a focus in the Corporate and Retail sector. Michele began her career with Mohawk in 1994 in the Customer Experience/Claims arena. During her tenure, she has gained an advanced knowledge of industry standards, installation practices, and project management. Michele received a Bachelor's degree in Organizational Management from Covenant College. Teresa Scardino, MohawkOne, Project Manager (706) 272-1943 | teresa_scardino@mohawkind.com Teresa Scardino has over 14 years' experience in the flooring industry, including various roles in Residential, Hospitality and Commercial divisions of Mohawk. She has successfully handled national accounts, big box accounts and key builder accounts and trained customer service representatives. Currently she manages turnkey projects for the commercial and government sectors. She holds a certificate in Microsoft Office Suite from Dalton State College. Kevin Bienkowski, Segment Marketing Manager, Education/Government Mohawk Group (706) 844-4108 | kevin_bienkowski@mohawkind.com Kevin Bienkowski is the Mohawk Group Government segment marketing manager. Kevin graduated from Manhattan College in 2016 with a BS in Marketing and started his career with Mohawk shortly thereafter. In his role as government segment marketing manager, Kevin is a strategic partner that supports government customers and Account Executives with marketing initiatives and campaigns tailored specifically to the needs of the segment.

10.1.3.	*Organizational Chart.* Provide an organizational chart describing the roles and reporting relationships of senior management and departments or divisions within your company.

Organizational Chart attached: Technical Proposal – Mohawk Carpet Distribution, Inc. – Section 10.1.3. – Organizational Chart

10.1.4.	*Sales Organization.* Provide a description of your sales organization, including key staff members, the size of the organization, in-house vs. third-party sales resources, geographic territories, vertical market segmentation, segmentation by account size, inside sales, field sales, and how sales representatives are compensated (e.g., on gross revenue, profitability, or some other formula).

Mohawk maintains a commercial sales force of 172 people segmented with a government and education focus including a Senior Vice President, a Vice President, 12 Regional Vice Presidents of Sales, 5 Regional Vice Presidents of Strategic Accounts, and 143 Account Executives situated strategically across the United States, Canada, and inside sales. Mohawk views our dealers as partners in our daily operations. Mohawk partners with 481 local subcontractor/dealers who will serve as the labor subcontractors if awarded this contract, so the relationship maintained with our dealers is vital in the success of our business. Dealers are not direct Mohawk employees and will be locally subcontracted for work to be performed in their respective areas.

10.2. Contract Implementation Strategy & Expectations

10.2.1.	*Five (5) Year Sales Vision & Strategy.* A piggybackable Master Agreement with Equalis Group provides your company with an opportunity to win new and renew existing local government and educational institution business through an exemption to the traditional bid/RFP process. In other words, public sector entities that want to purchase your company's products and services can do so without having to conduct a bid or RFP. Describe your company's vision and strategy to leverage a piggybackable Master Agreement with Equalis Group to win and retain local government and educational institution business over the next five (5) years.

Mohawk aggressively presents to all public entities cooperative buying agreements to provide them with an easy procurement method. We feel this helps us with customer loyalty, as well as, provide a solution to our customer for a seamless procurement process.

Every year Mohawk holds regional meetings with our segmented salesforce to update the team on any new contracts and/or changes in contracts. Upon award, Mohawk will host a webinar, as well as, regional meetings briefing the team on the new Equalis Group contract so they are aware of the advantages offered by utilizing Equalis Group. Mohawk plans to increase business opportunities with government, higher education, and K-12 school districts by building relationships with members key decision makers. Mohawk will invest in our government/education sales team so that they are well versed in the product portfolio being offered under the Equalis Group contract. With this knowledge and the key relationship with Equalis Group members, it is our focus to ensure the one source solution is the best option the member can obtain in the market.

10.2.2.	*Driving Program Participation & Revenue.* What geographies and public sector vertical markets will be targeted and in what timeframe?

Mohawk works in all 50 states and petitions local state and federal governments, as well as, K-12 and higher education. Mohawk has a dedicated sales force for the Commercial market segment and promotes this market exclusively.

10.2.3.	*Master Agreement Deployment with Sales Team.* How will the piggybackable Master Agreement be deployed with your public sector sales team?

Upon award, Mohawk will communicate the agreement between Equalis Group and Mohawk to our sales force through training. A strategy will be deployed amongst the sales force to arm them with the necessary tools to grow business with the Equalis Group contract.

10.2.4.	*Sales Team Incentives.* How will your sales team be incentivized to leverage the Equalis Group piggybackable Master Agreement when pursuing public sector business?

Mohawk Group Sales team are incentivized based on sales growth.

10.2.5.	*Revenue Objectives.* What are your revenue objectives in each of the five (5) years of the piggybackable Master Agreement?

Based upon the market conditions, Mohawk has seen a fluctuation in sales over the last six months. Historically, Mohawk would propose the following:

Year 1- $500K

Year 2- $750K

Year 3- $1M

Year 4- $1.3M

Year 5- $1.6M

10.3. Administrative Fee & Reporting

10.3.1.	*Administrative Fee.* Equalis Group generates revenue as a percentage of the Winning Supplier's revenue from local government and educational institutions purchasing products and services from Winning Supplier through the piggybackable Master Agreement between the Winning Supplier and Equalis Group. The Administrative Fee is designed to align the interests of the Winning Supplier and Equalis Group – Equalis Group only generates revenue when the Winning Supplier generates revenue	☒ Yes ☐ No

	based on Program utilization by current and future Members. The Administrative Fee for this Program is two percent (2%) of the Winning Supplier's Program revenue, payable upon invoice issued by the Winning Supplier to participating Equalis Group Members. Confirm that, if selected as the Winning Supplier of this RFP process, Bidder agrees to this Administrative Fee structure.	
At the end of each quarter, the Mohawk accounting team will assess the sales under the Equalis Group strategic account code and process the quarterly administrative fees against the data pulled for the quarter product sales.		
10.3.2.	*Sales & Administrative Fee Reporting.* Equalis Group requires monthly reports detailing sales invoiced the prior month and associated Administrative Fees earned by the 15th of each month and reports detailing the prior calendar year's sales invoiced and Administrative Fees earned within thirty (30) days following the end of the calendar year. Confirm that your company will meet or exceed this reporting requirement. If your company cannot meet this reporting requirements schedule, explain why and propose an alternative time schedule for providing these reports to Equalis Group.	☐ Yes ☒ No
Mohawk Group proposes that on or before the seventy-fifth (75th) day of each quarter close, Winning Supplier shall remit to Equalis Group an administrative fee payment of two percent (2%) of the total Winning Supplier revenue invoiced to Program Participants during the prior calendar month. "Spend" shall mean the cumulative purchases of Products & Services by Program Participants under the Master Agreement net of taxes, shipping costs, returns, and credits.		

ATTACHMENT C: REQUIRED BIDDER INFORMATION & CERTIFICATIONS EQUALIS GROUP: COMMERCIAL FLOORING MATERIALS WITH INSTALLATION AND RELATED SERVICES & SOLUTIONS PROGRAM

Purpose of this Attachment C: CCOG requires the following information about Bidders who submit proposals in response to any CCOG request for proposal ("**RFP**") in order to facilitate the execution of the master group purchasing agreement ("**Master Agreement**") with the winning supplier ("**Winning Supplier**"). CCOG reserves the right to reject a Bidder's proposal if a Bidder fails to provide this information fully, accurately, and by the deadline set by CCOG in **RFP Section 1.3 – Anticipated Procurement Timetable**. Further, some of this information (as identified below) **must** be provided in order for CCOG to accept and consider a Bidder's proposal. **Failure to provide such required information may result in a Bidder's proposal being deemed nonresponsive to this RFP.**

Instructions: provide the following information about the Bidder. Bidders may a) complete this document in Microsoft Word by completing the form fields, print this attachment, and sign it in the designated signature areas, b) complete this document using the form fields, print to .pdf, and provide certified electronic signatures in the designated signature areas, or c) print this attachment, complete it, and sign it in the designated signature areas. It is mandatory that the information provided is certified with an original signature (in blue ink, please) or signed using a certified electronic signature by a person with sufficient authority and/or authorization to represent Bidder. Bidders are to provide the completed and signed information and certifications in **Tab 1** of the Technical Proposal submitted to CCOG as described in **RFP Section 4.2 – Format for Organization of the Proposal**.

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equalis GROUP

Bidders must provide all the information outlined below

1. **Equalis Group RFP Name:** ***RFP # COG-2101***	2. **Proposal Due Date:** ***September 3, 2020***
3. **Bidder Name:** Mohawk Carpet Distribution, Inc. *(legal name of the entity responding to RFP)*	4. **Bidder Federal Tax ID # or Social Security #:** ***58-2173403***
5. **Bidder Corporate Address:** Mohawk Carpet Distribution, Inc. 160 South Industrial Blvd. Calhoun, GA 30701	6. **Bidder Remittance Address** *(or "same" if same as Item#5):* Same

7. **Print or type information about the Bidder representative/contact person authorized to answer questions regarding the proposal submitted by yourcompany:**

Bidder Representative:	***Lacreta Hackney***
Representative's Title:	***Strategic Accounts Coordinator***
Address 1:	**Mohawk Carpet Distribution,Inc.**
Address 2:	**160 South Industrial Blvd.**
City, State Zip:	**Calhoun, GA 30701**
Phone #:	***706-624-2187***
Fax #:	Click or tap here to enter text.
E-Mail Address:	**lacreta_hackney@mohawkind.com**

8. **Print or type the name of the Bidder representative authorized to address contractual issues, including the authority to execute a contract on behalf of Bidder, and to whom legal notices regarding contract termination or breach, should be sent** *(if not the same individual as in #7, provide the following information on each such representative and specify their function):*

Bidder Representative:	***Annaleigh Warmack***
Representative's Title:	***Manager of Contracting and Compliance***
Address 1:	**Mohawk Carpet Distribution, Inc.**
Address 2:	**160 South Industrial Blvd.**
City, State Zip:	**Calhoun, GA 30701**
Phone #:	***706-879-6554***
Fax #:	Click or tap here to enter text.
E-Mail Address:	**annaleigh_warmack@mohawkind.com**

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9. **Is this Bidder an Ohio certified Minority BusinessEnterprise ("MBE")?** Yes ☐ No ☒

If yes, attach a copy of current certification to your proposal as an appendix in the third section of your proposal.

10. **Mandatory Supplier Certifications:**

CCOG may not enter into contracts with any suppliers who have been found to be ineligible for state contracts under specific federal or Ohio statutes or regulations. Bidders responding to any CCOG RFP MUST certify that they are NOT ineligible by signing each of the four statements below. **Failure to provide proper affirming signature on any of these statements will result in a Bidder's proposal being deemed nonresponsive to thisRFP.**

I, Lacreta Hackney *(insert signature of representative shown in Item #7 above)*, **hereby certify and affirm that** Mohawk Carpet Distribution, Inc., **has not been debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in transactions by the Unites States Department of Labor, the United States Department of Health and Human Services, or any other federal department or agency as set forth in 29 CFR Part 98, or 45 CFR Part 76, or other applicablestatutes.**

AND

I, Lacreta Hackney *(insert signature of representative shown in Item #7 above)*, **hereby certify and affirm that** Mohawk Carpet Distribution, Inc., **is in compliance with all federal, state, and local laws, rules, and regulations, including but not limited to the Occupational Safety and Health Act and the Ohio Bureau of Employment Services and the following:**

- Not penalized or debarred from any public contracts or falsified certified payroll records or any other violation of the Fair Labor Standards Act in the last three (3) years;
- Not found to have violated any worker's compensation law within the last three (3)years;
- Not violated any employee discrimination law within the last three (3)years;
- Not have been found to have committed more than one (1) willful or repeated OSHA violation of a safetystandard *(as opposed to a record keeping or administrative standard)* in the last three (3) years;
- Not have an Experience Modification Rating of greater than 1.5 (a penalty-rated employer) with respect to the Bureau of Workers' Compensation risk assessment rating; and
- Not have failed to file any required tax returns or failed to pay any required taxes to any governmental entity within the past three (3) years.

AND

I Lacreta Hackney *(insert signature of representative shown in Item #7 above)* **hereby certify and affirm that** Mohawk Carpet Distribution, Inc., **is not on the list established by the Ohio Secretary of State, pursuant to ORC Section 121.23, which identifies persons and businesses with more than one unfair labor practice contempt of court finding against them.**

AND

I Lacreta Hackney *(insert signature of representative shown in Item #7 above)* **hereby certify and affirm that** Mohawk Carpet Distribution, Inc., **either is not subject to a finding for recovery under ORC Section 9.24, or has taken appropriate remedial steps required under that statute to resolve any findings for recovery, or otherwise qualifies under that section to enter into contracts withCCOG.**

equalis GROUP

11. Supplemental Bidder Contract and Equal Employment Opportunity Information:

A. Provide data on Bidder employees both nationwide (inclusive of Ohio staff) and the number of Ohio employees:

	Nationwide:	Ohio Offices:
Total Number of Employees:	18,920	111
% of those who are Women:	31%	22%
% of those who are Minorities:	43%	11%

B. If you are selected as the Winning Supplier and this RFP involves the provision of services to Equalis Group Members, will you subcontract any part of the work?

☐ NO *-or-*

☒ YES, but for less than 50% of the work *-or-*

☐ YES, for 50% or more of the work

C. If any part of your proposal would be performed by any subcontractors, provide the following information on each subcontractor *(additional pages may be added as needed)*:

Subcontractor Name: Name

Street Address 1: Street Address 1

Street Address 2: Street Address 2

City, State Zip: City, State Zip

Work to be Performed: Description of Work

Estimated percentage of total proposal to be performed by subcontractors: 100 %
(Do NOT show dollar amounts here; show % of WORK sub-contractors will perform/provide). Define the part of the work that will be performed by each subcontractor.

Subcontractor's employee information *(attach additional pages if needed)*:

	Nationwide:	Ohio Offices:
Total Number of Employees:	____	____
% of those who are Women:	____	____
% of those who are Minorities:	____	____

MohawkOne utilizes local or national installation companies via subcontract, dependent upon your needs. All installers are vetted and Mohawk approved, and many are factory or field trained by our Field Managers. These subcontractors would be servicing 100% of the Equalis' locations.

12. Bidder has reviewed the Model Master Agreement attached to the RFP as Attachment E, and if awarded a contract, ☐ Bidder will not (or) ☒ Bidder will request changes to the standard language and has marked the requested changes and returned the model document with this proposal for consideration by CCOG and Equalis Group, LLC. *(All requested changes to Model Master Agreement contract language are subject to negotiation and CCOG and Equalis Group, LLC approval.)*

13. Bidder has reviewed the Model Administration Agreement attached to the RFP as Attachment E, and if awarded a contract, ☐ Bidder will not (or) ☒ Bidder will request changes to the standard language and has marked the requested changes and returned the model document with this proposal for consideration by Equalis Group, LLC. *(All requested changes to Model Administration Agreement contract language are subject to negotiation and Equalis Group, LLC approval.)*

14. I *Lacreta Hackney*, *(insert signature of representative shown in Item #7 above)* **hereby affirm that this proposal accurately represents the capabilities and qualifications of** Mohawk Carpet Distribution, Inc.**, and I hereby affirm that the cost(s) proposed to CCOG for the performance of services and/or provision of goods covered in this proposal in response to this CCOG RFP is a firm fixed price structure as described in the Cost Proposal, inclusive of all incidental as well as primary costs.** *(Failure to provide the proper affirming signature on this item may result in the disqualification of yourproposal.)*

15. Additional Documents:

CCOG makes every attempt to meet the varying legal requirements of public agencies across the country. The documents included in this section are intended to give our contracts the broadest geographic reach by meeting the procurement requirements of other states outside of Ohio.

15.1. Lobbying Certification

Submission of this certification is a prerequisite for making or entering into this transaction and is imposed by Section 1352, Title 31, U.S. Code. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Any person who fails to file the required certification shall be subject to civil penalty of not less than ten thousand dollars ($10,000) and not more than one hundred thousand dollars ($100,000) for eachsuchfailure.

The undersigned certifies, to the best of his/her knowledge and belief, on behalf of Bidder that:

1. No Federal appropriated funds have been paid or will be paid on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of a Federal contract, the making of a Federal grant, the making of a Federal loan, the entering into a cooperative agreement, and the extension, continuation, renewal, amendment, or modification of a Federal contract, grant, loan, orcooperativeagreement.

2. If any funds other than Federal appropriated funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure of Lobbying Activities," in accordance withitsinstructions.

3. The undersigned shall require that the language of this certification be included in the award documents for all covered sub-awards exceeding one hundred thousand dollars ($100,000) in Federal funds at all appropriate tiers and that all sub-recipients shall certify and disclose accordingly.

Lacreta Hackney

Signature of Bidder representative

15.2. Boycott Certification

Bidder must certify that during the term of any Agreement, it does not boycott Israel and will not boycott Israel. "Boycott" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Lacreta Hackney

Signature of Bidder representative

15.3. Federal Funds Certification Form (EDGAR)

When a participating agency seeks to procure goods and services using funds under a federal grant or contract, specific federal laws, regulations, and requirements may apply in addition to those under state law. This includes, but is not limited to, the procurement standards of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR 200 (sometimes referred to as the "Uniform Guidance" or "EDGAR" requirements). All bidders submitting proposals must complete this Federal Funds Certification Form regarding bidder's willingness and ability to comply with certain requirements which may be applicable to specific participating agency purchases using federal grant funds. This completed form will be made available to Members for their use while considering their purchasing options when using federal grant funds. Members may also require Supplier Partners to enter into ancillary agreements, in addition to the contract's general terms and conditions, to address the member's specific contractual needs, including contract requirements for a procurement using federal grants or contracts.

For each of the items below, respondent should certify bidder's agreement and ability to comply, where applicable, by having respondents authorized representative complete and initial the applicable lines after each section and sign the acknowledgment at the end of this form. If a respondent fails to complete any item in this form, CCOG will consider the respondent's response to be that they are unable or unwilling to comply. A negative response to any of the items may, if applicable, impact the ability of a participating agency to purchase from the Supplier Partner using federalfunds.

15.3.1. Supplier Partner Violation or Breach of ContractTerms

Contracts for more than the simplified acquisition threshold currently set at one hundred fifty thousand dollars ($150,000), which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 USC 1908, must address administrative, contractual, or legal remedies in instances where Supplier Partners violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

Any contract award will be subject to Terms and Conditions of the Master Agreement, as well as any additional terms and conditions in any purchase order, participating agency ancillary contract, or Member construction contract agreed upon by Supplier Partner and the participating agency which mut be consistent with and protect the participating agency at least to the same extent as the CCOG Terms and Conditions.

The remedies under the contract are in addition to any other remedies that may be available under law or in equity. By submitting a proposal, you agree to these Supplier Partner violation and breach of contract terms.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.2. Termination for Cause or Convenience

When a participating agency expends federal funds, the participating agency reserves the right to immediately terminate any agreement in excess of ten thousand dollars ($10,000) resulting from this procurement process in the event of a breach or default of the agreement by Offeror in the event Offeror fails to: (1) meet schedules, deadlines, and/or delivery dates within the time specified in the procurement solicitation, contract, and/or a purchase order; (2) make any payments owed; or (3) otherwise perform in accordance with the contract and/or the procurement solicitation. Participating agency also reserves the right to terminate the contract immediately, with written notice to offeror, for convenience, if participating agency believes, in its sole discretion that it is in the best interest of participating agency to do so. Bidder will be compensated for work performed and accepted and goods accepted by participating agency as of the termination date if the contract is terminated for convenience of participating agency. Any award under this procurement process is not exclusive and participating agency reserves the right to purchase goods and services from other offerors when it is in participating agency'sbestinterest.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.3. Equal Employment Opportunity

Except as otherwise provided under 41 CFR Part 60, all participating agency purchases or contracts that meet the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 shall be deemed to include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR Part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

The equal opportunity clause provided under 41 CFR 60-1.4(b) is hereby incorporated by reference. Supplier Partner agrees that such provision applies to any participating agency purchase or contract that meets the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 and Supplier Partner agrees that it shall comply with suchprovision.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.4. Davis-Bacon Act

When required by Federal program legislation, Supplier Partner agrees that, for all participating agency prime construction contracts/purchases in excess of two thousand dollars ($2,000), Supplier Partner shall comply with the Davis-Bacon Act (40 USC 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, Supplier Partner is required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determinate made by the Secretary of Labor. In addition, Supplier Partner shall pay wages not less than once a week.

Current prevailing wage determinations issued by the Department of Labor are available at www.wdol.gov. Supplier Partner agrees that, for any purchase to which this requirement applies, the award of the purchase to the Supplier Partner is conditioned upon Supplier Partner's acceptance of the wage determination.

Supplier Partner further agrees that it shall also comply with the Copeland "Anti-Kickback" Act (40 USC 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States". The Act provides that each Supplier Partner or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.5. Contract Work Hours and Safety Standards Act

Where applicable, for all participating agency contracts or purchases in excess of one hundred thousand dollars ($100,000) that involve the employment of mechanics or laborers, Supplier Partner agrees to comply with 40 USC 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5). Under 40 USC 3702 of the Act, Supplier Partner is required to compute the wages of every mechanic and laborer on the basis of a standard work week of forty (40) hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of forty (40) hours in the work week. The requirements of 40 USC 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.6. Right to Inventions Made Under a Contract or Agreement

If the participating agency's Federal award meets the definition of "funding agreement" under 37 CFR 401.2(a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance or experimental, developmental, or research work under that "funding agreement," the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

Supplier Partner agrees to comply with the above requirements when applicable.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.7. Clean Air Act and Federal Water Pollution Control Act

Clean Air Act (42 USC 7401-7671q.) and the Federal Water Pollution Control Act (33 USC 1251-1387), as amended – Contracts and subgrants of amounts in excess of one hundred fifty thousand dollars ($150,000) must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 USC 7401-7671q.) and the Federal Water Pollution Control Act, as amended (33 USC 1251-1387). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

When required, Supplier Partner agrees to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.8. Debarment and Suspension

Debarment and Suspension (Executive Orders 12549 and 12689) – A contract award (see 2 CFR 180.220) must not be made to parties listed on the government-wide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR Part 1966 Comp. p. 189) and 12689 (3CFR Part 1989 Comp. p. 235), "Debarment and Suspension." SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Supplier Partner certifies that Supplier Partner is not currently listed on the government-wide exclusions in SAM, is not debarred, suspended, or otherwise excluded by agencies or declared ineligible under statutory or regulatory authority other than Executive Order 12549. Supplier Partner further agrees to immediately notify the Cooperative and all Members with pending purchases or seeking to purchase from Supplier Partner if Supplier Partner is later listed on the government-wide exclusions in SAM, or is debarred, suspended, or otherwise excluded by agencies or declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.9. Byrd Anti-Lobbying Amendment

Byrd Anti-Lobbying Amendment (31 USC 1352) – Supplier Partners that apply or bid for an award exceeding one hundred thousand dollars ($100,000) must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 USC 1352. Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the non-Federal award. As applicable, Supplier Partner agrees to file all certifications and disclosures required by, and otherwise comply with, the Byrd Anti-Lobbying Amendment (31 USC1352).

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.10. Procurement of Recovered Materials

For participating agency purchases utilizing Federal funds, Supplier Partner agrees to comply with Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act where applicable and provide such information and certifications as a participating agency may require to confirm estimates and otherwise comply. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR Part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds ten thousand dollars ($10,000) or the value of the quantity acquired during the preceding fiscal year exceeded ten thousand dollars ($10,000); procuring solid waste management services in a manner that maximizes energy and resource recovery, and establishing an affirmative procurement program for procurement of recovered materials identified in the EPAguidelines.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.11. Profit as a Separate Element of Price

For purchases using federal funds in excess of one hundred fifty thousand dollars ($150,000), a participating agency may be required to negotiate profit as a separate element of the price. See, 2 CFR 200.323(b). When required by a participating agency, Supplier Partner agrees to provide information and negotiate with the participating agency regarding profit as a separate element of the price for a particular purchase. However, Supplier Partner agrees that the total price, including profit, charged by Supplier Partner to the participating agency shall not exceed the awarded pricing, including any applicable discount, under Supplier Partner's Group Purchasing Agreement.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.12. General Compliance and Cooperation with Members

In addition to the foregoing specific requirements, Supplier Partner agrees, in accepting any purchase order from a Member, it shall make a good faith effort to work with Members to provide such information and to satisfy such requirements as may apply to a particular participating agency purchase or purchases including, but not limited to, applicable recordkeeping and record retention requirements.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.13. Applicability to Subcontractors

Offeror agrees that all contracts it awards pursuant to the Contract shall be bound by the foregoing terms and conditions.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

By signature below, I certify that the information in this form is true, complete, and accurate and that I am authorized by my company to make this certification and all consents and agreements contained herein.

Mohawk Carpet Distribution, Inc.
Bidder Name

Lacreta Hackney
Signature of Authorized Company Official

Lacreta Hackney
Printed Name

Strategic Accounts Coordinator
Title

September 1, 2020
Date

16. Required Documents for Supplier Partners Intending to Do Business in NewJersey

16.1. Ownership Disclosure Form

Pursuant to the requirements of P.L. 1999, Chapter 440 effective April 17, 2000 (Local Public Contracts Law), Bidder shall complete the form attached to these specifications listing the persons owning 10 percent (10%) or more of the firm presenting the proposal.

Bidder Name:	**Mohawk Carpet Distribution, Inc.**
Street Address:	**160 South Industrial Blvd.**
City, State Zip:	**Calhoun, GA 30701**

Complete as appropriate:

I Click or tap here to enter text., *certify that I am the sole owner of* Click or tap here to enter text., *that there are no partners and the business is not incorporated, and the provisions of N.J.S. 52:25-24.2 do not apply.*

OR:

I Click or tap here to enter text., *a partner in* Click or tap here to enter text., *do hereby certify that the following is a list of all individual partners who own a* 10 percent (10%) *or greater interest therein. I further certify that if one (1) or more of the partners is itself a corporation or partnership, there is also set forth the names and addresses of the stockholders holding 10 percent (10%) or more of that corporation's stock or the individual partners owning 10%or greater interest in that partnership.*

OR:

I **Lacreta Hackney**, *an authorized representative of* Mohawk Carpet Distribution, Inc., *a corporation, do hereby certify that the following is a list of the names and addresses of all stockholders in the corporation who own 10% or more of its stock of any class. I further certify that if one (1) or more of such stockholders is itself a corporation or partnership, that there is also set forth the names and addresses of the stockholders holding* 10 percent (10%) *or more of the corporation's stock or the individual partners owning a* 10 percent (10%) *or greater interest in that partnership.*

(Note: If there are no partners or stockholders owning 10% or more interest, indicate none.)

NAME	ADDRESS	% INTEREST
Jeffrey S. Lorberbaum	160 South Industrial Blvd., Calhoun, Georgia 30701	14.4
Aladdin Partners, L.P.	160 South Industrial Blvd., Calhoun, Georgia 30701	11.5

I further certify that the statements and information contained herein, are complete and correct to the best of my knowledge and belief.

Lacreta Hackney
Authorized Signature and Title

September 1, 2020
Date

16.2. Non-Collusion Affidavit (to be completed and included with each proposal submitted to Members in NJ)

Bidder Name: **Mohawk Carpet Distribution, Inc.**

Street Address: **160 South Industrial Blvd.**

City, State Zip: **Calhoun, GA 30701**

State of Georgia

County of Gordon

I, Lacreta Hackney of the Calhoun in the County of Gordon, State of Georgia of full age, being duly sworn according to law on my oath depose and say that:

I am the Strategic Accounts Coordinator of the firm of Mohawk Carpet Distribution, Inc., the Bidder making the proposal for the goods, services, or public work specified under the attached proposal, and that I executed the said proposal with full authority to do so; that said respondent has not directly or indirectly entered into any agreement, participated in any collusion, or otherwise taken any action in restraint of free, competitive bidding in connection with the above proposal, and that all statements contained in said bid proposal and in this affidavit are true and correct, and made with full knowledge that the Customer Name *relies upon the truth of the statements contained in said bid proposal and in the statements contained in this affidavit in awarding the contract for the said goods, services, or publicwork.*

I further warrant that no person or selling agency has been employed or retained to solicit or secure such contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except bona fide employees or bona fide established commercial or selling agencies maintainedby:

Mohawk Carpet Distribution, Inc.

Lacreta Hackney
Authorized Signature

Strategic Accounts Coordinator

Subscribed and sworn before me

this 1st day of Sept, 2020

Notary Public of Georgia
My commission expires Aug 14, 2020

SEAL

TANDY KNUDSTRUP
My Commission Expires
NOTARY PUBLIC
August 14, 2024
COBB COUNTY, GEORGIA

16.3. Affirmative Action Affidavit
(P.L. 1975, C.127)

Bidder Name: Mohawk Carpet Distribution, Inc.

Street Address: 160 South Industrial Blvd.

City, State Zip: Calhoun, GA 30701

Bid Proposal Certification:
Indicate below your compliance with New Jersey Affirmative Action regulations. Your proposal will be accepted even if you are not in compliance at this time. No contract and/or purchase order may be issued, however, until all Affirmative Action requirements are met.

Required Affirmative Action Evidence:
Procurement, Professional & Service Contracts (Exhibit A)

Supplier Partners must submit with proposal:

1. *A photocopy of their Federal Letter of Affirmative Action Plan Approval*

   OR

2. *A photocopy of their Certificate of Employee Information Report*

   OR

3. *A complete Affirmative Action Employee Information Report (AA302)*

Public Work – Over Fifty Thousand Dollars ($50,000) Total Project Cost:

Check One –

☐ *No approved Federal or New Jersey Affirmative Action Plan. We will complete Report Form AA201-A upon receipt from the* Customer Name, *or*

[x] *Approved Federal or New Jersey Plan – certificate enclosed*
Updated certificate has been requested and will be submitted upon receipt.

I further certify that the statements and information contained herein, are complete and correct to the best of my knowledge and belief.

Mohawk Carpet Distribution, Inc.

Lacreta Hackney
Authorized Signature

Strategic Accounts Coordinator

September 1, 2020

P.L. 1995, c. 127 (N.J.A.C. 17:27)
MANDATORY AFFIRMATIVE ACTION LANGUAGE

PROCUREMENT, PROFESSIONAL & SERVICE CONTRACTS

During the performance of this contract, the Supplier Partner agrees as follows:

The Supplier Partner or subcontractor, where applicable, will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. The Supplier Partner will take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Supplier Partner agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Public Agency Compliance Officer setting forth provisions of this non-discriminationclause.

The Supplier Partner or subcontractor, where applicable will, in all solicitations or advertisement for employees placed by or on behalf of the Supplier Partner, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation.

The Supplier Partner or subcontractor, where applicable, will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer advising the labor union or workers' representative of the Supplier Partner's commitments under this act and shall post copies of the notice in conspicuous places available to employees and applicants foremployment.

The Supplier Partner or subcontractor, where applicable, agrees to comply with any regulations promulgated by the Treasurer pursuant to P.L. 1975, c. 127, as amended and supplemented from time to time and the Americans with DisabilitiesAct.

The Supplier Partner or subcontractor agrees to attempt in good faith to employ minority and female workers trade consistent with the applicable county employment goal prescribed by N.J.A.C. 17:27-5.2 promulgated by the Treasurer pursuant to P.L. 1975, C.127, as amended and supplemented from time to time or in accordance with a binding determination of the applicable county employment goals determined by the Affirmative Action Office pursuant to N.J.A.C. 17:27-5.2 promulgated by the Treasurer pursuant to P.L. 1975, C.127, as amended and supplemented from timetotime.

The Supplier Partner or subcontractor agrees to inform in writing appropriate recruitment agencies in the area, including employment agencies, placement bureaus, colleges, universities, labor unions, that it does not discriminate on the basis of age, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation, and that it will discontinue the use of any recruitment agency which engages in direct or indirect discriminatory practices.

The Supplier Partner or subcontractor agrees to revise any of it testing procedures, if necessary, to assure that all personnel testing conforms with the principles of job-related testing, as established by the statutes and court decisions of the state of New Jersey and as established by applicable Federal law and applicable Federal courtdecisions.

The Supplier Partner or subcontractor agrees to review all procedures relating to transfer, upgrading, downgrading and lay-off to ensure that all such actions are taken without regard to age, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation, and conform with the applicable employment goals, consistent with the statutes and court decisions of the State of New Jersey, and applicable Federal law and applicable Federal court decisions.

The Supplier Partner and its subcontractors shall furnish such reports or other documents to the Affirmative Action Office as may be requested by the office from time to time in order to carry out the purposes of these regulations, and public agencies shall furnish such information as may be requested by the Affirmative Action Office for conducting a compliance investigation pursuant to Subchapter 10 of the Administrative Code (NJAC17:27).

Lacreta Hackney
Signature of Procurement Agent

16.4. Political Contribution Disclosure Form

Public Agency Instructions
This page provides guidance to public agencies entering into contracts with business entities that are required to file Political Contribution Disclosure forms with the agency. **It is not intended to be provided to Supplier Partners.** What follows are instructions on the use of form local units can provide to Supplier Partners that are required to disclose political contributions pursuant to N.J.S.A. 19:44A-20.26 (P.L. 2005, c. 271, s.2). Additional information on the process is available in Local Finance Notice 2006-1 (**www.nj.gov/dca/lgs/lfns/lfnmenu.shtml**).

1. The disclosure is required for all contracts in excess of seventeen thousand five hundred dollars ($17,500) thatare **not awarded** pursuant to a "fair and open" process (N.J.S.A. 19:44A-20.7).
2. Due to the potential length of some Supplier Partner submissions, the public agency should consider allowing data to be submitted in electronic form (i.e., spreadsheet, pdf file, etc.). Submissions must be kept with the contract documents or in an appropriate computer file and be available for public access. **The form is worded to accept this alternate submission.** The text should be amended if electronic submission will notbeallowed.
3. The submission must be **received from the Supplier Partner and** on file at least ten (10) days prior to award of the contract. Resolutions of award should reflect that the disclosure has been received and is onfile.
4. The Supplier Partner must disclose contributions made to candidate and party committees covering a wide range of public agencies, including all public agencies that have elected officials in the county of the public agency, state legislative positions, and various state entities. The Division of Local Government Services recommends that Supplier Partners be provided a list of the affected agencies. This will assist Supplier Partners in determining the campaign and political committees of the officials and candidates affected by thedisclosure.
    a) The Division has prepared model disclosure forms for each county. They can be downloaded from the "County PCD Forms" link on the Pay-to-Play web site at **www.nj.gov/dca/lgs/p2p**. They will be updated from time-to-time, as necessary.
    b) A public agency using these forms **should edit them to properly reflect the correct legislative district**(s). As the forms are county-based, **they list all legislative districts** in each county. **Districts that do not represent the public agency should be removed from thelists.**
    c) Some Supplier Partners may find it easier to provide a single list that covers all contributions, regardless of the county. These submissions are appropriate and should be accepted.
    d) The form may be used "as-is", subject to edits asdescribedherein.
    e) The "Supplier Partner Instructions" sheet is intended to be provided with the form. It is recommended that the Instructions and the form be printed on the same piece of paper. The form notes that the Instructions are printed on the back of the form; where that is not the case, the text should be editedaccordingly.
    f) The form is a Word document and can be edited to meet local needs, and posted for download on web sites, used as an e-mail attachment, or provided as a printeddocument.
5. It is recommended that the Supplier Partner also complete a "Stockholder Disclosure Certification." This will assist the local unit in its obligation to ensure that Supplier Partner did not make any prohibited contributions to the committees listed on the Business Entity Disclosure Certification in the twelve (12) months prior to the contract. (See Local Finance Notice 2006-7 for additional information on this obligation) A sample Certification form is partofthis

package and the instruction to complete it is included in the Supplier Partner Instructions. **NOTE: This section is not applicable to Boards of Education.**

C. 271 POLITICAL CONTRIBUTION DISCLOSURE FORM
Supplier Partner Instructions

Supplier Partners receiving contracts from a public agency that are NOT awarded pursuant to a "fair and open" process (defined at N.J.S.A. 19:44A-20.7) are subject to the provisions of P.L. 2005, c. 271, s.2 (N.J.S.A. 19:44A-20.26). This law provides that ten (10) days prior to the award of such a contract, the Supplier Partner shall disclose contributions to:

1) any State, county, or municipal committee of a politicalparty,
2) any legislative leadership committee[1],
3) any continuing political committee (a.k.a., political action committee),
4) any candidate committee of a candidate for, or holder of, anelectiveoffice:
   a) of the public entity awarding the contract,
   b) of that county in which that public entity is located,
   c) of another public entity within thatcounty,
   d) or of a legislative district in which that public entity is located or, when the public entity is a county, of any legislative district which includes all or part of the county. The disclosure must list reportable contributions to any of the committees that exceed three hundred dollars ($300) per election cycle that were made during the twelve (12) months prior to award of the contract. See N.J.S.A. 19:44A-8 and 19:44A-16 for more details on reportable contributions.

N.J.S.A. 19:44A-20.26 itemizes the parties from whom contributions must be disclosed when a business entity is not a natural person. This includes the following:

1) individuals with an "interest" ownership or control of more than ten percent (10%) of the profits or assets of a business entity or 10% of the stock in the case of a business entity that is a corporationforprofit,
2) all principals, partners, officers, or directors of the business entity or theirspouses,
3) any subsidiaries directly or indirectly controlled by the businessentity,
4) IRS Code Section 527 New Jersey based organizations, directly or indirectly controlled by the business entity and filing as continuing political committees, (PACs). When the business entity is a natural person, "a contribution by that person's spouse or child, residing therewith, shall be deemed to be a contribution by the business entity." [N.J.S.A. 19:44A-20.26(b)] The contributor must be listed on the disclosure. Any business entity that fails to comply with the disclosure provisions shall be subject to a fine imposed by ELEC in an amount to be determined by the Commission which may be based upon the amount that the business entity failed to report. The enclosed list of agencies is provided to assist the Supplier Partner in identifying those public agencies whose elected official and/or candidate campaign committees are affected by the disclosure requirement. It is the Supplier Partner's responsibility to identify the specific committees to which contributions may have been made and need to be disclosed. The disclosed information may exceed the minimum requirement. The enclosed form, a content-consistent facsimile, or an electronic data file containing the required details (along with a signed cover sheet) may be used as the Supplier Partner's submission and is disclosable to the public under the Open Public Records Act. The Supplier Partner must also complete the attached Stockholder Disclosure Certification. This will assist the agency in meeting its obligations under thelaw.

NOTE: This section does not apply to Board of Education contracts.

[1] N.J.S.A. 19:44A-3(s): "The term "legislative leadership committee" means a committee established, authorized to be established, or designated by the President of the Senate, the Minority Leader of the Senate, the Speaker of the General Assembly or the Minority Leader of the General Assembly pursuant to section 16 of P.L.1993, c.65 (C.19:44A-10.1) for the purpose of receiving contributions and making expenditures."

C. 271 POLITICAL CONTRIBUTION DISCLOSURE FORM
Required Pursuant to N.J.S.A. 19:44A-20.26

This form or its permitted facsimile must be submitted to the local unit no later than ten (10) days prior to the award of the contract.

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Part I – Supplier Partner Information

Bidder Name:	Mohawk Carpet Distribution, Inc.
Address:	160 South Industrial Blvd.
City: Calhoun	State: GA Zip: 30701

The undersigned being authorized to certify, hereby certifies that the submission provided herein represents compliance with the provisions of N.J.S.A. 19:44A-20.26 and as represented by the Instructions accompanying thisform.

Lacreta Hackney
Authorized Signature

Lacreta Hackney

Strategic Accounts Coordinator

Part II – Contribution Disclosure
Disclosure requirement: Pursuant to N.J.S.A. 19:44A-20.26 this disclosure must include all reportable political contributions (more than three hundred dollars ($300) per election cycle) over the twelve (12) months prior to submission to the committees of the government entities listed on the form provided by the local unit.
☐ Check here if disclosure is provided in electronic form.

Contributor Name	Recipient Name	Date	Dollar Amount
N/A	N/A	N/A	$N/A

☐ Check here if the information is continued on subsequent page(s)

List of Agencies with Elected Officials Required for Political Contribution Disclosure
N.J.S.A. 19:44A-20.26
County Name:
State: Governor, and Legislative Leadership Committees
Legislative District #s:
State Senator and two members of the General Assembly per district.

County:
Freeholders County Clerk Sheriff
{County Executive} Surrogate

Municipalities (Mayor and members of governing body, regardless of title):

USERS SHOULD CREATE THEIR OWN FORM, OR DOWNLOAD FROM WWW.NJ.GOV/DCA/LGS/P2P A COUNTY-BASED, CUSTOMIZABLE FORM.

16.5. Stockholder Disclosure Form

Name of Business:
☒ I certify that the list below contains the names and home addresses of all stockholders holding ten percent (10%) or more of the issued and outstanding stock of the undersigned.
OR
☐ I certify that no one stockholder owns ten percent (10%) or more of the issued and outstanding stock of the undersigned.

Check the box that represents the type of business organization:
☐ Partnership

☒ Corporation
☐ Sole Proprietorship
☐ Limited Partnership
☐ Limited Liability Corporation
☐ Limited Liability Partnership
☐ Subchapter S Corporation

Sign and notarize the form below, and, if necessary, complete the stockholder list below.

Stockholders:

Name: Jeffrey S. Lorberbaum Home Address: 160 South Industrial Blvd. Calhoun, Georgia 30701	Name: Aladdin Partners, L.P. Home Address: 160 South Industrial Blvd. Calhoun, Georgia 30701
Name: Stockholder Name Home Address: Home Address	Name: Stockholder Name Home Address: Home Address
Name: Stockholder Name Home Address: Home Address	Name: Stockholder Name Home Address: Home Address
Subscribed and sworn before me this 1st day of Sept, 2020 (Notary Public) My Commission expires: 8/14/20 TANDY KNUDSTRUP NOTARY PUBLIC COBB COUNTY, GEORGIA My Commission Expires August 14, 2024	Lacreta Hackney (Affiant) Lacreta Hackney (Print name & title) Strategic Accounts Coordinator (Corporate Seal) Mohawk Industries, Inc. Corporate Seal 1988 Delaware MOHAWK

17. Required Documents for Supplier Partners Intending to Do Business in Arizona

17.1. Arizona Supplier Partner Requirements

AZ Compliance with Federal and state requirements. Supplier Partner agrees when working on any federally assisted projects with more than two thousand dollars ($2,000.00) in labor costs, to comply with all federal and state requirements, as well as Equal Opportunity Employment requirements and all other federal and state laws, statutes, etc. Supplier Partner agrees to post wage rates at the work site and submit a copy of their payroll to the member for their files. Supplier Partner must retain records for three years to allow the federal grantor agency access to these records, upon demand. Supplier Partner also agrees to comply with the Arizona Executive Order 75-5, as amended by Executive Order 99-4.

When working on contracts funded with Federal Grant monies, Supplier Partner additionally agrees to comply with the administrative requirements for grants, and cooperative agreements to state, local and federally recognized Indian Tribal Governments.

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AZ Compliance with workforce requirements. Pursuant to ARS 41-4401, Supplier Partner and subcontractor(s) warrant their compliance with all federal and state immigration laws and regulations that relate to their employees, and compliance with ARS 23-214 subsection A, which states, ..."every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program".

CCOG reserves the right to cancel or suspend the use of any contract for violations of immigration laws and regulations. CCOG and its members reserve the right to inspect the papers of any Supplier Partner or subcontract employee who works under this contract to ensure compliance with the warranty above.

AZ Supplier Partner Employee Work Eligibility. By entering into this contract, Supplier Partner agrees and warrants compliance with A.R.S. 41-4401, A.R.S. 23-214, the Federal Immigration and Nationality Act (FINA), and all other Federal immigration laws and regulations. CCOG and/or Equalis Group members may request verification of compliance from any Supplier Partner or subcontractor performing work under this contract. CCOG and Equalis Group members reserve the right to confirm compliance. In the event that CCOG or Equalis Group members suspect or find that any Supplier Partner or subcontractor is not in compliance, CCOG may pursue any and all remedies allowed by law, including but not limited to suspension of work, termination of contract, suspension and/or debarment of the Supplier Partner. All cost associated with any legal action will be the responsibility of the Supplier Partner.

AZ Non-Compliance. All federally assisted contracts to members that exceed ten thousand dollars ($10,000.00) may be terminated by the federal grantee for noncompliance by Supplier Partner. In projects that are not federally funded, respondent must agree to meet any federal, state or local requirements as necessary. In addition, if compliance with the federal regulations increases the contract costs beyond the agreed on costs in this solicitation, the additional costs may only apply to the portion of the work paid by the federalgrantee.

Registered Sex Offender Restrictions (Arizona). For work to be performed at an Arizona school, Supplier Partner agrees that no employee or employee of a subcontractor who has been adjudicated to be a registered sex offender will perform work at any time when students are present, or reasonably expected to be present. Supplier Partner agrees that a violation of this condition shall be considered a material breach and may result in the cancellation of the purchase order at the Equalis Group member's discretion. Supplier Partner must identify any additional costs associated with compliance to this term. If no costs are specified, compliance with this term will be provided at no additionalcharge.

Offshore Performance of Work Prohibited. Due to security and identity protection concerns, direct services under this contract shall be performed within the borders of the United States.

Terrorism Country Divestments. In accordance with A.R.S. 35-392, CCOG and Equalis Group members are prohibited from purchasing from a company that is in violation of the Export Administration Act. By entering into the contract, Supplier Partner warrants compliance with the Export Administration Act.

The undersigned hereby accepts and agrees to comply with all statutory compliance and notice requirements listed in this document.

Lacreta Hackney

Signature of Authorized Representative

September 1, 2020

Form **W-9**
(Rev. October 2018)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

► Go to *www.irs.gov/FormW9* for instructions and the latest information.

Give Form to the requester. Do not send to the IRS.

Print or type. See **Specific Instructions** on page 3.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

Mohawk Carpet Distribution, Inc.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor or single-member LLC ☑ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ► ________

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) ►

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) ________

Exemption from FATCA reporting code (if any) ________

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

160 South Industrial Boulevard

Requester's name and address (optional)

6 City, state, and ZIP code

Calhoun, Georgia 30701

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN,* later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

☐☐☐ – ☐☐ – ☐☐☐☐

or

Employer identification number

5 8 – 2 1 7 3 4 0 3

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here **Signature of U.S. person ►** Cindi Blalock **Date ►** 01/01/2020

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/FormW9.*

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, *later.*

MHK

Form 10-K

MOHAWK®

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-K

[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, 2017.**

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 incorporation or organization)	**(I.R.S. Employer Identification No.)**
160 S. Industrial Blvd., Calhoun, Georgia	**30701**
(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**
Floating Rate Notes due 2019	**New York Stock Exchange**
2.000% Senior Notes due 2022	**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, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	
Non-accelerated filer ☐	Smaller reporting company ☐	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 (61,780,545 shares) on June 30, 2017 (the last business day of the Registrant's most recently completed fiscal second quarter) was $14,931,739,921. 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 26, 2018: 74,425,467 shares of Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2018 Annual Meeting of Stockholders—Part III.

Table of Contents

PART II

ITEM 1. BUSINESS

General

Mohawk Industries, Inc. ("Mohawk" or the "Company") 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 carpet, rugs, ceramic tile, laminate, wood, stone, luxury vinyl tile ("LVT") and vinyl flooring. The Company's industry-leading innovation develops products and technologies that differentiate its brands in the marketplace and satisfy all flooring related remodeling and new construction requirements. The Company's brands are among the most recognized in the industry and include American Olean®, Daltile®, Durkan®, IVC®, Karastan®, Marazzi®, Mohawk®, Pergo®, Quick-Step® and Unilin®. The Company has transformed its business from an American carpet manufacturer into the world's largest flooring company with operations in Australia, Brazil, Canada, Europe, India, Malaysia, Mexico, New Zealand, Russia and the United States. The Company had annual net sales in 2017 of $9.5 billion. Approximately 63% of this amount was generated by sales in the United States and approximately 37% was generated by sales outside the United States. The Company has three reporting segments, Global Ceramic, Flooring North America ("Flooring NA") and Flooring Rest of the World ("Flooring ROW") with net sales in 2017 representing 36%, 42% and 22%, respectively, of the total. Selected financial information for the three segments, geographic net sales and the location of long-lived assets are set forth in Note 15—Segment Reporting.

The Global Ceramic segment designs, manufactures, sources, distributes and markets a broad line of ceramic, porcelain and natural stone tile products used for wall and floor applications in residential and commercial channels for both remodeling and new construction. In addition, the Global Ceramic segment manufactures, sources, and distributes other tile related products, including natural stone, quartz and porcelain slab countertops. The Global Ceramic segment markets and distributes its products under various brands, including the following brand names: American Olean, Daltile, EmilGroup®, KAI, Kerama Marazzi, Marazzi, and Ragno® which it sells through independent distributors, home centers, floor covering retailers, ceramic specialists, commercial contractors and commercial end users. The Global Ceramic segment operations are vertically integrated from the production of raw material for body and glaze preparation to the manufacturing and distribution of ceramic and porcelain tile.

The Flooring NA segment designs, manufactures, sources and distributes its floor covering product lines, in a broad range of colors, textures and patterns in the residential and commercial markets for both remodeling and new construction. The segment's product lines include carpets, rugs, carpet pad, hardwood, laminate, LVT and sheet vinyl. The Flooring NA segment markets and distributes its flooring products under various brands, including the following brand names: Aladdin®, Columbia Flooring®, Durkan, Horizon®, IVC, Karastan, Mohawk, Pergo, Portico®, Quick-Step and SmartStrand® which it sells through 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 and distributes laminate, hardwood flooring, and vinyl flooring products, including LVT, as well as roofing elements, insulation boards, medium-density fiberboard ("MDF"), and chipboards, used in the residential and commercial markets for both remodeling and new construction. In addition, the Flooring ROW segment licenses certain patents related to flooring manufacturers throughout the world. The Flooring ROW segment markets and distributes its flooring products under various brands, including the following brand names: Balterio®, IVC, Moduleo®, Pergo, Quick-Step, Unilin and Xtratherm, which it sells through retailers, wholesalers, independent distributors and home centers.

Business Strategy

Mohawk's Business Strategy provides a consistent vision for the organization and focuses employees around the globe on delivering exceptional returns for shareholders. The strategy is cascaded down through the organization with an emphasis on five key points:

- Optimizing the Company's position as the industry's preferred provider by delivering exceptional value to customers
- Treating employees fairly to retain the best organization
- Driving innovation in all aspects of the business
- Taking reasonable, well considered risks to grow the business
- Enhancing the communities in which the Company operates

The Mohawk Business Strategy provides continuity for the Company's operating principles and ensures a focus on generating shareholder value and profitability through exceeding customer expectations.

Strengths

MARKET POSITION

Mohawk's fashionable and innovative products, successful participation in all sales channels, creative marketing programs and extensive sales resources have enabled the Company to build market leadership positions in multiple geographies, primarily North America, Europe and Russia, as well as exports products to more than 160 countries. In North America, Mohawk's largest marketplace, the Company has leveraged its brands, breadth of offering and award-winning merchandising to build strong positions across all of its product categories. In Europe and Russia, similar advantages have supported market leadership in ceramic, premium laminate and sheet vinyl. The Company also has assumed a strong position in the fast-growing LVT market on both sides of the Atlantic following the 2015 acquisition of IVC and subsequent investments to expand production in both North America and Europe.

PRODUCT INNOVATION

Mohawk drives performance through product innovation and improvements across all categories. In ceramic, this includes proprietary Reveal Imaging® printing that replicates the appearance of other surfaces, such as long planks with the visuals and texture of natural wood as well as tiles that mimic natural stone, cement, textiles and other alternatives. In carpet, exclusive fiber technologies include the unique bio-based SmartStrand® and its brand extensions that represented the first super soft stain resistant products on the market and the patented Continuum™ process that adds bulk and softness to polyester fiber, differentiating the Company's products in this fast growing component of the carpet market. These fiber advantages have been extended into the Company's rug production, as well, adding luxurious feel and performance enhancements to the Company's design leadership. In laminate, the Company's installation technology revolutionized the category, and the Company continues to deliver new innovations with more realistic visuals and surface embossing in register that precisely recreates the appearance of wood. In hardwood flooring, the Company is introducing longer and wider planks in increasingly popular engineered wood collections, as well as introducing more fashion-forward stains, finishes and surface protection. The Company's vinyl offerings reflect significant investments in leading-edge technology that yield incredibly realistic reproductions of stone, wood and other materials with embossed finishes that accentuate the beauty of the products.

OPERATIONAL EXCELLENCE

Mohawk's highly efficient manufacturing and distribution assets serve as the foundation for successful growth. By leveraging continuous process improvement and automation, the Company's operations drive innovation, quality and value. Through its commitment to sustainability practices, the Company has also optimized natural resources and raw materials. Since 2013, the Company has invested approximately $3 billion to expand capacity, introduce differentiated new products and improve efficiencies. In particular, the Company's capital investments have improved recently acquired businesses by upgrading their product offerings, expanding their distribution and improving their productivity. For more than a decade, Mohawk's training and development programs have been ranked among the best in the country by *training* magazine, and Forbes designated Mohawk as one of the Best Large U.S. Employers in 2016 and 2017.

SUSTAINABILITY

The Company believes that it is the industry leader in sustainable products and processes. The Company's extensive use of recycled content in its products includes the annual use of over 5.5 billion plastic bottles to create polyester carpet fiber and more than 25 million pounds of tires to produce decorative crumb rubber mats. In all, the Company diverts more than 7 billion pounds of waste from landfills each year, with 44 of the Company's manufacturing sites internally certified as Zero Process Waste to Landfill facilities. The Company's commitment to sustainability extends beyond its products to resource utilization, including a 277 million gallon reduction in water use since 2015, lower greenhouse gas emissions and increased energy efficiency. The Company also produces energy through solar panels, windmills and a waste to energy program using scrap material. The Company's commitment to safety and wellness helps to retain a talented workforce. The Company currently operates 17 on-site, near-site or virtual Healthy Life Centers to assist employees with management of chronic conditions as well as the treatment of acute illness. The Company's annual sustainability report details these and other initiatives and may be accessed at *mohawksustainability.com*.

Sales and Distribution

GLOBAL CERAMIC SEGMENT

The Global Ceramic segment designs, markets, manufactures, distributes and sources a broad line of ceramic tile, porcelain tile and natural stone products, including natural stone, quartz and porcelain slab countertops. Products are distributed through various distribution channels including independent distributors, home centers, Company-operated service centers and stores, ceramic specialists, commercial contractors, and directly to commercial end users. The business is organized to address the specific customer needs of each distribution channel with dedicated sales forces that support the various channels.

The Company provides customers with one of the ceramic tile industry's broadest product lines—a complete selection of glazed floor tile, glazed wall tile, mosaic tile, porcelain tile, quarry tile, stone products, porcelain slab countertops, and installation products. In addition to products manufactured by the Company's ceramic tile business, the Company also sources products from other manufacturers to enhance its product offering.

The Global Ceramic segment markets its products under the American Olean, Dal-Tile®, EmilGroup®, KAI, Kerama Marazzi, Marazzi and Ragno brand names. These brands are supported by a fully integrated marketing program, displays, merchandising boards, literature, catalogs and internet websites. Innovative design, quality and response to changes in customer preference enhances recognition in the marketplace. The Company is focused on sales growth opportunities through innovative products and programs in both the residential and commercial channels for both remodeling and new construction.

The Global Ceramic segment utilizes various distribution methods including regional distribution centers, service centers, direct shipping and customer pick-up from manufacturing facilities. The segment's sales forces are organized by product type and sales channels in order to best serve each type of customer. The Company believes its distribution methods for the Global Ceramic segment provide high-quality customer service and enhance its ability to plan and manage inventory requirements.

FLOORING NA SEGMENT

Through its Flooring NA segment, the Company designs, markets, manufactures, distributes and sources carpet, laminate, carpet pad, rugs, hardwood, LVT and sheet vinyl in a broad range of colors, textures and patterns. The Flooring NA segment positions product lines in all price ranges and emphasizes quality, style, performance and service. The Flooring NA segment markets and distributes its product lines to independent distributors, floor covering retailers, home centers, mass merchandisers, department stores, shop at home, buying groups, commercial contractors and commercial end users. Some products are also marketed through private labeling programs. Sales to residential customers represent a significant portion of the total industry and the majority of the segment's sales.

The Company has positioned its brand names across all price ranges. Horizon, IVC, Karastan, Mohawk, Pergo, Portico, SmartStrand and Quickstep are positioned to sell in the residential flooring markets. Aladdin Commercial, Mohawk Group and Karastan Contract are positioned to sell in the commercial market, which is made up of corporate office space, education institutions, healthcare facilities, retail space and government facilities. The Company also sells into the commercial hospitality space for hotels and restaurants using its Durkan brand.

The segment's sales forces are generally organized by sales channels in order to best serve each type of customer. Product delivery to independent dealers is done predominantly on Mohawk trucks operating from strategically positioned warehouses and cross-docks that receive inbound product directly from the Company's manufacturing operations.

FLOORING ROW SEGMENT

The Flooring ROW segment designs, manufactures, markets, licenses, distributes and sources laminate, hardwood, LVT and sheet vinyl. It also designs and manufactures roofing elements, insulation boards, MDF and chipboards. Products are distributed through separate distribution channels consisting of retailers, independent distributors, wholesalers and home centers. The business is organized to address the specific customer needs of each distribution channel.

The Flooring ROW segment markets and sells laminate, hardwood and vinyl flooring products under the Balterio, IVC, Magnum, Moduleo, Pergo and Quick-Step brands. The Flooring ROW segment also sells private label laminate, hardwood and vinyl flooring products. The Company believes Quick-Step and Pergo are leading brand names in the European flooring industry. In addition, the Flooring ROW segment markets and sells insulation boards, roof panels, MDF and chipboards in Europe under the Unilin and Xtratherm brands. The segment also licenses its intellectual property to flooring manufacturers throughout the world.

The Company uses regional distribution centers and direct shipping from manufacturing facilities to provide high-quality customer service and enhance the Company's ability to plan and manage inventory requirements.

Advertising and Promotion

The Company's brands are among the best known and most widely distributed in the industry. The Company vigorously supports the value and name recognition of its brands through both traditional advertising channels—including numerous trade publications and unique promotional events that highlight product design and performance—and social media initiatives and Internet-based advertising. The Company has invested significantly in websites that educate consumers about the Company's products, helping them to make informed decisions about purchases and identifying local retailers that offer the Company's collections. In 2016, the Company introduced Omnify™, a new Internet platform that automatically syncs updated product and sales information between the Company and aligned retailer websites, ensuring that consumers have access to the most accurate and timely information.

The Company actively participates in cause marketing partnerships with such well known programs as Susan G. Komen® (breast cancer research), Habitat for Humanity® (housing for low income families), HomeAid® (housing for homeless families) and Operation Finally Home® (housing for disabled veterans), which include both traditional media partnerships as well as promotional events generating national press coverage. The Company also sponsors a European cycling team to promote its Quick-Step brand through logo placements and use of the team in its advertising and point-of-sale displays.

The Company introduces new products, merchandising and marketing campaigns through participation in regional, national and international trade shows as well as exclusive dealer conventions. The Company supports sales with its retail customers through cooperative advertising programs that extend the reach of the Company's promotion as well as with innovative merchandising displays that highlight the Company's differentiated products and provide samples to consumers. The cost of providing merchandising displays, product samples, and point of sale promotional marketing, is partially recovered by the purchase of these items by the Company's customers.

Manufacturing and Operations

GLOBAL CERAMIC SEGMENT

The Company's tile manufacturing operations are vertically integrated from the production of raw material for body and glaze preparation to the manufacturing and distribution of ceramic and porcelain tile. The Company believes that its manufacturing organization offers competitive advantages due to its ability to manufacture a differentiated product line consisting of one of the industry's broadest product offerings of colors, textures and finishes and its ability to utilize the industry's newest technology, as well as the industry's largest offering of trim and decorative pieces. In addition, the Global Ceramic segment also sources a portion of its product to enhance its product offerings. The Global Ceramic segment continues to invest in equipment that utilizes the latest technologies, which supports the Company's efforts to increase manufacturing capacity, improve efficiency, meet the growing demand for its innovative products and develop new capabilities.

FLOORING NA SEGMENT

The Company's carpet and rug manufacturing operations are vertically integrated and include the extrusion of triexta, nylon, polyester and polypropylene resins, as well as recycled post-consumer plastics into fiber. The Flooring NA segment is also vertically integrated in yarn processing, backing manufacturing, tufting, weaving, dyeing, coating and finishing.

The Company is also vertically integrated with significant manufacturing assets that produce laminate flooring, high density fiber board, engineered and pre-finished solid hardwood flooring, fiber-glass sheet vinyl, and luxury vinyl tile. The Flooring NA segment continues to invest in capital projects, such as the expansion of the Company's North American LVT manufacturing capacity. Other investments in state-of-the-art equipment support market growth, increase manufacturing efficiency and improve overall cost competitiveness.

FLOORING ROW SEGMENT

The Company's laminate and vinyl flooring manufacturing operations in Europe are vertically integrated. The Company believes its Flooring ROW segment has advanced equipment that results in competitive manufacturing in terms of cost and flexibility. In addition, the Flooring ROW segment has significant manufacturing capability for engineered wood flooring, LVT and sheet vinyl. The Flooring ROW segment continues to invest in capital expenditures, such as the LVT expansion, including new plants utilizing the latest advances in technologies to increase manufacturing capacity, improve efficiency and develop new capabilities including state-of-the-art, fully integrated LVT production which will leverage the Company's proven track record of bringing innovative and high-quality products to the market. The manufacturing facilities for roofing elements, insulation boards, MDF and chipboards in the Flooring ROW segment are all configured for cost-efficient manufacturing and production flexibility and are competitive in the European market.

Inputs and Suppliers

GLOBAL CERAMIC SEGMENT

The principal raw materials used in the production of ceramic tile are clay, talc, industrial minerals and glazes. The Company has long-term clay mining rights in North America, Russia and Bulgaria that satisfy a portion of its clay requirements for producing tile. The Company also purchases a number of different grades of clay for the manufacture of its tile. Glazes are used on a significant percentage of manufactured tiles. Glazes consist of frit (ground glass), zircon, stains and other materials, with frit being the largest ingredient. The Company manufactures a significant amount of its frit requirements. The Company believes that there is an adequate supply of all grades of clay, talc and industrial minerals that are readily available from a number of independent sources. If these suppliers were unable to satisfy the Company's requirements, the Company believes that alternative supply arrangements would be available.

FLOORING NA SEGMENT

The principal raw materials used in the production of carpet and rugs are polypropelene, polyester, triexta, nylon, caprolactam, recycled post-consumer plastics, synthetic backing materials, latex and various dyes and chemicals, the majority of which are petroleum based. The Company uses wood chips, wood veneers, lumber, paper and resins in its production of laminate and hardwood products. In its vinyl flooring operations, the Company uses glass fiber, plasticizers and pvc resins. Major raw materials used in the Company's manufacturing process are available from independent sources and the Company obtains most of its raw materials from major suppliers providing inputs to each major product category. If these suppliers were unable to satisfy the requirements, the Company believes that alternative supply arrangements would be available. Although the market for raw materials is sensitive to temporary disruptions, the North American flooring industry has not experienced a significant shortage of raw materials in recent years.

FLOORING ROW SEGMENT

The principal raw materials used in the production of boards, laminate and hardwood flooring are wood, paper and resins. The wood suppliers provide a variety of wood species giving the Company a cost-effective and secure supply of raw material. In its vinyl flooring operations, the Company uses glass fiber, plasticizers and pvc resins. Major raw materials used in the Company's manufacturing process are available from independent sources and the Company has long-standing relationships with a number of suppliers.

Industry and Competition

The Company is the largest flooring manufacturer in a fragmented industry composed of a wide variety of companies from small privately held firms to large multinationals. In 2016, the U.S. floor covering industry reported $24.5 billion in sales, up approximately 4.4% over 2015's sales of $23.4 billion. In 2016, the primary categories of flooring in the U.S., based on sales, were carpet and rugs (47.1%), resilient (includes vinyl and LVT) and rubber (15%), hardwood (14.9%), ceramic tile (13.4%), stone (5.7%) and laminate (3.9%). In 2016, the primary categories of flooring in the U.S., based on square feet, were carpet and rugs (52.8%), resilient (includes vinyl and LVT) and rubber (19.7%), ceramic tile (13.7%), hardwood (7.8%), laminate (4.6%) and stone (1.5%). Each of these categories is influenced by the residential construction, commercial construction, and residential and commercial remodeling markets. These markets are influenced by many factors including changing consumer preferences, consumer confidence, spending for durable goods, interest rates, inflation, availability of credit, turnover in housing and the overall strength of the economy.

The principal methods of competition within the floor covering industry generally are product innovation, style, quality, price, performance technology and service. In each of the markets, price and market coverage are particularly important when competing among product lines. The Company actively seeks to differentiate its products in the marketplace by introducing innovative products with premium features that provide a superior value proposition. The Company's investments in manufacturing technology, computer systems and distribution network, as well as the Company's marketing strategies and resources, contribute to its ability to compete on the basis of performance, quality, style and service, rather than price.

GLOBAL CERAMIC SEGMENT

Globally, the ceramic tile industry is significantly fragmented. Certain regions around the world have established sufficient capacity to allow them to meet domestic needs in addition to exporting product to other markets where their design and/or technical advantages may drive consumer preferences. Some mature markets have seen industry consolidation driven by mergers and acquisitions, however most markets are comprised of many relatively small manufacturers all working with similar technologies, raw materials and designs. During 2016, the estimated global capacity for ceramic tile was 135 billion square feet, with selling prices varying widely based on a variety of factors, including supply within the market, materials used, size, shape and design. While the Company operates ceramic manufacturing facilities in seven countries, the Company has leveraged advantages in technology, design, brand recognition and marketing to extend exports of its products to approximately 160 countries. As a result of this global sales strategy, the Company faces competition in the ceramic tile market from a large number of foreign and domestic manufacturers, all of which compete for sales of ceramic tile to customers through multiple residential and commercial channels. The Company believes it is the largest manufacturer, distributor and marketer of ceramic tile in the world. The Company also believes it is the largest manufacturer, distributor and marketer of ceramic tile in specific markets, including the U.S., Europe and Russia. The Company has leveraged the advantages of its scale, product innovation and unique designs in these markets to solidify its leadership position, however the Company continues to face pressures in these markets from imported ceramic products as well as alternate flooring categories.

FLOORING NA SEGMENT

The North American flooring industry is highly competitive with an increasing variety of product categories, shifting consumer preferences and pressures from imported products, particularly in the rug and hard surface categories. Based on industry publications, the U.S. flooring industry for carpet and rug in 2016 had market sales in excess of $11.5 billion of the overall $24.5. billion market. The Company believes it is the largest producer of rugs and the second largest producer of carpet in the world based on its 2016 net sales. The Company differentiates its carpet and rug products in the market place through proprietary fiber systems, state-of-the-art manufacturing technologies and unique styling as well as leveraging the strength of some of the oldest and best known brands in the industry. The Company also believes it is the largest manufacturer and distributor of laminate flooring in the U.S. as well as one of the largest manufacturers and distributors of solid and engineered hardwood flooring. The Company's leading position in laminate flooring is driven by the strength of its premium brands as well as technical innovations such as realistic visuals, beveled edges, deeply embossed in register surfaces and patented installation technologies. The U.S. resilient industry is highly competitive and according to industry publications, grew over 18% in 2016. Based on industry publications, the U.S. flooring industry for LVT and sheet vinyl in 2016 had market sales of $3.4 billion of the overall flooring market. The Company believes that it is one of the largest manufacturers and distributors of LVT and sheet vinyl in the U.S. The Company's sheet vinyl operations produce fiberglass backed products, which have proven more popular with consumers in the past several years.

FLOORING ROW SEGMENT

The Company faces competition in the non-U.S. laminate, hardwood, LVT and sheet vinyl flooring business from a large number of domestic manufacturers as well as pressures from imports. The Company believes it is one of the largest manufacturers and distributors of laminate flooring in the world, with a focus on high-end products, which the Company supplies under some of the best known and most widely marketed brands in the region. In addition, the Company believes it has a competitive advantage in the laminate flooring market as a result of the Company's industry-leading visuals and embossed in register surfaces as well as patented installation technologies, all of which allow the Company to distinguish its products in the areas of design, quality, installation and assembly. In hardwood flooring, the Company has extended the strength of its well-known laminate brands and its installation technology to add value to its wood collections. The Company faces competition in the non-U.S. vinyl flooring channel from a large number of domestic and foreign manufacturers, but believes it has a competitive advantage in the LVT and sheet vinyl market due to industry-leading design, patented technologies, brand recognition and vertical integration. The Company has elevated the performance of its sheet vinyl collections and is now aggressively placing the product in commercial applications. The Company has also extended the reach of its distribution by acquiring national distributors in the U.K., Australia and New Zealand. Through a 2015 acquisition, the Company has extended its insulation panel business to the U.K. and Ireland while expanding sales in its core Benelux Region.

Patents and Trademarks

Intellectual property is important to the Company's business and the Company relies on a combination of patent, copyright, trademark and trade secret laws to protect its interests.

The Company uses several trademarks that it considers important in the marketing of its products, including American Olean, Daltile, Durkan, EmilGroup®, IVC, Karastan, Marazzi, Moduleo, Mohawk, Pergo, Quick-Step and Unilin. These trademarks represent innovations that highlight competitive advantages and provide differentiation from competing brands in the market.

The Flooring ROW segment owns a number of patent families in Europe and the U.S. some of which the Company licenses to manufacturers throughout the world. The most important of these patent families is the UNICLIC family, which include the snap, pretension and clearance patents. Most of the UNICLIC family of patents expired in 2017. While the Company continues to explore additional opportunities to generate revenue from its patent portfolio, including in applications for LVT, only a portion of the licensing earnings will be retained following the expiration of the UNICLIC patents.

Sales Terms and Major Customers

The Company's sales terms are substantially the same as those generally available throughout the industry. The Company generally permits its customers to return products purchased from it within specified time periods from the date of sale, if the customer is not satisfied with the quality of the product.

During 2017, no single customer accounted for more than 10% of total net sales and the top 10 customers accounted for less than 20% of the Company's net sales. The Company believes the loss of one major customer would not have a material adverse effect on its business.

Employees

As of December 31, 2017, the Company employed approximately 38,800 persons consisting of approximately 21,000 in the United States, approximately 8,900 in Europe, approximately 4,000 in Mexico, approximately 3,900 in Russia and approximately 1,000 in various other countries. The majority of the Company's European, Russian and Mexican manufacturing employees are members of unions. Less than 1% of the Company's U.S. employees are party to a collective bargaining agreement. Additionally, the Company has not experienced any major strikes or work stoppages in recent years. The Company believes that its relations with its employees are good.

Available Information

The Company's Internet address is *http://www.mohawkind.com*. The Company makes the following reports filed by it available, free of charge, on its website under the heading "Investor Information":

- annual reports on Form 10-K;
- quarterly reports on Form 10-Q;
- current reports on Form 8-K; and
- amendments to the foregoing reports.

The foregoing reports are made available on the Company's website as soon as practicable after they are filed with, or furnished to, the Securities and Exchange Commission ("SEC").

ITEM 1A. RISK FACTORS

In addition to the other information provided in this Form 10-K, the following risk factors should be considered when evaluating an investment in shares of the Company's Common Stock. If any of the events described in these risks were to occur, it could have a material adverse effect on the Company's business, financial condition and results of operations.

The impact of recent tax reforms on the Company's results of operations is uncertain.

In December of 2017, the U.S. and Belgium enacted tax reforms for corporate taxpayers. The U.S. Tax Cuts and Jobs Act ("TCJA") is the most significant and complex change to the U.S. tax law in more than 30 years. The TCJA contains significant changes, including reduction of the corporate tax rate from 35% to 21%, a one-time mandatory taxation of offshore accumulated earnings regardless of whether they are repatriated, limitation of the deduction for interest expense, additional taxes on the future income of the Company's foreign subsidiaries and modifying or repealing many business deductions and credits. For the year ended December 31, 2017, the Company recorded a net provisional tax expense of $45.2 million representing the best current estimate of the impact of the TCJA and related transactions. With respect to the Belgian legislation, the most significant provisions were the reduction of the corporate income tax rate from 33.99% to 29.58% for January 1, 2018 and January 1, 2019, respectively, with a further reduction to 25% effective January 1, 2020, an annual limitation on the utilization of net operating losses, and creation of a consolidated corporate income tax regime. As a result of the Belgian reform, the Company recorded a net tax benefit of $44.4 million for the year ended December 31, 2017. The Company will continue to evaluate the interpretations and future guidance related to the tax reforms to determine the impact on the Company's tax determinations and results for future periods.

The floor covering industry is sensitive to changes in general economic conditions, such as consumer confidence, income and spending, corporate and government spending, interest rate levels, availability of credit and demand for housing. Significant or prolonged declines in the U.S. or global economies could have a material adverse effect on the Company's business.

Downturns in the U.S. and global economies, negatively impact the floor covering industry and the Company's business. During times of economic uncertainty or decline, end consumers tend to spend less on remodeling their homes, which is how the Company derives a majority of its sales. Likewise new home construction—and the corresponding need for new flooring materials—tends to slow down during recessionary periods. Although the difficult economic conditions have improved in the U.S., European and other markets, there may be additional downturns that could cause the industry to deteriorate in the foreseeable future. A significant or prolonged decline in residential or commercial remodeling or new construction activity could have a material adverse effect on the Company's business and results of operations.

The Company may be unable to predict customer preferences or demand accurately, or to respond to technological developments.

The Company operates in a market sector where demand is strongly influenced by rapidly changing customer preferences as to product design and technical features. Failure to quickly and effectively respond to changing customer demand or technological developments could have a material adverse effect on our business.

The Company faces intense competition in the flooring industry that could decrease demand for the Company's products or force it to lower prices, which could have a material adverse effect on the Company's business.

The floor covering industry is highly competitive. The Company faces competition from a number of manufacturers and independent distributors. Maintaining the Company's competitive position may require substantial investments in the Company's product development efforts, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for the Company's products or force the Company to lower prices. Moreover, fluctuations in currency exchange rates and input costs may contribute to more attractive pricing for imports that compete with the Company's products, which may put pressure on the Company's pricing. Any of these factors could have a material adverse effect on the Company's business.

Changes in the global economy could affect the Company's overall availability and cost of credit.

A downturn in the U.S. or global economies could impact the Company's ability to obtain financing in the future, including any financing necessary to refinance existing indebtedness. The cost and availability of credit during uncertain economic times could have a material adverse effect on the Company's financial condition.

Further, negative economic conditions may factor into the Company's periodic credit ratings assessment by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Financial Services, LLC ("S&P") and Fitch, Inc. Any future changes in the credit rating agencies' methodology in assessing our credit strength and any downgrades in the Company's credit ratings could increase the cost of its existing credit and could adversely affect the cost of and ability to obtain additional credit in the future. The Company can provide no assurances that downgrades will not occur.

If the Company were unable to meet certain covenants contained in its existing credit facilities, it may be required to repay borrowings under the credit facilities prior to their maturity and may lose access to the credit facilities for additional borrowings that may be necessary to fund its operations and growth strategy.

On March 26, 2015, the Company entered into a $1,800 million, senior revolving credit facility (the "2015 Senior Credit Facility"). As of December 31, 2017, the amount utilized under the 2015 Senior Credit Facility, including the commercial paper issuance, was $1,259.0 million resulting in a total of $541.0 million available. The amount utilized included $1,140.6 million of commercial paper issued, $62.1 million of direct borrowings, and $56.3 million of standby letters of credit related to various insurance contracts and foreign vendor commitments.

If the Company's cash flow is worse than expected, the Company may need to refinance all or a portion of its indebtedness through a public and/or private debt offering or a new bank facility and may not be able to do so on terms acceptable to it, or at all. If the Company is unable to access debt markets at competitive rates or in sufficient amounts due to credit rating downgrades, market volatility, market disruption, or weakness in the Company's businesses, the Company's ability to finance its operations or repay existing debt obligations may be materially and adversely affected.

Additionally, the Company's credit facilities include certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, indebtedness, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company's business. In addition, the 2015 Senior Credit Facility requires the Company 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. A failure to comply with the obligations contained in our current or future credit facilities or indentures relating to our outstanding public debt could result in an event of default or an acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. We cannot be certain that we would have, or be able to obtain, sufficient funds to make these accelerated payments.

Fluctuations in currency exchange rates may impact the Company's financial condition and results of operations and may affect the comparability of results between the Company's financial periods.

The results of the Company's foreign subsidiaries are translated into U.S. dollars from the local currency for consolidated reporting. The exchange rates between some of these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. The Company may not be able to manage effectively the Company's currency translation risks, and volatility in currency exchange rates may have a material adverse effect on the Company's consolidated financial statements and affect comparability of the Company's results between financial periods.

The Company has significant operations in emerging markets, including eastern Europe, Malaysia, Mexico and Russia, and therefore has exposure to doing business in potentially unstable areas of the world.

Operations in emerging markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Market conditions and the political structures that support them are subject to rapid change in these economies, and the Company may not be able to react quickly enough to protect its assets and business operations. In particular, developing markets in which the Company operates may be characterized by one or more of the following:

- complex and conflicting laws and regulations, which may be inconsistently or arbitrarily enforced;
- high incidences of corruption in state regulatory agencies;
- volatile inflation;
- widespread poverty and resulting political instability;
- compliance with laws governing international relations, including U.S. laws that relate to sanctions and corruption;
- immature legal and banking systems;
- uncertainty with respect to title to real and personal property;
- underdeveloped infrastructure;
- heavy state control of natural resources and energy supplies;
- state ownership of transportation and supply chain assets;
- high protective tariffs and inefficient customs processes; and
- high crime rates.

Changes in any one or a combination of these factors could have a material adverse effect on the Company's business.

In periods of rising costs, the Company may be unable to pass raw materials, labor, energy and fuel-related cost increases on to its customers, which could have a material adverse effect on the Company's business.

The prices of raw materials, labor, energy and fuel-related costs vary significantly with market conditions. Although the Company generally attempts to pass on increases in raw material, labor, energy and fuel-related costs to its customers, the Company's ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for the Company's products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be recovered. During such periods of time, the Company's business may be materially adversely affected.

The Company may be unable to obtain raw materials or sourced product on a timely basis, which could have a material adverse effect on the Company's business.

The principal raw materials used in the Company's manufacturing operations include triexta, nylon, polypropylene, and polyester resins and fibers, which are used in the Company's carpet and rugs business; clay, talc, nepheline syenite and glazes, including frit (ground glass), zircon and stains, which are used in the Company's ceramic tile business; wood, paper, and resins which are used in the Company's wood and laminate flooring business; and glass fiber, plasticizers, and pvc resins, which are used in the Company's vinyl and luxury vinyl tile business. In addition to raw materials, the Company sources finished goods. For certain raw materials and sourced products, the Company is dependent on one or a small number of suppliers. An adverse change in the Company's relationship with such a supplier, the financial condition of such a supplier or such supplier's ability to manufacture or deliver such raw materials or sourced products to the Company could lead to an interruption of supply or require the Company to purchase more expensive alternatives. An extended interruption in the supply of these or other raw materials or sourced products used in the Company's business or in the supply of suitable substitute materials or products would disrupt the Company's operations, which could have a material adverse effect on the Company's business.

The Company relies on information systems in managing the Company's operations and any system failure or deficiencies of such systems may have an adverse effect on the Company's business.

The Company's businesses rely on sophisticated software applications to obtain, process, analyze and manage data. The Company relies on these systems to, among other things:

- facilitate the purchase, management, distribution, and payment for inventory items;
- manage and monitor the daily operations of our distribution network;
- receive, process and ship orders on a timely basis;
- manage accurate billing to and collections from customers;
- control logistics and quality control for our retail operations;
- manage financial reporting; and
- monitor point of sale activity.

We also rely on our computer hardware, software and network for the storage, delivery and transmission of data to our sales and distribution systems, and certain of our production processes are managed and conducted by computer.

Any event that causes interruptions to the input, retrieval and transmission of data or increase in the service time, whether caused by human error, natural disasters, power loss, computer viruses, system conversion, cyber attacks including and not limited to hacking, intrusions, malware or otherwise, could disrupt our normal operations. There can be no assurance that we can effectively carry out our disaster recovery plan to handle the failure of our information systems, or that we will be able to restore our operational capacity within sufficient time to avoid material disruption to our business. The occurrence of any of these events could cause unanticipated disruptions in service, decreased customer service and customer satisfaction, harm to our reputation and loss or misappropriation of sensitive information, which could result in loss of customers, increased operating expenses and financial losses. Any such events could in turn have a material adverse effect on our business, financial condition, results of operations, and prospects.

The Company's inability to maintain its patent licensing revenues in its laminate flooring business could have a material adverse effect on the Company's business.

The profit margins of certain of the Company's businesses, particularly the Company's laminate flooring business, depend in part upon the Company's ability to obtain, maintain and license proprietary technology used in the Company's principal product families. The Company has obtained a number of patents relating to the Company's products and associated methods and has filed applications for additional patents, including the UNICLIC and Pergo family of patents, which protect its interlocking laminate flooring technology. The majority of the Uniclic patents expired in 2017. The Company continues to develop new sources of revenue that may partially offset the expiration of its revenue-producing patents. The failure to develop alternative revenues could have a material adverse effect on the Company's business.

The Company may experience certain risks associated with acquisitions, joint ventures and strategic investments.

The Company intends to grow its business through a combination of organic growth and acquisitions. Growth through acquisitions involves risks, many of which may continue to affect the Company after the acquisition. The Company cannot give assurance that an acquired company will achieve the levels of revenue, profitability and production that the Company expects. Acquisitions may require the issuance of additional securities or the incurrence of additional indebtedness, which may dilute the ownership interests of existing security holders or impose higher interest costs on the Company. Additional challenges related to the Company's acquisition strategy include:

- maintaining executive offices in different locations;
- manufacturing and selling different types of products through different distribution channels;
- conducting business from various locations;
- maintaining different operating systems and software on different computer hardware; and
- retaining key employees.

Failure to successfully manage and integrate an acquisition with the Company's existing operations could lead to the potential loss of customers of the acquired business, the potential loss of employees who may be vital to the new operations, the potential loss of business opportunities or other adverse consequences that could have a material adverse effect on the Company's business. Even if integration occurs successfully, failure of the acquisition to achieve levels of anticipated sales growth, profitability, or otherwise perform as expected, may result in goodwill or other asset impairments or otherwise have a material adverse effect on the Company's business. Finally, acquisition targets may be subject to material liabilities that are not properly identified in due diligence and that are not covered by seller indemnification obligation or third party insurance. The unknown liabilities of the Company's acquisition targets may have a material adverse effect on the Company's business.

In addition, we have made certain investments, including through joint ventures, in which we have a minority equity interest and lack management and operational control. The controlling joint venture partner may have business interests, strategies or goals that are inconsistent with ours. Business decisions or other actions or omissions of the controlling joint venture partner, or the joint venture company, may result in harm to our reputation or adversely affect the value of our investment in the joint venture.

A failure to identify suitable acquisition candidates or partners for strategic investments and to complete acquisitions could have a material adverse effect on the Company's business.

As part of the Company's business strategy, the Company intends to pursue a wide array of potential strategic transactions, including acquisitions of complementary businesses, as well as strategic investments and joint ventures. Although the Company regularly evaluates such opportunities, the Company may not be able to successfully identify suitable acquisition candidates or to obtain sufficient financing on acceptable terms to fund such strategic transactions, which may slow the Company's growth and have a material adverse effect on the Company's business.

The Company manufactures, sources and sells many products internationally and is exposed to risks associated with doing business globally.

The Company's international activities are significant to its manufacturing capacity, revenues and profits, and the Company is further expanding internationally. The Company sells products, operates plants and invests in companies around the world. Currently, the Company's Flooring ROW segment has significant operations in Europe, Russia, Malaysia, Australia and New Zealand, and the Company's Global Ceramic segment has significant operations in Europe, Russia and Mexico. In addition, the Company has invested in joint ventures in Brazil and India related to laminate flooring.

The business, regulatory and political environments in these countries differ from those in the U.S. The Company's international sales, operations and investments are subject to risks and uncertainties, including:

- changes in foreign country regulatory requirements;
- differing business practices associated with foreign operations;
- various import/export restrictions and the availability of required import/export licenses;
- imposition of foreign or domestic tariffs and other trade barriers;
- foreign currency exchange rate fluctuations;
- differing inflationary or deflationary market pressures;
- foreign country tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations in tax laws;
- differing labor laws and changes in those laws;
- work stoppages and disruptions in the shipping of imported and exported products;
- government price controls;
- extended payment terms and the inability to collect accounts receivable;
- potential difficulties repatriating cash from non-U.S. subsidiaries; and
- compliance with laws governing international relations, including those U.S. laws that relate to sanctions and corruption.

The Company cannot assure investors that it will succeed in developing and implementing policies and strategies to address the foregoing risks effectively in each location where the Company does business, and, therefore that the foregoing factors will not have a material adverse effect on the Company's business.

Negative tax consequences could materially and adversely affect the Company's business.

The Company is subject to the tax laws of the many jurisdictions in which we operate. These tax laws are complex, and the manner in which they apply to our facts is sometimes open to interpretation. In calculating the provision for income taxes, we must make judgments about the application of these inherently complex tax laws. Our domestic and international tax liabilities are largely dependent upon the distribution of profit before tax among these many jurisdictions. However, it also includes estimates of additional tax which may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings of the Company that could impact the valuation of our deferred tax assets. Our future results of operations and tax liability could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation and rates, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings permanently reinvested offshore, the results of audits and examinations of previously filed tax returns, and ongoing assessments of our tax exposures.

The Company has been, and in the future may be, subject to costs, liabilities and other obligations under existing or new laws and regulations, which could have a material adverse effect on the Company's business.

The Company is subject to increasingly numerous and complex laws, regulations and licensing requirements in each of the jurisdictions in which the Company conducts business. The Company faces risks and uncertainties related to compliance with such laws and regulations. In addition, new laws and regulations may be enacted in the U.S. or abroad that may require the Company to incur additional personnel-related, environmental, or other costs on an ongoing basis, such as recently enacted healthcare legislation in the United States.

In particular, the Company's operations are subject to various environmental, health and safety laws and regulations, including those governing air emissions, wastewater discharges, and the use, storage, treatment, recycling and disposal of materials and finished product. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. The Company could incur material expenditures to comply with new or existing regulations, including fines and penalties and increased costs of its operations. For example, our manufacturing facilities may become subject to further limitations on the emission of "greenhouse gases" due to public policy concerns regarding climate change issues or other environmental or health and safety concerns. While the form of any additional regulations cannot be predicted, a "cap-and-trade" system similar to the system that applies to our businesses in the European Union could be adopted in the United States. The Company's manufacturing processes use a significant amount of energy, especially natural gas. Any such "cap-and-trade" system or other limitations imposed on the emission of "greenhouse gases" could require us to increase our capital expenditures, use our cash to acquire emission credits or restructure our manufacturing operations, which could have a material adverse effect on our business.

The Company's business operations could suffer significant losses from natural disasters, catastrophes, fire or other unexpected events.

Many of the Company's business activities involve substantial investments in manufacturing facilities and many products are produced at a limited number of locations. These facilities could be materially damaged by natural disasters, such as floods, tornados, hurricanes and earthquakes, or by fire or other unexpected events. The Company could incur uninsured losses and liabilities arising from such events, including damage to its reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on its business.

The Company may be exposed to litigation, claims and other legal proceedings relating to its products, which could have a material adverse effect on the Company's business.

In the ordinary course of business, the Company is subject to a variety of product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters. A very large claim or several similar claims asserted by a large class of plaintiffs could have a material adverse effect on the Company's business, if the Company is unable to successfully defend against or resolve these matters or if its insurance coverage is insufficient to satisfy any judgments against the Company or settlements relating to these matters. Although the Company has product liability insurance, the policies may not provide coverage for certain claims against the Company or may not be sufficient to cover all possible liabilities. Further, the Company may not be able to maintain insurance at commercially acceptable premium levels. Moreover, adverse publicity arising from claims made against the Company, even if the claims are not successful, could adversely affect the Company's reputation or the reputation and sales of its products.

The Company's inability to protect its intellectual property rights could have a material adverse effect on the Company's business.

The Company relies, in part, on the patent, trade secret and trademark laws of the U.S., countries in the European Union and elsewhere, as well as confidentiality agreements with some of the Company's employees, to protect that technology. The Company cannot assure investors that any patents owned by or issued to it will provide the Company with competitive advantages, that third parties will not challenge these patents, or that the Company's pending patent applications will be approved. The Company may be unable to prevent competitors and/or third parties from using the Company's technology without the Company's authorization, independently developing technology that is similar to that of the Company or designing around the Company's patents.

Furthermore, despite the Company's efforts, the Company may be unable to prevent competitors and/or third parties from using the Company's technology without the Company's authorization, independently developing technology that is similar to that of the Company or designing around the Company's patents. The use of the Company's technology or similar technology by others could reduce or eliminate any competitive advantage the Company has developed, cause the Company to lose sales or otherwise harm the Company's business.

The Company has obtained and applied for numerous U.S. and foreign service marks and trademark registrations and will continue to evaluate the registration of additional service marks and trademarks, as appropriate. The Company cannot guarantee that any of the Company's pending or future applications will be approved by the applicable governmental authorities. A failure to obtain trademark registrations in the U.S. and in other countries could limit the Company's ability to protect the Company's trademarks and impede the Company's marketing efforts in those jurisdictions and could have a material effect on the Company's business.

The Company generally requires third parties with access to the Company's trade secrets to agree to keep such information confidential. While such measures are intended to protect the Company's trade secrets, there can be no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach or that the Company's confidential and proprietary information and technology will not be independently developed by or become otherwise known to third parties. In any of these circumstances, the Company's competitiveness could be significantly impaired, which would limit the Company's growth and future revenue.

Third parties may claim that the Company infringed their intellectual property or proprietary rights, which could cause it to incur significant expenses or prevent it from selling the Company's products.

In the past, third parties have claimed that certain technologies incorporated in the Company's products infringe their patent rights. The Company cannot be certain that the Company's products do not and will not infringe issued patents or other intellectual property rights of others.

The Company might be required to pay substantial damages (including punitive damages and attorney's fees), discontinue the use and sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses authorizing the use of infringing technology. There can be no assurance that licenses for disputed technology or intellectual property rights would be available on reasonable commercial terms, if at all. In the event of a successful claim against the Company along with failure to develop or license a substitute technology, the Company's business would be materially and adversely affected.

The long-term performance of the Company's business relies on its ability to attract, develop and retain talented management.

To be successful, the Company must attract, develop and retain qualified and talented personnel in management, sales, marketing, product design, and operations, and as it considers entering new international markets, skilled personnel familiar with those markets. The Company competes with multinational firms for these employees and invests resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect the Company's competitive position and its operating results.

The Company is subject to changing regulation of corporate governance and public disclosure that have increased both costs and the risk of noncompliance.

The Company's stock is publicly traded. As a result, the Company is subject to the rules and regulations of federal and state agencies and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the Securities and Exchange Commission and the New York Stock Exchange, frequently issue new requirements and regulations. The Company's efforts to comply with the regulations and interpretations have resulted in, and are likely to continue to result in, increased general and administrative costs and diversion of management's time and attention from profit generating activities to compliance activities.

Declines in the Company's business conditions may result in an impairment of the Company's assets which could result in a material non-cash charge.

A significant or prolonged decrease in the Company's market capitalization, including a decline in stock price, or a negative long-term performance outlook, could result in an impairment of its assets which results when the carrying value of the Company's assets exceed their fair value.

Forward-Looking Information

Certain of the statements in this Form 10-K, particularly those anticipating future performance, business prospects, growth and operating strategies, and similar matters, and those that include the words "could," "should," "believes," "anticipates," "expects" and "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. There can be no assurance that the forward-looking statements will be accurate because they are based on many assumptions, which involve risks and uncertainties. The following important factors could cause future results to differ: changes in economic or industry conditions; competition; inflation and deflation in raw material prices and other input costs; inflation and deflation in consumer markets; currency fluctuations; energy costs and supply; timing and level of capital expenditures; timing and implementation of price increases for the Company's products; impairment charges; integration of acquisitions; international operations; introduction of new products; rationalization of operations; tax and tax reform, product and other claims; litigation; regulatory and political changes in the jurisdictions in which we do business; and other risks identified in Mohawk's SEC reports and public announcements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns and leases manufacturing and distribution facilities worldwide. The table below lists the primary owned and leased facilities at December 31, 2017. The Company owns its Corporate Headquarters in Calhoun, GA. The Company also owns and operates service centers and stores in the United States & Russia, none of which are individually material. The Company believes its existing facilities are suitable for its present needs.

The following is a list of the principal manufacturing and distribution facilities owned or leased by the Company:

Location	Function / Use	Owned / Leased
Global Ceramics Segment:		
Borriol, Spain	Manufacturing & Distribution	Owned
Castellon, Spain	Manufacturing	Owned
Dickson, Tennessee	Manufacturing & Distribution	Owned
El Paso, Texas	Manufacturing	Owned
Eldersburg, Maryland	Distribution	Leased
Fayette, Alabama	Manufacturing & Distribution	Owned
Finale Emilia, Italy	Manufacturing	Owned
Fiorano, Italy	Manufacturing	Owned
Florence, Alabama	Manufacturing & Distribution	Owned
Isperih, Bulgaria	Manufacturing & Distribution	Owned
Lewisport, Kentucky	Manufacturing	Owned
Malino, Russia	Manufacturing & Distribution	Owned
Mexicali, Mexico	Manufacturing	Owned
Monterrey, Mexico	Manufacturing	Owned
Monterrey, Mexico	Distribution	Leased
Muskogee, Oklahoma	Manufacturing & Distribution	Owned
Ontario, California	Distribution	Leased
Orel, Russia	Manufacturing & Distribution	Owned
Piechowice, Poland	Manufacturing	Owned
Salamanca, Mexico	Manufacturing	Owned
Sassuolo, Italy	Manufacturing & Distribution	Owned
Shumen, Bulgaria	Manufacturing & Distribution	Owned
Solignano, Italy	Manufacturing	Owned
Sunnyvale, Texas	Manufacturing	Owned
Sunnyvale, Texas	Distribution	Leased

Location	Function / Use	Owned / Leased
Flooring NA Segment:		
Bennettsville, South Carolina	Manufacturing	Owned
Bridgeport, Alabama	Manufacturing	Owned
Calhoun, Georgia	Manufacturing & Distribution	Owned
Dalton, Georgia	Manufacturing & Distribution	Owned
Danville, Virginia	Manufacturing	Owned
Eden, North Carolina	Manufacturing & Distribution	Owned
Flower Mound, Texas	Distribution	Leased
Fontana, California	Distribution	Leased
Garner, North Carolina	Manufacturing	Owned
Garner, North Carolina	Distribution	Leased
Glasgow, Virginia	Manufacturing	Owned
Hillsville, Virginia	Manufacturing	Owned
Lyerly, Georgia	Manufacturing	Owned
Melbourne, Arkansas	Manufacturing	Owned
Milledgeville, Georgia	Manufacturing	Owned
Mt. Gilead, North Carolina	Manufacturing	Owned
Pembroke Park, Florida	Distribution	Leased
Roanoke, Alabama	Manufacturing	Owned
Sugar Valley, Georgia	Manufacturing	Owned
Summerville, Georgia	Manufacturing	Owned
Thomasville, North Carolina	Manufacturing	Owned
Flooring ROW Segment:		
Avelgem, Belgium	Manufacturing	Owned
Avelgem, Belgium	Manufacturing	Leased
Bazeilles, France	Manufacturing	Owned
Chesterfield, United Kingdom	Manufacturing	Owned
Desselgem, Belgium	Manufacturing	Owned
Dzerzhinsk, Russia	Manufacturing	Owned
Feluy, Belgium	Manufacturing	Owned
Izegem, Belgium	Manufacturing	Owned
Meath County, Ireland	Manufacturing	Owned
Moeskroen, Belgium	Manufacturing	Owned
Oisterwijk, Netherlands	Manufacturing	Owned
Oostrozebeke, Belgium	Manufacturing & Distribution	Owned
Sungai Pentani, Malaysia	Manufacturing	Owned
Sury-le-Comtal, France	Manufacturing	Owned

Location	Function / Use	Owned / Leased
Vielsalm, Belgium	Manufacturing	Owned
Vyskov, Czech Republic	Manufacturing	Owned
Wielsbeke, Belgium	Manufacturing & Distribution	Owned
Wiltz, Luxembourg	Manufacturing	Owned

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in litigation from time to time in the regular course of its business. Except as noted below, 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.

Alabama Municipal Litigation

In September 2016, the Water Works and Sewer Board of the City of Gadsden, Alabama (the "Gadsden Water Board") filed an individual complaint in the Circuit Court of Etowah County, Alabama against certain manufacturers, suppliers, and users of chemicals containing perfluorinated compounds, including the Company. On October 26, 2016, the defendants removed the case to the United States District Court for the Northern District of Alabama, Middle Division, alleging diversity of citizenship and fraudulent joinder. The Gadsden Water Board filed a motion to remand the case back to the state court, and the defendants opposed the Gadsden Water Board's motion. The federal court granted Gadsden Water Board's motion for remand. On October 24, 2017, the Company appealed the federal court's determination that co-defendant Industrial Chemicals, Inc. ("ICI") was properly joined as a party to the case. On February 22, 2018, the Court of Appeals dismissed the appeal for lack of jurisdiction. ICI's presence in the case deprives the federal court of jurisdiction over the case.

In May, 2017, the Water Works and Sewer Board of the Town of Centre, Alabama (the "Centre Water Board") filed a very similar complaint to the Gadsden Water Board complaint in the Circuit Court of Cherokee County. On June 19, 2017, the defendants removed this case to the United States District Court for the Northern District of Alabama, Middle Division, again alleging diversity of citizenship and fraudulent joinder. The Centre Water Board filed a motion to remand the case back to state court, and the defendants opposed the Centre Water Board's motion. The federal court granted Centre Water Board's motion for remand. On December 6, 2017, the Company appealed the federal court's determination that co-defendant ICI was properly joined as a party to that case as well. On January 31, 2018, the Court of Appeals dismissed the appeal for lack of jurisdiction. ICI's presence in the case deprives the federal court of jurisdiction over the case.

The Company has never manufactured perfluorinated compounds but purchased them for use in the manufacture of its carpets prior to 2007. The Gadsden and Centre Water Boards are not alleging that chemical levels in the Company's wastewater discharge exceeded legal limits. Instead, the Gadsden and Centre Water Boards are seeking lost profits based on allegations that their customers decreased water purchases, as well as reimbursement for the cost of a filter and punitive damages.

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, as well as in two consolidated amended class action complaints on behalf of a class of all direct purchasers of polyurethane foam products and on behalf of a class of indirect purchasers. 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 U.S. antitrust laws.

On March 23 and April 30, 2015, the Company entered into agreements to settle all claims brought by the class of direct and indirect purchasers, and the trial court entered orders granting approval of the settlements on November 19, 2015 and January 27, 2016. Certain individual members of the indirect purchaser class sought to overturn the approval through appeals to the Sixth Circuit Court of Appeals, all of which were dismissed. The Company has also entered into settlement agreements resolving all of the claims brought on behalf of all of the consolidated individual lawsuits.

In December 2011, the Company was named as a defendant in a Canadian Class action, which alleged similar claims against the Company as raised in the U.S. actions. On June 12, 2015, the Company entered into an agreement to settle all claims brought by the class of Canadian plaintiffs.

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

During the year ended December 31, 2015, the Company recorded a $122.5 million charge within selling, general and administrative expenses for the settlement and defense of the antitrust cases. All of the antitrust cases have now been finally settled and all consolidated cases have been dismissed.

Belgian Tax Matter

In January 2012, the Company received a €23.8 million 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 €1.6 million 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 €46.1 million and €35.6 million, 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 €38.8 million, €39.6 million, and €43.1 million, 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 €30.1 million, 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). In May 2017, the statute of limitation was extended to include 2011.

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. On March 9, 2016, the Belgian tax authority lodged its Notification of Appeal with the Ghent Court of Appeal.

The Company disagrees with the views of the Belgian tax authority on this matter and will persist in its vigorous defense. Nevertheless, on May 24, 2016, the tax collector representing the Belgian tax authorities imposed a lien on the Company's properties in Wielsbeke (Ooigemstraat and Breestraat), Oostrozebeke (Ingelmunstersteenweg) and Desselgem (Waregemstraat) included in the Flooring ROW segment. The purpose of the lien is to provide security for payment should the Belgian tax authority prevail on its appeal. The lien does not interfere with the Company's operations at these properties.

General

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 the Company is 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.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this annual report on Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for the Common Stock

The Company's common stock, $0.01 par value per share (the "Common Stock"), is quoted on the New York Stock Exchange ("NYSE") under the symbol "MHK." The table below shows the high and low sales prices per share of the Common Stock as reported on the NYSE Composite Tape, for each fiscal period indicated.

	Mohawk Common Stock	
	High	Low
2016		
First Quarter	$192.43	151.78
Second Quarter	201.03	177.96
Third Quarter	216.22	186.19
Fourth Quarter	204.87	176.98
2017		
First Quarter	**231.90**	**201.74**
Second Quarter	**246.65**	**227.15**
Third Quarter	**259.69**	**238.34**
Fourth Quarter	**284.82**	**249.04**

As of February 26, 2018, there were 231 holders of record of Common Stock. The Company has not paid or declared any cash dividends on shares of its Common Stock since completing its initial public offering. The Company's policy is to retain all net earnings for the development of its business, and it does not anticipate paying cash dividends on the Common Stock in the foreseeable future. The payment of future cash dividends will be at the discretion of the Board of Directors and will depend upon the Company's profitability, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

The Company's Board of Directors has authorized the repurchase of up to 15 million shares of the Company's outstanding common stock. Since the inception of the program in 1999, a total of approximately 11.5 million shares have been repurchased at an aggregate cost of approximately $335.5 million. All of these repurchases have been financed through the Company's operations and banking arrangements. The Company did not repurchase shares during the year ended December 31, 2017.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth the selected financial data of the Company for the periods indicated which information is derived from the consolidated financial statements of the Company. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto included elsewhere herein.

As for the Yeard Ended December 31,	2017 [a]	2016	2015 [b]	2014	2013 [c]
(In thousands, except per share data)					
Statement of operations data:					
Net sales	**$ 9,491,290**	8,959,087	8,071,563	7,803,446	7,348,754
Cost of sales	**6,494,876**	6,146,262	5,660,877	5,649,254	5,427,945
Gross profit	**2,996,414**	2,812,825	2,410,686	2,154,192	1,920,809
Selling, general and administrative expenses	**1,642,241**	1,532,882	1,573,120	1,381,396	1,373,878
Operating income	**1,354,173**	1,279,943	837,566	772,796	546,931
Interest expense	**31,111**	40,547	71,086	98,207	92,246
Other expense (income), net	**5,205**	(1,729)	17,619	10,698	9,114
Earnings from continuing operations before income taxes	**1,317,857**	1,241,125	748,861	663,891	445,571
Income tax expense	**343,165**	307,559	131,875	131,637	78,385
Earnings from continuing operations	**974,692**	933,566	616,986	532,254	367,186
Loss from discontinued operations, net of income tax benefit of $1,050	**—**	—	—	—	(17,895)
Net earnings including noncontrolling interest	**974,692**	933,566	616,986	532,254	349,291
Less: Net earnings attributable to the noncontrolling interest	**3,054**	3,204	1,684	289	505
Net earnings attributable to Mohawk Industries, Inc.	**$ 971,638**	930,362	615,302	531,965	348,786
Basic earnings from continuing operations per share	**$ 13.07**	12.55	8.37	7.30	5.11
Basic earnings per share attributable to Mohawk Industries, Inc.	**$ 13.07**	12.55	8.37	7.30	4.86
Diluted earnings from continuing operations per share	**$ 12.98**	12.48	8.31	7.25	5.07
Diluted earnings per share attributable to Mohawk Industries, Inc.	**$ 12.98**	12.48	8.31	7.25	4.82
Balance sheet data:					
Working capital	**$ 1,417,612**	753,192	(9,056)	1,033,762	1,764,907
Total assets	**12,094,853**	10,230,596	9,934,400	8,285,544	8,494,177
Long-term debt (including current portion)	**2,763,578**	2,511,485	3,191,967	2,253,440	2,260,008
Total stockholders' equity	**7,067,009**	5,783,487	4,860,863	4,422,813	4,470,306

(a) During 2017, the Company acquired Emil as discussed in Note 2 of the Notes to Consolidated Financial Statements.

(b) During 2015, the Company acquired the IVC Group, the KAI Group and Xtratherm as discussed in Note 2 of the Notes to Consolidated Financial Statements.

(c) During 2013, the Company acquired Pergo, Marazzi and Spano.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The Company has three reporting segments, Global Ceramic, Flooring North America ("Flooring NA") and Flooring Rest of the World ("Flooring ROW"). The Global Ceramic segment designs, manufactures, sources and markets a broad line of ceramic tile, porcelain tile, natural stone and other products including natural stone, quartz and porcelain slab countertops, which it distributes primarily in North America, Europe and Russia through various selling channels, which include company-owned stores, independent distributors and home centers. The segment's product lines are sold through Company-operated service centers, independent distributors, home 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 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 and vinyl products, including LVT, which it distributes primarily in Europe and Russia through various selling channels, which include retailers, independent distributors and home centers.

The Company is a significant participant in every major product category across the global flooring industry. A majority of the Company's sales and long-lived assets are located in the United States and Europe. The Company expects continued strong performance in the United States market if residential housing starts and remodeling continue to improve. The Company also has operations in Europe, Mexico and Russia where the Company is growing market share, especially in its ceramic tile product lines. The Company expects sales growth to continue on a local basis and operating income should improve despite inflation and declining patent revenues attributed to expiring patents.

The Company completed four acquisitions to broaden product offerings and improve cost structure in 2017. These include bolt-on ceramic businesses in Italy and Poland, a U.S. talc mine for the ceramic business and a nylon polymerization plant to further integrate our carpet manufacturing.

In 2017, the Company invested over $900 million in capital projects to expand capacities, differentiate products, and improve productivity. In 2018, the Company plans to invest an additional $750 million in its existing businesses to complete projects that were begun in 2017 and to commence new initiatives. The largest investments during this two-year period are the expansion of LVT in the U.S. and Europe; ceramic capacity increases in the U.S., Mexico, Italy, Poland, Bulgaria and Russia; luxury laminate in the U.S., Europe and Russia; carpet tile in Europe; sheet vinyl in Russia; countertops in the U.S. and Europe; and carpet and rugs in the U.S.

Net earnings attributable to the Company were $971.6 million, or diluted EPS of $12.98 for 2017 compared to net earnings attributable to the Company of $930.4 million, or diluted EPS of $12.48 for 2016. The increase in EPS was primarily attributable to savings from capital investments and cost reduction initiatives, the favorable net impact of price and product mix, and lower interest rates, partially offset by higher input costs, increased employee costs, and the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs. Also impacting EPS was the increase in income tax expense due to the geographic dispersion of earnings. The Company expects to benefit in future periods from a lower effective tax rate as a result of the recent reforms in the U.S. and Belgium.

For the year ended December 31, 2017, the Company generated $1,193.6 million of cash from operating activities. As of December 31, 2017, the Company had cash and cash equivalents of $84.9 million, of which $14.4 million was in the United States and $70.5 million was in foreign countries.

Recent Events

On November 20, 2017, the Company announced that it agreed to acquire Godfrey Hirst Group, the leading flooring company in Australia and New Zealand, further extending Mohawk's global position. The acquisition is expected to close during the second quarter of 2018 for approximately A $556.0 million ($434.2 million equivalent at December 31, 2017).

RESULTS OF OPERATIONS

Following are the results of operations for the last three years:

For the Years Ended December 31,	2017		2016		2015	
(In millions)						
Statement of operations data:						
Net sales	**$ 9,491.3**	**100.0%**	$8,959.1	100.0%	$8,071.6	100.0%
Cost of sales (1)	**6,494.9**	**68.4%**	6,146.3	68.6%	5,660.9	70.1%
Gross profit	**2,996.4**	**31.6%**	2,812.8	31.4%	2,410.7	29.9%
Selling, general and administrative expenses (2)	**1,642.2**	**17.3%**	1,532.9	17.1%	1,573.1	19.5%
Operating income	**1,354.2**	**14.3%**	1,279.9	14.3%	837.6	10.4%
Interest expense (3)	**31.1**	**0.3%**	40.5	0.5%	71.1	0.9%
Other expense (income) (4)	**5.2**	**0.1%**	(1.7)	—%	17.6	0.2%
Earnings before income taxes	**1,317.9**	**13.9%**	1,241.1	13.9%	748.9	9.3%
Income tax expense (5)	**343.2**	**3.6%**	307.6	3.4%	131.9	1.6%
Earnings from continuing operations	**974.7**	**10.3%**	933.5	10.4%	617.0	7.6%
Net earnings including noncontrolling interest	**974.7**	**10.3%**	933.5	10.4%	617.0	7.6%
Less: Net earnings attributable to the noncontrolling interest	**3.1**	**—%**	3.2	—%	1.7	—%
Net earnings attributable to Mohawk Industries, Inc.	**$ 971.6**	**10.2%**	$ 930.3	10.4%	$ 615.3	7.6%
(1) Cost of sales includes:						
Restructuring, acquisition and integration-related charges	**$ 36.0**	**0.4%**	$ 38.3	0.4%	$ 45.6	0.6%
Acquisition inventory step-up	**13.3**	**—%**	—	—%	13.3	0.2%
(2) Selling, general and administrative expenses include:						
Restructuring, acquisition and integration-related charges	**12.9**	**0.1%**	12.3	0.1%	29.1	0.4%
Legal settlement and reserve	**—**	**—%**	(90.0)	(1.0)%	124.5	1.5%
Tradename impairment	**—**	**—%**	47.9	0.5%	—	—%
Other charges	**—**	**—%**	9.9	0.1%	—	—%
(3) Interest expense includes:						
Debt extinguishment costs	**0.2**	**—%**	—	—%	—	—%
Deferred loan cost write-off	**—**	**—%**	—	—%	0.7	—%
(4) Other expense (income) includes:						
Reversal of uncertain tax position indemnification asset	**4.5**	**—%**	5.4	0.1%	11.2	0.1%
(5) Income tax expense includes:						
Tax reform and related, net	**0.8**	**—%**	—	—%	—	—%
Reversal of uncertain tax position	**(4.5)**	**—%**	(5.4)	(0.1)%	(11.2)	(0.1)%

Year Ended December 31, 2017, as Compared with Year Ended December 31, 2016

NET SALES

Net sales for 2017 were $9,491.3 million, reflecting an increase of $532.2 million, or 5.9%, from the $8,959.1 million reported for 2016. The increase was primarily attributable to higher sales volume of approximately $245 million, or 3%, which includes sales volumes attributable to acquisitions of approximately $137 million and legacy sales volumes of approximately $107 million, the favorable net impact of price and product mix of approximately $218 million, or 2%, and the favorable impact of foreign exchange rates of approximately $69 million, or 1%.

Global Ceramic Segment**—**Net sales increased $230.4 million, or 7.3%, to $3,405.1 million for 2017, compared to $3,174.7 million for 2016. The increase was primarily attributable to higher sales volume of approximately $162 million, or 5%, which includes sales volume attributable to acquisitions of approximately $137 million and legacy sales volume of approximately $24 million, the favorable net impact of foreign exchange rates of approximately $39 million, or 1%, and the favorable net impact of price and product mix of approximately $29 million, or 1%.

Flooring NA Segment**—**Net sales increased $145.1 million, or 3.8%, to $4,010.9 million for 2017, compared to $3,865.7 million for 2016. The increase was primarily attributable to higher sales volumes of approximately $39 million, or 1%, and the favorable net impact of price and product mix of $105 million, or 3%.

Flooring ROW Segment**—**Net sales increased $156.8 million, or 8.2%, to $2,075.5 million for 2017, compared to $1,918.6 million for 2016. The increase was primarily attributable to higher sales volume of approximately $44 million, or 2%, the favorable net impact of price and product mix of approximately $83 million, or 4%, and the favorable net impact of foreign exchange rates of approximately $30 million, or 2%.

Quarterly net sales and the percentage changes in net sales by quarter for 2017 versus 2016 were as follows (dollars in millions):

	2017	2016	Change
First quarter	**$2,220.6**	2,172.0	2.2%
Second quarter	**2,453.0**	2,310.3	6.2%
Third quarter	**2,448.5**	2,294.1	6.7%
Fourth quarter	**2,369.1**	2,182.6	8.5%
Total year	**$9,491.3**	8,959.1	5.9%

GROSS PROFIT

Gross profit for 2017 was $2,996.4 million (31.6% of net sales), an increase of $183.6 million or 6.5%, compared to gross profit of $2,812.8 million (31.4% of net sales) for 2016. As a percentage of net sales, gross profit increased 20 basis points. The increase in gross profit dollars was primarily attributable to the favorable net impact of price and product mix of approximately $171 million, savings from capital investments and cost reduction initiatives of approximately $154 million, higher sales volume of approximately $58 million, and the favorable net impact of foreign exchange rates of approximately $17 million, partially offset by higher input costs of approximately $194 million, including increased material costs of approximately $137 million.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for 2017 were $1,642.2 million (17.3% of net sales), an increase of $109.4 million or 7.1% compared to $1,532.9 million (17.1% of net sales) for 2016. As a percentage of net sales, selling, general and administrative expenses increased 20 basis points. The increase in selling, general and administrative expenses in dollars was primarily attributable to approximately $50 million of costs due to higher sales volume, the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $33 million, approximately $23 million of costs associated with investments in new product development, sales personnel, and marketing, increased employee costs of approximately $13 million and the unfavorable net impact of foreign exchange rates of approximately $12 million, partially offset by savings from capital investments and cost reduction initiatives of approximately $24 million. Restructuring, acquisition and integration-related, and other costs were higher in 2017 primarily due to the absence of approximately $90 million received in 2016 related to a contract dispute, partially offset by the approximately $48 million charge related to the write-off of the Lees tradename that was recorded in 2016.

OPERATING INCOME

Operating income for 2017 was $1,354.2 million (14.3% of net sales) reflecting an increase of $74.2 million, or 5.8%, compared to operating income of $1,279.9 million (14.3% of net sales) for 2016. The increase in operating income was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $178 million and the favorable net impact of price and product mix of approximately $169 million, partially offset by higher input costs of approximately $195 million, including increased material costs of approximately $137 million, approximately $23 million of costs associated with investments in new product development, sales personnel, and marketing, increased employee costs of approximately $13 million, and the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $45 million. Restructuring, acquisition and integration-related, and other costs were higher in 2017 primarily due to the absence of approximately $90 million received in 2016 related to a contract dispute, partially offset by the approximately $48 million charge related to the write-off of the Lees tradename that was recorded in 2016.

Global Ceramic Segment**—**Operating income was $525.4 million (15.4% of segment net sales) for 2017 reflecting an increase of $47.0 million, or 9.8%, compared to operating income of $478.4 million (15.1% of segment net sales) for 2016. The increase in operating income was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $70 million, increased sales volumes of approximately $29 million, the favorable net impact of price and product mix of approximately $15 million, and the favorable net impact of foreign exchange rates of approximately $10 million, partially offset by higher input costs of approximately $40 million, approximately $12 million of costs associated with investments in new product development, sales personnel, and marketing, and the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $16 million.

Flooring NA Segment**—**Operating income was $540.3 million (13.5% of segment net sales) for 2017 reflecting an increase of $35.2 million, or 7.0%, compared to operating income of $505.1 million (13.1% of segment net sales) for 2016. The increase in operating income was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $71 million, and the favorable net impact of price and product mix of approximately $74 million, partially offset by higher input costs of approximately $72 million, including increased material costs of approximately $54 million, and the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $33 million. Restructuring, acquisition and integration-related, and other costs were higher primarily due to the absence of approximately $90 million received in 2016 related to a contract dispute, partially offset by the approximately $48 million charge related to the write-off of the Lees tradename that was recorded in 2016.

Flooring ROW Segment—Operating income was $329.1 million (15.9% of segment net sales) for 2017 reflecting a decrease of $4.0 million, or (1.2)%, compared to operating income of $333.1 million (17.4% of segment net sales) for 2016. The decrease in operating income was primarily attributable to higher input costs of approximately $80 million, including increased material costs of approximately $76 million, costs associated with investments in expansion of production capacity of approximately $7 million, approximately $6 million of costs associated with investments in new product development, sales personnel, and marketing, the unfavorable net impact of exchange rates of approximately $5 million, and approximately $22 million in decreased sales volumes, primarily attributable to lower patent revenue. These decreases in operating income were partially offset by savings from capital investments and cost reduction initiatives of approximately $37 million, and the favorable net impact of price and product mix of approximately $80 million.

INTEREST EXPENSE

Interest expense was $31.1 million for 2017, reflecting a decrease of $9.4 million compared to interest expense of $40.5 million for 2016. The decrease was primarily attributable to a shift in the Company's borrowings to lower interest rate instruments.

OTHER EXPENSE (INCOME)

Other expense was $5.2 million for 2017, reflecting an unfavorable change of $6.9 million compared to other income of $1.7 million for 2016. The change was primarily due to the increased unfavorable impact of foreign exchange rates on transactions in the current year.

INCOME TAX EXPENSE

For 2017, the Company recorded income tax expense of $343.2 million on earnings before income taxes of $1,317.9 million for an effective tax rate of 26.0%, as compared to an income tax expense of $307.6 million on earnings before income taxes of $1,241.1 million, resulting in an effective tax rate of 24.8% for 2016. The increase in the year-over-year effective tax rate was the direct result of the geographic dispersion of the Company's earnings for 2017, decreased by $44.4 million caused by the revaluation of deferred tax liabilities triggered by the Belgium corporate income tax reform, and increased by a one-time provisional net tax expense of $45.2 million resulting from the U.S. corporate income tax reform.

In December of 2017, the U.S. and Belgium enacted tax reform legislation. The U.S. legislation, the Tax Cuts and Jobs Act ("TCJA"), is the most significant and complex change to the U.S. tax law in more than 30 years. The most significant provisions of the TCJA, were the reduction of the corporate income tax rate from 35% to 21% effective January 1, 2018, implementation of a territorial income tax regime, and imposition of a transition tax on the deemed repatriation of the accumulated earnings of the Company's foreign subsidiaries. The most significant provisions of the Belgium legislation were the reduction of the corporate income tax rate from 33.99% to 29.58% for January 1, 2018 and January 1, 2019, respectively, with a further reduction to 25% effective January 1, 2020, an annual limitation on the utilization of net operating losses, and creation of a consolidated corporate income tax regime.

Accordingly, for the year ended December 31, 2017, the Company recorded a net tax expense of $0.8 million related primarily to the non-cash tax benefit of the revaluation of its Belgian deferred tax liabilities, the non-cash tax benefit of the provisional revaluation of its U.S. deferred tax liabilities, and the tax expense of the provisional accrual associated with the Deemed Repatriation Transition Tax. This represents the best estimate of the impact of all tax law changes on the Company's financial statements. The Company will continue to evaluate the interpretations of the TCJA, the assumptions made within the calculations, and future guidance that may be issued to determine the impact, if any, on these provisional calculations, which may materially change the Company's tax determinations.

As for certain other corporate income tax aspects of the TCJA, specifically the Global Intangible Low-Taxed Income ("GILTI") provision, the Company has been unable to quantify the impacts of these provisions due to the inherent complexities involved. Accordingly, the Company expects to continue to analyze these provisions and their potential impacts and record any such amounts as determined during the course of 2018. See Note 12—Income Taxes.

Year Ended December 31, 2016, as Compared with Year Ended December 31, 2015

NET SALES

Net sales for 2016 were $8,959.1 million, reflecting an increase of $887.5 million, or 11.0%, from the $8,071.6 million reported for 2015. The increase was primarily attributable to higher sales volume of approximately $944 million, or 12%, which includes sales volumes attributable to acquisitions of approximately $509 million and legacy sales volumes of approximately $435 million, and the favorable net impact of price and product mix of approximately $11 million, partially offset by the unfavorable net impact of foreign exchange rates of approximately $69 million, or 1%.

Global Ceramic Segment—Net sales increased $161.8 million, or 5.4%, to $3,174.7 million for 2016, compared to $3,012.9 million for 2015. The increase was primarily attributable to higher sales volume of approximately $159 million, or 5%, which includes sales volume attributable to acquisitions of approximately $29 million and legacy sales volume of approximately $130 million, and the favorable net impact of price and product mix of approximately $45 million, or 2%, offset by the unfavorable net impact of foreign exchange rates of approximately $43 million, or 2%.

Flooring NA Segment—Net sales increased $263.6 million, or 7.3%, to $3,865.7 million for 2016, compared to $3,602.1 million for 2015. The increase was primarily attributable to higher sales volumes of approximately $305 million, or 8%, which includes sales volume attributable to acquisitions of approximately $76 million and legacy sales volume of approximately $229 million, partially offset by the unfavorable net impact of price and product mix of $42 million, or 1%.

Flooring ROW Segment—Net sales increased $461.7 million, or 31.7%, to $1,918.6 million for 2016, compared to $1,456.9 million for 2015. The increase was primarily attributable to higher sales volume of approximately $481 million, or 33%, which includes sales volume attributable to acquisitions of approximately $405 million and legacy sales volume of approximately $76 million and the favorable net impact of price and product mix of approximately $7 million, partially offset by the net impact of unfavorable foreign exchange rates of approximately $26 million, or 2%.

Quarterly net sales and the percentage changes in net sales by quarter for 2016 versus 2015 were as follows (dollars in millions):

	2016	2015	Change
First quarter	$2,172.0	1,881.2	15.5%
Second quarter	2,310.3	2,041.7	13.2%
Third quarter	2,294.1	2,150.7	6.7%
Fourth quarter	2,182.6	1,998.0	9.2%
Total year	$8,959.1	8,071.6	11.0%

GROSS PROFIT

Gross profit for 2016 was $2,812.8 million (31.4% of net sales), an increase of $402.1 million or 16.7%, compared to gross profit of $2,410.7 million (29.9% of net sales) for 2015. As a percentage of net sales, gross profit increased 150 basis points. The increase in gross profit dollars was primarily attributable to higher sales volume of approximately $254 million, savings from capital investments and cost reduction initiatives of approximately $113 million, lower material costs of approximately $67 million and the favorable impact of lower restructuring, acquisition and integration-related, and other costs of approximately $21 million, partially offset by the net impact of unfavorable foreign exchange rates of approximately $28 million, and the unfavorable net impact of price and product mix of approximately $11 million.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for 2016 were $1,532.9 million (17.1% of net sales), a decrease of $40.2 million compared to $1,573.1 million (19.5% of net sales) for 2015. As a percentage of net sales, selling, general and administrative expenses decreased 240 basis points. The decrease in selling, general and administrative expenses in dollars was primarily attributable to savings from capital investments and cost reduction initiatives of $27 million, the net impact of favorable foreign exchange rates of approximately $9 million, and the favorable impact of lower restructuring, acquisition and integration-related, and other costs of approximately $173 million, partially offset by approximately $94 million of costs due to higher sales volume, approximately $51 million of costs associated with investments in new product development, sales personnel, and marketing, and increased employee costs of approximately $18 million. Restructuring, acquisition and integration-related, and other costs were lower primarily due to the non-recurring 2015 charge of approximately $122 million related to the settlement and defense of the polyurethane foam litigation and the $90 million received in the third quarter of 2016 related to a contract dispute, partially offset by a charge for approximately $48 million related to the write-off of the Lees tradename.

OPERATING INCOME

Operating income for 2016 was $1,279.9 million (14.3% of net sales) reflecting an increase of $442.4 million, or 52.8%, compared to operating income of $837.6 million (10.4% of net sales) for 2015. The increase in operating income was primarily attributable to increased sales volumes of approximately $160 million, savings from capital investments and cost reduction initiatives of approximately $140 million, lower material costs of approximately $67 million and the favorable impact of lower restructuring, acquisition and integration-related, and other costs of approximately $194 million, partially offset by approximately $51 million of costs associated with investments in new product development, sales personnel, and marketing, the net impact of unfavorable foreign exchange rates of approximately $19 million, increased employee costs of approximately $18 million, and the unfavorable net impact of price and product mix of approximately $13 million. Restructuring, acquisition and integration-related, and other costs were lower primarily due to the non-recurring 2015 charge of approximately $122 million related to the settlement and defense of the polyurethane foam litigation and the $90 million received in the third quarter of 2016 related to a contract dispute, partially offset by a charge for approximately $48 million related to the write-off of the Lees tradename.

Global Ceramic Segment—Operating income was $478.5 million (15.1% of segment net sales) for 2016 reflecting an increase of $64.3 million, or 15.5%, compared to operating income of $414.2 million (13.7% of segment net sales) for 2015. The increase in operating income was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $49 million, increased sales volumes of approximately $36 million, and the favorable impact of price and product mix of approximately $20 million, partially offset by costs associated with investments in new product development, sales personnel, and marketing of approximately $18 million, increased employee costs of approximately $9 million, increased material costs of approximately $6 million, and the net impact of unfavorable foreign exchange rates of approximately $3 million.

Flooring NA Segment—Operating income was $505.1 million (13.1% of segment net sales) for 2016 reflecting an increase of $240.8 million, or 91.1%, compared to operating income of $264.3 million (7.3% of segment net sales) for 2015. The increase in operating income was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $64 million, lower material costs of approximately $49 million, increased sales volumes of approximately $46 million, and the favorable impact of lower restructuring, acquisition and integration-related, and other costs of approximately $157 million, partially offset by approximately $27 million of costs associated with investments in new product development, sales personnel, and marketing, the unfavorable impact of price and product mix of approximately $27 million, costs associated with investments in expansion of production capacity of approximately $6 million and increased employee costs of $5 million. Restructuring, acquisition and integration-related, and other costs were lower primarily due to the non-recurring 2015 charge of approximately $122 million related to the settlement and defense of the polyurethane foam litigation and the $90 million received in the third quarter of 2016 related to a contract dispute, partially offset by a charge for approximately $48 million related to the write-off of the Lees tradename.

Flooring ROW Segment—Operating income was $333.1 million (17.4% of segment net sales) for 2016 reflecting an increase of $129.7 million, or 63.8%, compared to operating income of $203.4 million (14.0% of segment net sales) for 2015. The increase in operating income was primarily attributable to higher sales volumes of approximately $77 million, savings from capital investments and cost reduction initiatives of approximately $27 million, lower material costs of approximately $23 million, lower restructuring, acquisition and integration-related, and other costs of approximately $23 million, and the favorable impact of reduced costs from investments in expansion of production capacity of approximately $6 million, partially offset by the net impact of unfavorable foreign exchange rates of approximately $16 million, the unfavorable net impact of price and product mix of approximately $6 million and approximately $5 million of costs associated with investments in new product development, sales personnel, and marketing.

INTEREST EXPENSE

Interest expense was $40.5 million for 2016, reflecting a decrease of $30.5 million compared to interest expense of $71.1 million for 2015. The decrease was primarily attributable to the Company paying the remaining balance of its 6.125% senior notes in January 2016 utilizing cash on hand and lower interest rate commercial paper borrowings.

OTHER (INCOME) EXPENSE

Other income was $1.7 million for 2016, reflecting a favorable change of $19.3 million compared to other expense of $17.6 million for 2015. The change was primarily due to the prior year release of an indemnification receivable related to the reversal of uncertain tax positions recorded with the IVC Group acquisition of approximately $11 million.

INCOME TAX EXPENSE

For 2016, the Company recorded income tax expense of $307.6 million on earnings before income taxes of $1,241.1 million for an effective tax rate of 24.8%, as compared to an income tax expense of $131.9 million on earnings before income taxes of $748.9 million, resulting in an effective tax rate of 17.6% for 2015. The increase in effective tax rates was partially due to benefits recorded in 2015, that did not recur in 2016: the expiration of the statute of limitations on European-related tax exposures of approximately $18 million and a favorable multi-year tax study yielding a benefit of approximately $8.5 million. The balance of the year-over-year increase is the direct result of the geographic dispersion of the Company's earnings for 2016, which are up approximately 94% in the U.S. (partially due to the absence of the 2015 $122.5 million charge related to the settlement and defense of the polyurethane foam litigation) and almost 45% outside the U.S. See Note 12—Income Taxes.

Liquidity and Capital Resources

The Company's primary capital requirements are for working capital, capital expenditures and acquisitions. The Company's capital needs are met primarily through a combination of internally generated funds, commercial paper, bank credit lines, term and senior notes and credit terms from suppliers. As of December 31, 2017, the Company had a total of $541.0 million available under its 2015 Senior Credit Facility. The Company also maintains local currency revolving lines of credit and other credit facilities to provide liquidity to its businesses around the world. None of such local facilities are material in amount.

Net cash provided by operating activities for the year ended 2017 was $1,193.6 million, compared to net cash provided by operating activities of $1,345.3 million for the year ended 2016. The decrease of $151.7 million in 2017 was primarily attributable to changes in working capital. These changes in working capital reflect normal fluctuations relative to the timing and nature of these transactions. The increase in cash provided by operating activities for 2016 as compared to 2015 was primarily attributable to higher earnings driven by increased sales volumes during 2016 when compared to the prior year, the non-recurring 2015 $122.5 million charge related to the settlement and defense of the polyurethane foam litigation, and the $90 million related to the settlement of a contract dispute with a third party. The increase in earnings was partially offset by changes in working capital.

Net cash used in investing activities for the year ended 2017 was $1,240.7 million compared to net cash used in investing activities of $672.1 million for the year ended 2016. The increase was primarily due to acquisitions of $250.8 million and the $83.9 million purchase of short-term investments in 2017. Also, capital expenditures increased by $233.9 million to $906.0 million in 2017. The decrease in cash used in investing activities in 2016 of $672.1 million as compared to 2015 was primarily due to the decrease in acquisitions. The Company spent $1,371 million in 2015 on the IVC Group, the KAI Group, Xtratherm and other acquisitions and there were no acquisitions in 2016. The Company will continue to invest to optimize sales and profit growth with product expansion and cost reduction projects in the business.

Net cash used in financing activities for the year ended 2017 was $7.0 million compared to net cash used in financing activities of $641.6 million for the year ended 2016. The change in cash used in financing is primarily attributable to the issuance and sale of $357.6 million in Floating Rate Notes in 2017 and the repayment of senior notes of $645.6 million in 2016, partially offset by decreased borrowings in 2017. The change in cash used in financing activities for the year ended 2016 as compared to 2015 was primarily attributable to decreased borrowings in 2016.

SENIOR CREDIT FACILITY

On March 26, 2015, the Company amended and restated its 2013 senior credit facility increasing its size from $1,000.0 million to $1,800.0 million and extending the maturity from September 25, 2018 to March 26, 2020 (as amended and restated, the "2015 Senior Credit Facility"). The 2015 Senior Credit Facility eliminated 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 flexibility to make acquisitions and incur additional indebtedness. On March 1, 2016, the Company amended the 2015 Senior Credit Facility to, among other things, carve out from the general limitation on subsidiary indebtedness the issuance of Euro-denominated commercial paper notes by subsidiaries. Additionally, at several points in 2016, the Company extended the maturity date of the 2015 Senior Credit Facility from March 26, 2020 to March 26, 2021. In the first half of 2017, the Company amended the 2015 Senior Credit Facility to extend the maturity date from March 26, 2021 to March 26, 2022.

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% (1.125% as of December 31, 2017), or (b) the higher of the Wells Fargo Bank, National Association prime rate, the Federal Funds rate plus 0.5%, or the Eurocurrency Rate (as defined in the 2015 Senior Credit Facility) rate plus 1.0%, plus an applicable margin ranging between 0.00% and 0.75% (0.125% as of December 31, 2017). The Company also pays a commitment fee to the lenders under the 2015 Senior Credit Facility 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 (0.125% as of December 31, 2017). 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 $0.6 million in connection with the extension of its 2015 Senior Credit Facility from March 26, 2021 to March 26, 2022. These costs were deferred and, along with unamortized costs of $6.9 million are being amortized over the term of the 2015 Senior Credit Facility.

As of December 31, 2017, amounts utilized under the 2015 Senior Credit Facility included $62.1 million of borrowings and $56.3 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. The outstanding borrowings of $1,140.6 million under the Company's U.S. and European commercial paper programs as of December 31, 2017 reduce the availability of the 2015 Senior Credit Facility. Including commercial paper borrowings, the Company has utilized $1,259.0 million under the 2015 Senior Credit Facility resulting in a total of $541.0 million available as of December 31, 2017.

COMMERCIAL PAPER

On February 28, 2014 and July 31, 2015, the Company established programs for the issuance of unsecured commercial paper in the United States and Eurozone capital markets, respectively. Commercial paper issued under the U.S. and European programs will have maturities ranging up to 397 and 183 days, respectively. None of the commercial paper notes may be voluntarily prepaid or redeemed by the Company and all rank pari passu with all of the Company's other unsecured and unsubordinated indebtedness. To the extent that the Company issues European commercial paper notes through a subsidiary of the Company, the 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 outstanding under all of the Company's commercial paper programs may not exceed $1,800.0 million (less any amounts drawn on the 2015 Credit Facility) at any time.

The proceeds from the issuance of commercial paper notes will be available for general corporate purposes. As of December 31, 2017 there was $228.5 million outstanding under the U.S. commercial paper program, and the euro equivalent of $912.1 million under the European program. The weighted-average interest rate and maturity period for the U.S. program were 1.97% and 12.60 days, respectively. The weighted-average interest rate and maturity period for the European program were (0.20)% and 35.19 days, respectively.

SENIOR NOTES

On September 11, 2017, Mohawk Capital Finance S.A. ("Mohawk Finance"), an indirect wholly-owned finance subsidiary of the Company, completed the issuance and sale of €300.0 million aggregate principal amount of its Floating Rate Notes due September 11, 2019 ("Floating Rate Notes"). The Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event shall the interest rate be less than zero). Interest on the Floating Rate Notes is payable quarterly on September 11, December 11, March 11, and June 11 of each year. Mohawk Finance paid financing costs of $0.9 million in connection with the Floating Rate Notes. These costs were deferred and are being amortized over the term of the Floating Rate Notes.

On June 9, 2015, the Company issued €500.0 million aggregate principal amount of 2.00% Senior Notes due January 14, 2022. The 2.00% Senior 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 2.00% Senior Notes is payable annually in cash on January 14 of each year, commencing on January 14, 2016. The Company paid financing costs of $4.2 million 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 $600.0 million aggregate principal amount of 3.85% Senior Notes due February 1, 2023. The 3.85% Senior 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 3.85% Senior Notes is payable semi-annually in cash on February 1 and August 1 of each year. 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.

As defined in the related agreements, the Company's senior notes contain covenants, representations and warranties and events of default, subject to exceptions, and restrictions on the Company's financial and business operations, including limitations on liens, restrictions on entering into sale and leaseback transactions, fundamental changes, and a provision allowing the holder of the notes to require repayment upon a change of control triggering event.

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 $300.0 million to $500.0 million and decreased the interest margins on certain borrowings. Amounts borrowed under the Securitization Facility bore interest at LIBOR plus an applicable margin of 0.70% per annum and the borrower paid a commitment fee at a per annum rate of 0.30% on the unused amount of each lender's commitment. On December 10, 2015, the Company extended the termination date to December 19, 2016, and on December 13, 2016, the Company extended the termination date to December 19, 2017. The Company paid financing costs of $250 in connection with the second extension. These costs were deferred and amortized over the term of the Securitization Facility. The Securitization Facility expired in accordance with its terms on December 19, 2017.

The Company may continue, from time to time, to retire its outstanding debt through cash purchases in the open market, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. The amount involved may be material.

As of December 31, 2017, the Company had cash of $84.9 million, of which $70.5 million was held outside the United States. The Company plans to permanently reinvest the cash held outside the United States. The Company believes that its cash and cash equivalents on hand, cash generated from operations and availability under its 2015 Senior Credit Facility will be sufficient to meet its capital expenditure, working capital and debt servicing requirements over the next twelve months.

The Company's Board of Directors has authorized the repurchase of up to 15 million shares of the Company's outstanding common stock. Since the inception of the program in 1999, a total of approximately 11.5 million shares have been repurchased at an aggregate cost of approximately $335.5 million. All of these repurchases have been financed through the Company's operations and banking arrangements. The Company did not repurchase shares during the year ended December 31, 2017.

Contractual Obligations and Commitments

The following is a summary of the Company's future minimum payments under contractual obligations and commitments as of December 31, 2017 (in millions):

	Total	2018	2019	2020	2021	2022	Thereafter
Contractual obligations and commitments:							
Long-term debt, including current maturities and capital leases	$2,763.6	1,203.7	360.5	0.6	0.4	598.0	600.3
Interest payments on long-term debt and capital leases (1)	171.8	39.1	35.3	35.3	35.3	24.2	2.6
Operating leases	391.0	115.7	91.2	70.1	47.4	26.9	39.6
Purchase commitments (2)	567.2	172.9	76.9	31.2	31.2	25.5	229.5
Expected pension contributions (3)	3.3	3.3	—	—	—	—	—
Uncertain tax positions (4)	1.2	1.2	—	—	—	—	—
Guarantees (5)	23.8	23.8	—	—	—	—	—
Total	$3,921.9	1,559.7	563.9	137.2	114.3	674.6	872.0

(1) For fixed rate debt, the Company calculated interest based on the applicable rates and payment dates. For variable rate debt, the Company estimated average outstanding balances for the respective periods and applied interest rates in effect as of December 31, 2017 to these balances.

(2) Includes volume commitments for natural gas, electricity and raw material purchases.

(3) Includes the estimated pension contributions for 2018 only, as the Company is unable to estimate the pension contributions beyond 2018. The Company's projected benefit obligation and plan assets as of December 31, 2017 were $65.4 million and $53.4 million, respectively. The projected benefit obligation liability has not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(4) Excludes $59.3 million of non-current accrued income tax liabilities and related interest and penalties for uncertain tax positions. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(5) Includes bank guarantees and letters of credit.

Critical Accounting Policies

In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, the Company must make decisions which impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, the Company applies judgment based on its understanding and analysis of the relevant circumstances and historical experience. Actual amounts could differ from those estimated at the time the consolidated financial statements are prepared.

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included elsewhere in this report. Some of those significant accounting policies require the Company to make subjective or complex judgments or estimates. Critical accounting policies are defined as those that are both most important to the portrayal of a company's financial condition and results and require management's most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The Company believes the following accounting policies require it to use judgments and estimates in preparing its consolidated financial statements and represent critical accounting policies.

- ***Accounts receivable and revenue recognition.*** Revenues 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, sales allowances, returns, claims and doubtful accounts based upon historical bad debt and claims experience and periodic evaluation of specific customer accounts and the aging of accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. A 10% change in the Company's allowance for discounts, returns, claims and doubtful accounts would have affected net earnings by approximately $5 million for the year ended December 31, 2017.

- ***Inventories are stated at the lower of cost or market (net realizable value).*** Cost has been determined using the first-in first-out method ("FIFO"). 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. A 10% change in the Company's reserve for excess or obsolete inventory would have affected net earnings by approximately $9 million for the year ended December 31, 2017.

- ***Acquisition Accounting.*** The fair value of the consideration we pay for each new acquisition is allocated to tangible assets and identifiable intangible assets, liabilities assumed, any non-controlling interest in the acquired entity and goodwill. The accounting for acquisitions involves a considerable amount of judgment and estimate, including the fair value of certain forms of consideration; fair value of acquired intangible assets involving projections of future revenues and cash flows that are then either discounted at an estimated discount rate or measured at an estimated royalty rate; fair value of other acquired assets and assumed liabilities, including potential contingencies; and the useful lives of the acquired assets. The assumptions used are determined at the time of the acquisition in accordance with accepted valuation models. Projections are developed using internal forecasts, available industry and market data and estimates of long-term rates of growth for our business. The impact of prior or future acquisitions on our financial position or results of operations may be materially impacted by the change in or initial selection of assumptions and estimates. See Note 2—Acquisitions for further discussion of business combination accounting valuation methodology and assumptions.

- ***Goodwill and other intangibles.*** Goodwill is tested annually for impairment on the first day of the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances. 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 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 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. Generally, a decline in estimated after tax cash flows of more than 35% or a more than 24% increase in WACC or a significant or prolonged decline in market capitalization could result in an additional indication of impairment.

The impairment test for intangible assets not subject to amortization involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. These judgments and assumptions are subject to the variability discussed above.

The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted on the first day of the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. 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 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.

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 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.

The Company conducted its annual assessment of goodwill and indefinite lived intangibles on the first day of the fourth quarter and no impairment was indicated for 2017.

- ***Income taxes.*** The Company's effective tax rate is based on its income, statutory tax rates and tax planning opportunities available in the jurisdictions in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining the Company's tax expense and in evaluating the

Company's tax positions. Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in a future period. The Company evaluates the recoverability of these future tax benefits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely on estimates, including business forecasts and other projections of financial results over an extended period of time. In the event that the Company is not able to realize all or a portion of its deferred tax assets in the future, a valuation allowance is provided. The Company would recognize such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. For further information regarding the Company's valuation allowances, see Note 12—Income Taxes.

In the ordinary course of business there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company's evaluation of the facts, circumstances and information available as of the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information, as required by the provisions of the Financial Accounting Standards Board ("FASB") FASB Accounting Standards Codification Topic ("ASC") 740-10. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. For further information regarding the Company's uncertain tax positions, see Note 12—Income Taxes.

- ***Environmental and legal accruals.*** Environmental and legal accruals are estimates based on judgments made by the Company relating to ongoing environmental and legal proceedings, as disclosed in the Company's consolidated financial statements. In determining whether a liability is probable and reasonably estimable, the Company consults with its internal experts. The Company believes that the amounts recorded in the accompanying financial statements are based on the best estimates and judgments available to it.

Recent Accounting Pronouncements

See Note 1(u), "Summary of Significant Accounting Policies," of our accompanying audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K for a description of recent accounting pronouncements including the dates, or expected dates of adoption, and effects, or expected effects, on our disclosures, results of operations, and financial condition.

Impact of Inflation

Inflation affects the Company's manufacturing costs, distribution costs and operating expenses. The Company expects raw material prices, many of which are petroleum based, to fluctuate based upon worldwide supply and demand of commodities utilized in the Company's production processes. Although the Company attempts to pass on increases in raw material, energy and fuel-related costs to its customers, the Company's ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for the Company's products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be fully recovered. In the past, the Company has often been able to enhance productivity and develop new product innovations to help offset increases in costs resulting from inflation in its operations.

Seasonality

The Company is a calendar year-end company. With respect to its Flooring NA and Global Ceramic segments, its results of operations for the first quarter tend to be the weakest followed by the fourth quarter. The second and third quarters typically produce higher net sales and operating income in these segments. These results are primarily due to consumer residential spending patterns which have historically decreased during the holiday season and the first two months following. The Flooring ROW segment's second quarter typically produces the highest net sales and earnings followed by a moderate first and fourth quarter and a weaker third quarter.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk is impacted by changes in foreign currency exchange rates, interest rates and certain commodity prices. Financial exposures to these risks are monitored as an integral part of the Company's risk management program, which seeks to reduce the potentially adverse effect that the volatility of these markets may have on its operating results. The Company does not regularly engage in speculative transactions, nor does it regularly hold or issue financial instruments for trading purposes. Excluding the hedge of net investment discussed in Note 1(n) "Hedges of Net Investments in Non-U.S. Operations," of our accompanying consolidated financial statements in Item 8 of this Annual Report on Form 10-K, the Company did not have any derivative contracts outstanding as of December 31, 2017 and 2016.

Interest Rate Risk

As of December 31, 2017, approximately 43% of the Company's debt portfolio was comprised of fixed-rate debt and 57% was floating-rate debt. The Company believes that probable near-term changes in interest rates would not materially affect its financial condition, results of operations or cash flows. The annual impact on interest expense of a one-percentage point interest rate change on the outstanding balance of our variable rate debt as of December 31, 2017 would be approximately $16 million or $0.14 to diluted EPS.

Foreign Exchange Risk

As a result of being a global enterprise, there is exposure to market risks from changes in foreign currency exchange rates, which may adversely affect the operating results and financial condition of the Company. Principal foreign currency exposures relate primarily to the euro and to a lesser extent the Russian ruble, the Mexican peso, the Canadian dollar, the Australian dollar, the British pound and the Malaysian ringgit.

The Company's objective is to balance, where possible, non-functional currency denominated assets to non-functional currency denominated liabilities to have a natural hedge and minimize foreign exchange impacts. The Company enters into cross border transactions through importing and exporting goods to and from different countries and locations. These transactions generate foreign exchange risk as they create assets, liabilities and cash flows in currencies other than their functional currency. This also applies to services provided and other cross border agreements among subsidiaries.

The Company takes steps to minimize risks from foreign currency exchange rate fluctuations through normal operating and financing activities. The Company does not enter into any speculative positions with regard to derivative instruments.

Based on financial results for the year ended December 31, 2017, a hypothetical overall 10 percent change in the U.S. dollar against the euro would have resulted in a translational adjustment of approximately $43 million.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
MOHAWK INDUSTRIES, INC.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, 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, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2017, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP
We have served as the Company's auditor since 1990.
Atlanta, Georgia
February 28, 2018

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
MOHAWK INDUSTRIES, INC.:

Opinion on Internal Control Over Financial Reporting

We have audited Mohawk Industries, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, 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, 2017, and related notes, and our report dated February 28, 2018 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Emilceramica S.r.l (Emil) during 2017, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, Emil's internal control over financial reporting associated with total assets of $258.9 million and total net sales of $130.5 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2017. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Emil.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our 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.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP
Atlanta, Georgia
February 28, 2018

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31,	2017	2016
(In thousands, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 84,884**	121,665
Receivables, net	**1,558,159**	1,376,151
Inventories	**1,948,663**	1,675,751
Prepaid expenses	**376,836**	267,724
Other current assets	**104,425**	30,221
Total current assets	**4,072,967**	3,471,512
Property, plant and equipment, net	**4,270,790**	3,370,348
Goodwill	**2,471,459**	2,274,426
Tradenames	**644,208**	580,147
Other intangible assets, net	**247,559**	254,459
Deferred income taxes and other non-current assets	**387,870**	279,704
	$12,094,853	10,230,596
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	**$ 1,203,683**	1,382,738
Accounts payable and accrued expenses	**1,451,672**	1,335,582
Total current liabilities	**2,655,355**	2,718,320
Deferred income taxes	**328,103**	361,416
Long-term debt, less current portion	**1,559,895**	1,128,747
Other long-term liabilities	**455,028**	214,930
Total liabilities	**4,998,381**	4,423,413
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interest	**29,463**	23,696
Stockholders' equity:		
Preferred stock, $.01 par value; 60 shares authorized; no shares issued	**—**	—
Common stock, $.01 par value; 150,000 shares authorized; 81,771 and 81,519 shares issued in 2017 and 2016, respectively	**818**	815
Additional paid-in capital	**1,828,131**	1,791,540
Retained earnings	**6,004,506**	5,032,914
Accumulated other comprehensive loss	**(558,527)**	(833,027)
	7,274,928	5,992,242
Less treasury stock at cost; 7,350 and 7,351 shares in 2017 and 2016, respectively	**215,766**	215,791
Total Mohawk Industries, Inc. stockholders' equity	**7,059,162**	5,776,451
Noncontrolling interest	**7,847**	7,036
Total stockholders' equity	**7,067,009**	5,783,487
	$12,094,853	10,230,596

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31,	2017	2016	2015
(In thousands, except per share data)			
Net sales	**$9,491,290**	8,959,087	8,071,563
Cost of sales	**6,494,876**	6,146,262	5,660,877
Gross profit	**2,996,414**	2,812,825	2,410,686
Selling, general and administrative expenses	**1,642,241**	1,532,882	1,573,120
Operating income	**1,354,173**	1,279,943	837,566
Interest expense	**31,111**	40,547	71,086
Other expense (income)	**5,205**	(1,729)	17,619
Earnings before income taxes	**1,317,857**	1,241,125	748,861
Income tax expense	**343,165**	307,559	131,875
Net earnings including noncontrolling interest	**974,692**	933,566	616,986
Net earnings attributable to noncontrolling interest	**3,054**	3,204	1,684
Net earnings attributable to Mohawk Industries, Inc.	**$ 971,638**	930,362	615,302
Basic earnings per share attributable to Mohawk Industries, Inc.			
Basic earnings per share attributable to Mohawk Industries, Inc.	**$ 13.07**	12.55	8.37
Weighted-average common shares outstanding—basic	**74,357**	74,104	73,516
Diluted earnings per share attributable to Mohawk Industries, Inc.			
Diluted earnings per share attributable to Mohawk Industries, Inc.	**$ 12.98**	12.48	8.31
Weighted-average common shares outstanding—diluted	**74,839**	74,568	74,043

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years Ended December 31,	2017	2016	2015
(In thousands)			
Net earnings including noncontrolling interest	**$ 974,692**	933,566	616,986
Other comprehensive (loss) income:			
Foreign currency translation adjustments	**281,655**	(36,702)	(360,147)
Prior pension and post-retirement benefit service cost and actuarial loss	**(2,927)**	(2,757)	(4,100)
Other comprehensive income (loss)	**278,728**	(39,459)	(364,247)
Comprehensive income	**1,253,420**	894,107	252,739
Comprehensive income attributable to the non-controlling interest	**7,282**	3,204	1,684
Comprehensive income attributable to Mohawk Industries, Inc.	**$1,246,138**	890,903	251,055

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

		Total Stockholders' Equity								
	Redeemable Noncontrolling	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	Treasury Stock		Noncontrolling	Total Stockholders'
Years Ended December 31,	Interest	Shares	Amount	Capital	Earnings	Income (Loss)	Shares	Amount	Interest	Equity
(In thousands)										
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 noncontrolling interests	(713)	—	—	—	—	—	—	—	(970)	(970)
Acquisition of noncontrolling interest, net of taxes	21,043	—	—	—	520	—	—	—	2,597	3,117
Currency translation adjustment	—	—	—	—	—	360,147)	—	—	—	(360,147)
Pension prior service cost and actuarial gain	—	—	—	—	—	(4,100)	—	—	—	(4,100)
Net income	—	—	—	—	15,302	—	—	—	—	615,302
Balances at 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
Shares issued under employee and director stock plans	—	239	2	(8,232)	—	—	—	4	—	(8,226)
Stock-based compensation expense	—	—	—	35,059	—	—	—	—	—	35,059
Tax benefit from stock-based compensation	—	—	—	4,697	—	—	—	—	—	4,697
Accretion of redeemable noncontrolling interest	123	—	—	—	(123)	—	—	—	—	(123)
Noncontrolling earnings	2,864	—	—	—	—	—	—	—	340	340
Currency translation adjustment on non-controlling interests	(1,243)	—	—	—	—	—	—	—	(26)	(26)
Acquisition of noncontrolling interest, net of taxes	—	—	—	—	(32)	—	—	—	32	—
Currency translation adjustment	—	—	—	—	—	(36,702)	—	—	—	(36,702)
Pension prior service cost and actuarial loss	—	—	—	—	—	(2,757)	—	—	—	(2,757)
Net income	—	—	—	—	930,362	—	—	—	—	930,362
Balances at December 31, 2016	23,696	81,519	815	1,791,540	5,032,914	(833,027)	(7,351)	(215,791)	7,036	5,783,487
Shares issued under employee and director stock plans	—	252	3	269	—	—	1	25	—	297
Stock-based compensation expense	—	—	—	36,322	—	—	—	—	—	36,322
Distribution to noncontrolling interest, net of adjustments	—	—	—	—	—	—	—	—	(750)	(750)
Accretion of redeemable noncontrolling interest	46	—	—	—	(46)	—	—	—	—	(46)
Noncontrolling earnings	2,544	—	—	—	—	—	—	—	510	510
Currency translation adjustment on non-controlling interests	3,177	—	—	—	—	—	—	—	1,051	1,051
Currency translation adjustment	—	—	—	—	—	277,427	—	—	—	277,427
Prior pension and post-retirement benefit service cost and actuarial loss	—	—	—	—	—	(2,927)	—	—	—	(2,927)
Net income	—	—	—	—	971,638	—	—	—	—	971,638
Balances as of December 31, 2017	**$29,463**	**81,771**	**$818**	**$1,828,131**	**$6,004,506**	**$(558,527)**	**(7,350)**	**$(215,766)**	**$7,847**	**$7,067,009**

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,	2017	2016	2015
(In thousands)			
Cash flows from operating activities:			
Net earnings	$ **974,692**	933,566	616,986
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Restructuring	**37,085**	38,463	33,085
Intangible asset impairment	**—**	47,905	—
Depreciation and amortization	**446,672**	409,467	362,647
Deferred income taxes	**(75,591)**	(34,009)	(28,883)
Loss on disposal of property, plant and equipment	**4,303**	3,932	3,007
Stock-based compensation expense	**36,322**	35,059	32,552
Changes in operating assets and liabilities, net of effects of acquisitions:			
Receivables, net	**(60,566)**	(158,888)	(14,383)
Inventories	**(153,245)**	(81,923)	6,400
Accounts payable and accrued expenses	**25,365**	85,572	6,473
Other assets and prepaid expenses	**(52,115)**	54,267	(75,813)
Other liabilities	**10,673**	11,878	(12,919)
Net cash provided by operating activities	**1,193,595**	1,345,289	929,152
Cash flows from investing activities:			
Additions to property, plant and equipment	**(905,998)**	(672,125)	(503,657)
Acquisitions, net of cash acquired	**(250,799)**	—	(1,370,567)
Purchases of short-term investments	**(83,904)**	—	—
Net cash used in investing activities	**(1,240,701)**	(672,125)	(1,874,224)
Cash flows from financing activities:			
Payments on Senior Credit Facilities	**(454,637)**	(707,129)	(1,376,082)
Proceeds from Senior Credit Facilities	**447,884**	631,807	1,315,930
Payments on Commercial Paper	**(15,584,017)**	(20,210,585)	(15,934,767)
Proceeds from Commercial Paper	**15,761,954**	20,301,372	16,402,507
Proceeds from Floating Rate Notes	**357,569**	—	—
Repayment of senior notes	**—**	(645,555)	—
Payments on asset securitization borrowings	**(500,000)**	—	—
Proceeds from senior note issuance	**—**	—	564,653
Payments on other debt	**—**	—	(9,530)
Payments on acquired debt and other financings	**(18,811)**	—	(7,109)
Debt issuance costs	**(1,478)**	(1,336)	—
Change in outstanding checks in excess of cash	**(3,402)**	(1,754)	(2,052)
Shares redeemed for taxes	**(13,902)**	(13,039)	(11,589)
Proceeds and net tax benefit from stock transactions	**1,845**	4,583	4,843
Net cash (used in) provided by financing activities	**(6,995)**	(641,636)	946,804
Effect of exchange rate changes on cash and cash equivalents	**17,320**	8,445	(17,917)
Net change in cash and cash equivalents	**(36,781)**	39,973	(16,185)
Cash and cash equivalents, beginning of year	**121,665**	81,692	97,877
Cash and cash equivalents, end of year	$ **84,884**	121,665	81,692

See accompanying notes to consolidated financial statements.

Years Ended December 31, 2017, 2016 and 2015
(In thousands, except per share data)

Note 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) 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, 2017, the Company had cash of $84,884 of which $70,520 was held outside the United States. As of December 31, 2016, the Company had cash of $121,665 of which $92,419 was held outside the United States.

(c) Accounts Receivable and Revenue Recognition

The Company 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.

(d) Inventories

The Company accounts for all inventories on the first-in, first-out ("FIFO") method. Inventories are stated at the lower of cost or 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. 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.

(e) 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.

(f) 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.

(g) 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 on the first day of 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 on the first day of the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. 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 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.

(h) 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.

(i) 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 Company formed a wholly-owned captive insurance company during 2017 that invests in the Company's commercial paper. These short-term commercial paper investments are classified as trading securities and carried at fair value based upon level two fair value hierarchy. 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.

(j) 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 $119,560 in 2017, $122,148 in 2016 and $100,012 in 2015.

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 $10,891 in 2017, $11,132 in 2016 and $9,417 in 2015.

(k) 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.

(l) 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 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.

(m) 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.

(n) 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 years ended December 31, 2017, December 31, 2016 and December 31, 2015 the change in the U.S. dollar value of the Company's euro denominated debt was an increase of $74,112 ($46,320 net of taxes), a decrease of $20,644 ($12,902 net of taxes) and an increase of $18,025 ($11,266 net of taxes), respectively, 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.

(o) 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 excluded from the diluted EPS computation because the price was greater than the average market price of the common shares for the periods presented for 2017, 2016 and 2015.

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

	2017	2016	2015
Earnings attributable to Mohawk Industries, Inc.	**$971,638**	930,362	615,302
Accretion of redeemable noncontrolling interest [(a)]	**(46)**	(123)	(194)
Net earnings available to common stockholders	**$971,592**	930,239	615,108
Weighted-average common shares outstanding-basic and diluted:			
Weighted-average common shares outstanding—basic	**74,357**	74,104	73,516
Add weighted-average dilutive potential common shares—options and RSUs to purchase common shares, net	**482**	464	527
Weighted-average common shares outstanding—diluted	**74,839**	74,568	74,043
Earnings per share attributable to Mohawk Industries, Inc.			
Basic	**$ 13.07**	12.55	8.37
Diluted	**$ 12.98**	12.48	8.31

(a) Represents the accretion of the Company's redeemable noncontrolling interest to redemption value. The Company will have the option to call and the holder the option to put this noncontrolling interest on May 12, 2018.

(p) 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.

(q) 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 $53,544 and $22,039 in 2017, $50,542 and $21,002 in 2016 and $45,279 and $18,882 in 2015, 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. The Company's projected benefit obligation and plan assets as of December 31, 2017 were $65,439 and $53,404, respectively. The Company's projected benefit obligation and plan assets as of December 31, 2016 were $48,117 and $40,600, respectively. As of December 31, 2017, the funded status of the Non-U.S. Plans was a liability of $12,035 of which $6,187 was recorded in accumulated other comprehensive income, for a net liability of $5,848 recorded in other long-term liabilities within the consolidated balance sheets. As of December 31, 2016, the funded status of the Non-U.S. Plans was a liability of $7,517 of which $3,803 was recorded in accumulated other comprehensive income (loss), for a net liability of $3,714 recorded in other long-term liabilities within the consolidated balance sheets.

(r) 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. The Company presents currency translation adjustments on non-controlling interests separately from currency translation adjustments on controlling interests in accumulated other comprehensive income (loss) within stockholders' equity.

The changes in accumulated other comprehensive income (loss) by component, net of tax, for years ended December 31, 2017, 2016 and 2015 are as follows:

	Foreign currency translation adjustments	Pensions and post-retirement benefits	Total
Balance as of December 31, 2014	$ (428,505)	(816)	(429,321)
Current period other comprehensive income (loss) before reclassifications	(360,147)	(4,100)	(364,247)
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Balance as of December 31, 2015	(788,652)	(4,916)	(793,568)
Current period other comprehensive income (loss) before reclassifications	(36,702)	(2,757)	(39,459)
Amounts reclassified from accumulated other comprehensive income	—	—	—
Balance as of December 31, 2016	(825,354)	(7,673)	(833,027)
Current period other comprehensive income (loss) before reclassifications	277,427	(2,927)	274,500
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Balance as of December 31, 2017	**$(547,927)**	**(10,600)**	**(558,527)**

(s) Self-Insurance Reserves

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 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.

In the fourth quarter of 2017, the Company formed a wholly-owned captive insurance company, Mohawk Assurance Services, Inc. ("MAS"). MAS insures the retained portion of the Company's U.S. workers' compensation, automobile liability and general liability exposures. The Company funded MAS with an initial cash contribution of $16,876 as a contribution to equity and $67,391 as the net present value of premiums owed by the Company for the insurance provided by MAS. MAS began providing coverage to the Company as of December 22, 2017. MAS has investments of $83,904 in the Company's commercial paper as of December 31, 2017.

(t) 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.

(u) Recent Accounting Pronouncements

EFFECTIVE IN FUTURE YEARS

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 will adopt the provisions of this new accounting standard on January 1, 2018, using the cumulative effect method. The Company reviewed all of its revenue categories and the only policy change identified was that certain intellectual property contracts will result in an acceleration in the timing of the recognition of revenue, implemented new controls and processes designed to meet the requirements of the standard, and assessed the required new disclosures upon adoption. The adoption of ASC 606 will not have a material impact on the amounts reported in the Company's consolidated financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The amendments in this Update create Topic 842, Leases, and supersede the requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The guidance in this update is effective for annual reporting periods beginning after December 15, 2018 including interim periods within that reporting period and early adoption is permitted. The Company plans to adopt the provisions of this update at the beginning of fiscal year 2019. Based on a preliminary assessment, the Company expects the adoption of this guidance to have a material impact on its assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets at the beginning of the earliest period presented. The Company is continuing its assessment, which may identify additional impacts this guidance will have on its consolidated financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*. This update clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. ASU 2016-15 also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. Additionally, the FASB issued ASU 2016-18 in November 2016 to address the classification and presentation of changes in restricted cash on the statement of cash flows. The guidance in these updates should be applied retrospectively and are effective for fiscal years beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The Company plans to adopt the provisions of these updates at the beginning of fiscal year 2018. The adoption of ASU 2016-15 is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the definition of a business*. The amendments clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of businesses. The guidance in this update is effective for fiscal years beginning after December 15, 2017, and interim periods within those years.

In January 2017, the FASB also issued ASU 2017-04, *Intangibles—Goodwill and other (Topic 350): Simplifying the test for goodwill impairment*. The amendments remove the second step of the current goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This guidance is effective for impairment tests in fiscal years beginning after December 15, 2019.

RECENTLY ADOPTED

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 Company currently accounts for inventory using the FIFO method. The Company adopted the provisions of this update at the beginning of fiscal year 2017. This update did not have a material impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*. This update simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company adopted the provisions of this update at the beginning of fiscal year 2017, with the statement of cash flows classifications applied retrospectively. Accordingly, cash paid for shares redeemed for taxes of $13,039 and $11,589 was reclassed to financing activities from operating activities for the year ended December 31, 2016 and 2015, respectively. Additionally, excess tax benefits are now classified with other tax flows as an operating activity with $4,697 and $5,690 reclassified from financing activities for the year ended December 31, 2016 and 2015, respectively. The Company has also elected to continue to estimate the number of awards that are expected to vest when accounting for forfeitures.

Note 2. Acquisitions

2017 Acquisitions

EMIL

On April 4, 2017, the Company completed its purchase of Emilceramica S.r.l ("Emil"), a ceramic company in Italy. The total value of the acquisition was $186,099. The Emil acquisition will enhance the Company's cost position and strengthen its combined brand and distribution in Europe. 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 Emil resulted in a preliminary goodwill allocation of $59,491, indefinite-lived tradename intangible asset of $16,196 and an intangible asset subject to amortization of $2,348. The goodwill is not expected to be deductible for tax purposes. The factors contributing to the recognition of the amount of goodwill include product, sales and manufacturing synergies. The Emil results are reflected in the Global Ceramic segment and the results of Emil's operations are not material to the Company's consolidated results of operations.

OTHER ACQUISITIONS

On November 20, 2017, the Company announced that it agreed to acquire Godfrey Hirst Group, the leading flooring company in Australia and New Zealand, further extending Mohawk's global position. The acquisition is expected to close during the second quarter of 2018 for approximately A$556,000 ($434,171 equivalent at December 31, 2017).

During the second quarter of 2017, the Company completed the acquisition of two businesses in the Global Ceramic segment for $37,250, resulting in a preliminary goodwill allocation of $1,002. The Company also completed the acquisition of a business in the Flooring NA segment for $26,623.

During the first quarter of 2017, the Company acquired certain assets of a distribution business in the Flooring ROW segment for $1,407, resulting in intangible assets subject to amortization of $827.

2015 Acquisitions

IVC GROUP AND KAI 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.

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 respsonsabilite 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 consolidated balance sheet. 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 combined consideration transferred of $1,341,050 for the Acquisitions, including debt paid and shares issued, was determined in accordance with the respective share purchase agreements. The consideration transferred is allocated to tangible and intangible assets and liabilities based upon their respective fair values.

XTRATHERM

On December 7, 2015, the Company completed its purchase of Xtratherm Limited, an Irish company, and certain of its affiliates (collectively, "Xtratherm"), a manufacturer of insulation boards in Ireland, the UK and Belgium. The total value of the acquisition was $158,851 and the consideration transferred is allocated to tangible and intangible assets and liabilities based upon their respective fair values. The Xtratherm 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 Xtratherm results are reflected in the Flooring ROW segment.

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.

During the third quarter of 2015, the Company acquired certain assets of a ceramic business in the Global Ceramic segment for $20,423.

Note 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, 2017, 2016 and 2015, respectively (in thousands):

	2017	2016	2015
Cost of sales			
Restructuring costs	**$33,109**	33,582	35,956
Acquisition integration-related costs	**2,916**	4,722	9,597
Restructuring and integration-related costs	**$36,025**	38,304	45,553
Selling, general and administrative expenses			
Restructuring costs	**$ 3,976**	4,881	5,779
Acquisition transaction-related costs	**2,751**	—	9,502
Acquisition integration-related costs	**6,188**	7,438	13,770
Restructuring, acquisition and integration-related costs	**$12,915**	12,319	29,051

The restructuring activity for the years ended December 31, 2017 and 2016, respectively is as follows (in thousands):

	Lease impairments	Asset write-downs	Severance	Other restructuring costs	Total
Balance as of December 31, 2015	$ —	—	8,965	1,065	10,030
Provision—Global Ceramic segment	—	795	1,396	79	2,270
Provision—Flooring NA segment	—	10,048	3,850	18,170	32,068
Provision—Flooring ROW segment	—	184	1,932	2,009	4,125
Cash payments	—	—	(10,958)	(9,982)	(20,940)
Non-cash items	—	(11,027)	(2)	(5,098)	(16,127)
Balance as of December 31, 2016	—	—	5,183	6,243	11,426
Provision—Global Ceramic segment	492	—	1,082	(32)	1,542
Provision—Flooring NA segment	316	6,849	2,500	22,131	31,796
Provision—Flooring ROW segment	—	650	1,518	1,465	3,633
Provision—Corporate	—	—	—	114	114
Cash payments	(449)	(190)	(9,469)	(29,725)	(39,833)
Non-cash items	—	(7,309)	(230)	(44)	(7,583)
Balance as of December 31, 2017	**$ 359**	**—**	**584**	**152**	**1,095**

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

Note 4. Receivables

December 31,	2017	2016
Customers, trade	**$1,538,348**	1,386,306
Income tax receivable	**9,835**	8,616
Other	**96,079**	59,564
	1,644,262	1,454,486
Less allowance for discounts, returns, claims and doubtful accounts	**86,103**	78,335
Receivables, net	**$1,558,159**	1,376,151

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

	Balance at beginning of year	Acquisitions	Additions charged to net sales or costs and expenses	Deductions(1)	Balance at end of year
2015	$ 72,603	7,750	272,329	273,735	78,947
2016	78,947	—	296,419	297,031	78,335
2017	**78,335**	**6,510**	**308,507**	**307,249**	**86,103**

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

Note 5. Inventories

The components of inventories are as follows:

December 31,	2017	2016
Finished goods	**$1,326,038**	1,127,573
Work in process	**159,921**	137,310
Raw materials	**462,704**	410,868
Total inventories	**$1,948,663**	1,675,751

Note 6. Goodwill and Other Intangible Assets

The Company conducted its annual impairment assessment on the first day of the fourth quarter of 2017 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, 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
Goodwill recognized during the year	—	1,848	1,158	3,006
Currency translation during the year	9,469	—	(31,414)	(21,945)
Balances as of December 31, 2016				
Goodwill	1,482,226	869,764	1,249,861	3,601,851
Accumulated impairments losses	(531,930)	(343,054)	(452,441)	(1,327,425)
	950,296	526,710	797,420	2,274,426
Goodwill recognized during the year	$ 60,493	—	—	60,493
Currency translation during the year	25,153	—	111,387	136,540
Balances as of December 31, 2017				
Goodwill	**1,567,872**	**869,764**	**1,361,248**	**3,798,884**
Accumulated impairments losses	**(531,930)**	**(343,054)**	**(452,441)**	**(1,327,425)**
	$1,035,942	**526,710**	**908,807**	**2,471,459**

Intangible assets:

During the third quarter of 2016, the Company determined that it needed to simplify the branding strategy in the Flooring NA segment by consolidating products under the Mohawk Group brands and discontinuing the Lees brand. This resulted in the Company writing off the full value of the Lees tradename and recording an impairment charge of $47,905 in selling, general and administrative expenses in the consolidated statements of operations.

	Tradenames
Indefinite life assets not subject to amortization:	
Balance as of December 31, 2015	$ 632,349
Intangible assets impaired during the year	(47,905)
Currency translation during the year	(4,297)
Balance as of December 31, 2016	580,147
Intangible assets acquired during the year	16,196
Intangible assets impaired during the year	—
Currency translation during the year	47,865
Balance as of December 31, 2017	**$644,208**

	Customer relationships	Patents	Other	Total
Intangible assets subject to amortization:				
Balances as of December 31, 2015	$ 271,123	26,985	6,084	304,192
Intangible assets acquired during the year	—	—	—	—
Amortization during the year	(25,778)	(13,141)	(626)	(39,545)
Currency translation during the year	(9,641)	(420)	(127)	(10,188)
Balances as of December 31, 2016	235,704	13,424	5,331	254,459
Intangible assets acquired during the year	3,175	—	—	3,175
Amortization during the year	(26,602)	(7,543)	(134)	(34,279)
Currency translation during the year	22,558	1,180	466	24,204
Balances as of December 31, 2017	**$234,835**	**7,061**	**5,663**	**247,559**

	Cost	Acquisitions	Currency translation	Accumulated amortization	Net Value
December 31, 2017					
Customer Relationships	**$569,980**	**3,175**	**52,108**	**390,428**	**234,835**
Patents	**234,022**	**—**	**32,947**	**259,908**	**7,061**
Other	**6,330**	**—**	**495**	**1,162**	**5,663**
Total	**$810,332**	**3,175**	**85,550**	**651,498**	**247,559**
December 31, 2016					
Customer Relationships	$ 588,716	—	(18,736)	334,276	235,704
Patents	243,258	—	(9,236)	220,598	13,424
Other	6,790	—	(460)	999	5,331
Total	$ 838,764	—	(28,432)	555,873	254,459

Years Ended December 31,	2017	2016	2015
Amortization expense	**$34,279**	39,545	29,909

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

2018	$28,731
2019	25,685
2020	25,685
2021	25,394
2022	23,564

Note 7. Property, Plant and Equipment

Following is a summary of property, plant and equipment:

December 31,	2017	2016
Land	**$ 385,027**	288,633
Buildings and improvements	**1,413,877**	1,189,408
Machinery and equipment	**4,603,911**	3,979,349
Furniture and fixtures	**211,730**	236,183
Leasehold improvements	**78,803**	77,976
Construction in progress	**792,936**	472,226
	7,486,284	6,243,775
Less accumulated depreciation and amortization	**3,215,494**	2,873,427
Net property, plant and equipment	**$4,270,790**	3,370,348

Additions to property, plant and equipment included capitalized interest of $8,543, $5,608 and $7,091 in 2017, 2016 and 2015, respectively. Depreciation expense was $408,646, $366,233 and $328,486 for 2017, 2016 and 2015, respectively. Included in the property, plant and equipment are capital leases with a cost of $5,984 and $7,986 and accumulated depreciation of $2,071 and $4,436 as of December 31, 2017 and 2016, respectively.

Note 8. Long-Term Debt

Senior Credit Facility

On March 26, 2015, the Company amended and restated its 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 (as amended and restated, the "2015 Senior Credit Facility"). The 2015 Senior Credit Facility eliminated 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 flexibility to make acquisitions and incur additional indebtedness. On March 1, 2016, the Company amended the 2015 Senior Credit Facility to, among other things, carve out from the general limitation on subsidiary indebtedness the issuance of Euro-denominated commercial paper notes by subsidiaries. Additionally, at several points in 2016, the Company extended the maturity date of the 2015 Senior Credit Facility from March 26, 2020 to March 26, 2021. In the first half of 2017, the Company amended the 2015 Senior Credit Facility to extend the maturity date from March 26, 2021 to March 26, 2022.

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% (1.125% as of December 31, 2017), or (b) the higher of the Wells Fargo Bank, National Association prime rate, the Federal Funds rate plus 0.5%, or the Eurocurrency Rate (as defined in the 2015 Senior Credit Facility) rate plus 1.0%, plus an applicable margin ranging between 0.00% and 0.75% (0.125% as of December 31, 2017). The Company also pays a commitment fee to the lenders under the 2015 Senior Credit Facility 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 (0.125% as of December 31, 2017). 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 $567 in connection with the extension of its 2015 Senior Credit Facility from March 26, 2021 to March 26, 2022. These costs were deferred and, along with unamortized costs of $6,873 are being amortized over the term of the 2015 Senior Credit Facility.

As of December 31, 2017, amounts utilized under the 2015 Senior Credit Facility included $62,104 of borrowings and $56,267 of standby letters of credit related to various insurance contracts and foreign vendor commitments. The outstanding borrowings of $1,140,646 under the Company's U.S. and European commercial paper programs as of December 31, 2017 reduce the availability of the 2015 Senior Credit Facility. Including commercial paper borrowings, the Company has utilized $1,259,017 under the 2015 Senior Credit Facility resulting in a total of $540,983 available as of December 31, 2017.

Commercial Paper

On February 28, 2014 and July 31, 2015, the Company established programs for the issuance of unsecured commercial paper in the United States and Eurozone capital markets, respectively. Commercial paper issued under the U.S. and European programs will have maturities ranging up to 397 and 183 days, respectively. None of the commercial paper notes may be voluntarily prepaid or redeemed by the Company and all rank pari passu with all of the Company's other unsecured and unsubordinated indebtedness. To the extent that the Company issues European commercial paper notes through a subsidiary of the Company, the 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 outstanding 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 issuance of commercial paper notes will be available for general corporate purposes. As of December 31, 2017 there was $228,500 outstanding under the U.S. commercial paper program, and the euro equivalent of $912,146 under the European program. The weighted-average interest rate and maturity period for the U.S. program were 1.97% and 12.60 days, respectively. The weighted-average interest rate and maturity period for the European program were (0.20)% and 35.19 days, respectively.

Senior Notes

On September 11, 2017, Mohawk Capital Finance S.A. ("Mohawk Finance"), an indirect wholly-owned finance subsidiary of the Company, completed the issuance and sale of €300,000 aggregate principal amount of its Floating Rate Notes due September 11, 2019 ("Floating Rate Notes"). The Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event shall the interest rate be less than zero). Interest on the Floating Rate Notes is payable quarterly on September 11, December 11, March 11, and June 11 of each year. Mohawk Finance paid financing costs of $911 in connection with the Floating Rate Notes. These costs were deferred and are being amortized over the term of the Floating Rate Notes.

On June 9, 2015, the Company issued €500,000 aggregate principal amount of 2.00% Senior Notes due January 14, 2022. The 2.00% Senior 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 2.00% Senior 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 3.85% Senior 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 3.85% Senior Notes is payable semi-annually in cash on February 1 and August 1 of each year. 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. During 2014, the Company purchased for cash approximately $254,445 aggregate principal amount of its outstanding 6.125% senior notes due January 15, 2016. On January 15, 2016, the Company paid the remaining $645,555 outstanding principal of its 6.125% Senior Notes (plus accrued but unpaid interest) utilizing cash on hand and borrowings under its U.S. commercial paper program.

As defined in the related agreements, the Company's senior notes contain covenants, representations and warranties and events of default, subject to exceptions, and restrictions on the Company's financial and business operations, including limitations on liens, restrictions on entering into sale and leaseback transactions, fundamental changes, and a provision allowing the holder of the notes to require repayment upon a change of control triggering event.

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. Amounts borrowed under the Securitization Facility bore interest at LIBOR plus an applicable margin of 0.70% per annum and the borrower paid a commitment fee at a per annum rate of 0.30% on the unused amount of each lender's commitment. On December 10, 2015, the Company extended thetermination date to December 19, 2016, and on December 13, 2016, the Company extended the termination date to December 19, 2017. The Company paid financing costs of $250 in connection with the second extension. These costs were deferred and amortized over the term of the Securitization Facility. The Securitization Facility expired in accordance with its terms on December 19, 2017.

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

December 31,	2017		2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
3.85% senior notes, payable February 1, 2023; interest payable semiannually	**$ 622,752**	**600,000**	615,006	600,000
2.00% senior notes, payable January 14, 2022; interest payable annually	**634,193**	**600,096**	556,460	525,984
Floating Rate Notes, payable September 11, 2019, interest payable quarterly	**360,807**	**360,058**	—	—
U.S. commercial paper	**228,500**	**228,500**	283,800	283,800
European commercial paper	**912,146**	**912,146**	536,503	536,503
Five-year senior secured credit facility, due March 26, 2022	**62,104**	**62,104**	60,672	60,672
Securitization facility	**—**	**—**	500,000	500,000
Capital leases and other	**6,934**	**6,934**	11,643	11,643
Unamortized debt issuance costs	**(6,260)**	**(6,260)**	(7,117)	(7,117)
Total debt	**2,821,176**	**2,763,578**	2,556,967	2,511,485
Less current portion of long term debt and commercial paper	**1,203,683**	**1,203,683**	1,382,738	1,382,738
Long-term debt, less current portion	**$1,617,493**	**1,559,895**	1,174,229	1,128,747

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, 2017 are as follows:

2018	$1,203,683
2019	360,514
2020	599
2021	441
2022	597,995
Thereafter	600,346
	$2,763,578

Note 9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are as follows:

December 31,	2017	2016
Outstanding checks in excess of cash	**$ 8,879**	12,269
Accounts payable, trade	**810,034**	729,415
Accrued expenses	**363,919**	333,942
Product warranties	**39,035**	46,347
Accrued interest	**22,363**	20,396
Accrued compensation and benefits	**207,442**	193,213
Total accounts payable and accrued expenses	**$1,451,672**	1,335,582

Note 10. Stock-Based Compensation

The Company recognizes compensation expense for all share-based payments granted for the years ended December 31, 2017, 2016 and 2015 based on the grant-date fair value estimated in accordance with the provisions of ASC 718-10. Compensation 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. The grant date fair value of restricted stock and RSUs is 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. On May 19, 2017, the Company's stockholders approved the 2017 Long-Term Incentive Plan ("2017 Plan"), which allows the Company to reserve up to a maximum of 3,000 shares of common stock for issuance upon the grant or exercise of awards under the 2017 Plan. No additional awards may be granted under the 2012 Plan after May 19, 2017. As of December 31, 2017, there have been no awards granted under the 2017 Plan.

Stock Option Plans

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

	2017	2016	2015
Options outstanding at beginning of year	**91**	169	298
Options exercised	**(28)**	(78)	(66)
Options forfeited and expired	**—**	—	(63)
Options outstanding at end of year	**63**	91	169
Options exercisable at end of year	**63**	90	164
Option prices per share:			
Options exercised during the year	**$57.34–66.14**	28.37–93.65	28.37–93.65
Options forfeited and expired during the year	**$ —**	—	28.37–88.33
Options outstanding at end of year	**$57.34–66.14**	57.34–66.14	28.37–93.65
Options exercisable at end of year	**$57.34–66.14**	57.34–66.14	28.37–93.65

During 2017, 2016 and 2015, a total of 1 shares were awarded each year to certain 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 years ended December 31, 2017, 2016 and 2015, the Company did not repurchase any shares. 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, 2017, 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
Options outstanding, December 31, 2016	91	$63.84		
Granted	—	—		
Exercised	(28)	66.08		
Forfeited and expired	—	—		
Options outstanding, December 31, 2017	**63**	**$62.86**	**3.8**	**$13,446**
Vested and expected to vest as of December 31, 2017	**63**	**$62.86**	**3.8**	**$13,446**
Exercisable as of December 31, 2017	**63**	**$62.86**	**3.8**	**$13,446**

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, 2017, 2016, and 2015 was $5,005, $10,571 and 7,252, respectively. Total compensation expense recognized for the years ended December 31, 2017, 2016 and 2015 was $6 ($4, net of tax), $40 ($24, net of tax) and $209 ($131, 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, 2017 was $0.

The following table summarizes information about the Company's stock options outstanding as of December 31, 2017:

	Outstanding			Exercisable	
Exercise price range	Number of shares	Average life	Average price	Number of shares	Average price
$57.34–$57.34	**23**	**3.15**	**57.34**	**23**	**57.34**
$66.14–$66.14	**40**	**4.14**	**66.14**	**40**	**66.14**
Total	**63**	**3.77**	**$63.84**	**63**	**$63.82**

Restricted Stock Plans

A summary of the Company's RSUs under the 2007 and 2012 Plans as of December 31, 2017, and changes during the year then ended is presented as follows:

	Shares	Weighted average grant date fair value	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Restricted Stock Units outstanding, December 31, 2016	695	$ 113.51		
Granted	154	226.91		
Released	(284)	106.30		
Forfeited	(10)	190.53		
Restricted Stock Units outstanding, December 31, 2017	**555**	**$147.28**	**1.1**	**$152,017**
Expected to vest as of December 31, 2017	**546**		**1.1**	**$146,650**

The Company recognized stock-based compensation costs related to the issuance of RSUs of $36,316 ($22,037, net of taxes), $35,019 ($21,250, net of taxes) and $32,343 (20,832, net of taxes) for the years ended December 31, 2017, 2016 and 2015, 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 $25,286 as of December 31, 2017, and will be recognized as expense over a weighted-average period of approximately 1.28 years.

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

	2017	2016	2015
Restricted Stock Units outstanding, January 1	**695**	750	725
Granted	**154**	187	248
Released	**(284)**	(226)	(212)
Forfeited	**(10)**	(16)	(11)
Restricted Stock Units outstanding, December 31	**555**	695	750
Expected to vest as of December 31	**546**	682	731

Note 11. Other Expense (Income)

Following is a summary of other expense (income):

	2017	2016	2015
Foreign currency losses	**$ 8,395**	1,099	9,295
Release of indemnification asset	**4,459**	5,371	11,180
All other, net	**(7,649)**	(8,199)	(2,856)
Total other expense (income)	**$ 5,205**	(1,729)	17,619

Note 12. Income Taxes

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

	2017	2016	2015
United States	**$ 754,562**	627,567	324,210
Foreign	**563,295**	613,558	424,651
Earnings before income taxes	**$1,317,857**	1,241,125	748,861

Income tax expense (benefit) for the years ended December 31, 2017, 2016 and 2015 consists of the following:

	2017	2016	2015
Current income taxes:			
U.S. federal	**$327,697**	247,917	117,602
State and local	**17,811**	31,939	11,175
Foreign	**73,248**	61,712	31,981
Total current	**418,756**	341,568	160,758
Deferred income taxes:			
U.S. federal	**(17,419)**	(16,167)	4,165
State and local	**(3,046)**	(22,115)	(3,983)
Foreign	**(55,126)**	4,273	(29,065)
Total deferred	**(75,591)**	(34,009)	(28,883)
Total	**$343,165**	307,559	131,875

The geographic dispersion of earnings and losses contributes to the annual changes in the Company's effective tax rates. Approximately 57% of the Company's current year earnings 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, Bulgaria, France, Ireland, Italy, Luxembourg, Malaysia, Mexico, the Netherlands, Russia and Spain. The effective tax rates that the Company accrues in these 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, 2017, 2016 and 2015 were 43.1%, 38.5%, and 39.8%, respectively, and its non-U.S. effective tax rates for the years ended December 31, 2017, 2016 and 2015 were 3.2%, 10.8%, and 0.7%, 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 before income taxes differs from the amounts computed by applying the U.S. statutory federal income tax rate to earnings before income taxes as follows:

	2017	2016	2015
Income taxes at statutory rate	**$ 461,250**	434,394	262,102
State and local income taxes, net of federal income tax benefit	**10,133**	6,298	4,951
Foreign income taxes [(a)]	**(113,520)**	(111,217)	(95,198)
Change in valuation allowance	**10,008**	(21,106)	(14,237)
2017 revaluation of deferred tax assets and liabilities [(b)]	**(150,546)**	—	—
Deemed Repatriation Transition Tax	**105,165**	—	—
Tax contingencies and audit settlements, net	**23,097**	2,496	(23,032)
Other, net	**(2,422)**	(3,306)	(2,711)
	$ 343,165	307,559	131,875

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

(b) 2017 revaluation of deferred tax assets and liabilities includes $106,107 related to TCJA and $44,439 related to Belgium tax reform.

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, 2017 and 2016 are presented below:

	2017	2016
Deferred tax assets:		
Accounts receivable	**$ 18,481**	23,521
Inventories	**41,169**	48,673
Employee benefits	**42,191**	76,143
Accrued expenses and other	**52,635**	72,258
Deductible state tax and interest benefit	**2,087**	5,186
Intangibles	**22,119**	12,874
Federal, foreign and state net operating losses and credits	**530,978**	456,130
Gross deferred tax assets	**709,660**	694,785
Valuation allowance	**(362,963)**	(289,078)
Net deferred tax assets	**346,697**	405,707
Deferred tax liabilities:		
Inventories	**(14,423)**	(13,099)
Plant and equipment	**(397,668)**	(426,087)
Intangibles	**(170,817)**	(243,339)
Other liabilities	**(31,702)**	(50,041)
Gross deferred tax liabilities	**(614,610)**	(732,566)
Net deferred tax liability	**$(267,913)**	(326,859)

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, 2017, and 2016 is $362,963 and $289,078, respectively. The valuation allowance as of December 31, 2017 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 2017 valuation allowance was an increase of $73,885 which includes $36,792 related to foreign currency translation. The total change in the 2016 valuation allowance was an increase of $1,498, which includes $(9,364) related to foreign currency translation.

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, 2017, the Company has state net operating loss carry forwards and state tax credits with potential tax benefits of $74,985, net of federal income tax benefit; these carry forwards expire over various periods based on taxing jurisdiction. A valuation allowance totaling $33,503 has been recorded against these state deferred tax assets as of December 31, 2017. In addition, as of December 31, 2017, the Company has net operating loss carry forwards in various foreign jurisdictions with potential tax benefits of $455,161. A valuation allowance totaling $329,301 has been recorded against these deferred tax assets as of December 31, 2017.

Historically, the Company has not provided for U.S. federal and state income taxes on the undistributed accumulated earnings of its foreign subsidiaries because such earnings and profits ("E&P") were deemed to be permanently reinvested. Due to the passage of the Tax Cuts and Jobs Act ("TCJA") on December 22, 2017, the Company was required to recognize U.S. federal and state taxes on the higher of its accumulated earnings as of November 2, 2017, or December 31, 2017. Accordingly, as of December 31, 2017, the Company recognized $105,165 of income tax expense on its November 2, 2017 E&P from its foreign subsidiaries, as discussed further below. As of December 31, 2017, the Company has approximately $860,000 of E&P previously subject to U.S. federal and state taxes and should this E&P be distributed in the form of dividends in the future, the Company might be subject to withholding taxes (possibly offset by U.S. foreign tax credits) in various foreign jurisdictions, but the Company would not expect incremental U.S. federal or state taxes to be accrued on the now previously taxed E&P. Despite the new territorial tax regime created by the TCJA, the Company continues to assert that earnings of its foreign subsidiaries are permanently reinvested.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the income tax effects of the TCJA. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date of the TCJA for companies to complete the accounting under ASC 740, *Income Taxes* ("ASC 740"). In accordance with SAB 118, a company must (1) reflect the income tax effects of those aspects of TCJA for which the accounting under ASC 740 is complete, (2) record a provisional estimate for those aspects of TCJA for which the accounting is incomplete but a reasonable estimate can be made, and/or (3) continue to apply ASC 740 on the basis of the provisions of tax laws in effect immediately before the enactment of the TCJA if no reasonable estimate can be made.

The Company has recorded a net provisional tax expense of $45,249 based on the initial impact of the TCJA and related transactions for the year ended December 31, 2017. This net tax expense primarily consists of a tax expense of $105,165 for the Deemed Repatriation Transition Tax and $46,191 for related transactions, offset by a tax benefit of $106,107 for the corporate tax rate reduction, and the associated revaluation of the Company's net deferred tax liability. For various reasons that are discussed more fully below, the Company has not completed its accounting for the income tax effects of certain elements of the TCJA. The Company was able to make reasonable estimates of the effects of certain elements for which the analysis is not yet complete, and as such, it recorded provisional estimates. The Company was not able to make reasonable estimates of the impact of certain other elements, and therefore has not recorded any estimates related to those elements and have continued accounting for them in accordance with ASC 740 on the basis of the tax laws in effect before the TCJA.

The TCJA reduced the US corporate tax rate from 35% to 21% effective January 1, 2018. For certain of the Company's deferred tax assets and liabilities, it recorded a provisional decrease of $106,107, with a corresponding net estimated deferred tax benefit. While the Company is able to make a reasonable estimate of the impact of the rate reduction, it may be affected by other analysis to the TCJA, including, but not limited to, our calculations of deemed repatriation of deferred foreign income and the state tax effect, 2017 expenditures that qualify for immediate expensing, and amounts limited for payments to covered employees.

The Deemed Repatriation Transition Tax ("Transition Tax") is a tax on previously untaxed E&P of certain foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, in addition to other factors, the amount of post-1986 E&P of the relevant foreign subsidiaries, as well as the amount of non-U.S. income tax paid on such earnings. The Company was able to make a provisional estimate of the Transition Tax obligation; however, the Company is continuing to gather additional information to compute a more precise amount. The Company will elect to pay the transition tax liability over the 8-year deferral period, with 8% due in each of the first five years, 15% in the sixth year, 20% in the seventh year, and 25% in the eighth year. This total liability of $105,165 is recorded in other long-term liabilities within the December 31, 2017 consolidated balance sheet.

Because of the complexity of the new Global Intangible Low-Taxed Income ("GILTI") rules, the Company is continuing to evaluate this provision of the TCJA and the application of ASC 740. Accordingly, the accounting is incomplete, and the Company is not yet able to make reasonable estimates of the effects; therefore, no provisional estimates were recorded. Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (2) factoring such amounts into a company's measurement of its deferred taxes (the "deferred method"). The Company's selection of an accounting policy with respect to the new GILTI tax rules will depend on complex calculations that the Company is unable to reasonably determine at this time.

The Company will continue to evaluate the interpretations of the TCJA, the assumptions made within the calculations, and future guidance that may be issued to determine the impact, if any, on these provisional calculations, which may materially change the Company's tax determinations.

The Company has also recorded a net tax benefit of $44,439 related to the December 25, 2017 Belgium enacted tax reform legislation. This tax benefit relates to the reduction of the Belgium corporate income tax rate from 33.99% to 29.58% for January 1, 2018 and January 1, 2019, respectively, with a further reduction to 25% effective January 1, 2020, and the associated revaluation of the Company's net deferred tax liability. The Belgium tax reform legislation also sets an annual limitation on the utilization of net operating losses and provides for the creation of a consolidated corporate income tax regime.

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 and penalties related to unrecognized tax benefits 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, 2017, the Company's gross amount of unrecognized tax benefits is $65,631, excluding interest and penalties. If the Company were to prevail on all uncertain tax positions, $52,433 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:

	2017	2016
Balance as of January 1	**$ 46,434**	51,037
Additions based on tax positions related to the current year	**28,663**	2,221
Additions for tax positions of acquired companies	**1,776**	—
Additions for tax positions of prior years	**876**	6,412
Reductions resulting from the lapse of the statute of limitations	**(14,502)**	(6,294)
Settlements with taxing authorities	**(655)**	(6,555)
Effects of foreign currency translation	**3,039**	(387)
Balance as of December 31	**$ 65,631**	46,434

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, 2017 and 2016, the Company has $8,252 and $8,020, respectively, accrued for the payment of interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the years ended December 31, 2017, 2016 and 2015, the Company accrued interest and penalties through the consolidated statements of operations of $165, $2,170 and $(5,635), respectively.

The Company believes that its unrecognized tax benefits could decrease by $13,248 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). In May 2017, the statute of limitation was extended to include the calendar year 2011.

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. On March 9, 2016, the Belgian tax authority lodged its Notification of Appeal with the Ghent Court of Appeal.

The Company disagrees with the views of the Belgian tax authority on this matter and will persist in its vigorous defense. Nevertheless, on May 24, 2016, the tax collector representing the Belgian tax authorities imposed a lien on the Company's properties in Wielsbeke (Ooigemstraat and Breestraat), Oostrozebeke (Ingelmunstersteenweg) and Desselgem (Waregemstraat) included in the Flooring ROW segment. The purpose of the lien is to provide security for payment should the Belgian tax authority prevail on its appeal. The lien does not interfere with the Company's operations at these properties.

Note 13. Commitments and Contingencies

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 are as follows:

	Capital	Operating	Total Future Payments
2018	$ 1,433	115,736	117,169
2019	1,094	91,226	92,320
2020	769	70,146	70,915
2021	597	47,356	47,953
2022	590	26,927	27,517
Thereafter	3,954	39,615	43,569
Total payments	8,437	391,006	399,443
Less amount representing interest	1,510		
Present value of capitalized lease payments	$6,927		

Rental expense under operating leases was $145,176, $125,103 and $116,633 in 2017, 2016 and 2015, respectively.

The Company had approximately $56,267 and $941 in standby letters of credit for various insurance contracts and commitments to foreign vendors as of December 31, 2017 and 2016, 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 12—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.

Alabama Municipal Litigation

In September 2016, the Water Works and Sewer Board of the City of Gadsden, Alabama (the "Gadsden Water Board") filed an individual complaint in the Circuit Court of Etowah County, Alabama against certain manufacturers, suppliers, and users of chemicals containing perfluorinated compounds, including the Company. On October 26, 2016, the defendants removed the case to the United States District Court for the Northern District of Alabama, Middle Division, alleging diversity of citizenship and fraudulent joinder. The Gadsden Water Board filed a motion to remand the case back to the state court, and the defendants opposed the Gadsden Water Board's motion. The federal court granted Gadsden Water Board's motion for remand. On October 24, 2017, the Company appealed the federal court's determination that co-defendant Industrial Chemicals, Inc. ("ICI") was properly joined as a party to the case. On February 22, 2018, the Court of Appeals dismissed the appeal for lack of jurisdiction. ICI's presence in the case deprives the federal court of jurisdiction over the case.

In May, 2017, the Water Works and Sewer Board of the Town of Centre, Alabama (the "Centre Water Board") filed a very similar complaint to the Gadsden Water Board complaint in the Circuit Court of Cherokee County. On June 19, 2017, the defendants removed this case to the United States District Court for the Northern District of Alabama, Middle Division, again alleging diversity of citizenship and fraudulent joinder. The Centre Water Board filed a motion to remand the case back to state court, and the defendants opposed the Centre Water Board's motion. The federal court granted Centre Water Board's motion for remand. On December 6, 2017, the Company appealed the federal court's determination that co-defendant ICI was properly joined as a party to that case as well. On January 31, 2018, the Court of Appeals dismissed the appeal for lack of jurisdiction. ICI's presence in the case deprives the federal court of jurisdiction over the case.

The Company has never manufactured perfluorinated compounds but purchased them for use in the manufacture of its carpets prior to 2007. The Gadsden and Centre Water Boards are not alleging that chemical levels in the Company's wastewater discharge exceeded legal limits. Instead, the Gadsden and Centre Water Boards are seeking lost profits based on allegations that their customers decreased water purchases, as well as reimbursement for the cost of a filter and punitive damages.

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, as well as in two consolidated amended class action complaints on behalf of a class of all direct purchasers of polyurethane foam products and on behalf of a class of indirect purchasers. 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 U.S. antitrust laws.

On March 23 and April 30, 2015, the Company entered into agreements to settle all claims brought by the class of direct and indirect purchasers, and the trial court entered orders granting approval of the settlements on November 19, 2015 and January 27, 2016. Certain individual members of the indirect purchaser class sought to overturn the approval through appeals to the Sixth Circuit Court of Appeals, all of which were dismissed. The Company has also entered into settlement agreements resolving all of the claims brought on behalf of all of the consolidated individual lawsuits.

In December 2011, the Company was named as a defendant in a Canadian Class action, which alleged similar claims against the Company as raised in the U.S. actions. On June 12, 2015, the Company entered into an agreement to settle all claims brought by the class of Canadian plaintiffs.

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

During the year 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. All of the antitrust cases have now been finally settled and all consolidated cases have been dismissed.

General

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.

Note 14. Consolidated Statements of Cash Flows Information

Supplemental disclosures of cash flow information are as follows:

	2017	2016	2015
Net cash paid (received) during the years for:			
Interest	**$ 33,952**	57,269	67,974
Income taxes	**$ 373,900**	276,789	133,283
Supplemental schedule of non-cash investing and financing activities:			
Additions to property, plant and equipment	**$ 30,643**	—	—
Fair value of net assets acquired in acquisition	**$ 369,956**	—	1,564,970
Noncontrolling interest of assets acquired	**—**	—	(24,160)
Liabilities assumed in acquisition	**(119,157)**	—	(17,147)
Shares issued for acquisitions	**—**	—	(153,096)
	$ 250,799	—	1,370,567

Note 15. 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, quartz, porcelain slab countertops 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 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. No single customer accounted for more than 10% of net sales for the years ended December 31, 2017, 2016 or 2015.

Segment information is as follows:

	2017	2016	2015
Net sales:			
Global Ceramic	**$3,405,100**	3,174,706	3,012,859
Flooring NA	**4,010,858**	3,865,746	3,602,112
Flooring ROW	**2,075,452**	1,918,635	1,456,898
Intersegment sales	**(120)**	—	(306)
	$9,491,290	8,959,087	8,071,563
Operating income (loss):			
Global Ceramic	**$ 525,401**	478,448	414,154
Flooring NA	**540,337**	505,115	264,271
Flooring ROW	**329,054**	333,091	203,370
Corporate and intersegment eliminations	**(40,619)**	(36,711)	(44,229)
	$1,354,173	1,279,943	837,566
Depreciation and amortization:			
Global Ceramic	**$ 161,913**	135,370	118,801
Flooring NA	**159,980**	148,067	137,064
Flooring ROW	**114,794**	116,048	97,239
Corporate	**9,985**	9,982	9,543
	$ 446,672	409,467	362,647
Capital expenditures (excluding acquisitions):			
Global Ceramic	**$ 310,650**	263,401	247,829
Flooring NA	**355,941**	248,843	148,598
Flooring ROW	**221,763**	144,207	95,447
Corporate	**17,644**	15,674	11,783
	$ 905,998	672,125	503,657

	2017	2016	2015
Assets:			
Global Ceramic	**$ 4,838,310**	4,024,859	3,846,133
Flooring NA	**3,702,137**	3,410,856	3,164,525
Flooring ROW	**3,245,424**	2,689,592	2,805,246
Corporate and intersegment eliminations	**308,982**	105,289	118,496
	$12,094,853	10,230,596	9,934,400
Geographic net sales:			
United States	**$ 6,009,165**	5,842,683	5,399,561
All other countries	**3,482,125**	3,116,404	2,672,002
	$ 9,491,290	8,959,087	8,071,563
Long-lived assets: (1)			
United States	**$ 3,339,363**	3,092,902	2,945,783
Belgium	**1,705,947**	1,371,397	1,377,533
All other countries	**1,696,939**	1,180,475	1,117,167
	$ 6,742,249	5,644,774	5,440,483
Net sales by product categories: (2)			
Soft surface	**$ 3,655,525**	3,414,956	3,056,946
Tile	**3,485,245**	3,258,136	3,094,389
Laminate and wood	**2,350,520**	2,285,995	1,920,228
	$ 9,491,290	8,959,087	8,071,563

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

(2) The soft surface product category includes carpets, rugs, carpet pad, LVT and sheet vinyl. The tile product category includes ceramic tile, porcelain tile and natural stone. The laminate and wood product category includes laminate, hardwood, roofing elements, insulation boards, MDF, chipboards, and licensing.

Note 16. Quarterly Financial Data (Unaudited)

The supplemental quarterly financial data are as follows:

Quarters Ended	April 1, 2017	July 1, 2017	September 30, 2017	December 31, 2017
Net sales	**$2,220,645**	**2,453,038**	**2,448,510**	**2,369,097**
Gross profit	**680,353**	**779,136**	**783,301**	**753,624**
Net earnings	**200,554**	**260,681**	**270,025**	**240,378**
Basic earnings per share	**2.70**	**3.51**	**3.63**	**3.23**
Diluted earnings per share	**2.68**	**3.48**	**3.61**	**3.21**

Quarters Ended	April 2, 2016	July 2, 2016	October 1, 2016	December 31, 2016
Net sales	$ 2,172,046	2,310,336	2,294,139	2,182,566
Gross profit	639,679	755,588	726,559	690,999
Net earnings	171,548	255,188	269,878	233,748
Basic earnings per share	2.32	3.44	3.64	3.15
Diluted earnings per share	2.30	3.42	3.62	3.13

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), which have been designed to provide reasonable assurance that such controls and procedures will meet their objectives, as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective at a reasonable assurance level for the period covered by this report.

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.

The Company acquired Emilceramica S.r.l ("Emil") during 2017, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, Emil's internal control over financial reporting associated with total assets of $258.9 million and total net sales of $130.5 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2017.

Under the supervision and with the participation of management, including the Company's Principal Executive Officer and Principal Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting as of December 31, 2017. 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. Based on the results of this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2017 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders under the following headings: "Election of Directors—Director, Director Nominee and Executive Officer Information," "—Nominees for Director," "—Continuing Directors," "—Executive Officers," "—Meetings and Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Audit Committee" and "Corporate Governance." The Company has adopted the Mohawk Industries, Inc. Standards of Conduct and Ethics, which applies to all of its directors, officers and employees. The standards of conduct and ethics are publicly available on the Company's website at *http://www.mohawkind.com* and will be made available in print to any stockholder who requests them without charge. If the Company makes any substantive amendments to the standards of conduct and ethics, or grants any waiver, including any implicit waiver, from a provision of the standards required by regulations of the Commission to apply to the Company's chief executive officer, chief financial officer or chief accounting officer, the Company will disclose the nature of the amendment or waiver on its website. The Company may elect to also disclose the amendment or waiver in a report on Form 8-K filed with the SEC. The Company has adopted the Mohawk Industries, Inc. Board of Directors Corporate Governance Guidelines, which are publicly available on the Company's website and will be made available to any stockholder who requests it.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders under the following headings: "Compensation, Discussion and Analysis," "Executive Compensation and Other Information—Summary Compensation Table," "—Grants of Plan Based Awards," "—Outstanding Equity Awards at Fiscal Year End," "—Option Exercises and Stock Vested," "—Nonqualified Deferred Compensation," "—Certain Relationships and Related Transactions," "—Compensation Committee Interlocks and Insider Participation," "—Compensation Committee Report" and "Director Compensation."

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

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders under the following headings: "Executive Compensation and Other Information—Equity Compensation Plan Information," and "—Principal Stockholders of the Company."

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

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders under the following heading: "Election of Directors—Meetings and Committees of the Board of Directors," and "Executive Compensation and Other Information—Certain Relationships and Related Transactions."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders under the following heading: "Audit Committee—Principal Accountant Fees and Services" and "Election of Directors—Meetings and Committees of the Board of Directors."

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 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.)
*4.2	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.)
*4.3	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.)
*4.4	Indenture, dates as of September 11, 2017, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor and U.S. Bank National Association, as trustee. (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 11, 2017.)
*4.5	First Supplemental Indenture, dated as of September 11, 2017, bay and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor, U.S. Bank National Association, as trustee, initial registrar and transfer agent and Elavon Financial Services DAC, UK Branch, as initial paying agent and calculation agent. (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 11, 2017.)
*10.1	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.)
*10.2	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.)
*10.3	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.)

Mohawk Exhibit Number	Description
*10.4	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.)
*10.5	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.)
*10.6	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.)
*10.7	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.)
*10.8	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 by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.)
*10.9	Amendment No. 6 to Credit and Security Agreement, dated as of December 13, 2016, 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 10.9 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.)
*10.10	Amendment No. 7 to Credit and Security Agreement, dated as of January 26, 2017, 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 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.)
*10.11	Amendment No. 8 to Credit and Security Agreement, dated as of May 4, 2017, 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 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017.)
*10.12	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.)
*10.13	Amendment No. 1 to Receivables Purchase and Sale Agreement, dated as of May 4, 2017, among Mohawk Carpet Distribution, Inc., Dal Tile Distribution, Inc., Unilin North America, LLC, Aladdin Manufacturing of Alabama, LLC (as originators) and Mohawk Factoring (as buyer). (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017.)
*10.14	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 27, 2015.)
*10.15	Amendment No. 1 to Amended and Restated Credit Facility, dated as of March 1, 2016, 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 10.2 of the Company's Current Report on Form 8-K dated March 4, 2016.)
*10.16	Extension Agreement to Amended and Restated Credit Facility, dated March 10, 2017, 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 10, 2017.)

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

Mohawk Exhibit Number	Description
*10.17	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 25, 2009.)
*10.18	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.)
*10.19	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 6, 2009.)
*10.20	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.).
*10.21	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 in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2015.)
10.22	Mohawk Industries, Inc. Non-Employee Director Stock Compensation Plan.
*10.23	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.)

Mohawk Exhibit Number	Description
*10.24	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.)
21	Subsidiaries of the Registrant.
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.
95.1	Mine Safety Disclosure pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
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.

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.

By: /s/ JEFFREY S. LORBERBAUM

February 28, 2018 **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.

February 28, 2018 /s/ JEFFREY S. LORBERBAUM
Jeffrey S. Lorberbaum,
Chairman and Chief Executive Officer
(principal executive officer)

February 28, 2018 /s/ FRANK H. BOYKIN
Frank H. Boykin,
Chief Financial Officer and Vice President–Finance
(principal financial officer)

February 28, 2018 /s/ JAMES F. BRUNK
James F. Brunk,
Vice President and Corporate Controller
(principal accounting officer)

February 28, 2018 /s/ FILIP BALCAEN
Filip Balcaen,
Director

February 28, 2018 /s/ BRUCE C. BRUCKMANN
Bruce C. Bruckmann,
Director

February 28, 2018 /s/ FRANS DE COCK
Frans De Cock,
Director

February 28, 2018 /s/ RICHARD C. ILL
Richard C. Ill,
Director

February 28, 2018 /s/ JOSEPH A. ONORATO
Joseph A. Onorato,
Director

February 28, 2018 /s/ WILLIAM H. RUNGE III
William Henry Runge III
Director

February 28, 2018 /s/ KAREN A. SMITH BOGART
Karen A. Smith Bogart,
Director

February 28, 2018 /s/ W. CHRISTOPHER WELLBORN
W. Christopher Wellborn,
Director

Reconciliation of Non-GAAP Measures

RECONCILIATION OF TOTAL DEBT TO NET DEBT

	2015		2016				2017			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Amounts in thousands)										
Current portion of long-term debt and commercial paper	$ 1,927,815	2,003,003	$2,076,178	1,795,584	1,548,251	1,382,738	**$1,497,986**	**1,754,077**	**1,172,781**	**1,203,683**
Long-term debt, less current portion	1,254,904	1,188,964	1,173,600	1,160,700	1,165,577	1,128,746	**1,132,268**	**1,174,440**	**1,544,665**	**1,559,895**
Less: Cash and cash equivalents	110,716	81,692	98,305	112,048	112,108	121,665	**188,436**	**130,238**	**84,502**	**84,884**
Net debt	$ 3,072,003	3,110,275	$3,151,473	2,844,236	2,601,720	2,389,819	**$2,441,818**	**2,798,279**	**2,632,944**	**2,678,694**

RECONCILIATION OF OPERATING INCOME TO EBITDA, ADJUSTED EBITDA AND PROFORMA ADJUSTED EBITDA (TRAILING TWELVE MONTHS)

	2015		2016				2017			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Amounts in thousands)										
Operating Income	$ 794,445	837,565	$ 1,039,463	1,134,340	1,223,911	1,279,943	**$ 1,309,055**	**1,314,188**	**1,315,979**	**1,354,173**
Other (expense) income	(15,831)	(17,619)	(22,131)	(13,396)	(12,986)	1,729	**7,990**	**(819)**	**1,735**	**(5,205)**
Net (earnings) loss attributable to non-controlling interest	(1,450)	(1,684)	(2,095)	(2,739)	(2,890)	(3,204)	**(3,137)**	**(3,278)**	**(3,326)**	**(3,054)**
Depreciation and amortization	364,287	362,647	377,185	390,389	399,114	409,468	**414,298**	**422,844**	**432,679**	**446,672**
EBITDA	1,141,451	1,180,909	1,392,422	1,508,594	1,607,149	1,687,936	**1,728,206**	**1,732,935**	**1,747,067**	**1,792,586**
Restructuring, acquisition and integration-related and other costs	58,993	65,954	65,503	56,248	75,130	60,524	**56,784**	**66,642**	**49,923**	**48,940**
Acquisitions purchase accounting (inventory step-up)	13,316	13,337	13,337	7,181	21	—	**192**	**9,763**	**13,314**	**13,314**
Impairment of tradename	—	—	—	—	47,905	47,905	**47,905**	**47,905**	**—**	**—**
Legal settlement and reserves	125,000	124,480	(520)	(2,520)	(92,520)	(90,000)	**(90,000)**	**(90,000)**	**—**	**—**
Release of indemnification asset	—	11,180	11,180	11,180	13,548	5,372	**5,372**	**5,372**	**3,004**	**4,459**
Adjusted EBITDA	1,338,760	1,395,860	1,481,922	1,580,683	1,651,233	1,711,737	**1,748,459**	**1,772,617**	**1,813,308**	**1,859,299**
Acquisitions EBITDA	84,314	73,480	—	—	—	—	**—**	**—**	**—**	**—**
Proforma Adjusted EBITDA	$1,423,074	1,469,340	$ 1,481,922	1,580,683	1,651,233	1,711,737	**$ 1,748,459**	**1,772,617**	**1,813,308**	**1,859,299**
Net Debt to Proforma Adjusted EBITDA	2.2	2.1	2.1	1.8	1.6	1.4	**1.4**	**1.6**	**1.5**	**1.4**

The Company supplements its consolidated financial statements, which are prepared and presented in accordance with US GAAP, with certain non-GAAP financial measures. As required by the Securities and Exchange Commission rules, the tables above present a reconciliation of the Company's non-GAAP financial measures to the most directly comparable US GAAP measure. Each of the non-GAAP measures set forth above should be considered in addition to the comparable US GAAP measure, and may not be comparable to similarly titled measures reported by other companies. The Company believes the above non-GAAP profitability measures, when reconciled to the corresponding US GAAP measure, help its investors in understanding the long-term profitability trends of the Company's business and in comparisons of its profits with prior and future periods.

The Company excludes certain items from its non-GAAP profitability measures because these items may not be indicative of, or are unrelated to, the Company's core operating performance. Items excluded from the Company's non-GAAP profitability measures include: restructuring, acquisition and integration-related and other costs, legal settlements and reserves, tradename impairments, acquisition purchase accounting (inventory step-up), release of indemnification assets and the reversal of uncertain tax positions.

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME AND ADJUSTED EBITDA

For the Years Ended December 31,	2013	2014	2015	2016	2017
Operating Income	$ 546,931	772,796	837,566	1,279,943	**1,354,173**
Add: Restructuring, acquisition and integration-related costs	111,939	51,604	74,604	59,847	**48,940**
Legal settlement and reserves	—	10,000	124,480	(90,000)	**—**
Tradename impairment	—	—	—	47,905	**—**
Acquisition purchase accounting (inventory step-up)	31,041	—	13,337	—	**13,314**
Adjusted Operating Income	$ 689,911	834,400	1,049,987	1,297,695	**1,416,427**
Less: Net earnings attributable to noncontrolling interest	(505)	(289)	(1,684)	(3,204)	**(3,054)**
Add: Depreciation and amortization [(a)]	308,871	336,608	353,997	409,468	**446,672**
Other income (expense), net [(b)]	(9,114)	1,254	(17,619)	1,729	**(5,205)**
Release of indemnification asset	—	—	11,180	5,372	**4,459**
Restructuring, acquisition and integration-related costs	1,481	—	—	677	**—**
Adjusted EBITDA	$ 990,644	1,171,973	1,395,861	1,711,737	**1,859,299**

(a) Excludes $8,650 and $8,982 of accelerated depreciation related to restructuring in 2014 and 2015, respectively.

(b) Excludes $11,952 of loss related to the disposal of a subsidiary in 2014.

MHK

Form 10-K

MOHAWK®

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-K

[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, 2018.

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 incorporation or organization)	**(I.R.S. Employer Identification No.)**
160 S. Industrial Blvd., Calhoun, Georgia	**30701**
(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
Floating Rate Notes due 2019	New York Stock Exchange
Floating Rate Notes due 2020	New York Stock Exchange
2.000% Senior Notes due 2022	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 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, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Emerging growth company ☐	Smaller reporting company ☐
Non-accelerated filer ☐	Accelerated filer ☑	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 (61,962,326 shares) on June 29, 2018 (the last business day of the Registrant's most recently completed fiscal second quarter) was $13,276,667,592. 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 27, 2019: 72,309,897 shares of Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2019 Annual Meeting of Stockholders—Part III.

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PART I

ITEM 1. BUSINESS

General

Mohawk Industries, Inc. ("Mohawk" or the "Company") 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 carpet, rugs, ceramic tile, laminate, wood, stone, luxury vinyl tile ("LVT") and vinyl flooring. The Company's industry-leading innovation develops products and technologies that differentiate its brands in the marketplace and satisfy all flooring related remodeling and new construction requirements. The Company's brands are among the most recognized in the industry and include American Olean®, Daltile®, Durkan®, Eliane®, Feltex®, Godfrey Hirst®, IVC®, Karastan®, Marazzi®, Mohawk®, Pergo®, Quick-Step® and Unilin®. The Company has transformed its business from an American carpet manufacturer into the world's largest flooring company with operations in Australia, Brazil, Canada, Europe, India, Malaysia, Mexico, New Zealand, Russia and the United States. The Company had annual net sales in 2018 of $10.0 billion. Approximately 61% of this amount was generated by sales in the United States and approximately 39% was generated by sales outside the United States. The Company has three reporting segments, Global Ceramic, Flooring North America ("Flooring NA") and Flooring Rest of the World ("Flooring ROW") with net sales in 2018 representing 36%, 40% and 24%, respectively, of the total. Selected financial information for the three segments, geographic net sales and the location of long-lived assets are set forth in Note 16—Segment Reporting.

The Global Ceramic Segment designs, manufactures, sources, distributes and markets a broad line of ceramic, porcelain and natural stone tile products used for floor and wall applications in residential and commercial channels for both remodeling and new construction. In addition, the Global Ceramic Segment manufactures, sources, and distributes other tile related products, including natural stone, quartz and porcelain slab countertops, as well as installation materials. The Global Ceramic Segment markets and distributes its products under various brands, including the following: American Olean, Daltile, Eliane, EmilGroup®, KAI®, Kerama Marazzi, Marazzi, and Ragno®, which it sells through company-owned and franchised operations, independent distributors, home centers, floor covering retailers, ceramic specialists, commercial contractors and commercial end users. The Global Ceramic Segment operations are vertically integrated from the production of raw material for body and glaze preparation to the manufacturing and distribution of ceramic and porcelain tile.

The Flooring NA Segment designs, manufactures, sources and distributes its floor covering product lines in a broad range of colors, textures and patterns in the residential and commercial markets for both remodeling and new construction. The Segment's product lines include broadloom carpet, carpet tile, rugs and mats, carpet pad, wood, laminate, medium-density fiberboard ("MDF"), LVT and sheet vinyl. The Flooring NA Segment markets and distributes its flooring products under various brands, including the following: Aladdin Commercial®, Durkan, IVC, Karastan, Mohawk, Mohawk Group®, Mohawk Home®, Pergo, Portico®, and Quick-Step which it sells through floor covering retailers, distributors, home centers, mass merchants, department stores, e-commerce retailers, shop at home, buying groups, builders, commercial contractors and commercial end users.

The Flooring ROW Segment designs, manufactures, sources and distributes laminate, wood flooring, LVT and sheet vinyl, broadloom carpet and carpet tile, as well as roofing panels, insulation boards, mezzanine flooring, MDF, and chipboards, used in the residential and commercial markets for both remodeling and new construction. In addition, the Flooring ROW Segment licenses certain patents related to flooring manufacturers throughout the world. The Flooring ROW Segment markets and distributes its flooring products under various brands, including the following: Balterio®, Feltex, Godfrey Hirst, Hycraft®, Itec®, IVC, Leoline®, Moduleo®, Pergo, Quick-Step, Unilin and Xtratherm®, which it sells through retailers, wholesalers, independent distributors and home centers.

Business Strategy

Mohawk's Business Strategy provides a consistent vision for the organization and focuses employees around the globe. The strategy is cascaded down through the organization with an emphasis on five key points:

- Optimizing the Company's position as the industry's preferred provider by delivering exceptional value to customers
- Treating employees fairly to retain the best organization
- Driving innovation in all aspects of the business
- Taking reasonable, well considered risks to grow the business
- Enhancing the communities in which the Company operates

The Mohawk Business Strategy provides continuity for the Company's operating principles and ensures a focus on exceeding customer expectations.

Strengths

Market Position

Mohawk's fashionable and innovative products, successful participation in all sales channels, creative marketing programs and extensive sales resources have enabled the Company to build market leadership positions in multiple geographies, primarily North America, Brazil, Europe, Russia and Australasia, as well as export products to more than 170 countries. In North America, Mohawk's largest marketplace, the Company has leveraged its brands, breadth of offering and award-winning merchandising to build strong positions across all product categories. In Europe and Russia, similar advantages have supported market leadership in ceramic, premium laminate and sheet vinyl. The 2018 acquisition of Godfrey Hirst provided the Company with the largest position in carpet to complement the leading hard surface presence in Australasia that had grown through the earlier acquisition of national distributors in both Australia and New Zealand. In 2018, the Company acquired Eliane, a leading ceramic tile manufacturer in Brazil, the world's third largest ceramic market. The Eliane brand is highly regarded for innovative design and strength in high-end porcelain floor and wall tile. Eliane is Brazil's largest ceramic tile exporter. The Company also has established a strong position in the fast-growing LVT market on both sides of the Atlantic following the 2015 acquisition of IVC and subsequent investments to expand production in both North America and Europe.

Product Innovation

Mohawk drives performance through product innovation and improvements across all categories. In ceramic, this includes proprietary Reveal Imaging® printing that replicates the appearance of other surfaces, such as long planks with the visuals and texture of natural wood as well as tiles that mimic natural stone, cement, textiles and other alternatives. In Italy, the Company has recently begun manufacturing porcelain large scale slabs that replicate the look of stone but are harder and more durable. The slabs are being sold in the European and North American markets and are used for floors, walls and countertops. In the U.S., the Company has begun to manufacture quartz countertops that, along with its stone and porcelain slabs, represent a comprehensive array of surface options. In carpet, exclusive fiber technologies include the unique bio-based SmartStrand® and its brand extensions that represented the first super soft stain resistant products on the market and the patented Continuum™ process that adds bulk and softness to polyester fiber, differentiating the Company's products in this fast growing component of the carpet market. These fiber advantages have been extended into the Company's rug production, as well, adding luxurious feel and performance enhancements to the Company's design leadership. In laminate, the Company's installation technology revolutionized the category, and the Company continues to deliver new innovations with more realistic visuals and surface embossing in register that precisely recreates the appearance of wood and water resistance that has extended the category into kitchens and baths. In wood flooring, the Company is introducing longer and wider planks in increasingly popular engineered collections, as well as introducing more fashion-forward stains, finishes and surface protection. The Company's vinyl offerings reflect significant investments in leading-edge technology that yield incredibly realistic reproductions of stone, wood and other materials with embossed finishes that accentuate the beauty of the products.

Operational Excellence

Mohawk's highly efficient manufacturing and distribution assets serve as the foundation for successful growth. By leveraging continuous process improvement and automation, the Company's operations drive innovation, quality and value. Through its commitment to sustainability practices, the Company has also optimized natural resources and raw materials. Since 2013, the Company has invested approximately $4 billion to expand capacity, introduce differentiated new products and improve efficiencies. In particular, the Company's capital investments have improved recently acquired businesses by upgrading their product offerings, expanding their distribution and improving their productivity. For more than a decade, Mohawk's training and development programs have been ranked among the best by Training magazine, and Forbes designated Mohawk as one of the Best Large U.S. Employers from 2016 through 2018.

Sustainability

The Company believes that it is the industry leader in sustainable products and processes. The Company's extensive use of recycled content in its products includes the annual use of over 6.2 billion plastic bottles to create polyester carpet fiber and more than 42 million pounds of tires to produce decorative crumb rubber mats. In all, the Company diverts more than 6.5 billion pounds of waste from landfills each year, with 47 of the Company's manufacturing sites internally certified as Zero Process Waste to Landfill facilities. The Company's commitment to sustainability extends beyond its products to resource utilization, including a 442-million gallon reduction in water use since 2015, lower greenhouse gas emissions and increased energy efficiency. The Company also produces energy through solar panels, windmills and a waste to energy program using scrap material. The Company's commitment to safety and wellness helps to retain a talented workforce. The Company currently operates 19 on-site, near-site or virtual Healthy Life Centers to assist employees with management of chronic conditions as well as the treatment of acute illness. The Company's annual sustainability report details these and other initiatives and may be accessed at *http://www.mohawksustainability.com*.

Sales and Distribution

Global Ceramic Segment

The Global Ceramic Segment designs, markets, manufactures, distributes and sources a broad line of ceramic tile, porcelain tile and natural stone products, including natural stone, quartz and porcelain slab countertops. Products are distributed through various channels, including independent distributors, home centers, Company-operated service centers and stores, ceramic specialists, commercial contractors, and directly to commercial end users. The business is organized to address the specific customer needs of each distribution channel with dedicated sales forces that support the various channels.

The Company provides customers with one of the ceramic tile industry's broadest product lines—a complete selection of glazed floor tile, glazed wall tile, mosaic tile, porcelain tile, quarry tile, stone products, porcelain slab countertops, quartz countertops and installation products. In addition to products manufactured by the Company's ceramic tile business, the Company also sources products from other manufacturers to enhance its product offering.

The Global Ceramic Segment markets its products under the American Olean, Daltile, Eliane, EmilGroup, KAI, Kerama Marazzi, Marazzi and Ragno brand names. These brands are supported by a fully integrated marketing program, displays, merchandising boards, literature, catalogs and internet websites. Innovative design, quality and response to changes in customer preference enhances recognition in the marketplace. The Company is focused on sales growth opportunities through innovative products and programs in both the residential and commercial channels for both remodeling and new construction.

The Global Ceramic Segment utilizes various distribution methods including regional distribution centers, service centers, direct shipping and customer pick-up from manufacturing facilities. The Segment's sales forces are organized by product type and sales channels in order to best serve each type of customer. The Company believes its distribution methods for the Global Ceramic Segment provide high-quality customer service and enhance its ability to plan and manage inventory requirements.

Flooring NA Segment

Through its Flooring NA Segment, the Company designs, markets, manufactures, distributes and sources carpet, laminate, carpet pad, rugs, wood, LVT and sheet vinyl in a broad range of colors, textures and patterns. The Flooring NA Segment positions product lines in all price ranges and emphasizes quality, style, performance and service. The Flooring NA Segment markets and distributes its product lines to independent distributors, floor covering retailers, home centers, mass merchandisers, department stores, e-commerce retailers, shop at home, buying groups, commercial contractors and commercial end users. Some products are also marketed through private labeling programs. Sales to customers focused on residential products represent a significant portion of the total industry and the majority of the Segment's sales.

The Company has positioned its brand names across all price ranges. IVC, Karastan, Mohawk, Pergo, Portico and Quick-Step are positioned to sell in the residential flooring markets. Aladdin Commercial and Mohawk Group are positioned to sell in the commercial market, which is made up of corporate office space, educational facilities, institutional facilities, healthcare/assisted living facilities and retail space. The Company also sells into the commercial hospitality space (hotels, restaurants, gaming facilities, etc.) under its Durkan brand.

The Segment's sales forces are generally organized by sales channels in order to best serve each type of customer. Product delivery to independent dealers is facilitated predominantly on Mohawk trucks operating from strategically positioned warehouses and cross-docks that receive inbound product directly from the Company's manufacturing operations.

Flooring ROW Segment

The Flooring ROW Segment designs, manufactures, markets, licenses, distributes and sources laminate, wood, broadloom carpet, carpet tile, LVT and sheet vinyl. It also designs and manufactures roofing elements, insulation boards, MDF and chipboards. Products are distributed through separate distribution channels, consisting of retailers, independent distributors, company-operated distributors, wholesalers and home centers. The business is organized to address the specific customer needs of each distribution channel.

The Flooring ROW Segment markets and sells laminate, wood, broadloom carpet, carpet tile, sheet vinyl and LVT flooring products under the Balterio, Feltex, Godfrey Hirst, IVC, Moduleo, Pergo and Quick-Step brands. The Flooring ROW Segment also sells private label laminate, wood and vinyl flooring products. The Company believes Quick-Step and Pergo are leading brand names in the European flooring industry, and that Godfrey Hirst and Feltex are leading brand names in the Australasian flooring market. In addition, the Flooring ROW Segment markets and sells insulation boards, roof panels, MDF and chipboards in Europe under the Unilin and Xtratherm brands. The Segment also licenses its intellectual property to flooring manufacturers throughout the world.

The Company uses regional distribution centers and direct shipping from manufacturing facilities to provide high-quality customer service and enhance the Company's ability to plan and manage inventory requirements.

Advertising and Promotion

The Company's brands are among the best known and most widely distributed in the industry. The Company vigorously supports the value and name recognition of its brands through both traditional advertising channels, including numerous trade publications and unique promotional events that highlight product design and performance and social media initiatives and Internet-based advertising. The Company has invested significantly in websites that educate consumers about the Company's products, helping them to make informed decisions about purchases and identifying local retailers that offer the Company's collections. In 2016, the Company introduced Omnify™, a new Internet platform that automatically syncs updated product and sales information between the Company and its U.S. aligned retailer websites, ensuring that consumers have access to the most accurate and timely information.

The Company actively participates in cause marketing partnerships with such well known programs as Susan G. Komen® (breast cancer research), Habitat for Humanity® (housing for low income families), HomeAid® (housing for homeless families) and Operation Finally Home® (housing for disabled veterans), which include both traditional media partnerships as well as promotional events generating national press coverage. The Company also sponsors a European cycling team to promote its Quick-Step brand through logo placements and use of the team in its advertising and point-of-sale displays.

The Company introduces new products, merchandising and marketing campaigns through participation in regional, national and international trade shows as well as exclusive dealer conventions. The Company supports sales with its retail customers through cooperative advertising programs that extend the reach of the Company's promotion as well as with innovative merchandising displays that highlight the Company's differentiated products and provide samples to consumers. The cost of providing merchandising displays, product samples, and point of sale promotional marketing, is partially recovered by the purchase of these items by the Company's customers.

Manufacturing and Operations

Global Ceramic Segment

The Company's tile manufacturing operations are vertically integrated from the production of raw material for body and glaze preparation to the manufacturing and distribution of ceramic and porcelain tile. The Company believes that its manufacturing organization offers competitive advantages due to its ability to manufacture a differentiated product line consisting of one of the industry's broadest product offerings of colors, textures and finishes and its ability to utilize the industry's newest technology, as well as the industry's largest offering of trim and decorative pieces. In addition, the Global Ceramic Segment also sources a portion of its collections to enhance its product offerings. The Global Ceramic Segment continues to invest in equipment that utilizes the latest technologies, which supports the Company's efforts to increase manufacturing capacity, improve efficiency, meet the growing demand for its innovative products and develop new capabilities.

Flooring NA Segment

The Company's carpet and rug manufacturing operations are vertically integrated and include the extrusion of triexta, nylon, polyester and polypropylene resins, as well as recycled post-consumer plastics, into fiber. The Flooring NA Segment is also vertically integrated in yarn processing, backing manufacturing, tufting, weaving, dyeing, coating and finishing.

The segment is also vertically integrated with significant manufacturing assets that produce laminate flooring, high density fiber board, engineered and pre-finished solid wood flooring, fiberglass sheet vinyl and luxury vinyl tile. The Flooring NA Segment continues to invest in capital projects, such as the expansion of the Company's North American LVT, premium laminate and engineered wood manufacturing capacity. Other investments in state-of-the-art equipment support market growth, increase manufacturing efficiency and improve overall cost competitiveness.

Flooring ROW Segment

The Company's laminate and vinyl flooring manufacturing operations in Europe are vertically integrated. The Company believes its Flooring ROW Segment has advanced equipment that results in competitive manufacturing in terms of cost and flexibility. In addition, the Flooring ROW Segment has significant manufacturing capability for engineered wood flooring, LVT and sheet vinyl. The 2018 acquisition of Godfrey Hirst established vertically integrated broadloom carpet and carpet tile operations in Australia and New Zealand, including the production of wool yarn. The Flooring ROW Segment is also vertically integrated in manufacturing, tufting, weaving, dyeing, coating and finishing.

The Flooring ROW Segment continues to invest in capital expenditures, such as LVT and laminate expansions, as well as new carpet tile and sheet vinyl plants in Europe and Russia, respectively, utilizing the latest advances in technologies to increase manufacturing capacity, improve efficiency and develop new capabilities including state-of-the-art, fully integrated production that will leverage the Company's proven record of bringing innovative and high-quality products to its markets. The manufacturing facilities for roofing elements, insulation boards, MDF and chipboards in the Flooring ROW Segment are all configured for cost-efficient manufacturing and production flexibility and are competitive in the European market.

Inputs and Suppliers

Global Ceramic Segment

The principal raw materials used in the production of ceramic tile are clay, talc, industrial minerals and glazes. The Company has long-term clay mining rights in North America, Russia, Bulgaria and Brazil that satisfy a portion of its clay requirements for producing tile. The Company also purchases a number of different grades of clay for the manufacture of its tile. Glazes are used on a significant percentage of manufactured tiles. Glazes consist of frit (ground glass), zircon, stains and other materials, with frit being the largest ingredient. The Company manufactures a significant amount of its frit requirements.

The Company believes that there is an adequate supply of all grades of clay, talc and industrial minerals that are readily available from a number of independent sources. If these suppliers were unable to satisfy the Company's requirements, the Company believes that alternative supply arrangements would be available.

Flooring NA Segment

The principal raw materials used in the production of carpet and rugs are polypropelene, polyester, triexta, nylon, caprolactam, recycled post-consumer plastics, synthetic backing materials, latex and various dyes and chemicals, the majority of which are petroleum based. The Company uses wood chips, wood veneers, lumber, paper and resins in its production of laminate and wood products. In its vinyl flooring operations, the Company uses glass fiber, plasticizers and polyvinyl chloride (PVC) resins. Major raw materials used in the Company's manufacturing process are available from independent sources, and the Company obtains most of its raw materials from major suppliers that provide inputs to each major product category. If these suppliers were unable to satisfy the requirements, the Company believes that alternative supply arrangements would be available. Although the market for raw materials is sensitive to temporary disruptions, the North American flooring industry has not experienced a significant shortage of raw materials in recent years.

Flooring ROW Segment

The principal raw materials used in the production of boards, laminate and wood flooring are wood, paper and resins. The wood suppliers provide a variety of wood species, providing the Company with a cost-effective and secure supply of raw material. In its vinyl flooring operations, the Company uses glass fiber, plasticizers and PVC resins. Major raw materials used in the Company's manufacturing process are available from independent sources, and the Company has long-standing relationships with a number of suppliers. The principal raw materials used in the production of broadloom carpet and carpet tile are polypropelene, polyester, triexta, nylon, caprolactam, recycled post-consumer plastics, synthetic backing materials, latex and various dyes and chemicals, the majority of which are petroleum based. Although the market for raw materials is sensitive to temporary disruptions, the flooring industry has not experienced a significant shortage of raw materials in recent years. If these suppliers were unable to satisfy the requirements, the Company believes that alternative supply arrangements would be available.

Industry and Competition

The Company is the largest flooring manufacturer in a fragmented industry composed of a wide variety of companies ranging from small, privately-held firms to large multinationals. In 2017, the U.S. floor covering industry reported $25.4 billion in sales, up approximately 4.8% over 2016's sales of $24.5 billion. In 2017, the primary categories of flooring in the U.S., based on sales, were carpet and rugs (45.4%), resilient (includes sheet vinyl and LVT) and rubber (17.0%), ceramic tile (14.3%), wood (13.7%), stone (5.7%) and laminate (3.9%). In 2017, the primary categories of flooring in the U.S., based on square feet, were carpet and rugs (51.2%), resilient (includes sheet vinyl and LVT) and rubber (21.2%), ceramic tile (14.3%), wood (7.2%), laminate (4.6%) and stone (1.5%). Each of these categories is influenced by the residential and commercial construction, and residential and commercial remodeling end-use markets. These markets are influenced by many factors including changing consumer preferences, consumer confidence, spending for durable goods, interest rates, inflation, availability of credit, turnover in housing and the overall strength of the economy.

The principal methods of competition within the floor covering industry generally are product innovation, style, quality, price, performance technology and service. In each of the markets, price and market coverage are particularly important when competing among product lines. The Company actively seeks to differentiate its products in the marketplace by introducing innovative products with premium features that provide a superior value proposition. The Company's investments in manufacturing technology, computer systems and distribution network, as well as the Company's marketing strategies and resources, contribute to its ability to compete on the basis of performance, quality, style and service, rather than price.

Global Ceramic Segment

Globally, the ceramic tile industry is significantly fragmented. Certain regions around the world have established sufficient capacity to allow them to meet domestic needs in addition to exporting product to other markets where their design and/or technical advantages may drive consumer preferences. Some mature markets have seen industry consolidation driven by mergers and acquisitions, however most markets are comprised of many relatively small manufacturers all working with similar technologies, raw materials and designs. During 2017, the estimated global capacity for ceramic tile was 146 billion square feet, with selling prices varying widely based on a variety of factors, including supply within the market, materials used, size, shape and design. While the Company operates ceramic manufacturing facilities in eight countries, the Company has leveraged advantages in technology, design, brand recognition and marketing to extend exports of its products to approximately 160 countries. As a result of this global sales strategy, the Company faces competition in the ceramic tile market from a large number of foreign and domestic manufacturers, all of which compete for sales of ceramic tile to customers through multiple residential and commercial channels. The Company believes it is the largest manufacturer, distributor and marketer of ceramic tile in the world. The Company also believes it is the largest manufacturer, distributor and marketer of ceramic tile in specific markets, including the U.S., Europe and Russia, as well as maintaining leading positions in the Mexican and Brazilian markets. The Company has leveraged the advantages of its scale, product innovation and unique designs in these markets to solidify its leadership position, however the Company continues to face pressures in these markets from imported ceramic products as well as alternate flooring categories.

Flooring NA Segment

The North American flooring industry is highly competitive, with an increasing variety of product categories, shifting consumer preferences and pressures from imported products, particularly in the rug and hard surface categories. Based on industry publications, in 2017, the U.S. flooring industry had carpet and rug sales in excess of $11.5 billion out of the overall $25.4 billion market. The Company believes it is the largest producer of rugs and the second largest producer of carpet in the world based on its 2017 net sales. The Company differen tiates its carpet and rug products in the market place through proprietary fiber systems, state-of-the-art manufacturing technologies and unique styling as well as leveraging the strength of some of the oldest and best known brands in the industry. The Company also believes it is the largest manufacturer and distributor of laminate flooring in the U.S. as well as one of the largest manufacturers and distributors of solid and engineered wood flooring. The Company's leading position in laminate flooring is driven by the strength of its premium brands as well as technical innovations such as water resistance, realistic visuals, beveled edges, deeply embossed in register surfaces and patented installation technologies. The U.S. resilient industry is highly competitive, and according to industry publications, grew over 17% in 2017. Based on industry publications, the U.S. flooring industry for LVT and sheet vinyl in 2017 had market sales of $4.5 billion of the overall flooring market. The Company believes that it is one of the largest manufacturers and distributors of LVT and sheet vinyl in the U.S. The Company's sheet vinyl operations produce fiberglass backed products, which have proven more popular with consumers in the past several years.

Flooring ROW Segment

The Company faces competition in the non-U.S. laminate, wood, LVT and sheet vinyl flooring business from a large number of domestic manufacturers as well as pressures from imports. The Company believes it is one of the largest manufacturers and distributors of laminate flooring in the world, with a focus on high-end products, which the Company supplies under some of the best known and most widely marketed brands in its regions. In addition, the Company believes it has a competitive advantage in its laminate flooring markets as a result of the Company's industry-leading water resistance, realistic visuals and embossed in register surfaces as well as patented installation technologies, all of which allow the Company to distinguish its products in the areas of design, performance, installation and assembly. In wood flooring, the Company has extended the strength of its well-known laminate brands and its installation technologies to add value to its wood collections. The Company faces competition in the non-U.S. vinyl flooring channel from a large number of domestic and foreign manufacturers, but believes it has a competitive advantage in its LVT and sheet vinyl markets due to industry-leading design, patented technologies, brand recognition and vertical integration. The Company has elevated the performance of its sheet vinyl collections and is now aggressively placing the product in commercial applications. After initially extending its geographic footprint by acquiring national hard surface distributors in Australia and New Zealand, the Company acquired Godfrey Hirst in 2018, making the Company the largest manufacturer of carpet in both countries. The Company is integrating its soft and hard surface businesses to provide a comprehensive offering to residential and commercial customers in the region. In Australia and New Zealand, the Company faces competition from a large number of domestic and foreign manufacturers, but believes it has a competitive advantage in its carpet and hard surface offering due to industry-leading design, patented technologies, brand recognition and vertical integration. Through a 2015 acquisition, the Company has extended its insulation panel business to the U.K. and Ireland while expanding sales in its core Benelux Region.

Patents and Trademarks

Intellectual property is important to the Company's business and the Company relies on a combination of patent, copyright, trademark and trade secret laws to protect its interests.

The Company uses several trademarks that it considers important in the marketing of its products, including American Olean, Daltile, Durkan, EmilGroup, Feltex, Godfrey Hirst, IVC, Karastan, Marazzi, Moduleo, Mohawk, Mohawk Home, Pergo, Quick-Step and Unilin. These trademarks reflect innovations in design, performance and installation, that represent competitive advantages and provide differentiation from competing brands in the market.

The Flooring ROW Segment owns a number of patent families in Europe and the U.S., some of which the Company licenses to manufacturers throughout the world. The Company continues to explore additional opportunities to generate revenue from its patent portfolio, including in applications for LVT.

Sales Terms and Major Customers

The Company's sales terms are substantially the same as those generally available throughout the industry. The Company generally permits its customers to return products purchased from it within specified time periods from the date of sale, if the customer is not satisfied with the quality of the product.

During 2018, no single customer accounted for more than 10% of total net sales and the top 10 customers accounted for less than 20% of the Company's net sales. The Company believes the loss of one major customer would not have a material adverse effect on its business.

Employees

As of December 31, 2018, the Company employed approximately 42,100 persons, consisting of approximately 21,000 in the United States, approximately 9,800 in Europe, approximately 3,900 in Mexico, approximately 3,900 in Russia and approximately 3,500 in other countries. The majority of the Company's European, Russian and Mexican manufacturing employees are members of unions. Less than 1% of the Company's U.S. employees are party to a collective bargaining agreement. Additionally, the Company has not experienced any major strikes or work stoppages in recent years. The Company believes that its relations with its employees are good.

Available Information

The Company's Internet address is *mohawkind.com*. The Company makes available the following reports it files on its website, free of charge, under the heading "Investors":

- annual reports on Form 10-K;
- quarterly reports on Form 10-Q;
- current reports on Form 8-K; and
- amendments to the foregoing reports.

The foregoing reports are made available on the Company's website as soon as practicable after they are filed with, or furnished to, the Securities and Exchange Commission ("SEC").

ITEM 1A. RISK FACTORS

In addition to the other information provided in this Form 10-K, the following risk factors should be considered when evaluating an investment in shares of the Company's Common Stock. If any of the events described in these risks were to occur, it could have a material adverse effect on the Company's business, financial condition and results of operations.

The floor covering industry is sensitive to changes in general economic conditions, such as consumer confidence, income and spending, corporate and government spending, interest rate levels, availability of credit and demand for housing. Significant or prolonged declines in the U.S. or global economies could have a material adverse effect on the Company's business.

Downturns in the U.S. and global economies negatively impact the floor covering industry and the Company's business. During times of economic uncertainty or decline, end consumers tend to spend less on remodeling their homes, which is how the Company derives a majority of its sales. Likewise, new home construction—and the corresponding need for new flooring materials—tends to slow down during recessionary periods. There may be downturns in the foreseeable future that could cause the industry to deteriorate globally or in the local markets in which the Company operates. A significant or prolonged decline in residential or commercial remodeling or new construction activity could have a material adverse effect on the Company's business and results of operations.

The Company may be unable to predict customer preferences or demand accurately, or to respond to technological developments.

The Company operates in a market sector where demand is strongly influenced by rapidly changing customer preferences as to product design, product category and technical features. Failure to quickly and effectively respond to changing customer demand or technological developments could have a material adverse effect on the business.

The Company faces intense competition in the flooring industry that could decrease demand for the Company's products or force it to lower prices, which could have a material adverse effect on the Company's business.

The floor covering industry is highly competitive. The Company faces competition from a number of manufacturers and independent distributors. Maintaining the Company's competitive position may require substantial investments in the Company's product development efforts, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for the Company's products, force the Company to lower prices or prevent the Company from raising prices to keep up with inflation. Moreover, fluctuations in currency exchange rates and input costs may contribute to more attractive pricing for imports that compete with the Company's products, which may put pressure on the Company's pricing. Any of these factors could have a material adverse effect on the Company's business.

Changes in the global economy could affect the Company's overall availability and cost of credit.

A downturn in the U.S. or global economies could impact the Company's ability to obtain financing in the future, including any financing necessary to refinance existing indebtedness.

Further, negative economic conditions may factor into the Company's periodic credit ratings assessment by Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Financial Services, LLC ("S&P") and Fitch, Inc. Any future changes in the credit rating agencies' methodology in assessing the Company's credit strength and any downgrades in the Company's credit ratings could increase the cost of its existing credit and could adversely affect the cost of and ability to obtain additional credit in the future. The Company can provide no assurances that downgrades will not occur. The cost and availability of credit during uncertain economic times could have a material adverse effect on the Company's financial condition.

If the Company were unable to meet certain covenants contained in its existing credit facilities, it may be required to repay borrowings under the credit facilities prior to their maturity and may lose access to the credit facilities for additional borrowings that may be necessary to fund its operations and growth strategy.

On March 26, 2015, the Company entered into a $1,800 million, senior revolving credit facility (the "2015 Senior Credit Facility"). As of December 31, 2018, the amount utilized under the 2015 Senior Credit Facility was $1,452.3 million resulting in a total of $347.7 million available. The amount utilized included $1,339.8 million of commercial paper issued, $57.9 million of direct borrowings, and $54.6 million of standby letters of credit related to various insurance contracts and foreign vendor commitments.

If the Company's cash flow is worse than expected, the Company may need to refinance all or a portion of its indebtedness through a public and/or private debt offering or a new bank facility and may not be able to do so on terms acceptable to it, or at all. If the Company is unable to access debt markets at competitive rates or in sufficient amounts due to credit rating downgrades, market volatility, market disruption, or weakness in the Company's businesses, the Company's ability to finance its operations or repay existing debt obligations may be materially and adversely affected.

Additionally, the Company's credit facilities include certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, indebtedness, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company's business. In addition, the 2015 Senior Credit Facility requires the Company 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. A failure to comply with the obligations contained in our current or future credit facilities or indentures relating to our outstanding public debt could result in an event of default or an acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. We cannot be certain that we would have, or be able to obtain, sufficient funds to make these accelerated payments.

Fluctuations in currency exchange rates may impact the Company's financial condition and results of operations and may affect the comparability of results between the Company's financial periods.

The results of the Company's foreign subsidiaries are translated into U.S. dollars from the local currency for consolidated reporting. The exchange rates between some of these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. The Company may not be able to manage effectively the Company's currency translation risks, and volatility in currency exchange rates may have a material adverse effect on the Company's consolidated financial statements and affect comparability of the Company's results between financial periods.

The Company has significant operations in emerging markets, including Brazil, eastern Europe, Malaysia, Mexico and Russia, and therefore has exposure to doing business in potentially unstable areas of the world.

Operations in emerging markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Market conditions and the political structures that support them are subject to rapid change in these economies, and the Company may not be able to react quickly enough to protect its assets and business operations. In particular, developing markets in which the Company operates may be characterized by one or more of the following:

- complex and conflicting laws and regulations, which may be inconsistently or arbitrarily enforced;
- high incidences of corruption in state regulatory agencies;
- volatile inflation;
- widespread poverty and resulting political instability;
- compliance with laws governing international relations, including U.S. laws that relate to sanctions and corruption;
- immature legal and banking systems;
- uncertainty with respect to title to real and personal property;
- underdeveloped infrastructure;
- heavy state control of natural resources and energy supplies;
- state ownership of transportation and supply chain assets;
- high protective tariffs and inefficient customs processes; and
- high crime rates.

Changes in any one or a combination of these factors could have a material adverse effect on the Company's business.

In periods of rising costs, the Company may be unable to pass raw materials, labor, energy and fuel-related cost increases on to its customers, which could have a material adverse effect on the Company's business.

The prices of raw materials, labor, energy and fuel-related costs vary significantly with market conditions. Although the Company generally attempts to pass on increases in raw material, labor, energy and fuel-related costs to its customers, the Company's ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for the Company's products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be recovered. During such periods of time, the Company's business may be materially adversely affected.

The Company may be unable to obtain raw materials or sourced product on a timely basis, which could have a material adverse effect on the Company's business.

The principal raw materials used in the Company's manufacturing operations include triexta, nylon, polypropylene, and polyester resins and fibers, which are used in the Company's carpet and rug business; clay, talc, nepheline syenite and glazes, including frit (ground glass), zircon and stains, which are used in the Company's ceramic tile business; wood, paper and resins, which are used in the Company's wood and laminate flooring business; and glass fiber, plasticizers, and pvc resins, which are used in the Company's vinyl and luxury vinyl tile business. In addition to raw materials, the Company sources finished goods. For certain raw materials and sourced products, the Company is dependent on one or a small number of suppliers. An adverse change in the Company's relationship with such a supplier, the financial condition of such a supplier or such supplier's ability to manufacture or deliver such raw materials or sourced products to the Company could lead to an interruption of supply or require the Company to purchase more expensive alternatives. An extended interruption in the supply of these or other raw materials or sourced products used in the Company's business or in the supply of suitable substitute materials or products would disrupt the Company's operations, which could have a material adverse effect on the Company's business.

The Company makes significant capital investments in its business and such capital investments may not be successful or achieve their intended results.

The Company's business requires significant capital investment to expand capacity to support its growth, introduce new products and improve operating efficiencies. Since 2013, the Company has invested approximately $4 billion in capital projects and intends to make similar capital investments in future periods, including between $550–$580 million of capital investments in 2019. While the Company believes that many of its past capital investments have been successful, there is no guarantee that the return on investment from the Company's recent or future capital projects will be sufficient to recover the expenses and opportunity costs associated with these projects. Furthermore, a meaningful portion of the Company's capital investment is based on forecasted growth in its business, which is subject to uncertainty such as general economic trends, increased competition and consumer preferences. If the Company does not accurately forecast its future capital investment needs, the Company could have excess capacity or insufficient capacity, either of which would negatively affect its revenues and profitability.

The Company relies on information systems in managing the Company's operations and any system failure or deficiencies of such systems may have an adverse effect on the Company's business.

The Company's businesses rely on sophisticated software applications to obtain, process, analyze and manage data. The Company relies on these systems to, among other things:

- facilitate the purchase, management, distribution, and payment for inventory items;
- manage and monitor the daily operations of the Company's distribution network;
- receive, process and ship orders on a timely basis;
- manage accurate billing to and collections from customers;
- control logistics and quality control for the Company's retail operations;
- manage financial reporting; and
- monitor point of sale activity.

The Company also relies on its computer hardware, software and network for the storage, delivery and transmission of data to the Company's sales and distribution systems, and certain of the Company's production processes are managed and conducted by computer.

Any event that causes interruptions to the input, retrieval and transmission of data or increase in the service time, whether caused by human error, natural disasters, power loss, computer viruses, system conversion, cyber attacks including and not limited to hacking, intrusions, malware or otherwise, could disrupt our normal operations. There can be no assurance that the Company can effectively carry out our disaster recovery plan to handle the failure of our information systems, or that we will be able to restore our operational capacity within sufficient time to avoid material disruption to our business. The occurrence of any of these events could cause unanticipated disruptions in service, decreased customer service and customer satisfaction, harm to the Company's reputation and loss or misappropriation of sensitive information, which could result in loss of customers, increased operating expenses and financial losses. Any such events could in turn have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

The Company's inability to maintain its patent licensing revenues could have a material adverse effect on the Company's business.

The profit margins of certain of the Company's businesses, particularly the Company's Flooring Rest of the World Segment, depend in part upon the Company's ability to obtain, maintain and license proprietary technology used in the Company's principal product families. The Company has obtained a number of patents relating to the Company's products and associated methods and has filed applications for additional patents, including the UNICLIC and Pergo family of patents, which protect its interlocking flooring technology. The majority of the UNICLIC patents expired in 2017. The Company continues to develop new sources of revenue that may partially offset the expiration of its revenue-producing patents. The failure to develop alternative revenues could have a material adverse effect on the Company's business.

The Company may experience certain risks associated with acquisitions, joint ventures and strategic investments.

The Company intends to grow its business through a combination of organic growth and acquisitions. Growth through acquisitions involves risks, many of which may continue to affect the Company after the acquisition. The Company cannot give assurance that an acquired company will achieve the levels of revenue, profitability and production that the Company expects. Acquisitions may require the issuance of additional securities or the incurrence of additional indebtedness, which may dilute the ownership interests of existing security holders or impose higher interest costs on the Company. Additional challenges related to the Company's acquisition strategy include:

- maintaining executive offices in different locations;
- manufacturing and selling different types of products through different distribution channels;
- conducting business from various locations;
- maintaining different operating systems and software on different computer hardware; and
- retaining key employees.

Failure to successfully manage and integrate an acquisition with the Company's existing operations could lead to the potential loss of customers of the acquired business, the potential loss of employees who may be vital to the new operations, the potential loss of business opportunities or other adverse consequences that could have a material adverse effect on the Company's business. Even if integration occurs successfully, failure of the acquisition to achieve levels of anticipated sales growth, profitability, or otherwise perform as expected, may result in goodwill or other asset impairments or otherwise have a material adverse effect on the Company's business. Finally, acquisition targets may be subject to material liabilities that are not properly identified in due diligence and that are not covered by seller indemnification obligation or third party insurance. The unknown liabilities of the Company's acquisition targets may have a material adverse effect on the Company's business.

In addition, the Company has made certain investments, including through joint ventures, in which the Company has a minority equity interest and lack management and operational control. The controlling joint venture partner may have business interests, strategies or goals that are inconsistent with those of the Company. Business decisions or other actions or omissions of the controlling joint venture partner, or the joint venture company, may result in harm to the Company's reputation or adversely affect the value of the Company's investment in the joint venture.

A failure to identify suitable acquisition candidates or partners for strategic investments and to complete acquisitions could have a material adverse effect on the Company's business.

As part of the Company's business strategy, the Company intends to pursue a wide array of potential strategic transactions, including acquisitions of complementary businesses, as well as strategic investments and joint ventures. Although the Company regularly evaluates such opportunities, the Company may not be able to successfully identify suitable acquisition candidates or to obtain sufficient financing on acceptable terms to fund such strategic transactions, which may slow the Company's growth and have a material adverse effect on the Company's business.

The Company manufactures, sources and sells many products internationally and is exposed to risks associated with doing business globally.

The Company's international activities are significant to its manufacturing capacity, revenues and profits; and the Company is further expanding internationally. The Company sells products, operates plants and invests in companies around the world. Currently, the Company's Flooring ROW segment has significant operations in Europe, Russia, Malaysia, Australia and New Zealand, and the Company's Global Ceramic segment has significant operations in Brazil, Europe, Russia and Mexico. In addition, the Company has invested in joint ventures in Brazil and India related to laminate flooring.

The business, regulatory and political environments in these countries differ from those in the U.S. The Company's international sales, operations and investments are subject to risks and uncertainties, including:

- changes in foreign country regulatory requirements;
- differing business practices associated with foreign operations;
- various import/export restrictions and the availability of required import/export licenses;
- imposition of foreign or domestic tariffs and other trade barriers;
- foreign currency exchange rate fluctuations;
- differing inflationary or deflationary market pressures;
- foreign country tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations in tax laws;
- differing labor laws and changes in those laws;
- work stoppages and disruptions in the shipping of imported and exported products;
- government price controls;
- extended payment terms and the inability to collect accounts receivable;
- potential difficulties repatriating cash from non-U.S. subsidiaries; and
- compliance with laws governing international relations, including those U.S. laws that relate to sanctions and corruption.

Specifically, in Europe, the uncertainty surrounding the U.K.'s participation in the European Union and European Single Market following Britain's notice to the European Union of its decision to exit the EU ("Brexit") may result in greater restrictions on trade between the UK and EU, which could negatively impact the Company's results. Additionally, Brexit has caused significant volatility in currency exchange rates. Sales generated by the Company's U.K. businesses may be negatively impacted when they are translated from the British pound to the U.S. dollar.

The Company cannot assure investors that it will succeed in developing and implementing policies and strategies to address the foregoing risks effectively in each location where the

Company does business, and, therefore that the foregoing factors will not have a material adverse effect on the Company's business.

Negative tax consequences could materially and adversely affect the Company's business.

The Company is subject to the tax laws of the many jurisdictions in which it operates. These tax laws are complex, and the manner in which they apply to our facts is sometimes open to interpretation. In calculating the provision for income taxes, the Company must make judgments about the application of these inherently complex tax laws. Our domestic and international tax liabilities are largely dependent upon the distribution of profit before tax among these many jurisdictions. However, it also includes estimates of additional tax which may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings of the Company that could impact the valuation of our deferred tax assets. The Company's future results of operations and tax liability could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation and rates, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings permanently reinvested offshore, the results of audits and examinations of previously filed tax returns, and ongoing assessments of the Company's tax exposures.

The Company has been, and in the future may be, subject to costs, liabilities and other obligations under existing or new laws and regulations, which could have a material adverse effect on the Company's business.

The Company is subject to increasingly numerous and complex laws, regulations and licensing requirements in each of the jurisdictions in which the Company conducts business. The Company faces risks and uncertainties related to compliance with such laws and regulations. In addition, new laws and regulations may be enacted in the U.S. or abroad that may require the Company to incur additional personnel-related, environmental, or other costs on an ongoing basis, such as recently enacted healthcare legislation in the United States.

In particular, the Company's operations are subject to various environmental, health and safety laws and regulations, including those governing air emissions, wastewater discharges, and the use, storage, treatment, recycling and disposal of materials and finished product. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. The Company could incur material expenditures to comply with new or existing regulations, including fines and penalties and increased costs of its operations. For example, the Company's manufacturing facilities may become subject to further limitations on the emission of "greenhouse gases" due to public policy concerns regarding climate change issues or other environmental or health and safety concerns. While the form of any additional regulations cannot be predicted, a "cap-and-trade" system similar to the system that applies to the Company's businesses in the European Union could be adopted in the United States. The Company's manufacturing processes use a significant amount of energy, especially natural gas. Any such "cap-and-trade" system or other limitations imposed on the emission of "greenhouse gases" could require the Company to increase our capital expenditures, use its cash to acquire emission credits or restructure our manufacturing operations, which could have a material adverse effect on our business.

The Company's business operations could suffer significant losses from natural disasters, catastrophes, fire or other unexpected events.

Many of the Company's business activities involve substantial investments in manufacturing facilities and many products are produced at a limited number of locations. These facilities could be materially damaged by natural disasters, such as floods, tornados, hurricanes and earthquakes, or by fire or other unexpected events. The Company could incur uninsured losses and liabilities arising from such events, including damage to its reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on its business.

The Company may be exposed to litigation, claims and other legal proceedings relating to its products, which could have a material adverse effect on the Company's business.

In the ordinary course of business, the Company is subject to a variety of product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters. A very large claim or several similar claims asserted by a large class of plaintiffs could have a material adverse effect on the Company's business, if the Company is unable to successfully defend against or resolve these matters or if its insurance coverage is insufficient to satisfy any judgments against the Company or settlements relating to these matters. Although the Company has product liability insurance, the policies may not provide coverage for certain claims against the Company or may not be sufficient to cover all possible liabilities. Further, the Company may not be able to maintain insurance at commercially acceptable premium levels. Moreover, adverse publicity arising from claims made against the Company, even if the claims are not successful, could adversely affect the Company's reputation or the reputation and sales of its products.

The Company's inability to protect its intellectual property rights could have a material adverse effect on the Company's business.

The Company relies, in part, on the patent, trade secret and trademark laws of the U.S., countries in the European Union and elsewhere, as well as confidentiality agreements with some of the Company's employees, to protect that technology. The Company cannot assure investors that any patents owned by or issued to it will provide the Company with competitive advantages, that third parties will not challenge these patents, or that the Company's pending patent applications will be approved. The Company may be unable to prevent competitors and/or third parties from using the Company's technology without the Company's authorization, independently developing technology that is similar to that of the Company or designing around the Company's patents.

Furthermore, despite the Company's efforts, the Company may be unable to prevent competitors and/or third parties from using the Company's technology without the Company's authorization, independently developing technology that is similar to that of the Company or designing around the Company's patents. The use of the Company's technology or similar technology by others could reduce or eliminate any competitive advantage the Company has developed, cause the Company to lose sales or otherwise harm the Company's business.

The Company has obtained and applied for numerous U.S. and foreign service marks and trademark registrations and will continue to evaluate the registration of additional service marks and trademarks, as appropriate. The Company cannot guarantee that any of the Company's pending or future applications will be approved by the applicable governmental authorities. A failure to obtain trademark registrations in the U.S. and in other countries could limit the Company's ability to protect the Company's trademarks and impede the Company's marketing efforts in those jurisdictions and could have a material effect on the Company's business.

The Company generally requires third parties with access to the Company's trade secrets to agree to keep such information confidential. While such measures are intended to protect the Company's trade secrets, there can be no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach or that the Company's confidential and proprietary information and technology will not be independently developed by or become otherwise known to third parties. In any of these circumstances, the Company's competitiveness could be significantly impaired, which would limit the Company's growth and future revenue.

Third parties may claim that the Company infringed their intellectual property or proprietary rights, which could cause it to incur significant expenses or prevent it from selling the Company's products.

In the past, third parties have claimed that certain technologies incorporated in the Company's products infringe their patent rights. The Company cannot be certain that the Company's products do not and will not infringe issued patents or other intellectual property rights of others.

The Company might be required to pay substantial damages (including punitive damages and attorney's fees), discontinue the use and sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses authorizing the use of infringing technology. There can be no assurance that licenses for disputed technology or intellectual property rights would be available on reasonable commercial terms, if at all. In the event of a successful claim against the Company along with failure to develop or license a substitute technology, the Company's business would be materially and adversely affected.

The long-term performance of the Company's business relies on its ability to attract, develop and retain talented management.

To be successful, the Company must attract, develop and retain qualified and talented personnel in management, sales, marketing, product design, and operations, and as it considers entering new international markets, skilled personnel familiar with those markets. The Company competes with multinational firms for these employees and invests resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect the Company's competitive position and its operating results.

The Company is subject to changing regulation of corporate governance and public disclosure that have increased both costs and the risk of noncompliance.

The Company's stock is publicly traded. As a result, the Company is subject to the rules and regulations of federal and state agencies and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the Securities and Exchange Commission and the New York Stock Exchange, frequently issue new requirements and regulations. The Company's efforts to comply with the regulations and interpretations have resulted in, and are likely to continue to result in, increased general and administrative costs and diversion of management's time and attention from profit generating activities to compliance activities.

The Company's stock price is subject to volatility.

The Company's stock price has experienced price volatility in the past and may continue to do so in the future. The Company, the flooring industry and the stock market have experienced stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to the operating performance of these companies. Additionally, price volatility over a given period may cause the average price at which the Company repurchases its own stock to exceed the stock's price at a given point in time.

Declines in the Company's business conditions may result in an impairment of the Company's assets which could result in a material non-cash charge.

A significant or prolonged decrease in the Company's market capitalization, including a decline in stock price, or a negative long-term performance outlook, could result in an impairment of its assets which results when the carrying value of the Company's assets exceed their fair value.

Forward-Looking Information

Certain of the statements in this Form 10-K, particularly those anticipating future performance, business prospects, growth and operating strategies, and similar matters, and those that include the words "could," "should," "believes," "anticipates," "expects" and "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. There can be no assurance that the forward-looking statements will be accurate because they are based on many assumptions, which involve risks and uncertainties. The following important factors could cause future results to differ: changes in economic or industry conditions; competition; inflation and deflation in freight, raw material prices and other input costs; inflation and deflation in consumer markets; currency fluctuations; energy costs and supply; timing and level of capital expenditures; timing and implementation of price increases for the Company's products; impairment charges; integration of acquisitions; international operations; introduction of new products; rationalization of operations; tax and tax reform, product and other claims; litigation; regulatory and political changes in the jurisdictions in which the Company does business; and other risks identified in Mohawk's SEC reports and public announcements.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns and leases manufacturing and distribution facilities worldwide. The table below lists the primary owned and leased facilities at December 31, 2018. The Company owns its Corporate Headquarters in Calhoun, GA. The Company also owns and operates service centers and stores in the United States and Russia, none of which are individually material. The Company believes its existing facilities are suitable for its present needs.

The following is a list of the principal manufacturing and distribution facilities owned or leased by the Company:

Segment and Property Use	North America	Europe and Russia	Other	Total
GLOBAL CERAMIC				
Manufacturing	10	11	2	23
Distribution/Warehouse	8	8	2	18
FLOORING NORTH AMERICA				
Manufacturing	17	—	—	17
Distribution/Warehouse	10	—	—	10
FLOORING REST OF THE WORLD				
Manufacturing	—	17	5	22
Distribution/Warehouse	—	3	—	3
TOTAL				
Manufacturing	27	28	7	62
Distribution/Warehouse	18	11	2	31

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in litigation from time to time in the regular course of its business. Except as noted below, 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.

Alabama Municipal Litigation

In September 2016, the Water Works and Sewer Board of the City of Gadsden, Alabama (the "Gadsden Water Board") filed an individual complaint in the Circuit Court of Etowah County, Alabama against certain manufacturers, suppliers, and users of chemicals containing specific perfluorinated compounds, including the Company. On October 26, 2016, the defendants removed the case to the United States District Court for the Northern District of Alabama, Middle Division, alleging diversity of citizenship and fraudulent joinder. The Gadsden Water Board filed a motion to remand the case back to the state court, and the defendants opposed the Gadsden Water Board's motion. The federal court granted Gadsden Water Board's motion for remand.

In May 2017, the Water Works and Sewer Board of the Town of Centre, Alabama (the "Centre Water Board") filed a very similar complaint to the Gadsden Water Board complaint in the Circuit Court of Cherokee County. On June 19, 2017, the defendants removed this case to the United States District Court for the Northern District of Alabama, Middle Division, again alleging diversity of citizenship and fraudulent joinder. The Centre Water Board filed a motion to remand the case back to state court, and the defendants opposed the Centre Water Board's motion. The federal court granted Centre Water Board's motion for remand.

Certain defendants, including the Company, filed dispositive motions in each case arguing that the state court lacks personal jurisdiction over them. Both state courts denied those motions. In June and September 2018, certain defendants, including the Company, petitioned the Alabama Supreme Court for Writs of Mandamus directing each lower court to enter an order granting the defendants' dispositive motions on personal jurisdiction grounds. Those petitions have been fully briefed and the Company awaits a decision from the Alabama Supreme Court.

The Company has never manufactured the perfluorinated compounds at issue but purchased them for use in the manufacture of its carpets prior to 2007. The Gadsden and Centre Water Boards are not alleging that chemical levels in the Company's wastewater discharge exceeded legal limits. Instead, the Gadsden and Centre Water Boards are seeking lost profits based on allegations that their customers decreased water purchases, as well as reimbursement for the cost of a filter and punitive damages.

Belgian Tax Matter (amounts in thousands)

Between 2012 and 2014, the Company received assessments from the Belgian tax authority for the calendar years 2005 through 2010 in the amount of €46,135, €38,817, €39,635, €30,131, €35,567 and €43,117 respectively, including penalties, but excluding interest. The Belgian tax authority denied the Company's formal protests against these assessments and the Company brought all six years before the Court of First Appeal in Bruges. The Court of First Appeal in Bruges ruled in favor of the Company on January 27, 2016, with respect to the calendar years ending December 31, 2005 and December 31, 2009; and on June 13, 2018, the Court of First Appeal in Bruges, ruled in favor of the Company with respect to the calendar years ending December 31, 2006, December 31, 2007, December 31, 2008 and December 31, 2010. The Belgian tax authority has lodged its Notification of Appeal for all six years with the Ghent Court of Appeal. In December 2018, the Belgian tax authority issued an assessment for the year ended December 31, 2011, in the amount of €37,991 including penalties, but excluding interest. In January of 2019, the Company received a "Notice of Change" from the Belgian tax authority for tax years 2012 through 2017 in the amount of €38,858, €11,108, €23,522, €30,610, €92,109 and €78,174 respectively, including penalties, but excluding interest. The Company intends to respond to these notices in a timely manner and will file formal protests should the tax authority issue assessments for these years. The Notices of Change are based on largely the same facts underlying the positive rulings, which the Belgian tax authority is appealing.

The Company continues to disagree with the views of the Belgian tax authority on this matter and will persist in its vigorous defense. Nevertheless, on May 24, 2016, the tax collector representing the Belgian tax authorities imposed a lien on the Company's properties in Wielsbeke (Ooigemstraat and Breestraat), Oostrozebeke (Ingelmunstersteenweg) and Desselgem (Waregemstraat) included in the Flooring ROW segment. The purpose of the lien is to provide security for payment should the Belgian tax authority prevail on its appeal. The lien does not interfere with the Company's operations at these properties.

General

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 the Company is 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.

ITEM 4. MINE SAFETY DISCLOSURES

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this annual report on Form 10-K.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for the Common Stock

The Company's common stock, $0.01 par value per share (the "Common Stock"), is quoted on the New York Stock Exchange ("NYSE") under the symbol "MHK."

As of February 27, 2019, there were 224 holders of record of Common Stock. The Company has not paid or declared any cash dividends on shares of its Common Stock since completing its initial public offering. The payment of future cash dividends will be at the discretion of the Board of Directors and will depend upon the Company's profitability, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

Issuer Purchases of Equity Securities

On October 25, 2018, the Company announced that its Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to $500 million in shares of its common stock. Under the share repurchase plan, the Company may purchase common stock in open market transactions, block or privately negotiated transactions, and may from time to time purchase shares pursuant to trading plans in accordance with Rules 10b5-1 or 10b-18 under the Exchange Act or by any combination of such methods. The number of shares to be purchased and the timing of the purchases are based on a variety of factors, including, but not limited to, the level of cash balances, credit availability, debt covenant restrictions, general business conditions, regulatory requirements, the market price of the Company's stock and the availability of alternative investment opportunities. No time limit was set for completion of repurchases under the new authorization and the program may be suspended or discontinued at any time. The new program replaces any previously authorized share repurchase programs.

Period	Total Number of Shares Purchased in Millions	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan in Millions	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan in Millions
October 1 through November 2, 2018	0.5	$117.99	0.5	$441.1
November 5 through November 30, 2018	0.4	$122.28	0.4	$392.7
December 3 through December 31, 2018	1.4	$118.27	1.4	$225.9
Total	2.3	$118.90	2.3	

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth the selected financial data of the Company for the periods indicated which information is derived from the consolidated financial statements of the Company. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto included elsewhere herein.

As of or for the Years Ended December 31,	2018[a]	2017[b]	2016	2015	2014
(In thousands, except per share data)					
STATEMENT OF OPERATIONS DATA:					
Net sales	**$ 9,983,634**	9,491,290	8,959,087	8,071,563	7,803,446
Cost of sales	**7,145,564**	6,494,876	6,146,262	5,660,877	5,649,254
Gross profit	**2,838,070**	2,996,414	2,812,825	2,410,686	2,154,192
Selling, general and administrative expenses	**1,742,744**	1,642,241	1,532,882	1,573,120	1,381,396
Operating income	**1,095,326**	1,354,173	1,279,943	837,566	772,796
Interest expense	**38,827**	31,111	40,547	71,086	98,207
Other expense (income), net	**7,298**	5,205	(1,729)	17,619	10,698
Earnings from continuing operations before income taxes	**1,049,201**	1,317,857	1,241,125	748,861	663,891
Income tax expense	**184,346**	343,165	307,559	131,875	131,637
Earnings from continuing operations	**864,855**	974,692	933,566	616,986	532,254
Net earnings including noncontrolling interest	**864,855**	974,692	933,566	616,986	532,254
Less: Net earnings attributable to the noncontrolling interest	**3,151**	3,054	3,204	1,684	289
Net earnings attributable to Mohawk Industries, Inc.	**$ 861,704**	971,638	930,362	615,302	531,965
Basic earnings from continuing operations per share	**$ 11.53**	13.07	12.55	8.37	7.30
Basic earnings per share attributable to Mohawk Industries, Inc.	**$ 11.53**	13.07	12.55	8.37	7.30
Diluted earnings from continuing operations per share	**$ 11.47**	12.98	12.48	8.31	7.25
Diluted earnings per share attributable to Mohawk Industries, Inc.	**$ 11.47**	12.98	12.48	8.31	7.25
BALANCE SHEET DATA:					
Working capital	**$ 1,243,057**	1,417,612	753,192	(9,056)	1,033,762
Total assets	**13,099,123**	12,094,853	10,230,596	9,934,400	8,285,544
Long-term debt (including current portion)	**3,257,974**	2,763,578	2,511,485	3,191,967	2,253,440
Total stockholders' equity	**7,440,059**	7,067,009	5,783,487	4,860,863	4,422,813

(a) During 2018, the Company acquired Godfrey Hirst Group, Eliane S/A Revestimentos Ceramicos ("Eliane") and 3 businesses in Flooring ROW segment as discussed in Note 2 of the Notes to Consolidated Financial Statements.

(b) During 2017, the Company acquired Emil as discussed in Note 2 of the Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Mohawk is a significant supplier of every major flooring category with manufacturing operations in 19 nations and sales in more than 170 countries. Based on its annual sales, the Company believes it is the world's largest flooring manufacturer. A majority of the Company's long-lived assets are located in the United States and Europe, which are also the Company's primary markets. The Company expects continued growth in the United States market consistent with residential housing starts and remodeling investments and has invested significantly in state-of-the-art manufacturing to create aspirational products to delight consumers with beauty and performance. The Company also is a leading provider of flooring for the U.S. commercial market and has earned significant recognition for its innovation in design and performance and sustainable practices. Additionally, the Company maintains significant operations in Europe, Russia, Mexico, Australia, New Zealand, Brazil and other parts of the world. The Company is growing share in many markets through its differentiated products, especially its ceramic tile collections.

During the past two decades, the Company has grown significantly. Its current geographic breadth and diverse product offering are reflected in three reporting segments: Global Ceramic; Flooring North America ("Flooring NA"); and Flooring Rest of the World ("Flooring ROW"). The Global Ceramic Segment designs, manufactures, sources and markets a broad line of ceramic tile, porcelain tile, natural stone tile and other products including natural stone, quartz and porcelain slab countertops, which it distributes primarily in North America, Europe, Brazil and Russia through various selling channels, which include company-owned stores, independent distributors and home centers. The Flooring NA Segment designs, manufactures, sources and markets its floor covering product lines, including carpets, rugs, carpet cushion, wood, 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, online retailers, buying groups, commercial contractors and commercial end users. The Flooring ROW Segment designs, manufactures, sources, licenses and markets laminate, wood flooring, carpets, roofing elements, insulation boards, medium-density fiberboard ("MDF"), chipboards, other wood products and vinyl products, including LVT, which it distributes primarily in Europe, Russia, Australia and New Zealand through various selling channels, which include independent floor covering retailers, independent distributors, company-owned distributors, home centers, commercial contractors and commercial end users.

The Company expects sales growth to continue on a local basis in 2019, even with some softening in the European and Australian markets, offset by projected growth in Russia, Brazil and Mexico. The Company has also implemented multiple product price increases in most product categories due to escalating material, transportation and energy costs in most markets. The Company is managing through current macroeconomic headwinds including significant inflation, a strong U.S. dollar that is impacting currency translation as well as strengthening the competiveness of imports in the U.S. and slowing housing markets in a number of countries. While focused on addressing current conditions, the Company also established a long-term growth strategy, which includes strategic acquisitions in key growth markets and targeted internal investments that are expanding the Company's geographic reach and product portfolio.

In 2018, the Company completed five acquisitions: two that expanded the Company's global footprint with leadership positions in major markets and three that expanded the Company's product offering and distribution in Europe. The Godfrey Hirst acquisition established the Company as the largest flooring manufacturer in Australia and New Zealand, with leading carpet and hard surface positions in both countries when combined with the Company's existing regional flooring distribution business. Godfrey Hirst's prestigious wool carpet collections are exported to numerous international markets and have been integrated into the U.S. soft surface product portfolio to expand sales. The acquisition of Brazil-based Eliane provided the Company with a leading ceramic tile position and the most appealing brand in one of the world's largest ceramic markets and created a gateway into the overall South American market as Eliane is Brazil's largest ceramic exporter. The acquisition of Berghoef, a leading European mezzanine flooring company, created a leading position in a category that is rapidly expanding due to increased construction of e-commerce warehousing across the continent. The acquisition of Swiss and Italian hard surface distributors expanded the Company's direct distribution of flooring sales in Europe.

In 2018, the Company invested over $794.1 million in capital projects to, introduce new product categories, enter new markets, expand capacity of constrained premium products and improve productivity. In 2019, the Company plans to invest an additional $550–$580 million in its existing businesses to complete projects that were begun in 2018 and to commence new initiatives. The largest investments during this two-year period are the expansion of LVT in the U.S. and Europe, including the launch of manufactured rigid LVT collections; ceramic capacity increases in the U.S., Mexico, Italy, Poland, Bulgaria and Russia as well as in the Company's newly acquired ceramic business in Brazil, where the Company is investing in new assets to dramatically improve profitability as it did with the Marazzi acquisition; new porcelain slab production in Europe and Russia; premium water-resistant laminate in the U.S., Europe and Russia; carpet tile in Europe; sheet vinyl and premium sanitary ware in Russia; quartz countertops in the U.S., where the Company now produces and distributes materials for all kitchen and bath surfaces; and residential and commercial carpet in the U.S. and Australia, where the Company is investing in assets to expand its commercial carpet presence in the recent Godfrey Hirst acquisition.

Net earnings attributable to the Company were $861.7 million, or diluted EPS of $11.47 for 2018 compared to net earnings attributable to the Company of $971.6 million, or diluted EPS of $12.98 for 2017. The decrease in EPS was primarily attributable to higher inflation, higher start-up costs, and costs due to temporarily reducing production to align with softer market conditions, partially offset by the favorable net impact of price and product mix, increased sales volume, productivity gained from capital investments, cost reduction initiatives and decreased income tax expense. The Company benefited from a lower effective tax rate as a result of the recent reforms in the U.S. and Belgium.

For the year ended December 31, 2018, the Company generated $1,181.3 million of cash from operating activities. As of December 31, 2018, the Company had cash and cash equivalents of $119.1 million, of which $31.0 million was in the United States and $88.1 million was in foreign countries.

Recent Events

On November 16, 2018, the Company completed its acquisition of Eliane S/A Revestimentos Ceramicos, one of the largest ceramic tile companies in Brazil, further extending Mohawk's global position in new markets. Pursuant to the purchase agreement, the Company (i) acquired the entire issued share capital of Eliane and (ii) acquired $99.0 million of indebtedness of Eliane, with total cash consideration paid of $148.7 million including cash held in escrow of $5.3 million.

On January 31, 2019, the Company completed an acquisition of a hard surface flooring distribution company based in the Netherlands for approximately €60.6 million.

Results of Operations

Following are the results of operations for the last three years:

For the Years Ended December 31,	2018		2017		2016	
(In millions)						
STATEMENT OF OPERATIONS DATA:						
Net sales	**$9,983.6**	**100.0%**	$ 9,491.3	100.0%	$8,959.1	100.0%
Cost of sales [1]	**7,145.6**	**71.6%**	6,494.9	68.4%	6,146.3	68.6%
Gross profit	**2,838.1**	**28.4%**	2,996.4	31.6%	2,812.8	31.4%
Selling, general and administrative expenses [2]	**1,742.7**	**17.5%**	1,642.2	17.3%	1,532.9	17.1%
Operating income	**1,095.3**	**11.0%**	1,354.2	14.3%	1,279.9	14.3%
Interest expense [3]	**38.8**	**0.4%**	31.1	0.3%	40.5	0.5%
Other expense (income) [4]	**7.3**	**0.1%**	5.2	0.1%	(1.7)	—%
Earnings before income taxes	**1,049.2**	**10.5%**	1,317.9	13.9%	1,241.1	13.9%
Income tax expense [5]	**184.3**	**1.8%**	343.2	3.6%	307.6	3.4%
Earnings from continuing operations	**864.9**	**8.7%**	974.7	10.3%	933.5	10.4%
Net earnings including noncontrolling interest	**864.9**	**8.7%**	974.7	10.3%	933.5	10.4%
Less: Net earnings attributable to the noncontrolling interest	**3.2**	**—%**	3.1	—%	3.2	—%
Net earnings attributable to Mohawk Industries, Inc.	**$ 861.7**	**8.6%**	$ 971.6	10.2%	$ 930.3	10.4%
(1) Cost of sales includes:						
Restructuring, acquisition and integration-related charges	**$ 47.1**	**0.5%**	$ 36.0	0.4%	$ 38.3	0.4%
Acquisition inventory step-up	**15.4**	**—%**	13.3	0.1%	—	—%
(2) Selling, general and administrative expenses include:						
Restructuring, acquisition and integration-related charges	**31.6**	**0.3%**	12.9	0.1%	12.3	0.1%
Legal settlement and reserve	**—**	**—%**	—	—%	(90.0)	(1.0)%
Tradename impairment	**—**	**—%**	—	—%	47.9	0.5%
Other charges	**—**	**—%**	—	—%	9.9	0.1%
(3) Interest expense includes:						
Debt extinguishment costs	**—**	**—%**	0.2	—%	—	—%
Acquisition interest expense	**4.3**	**—%**	—	—%	—	—%
(4) Other expense (income) includes:						
Restructuring, acquisition and integration charges	**(0.2)**	**—%**	—	—%	—	—%
Reversal of uncertain tax position indemnification asset	**4.6**	**—%**	4.5	—%	5.4	0.1%
(5) Income tax expense includes:						
Tax reform and related, net	**—**	**—%**	0.8	—%	—	—%
Reversal of uncertain tax position	**(4.6)**	**—%**	(4.5)	—%	(5.4)	(0.1)%

Year Ended December 31, 2018, as Compared with Year Ended December 31, 2017

Net sales

Net sales for 2018 were $9,983.6 million, reflecting an increase of $492.3 million, or 5.2%, from the $9,491.3 million reported for 2017. The increase was primarily attributable to higher sales volume of approximately $297 million, or 3%, which includes sales volumes attributable to acquisitions of approximately $229 million and legacy sales volumes of approximately $68 million, the favorable net impact of price and product mix of approximately $111 million, or 1%, and the favorable net impact of foreign exchange rates of approximately $85 million, or 1%.

GLOBAL CERAMIC SEGMENT—Net sales increased $147.8 million, or 4.3%, to $3,552.9 million for 2018, compared to $3,405.1 million for 2017. The increase was primarily attributable to higher sales volume of approximately $150 million, or 4%, which includes sales volume attributable to acquisitions of approximately $82 million, or 2%, and legacy sales volume of approximately $68 million, or 2%, the favorable net impact of foreign exchange rates of approximately $9 million partially offset by the unfavorable net impact of lower price and product mix of $11 million.

FLOORING NA SEGMENT—Net sales increased $18.3 million, or 0.5%, to $4,029.1 million for 2018, compared to $4,010.9 million for 2017. The increase was primarily attributable to the favorable net impact of price and product mix of $51 million, or 1%, partially offset by the unfavorable net impact of lower volumes of $33 million.

FLOORING ROW SEGMENT—Net sales increased $326.2 million, or 15.7%, to $2,401.6 million for 2018, compared to $2,075.5 million for 2017. The increase was primarily attributable to higher sales volume of approximately $179 million, or 9%, which includes sales volume attributable to acquisitions of approximately $147 million and legacy sales volume of approximately $32 million, the favorable net impact of price and product mix of approximately $71 million, or 3%, and the favorable net impact of foreign exchange rates of approximately $76 million, or 4%.

Quarterly net sales and the percentage changes in net sales by quarter for 2018 versus 2017 were as follows (dollars in millions):

	2018	2017	Change
First quarter	**$2,412.2**	2,220.6	8.6%
Second quarter	**2,577.0**	2,453.0	5.1%
Third quarter	**2,545.8**	2,448.5	4.0%
Fourth quarter	**2,448.6**	2,369.1	3.4%
Total year	**$9,983.6**	9,491.3	5.2%

Gross profit

Gross profit for 2018 was $2,838.1 million (28.4% of net sales), a decrease of $158.3 million or 5.3%, compared to gross profit of $2,996.4 million (31.6% of net sales) for 2017. As a percentage of net sales, gross profit decreased 314 basis points. The decrease in gross profit dollars was primarily attributable to higher inflation costs of approximately $230 million, including increased material costs of approximately $140 million, approximately $40 million of start-up costs associated with large investments to expand sales, add product categories and enter new markets, approximately $37 million of costs due to temporarily reducing production, and the unfavorable impact of higher restructuring, acquisition and integration-related and other costs of approximately $13 million, partially offset by the favorable net impact of price and product mix of approximately $68 million, higher sales volume of approximately $54 million and savings from capital investments and cost reduction initiatives of approximately $28 million and the net impact of favorable foreign exchange rates of approximately $12 million.

Selling, general and administrative expenses

Selling, general and administrative expenses for 2018 were $1,742.7 million (17.5% of net sales), an increase of $100.5 million or 6.1% compared to $1,642.2 million (17.3% of net sales) for 2017. As a percentage of net sales, selling, general and administrative expenses increased 15 basis points. The increase in selling, general and administrative expenses in dollars was primarily attributable to approximately $45 million of costs due to higher sales volume, approximately $19 million of costs associated with investments in new product development, sales personnel, and marketing, higher inflation costs of approximately $15 million, and the unfavorable impact of higher restructuring, acquisition and integration-related and other costs of approximately $19 million.

Operating income

Operating income for 2018 was $1,095.3 million (11.0% of net sales) reflecting a decrease of $258.8 million, or 19.1%, compared to operating income of $1,354.2 million (14.3% of net sales) for 2017. The decrease in operating income was primarily attributable to higher inflation costs of approximately $246 million, including increased material costs of approximately $140 million, approximately $48 million of start-up costs associated with large investments to expand sales, add product categories, and enter new markets, approximately $32 million due to the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs, approximately $37 million of costs due to temporarily reducing production, and approximately $13 million of costs associated with investments in new product development, sales personnel, marketing, and the net impact of unfavorable foreign exchange rates partially offset by the favorable net impact of price and product mix of approximately $68 million, increased sales volume of approximately $9 million, and savings from capital investments and cost reduction initiatives of approximately $35 million.

GLOBAL CERAMIC SEGMENT—Operating income was $442.9 million (12.5% of segment net sales) for 2018 reflecting a decrease of $82.5 million, or 15.7%, compared to operating income of $525.4 million (15.4% of segment net sales) for 2017. The decrease in operating income was primarily attributable to higher inflation costs of approximately $97 million, the unfavorable net impact of price and product mix of approximately $28 million, approximately $25 million of costs due to temporarily reducing production, and approximately $11 million of costs associated with investments in new product development, sales personnel, and marketing, partially offset by savings from capital investments and cost reduction initiatives of approximately $63 million, and increased sales volume of approximately $24 million.

FLOORING NA SEGMENT—Operating income was $347.9 million (8.6% of segment net sales) for 2018 reflecting a decrease of $192.4 million, or 35.6%, compared to operating income of $540.3 million (13.5% of segment net sales) for 2017. The decrease in operating income was primarily attributable to higher inflation costs of approximately $126 million, including increased material costs of approximately $108 million, an increase in costs of approximately $64 million due to lower than expected production volumes, the ramp up of new products and higher logistics costs, lower sales volume of approximately $23 million, approximately $16 million of start-up costs associated with large investments to expand sales, add product categories, and enter new markets, and approximately $13 million of costs due to temporarily reducing production, partially offset by the favorable net impact of price and product mix of approximately $43 million, and savings from capital investments and cost reduction initiatives of approximately $17 million.

FLOORING ROW SEGMENT—Operating income was $345.8 million (14.4% of segment net sales) for 2018 reflecting an increase of $16.7 million, or 5.1%, compared to operating income of $329.1 million (15.9% of segment net sales) for 2017. The increase in operating income was primarily attributable to the favorable net impact of price and product mix of approximately $54 million, savings from capital investments and cost reduction initiatives of approximately $20 million, increased sales volume of approximately $4 million, partially offset by approximately $27 million of start-up costs associated with large investments to expand sales, add product categories, and enter new markets, higher inflation costs of approximately $23 million, and $16 million due to the unfavorable impact of higher restructuring, acquisition and integration-related costs.

Interest expense

Interest expense was $38.8 million for 2018, reflecting an increase of $7.7 million compared to interest expense of $31.1 million for 2017. The increase was primarily attributable to the increase in interest rates during 2018 and the early extinguishment of acquisition debt.

Other expense (income)

Other expense was $7.3 million for 2018, reflecting an unfavorable change of $2.1 million compared to other income of $5.2 million for 2017. The change was primarily due to the increased unfavorable impact of foreign exchange rates on transactions in the current year.

Income tax expense

For 2018, the Company recorded income tax expense of $184.3 million on earnings before income taxes of $1,049.2 million for an effective tax rate of 17.6%, as compared to an income tax expense of $343.2 million on earnings before income taxes of $1,317.9 million, resulting in an effective tax rate of 26.0% for 2017. The decrease in the year-over-year tax expense of $158.9 million was primarily driven by the geographic dispersion of the Company's earnings for 2018, subject to tax at the reduced rates in effect in the U.S. and Belgium, of $181.6 million, and the reduction to the transition tax and related tax planning initiatives of $163.4 million, partially offset by the one-time 2017 restatement of the Company's deferred tax liabilities of $139.9 million, the one-time Italian tax planning election of $10.3 million, the restatement of certain state deferred tax assets of $20.4 million, and various other items of $15.5 million.

In December of 2017, the U.S. and Belgium enacted tax reform legislation. The U.S. legislation, the Tax Cuts and Jobs Act ("TCJA"), is the most significant and complex change to the U.S. tax law in more than 30 years and requires the combined effort of the Company's finance, tax, and treasury departments to ensure the proper accounting of its comprehensive changes. The most significant provisions of the TCJA, were the reduction of the corporate income tax rate from 35% to 21% effective January 1, 2018, implementation of a territorial income tax regime, and imposition of a transition tax on the deemed repatriation of the accumulated earnings of the Company's foreign subsidiaries. The most significant provisions of the Belgium legislation were the reduction of the corporate income tax rate from 33.99% to 29.58% for 2018 and 2019, with a further reduction to 25% effective January 1, 2020, an annual limitation on the utilization of net operating losses, and creation of a consolidated corporate income tax regime.

As a result of the tax reform legislation, for the year ended December 31, 2017, the Company recorded a net tax expense of $0.8 million related primarily to the non-cash tax benefit of the revaluation of its Belgian deferred tax liabilities, the non-cash tax benefit of the provisional revaluation of its U.S. deferred tax liabilities, and the tax expense of the provisional accrual associated with the Deemed Repatriation Transition Tax. This represented a reasonable estimate of the impact of all tax law changes on the Company's financial statements in accordance with SAB 118. In accordance with the SAB 118 measurement period, the Company has completed its accounting for the income tax effects of all elements of the TCJA. See Note 13—Income Taxes.

Year Ended December 31, 2017, as Compared with Year Ended December 31, 2016

Net Sales

Net sales for 2017 were $9,491.3 million, reflecting an increase of $532.2 million, or 5.9%, from the $8,959.1 million reported for 2016. The increase was primarily attributable to higher sales volume of approximately $245 million, or 3%, which includes sales volumes attributable to acquisitions of approximately $137 million and legacy sales volumes of approximately $107 million, the favorable net impact of price and product mix of approximately $218 million, or 2%, and the favorable impact of foreign exchange rates of approximately $69 million, or 1%.

GLOBAL CERAMIC SEGMENT—Net sales increased $230.4 million, or 7.3%, to $3,405.1 million for 2017, compared to $3,174.7 million for 2016. The increase was primarily attributable to higher sales volume of approximately $162 million, or 5%, which includes sales volume attributable to acquisitions of approximately $137 million and legacy sales volume of approximately $24 million, the favorable net impact of foreign exchange rates of approximately $39 million, or 1%, and the favorable net impact of price and product mix of approximately $29 million, or 1%.

FLOORING NA SEGMENT—Net sales increased $145.1 million, or 3.8%, to $4,010.9 million for 2017, compared to $3,865.7 million for 2016. The increase was primarily attributable to higher sales volumes of approximately $39 million, or 1%, and the favorable net impact of price and product mix of $105 million, or 3%.

FLOORING ROW SEGMENT—Net sales increased $156.8 million, or 8.2%, to $2,075.5 million for 2017, compared to $1,918.6 million for 2016. The increase was primarily attributable to higher sales volume of approximately $44 million, or 2%, the favorable net impact of price and product mix of approximately $83 million, or 4%, and the favorable net impact of foreign exchange rates of approximately $30 million, or 2%.

Quarterly net sales and the percentage changes in net sales by quarter for 2017 versus 2016 were as follows (dollars in millions):

	2018	2017	Change
First quarter	**$2,220.6**	2,172.0	2.2%
Second quarter	**2,453.0**	2,310.3	6.2%
Third quarter	**2,448.5**	2,294.1	6.7%
Fourth quarter	**2,369.1**	2,182.6	8.5%
Total year	**$9,491.3**	8,959.1	5.9%

Gross Profit

Gross profit for 2017 was $2,996.4 million (31.6% of net sales), an increase of $183.6 million or 6.5%, compared to gross profit of $2,812.8 million (31.4% of net sales) for 2016. As a percentage of net sales, gross profit increased 20 basis points. The increase in gross profit dollars was primarily attributable to the favorable net impact of price and product mix of approximately $171 million, savings from capital investments and cost reduction initiatives of approximately $154 million, higher sales volume of approximately $58 million, and the favorable net impact of foreign exchange rates of approximately $17 million, partially offset by higher input costs of approximately $194 million, including increased material costs of approximately $137 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for 2017 were $1,642.2 million (17.3% of net sales), an increase of $109.4 million or 7.1% compared to $1,532.9 million (17.1% of net sales) for 2016. As a percentage of net sales, selling, general and administrative expenses increased 20 basis points. The increase in selling, general and administrative expenses in dollars was primarily attributable to approximately $50 million of costs due to higher sales volume, the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $33 million, approximately $23 million of costs associated with investments in new product development, sales personnel, and marketing, increased employee costs of approximately $13 million and the unfavorable net impact of foreign exchange rates of approximately $12 million, partially offset by savings from capital investments and cost reduction initiatives of approximately $24 million. Restructuring, acquisition and integration-related, and other costs were higher in 2017 primarily due to the absence of approximately $90 million received in 2016 related to a contract dispute, partially offset by the approximately $48 million charge related to the write-off of the Lees tradename that was recorded in 2016.

Operating Income

Operating income for 2017 was $1,354.2 million (14.3% of net sales) reflecting an increase of $74.2 million, or 5.8%, compared to operating income of $1,279.9 million (14.3% of net sales) for 2016. The increase in operating income was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $178 million and the favorable net impact of price and product mix of approximately $169 million, partially offset by higher input costs of approximately $195 million, including increased material costs of approximately $137 million, approximately $23 million of costs associated with investments in new product development, sales personnel, and marketing, increased employee costs of approximately $13 million, and the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $45 million. Restructuring, acquisition and integration-related, and other costs were higher in 2017 primarily due to the absence of approximately $90 million received in 2016 related to a contract dispute, partially offset by the approximately $48 million charge related to the write-off of the Lees tradename that was recorded in 2016.

GLOBAL CERAMIC SEGMENT—Operating income was $525.4 million (15.4% of segment net sales) for 2017 reflecting an increase of $47.0 million, or 9.8%, compared to operating income of $478.4 million (15.1% of segment net sales) for 2016. The increase in operating income was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $70 million, increased sales volumes of approximately $29 million, the favorable net impact of price and product mix of approximately $15 million, and the favorable net impact of foreign exchange rates of approximately $10 million, partially offset by higher input costs of approximately $40 million, approximately $12 million of costs associated with investments in new product development, sales personnel, and marketing, and the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $16 million.

FLOORING NA SEGMENT—Operating income was $540.3 million (13.5% of segment net sales) for 2017 reflecting an increase of $35.2 million, or 7.0%, compared to operating income of $505.1 million (13.1% of segment net sales) for 2016. The increase in operating income was primarily attributable to savings from capital investments and cost reduction initiatives of approximately $71 million, and the favorable net impact of price and product mix of approximately $74 million, partially offset by higher input costs of approximately $72 million, including increased material costs of approximately $54 million, and the unfavorable impact of higher restructuring, acquisition and integration-related, and other costs of approximately $33 million. Restructuring, acquisition and integration-related, and other costs were higher primarily due to the absence of approximately $90 million received in 2016 related to a contract dispute, partially offset by the approximately $48 million charge related to the write-off of the Lees tradename that was recorded in 2016.

FLOORING ROW SEGMENT—Operating income was $329.1 million (15.9% of segment net sales) for 2017 reflecting a decrease of $4.0 million, or (1.2)%, compared to operating income of $333.1 million (17.4% of segment net sales) for 2016. The decrease in operating income was primarily attributable to higher input costs of approximately $80 million, including increased material costs of approximately $76 million, costs associated with investments in expansion of production capacity of approximately $7 million, approximately $6 million of costs associated with investments in new product development, sales personnel, and marketing, the unfavorable net impact of exchange rates of approximately $5 million, and approximately $22 million in decreased sales volumes, primarily attributable to lower patent revenue. These decreases in operating income were partially offset by savings from capital investments and cost reduction initiatives of approximately $37 million, and the favorable net impact of price and product mix of approximately $80 million.

Interest Expense

Interest expense was $31.1 million for 2017, reflecting a decrease of $9.4 million compared to interest expense of $40.5 million for 2016. The decrease was primarily attributable to a shift in the Company's borrowings to lower interest rate instruments.

Other Expense (Income)

Other expense was $5.2 million for 2017, reflecting an unfavorable change of $6.9 million compared to other income of $1.7 million for 2016. The change was primarily due to the increased unfavorable impact of foreign exchange rates on transactions in the current year.

Income Tax Expense

For 2017, the Company recorded income tax expense of $343.2 million on earnings before income taxes of $1,317.9 million for an effective tax rate of 26.0%, as compared to an income tax expense of $307.6 million on earnings before income taxes of $1,241.1 million, resulting in an effective tax rate of 24.8% for 2016. The increase in the year-over-year effective tax rate was the direct result of the geographic dispersion of the Company's earnings for 2017, decreased by $44.4 million caused by the revaluation of deferred tax liabilities triggered by the Belgium corporate income tax reform, and increased by a one-time provisional net tax expense of $45.2 million resulting from the U.S. corporate income tax reform.

In December of 2017, the U.S. and Belgium enacted tax reform legislation. The U.S. legislation, the Tax Cuts and Jobs Act ("TCJA"), is the most significant and complex change to the U.S. tax law in more than 30 years. The most significant provisions of the TCJA, were the reduction of the corporate income tax rate from 35% to 21% effective January 1, 2018, implementation of a territorial income tax regime, and imposition of a transition tax on the deemed repatriation of the accumulated earnings of the Company's foreign subsidiaries. The most significant provisions of the Belgium legislation were the reduction of the corporate income tax rate from 33.99% to 29.58% for January 1, 2018 and January 1, 2019, respectively, with a further reduction to 25% effective January 1, 2020, an annual limitation on the utilization of net operating losses, and creation of a consolidated corporate income tax regime.

Accordingly, for the year ended December 31, 2017, the Company recorded a net tax expense of $0.8 million related primarily to the non-cash tax benefit of the revaluation of its Belgian deferred tax liabilities, the non-cash tax benefit of the provisional revaluation of its U.S. deferred tax liabilities, and the tax expense of the provisional accrual associated with the Deemed Repatriation Transition Tax. See Note 13-Income Taxes.

Liquidity and Capital Resources

The Company's primary liquidity requirements are for working capital, capital expenditures and acquisitions. The Company's liquidity needs are met primarily through a combination of internally generated funds, commercial paper, bank credit lines, term and senior notes and credit terms from suppliers. As of December 31, 2018, the Company had a total of $347.7 million available under its 2015 Senior Credit Facility. The Company also maintains local currency revolving lines of credit and other credit facilities to provide liquidity to its businesses around the world. None of such local facilities are material in amount.

Net cash provided by operating activities for the year ended 2018 was $1,181.3 million, compared to net cash provided by operating activities of $1,193.6 million for the year ended 2017. This decrease of $12.3 million was primarily attributable to a reduction in operating income and changes in working capital, reflecting normal fluctuations relative to the timing and nature of these transactions. The decrease in cash provided by operating activities for 2017 as compared to 2016 of $151.7 million was primarily attributable to changes in working capital.

Net cash used in investing activities for the year ended 2018 was $1,332.2 million compared to net cash used in investing activities of $1,240.7 million for the year ended 2017. The increase was primarily due to a $318.2 million increase in acquisitions, partially offset by a $111.9 million reduction in capital expenditures. Net cash used in investing activities in 2017 increased over 2016 by $568.6 million due primarily to acquisitions of $250.8 million, $83.9 million purchase of short-term investments, and an increase in capital expenditures of $233.9 million. The Company will continue to invest to optimize sales and profit growth with product expansion and cost reduction projects in the business.

Net cash provided by financing activities for the year ended 2018 was $198.0 million compared to net cash used in financing activities of $7.0 million for the year ended 2017. The change in cash provided by financing is primarily attributable to increased borrowings of commercial paper, offset by purchases of the Company's shares of $274.1 million. Net cash used in financing activities for the year ended 2017 was $7.0 million compared to net cash used in financing activities for the year ended 2016 of $641.6 million. This reduction of $634.6 million is primarily attributable to the issuance and sale of $357.6 million in Floating Rate Notes in 2017 and the repayment of senior notes of $645.6 million in 2016.

Senior Credit Facility

On March 26, 2015, the Company amended and restated its 2013 senior credit facility increasing its size from $1,000.0 million to $1,800.0 million and extending the maturity from September 25, 2018 to March 26, 2020 (as amended and restated, the "2015 Senior Credit Facility"). The 2015 Senior Credit Facility eliminated 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 flexibility to make acquisitions and incur additional indebtedness. On March 1, 2016, the Company amended the 2015 Senior Credit Facility to, among other things, carve out from the general limitation on subsidiary indebtedness the issuance of Euro-denominated commercial paper notes by subsidiaries. Additionally, at several points in 2016, the Company extended the maturity date of the 2015 Senior Credit Facility from March 26, 2020 to March 26, 2021. In the first half of 2017, the Company amended the 2015 Senior Credit Facility to extend the maturity date from March 26, 2021 to March 26, 2022.

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% (1.125% as of December 31, 2018), or (b) the higher of the Wells Fargo Bank, National Association prime rate, the Federal Funds rate plus 0.5%, or the Eurocurrency Rate (as defined in the 2015 Senior Credit Facility) rate plus 1.0%, plus an applicable margin ranging between 0.00% and 0.75% (0.125% as of December 31, 2018). The Company also pays a commitment fee to the lenders under the 2015 Senior Credit Facility 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 (0.125% as of December 31, 2018). 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.

In 2017, the Company paid financing costs of $0.6 million in connection with the extension of its 2015 Senior Credit Facility from March 26, 2021 to March 26, 2022. These costs were deferred and, along with unamortized costs of $6.9 million are being amortized over the term of the 2015 Senior Credit Facility.

As of December 31, 2018, amounts utilized under the 2015 Senior Credit Facility included $57.9 million of borrowings and $54.6 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. The outstanding borrowings of $1,339.8 million under the Company's U.S. and European commercial paper programs as of December 31, 2018 reduce the availability of the 2015 Senior Credit Facility. Including commercial paper borrowings, the Company has utilized $1,452.3 million under the 2015 Senior Credit Facility resulting in a total of $347.7 million available as of December 31, 2018.

Commercial Paper

On February 28, 2014 and July 31, 2015, the Company established programs for the issuance of unsecured commercial paper in the United States and Eurozone capital markets, respectively. Commercial paper issued under the U.S. and European programs will have maturities ranging up to 397 and 183 days, respectively. None of the commercial paper notes may be voluntarily prepaid or redeemed by the Company and all rank pari passu with all of the Company's other unsecured and unsubordinated indebtedness. To the extent that the Company issues European commercial paper notes through a subsidiary of the Company, the 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 outstanding under all of the Company's commercial paper programs may not exceed $1,800.0 million (less any amounts drawn on the 2015 Senior Credit Facility) at any time.

The proceeds from the issuance of commercial paper notes will be available for general corporate purposes. As of December 31, 2018 there was $632.7 million outstanding under the U.S.

commercial paper program, and the euro equivalent of $707.2 million under the European program. The weighted-average interest rate and maturity period for the U.S. program were 2.98% and 27.64 days, respectively. The weighted-average interest rate and maturity period for the European program were (0.21)% and 28.61 days, respectively.

Senior Notes

On May 18, 2018, Mohawk Capital Finance S.A. ("Mohawk Finance"), an indirect wholly-owned finance subsidiary of the Company, completed the issuance and sale of €300.0 million aggregate principal amount of its Floating Rate Notes due May 18, 2020 ("2020 Floating Rate Notes"). The 2020 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The 2020 Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event shall the interest rate be less than zero). Interest on the 2020 Floating Rate Notes is payable quarterly on August 18, November 18, February 18, and May 18 of each year. Mohawk Finance paid financing costs of $0.9 million in connection with the 2020 Floating Rate Notes. These costs were deferred and are being amortized over the term of the 2020 Floating Rate Notes.

On September 11, 2017, Mohawk Finance completed the issuance and sale of €300.0 million aggregate principal amount of its Floating Rate Notes due September 11, 2019 ("2019 Floating Rate Notes"). The 2019 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The 2019 Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event shall the interest rate be less than zero). Interest on the 2019 Floating Rate Notes is payable quarterly on September 11, December 11, March 11, and June 11 of each year. Mohawk Finance paid financing costs of $0.9 million in connection with the 2019 Floating Rate Notes. These costs were deferred and are being amortized over the term of the 2019 Floating Rate Notes.

On June 9, 2015, the Company issued €500.0 million aggregate principal amount of 2.00% Senior Notes due January 14, 2022 ("2.00% Senior Notes"). The 2.00% Senior 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 2.00% Senior Notes is payable annually in cash on January 14 of each year, commencing on January 14, 2016. The Company paid financing costs of $4.2 million 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 $600.0 million aggregate principal amount of 3.85% Senior Notes due February 1, 2023 ("3.85% Senior Notes"). The 3.85% Senior 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 3.85% Senior Notes is payable semi-annually in cash on February 1 and August 1 of each year. The Company paid financing costs of $6.0 million 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.

As defined in the related agreements, the Company's senior notes contain covenants, representations and warranties and events of default, subject to exceptions, and restrictions on the Company's financial and business operations, including limitations on liens, restrictions on entering into sale and leaseback transactions, fundamental changes, and a provision allowing the holder of the notes to require repayment upon a change of control triggering event.

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 $300.0 million to $500.0 million and decreased the interest margins on certain borrowings. Amounts borrowed under the Securitization Facility bore interest at LIBOR plus an applicable margin of 0.70% per annum and the borrower paid a commitment fee at a per annum rate of 0.30% on the unused amount of each lender's commitment. On December 10, 2015, the Company extended the termination date to December 19, 2016, and on December 13, 2016, the Company extended the termination date to December 19, 2017. The Company paid financing costs of $0.3 million in connection with the second extension. These costs were deferred and amortized over the term of the Securitization Facility. The Securitization Facility expired in accordance with its terms on December 19, 2017.

Other

The Company may continue, from time to time, to retire its outstanding debt through cash purchases in the open market, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. The amount involved may be material.

As of December 31, 2018, the Company had cash of $119.1 million, of which $88.1 million was held outside the United States. The Company plans to permanently reinvest the cash held outside the United States. The Company believes that its cash and cash equivalents on hand, cash generated from operations and availability under its 2015 Senior Credit Facility will be sufficient to meet its capital expenditure, working capital and debt servicing requirements over the next twelve months.

As of December 31, 2018, the Company has repurchased $274.1 million of its shares of common stock pursuant to the $500 million program announced in October. All of these repurchases have been financed through the Company's operations and existing finance arrangements. See Item 5—Issuer Purchases of Equity Securities.

Contractual Obligations and Commitments

The following is a summary of the Company's future minimum payments under contractual obligations and commitments as of December 31, 2018 (in millions):

	Total	2019	2020	2021	2022	2023	Thereafter
CONTRACTUAL OBLIGATIONS AND COMMITMENTS:							
Long-term debt, including current maturities and capital leases	$3,263.1	1,742.4	344.3	0.6	572.6	600.4	2.8
Interest payments on long-term debt and capital leases [1]	150.2	54.2	34.7	34.7	24.2	2.1	0.4
Operating leases	366.5	116.1	93.7	66.1	42.2	22.2	26.1
Purchase commitments [2]	574.9	184.5	81.1	54.3	25.5	25.5	204.0
Expected pension contributions [3]	2.6	2.6	—	—	—	—	—
Uncertain tax positions [4]	3.0	3.0	—	—	—	—	—
Guarantees [5]	8.8	8.8	—	—	—	—	—
Total	$4,369.1	2,111.5	553.8	155.7	664.5	650.2	233.3

(1) For fixed rate debt, the Company calculated interest based on the applicable rates and payment dates. For variable rate debt, the Company estimated average outstanding balances for the respective periods and applied interest rates in effect as of December 31, 2018 to these balances.

(2) Includes volume commitments for natural gas, electricity and raw material purchases.

(3) Includes the estimated pension contributions for 2019 only, as the Company is unable to estimate the pension contributions beyond 2019. The Company's projected benefit obligation and plan assets as of December 31, 2018 were $63.6 million and $54.3 million, respectively. The projected benefit obligation liability has not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(4) Excludes $27.7 million of non-current accrued income tax liabilities and related interest and penalties for uncertain tax positions. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(5) Includes bank guarantees and letters of credit.

Critical Accounting Policies

In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, the Company must make decisions which impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, the Company applies judgment based on its understanding and analysis of the relevant circumstances and historical experience. Actual amounts could differ from those estimated at the time the consolidated financial statements are prepared.

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included elsewhere in this report. Some of those significant accounting policies require the Company to make subjective or complex judgments or estimates. Critical accounting estimates are defined as those that are both most important to the portrayal of a company's financial condition and results and require management's most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The Company believes the following accounting policies require it to use judgments and estimates in preparing its consolidated financial statements and represent critical accounting policies.

- **ACCOUNTS RECEIVABLE AND REVENUE RECOGNITION.** The Company recognizes revenues when it satisfies performance obligations as evidenced by the transfer of control of the promised goods to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. The nature of the promised goods are ceramic, stone, carpet, resilient, laminate, wood and other flooring products. Payment is typically received 90 days or less from the invoice date. The Company adjusts the amounts of revenue for expected cash discounts, sales allowances, returns, and claims, based upon historical experience. The Company adjusts accounts receivable for doubtful account allowances based upon historical bad debt, claims experience, periodic evaluation of specific customer accounts, and the aging of accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. A 10% change in the Company's allowance for discounts, returns, claims and doubtful accounts would have affected net earnings by approximately $5 million for the year ended December 31, 2018.

- **INVENTORIES ARE STATED AT THE LOWER OF COST OR MARKET (NET REALIZABLE VALUE).** Cost has been determined using the first-in first-out method ("FIFO"). 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 a 10% change in the Company's assumptions for excess or obsolete inventory would have affected net earnings by approximately $8 million for the year ended December 31, 2018.

- **ACQUISITION ACCOUNTING.** The fair value of the consideration the Company pay for each new acquisition is allocated to tangible assets and identifiable intangible assets, liabilities assumed, any non-controlling interest in the acquired entity and goodwill. The accounting for acquisitions involves a considerable amount of judgment and estimate, including the fair value of certain forms of consideration; fair value of acquired intangible assets involving projections of future revenues and cash flows that are then either discounted at an estimated discount rate or measured at an estimated royalty rate; fair value of other acquired assets and assumed liabilities, including potential contingencies; and the useful lives of the acquired assets. The assumptions used are determined at the time of the acquisition in accordance with accepted valuation models. Projections are developed using internal forecasts, available industry and market data and estimates of long-term rates of growth for the business. The impact of prior or future acquisitions on the Company's financial position or results of operations may be materially impacted by the change in or initial selection of assumptions and estimates. See Note 2-Acquisitions for further discussion of business combination accounting valuation methodology and assumptions.

- **GOODWILL AND OTHER INTANGIBLES.** Goodwill is tested annually for impairment on the first day of the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances. 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 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 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. Generally, a decline in estimated after tax cash flows of more than 35% or a more than 26% increase in WACC or a significant or prolonged decline in market capitalization could result in an additional indication of impairment.

  The impairment test for intangible assets not subject to amortization involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. These judgments and assumptions are subject to the variability discussed above.

  The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted on the first day of the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. 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 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.

  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 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.

The Company conducted its annual assessment of goodwill and indefinite lived intangibles on the first day of the fourth quarter and no impairment was indicated for 2018.

- **INCOME TAXES.** The Company's effective tax rate is based on its income, statutory tax rates and tax planning opportunities available in the jurisdictions in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining the Company's tax expense and in evaluating the Company's tax positions. Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in a future period. The Company evaluates the recoverability of these future tax benefits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely on estimates, including business forecasts and other projections of financial results over an extended period of time. In the event that the Company is not able to realize all or a portion of its deferred tax assets in the future, a valuation allowance is provided. The Company would recognize such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. For further information regarding the Company's valuation allowances, see Note 13—Income Taxes.

  In the ordinary course of business there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company's evaluation of the facts, circumstances and information available as of the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information, as required by the provisions of the Financial Accounting Standards Board ("FASB") FASB Accounting Standards Codification Topic ("ASC") 740-10. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. For further information regarding the Company's uncertain tax positions, see Note 13—Income Taxes.

- **ENVIRONMENTAL AND LEGAL ACCRUALS.** Environmental and legal accruals are estimates based on judgments made by the Company relating to ongoing environmental and legal proceedings, as disclosed in the Company's consolidated financial statements. In determining whether a liability is probable and reasonably estimable, the Company consults with its internal experts. The Company believes that the amounts recorded in the accompanying financial statements are based on the best estimates and judgments available to it.

Recent Accounting Pronouncements

See Note 1(u), "Summary of Significant Accounting Policies," of the Company's accompanying audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K for a description of recent accounting pronouncements including the dates, or expected dates of adoption, and effects, or expected effects, on the Company's disclosures, results of operations, and financial condition.

Impact of Inflation

Inflation affects the Company's manufacturing costs, distribution costs and operating expenses. The Company expects raw material prices, many of which are petroleum based, to fluctuate based upon worldwide supply and demand of commodities utilized in the Company's production processes. Although the Company attempts to pass on increases in raw material, energy and fuel-related costs to its customers, the Company's ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for the Company's products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be fully recovered. In the past, the Company has often been able to enhance productivity and develop new product innovations to help offset increases in costs resulting from inflation in its operations.

Seasonality

The Company is a calendar year-end company. With respect to its Flooring NA and Global Ceramic segments, the second quarter typically sees the higher net sales and operating income, followed by the first and third quarters. The results of operations for the fourth quarter tends to be the weakest. These results are primarily due to consumer residential spending patterns which have historically decreased during the holiday season and the first two months following. The Flooring ROW segment's second quarter typically produces the highest net earnings followed by moderate first and third quarters and a weaker fourth quarter.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk is impacted by changes in foreign currency exchange rates, interest rates and certain commodity prices. Financial exposures to these risks are monitored as an integral part of the Company's risk management program, which seeks to reduce the potentially adverse effect that the volatility of these markets may have on its operating results. The Company does not regularly engage in speculative transactions, nor does it regularly hold or issue financial instruments for trading purposes. Excluding the hedge of net investment discussed in Note 1(n) "Hedges of Net Investments in Non-U.S. Operations," of the Company's accompanying consolidated financial statements in Item 8 of this Annual Report on Form 10-K, the Company did not have any derivative contracts outstanding as of December 31, 2018 and 2017.

Interest Rate Risk

As of December 31, 2018, approximately 36% of the Company's debt portfolio was comprised of fixed-rate debt and 64% was floating-rate debt. The Company believes that probable near-term changes in interest rates would not materially affect its financial condition, results of operations or cash flows. The annual impact on interest expense of a one-percentage point interest rate change on the outstanding balance of the Company's variable rate debt as of December 31, 2018 would be approximately $21 million or $0.18 to diluted EPS.

Foreign Exchange Risk

As a result of being a global enterprise, there is exposure to market risks from changes in foreign currency exchange rates, which may adversely affect the operating results and financial condition of the Company. Principal foreign currency exposures relate primarily to the euro and to a lesser extent the Russian ruble, the Mexican peso, the Canadian dollar, the Australian dollar, the British pound and the Brazilian real.

The Company's objective is to balance, where possible, non-functional currency denominated assets to non-functional currency denominated liabilities to have a natural hedge and minimize foreign exchange impacts. The Company enters into cross border transactions through importing and exporting goods to and from different countries and locations. These transactions generate foreign exchange risk as they create assets, liabilities and cash flows in currencies other than their functional currency. This also applies to services provided and other cross border agreements among subsidiaries.

The Company takes steps to minimize risks from foreign currency exchange rate fluctuations through normal operating and financing activities. The Company does not enter into any speculative positions with regard to derivative instruments.

Based on financial results for the year ended December 31, 2018, a hypothetical overall 10 percent change in the U.S. dollar against the euro would have resulted in a translational adjustment of approximately $43 million.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
MOHAWK INDUSTRIES, INC.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries (the Company) as of December 31, 2018 and 2017, 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, 2018, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2018, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP
We have served as the Company's auditor since 1990.
Atlanta, Georgia
February 28, 2019

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS
MOHAWK INDUSTRIES, INC.:

Opinion on Internal Control Over Financial Reporting

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, 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, 2018, and related notes, and our report dated February 28, 2019 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Godfrey Hirst Group during 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, Godfrey Hirst Group's internal control over financial reporting associated with total assets of $199.6 million and total net sales of $146.9 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2018.

The Company acquired Eliane S/A Revestimentos Ceramicos ("Eliane") during 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, Eliane's internal control over financial reporting associated with total assets of $186.5 million and total net sales of $35.1 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2018.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our 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.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP
Atlanta, Georgia
February 28, 2019

CONSOLIDATED BALANCE SHEETS

December 31,	2018	2017
(In thousands, except per share data)		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 119,050**	84,884
Receivables, net	**1,606,159**	1,558,159
Inventories	**2,287,615**	1,948,663
Prepaid expenses	**421,553**	376,836
Other current assets	**74,919**	104,425
Total current assets	**4,509,296**	4,072,967
Property, plant and equipment, net	**4,699,902**	4,270,790
Goodwill	**2,520,966**	2,471,459
Tradenames	**707,380**	644,208
Other intangible assets, net	**254,430**	247,559
Deferred income taxes and other non-current assets	**407,149**	387,870
	$13,099,123	12,094,853
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	**$ 1,742,373**	1,203,683
Accounts payable and accrued expenses	**1,523,866**	1,451,672
Total current liabilities	**3,266,239**	2,655,355
Deferred income taxes	**413,740**	328,103
Long-term debt, less current portion	**1,515,601**	1,559,895
Other long-term liabilities	**463,484**	455,028
Total liabilities	**5,659,064**	4,998,381
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interest	**—**	29,463
Stockholders' equity:		
Preferred stock, $.01 par value; 60 shares authorized; no shares issued	**—**	—
Common stock, $.01 par value; 150,000 shares authorized; 79,656 and 81,771 shares issued in 2018 and 2017, respectively	**797**	818
Additional paid-in capital	**1,852,173**	1,828,131
Retained earnings	**6,588,197**	6,004,506
Accumulated other comprehensive loss	**(791,608)**	(558,527)
	7,649,559	7,274,928
Less: treasury stock at cost; 7,349 and 7,350 shares in 2018 and 2017, respectively	**215,745**	215,766
Total Mohawk Industries, Inc. stockholders' equity	**7,433,814**	7,059,162
Noncontrolling interest	**6,245**	7,847
Total stockholders' equity	**7,440,059**	7,067,009
	$13,099,123	12,094,853

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,	2018	2017	2016
(In thousands, except per share data)			
Net sales	**$9,983,634**	9,491,290	8,959,087
Cost of sales	**7,145,564**	6,494,876	6,146,262
Gross profit	**2,838,070**	2,996,414	2,812,825
Selling, general and administrative expenses	**1,742,744**	1,642,241	1,532,882
Operating income	**1,095,326**	1,354,173	1,279,943
Interest expense	**38,827**	31,111	40,547
Other expense (income)	**7,298**	5,205	(1,729)
Earnings before income taxes	**1,049,201**	1,317,857	1,241,125
Income tax expense	**184,346**	343,165	307,559
Net earnings including noncontrolling interest	**864,855**	974,692	933,566
Net earnings attributable to noncontrolling interest	**3,151**	3,054	3,204
Net earnings attributable to Mohawk Industries, Inc.	**$ 861,704**	971,638	930,362
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO MOHAWK INDUSTRIES, INC.			
Basic earnings per share attributable to Mohawk Industries, Inc.	**$ 11.53**	13.07	12.55
Weighted-average common shares outstanding—basic	**74,413**	74,357	74,104
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO MOHAWK INDUSTRIES, INC.			
Diluted earnings per share attributable to Mohawk Industries, Inc.	**$ 11.47**	12.98	12.48
Weighted-average common shares outstanding—diluted	**74,773**	74,839	74,568

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

December 31,	2018	2017	2016
(In thousands)			
Net earnings including noncontrolling interest	**$ 864,855**	974,692	933,566
Other comprehensive (loss) income:			
Foreign currency translation adjustments	**(237,339)**	281,655	(36,702)
Prior pension and post-retirement benefit service cost and actuarial loss	**1,094**	(2,927)	(2,757)
Other comprehensive income (loss)	**(236,245)**	278,728	(39,459)
Comprehensive income	**628,610**	1,253,420	894,107
Comprehensive (loss) income attributable to the non-controlling interest	**(13)**	7,282	3,204
Comprehensive income attributable to Mohawk Industries, Inc.	**$ 628,623**	1,246,138	890,903

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

		Total Stockholders' Equity								
Years Ended December 31,	Redeemable Noncontrolling Interest	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Noncontrolling Interest	Total Stockholders' Equity
(In thousands)										
Balances at 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
Shares issued under employee and director stock plans	—	239	2	(8,232)	—	—	—	4	—	(8,226)
Stock-based compensation expense	—	—	—	35,059	—	—	—	—	—	35,059
Tax benefit from stock-based compensation	—	—	—	4,697	—	—	—	—	—	4,697
Accretion of redeemable noncontrolling interest	123	—	—	—	(123)	—	—	—	—	(123)
Noncontrolling earnings	2,864	—	—	—	—	—	—	—	340	340
Currency translation adjustment on noncontrolling interests	(1,243)	—	—	—	—	—	—	—	(26)	(26)
Acquisition of noncontrolling interest, net of taxes	—	—	—	—	(32)	—	—	—	32	—
Currency translation adjustment	—	—	—	—	—	(36,702)	—	—	—	(36,702)
Prior pension and post-retirement benefit service cost and actuarial loss	—	—	—	—	—	(2,757)	—	—	—	(2,757)
Net income	—	—	—	—	930,362	—	—	—	—	930,362
Balances at December 31, 2016	23,696	81,519	815	1,791,540	5,032,914	(833,027)	(7,351)	(215,791)	7,036	5,783,487
Shares issued under employee and director stock plans	—	252	3	269	—	—	1	25	—	297
Stock-based compensation expense	—	—	—	36,322	—	—	—	—	—	36,322
Distribution to noncontrolling interest, net of adjustments	—	—	—	—	—	—	—	—	(750)	(750)
Accretion of redeemable noncontrolling interest	46	—	—	—	(46)	—	—	—	—	(46)
Noncontrolling earnings	2,544	—	—	—	—	—	—	—	510	510
Currency translation adjustment on non-controlling interests	3,177	—	—	—	—	—	—	—	1,051	1,051
Currency translation adjustment	—	—	—	—	—	277,427	—	—	—	277,427
Prior pension and post-retirement benefit service cost and actuarial loss	—	—	—	—	—	(2,927)	—	—	—	(2,927)
Net income	—	—	—	—	971,638	—	—	—	—	971,638
Balances at December 31, 2017	29,463	81,771	818	1,828,131	6,004,506	(558,527)	(7,350)	(215,766)	7,847	7,067,009
Shares issued under employee and director stock plans	—	191	2	(8,400)	—	—	1	21	—	(8,377)
Stock-based compensation expense	—	—	—	31,382	—	—	—	—	—	31,382
Repurchases of common stock	—	(2,306)	(23)	—	(274,121)	—	—	—	—	(274,144)
Accretion of redeemable noncontrolling interest	3,892	—	—	—	(3,892)	—	—	—	—	(3,892)
Noncontrolling earnings	2,474	—	—	—	—	—	—	—	677	677
Currency translation adjustment on non-controlling interests	(1,945)	—	—	—	—	—	—	—	(1,219)	(1,219)
Purchase of redeemable noncontrolling interest and noncontrolling interest, net of taxes	(33,884)	—	—	1,060	—	—	—	—	(1,060)	—
Currency translation adjustment	—	—	—	—	—	(234,175)	—	—	—	(234,175)
Prior pension and post-retirement benefit service cost and actuarial gain	—	—	—	—	—	1,094	—	—	—	1,094
Net income	—	—	—	—	861,704	—	—	—	—	861,704
Balances as of December 31, 2018	**$ —**	**79,656**	**$797**	**$1,852,173**	**$6,588,197**	**$(791,608)**	**(7,349)**	**$(215,745)**	**$ 6,245**	**$7,440,059**

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017 (In thousands)		2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	$	**864,855**	974,692	933,566
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Restructuring		**58,991**	37,085	38,463
Intangible asset impairment		**—**	—	47,905
Depreciation and amortization		**521,765**	446,672	409,467
Deferred income taxes		**88,456**	(75,591)	(34,009)
Loss on disposal of property, plant and equipment		**(205)**	4,303	3,932
Stock-based compensation expense		**31,382**	36,322	35,059
Changes in operating assets and liabilities, net of effects of acquisitions:				
Receivables, net		**13,856**	(60,566)	(158,888)
Inventories		**(255,391)**	(153,245)	(81,923)
Accounts payable and accrued expenses		**(69,847)**	25,365	85,572
Other assets and prepaid expenses		**(79,482)**	(52,115)	54,267
Other liabilities		**6,964**	10,673	11,878
Net cash provided by operating activities		**1,181,344**	1,193,595	1,345,289
CASH FLOWS FROM INVESTING ACTIVITIES:				
Additions to property, plant and equipment		**(794,110)**	(905,998)	(672,125)
Acquisitions, net of cash acquired		**(568,960)**	(250,799)	—
Purchases of short-term investments		**(664,133)**	(83,904)	—
Redemption of short-term investments		**695,000**	—	—
Net cash used in investing activities		**(1,332,203)**	(1,240,701)	(672,125)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on Senior Credit Facilities		**(813,182)**	(454,637)	(707,129)
Proceeds from Senior Credit Facilities		**809,287**	447,884	631,807
Payments on Commercial Paper		**(16,756,404)**	(15,584,017)	(20,210,585)
Proceeds from Commercial Paper		**16,988,398**	15,761,954	20,301,372
Proceeds from Floating Rate Notes		**353,649**	357,569	—
Repayment of senior notes		**—**	—	(645,555)
Payments on asset securitization borrowings		**—**	(500,000)	—
Payments on acquired debt and other financings		**(69,571)**	(18,811)	—
Debt issuance costs		**(890)**	(1,478)	(1,336)
Purchase of redeemable non-controlling and non-controlling interest		**(34,944)**	—	—
Repurchases of common stock		**(274,144)**	—	—
Change in outstanding checks in excess of cash		**5,753**	(3,402)	(1,754)
Shares redeemed for taxes		**(9,925)**	(13,902)	(13,039)
Proceeds and net tax benefit from stock transactions		**2**	1,845	4,583
Net cash (used in) provided by financing activities		**198,029**	(6,995)	(641,636)
Effect of exchange rate changes on cash and cash equivalents		**(13,004)**	17,320	8,445
Net change in cash and cash equivalents		**34,166**	(36,781)	39,973
Cash and cash equivalents, beginning of year		**84,884**	121,665	81,692
Cash and cash equivalents, end of year	$	**119,050**	84,884	121,665

See accompanying notes to consolidated financial statements.

Note 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) 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, 2018, the Company had cash of $119,050 of which $88,100 was held outside the United States. As of December 31, 2017, the Company had cash of $84,884 of which $70,520 was held outside the United States.

(c) Accounts Receivable and Revenue Recognition

On January 1, 2018, the Company adopted the new accounting standard, ASC 606, *Revenue from Contracts with Customers* and all the related amendments ("ASC 606") and applied the provisions of the standard to all contracts using the modified retrospective method. The cumulative effect of adopting the new revenue standard was immaterial and no adjustment has been recorded to the opening balance of retained earnings. Prior year information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The Company recognizes revenues when it satisfies performance obligations as evidenced by the transfer of control of the promised goods to customers, when the product is either shipped or received from the Company's facilities, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. The Company reviewed all of its revenue product categories under ASC 606 and the only changes identified were that an immaterial amount of revenue from intellectual property ("IP") contracts results in earlier recognition of revenue, new controls and processes designed to meet the requirements of the standard were implemented, and the required new disclosures are presented in Note 3—Revenue from Contracts with Customers. The adoption of ASC 606 did not have a material impact on the amounts reported in the Company's consolidated financial position, results of operations or cash flows.

(d) Inventories

The Company accounts for all inventories on the first-in, first-out ("FIFO") method. Inventories are stated at the lower of cost or 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. 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.

(e) 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.

(f) 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.

(g) 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 on the first day of 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 on the first day of the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. 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 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.

(h) 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.

(i) 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 Company formed a wholly-owned captive insurance company during 2017 that invests in the Company's commercial paper. These short-term commercial paper investments are classified as trading securities and carried at fair value based upon level two fair value hierarchy. 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.

(j) 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 $116,854 in 2018, $119,560 in 2017 and $122,148 in 2016.

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. Co-op advertising expenses, a component of advertising and promotion expenses, were $13,332 in 2018, $10,891 in 2017 and $11,132 in 2016.

(k) 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.

(l) 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 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.

(m) 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.

(n) 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 years ended December 31, 2018, December 31, 2017 and December 31, 2016 the change in the U.S. dollar value of the Company's euro denominated debt was a decrease of $27,948 ($20,376 net of taxes), an increase of $74,112 ($46,320 net of taxes) and a decrease of $20,644 ($12,902 net of taxes), respectively, 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.

(o) 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 excluded from the diluted EPS computation because the price was greater than the average market price of the common shares for the periods presented for 2018, 2017 and 2016.

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

	2018	2017	2016
Earnings attributable to Mohawk Industries, Inc.	**$861,704**	971,638	930,362
Accretion of redeemable noncontrolling interest [a]	**(3,892)**	(46)	(123)
Net earnings available to common stockholders	**$857,812**	971,592	930,239
Weighted-average common shares outstanding—basic and diluted:			
Weighted-average common shares outstanding—basic	**74,413**	74,357	74,104
Add weighted-average dilutive potential common shares—options and RSUs to purchase common shares, net	**360**	482	464
Weighted-average common shares outstanding—diluted	**74,773**	74,839	74,568
Earnings per share attributable to Mohawk Industries, Inc.			
Basic	**$ 11.53**	13.07	12.55
Diluted	**$ 11.47**	12.98	12.48

(a) Represents the accretion of the Company's redeemable noncontrolling interest to redemption value. The holder put this option to the Company on December 20, 2018 for $33,884.

(p) 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.

(q) 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 $55,796 and $22,689 in 2018, $53,544 and $22,039 in 2017 and $50,542 and $21,002 in 2016, 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. The Company's projected benefit obligation and plan assets as of December 31, 2018 were $63,569 and $54,315, respectively. The Company's projected benefit obligation and plan assets as of December 31, 2017 were $65,439 and $53,404, respectively. As of December 31, 2018, the funded status of the Non-U.S. Plans was a liability of $9,254 of which $5,092 was recorded in accumulated other comprehensive income, for a net liability of $4,162 recorded in other long-term liabilities within the consolidated balance sheets. As of December 31, 2017, the funded status of the Non-U.S. Plans was a liability of $12,035 of which $6,187 was recorded in accumulated other comprehensive income, for a net liability of $5,848 recorded in other long-term liabilities within the consolidated balance sheets.

(r) 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. The Company presents currency translation adjustments on non-controlling interests separately from currency translation adjustments on controlling interests in accumulated other comprehensive income (loss) within stockholders' equity.

The changes in accumulated other comprehensive income (loss) by component, net of tax, for years ended December 31, 2018, 2017 and 2016 are as follows:

	Foreign currency translation adjustments	Pensions and post-retirement benefits	Total
Balance as of December 31, 2015	$ (788,652)	(4,916)	(793,568)
Current period other comprehensive income (loss) before reclassifications	(36,702)	(2,757)	(39,459)
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Balance as of December 31, 2016	(825,354)	(7,673)	(833,027)
Current period other comprehensive income (loss) before reclassifications	277,427	(2,927)	274,500
Amounts reclassified from accumulated other comprehensive income	—	—	—
Balance as of December 31, 2017	(547,927)	(10,600)	(558,527)
Current period other comprehensive income (loss) before reclassifications	(234,175)	1,094	(233,081)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Balance as of December 31, 2018	**$(782,102)**	**(9,506)**	**(791,608)**

(s) Self-Insurance Reserves

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 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.

In the fourth quarter of 2017, the Company formed a wholly-owned captive insurance company, Mohawk Assurance Services, Inc. ("MAS"). MAS insures the retained portion of the Company's U.S. workers' compensation, automobile liability and general liability exposures. The Company funded MAS with an initial cash contribution of $16,876 as a contribution to equity and $67,391 as the net present value of premiums owed by the Company for the insurance provided by MAS. MAS began providing coverage to the Company as of December 22, 2017. MAS had investments of $53,000 and $83,904 in the Company's commercial paper as of December 31, 2018 and 2017, respectively.

(t) 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.

(u) Recent Accounting Pronouncements

EFFECTIVE IN FUTURE YEARS

In February 2016, the FASB issued ASU 2016-02, *Leases.* The amendments create Topic 842, Leases, and supersede the requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The guidance in this update is effective for annual reporting periods beginning after December 15, 2018 including interim periods within that reporting period. Early adoption is permitted.

In July 2018, the FASB issued ASU 2018-11, *Targeted Improvements,* which allows for a new, optional transition method where the effective date also acts as the date of initial application on transition. Under this option, the comparative periods would continue to apply the legacy guidance in ASC 840, including the disclosure requirements, and a cumulative effect adjustment would be recognized in the period of adoption rather than the earliest period presented. Under this transition option, comparative reporting would not be required and the provisions of the standard would be applied prospectively to leases in effect at the date of adoption.

The Company plans to adopt the provisions of this Topic 842 at the beginning of fiscal year 2019 using a modified retrospective approach through a cumulative effect adjustment to "Retained earnings" as of the beginning of the period of adoption in line with the new transition method allowed under ASU 2018-11. Topic 842 provides a number of optional practical expedients in transition. The Company expects to elect the "package of practical expedients" which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company does not expect to elect the use-of-hindsight and will elect the practical expedient pertaining to land easements. The new standard also provides practical expedients for an entity's ongoing accounting for leases. The Company currently expects to elect the short-term lease exemption for all leases that qualify, meaning the Company will not recognize ROU assets or lease liabilities for leases with terms shorter than twelve months. The Company also currently expects to elect the practical expedient to not separate lease and non-lease components for a majority of its asset classes, including real estate and equipment.

The Company expects the adoption of this guidance to have a material impact on its Consolidated Balance Sheet due to the recognition of lease liabilities and related right-of-use assets in excess of $300,000 to $350,000. The Company does not expect adoption to materially affect its Consolidated Statement of Operations nor its Consolidated Statement of Cash Flows. The Company is working to complete the design of new controls and processes to meet both the quantitative and disclosure requirements of Topic 842 upon adoption. The Company may identify additional impacts this guidance will have on its consolidated financial statements and disclosures. The Company does not expect material changes in its leasing activities in conjunction with the adoption of Topic 842.

In January 2017, the FASB also issued ASU 2017-04, *Intangibles–Goodwill and other (Topic 350): Simplifying the test for goodwill impairment.* The amendments remove the second step of the current goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This guidance is effective for impairment tests in fiscal years beginning after December 15, 2019.

RECENTLY ADOPTED

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 Company currently accounts for inventory using the FIFO method. The Company adopted the provisions of this update at the beginning of fiscal year 2017. This update did not have a material impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting.* This update simplifies several aspects of the accounting for employee share-based payment transactions for both public and non-public entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The

Company adopted the provisions of this update at the beginning of fiscal year 2017, with the statement of cash flows classifications applied retrospectively. Accordingly, cash paid for shares redeemed for taxes of $13,039 and $11,589 was reclassed to financing activities from operating activities for the year ended December 31, 2016 and 2015, respectively. Additionally, excess tax benefits are now classified with other tax flows as an operating activity with $4,697 and $5,690 reclassified from financing activities for the year ended December 31, 2016 and 2015, respectively. The Company has also elected to continue to estimate the number of awards that are expected to vest when accounting for forfeitures.

On January 1, 2018, the Company adopted the new accounting standard, ASC 606, *Revenue from Contracts with Customers* and all the related amendments ("ASC 606") and applied the provisions of the standard to all contracts using the modified retrospective method. The cumulative effect of adopting the new revenue standard was immaterial and no adjustment has been recorded to the opening balance of retained earnings. Prior year information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Substantially all of the Company's revenue continues to be recognized at a point in time when the product is either shipped or received from the Company's facilities and control of the product is transferred to the customer. The Company reviewed all of its revenue product categories under ASC 606 and the only changes identified were that an immaterial amount of revenue from intellectual property ("IP") contracts results in earlier recognition of revenue, new controls and processes designed to meet the requirements of the standard were implemented, and the required new disclosures are presented in Note 3—Revenue from Contracts with Customers. The adoption of ASC 606 did not have a material impact on the amounts reported in the Company's consolidated financial position, results of operations or cash flows.

On January 1, 2018, the Company adopted the new accounting standard, ASU 2016-15, *Statement of Cash Flows (Topic 230)*. The effect of adopting the new standard was not material.

On January 1, 2018, the Company adopted the new accounting standard, ASU 2017-01, *Business Combinations (Topic 805): Clarifying the definition of a business*. The effect of adopting the new standard was not material.

Note 2. Acquisitions

2018 Acquisitions

On November 16, 2018, the Company completed its purchase of Eliane S/A Revestimentos Ceramicos ("Eliane"), one of the largest ceramic tile companies in Brazil. Pursuant to the purchase agreement, the Company (i) acquired the entire issued share capital of Eliane and (ii) acquired $99,037 of indebtedness of Eliane, with total cash consideration paid of $148,741, including cash held in escrow of $5,285. The Company's acquisition of Eliane resulted in preliminary allocations of goodwill of $19,821, indefinite-lived tradename intangible assets of $33,111 and intangible assets subject to amortization of $3,726. The goodwill is expected to be deductible for tax purposes. The purchase price allocation is preliminary until the Company obtains final information regarding these fair values. Eliane's results of operations have been included in the consolidated financial statements since the date of acquisition in the Global Ceramic reporting segment. The results of Eliane's operations are not material to the Company's condensed consolidated results of operations.

On July 2, 2018, the Company completed its acquisition of Godfrey Hirst Group, the leading flooring company in Australia and New Zealand, further extending Mohawk's global position. The total value of the acquisition was $400,894. The Company's acquisition of Godfrey Hirst Group resulted in preliminary allocations of goodwill of $87,043, indefinite-lived tradename intangible assets of $58,671 and intangible assets subject to amortization of $43,635. The goodwill is not expected to be deductible for tax purposes. The factors contributing to the recognition of the amount of goodwill include product, sales and manufacturing synergies. The Godfrey Hirst Group's results have been included in the condensed consolidated financial statements since the date of acquisition in the Flooring NA and Flooring ROW segments. The results of Godfrey Hirst Group's operations are not material to the Company's condensed consolidated results of operations.

During the first quarter of 2018, the Company completed the acquisition of three businesses in the Flooring ROW segment for $24,610, resulting in a preliminary goodwill allocation of $12,874 and intangibles subject to amortization of $7.

2017 Acquisitions

EMIL

On April 4, 2017, the Company completed its purchase of Emilceramica S.r.l ("Emil"), a ceramic company in Italy. The total value of the acquisition was $186,099. The Emil acquisition enhanced the Company's cost position and strengthen its combined brand and distribution in Europe. The acquisition's results and purchase price allocation are included in the consolidated financial statements since the date of the acquisition. The Company's acquisition of Emil resulted in a goodwill allocation of $59,491, indefinite-lived tradename intangible asset of $16,196 and an intangible asset subject to amortization of $2,348. The goodwill is not expected to be deductible for tax purposes. The factors contributing to the recognition of the amount of goodwill include product, sales and manufacturing synergies. The Emil results are reflected in the Global Ceramic segment and the results of Emil's operations are not material to the Company's consolidated results of operations.

OTHER ACQUISITIONS

During the second quarter of 2017, the Company completed the acquisition of two businesses in the Global Ceramic segment for $37,250, resulting in a goodwill allocation of $1,002. The Company also completed the acquisition of a business in the Flooring NA segment for $26,623.

During the first quarter of 2017, the Company acquired certain assets of a distribution business in the Flooring ROW segment for $1,407, resulting in intangible assets subject to amortization of $827.

Note 3. Revenue from Contracts with Customers

Revenue Recognition and Accounts Receivable

The Company recognizes revenues when it satisfies performance obligations as evidenced by the transfer of control of the promised goods to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. The nature of the promised goods are ceramic, stone, carpet, resilient, laminate, wood and other flooring products. Payment is typically received 90 days or less from the invoice date. The Company adjusts the amounts of revenue for expected cash discounts, sales allowances, returns, and claims, based upon historical experience. The Company adjusts accounts receivable for doubtful account allowances based upon historical bad debt, claims experience, periodic evaluation of specific customer accounts, and the aging of accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Contract Liabilities

The Company historically records contract liabilities when it receives payment prior to fulfilling a performance obligation. Contract liabilities related to revenues are recorded in accounts payable and accrued expenses on the accompanying condensed consolidating balance sheets. The Company had contract liabilities of $34,486 and $29,124 as of December 31, 2018 and January 1, 2018, respectively.

Performance Obligations

Substantially all of the Company's revenue is recognized at a point in time when the product is either shipped or received from the Company's facilities and control of the product is transferred to the customer. Accordingly, in any period, the Company does not recognize a significant amount of revenue from performance obligations satisfied or partially satisfied in prior periods and the amount of such revenue recognized during the years ended December 31, 2018, 2017, and 2016 was immaterial.

Costs to Obtain a Contract

The Company historically incurs certain incremental costs to obtain revenue contracts. These costs relate to marketing display structures and are capitalized when the amortization period is greater than one year, with the amount recorded in other assets on the accompanying condensed consolidated balance sheets. Capitalized costs to obtain contracts were $57,840 and $43,259 as of December 31, 2018 and January 1, 2018, respectively. Amortization expense recognized during 2018 related to these capitalized costs was $55,588.

Practical Expedients and Policy Elections

The Company elected the following practical expedients and policy elections:

- Incremental costs of obtaining a contract is recorded as an expense when incurred in selling, general and administrative expenses if the amortization period is less than one year.
- Shipping and handling activities performed after control has been transferred is accounted for as a fulfillment cost in cost of sales.

Revenue Disaggregation

The following table presents the Company's segment revenues disaggregated by the geographical market location of customer sales and product categories during the years ended December 31, 2018, 2017 and 2016, respectively:

December 31, 2018	Global Ceramic segment	Flooring NA segment	Flooring ROW segment	Intersegment sales	Total
GEOGRAPHICAL MARKETS					
United States	**$2,251,233**	**3,851,267**	**1,289**	**—**	**6,103,789**
Europe	**714,315**	**6,487**	**1,861,890**	**—**	**2,582,692**
Russia	**245,867**	**2**	**103,351**	**—**	**349,220**
Other	**341,441**	**171,392**	**435,100**	**—**	**947,933**
Total	**$3,552,856**	**4,029,148**	**2,401,630**	**—**	**9,983,634**
PRODUCT CATEGORIES					
Ceramic & Stone	**$3,552,856**	**68,337**	**—**	**—**	**3,621,193**
Carpet & Resilient	**—**	**3,258,029**	**645,669**	**—**	**3,903,698**
Laminate & Wood	**—**	**702,782**	**850,250**	**—**	**1,553,032**
Other [1]	**—**	**—**	**905,711**	**—**	**905,711**
Total	**$3,552,856**	**4,029,148**	**2,401,630**	**—**	**9,983,634**

December 31, 2017	Global Ceramic segment	Flooring NA segment	Flooring ROW segment	Intersegment sales	Total
GEOGRAPHICAL MARKETS					
United States	$2,223,998	3,809,211	2,111	(120)	6,035,200
Europe	645,341	19,100	1,698,628	—	2,363,069
Russia	235,043	(1)	91,033	—	326,075
Other	300,718	182,548	283,680	—	766,946
Total	$3,405,100	4,010,858	2,075,452	(120)	9,491,290
PRODUCT CATEGORIES					
Ceramic & Stone	$3,405,100	80,145	—	—	3,485,245
Carpet & Resilient	—	3,219,971	435,931	—	3,655,902
Laminate & Wood	—	710,742	808,675	—	1,519,417
Other [1]	—	—	830,846	(120)	830,726
Total	$3,405,100	4,010,858	2,075,452	(120)	9,491,290

December 31, 2016	Global Ceramic segment	Flooring NA segment	Flooring ROW segment	Intersegment sales	Total
GEOGRAPHICAL MARKETS					
United States	$2,168,693	3,670,153	3,319	—	5,842,165
Europe	533,339	15,628	1,565,005	—	2,113,972
Russia	180,420	12	75,304	—	255,736
Other	292,254	179,953	275,007	—	747,214
Total	$3,174,706	3,865,746	1,918,635	—	8,959,087
PRODUCT CATEGORIES					
Ceramic & Stone	$3,174,706	83,431	—	—	3,258,137
Carpet & Resilient	—	3,042,729	370,117	—	3,412,846
Laminate & Wood	—	739,586	754,409	—	1,493,995
Other [1]	—	—	794,109	—	794,109
Total	$3,174,706	3,865,746	1,918,635	—	8,959,087

(1) Other includes roofing elements, insulation boards, chipboards and IP contracts.

Note 4. 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, 2018, 2017 and 2016, respectively (in thousands):

	2018	2017	2016
COST OF SALES			
Restructuring costs	**$43,733**	33,109	33,582
Acquisition integration-related costs	**3,330**	2,916	4,722
Restructuring and integration-related costs	**$47,063**	36,025	38,304
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES			
Restructuring costs	**$15,259**	3,976	4,881
Acquisition transaction-related costs	**4,977**	2,751	—
Acquisition integration-related costs	**11,351**	6,188	7,438
Restructuring, acquisition and integration-related costs	**$31,587**	12,915	12,319

The restructuring activity for the years ended December 31, 2018 and 2017, respectively is as follows (in thousands):

	Lease impairments	Asset write-downs	Severance	Other restructuring costs	Total
Balance as of December 31, 2016	$ —	—	5,183	6,243	11,426
Provision—Global Ceramic segment	492	—	1,082	(32)	1,542
Provision—Flooring NA segment	316	6,849	2,500	22,131	31,796
Provision—Flooring ROW segment	—	650	1,518	1,465	3,633
Provision—Corporate	—	—	—	114	114
Cash payments	(449)	(190)	(9,469)	(29,725)	(39,833)
Non-cash items	—	(7,309)	(230)	(44)	(7,583)
Balance as of December 31, 2017	359	—	584	152	1,095
Provision—Global Ceramic segment	528	1,131	7,113	337	9,109
Provision—Flooring NA segment	236	2,940	4,985	33,807	41,968
Provision—Flooring ROW segment	—	—	4,741	(104)	4,637
Provision—Corporate	—	—	3,278	—	3,278
Cash payments	(726)	—	(12,605)	(30,385)	(43,716)
Non-cash items	—	(4,071)	(230)	(3,557)	(7,858)
BALANCE AS OF DECEMBER 31, 2018	**$ 397**	**—**	**7,866**	**250**	**8,513**

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

Note 5. Receivables

	December 31, 2018	December 31, 2017
Customers, trade	**$1,562,284**	1,538,348
Income tax receivable	**17,217**	9,835
Other	**101,376**	96,079
	1,680,877	1,644,262
Less allowance for discounts, returns, claims and doubtful accounts	**74,718**	86,103
Receivables, net	**$1,606,159**	1,558,159

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

	Balance at beginning of year	Acquisitions	Additions charged to net sales or costs and expenses	Deductions [1]	Balance at end of year
2016	$78,947	—	296,419	297,031	78,335
2017	78,335	6,510	308,507	307,249	86,103
2018	**86,103**	**4,240**	**317,716**	**333,341**	**74,718**

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

Note 6. Inventories

The components of inventories are as follows:

	December 31, 2018	December 31, 2017
Finished goods	**$1,582,112**	1,326,038
Work in process	**165,616**	159,921
Raw materials	**539,887**	462,704
Total inventories	**$2,287,615**	1,948,663

Note 7. Goodwill and Other Intangible Assets

The Company conducted its annual impairment assessment on the first day of the fourth quarter of 2018 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, 2016				
Goodwill	$1,482,226	869,764	1,249,861	3,601,851
Accumulated impairments losses	(531,930)	(343,054)	(452,441)	(1,327,425)
	950,296	526,710	797,420	2,274,426
Goodwill recognized during the year	60,493	—	—	60,493
Currency translation during the year	25,153	—	111,387	136,540
Balances as of December 31, 2017				
Goodwill	1,567,872	869,764	1,361,248	3,798,884
Accumulated impairments losses	(531,930)	(343,054)	(452,441)	(1,327,425)
	1,035,942	526,710	908,807	2,471,459
Goodwill recognized during the year	19,821	4,434	95,483	119,738
Currency translation during the year	(22,706)	—	(47,525)	(70,231)
Balances as of December 31, 2018				
Goodwill	**1,564,987**	**874,198**	**1,409,206**	**3,848,391**
Accumulated impairments losses	**(531,930)**	**(343,054)**	**(452,441)**	**(1,327,425)**
	$1,033,057	**531,144**	**956,765**	**2,520,966**

Intangible assets:

During the third quarter of 2016, the Company determined that it needed to simplify the branding strategy in the Flooring NA segment by consolidating products under the Mohawk Group brands and discontinuing the Lees brand. This resulted in the Company writing off the full value of the Lees tradename and recording an impairment charge of $47,905 in selling, general and administrative expenses in the consolidated statements of operations.

	Tradenames
INDEFINITE LIFE ASSETS NOT SUBJECT TO AMORTIZATION:	
Balance as of December 31, 2016	$ 580,147
Intangible assets acquired during the year	16,196
Intangible assets impaired during the year	—
Currency translation during the year	47,865
Balance as of December 31, 2017	644,208
Intangible assets acquired during the year	91,782
Intangible assets impaired during the year	—
Currency translation during the year	(28,610)
BALANCE AS OF DECEMBER 31, 2018	**$707,380**

	Customer relationships	Patents	Other	Total
INTANGIBLE ASSETS SUBJECT TO AMORTIZATION:				
Balances as of December 31, 2016	$235,704	13,424	5,331	254,459
Intangible assets acquired during the year	3,175	—	—	3,175
Amortization during the year	(26,602)	(7,543)	(134)	(34,279)
Currency translation during the year	22,558	1,180	466	24,204
Balances as of December 31, 2017	234,835	7,061	5,663	247,559
Intangible assets acquired during the year	47,361	—	7	47,368
Amortization during the year	(28,389)	(2,272)	(84)	(30,745)
Currency translation during the year	(9,179)	(294)	(279)	(9,752)
BALANCES AS OF DECEMBER 31, 2018	**$244,628**	**4,495**	**5,307**	**254,430**

	December 31, 2018				
	Cost	Acquisitions	Currency translation	Accumulated amortization	Net Value
Customer Relationships	**$625,263**	**47,361**	**(21,610)**	**406,386**	**244,628**
Patents	**266,969**	**—**	**(12,486)**	**249,988**	**4,495**
Other	**6,825**	**7**	**(298)**	**1,227**	**5,307**
Total	**$899,057**	**47,368**	**(34,394)**	**657,601**	**254,430**

	December 31, 2017				
	Cost	Acquisitions	Currency translation	Accumulated amortization	Net Value
Customer Relationships	$ 569,980	3,175	52,108	390,428	234,835
Patents	234,022	—	32,947	259,908	7,061
Other	6,330	—	495	1,162	5,663
Total	$ 810,332	3,175	85,550	651,498	247,559

Years Ended December 31,	2018	2017	2016
Amortization expense	**$30,745**	34,279	39,545

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

2019	$28,213
2020	28,213
2021	28,021
2022	26,190
2023	24,558

Note 8. Property, Plant and Equipment

Following is a summary of property, plant and equipment:

December 31,	2018	2017
Land	**$ 407,780**	385,027
Buildings and improvements	**1,584,240**	1,413,877
Machinery and equipment	**5,334,060**	4,603,911
Furniture and fixtures	**230,644**	211,730
Leasehold improvements	**94,683**	78,803
Construction in progress	**575,667**	792,936
	8,227,074	7,486,284
Less accumulated depreciation and amortization	**3,527,172**	3,215,494
Net property, plant and equipment	**$4,699,902**	4,270,790

Additions to property, plant and equipment included capitalized interest of $10,684, $8,543 and $5,608 in 2018, 2017 and 2016, respectively. Depreciation expense was $487,411, $408,646 and $366,233 for 2018, 2017 and 2016, respectively. Included in property, plant and equipment are capital leases with a cost of $7,106 and $5,984 and accumulated depreciation of $2,333 and $2,071 as of December 31, 2018 and 2017, respectively.

Note 9. Long-Term Debt

Senior Credit Facility

On March 26, 2015, the Company amended and restated its 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 (as amended and restated, the "2015 Senior Credit Facility"). The 2015 Senior Credit Facility eliminated 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 flexibility to make acquisitions and incur additional indebtedness. On March 1, 2016, the Company amended the 2015 Senior Credit Facility to, among other things, carve out from the general limitation on subsidiary indebtedness the issuance of Euro-denominated commercial paper notes by subsidiaries. Additionally, at several points in 2016, the Company extended the maturity date of the 2015 Senior Credit Facility from March 26, 2020 to March 26, 2021. In the first half of 2017, the Company amended the 2015 Senior Credit Facility to extend the maturity date from March 26, 2021 to March 26, 2022.

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% (1.125% as of December 31, 2018), or (b) the higher of the Wells Fargo Bank, National Association prime rate, the Federal Funds rate plus 0.5%, or the Eurocurrency Rate (as defined in the 2015 Senior Credit Facility) rate plus 1.0%, plus an applicable margin ranging between 0.00% and 0.75% (0.125% as of December 31, 2018). The Company also pays a commitment fee to the lenders under the 2015 Senior Credit Facility 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 (0.125% as of December 31, 2018). 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.

In 2017, the Company paid financing costs of $567 in connection with the extension of its 2015 Senior Credit Facility from March 26, 2021 to March 26, 2022. These costs were deferred and, along with unamortized costs of $6,873 are being amortized over the term of the 2015 Senior Credit Facility.

As of December 31, 2018, amounts utilized under the 2015 Senior Credit Facility included $57,896 of borrowings and $54,591 of standby letters of credit related to various insurance contracts and foreign vendor commitments. The outstanding borrowings of $1,339,843 under the Company's U.S. and European commercial paper programs as of December 31, 2018 reduce the availability of the 2015 Senior Credit Facility. Including commercial paper borrowings, the Company has utilized $1,452,330 under the 2015 Senior Credit Facility resulting in a total of $347,670 available as of December 31, 2018.

Commercial Paper

On February 28, 2014 and July 31, 2015, the Company established programs for the issuance of unsecured commercial paper in the United States and Eurozone capital markets, respectively. Commercial paper issued under the U.S. and European programs will have maturities ranging up to 397 and 183 days, respectively. None of the commercial paper notes may be voluntarily prepaid or redeemed by the Company and all rank pari passu with all of the Company's other unsecured and unsubordinated indebtedness. To the extent that the Company issues European commercial paper notes through a subsidiary of the Company, the 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 outstanding under all of the Company's commercial paper programs may not exceed $1,800,000 (less any amounts drawn on the 2015 Senior Credit Facility) at any time.

The proceeds from the issuance of commercial paper notes will be available for general corporate purposes. As of December 31, 2018 there was $632,668 outstanding under the U.S. commercial paper program, and the euro equivalent of $707,175 under the European program. The weighted-average interest rate and maturity period for the U.S. program were 2.98% and 27.64 days, respectively. The weighted-average interest rate and maturity period for the European program were (0.21)% and 28.61 days, respectively.

Senior Notes

On May 18, 2018, Mohawk Capital Finance S.A. ("Mohawk Finance"), an indirect wholly-owned finance subsidiary of the Company, completed the issuance and sale of €300,000 aggregate principal amount of its Floating Rate Notes due May 18, 2020 ("2020 Floating Rate Notes"). The 2020 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The 2020 Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event shall the interest rate be less than zero). Interest on the 2020 Floating Rate Notes is payable quarterly on August 18, November 18, February 18, and May 18 of each year. Mohawk Finance paid financing costs of $890 in connection with the 2020 Floating Rate Notes. These costs were deferred and are being amortized over the term of the 2020 Floating Rate Notes.

On September 11, 2017, Mohawk Finance completed the issuance and sale of €300,000 aggregate principal amount of its Floating Rate Notes due September 11, 2019 ("2019 Floating Rate Notes"). The 2019 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The 2019 Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event shall the interest rate be less than zero). Interest on the 2019 Floating Rate Notes is payable quarterly on September 11, December 11, March 11, and June 11 of each year. Mohawk Finance paid financing costs of $911 in connection with the 2019 Floating Rate Notes. These costs were deferred and are being amortized over the term of the Floating Rate Notes.

On June 9, 2015, the Company issued €500,000 aggregate principal amount of 2.00% Senior Notes ("2.00% Senior Notes") due January 14, 2022. The 2.00% Senior 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 2.00% Senior 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 ("3.85% Senior Notes") due February 1, 2023. The 3.85% Senior 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 3.85% Senior Notes is payable semi-annually in cash on February 1 and August 1 of each year. 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. During 2014, the Company purchased for cash approximately $254,445 aggregate principal amount of its outstanding 6.125% senior notes due January 15, 2016. On January 15, 2016, the Company paid the remaining $645,555 outstanding principal of its 6.125% Senior Notes (plus accrued but unpaid interest) utilizing cash on hand and borrowings under its U.S. commercial paper program.

As defined in the related agreements, the Company's senior notes contain covenants, representations and warranties and events of default, subject to exceptions, and restrictions on the Company's financial and business operations, including limitations on liens, restrictions on entering into sale and leaseback transactions, fundamental changes, and a provision allowing the holder of the notes to require repayment upon a change of control triggering event.

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. Amounts borrowed under the Securitization Facility bore interest at LIBOR plus an applicable margin of 0.70% per annum and the borrower paid a commitment fee at a per annum rate of 0.30% on the unused amount of each lender's commitment. On December 10, 2015, the Company extended the termination date to December 19, 2016, and on December 13, 2016, the Company extended the termination date to December 19, 2017. The Company paid financing costs of $250 in connection with the second extension. These costs were deferred and amortized over the term of the Securitization Facility. The Securitization Facility expired in accordance with its terms on December 19, 2017.

The fair values and carrying values of the Company's debt instruments are detailed as follows:

	December 31, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
3.85% senior notes, payable February 1, 2023; interest payable semiannually	**$ 599,904**	**600,000**	622,752	600,000
Floating Rate Notes, payable May 18, 2020; interest payable quarterly	**343,004**	**343,289**	—	—
2.00% senior notes, payable January 14, 2022; interest payable annually	**587,487**	**572,148**	634,193	600,096
Floating Rate Notes, payable September 11, 2019, interest payable quarterly	**343,560**	**343,289**	360,807	360,058
U.S. commercial paper	**632,668**	**632,668**	228,500	228,500
European commercial paper	**707,175**	**707,175**	912,146	912,146
Five-year senior secured credit facility, due March 26, 2022	**57,896**	**57,896**	62,104	62,104
Capital leases and other	**6,664**	**6,664**	6,934	6,934
Unamortized debt issuance costs	**(5,155)**	**(5,155)**	(6,260)	(6,260)
Total debt	**3,273,203**	**3,257,974**	2,821,176	2,763,578
Less current portion of long term debt and commercial paper	**1,742,373**	**1,742,373**	1,203,683	1,203,683
Long-term debt, less current portion	**$1,530,830**	**1,515,601**	1,617,493	1,559,895

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 total debt as of December 31, 2018 are as follows:

2019	$1,742,373
2020	344,323
2021	617
2022	572,568
2023	600,420
Thereafter	2,828
	$3,263,129

Note 10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are as follows:

December 31,	2018	2017
Outstanding checks in excess of cash	**$ 14,624**	8,879
Accounts payable, trade	**811,879**	810,034
Accrued expenses	**430,431**	363,919
Product warranties	**47,511**	39,035
Accrued interest	**21,908**	22,363
Accrued compensation and benefits	**197,513**	207,442
Total accounts payable and accrued expenses	**$1,523,866**	1,451,672

Note 11. Stock-Based Compensation

The Company recognizes compensation expense for all share-based payments granted for the years ended December 31, 2018, 2017 and 2016 based on the grant-date fair value estimated in accordance with the provisions of ASC 718-10. Compensation 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 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. The grant date fair value of restricted stock and RSUs is 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.

On May 19, 2017, the Company's stockholders approved the 2017 Long-Term Incentive Plan ("2017 Plan"), which allows the Company to reserve up to a maximum of 3,000 shares of common stock for issuance upon the grant or exercise of awards under the 2017 Plan. No additional awards may be granted under the 2012 Plan after May 19, 2017.

Stock Option Plans

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

	2018	2017	2016
Options outstanding at beginning of year	**63**	91	169
Options exercised	**—**	(28)	(78)
Options forfeited and expired	**—**	—	—
Options outstanding at end of year	**63**	63	91
Options exercisable at end of year	**63**	63	90
Option prices per share:			
Options exercised during the year	**$ —**	57.34-66.14	28.37-93.65
Options forfeited and expired during the year	**$ —**	—	—
Options outstanding at end of year	**57.34-66.14**	57.34-66.14	57.34-66.14
Options exercisable at end of year	**57.34-66.14**	57.34-66.14	57.34-66.14

During 2018, 2017 and 2016, a total of 1 shares were awarded each year to certain non-employee directors in lieu of cash for their annual retainers.

A summary of the Company's options under it's long-term incentive plans as of December 31, 2018, 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
Options outstanding, December 31, 2017	63	$ 62.86		
Granted	—	—		
Exercised	—	—		
Forfeited and expired	—	—		
Options outstanding, December 31, 2018	**63**	**$62.86**	**2.8**	**$3,415**
Vested and expected to vest as of December 31, 2018	**63**	**$62.86**	**2.8**	**$3,415**
Exercisable as of December 31, 2018	**63**	**$62.86**	**2.8**	**$3,415**

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, 2018, 2017, and 2016 was $0, $5,005 and $10,571, respectively. Total compensation expense recognized for the years ended December 31, 2018, 2017 and 2016 was $0 ($0, net of tax), $6 ($4, net of tax) and $40 ($24, 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, 2018 was $0.

The following table summarizes information about the Company's stock options outstanding as of December 31, 2018:

	Outstanding			Exercisable	
Exercise price range	Number of shares	Average life	Average price	Number of shares	Average price
$57.34-$57.34	**23**	**2.15**	**57.34**	**23**	**57.34**
$66.14-$66.14	**40**	**3.14**	**66.14**	**40**	**66.14**
Total	**63**	**2.77**	**$62.86**	**63**	**$62.86**

Restricted Stock Plans

A summary of the Company's RSUs under the Company's long-term incentive plans as of December 31, 2018, and changes during the year then ended is presented as follows:

	Shares	Weighted average grant date fair value	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Restricted Stock Units outstanding, December 31, 2017	555	$147.28		
Granted	136	231.25		
Released	(235)	156.56		
Forfeited	(10)	211.16		
Restricted Stock Units outstanding, December 31, 2018	**446**	**$166.56**	**1.1**	**$51,501**
Expected to vest as of December 31, 2018	**440**		**1.1**	**$50,746**

The Company recognized stock-based compensation costs related to the issuance of RSUs of $31,382 ($24,436, net of taxes), $36,316 ($22,037, net of taxes) and $35,019 ($21,250, net of taxes) for the years ended December 31, 2018, 2017 and 2016, 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 $20,834 as of December 31, 2018, and will be recognized as expense over a weighted-average period of approximately 1.26 years.

Additional information relating to the Company's RSUs under the Company's long-term incentive plans are as follows:

	2018	2017	2016
Restricted Stock Units outstanding, January 1	**555**	695	750
Granted	**136**	154	187
Released	**(235)**	(284)	(226)
Forfeited	**(10)**	(10)	(16)
Restricted Stock Units outstanding, December 31	**446**	555	695
Expected to vest as of December 31	**440**	546	682

Note 12. Other Expense (Income)

Following is a summary of other expense (income):

	2018	2017	2016
Foreign currency losses	**$9,613**	8,395	1,099
Release of indemnification asset	**4,606**	4,459	5,371
All other, net	**(6,921)**	(7,649)	(8,199)
Total other expense (income)	**$7,298**	5,205	(1,729)

Note 13. Income Taxes

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

	2018	2017	2016
United States	**$ 387,564**	754,562	627,567
Foreign	**661,637**	563,295	613,558
Earnings before income taxes	**$1,049,201**	1,317,857	1,241,125

Income tax expense (benefit) for the years ended December 31, 2018, 2017 and 2016 consists of the following:

	2018	2017	2016
CURRENT INCOME TAXES:			
U.S. federal	**$ 22,700**	327,697	247,917
State and local	**14,521**	17,811	31,939
Foreign	**58,669**	73,248	61,712
Total current	**95,890**	418,756	341,568
DEFERRED INCOME TAXES:			
U.S. federal	**54,983**	(17,419)	(16,167)
State and local	**19,076**	(3,046)	(22,115)
Foreign	**14,397**	(55,126)	4,273
Total deferred	**88,456**	(75,591)	(34,009)
Total	**$184,346**	343,165	307,559

The geographic dispersion of earnings and losses contributes to the annual changes in the Company's effective tax rates. Approximately 37% of the Company's current year earnings 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, Brazil, Bulgaria, France, Ireland, Italy, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Poland, Russia, Spain, the U.K. and the Ukraine. The effective tax rates that the Company accrues in these 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, 2018, 2017 and 2016 were 28.7%, 43.1%, and 38.5%, respectively, and its non-U.S. effective tax rates for the years ended December 31, 2018, 2017 and 2016 were 11.0%, 3.2%, and 10.8%, 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 before income taxes differs from the amounts computed by applying the U.S. statutory federal income tax rate to earnings before income taxes as follows:

	2018	2017	2016
Income taxes at statutory rate	**$220,332**	461,250	434,394
State and local income taxes, net of federal income tax benefit	**22,315**	10,133	6,298
Foreign income taxes [a]	**(39,915)**	(113,520)	(111,217)
Change in valuation allowance	**2,472**	10,008	(21,106)
Manufacturing deduction	**—**	(11,911)	(15,186)
2017 revaluation of deferred tax assets and liabilities [b]	**—**	(150,546)	—
Transition Tax	**28,201**	105,165	—
Transition tax planning initiatives	**(18,706)**	14,825	3,881
Tax contingencies and audit settlements, net	**(31,874)**	23,097	2,496
Other, net	**1,521**	(5,336)	7,999
	$184,346	343,165	307,559

(a) Foreign income taxes includes statutory rate differences, financing arrangements, withholding taxes, local income taxes, notional deductions, and other miscellaneous items. The significant decrease in foreign income taxes for 2018 is primarily due to the impact of the U.S. statutory rate reduction from 35% to 21% as a result of the Tax Cuts and Jobs Act ("TCJA") discussed below.

(b 2017 revaluation of deferred tax assets and liabilities includes $106,107 related to the TCJA and $44,439 related to Belgium tax reform.

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, 2018 and 2017 are presented below:

	2018	2017
DEFERRED TAX ASSETS:		
Accounts receivable	**$ 8,312**	18,481
Inventories	**47,212**	41,169
Employee benefits	**37,335**	42,191
Accrued expenses and other	**71,621**	52,635
Deductible state tax and interest benefit	**2,904**	2,087
Intangibles	**16,134**	22,119
Federal, foreign and state net operating losses and credits	**575,625**	530,978
Gross deferred tax assets	**759,143**	709,660
Valuation allowance	**(347,786)**	(362,963)
Net deferred tax assets	**411,357**	346,697
DEFERRED TAX LIABILITIES:		
Inventories	**(18,332)**	(14,423)
Plant and equipment	**(477,734)**	(397,668)
Intangibles	**(181,436)**	(170,817)
Other liabilities	**(96,134)**	(31,702)
Gross deferred tax liabilities	**(773,636)**	(614,610)
Net deferred tax liability	**$(362,279)**	(267,913)

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, 2018, and 2017 is $347,786 and $362,963, respectively. The valuation allowance as of December 31, 2018 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 2018 valuation allowance was a decrease of $15,177 which includes $15,357 related to foreign currency translation. The total change in the 2017 valuation allowance was an increase of $73,885, which includes $36,792 related to foreign currency translation.

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, 2018, the Company has state net operating loss carry forwards and state tax credits with potential tax benefits of $68,714, net of federal income tax benefit; these carry forwards expire over various periods based on taxing jurisdiction. A valuation allowance totaling $37,870 has been recorded against these state deferred tax assets as of December 31, 2018. In addition, as of December 31, 2018, the Company has net operating loss carry forwards in various foreign jurisdictions with potential tax benefits of $1,805,648. A valuation allowance totaling $309,916 has been recorded against these deferred tax assets as of December 31, 2018.

The large increase in the foreign losses is predominantly from the Company's redemptions of Luxembourg hybrid instruments which resulted in a tax effected loss of $1,298,737. The Company redeemed these hybrid instruments in response to changes in global tax regimes. The changes were triggered by the EU's Base Erosion and Profit Shifting "BEPS" and Anti-Tax Avoidance Directives "ATAD" I and II initiatives, recently adopted by various member states. The Company has recorded a ASC 740-10 liability for the full tax effected loss, as reflected in the *Tax Uncertainties* section below. This ASC 740-10-45 liability is recorded as a reduction to the related deferred tax asset in the financial statements as a result of management's determination that it is not more likely than not that the benefit will be realized.

Historically, the Company has not provided for U.S. federal and state income taxes on the undistributed accumulated earnings of its foreign subsidiaries because such earnings were deemed to be permanently reinvested. Due to the passage of the Tax Cuts and Jobs Act ("TCJA") on December 22, 2017, the Company was required to recognize U.S. federal and state taxes on the higher of its accumulated earnings as of November 2, 2017, or December 31, 2017. Accordingly, as of December 31, 2018, the Company recognized $133,366 of income tax expense on its foreign earnings. As of December 31, 2018, the Company has recognized net income tax expense on earnings of approximately $1,936,000 as discussed further below. Should these earnings be distributed in the form of dividends in the future, the Company might be subject to withholding taxes (possibly offset by U.S. foreign tax credits) in various foreign jurisdictions, but the Company would not expect incremental U.S. federal or state taxes to be accrued on these previously taxed earnings. Despite the new territorial tax regime created by the TCJA, the

Company continues to assert that earnings of its foreign subsidiaries are permanently reinvested.

The SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance on accounting for the income tax effects of the TCJA. SAB 118 provides a measurement period that should not extend beyond one year from the enactment date of the TCJA for companies to complete the accounting under ASC 740, *Income Taxes* ("ASC 740"). In accordance with SAB 118, a company must (1) reflect the income tax effects of those aspects of TCJA for which the accounting under ASC 740 is complete, (2) record a provisional estimate for those aspects of TCJA for which the accounting is incomplete but a reasonable estimate can be made, and/or (3) continue to apply ASC 740 on the basis of the provisions of tax laws in effect immediately before the enactment of the TCJA if no reasonable estimate can be made.

At December 31, 2017, the Company has recorded a net provisional tax expense of $45,249 based on the initial impact of the TCJA and related transactions for the year ended December 31, 2017. This provisional expense primarily consisted of a tax expense of $105,165 for the Deemed Repatriation Transition Tax and $46,191 for related transactions, offset by a tax benefit of $106,107 for the corporate tax rate reduction, and the associated revaluation of the Company's net deferred tax liability. In accordance with the SAB 118 measurement period, the Company has completed its accounting for the income tax effects of all elements of the TCJA and reduced the net provisional tax expense to $25,564.

The Deemed Repatriation Transition Tax ("Transition Tax") is a tax on previously untaxed earnings of certain foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, in addition to other factors, the amount of post-1986 earnings of the relevant foreign subsidiaries, as well as the amount of non-U.S. income and withholding taxes paid on such earnings. The Company has finalized its determination of the Transition Tax obligation and will elect to pay the transition tax liability of $132,236 over the 8-year deferral period, with 8% due in each of the first five years, 15% in the sixth year, 20% in the seventh year, and 25% in the eighth year. This total liability, except for the first installment, is recorded in other long-term liabilities within the consolidated balance sheet. In addition, the Company will pay $1,130 of state tax resulting from the transition tax with its 2018 state tax returns.

Due to the fiscal year end of the company's foreign subsidiaries, the new Global Intangible Low-Taxed Income ("GILTI") rules, are only applicable for one-twelfth of the Company's earnings for the calendar year ending December 31, 2018. The Company's accounting for the effects of GILTI have been completed and an accrual for the current year has been included in current tax expense. In accordance with U.S. GAAP guidance, the Company will elect to treat tax due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method").

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 and penalties related to unrecognized tax benefits 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, 2018, the Company's gross amount of unrecognized tax benefits is $1,330,713, excluding interest and penalties. If the Company were to prevail on all uncertain tax positions, $23,477 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:

	2018	2017
Balance as of January 1	**$ 65,631**	46,434
Additions based on tax positions related to the current year[(a)]	**1,304,447**	28,663
Additions for tax positions of acquired companies	**1,413**	1,776
Additions for tax positions of prior years	**5,098**	876
Transition tax planning initiatives	**(27,470)**	—
Reductions resulting from the lapse of the statute of limitations	**(8,110)**	(14,502)
Settlements with taxing authorities	**(9,773)**	(655)
Effects of foreign currency translation	**(523)**	3,039
Balance as of December 31	**$1,330,713**	65,631

(a) Includes tax effected loss of $1,298,737 on Luxembourg hybrid instruments redemptions. This $1,298,737 of unrecognized benefit is presented as a reduction to the related deferred tax asset in the balance sheet.

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, 2018 and 2017, the Company has $7,184 and $8,252, respectively, accrued for the payment of interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the years ended December 31, 2018, 2017 and 2016, the Company accrued interest and penalties through the consolidated statements of operations of $(1,085), $165 and $2,170, respectively.

The Company believes that its unrecognized tax benefits could decrease by $9,166 within the next twelve months. The Company is currently under examination by the Internal Revenue Service for tax years 2014 and 2015 but has effectively settled all Federal income tax matters related to years prior to 2014. Various other state and foreign income tax returns are open to examination for various years.

Belgian Tax Matter

Between 2012 and 2014, the Company received assessments from the Belgian tax authority for the calendar years 2005 through 2010 in the amount of €46,135, €38,817, €39,635, €30,131, €35,567 and €43,117 respectively, including penalties, but excluding interest. The Belgian tax authority denied the Company's formal protests against these assessments and the Company brought all six years before the Court of First Appeal in Bruges. The Court of First Appeal in Bruges, ruled in favor of the Company on January 27, 2016, with respect to the calendar years ending December 31, 2005 and December 31, 2009; and on June 13, 2018, the Court of First Appeal in Bruges, ruled in favor of the Company with respect to the calendar years ending December 31, 2006, December 31, 2007, December 31, 2008 and December 31, 2010. The Belgian tax authority has lodged its Notification of Appeal for all six years with the Ghent Court of Appeal. In December 2018, the Belgian tax authority issued an assessment for the year ended December 31, 2011, in the amount of €37,991 including penalties, but excluding interest. In January of 2019, the Company received a "Notice of Change" from the Belgian tax authority for tax years 2012 through 2017 in the amount of €38,858, €11,108, €23,522, €30,610, €92,109 and €78,174 respectively, including penalties, but excluding interest. The Company intends to respond to these notices in a timely manner and will file formal protests should the tax authority issue assessments for these years. The Notices of Change are based on largely the same facts underlying the positive rulings, which the Belgian tax authority is appealing.

The Company continues to disagree with the views of the Belgian tax authority on this matter and will persist in its vigorous defense. Nevertheless, on May 24, 2016, the tax collector representing the Belgian tax authorities imposed a lien on the Company's properties in Wielsbeke (Ooigemstraat and Breestraat), Oostrozebeke (Ingelmunstersteenweg) and Desselgem (Waregemstraat) included in the Flooring ROW segment. The purpose of the lien is to provide security for payment should the Belgian tax authority prevail on its appeal. The lien does not interfere with the Company's operations at these properties.

Note 14. Commitments and Contingencies

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 are as follows:

	Capital	Operating	Total Future Payments
2019	$1,494	116,110	117,604
2020	1,195	93,724	94,919
2021	766	66,129	66,895
2022	562	42,247	42,809
2023	555	22,207	22,762
Thereafter	3,215	26,097	29,312
Total payments	7,787	366,514	374,301
Less amount representing interest	1,123		
Present value of capitalized lease payments	$6,664		

Rental expense under operating leases was $143,513, $145,176 and $125,103 in 2018, 2017 and 2016, respectively.

The Company had approximately $54,591 and $56,267 in standby letters of credit for various insurance contracts and commitments to foreign vendors as of December 31, 2018 and 2017, 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.

Alabama Municipal Litigation

In September 2016, the Water Works and Sewer Board of the City of Gadsden, Alabama (the "Gadsden Water Board") filed an individual complaint in the Circuit Court of Etowah County, Alabama against certain manufacturers, suppliers, and users of chemicals containing specific perfluorinated compounds, including the Company. On October 26, 2016, the defendants removed the case to the United States District Court for the Northern District of Alabama, Middle Division, alleging diversity of citizenship and fraudulent joinder. The Gadsden Water Board filed a motion to remand the case back to the state court, and the defendants opposed the Gadsden Water Board's motion. The federal court granted Gadsden Water Board's motion for remand.

In May, 2017, the Water Works and Sewer Board of the Town of Centre, Alabama (the "Centre Water Board") filed a very similar complaint to the Gadsden Water Board complaint in the Circuit Court of Cherokee County. On June 19, 2017, the defendants removed this case to the United States District Court for the

Northern District of Alabama, Middle Division, again alleging diversity of citizenship and fraudulent joinder. The Centre Water Board filed a motion to remand the case back to state court, and the defendants opposed the Centre Water Board's motion. The federal court granted Centre Water Board's motion for remand.

Certain defendants, including the Company, filed dispositive motions in each case arguing that the state court lacks personal jurisdiction over them. Both state courts denied those motions. In June and September 2018, certain defendants, including the Company, petitioned the Alabama Supreme Court for Writs of Mandamus directing each lower court to enter an order granting the defendants' dispositive motions on personal jurisdiction grounds. Those petitions have been fully briefed and the Company awaits a decision from the Alabama Supreme Court.

The Company has never manufactured the perfluorinated compounds at issue but purchased them for use in the manufacture of its carpets prior to 2007. The Gadsden and Centre Water Boards are not alleging that chemical levels in the Company's wastewater discharge exceeded legal limits. Instead, the Gadsden and Centre Water Boards are seeking lost profits based on allegations that their customers decreased water purchases, as well as reimbursement for the cost of a filter and punitive damages.

General

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.

Note 15. Consolidated Statements of Cash Flows Information

Supplemental disclosures of cash flow information are as follows:

	2018	2017	2016
NET CASH PAID (RECEIVED) DURING THE YEARS FOR:			
Interest	**$ 46,186**	33,952	57,269
Income taxes	**$ 196,193**	373,900	276,789
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Additions to property, plant and equipment	**$ (4,672)**	30,643	—
Fair value of net assets acquired in acquisition	**$ 831,760**	369,956	—
Liabilities assumed in acquisition	**(257,515)**	(119,157)	—
	$ 574,245	250,799	—

Note 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, quartz, porcelain slab countertops and other products, which it distributes primarily in North America, Europe, South America 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 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, Australia, New Zealand 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. No single customer accounted for more than 10% of net sales for the years ended December 31, 2018, 2017 or 2016.

Segment information is as follows:

	2018	2017	2016
ASSETS:			
Global Ceramic	**$ 5,194,030**	4,838,310	4,024,859
Flooring NA	**3,938,639**	3,702,137	3,410,856
Flooring ROW	**3,666,617**	3,245,424	2,689,592
Corporate and intersegment eliminations	**299,837**	308,982	105,289
Total	**$13,099,123**	12,094,853	10,230,596
GEOGRAPHIC NET SALES:			
United States	**$ 6,103,789**	6,035,200	5,842,165
Europe	**2,582,692**	2,363,069	2,113,972
Russia	**349,220**	326,075	255,736
Other	**947,933**	766,946	747,214
Total	**$ 9,983,634**	9,491,290	8,959,087
LONG-LIVED ASSETS: (1)			
United States	**$ 3,485,046**	3,339,363	3,092,902
Belgium	**1,663,470**	1,705,947	1,371,397
Other	**2,072,353**	1,696,939	1,180,475
Total	**$ 7,220,869**	6,742,249	5,644,774
NET SALES BY PRODUCT CATEGORIES:			
Ceramic & Stone	**$ 3,621,193**	3,485,245	3,258,137
Carpet & Resilient	**3,903,698**	3,655,902	3,412,846
Laminate & Wood	**1,553,032**	1,519,417	1,493,995
Other (2)	**905,711**	830,726	794,109
Total	**$ 9,983,634**	9,491,290	8,959,087
NET SALES:			
Global Ceramic	**$ 3,552,856**	3,405,100	3,174,706
Flooring NA	**4,029,148**	4,010,858	3,865,746
Flooring ROW	**2,401,630**	2,075,452	1,918,635
Intersegment sales	**—**	(120)	—
Total	**$ 9,983,634**	9,491,290	8,959,087

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

(2) Other includes roofing elements, insulation boards, chipboards and IP contracts.

	2018	2017	2016
OPERATING INCOME:			
Global Ceramic	**$ 442,898**	525,401	478,448
Flooring NA	**347,937**	540,337	505,115
Flooring ROW	**345,801**	329,054	333,091
Corporate and intersegment eliminations	**(41,310)**	(40,619)	(36,711)
Total	**$1,095,326**	1,354,173	1,279,943
DEPRECIATION AND AMORTIZATION:			
Global Ceramic	**$ 189,904**	161,913	135,370
Flooring NA	**184,455**	159,980	148,067
Flooring ROW	**135,350**	114,794	116,048
Corporate	**12,056**	9,985	9,982
Total	**$ 521,765**	446,672	409,467
CAPITAL EXPENDITURES (EXCLUDING ACQUISITIONS):			
Global Ceramic	**$ 281,125**	310,650	263,401
Flooring NA	**262,676**	355,941	248,843
Flooring ROW	**232,949**	221,763	144,207
Corporate	**17,360**	17,644	15,674
Total	**$ 794,110**	905,998	672,125

Note 17. Quarterly Financial Data (Unaudited)

The supplemental quarterly financial data are as follows:

Quarters Ended	March 31, 2018	June 30, 2018	September 29, 2018	December 31, 2018
Net sales	**$2,412,202**	**2,577,014**	**2,545,800**	**2,448,618**
Gross profit	**704,692**	**766,555**	**1,825,367**	**646,390**
Net earnings	**208,766**	**196,586**	**227,013**	**229,339**
Basic earnings per share	**2.80**	**2.64**	**3.03**	**3.07**
Diluted earnings per share	**2.78**	**2.62**	**3.02**	**3.05**

Quarters Ended	April 1, 2017	July 1, 2017	September 30, 2017	December 31, 2017
Net sales	$ 2,220,645	2,453,038	2,448,510	2,369,097
Gross profit	680,353	779,136	783,301	753,624
Net earnings	200,554	260,681	270,025	240,378
Basic earnings per share	2.70	3.51	3.63	3.23
Diluted earnings per share	2.68	3.48	3.61	3.21

Note 18. Subsequent Event

On January 31, 2019, the Company completed an acquisition of a hard surface flooring distribution company based in the Netherlands for approximately €60.6 million.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), which have been designed to provide reasonable assurance that such controls and procedures will meet their objectives, as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective at a reasonable assurance level for the period covered by this report.

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.

The Company acquired Godfrey Hirst Group during 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, Godfrey Hirst Group's internal control over financial reporting associated with total assets of $199.6 million and total net sales of $146.9 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2018.

The Company acquired Eliane S/A Revestimentos Ceramicos ("Eliane") during 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2018, Eliane's internal control over financial reporting associated with total assets of $186.5 million and total net sales of $35.1 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2018.

Under the supervision and with the participation of management, including the Company's Principal Executive Officer and Principal Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting as of December 31, 2018. 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. Based on the results of this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2018.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders under the following headings: "Election of Directors—Director, Director Nominee and Executive Officer Information," "—Nominees for Director," "—Continuing Directors," "—Contractual Obligations with respect to the Election of Directors", "—Executive Officers," "—Meetings and Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Audit Committee" and "Corporate Governance." The Company has adopted the Mohawk Industries, Inc. Standards of Conduct and Ethics, which applies to all of its directors, officers and employees. The standards of conduct and ethics are publicly available on the Company's website at *http://www.mohawkind.com* and will be made available in print to any stockholder who requests them without charge. If the Company makes any substantive amendments to the standards of conduct and ethics, or grants any waiver, including any implicit waiver, from a provision of the standards required by regulations of the Commission to apply to the Company's chief executive officer, chief financial officer or chief accounting officer, the Company will disclose the nature of the amendment or waiver on its website. The Company may elect to also disclose the amendment or waiver in a report on Form 8-K filed with the SEC. The Company has adopted the Mohawk Industries, Inc. Board of Directors Corporate Governance Guidelines, which are publicly available on the Company's website and will be made available to any stockholder who requests it.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders under the following headings: "Compensation Discussion and Analysis," "Executive Compensation—Summary Compensation Table," "—Grants of Plan Based Awards," "—Outstanding Equity Awards at Year End," "—Option Exercises and Stock Vested," "—Nonqualified Deferred Compensation," "—Certain Relationships and Related Transactions," "—Compensation Committee Interlocks and Insider Participation," "—Compensation Committee Report" and "Director Compensation."

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

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders under the following headings: "Executive Compensation—Equity Compensation Plan Information," and "—Principal Stockholders of the Company."

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

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders under the following heading: "Election of Directors—Meetings and Committees of the Board of Directors," and "Executive Compensation—Certain Relationships and Related Transactions."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2019 Annual Meeting of Stockholders under the following heading: "Audit Committee—Principal Accountant Fees and Services" and "Election of Directors—Meetings and Committees of the Board of Directors."

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, 2019.)
***4.4**	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.)
***4.2**	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.)
***4.3**	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.)
***4.4**	Indenture, dates as of September 11, 2017, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor and U.S. Bank National Association, as trustee. (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 11, 2017.)
***4.5**	First Supplemental Indenture, dated as of September 11, 2017, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor, U.S. Bank National Association, as trustee, initial registrar and transfer agent and Elavon Financial Services DAC, UK Branch, as initial paying agent and calculation agent. (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 11, 2017.)
***4.6**	Second Supplemental Indenture, dated as of May 18, 2018, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor, U.S. Bank National Association, as trustee, registrar and transfer agent and Elavon Financial Services DAC, UK Branch, as paying agent and calculation agent. (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 18, 2018.)
***10.1**	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.)
***10.2**	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.)
***10.3**	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.)

Mohawk Exhibit Number	Description
***10.4**	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.)
***10.5**	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.)
***10.6**	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.)
***10.7**	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.)
***10.8**	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 by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.)
***10.9**	Amendment No. 6 to Credit and Security Agreement, dated as of December 13, 2016, 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 10.9 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.)
***10.10**	Amendment No. 7 to Credit and Security Agreement, dated as of January 26, 2017, 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 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.)
***10.11**	Amendment No. 8 to Credit and Security Agreement, dated as of May 4, 2017, 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 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017.)
***10.12**	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.)
***10.13**	Amendment No. 1 to Receivables Purchase and Sale Agreement, dated as of May 4, 2017, among Mohawk Carpet Distribution, Inc., Dal Tile Distribution, Inc., Unilin North America, LLC, Aladdin Manufacturing of Alabama, LLC (as originators) and Mohawk Factoring (as buyer). (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 1, 2017.)
***10.14**	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 27, 2015.)
***10.15**	Amendment No. 1 to Amended and Restated Credit Facility, dated as of March 1, 2016, 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 10.2 of the Company's Current Report on Form 8-K dated March 4, 2016.)
***10.16**	Extension Agreement to Amended and Restated Credit Facility, dated March 10, 2017, 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 10, 2017.)

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

Mohawk Exhibit Number	Description
***10.17**	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 25, 2009.)
10.18	Service Agreement dated December 18, 2018, by and between Mohawk International Services BVBA and Comm. V. "Bernard Thiers."
***10.19**	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 6, 2009.)
***10.20**	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.).
10.21	General Release and Separation Agreement, dated as of November 12, 2018, by and between Brian Carson and Mohawk Carpet, LLC
10.22	Employment Agreement dated December 29, 2018, by and between Mohawk Carpet, LLC and Paul F. De Cock
***10.23**	Transition Agreement, dated January 14, 2019, by and between Frank H. Boykin and Mohawk Industries, Inc. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 14, 2019.)
***10.24**	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 in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2015.)
***10.25**	Mohawk Industries, Inc. Non-Employee Director Stock Compensation Plan (Incorporated herein by reference to Exhibit 10.22 in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2017.)
***10.26**	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.)

Mohawk Exhibit Number	Description
***10.27**	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.)
***10.28**	Mohawk Industries, Inc. 2017 Incentive Plan (incorporated herein by reference to Annex B of the Company's Definitive Proxy Statement on Schedule 14A (File No. 001-13697) filed with the Securities and Exchange Commission on April 6, 2017.)
21	Subsidiaries of the Registrant.
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.
95.1	Mine Safety Disclosure pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act
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.

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.

By: /s/ JEFFREY S. LORBERBAUM

February 28, 2019 **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.

February 28, 2019 /s/ JEFFREY S. LORBERBAUM

JEFFREY S. LORBERBAUM,
Chairman and Chief Executive Officer
(principal executive officer)

February 28, 2019 /s/ FRANK H. BOYKIN

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

February 28, 2019 /s/ JAMES F. BRUNK

JAMES F. BRUNK,
Senior Vice President and Corporate
Controller
(principal accounting officer)

February 28, 2019 /s/ FILIP BALCAEN

FILIP BALCAEN,
Director

February 28, 2019 /s/ BRUCE C. BRUCKMANN

BRUCE C. BRUCKMANN,
Director

February 28, 2019 /s/ RICHARD C. ILL

RICHARD C. ILL,
Director

February 28, 2019 /s/ JOSEPH A. ONORATO

JOSEPH A. ONORATO,
Director

February 28, 2019 /s/ WILLIAM H. RUNGE III

WILLIAM HENRY RUNGE III
Director

February 28, 2019 /s/ KAREN A. SMITH BOGART

KAREN A. SMITH BOGART,
Director

February 28, 2019 /s/ W. CHRISTOPHER WELLBORN

W. CHRISTOPHER WELLBORN,
Director

Reconciliation of Non-GAAP Measures

RECONCILIATION OF TOTAL DEBT TO NET DEBT

	2016		2017				2018			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Amounts in thousands)										
Current portion of long-term debt and commercial paper	$1,548,251	1,382,738	$1,497,986	1,754,077	1,172,781	1,203,683	**$1,331,917**	**1,146,511**	**1,333,853**	**1,742,373**
Long-term debt, less current portion	1,165,577	1,128,746	1,132,268	1,174,440	1,544,665	1,559,895	**1,585,651**	**1,884,023**	**1,528,551**	**1,515,601**
Less: Cash and cash equivalents	112,108	121,665	188,436	130,238	84,502	84,884	**114,843**	**518,226**	**91,351**	**119,050**
Net debt	$2,601,720	2,389,819	$2,441,818	2,798,279	2,632,944	2,678,694	**$2,802,725**	**2,512,308**	**2,771,053**	**3,138,924**

RECONCILIATION OF OPERATING INCOME TO EBITDA, ADJUSTED EBITDA AND PROFORMA ADJUSTED EBITDA (TRAILING TWELVE MONTHS)

	2016		2017				2018			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(Amounts in thousands)										
Operating Income	$1,223,911	1,279,943	$1,309,055	1,314,188	1,315,979	1,354,173	**$1,347,788**	**1,318,270**	**1,225,416**	**1,095,326**
Other (expense) income	(12,986)	1,729	7,990	(819)	1,735	(5,205)	**(12,035)**	**(11,123)**	**(10,544)**	**(7,298)**
Net (earnings) loss attributable to non-controlling interest	(2,890)	(3,204)	(3,137)	(3,278)	(3,326)	(3,054)	**(3,027)**	**(2,919)**	**(2,935)**	**(3,151)**
Depreciation and amortization	399,114	409,468	414,298	422,844	432,679	446,672	**464,302**	**481,589**	**501,046**	**521,765**
EBITDA	1,607,149	1,687,936	1,728,206	1,732,935	1,747,067	1,792,586	**1,797,028**	**1,785,817**	**1,712,983**	**1,606,642**
Restructuring, acquisition and integration-related and other costs	75,130	60,524	56,784	66,642	49,923	48,940	**67,066**	**67,230**	**73,267**	**78,449**
Acquisitions purchase accounting (inventory step-up)	21	—	192	9,763	13,314	13,314	**14,476**	**5,099**	**8,638**	**15,359**
Impairment of tradename	47,905	47,905	47,905	47,905	—	—	**—**	**—**	**—**	**—**
Legal settlement and reserves	(92,520)	(90,000)	(90,000)	(90,000)	—	—	**—**	**—**	**—**	**—**
Release of indemnification asset	13,548	5,372	5,372	5,372	3,004	4,459	**6,208**	**6,208**	**6,208**	**4,606**
Adjusted EBITDA	1,651,233	1,711,737	1,748,459	1,772,617	1,813,308	1,859,299	**$1,884,778**	**1,864,354**	**1,801,096**	**1,705,056**
Net Debt to Proforma Adjusted EBITDA	1.6	1.4	1.4	1.6	1.5	1.4	**1.5**	**1.3**	**1.5**	**1.8**

The Company supplements its condensed consolidated financial statements, which are prepared and presented in accordance with US GAAP, with certain non-GAAP financial measures. As required by the Securities and Exchange Commission rules, the tables above present a reconciliation of the Company's non-GAAP financial measures to the most directly comparable US GAAP measure. Each of the non-GAAP measures set forth above should be considered in addition to the comparable US GAAP measure, and may not be comparable to similarly titled measures reported by other companies. The Company believes these non-GAAP measures, when reconciled to the corresponding US GAAP measure, help its investors as follows: Non-GAAP revenue measures that assist in identifying growth trends and in comparisons of revenue with prior and future periods and non-GAAP profitability measures that assist in understanding the long-term profitability trends of the Company's business and in comparisons of its profits with prior and future periods.

The Company excludes certain items from its non-GAAP revenue measures because these items can vary dramatically between periods and can obscure underlying business trends. Items excluded from the Company's non-GAAP revenue measures include: foreign currency transactions and translation and the impact of acquisitions.

The Company excludes certain items from its non-GAAP profitability measures because these items may not be indicative of, or are unrelated to, the Company's core operating performance. Items excluded from the Company's non-GAAP profitability measures include: restructuring, acquisition and integration-related and other costs, acquisition purchase accounting, including inventory step-up, release of indemnification assets and the reversal of uncertain tax positions.

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME AND ADJUSTED EBITDA

For the Years Ended December 31,		2013	2014	2015	2016	2017	2018
Operating Income		$546,931	772,796	837,566	1,279,943	1,354,173	**1,095,326**
Add:	Restructuring, acquisition and integration-related costs	111,939	51,604	74,604	59,847	48,940	**78,449**
	Legal settlement and reserves	—	10,000	124,480	(90,000)	—	**—**
	Tradename impairment	—	—	—	47,905	—	**—**
	Acquisition purchase accounting (inventory step-up)	31,041	—	13,337	—	13,314	**15,359**
Adjusted Operating Income		$689,911	834,400	1,049,987	1,297,695	1,416,427	**1,189,134**
Less:	Net earnings attributable to noncontrolling interest	(505)	(289)	(1,684)	(3,204)	(3,054)	**(3,151)**
Add:	Depreciation and amortization [a]	308,871	336,608	353,997	409,468	446,672	**521,765**
	Other income (expense), net [b]	(9,114)	1,254	(17,619)	1,729	(5,205)	**(7,298)**
	Release of indemnification asset	—	—	11,180	5,372	4,459	**4,606**
	Restructuring, acquisition and integration-related costs	1,481	—	—	677	—	**—**
Adjusted EBITDA		$990,644	1,171,973	1,395,861	1,711,737	1,859,299	**1,705,056**
EBITDA CAGR [c]							**11%**

(a) Excludes $8,650 and $8,982 of accelerated depreciation related to restructuring in 2014 and 2015, respectively.

(b) Excludes $11,952 of loss related to the disposal of a subsidiary in 2014.

(c) Five-year Compound Average Growth Rate (CAGR)

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

FORM 10-K

[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, 2019

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 incorporation or organization)		**(I.R.S. Employer Identification No.)**
160 S. Industrial Blvd.	**Calhoun Georgia**	**30701**
(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	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	**MHK**	**New York Stock Exchange**
Floating Rate Notes due 2020		**New York Stock Exchange**
Floating Rate Notes due 2021		**New York Stock Exchange**
2.000% Senior Notes due 2022		**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 every Interactive Data File required to be submitted 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 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, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 (59,424,324 shares) on June 28, 2019 (the last business day of the Registrant's most recently completed fiscal second quarter) was $8,763,305,060. 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 25, 2020: 71,672,772 shares of Common Stock, $.01 par value. Mohawk Industries, Inc. common stock trades on the New York Stock Exchange under symbol MHK.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2020 Annual Meeting of Stockholders-Part III.

Table of Contents

PART I

Item 1. Business

Unless this Form 10-K indicates otherwise or the context otherwise requires, the terms “we,” “our,” “us,” “Mohawk,” or “the Company” as used in this Form 10-K refer to Mohawk Industries, Inc.

General

Mohawk 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 carpet, rugs, ceramic tile, laminate, wood, stone, luxury vinyl tile (“LVT”) and sheet vinyl flooring. The Company’s industry-leading innovation develops products and technologies that differentiate its brands in the marketplace and satisfy all flooring-related remodeling and new construction requirements. The Company’s brands are among the most recognized in the industry and include American Olean®, Daltile®, Durkan®, Eliane®, Feltex®, Godfrey Hirst®, IVC®, Karastan®, Marazzi®, Mohawk®, Pergo®, Quick-Step® and Unilin®. During the past two decades, the Company has transformed its business from an American carpet manufacturer into the world’s largest flooring company with operations in Australia, Brazil, Canada, Europe, India, Malaysia, Mexico, New Zealand, Russia and the United States. The Company had annual net sales in 2019 of $10.0 billion. Approximately 60% of this amount was generated by sales in the United States and approximately 40% was generated by sales outside the United States. The Company has three reporting segments, Global Ceramic, Flooring North America (“Flooring NA”) and Flooring Rest of the World (“Flooring ROW”) with their 2019 net sales representing 36%, 39% and 25%, respectively, of the Company’s total. Selected financial information for the three segments, geographic net sales and the location of long-lived assets are set forth in Note 17-Segment Reporting.

The Global Ceramic Segment designs, manufactures, sources, distributes and markets a broad line of ceramic, porcelain and natural stone tile products used for floor and wall applications in residential and commercial channels for both remodeling and new construction. In addition, the Global Ceramic Segment manufactures, sources and distributes other products, including natural stone, quartz and porcelain slab countertops, as well as installation materials. The Global Ceramic Segment markets and distributes its products under various brands, including the following: American Olean, Daltile, Eliane, EmilGroup®, KAI®, Kerama Marazzi, Marazzi and Ragno®. The Segment sells its products through company-owned and franchised operations, independent distributors, home centers, floor covering retailers, ceramic specialists, commercial contractors and commercial end users. The Global Ceramic Segment operations are vertically integrated from the production of raw material for body and glaze preparation to the manufacturing and distribution of ceramic and porcelain tile.

The Flooring NA Segment designs, manufactures, sources and distributes a broad range of floor covering products in a variety of colors, textures and patterns for both residential and commercial remodeling and new construction channels. The Segment’s product lines include broadloom carpet, carpet tile, rugs and mats, carpet pad, laminate, medium-density fiberboard (“MDF”), wood flooring, LVT and sheet vinyl. The Flooring NA Segment markets and distributes its flooring products under various brands, including the following: Aladdin Commercial®, Durkan, IVC, Karastan, Mohawk, Mohawk Group®, Mohawk Home®, Pergo, Portico® and Quick-Step. The Segment sells its products through floor covering retailers, distributors, home centers, mass merchants, department stores, e-commerce retailers, shop at home, buying groups, builders, commercial contractors and commercial end users.

The Flooring ROW Segment designs, manufactures, sources and distributes a wide variety of laminate, LVT and sheet vinyl, wood flooring, broadloom carpet and carpet tile collections used in the residential and commercial markets for both remodeling and new construction. In addition, the Flooring ROW Segment manufactures roofing panels, insulation boards, mezzanine flooring, MDF and chipboards primarily for the European market. The Segment also licenses certain patents related to flooring manufacturing throughout the world. The Segment markets and distributes its products under various brands, including the following: Balterio®, Feltex, Godfrey Hirst, Hycraft®, IVC, Leoline®, Moduleo®, Pergo, Quick-Step, Unilin and Xtratherm®. The Segment sells its products through floor covering retailers, wholesalers, company operated distributors independent distributors and home centers.

Business Strategy

Mohawk’s Business Strategy provides a consistent vision for the organization and focuses employees around the globe on key priorities. The strategy is cascaded down through the organization with an emphasis on five key points:

- Optimizing the Company’s position as the industry’s preferred provider by delivering exceptional value to customers
- Treating employees fairly to retain the best organization

- Driving innovation in all aspects of the business
- Taking reasonable, well considered risks to grow the business
- Enhancing the communities in which the Company operates

The Mohawk Business Strategy provides continuity for the Company’s operating principles and ensures a focus on exceeding customer expectations.

Strengths

Market Position

Mohawk’s fashionable and innovative products, successful participation in all sales channels, creative marketing programs and extensive sales resources have enabled the Company to build market leadership positions in multiple geographies, primarily North America, Brazil, Europe, Russia and Australasia, as well as to export products to more than 170 countries. In North America, Mohawk’s largest marketplace, the Company has leveraged its brands, broad offering and award-winning merchandising to build strong positions across all product categories. In Europe and Russia, similar advantages have supported market leadership in ceramic, premium laminate and sheet vinyl. The Company also has established a strong position in the fast-growing LVT market in the U.S. and Europe following the 2015 acquisition of IVC and subsequent investments to expand production. The 2018 acquisition of Godfrey Hirst provided the Company with the largest market position in carpet in Australasia to complement the leading hard surface presence that the Company had grown through its earlier acquisitions of national distributors in both Australia and New Zealand. In 2018, the Company acquired Eliane, a leading ceramic tile manufacturer in Brazil, the world’s third largest ceramic market. The Eliane brand is highly regarded for innovative design and strength in high-end porcelain floor and wall tile. The Company believes Eliane is Brazil’s largest ceramic tile exporter.

Product Innovation

Mohawk drives performance through innovation and process improvements across all product categories. In ceramic, this includes proprietary Reveal Imaging® printing that replicates the appearance of other surfaces, such as long planks with the visuals and texture of natural wood as well as tiles that mimic natural stone, cement, textiles and other alternatives. The Company has patented an innovative new Clic-Fit™ installation technology for its Revo-Tile™ collection that significantly reduces the time and cost to install ceramic tile flooring. In Italy and Russia, the Company manufactures large-scale porcelain slabs that replicate the look of stone but are harder and more durable. The slabs are being sold in the European and North American markets and are used for floors, walls and countertops. In the U.S., the Company has begun to manufacture quartz countertops that, along with its stone and porcelain slabs, provide customers with a comprehensive array of surface options. In carpet, the Company introduced the unique Air.o™ unified soft surface collection that integrates a polyester pad into tufted carpet, offering consumers a hypoallergenic and moisture-resistant alternative to traditional carpet. The Company’s exclusive fiber technologies include the proprietary bio-based SmartStrand® and its brand extensions that represented the first super-soft stain-resistant products on the market and the patented Continuum™ process that adds bulk and softness to polyester fiber, differentiating the Company’s products in this fast-growing component of the carpet market. These fiber advantages have been extended into the Company’s rug production, as well, adding luxurious feel and performance enhancements to the Company’s design leadership. In laminate, the Company’s installation technology revolutionized the category, and the Company continues to deliver new innovations such as unique HydroSeal™ water-resistance that has extended the category into kitchens and baths, more realistic visuals with GenuEdge® pressed bevel edges and surface embossing in register that precisely recreates the appearance of wood. In wood flooring, the Company is producing longer and wider planks in increasingly popular engineered collections, as well as introducing more fashion-forward stains, finishes and surface protection. The Company’s vinyl offerings reflect significant investments in leading-edge technology that yield incredibly realistic reproductions of stone, wood and other materials with embossed finishes that accentuate the beauty of the products.

Operational Excellence

Mohawk’s highly efficient manufacturing and distribution assets serve as the foundation for successful growth. By leveraging continuous process improvement and automation, the Company’s operations drive innovation, quality and value. Through its commitment to sustainability practices, the Company has also optimized natural resources and raw materials. Since 2013, the Company has invested to expand capacity, introduce differentiated new products and improve efficiencies. In particular, the Company’s capital investments have improved recently acquired businesses by upgrading their product offerings, expanding their distribution and improving their productivity. For more than a decade, Mohawk’s training and development programs have been ranked among the best by *Training* magazine, and *Forbes* has designated Mohawk as one of the Best Large U.S. Employers.

Sustainability

The Company believes that it is the industry leader in sustainable products and processes. The Company's extensive use of recycled content in its products includes the annual use of more than 6.5 billion plastic bottles to create polyester carpet fiber and more than 42 million pounds of tires to produce decorative crumb rubber mats. In all, the Company diverts more than 6.5 billion pounds of waste from landfills each year, with 51 of the Company's manufacturing sites internally certified as Zero Process Waste to Landfill facilities. The Company's commitment to sustainability extends beyond its products to resource utilization, including a 442-million-gallon reduction in water use since 2015, lower greenhouse gas emissions and increased energy efficiency. The Company also produces energy through solar panels, windmills and a waste-to-energy program using scrap material. The Company's commitment to safety and wellness helps to retain a talented workforce. The Company currently operates 19 on-site, near-site or virtual Healthy Life Centers to assist employees with management of chronic conditions as well as the treatment of acute illness. The Company's annual sustainability report details these and other initiatives and may be accessed at http://www.mohawksustainability.com.

Sales and Distribution

Global Ceramic Segment

The Global Ceramic Segment designs, markets, manufactures, distributes and sources a broad line of ceramic tile, porcelain tile and natural stone products, including natural stone, quartz and porcelain slab countertops. Products are distributed through various channels, including independent distributors, home centers, Company-operated service centers and stores, ceramic specialists, commercial contractors and directly to commercial end users. The business is organized with dedicated sales forces to address the specific customer needs of each distribution channel.

The Company provides customers with one of the ceramic tile industry's broadest product lines—a complete selection of glazed floor tile, glazed wall tile, mosaic tile, porcelain tile, quarry tile, porcelain landscaping pavers, porcelain roofing, stone products, porcelain slab countertops, quartz countertops and installation products. In addition to products manufactured by the Company's ceramic tile business, the Company also sources products from other manufacturers to enhance its product offering.

The Global Ceramic Segment markets its products under the American Olean, Daltile, Eliane, EmilGroup, KAI, Kerama Marazzi, Marazzi and Ragno brand names. These brands are supported by a fully integrated marketing program, displays, merchandising boards, literature, catalogs and websites. Innovative design, quality and response to changes in customer preference enhances recognition in the marketplace. The Company is focused on sales growth opportunities through innovative products and programs in both the residential and commercial channels for both remodeling and new construction.

The Global Ceramic Segment utilizes various distribution methods including regional distribution centers, service centers, direct shipping and customer pick-up from manufacturing facilities. The Segment's sales forces are organized by product type and sales channels in order to best serve each type of customer. The Company believes its distribution methods for the Global Ceramic Segment provide high-quality customer service and enhance its ability to plan and manage inventory requirements.

Flooring NA Segment

Through its Flooring NA Segment, the Company designs, markets, manufactures, distributes and sources broadloom carpet, carpet tile, carpet pad, rugs, laminate, LVT, sheet vinyl and wood flooring in a broad range of colors, textures and patterns. The Flooring NA Segment positions product lines in all price ranges and emphasizes quality, style, performance and service. The Flooring NA Segment markets and distributes its product lines to independent distributors, floor covering retailers, home centers, mass merchandisers, department stores, e-commerce retailers, shop at home, buying groups, commercial contractors and commercial end users. Some products are also marketed through private labeling programs. Sales to customers focused on residential products represent a significant portion of the total industry and the majority of the Segment's sales.

The Company has positioned its brand names across all price ranges. IVC, Karastan, Mohawk, Mohawk Home, Pergo, Portico and Quick-Step are positioned to sell in the residential flooring markets. Aladdin Commercial and Mohawk Group are positioned to sell in the commercial market, which is made up of corporate office space, educational facilities, institutional facilities, healthcare/assisted living facilities and retail space. The Company also sells into the commercial hospitality space (hotels, restaurants, gaming facilities, etc.) under its Durkan brand.

The Segment's sales forces are generally organized by sales channels to best serve each type of customer. Product delivery to independent dealers is facilitated predominantly on Mohawk trucks operating from a strategically positioned national network of warehouses and cross-docks that receive inbound product directly from the Company's manufacturing operations.

Flooring ROW Segment

The Flooring ROW Segment designs, manufactures, markets, licenses, distributes and sources laminate, LVT, sheet vinyl, wood flooring, broadloom carpet and carpet tile. It also designs and manufactures roofing panels, insulation boards, MDF and chipboards. Products are sold through separate distribution channels, consisting of retailers, independent distributors, company-operated distributors, wholesalers, home centers, commercial contractors and commercial end users. The business is organized to address the specific customer needs of each distribution channel.

The Flooring ROW Segment markets and sells laminate, LVT, sheet vinyl, broadloom carpet, carpet tile and wood under the Balterio, Feltex, Godfrey Hirst, Hycraft, IVC, Leoline, Moduleo, Pergo and Quick-Step brands. The Flooring ROW Segment also sells private label laminate, wood and vinyl flooring products. The Company believes Quick-Step and Pergo are leading brand names in the European flooring industry, and that Godfrey Hirst and Feltex are leading brand names in the Australasian flooring market. In addition, the Flooring ROW Segment markets and sells insulation boards, roof panels, MDF and chipboards in Europe under the Unilin and Xtratherm brands. The Segment also licenses its intellectual property to flooring manufacturers throughout the world.

The Company uses regional distribution centers and direct shipping from manufacturing facilities to provide high-quality customer service and enhance the Company’s ability to plan and manage inventory requirements.

Advertising and Promotion

The Company’s brands are among the best known and most widely distributed in the industry. The Company vigorously supports the value and name recognition of its brands through traditional advertising channels, including numerous trade publications and unique promotional events that highlight product design and performance, as well as social media initiatives and Internet-based advertising. The Company has invested significantly in websites that educate consumers about the Company’s products, helping them to make informed decisions about purchases, and that identify local retailers that offer the Company’s collections. The Company offers its customers the award-winning Omnify™, a new Internet platform that automatically syncs updated product and sales information between the Company and its U.S. aligned retailer websites, ensuring that consumers have access to the most accurate and timely information.

In North America, the Company actively supports well known programs as Susan G. Komen® (breast cancer research), Habitat for Humanity® (housing for low income families), HomeAid® (housing for homeless families) and Operation Finally Home® (housing for disabled veterans), which include marketing partnerships that showcase the Company’s products and highlight its corporate values. The Company also sponsors a European cycling team to promote its Quick-Step brand through logo placements and use of the team in its advertising and point-of-sale displays.

The Company introduces new products, merchandising and marketing campaigns through participation in regional, national and international trade shows as well as at exclusive dealer conventions. The Company supports sales with its retail customers through cooperative advertising programs that extend the reach of the Company’s promotion as well as with innovative merchandising displays that highlight the Company’s differentiated products and provide samples to consumers. The cost of providing merchandising displays, product samples and point of sale promotional marketing, is partially recovered by the purchase of these items by the Company’s customers.

Manufacturing and Operations

Global Ceramic Segment

The Company’s ceramic tile manufacturing operations are vertically integrated from the production of raw material for body and glaze preparation to the manufacturing and distribution of ceramic and porcelain tile and quartz countertop. The Company believes that its manufacturing organization’s leading-edge technology offers competitive advantages due to its ability to create a differentiated product line consisting of one of the industry’s broadest offerings of colors, textures and finishes, as well as the industry’s largest offering of trim and decorative pieces. In addition, the Global Ceramic Segment also sources a portion of its collections to enhance its product offerings. The Global Ceramic Segment continues to invest in equipment that utilizes the latest technologies, which supports the Company's efforts to increase manufacturing capacity, improve efficiency, meet the growing demand for its innovative products and develop new capabilities.

Flooring NA Segment

The Company’s carpet and rug manufacturing operations are vertically integrated and include the extrusion of triexta, nylon, polyester and polypropylene resins, as well as recycled post-consumer plastics, into fiber. The Flooring NA Segment is also vertically integrated in yarn processing, carpet backing manufacturing, tufting, weaving, dyeing, coating and finishing.

The Segment is also vertically integrated with significant manufacturing assets that produce laminate flooring, high density fiber board, wood flooring, fiberglass sheet vinyl and luxury vinyl tile. The Flooring NA Segment continues to invest in capital projects, such as the expansion of the Company’s North American LVT and premium laminate manufacturing capacity. Other investments in state-of-the-art equipment support market growth, increase manufacturing efficiency and improve overall cost competitiveness.

Flooring ROW Segment

The Company’s laminate and vinyl flooring manufacturing operations in Europe are vertically integrated. The Company believes its Flooring ROW Segment has advanced equipment that results in competitive manufacturing in terms of cost and flexibility. In addition, the Flooring ROW Segment has significant manufacturing capability for wood flooring, LVT and sheet vinyl. The 2018 acquisition of Godfrey Hirst established vertically integrated broadloom carpet and carpet tile operations in Australia and New Zealand, including the production of wool yarn. The Flooring ROW Segment is also vertically integrated in manufacturing, tufting, weaving, dyeing, coating and finishing.

The Flooring ROW Segment continues to invest in capital expenditures, such as LVT and laminate expansions, as well as new carpet tile and sheet vinyl plants in Europe and Russia, respectively, utilizing the latest advances in technologies to increase manufacturing capacity, improve efficiency and develop new capabilities including state-of-the-art, fully integrated production that will leverage the Company’s proven record of bringing innovative and high-quality products to its markets. The manufacturing facilities for roofing panels, insulation boards, MDF and chipboards in the Flooring ROW Segment are all configured for cost-efficient manufacturing and production flexibility and are competitive in the European market.

Inputs and Suppliers

Global Ceramic Segment

The principal raw materials used in the production of ceramic tile are clay, talc, industrial minerals and glazes. The Company has long-term clay mining rights in North America, Russia, Bulgaria and Brazil that satisfy a portion of its clay requirements for producing tile. The Company also purchases a number of different grades of clay for the manufacture of its tile. Glazes are used on a significant percentage of manufactured tiles. Glazes consist of frit (ground glass), zircon, stains and other materials, with frit being the largest component. The Company manufactures a significant amount of its frit requirements. The Company believes that there is an adequate supply of all grades of clay, talc and industrial minerals that are readily available from a number of independent sources. If these suppliers were unable to satisfy the Company’s requirements, the Company believes that alternative supply arrangements would be available.

Flooring NA Segment

The principal raw materials used in the production of carpet and rugs are polypropelene, polyester, triexta, nylon, caprolactam, recycled post-consumer plastics, synthetic backing materials, latex and various dyes and chemicals, the majority of which are petroleum based. The Company uses wood chips, wood veneers, lumber, paper and resins in its production of laminate and wood products. In its vinyl flooring operations, the Company uses glass fiber, plasticizers and polyvinyl chloride (PVC) resins. Major raw materials used in the Company’s manufacturing process are available from independent sources, and the Company obtains most of its raw materials from major suppliers that provide inputs to each major product category. If these suppliers were unable to satisfy the requirements, the Company believes that alternative supply arrangements would be available. Although the market for raw materials is sensitive to temporary disruptions, the North American flooring industry has not experienced a significant shortage of raw materials in recent years.

Flooring ROW Segment

The principal raw materials used in the production of boards, laminate and wood flooring are wood, paper and resins. The wood suppliers provide a variety of wood species, providing the Company with a cost-effective and secure supply of raw material. In its vinyl flooring operations, the Company uses glass fiber, plasticizers and PVC resins. Major raw materials used in the Company’s manufacturing process are available from independent sources, and the Company has long-standing relationships with a number of suppliers. The principal raw materials used in the production of broadloom carpet and carpet tile are polypropelene, polyester, triexta, nylon, caprolactam, recycled post-consumer plastics, synthetic backing materials, latex and various dyes and chemicals, the majority of which are petroleum based. Although the market for raw materials is sensitive to temporary disruptions, the flooring industry has not experienced a significant shortage of raw materials in recent years. If these suppliers were unable to satisfy the requirements, the Company believes that alternative supply arrangements would be available.

Industry and Competition

The Company is the largest flooring manufacturer in a fragmented industry composed of a wide variety of companies ranging from small, privately-held firms to large multinationals. In 2018, the U.S. floor covering industry reported $27.2 billion in sales, up approximately 5.7% over 2017's sales of $25.7 billion. In 2018, the primary categories of flooring in the U.S., based on sales, were carpet and rugs (43.1%), resilient (includes sheet vinyl and LVT) and rubber (20.5%), ceramic tile (14.4%), wood (13.0%), stone (5.6%) and laminate (3.4%). In 2018, the primary categories of flooring in the U.S., based on square feet, were carpet and rugs (48.1%), resilient (includes sheet vinyl and LVT) and rubber (24.6%), ceramic tile (14.4%), wood (7.2%), laminate (4.2%) and stone (1.5%). Each of these categories is influenced by the residential and commercial construction and residential and commercial remodeling end-use markets. These markets are influenced by many factors including changing consumer preferences, consumer confidence, spending for durable goods, interest rates, inflation, availability of credit, turnover in housing and the overall strength of the economy.

The principal methods of competition within the floor covering industry generally are product innovation, style, quality, price, performance technology and service. In each of the markets, price and market coverage are particularly important when competing among product lines. The Company actively seeks to differentiate its products in the marketplace by introducing innovative products with premium features that provide a superior value proposition. The Company's investments in manufacturing technology, computer systems and distribution network, as well as the Company's marketing strategies and resources, contribute to its ability to compete on the basis of performance, quality, style and service, rather than price.

Global Ceramic Segment

Globally, the ceramic tile industry is significantly fragmented. Certain regions around the world have established sufficient capacity to allow them to meet domestic needs in addition to exporting product to other markets where their design and/or technical advantages may drive consumer preferences. Some mature markets have seen industry consolidation driven by mergers and acquisitions, however most markets are comprised of many relatively small manufacturers all working with similar technologies, raw materials and designs. During 2018, the estimated global capacity for ceramic tile was 141 billion square feet - down slightly from the prior year primarily due to reduced production in China - with selling prices varying widely based on many factors, including supply within the market, materials used, size, shape and design. While the Company operates ceramic manufacturing facilities in eight countries, the Company has leveraged advantages in technology, design, brand recognition and marketing to extend exports of its products to approximately 160 countries. As a result of this global sales strategy, the Company faces competition in the ceramic tile market from a large number of foreign and domestic manufacturers, all of which compete for sales of ceramic tile to customers through multiple residential and commercial channels. The Company believes it is the largest manufacturer, distributor and marketer of ceramic tile in the world. The Company also believes it is the largest manufacturer, distributor and marketer of ceramic tile in specific markets, including the U.S., Europe and Russia, as well as maintaining leading positions in the Mexican and Brazilian markets. The Company has leveraged the advantages of its scale, product innovation and unique designs in these markets to solidify its leadership position, however the Company continues to face pressures in these markets from imported ceramic products as well as alternate flooring categories.

Flooring NA Segment

The North American flooring industry is highly competitive, with an increasing variety of product categories, shifting consumer preferences and pressures from imported products, particularly in the rug and hard surface categories. Based on industry publications, in 2018, the U.S. flooring industry had carpet and rug sales in excess of $11.7 billion out of the overall $27.2 billion market. Based on its 2018 net sales, the Company believes it is the largest producer of rugs and the second largest producer of carpet in the world. The Company differentiates its carpet and rug products in the market place through proprietary fiber systems, state-of-the-art manufacturing technologies and unique styling as well as leveraging the strength of some of the oldest and best known brands in the industry. The Company also believes it is the largest manufacturer and distributor of laminate flooring in the U.S. as well as one of the largest manufacturers and distributors of wood flooring. The Company's leading position in laminate flooring is driven by the strength of its premium brands as well as technical innovations such as water resistance, realistic visuals, beveled edges, deeply embossed in register surfaces and patented installation technologies. The U.S. resilient industry is highly competitive, and according to industry publications, grew more than 29% in 2018. Based on industry publications, in 2018 LVT and sheet vinyl generated sales of $5.3 billion out of the $27.2 billion total U.S. flooring market. The Company believes that it is one of the largest manufacturers and distributors of LVT and sheet vinyl in the U.S. The Company's sheet vinyl operations produce fiberglass backed products, which have proven more popular with consumers in the past several years due to superior performance and durability.

Flooring ROW Segment

The Company faces competition in the non-U.S. laminate, wood, LVT and sheet vinyl flooring business from a large number of domestic manufacturers as well as pressures from imports. The Company believes it is one of the largest manufacturers and distributors of laminate flooring in the world, with a focus on premium products, which the Company supplies under some of the best-known and most widely marketed brands in its regions. In addition, the Company believes it has a competitive advantage in its laminate flooring markets as a result of the Company's industry-leading water resistance, realistic visuals and embossed-in-register surfaces as well as patented installation technologies, all of which allow the Company to differentiate its products in the areas of design, performance, installation and assembly. In wood flooring, the Company has extended the strength of its well-known laminate brands and its installation technologies to add value to its wood collections. The Company faces competition in the non-U.S. vinyl flooring channel from a large number of domestic and foreign manufacturers, but believes it has a competitive advantage in its LVT and sheet vinyl markets due to industry-leading design, patented technologies, brand recognition and vertical integration. The Company has elevated the performance of its sheet vinyl collections and is now aggressively placing the product in commercial applications. After initially extending its geographic footprint by acquiring national hard surface distributors in Australia and New Zealand, the Company acquired Godfrey Hirst in 2018, making the Company the largest manufacturer of carpet in both countries. The Company has integrated its soft and hard surface businesses to provide a comprehensive offering to residential and commercial customers in the region. In Australia and New Zealand, the Company faces competition from a large number of domestic and foreign manufacturers, but believes it has a competitive advantage in its carpet and hard surface offering due to industry-leading design, patented technologies, brand recognition and vertical integration of manufacturing and distribution. Through the 2015 acquisition of Xtratherm, the Company has extended its insulation panel business to the U.K. and Ireland while expanding sales in its core Benelux Region. The Company also expanded its European mezzanine flooring offering by acquiring German-based Berghoef in 2018.

Patents and Trademarks

Intellectual property is important to the Company's business and the Company relies on a combination of patent, copyright, trademark and trade secret laws to protect its interests.

The Company uses several trademarks that it considers important in the marketing of its products, including American Olean, Daltile, Durkan, EmilGroup, Feltex, Godfrey Hirst, IVC, Karastan, Leoline, Marazzi, Moduleo, Mohawk, Mohawk Group, Mohawk Home, Pergo, Quick-Step and Unilin. These trademarks reflect innovations in design, performance and installation, which represent competitive advantages and provide differentiation from competing brands in the market.

The Flooring ROW Segment owns a number of patent families in Europe and the U.S., some of which the Company licenses to manufacturers throughout the world. The Company continues to explore additional opportunities to generate revenue from its patent portfolio.

Sales Terms and Major Customers

The Company's sales terms are substantially the same as those generally available throughout the industry. The Company generally permits its customers to return products purchased from it within specified time periods from the date of sale, if the customer is not satisfied with the quality of the product.

During 2019, no single customer accounted for more than 10% of the Company's total net sales, and the top 10 customers accounted for less than 20% of the Company's total net sales. The Company believes the loss of one major customer would not have a material adverse effect on its business.

Employees

As of December 31, 2019, the Company employed approximately 41,800 persons, consisting of approximately 20,300 in the United States, approximately 10,100 in Europe, approximately 3,600 in Mexico, approximately 4,300 in Russia and approximately 3,500 in other countries. The majority of the Company's European, Russian and Mexican manufacturing employees are members of unions. Less than 1% of the Company's U.S. employees are party to a collective bargaining agreement. Additionally, the Company has not experienced any major strikes or work stoppages in recent years. The Company believes that its relations with its employees are good.

Available Information

The Company's Internet address is https://www.mohawkind.com. The Company makes available the following reports it files on its website, free of charge, under the heading "Investors":

- annual reports on Form 10-K;
- quarterly reports on Form 10-Q;
- current reports on Form 8-K; and
- amendments to the foregoing reports.

The foregoing reports are made available on the Company's website as soon as practicable after they are filed with, or furnished to, the Securities and Exchange Commission ("SEC").

Item 1A. Risk Factors

In addition to the other information provided in this Form 10-K, the following risk factors should be considered when evaluating an investment in shares of the Company’s Common Stock. If any of the events described in these risks were to occur, it could have a material adverse effect on the Company’s business, financial condition and results of operations.

The floor covering industry is sensitive to changes in general economic conditions, such as consumer confidence, income and spending, corporate and government spending, interest rate levels, availability of credit and demand for housing. Significant or prolonged declines in the U.S. or global economies could have a material adverse effect on the Company’s business.

Downturns in the U.S. and global economies negatively impact the floor covering industry and the Company’s business. During times of economic uncertainty or decline, end consumers tend to spend less on remodeling their homes, which is how the Company derives a majority of its sales. Likewise, new home construction - and the corresponding need for new flooring materials - tends to slow down during recessionary periods. There may be downturns in the foreseeable future that could cause the industry to deteriorate globally or in the local markets in which the Company operates. A significant or prolonged decline in residential or commercial remodeling or new construction activity could have a material adverse effect on the Company’s business and results of operations.

The Company may be unable to predict customer preferences or demand accurately, or to respond to technological developments.

The Company operates in a market sector where demand is strongly influenced by rapidly changing customer preferences as to product design, product category and technical features. Failure to quickly and effectively respond to changing customer demand or technological developments could have a material adverse effect on the business.

The Company faces intense competition in the flooring industry that could decrease demand for the Company’s products or force it to lower prices, which could have a material adverse effect on the Company’s business.

The floor covering industry is highly competitive. The Company faces competition from a number of manufacturers and independent distributors. Some of the Company’s competition is from companies located outside of the United States, and these competitors may benefit from lower input costs or state subsidies. Also, trade tariffs may impact both the Company and our competitors in different and unpredictable ways. Maintaining the Company’s competitive position may require substantial investments in the Company’s product development efforts, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for the Company’s products, force the Company to lower prices or prevent the Company from raising prices to keep up with inflation. Moreover, fluctuations in currency exchange rates and input costs may contribute to more attractive pricing for imports that compete with the Company’s products, which may put pressure on the Company’s pricing. Any of these factors could have a material adverse effect on the Company’s business.

Changes in the global economy could affect the Company’s overall availability and cost of credit.

A downturn in the U.S. or global economies could impact the Company’s ability to obtain financing in the future, including any financing necessary to refinance existing indebtedness.

Further, negative economic conditions may factor into the Company’s periodic credit ratings assessment by Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Financial Services, LLC (“S&P”) and Fitch, Inc. Any future changes in the credit rating agencies’ methodology in assessing the Company’s credit strength and any downgrades in the Company’s credit ratings could increase the cost of its existing credit and could adversely affect the cost of and ability to obtain additional credit in the future. The Company can provide no assurances that downgrades will not occur. The cost and availability of credit during uncertain economic times could have a material adverse effect on the Company’s financial condition.

If the Company were unable to meet certain covenants contained in its existing credit facilities, it may be required to repay borrowings under the credit facilities prior to their maturity and may lose access to the credit facilities for additional borrowings that may be necessary to fund its operations and growth strategy.

On October 18, 2019, the Company entered into a $1,800 million, senior revolving credit facility (the "Senior Credit Facility"). As of December 31, 2019, the amount utilized under the Senior Credit Facility was $733.5 million resulting in a total of $1,066.5 million available. The amount utilized included $693.9 million of commercial paper issued, $16.8 million of direct borrowings, and $22.8 million of standby letters of credit related to various insurance contracts and foreign vendor commitments.

If the Company's cash flow is worse than expected, the Company may need to refinance all or a portion of its indebtedness through a public and/or private debt offering or a new bank facility and may not be able to do so on terms acceptable to it, or at all. If the Company is unable to access debt markets at competitive rates or in sufficient amounts due to credit rating downgrades, market volatility, market disruption, or weakness in the Company's businesses, the Company's ability to finance its operations or repay existing debt obligations may be materially and adversely affected.

Additionally, the Company's credit facilities include certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, indebtedness, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company's business. In addition, the Senior Credit Facility requires the Company 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. A failure to comply with the obligations contained in our current or future credit facilities or indentures relating to our outstanding public debt could result in an event of default or an acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. We cannot be certain that we would have, or be able to obtain, sufficient funds to make these accelerated payments.

Fluctuations in currency exchange rates may impact the Company's financial condition and results of operations and may affect the comparability of results between the Company's financial periods.

The results of the Company's foreign subsidiaries are translated into U.S. dollars from the local currency for consolidated reporting. The exchange rates between some of these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. The Company may not be able to manage effectively the Company's currency translation risks, and volatility in currency exchange rates may have a material adverse effect on the Company's consolidated financial statements and affect comparability of the Company's results between financial periods.

The Company has significant operations in emerging markets, including Brazil, eastern Europe, Malaysia, Mexico and Russia, and therefore has exposure to doing business in potentially unstable areas of the world.

Operations in emerging markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Market conditions and the political structures that support them are subject to rapid change in these economies, and the Company may not be able to react quickly enough to protect its assets and business operations. In particular, developing markets in which the Company operates may be characterized by one or more of the following:

- complex and conflicting laws and regulations, which may be inconsistently or arbitrarily enforced;
- high incidences of corruption in state regulatory agencies;
- volatile inflation;
- widespread poverty and resulting political instability;
- compliance with laws governing international relations, including U.S. laws that relate to sanctions and corruption;
- immature legal and banking systems;
- uncertainty with respect to title to real and personal property;
- underdeveloped infrastructure;
- heavy state control of natural resources and energy supplies;
- state ownership of transportation and supply chain assets;

- high protective tariffs and inefficient customs processes; and
- high crime rates.

Changes in any one or a combination of these factors could have a material adverse effect on the Company's business.

In periods of rising costs, the Company may be unable to pass raw materials, labor, energy and fuel-related cost increases on to its customers, which could have a material adverse effect on the Company's business.

The prices of raw materials, labor, energy and fuel-related costs vary significantly with market conditions. Although the Company generally attempts to pass on increases in raw material, labor, energy and fuel-related costs to its customers, the Company's ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for the Company's products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be recovered. During such periods of time, the Company's business may be materially adversely affected.

The Company may be unable to obtain raw materials or sourced product on a timely basis, which could have a material adverse effect on the Company's business.

The principal raw materials used in the Company's manufacturing operations include triexta, nylon, polypropylene, and polyester resins and fibers, which are used in the Company's carpet and rug business; clay, talc, feldspar and glazes, including frit (ground glass), zircon and stains, which are used in the Company's ceramic tile business; wood, paper and resins, which are used in the Company's wood and laminate flooring business; and glass fiber, plasticizers, and pvc resins, which are used in the Company's sheet vinyl and luxury vinyl tile business. In addition to raw materials, the Company sources finished goods. For certain raw materials and sourced products, the Company is dependent on one or a small number of suppliers. An adverse change in the Company's relationship with such a supplier, the financial condition of such a supplier or such supplier's ability to manufacture or deliver such raw materials or sourced products to the Company could lead to an interruption of supply or require the Company to purchase more expensive alternatives. Also, our ability to obtain raw materials or source products at reasonable costs may be impacted by tariffs and global trade uncertainties and international health crises. For example, in December 2019, a strain of coronavirus was reported to have surfaced in China. Because we source certain products from China, including some of our LVT imports, our supply chain may be negatively impacted. While we continue to monitor the situation, the extent to which the coronavirus may impact our supply chain in the near-term is uncertain. An extended interruption in the supply of these or other raw materials or sourced products used in the Company's business or in the supply of suitable substitute materials or products would disrupt the Company's operations, which could have a material adverse effect on the Company's business.

The Company makes significant capital investments in its business and such capital investments may not be successful or achieve their intended results.

The Company's business requires significant capital investment to expand capacity to support its growth, introduce new products and improve operating efficiencies. Since 2013, the Company has invested approximately $4.3 billion in capital projects and will continue to make capital investments in future periods, including between $560-$580 million of capital investments in 2020. While the Company believes that many of its past capital investments have been successful, there is no guarantee that the return on investment from the Company's recent or future capital projects will be sufficient to recover the expenses and opportunity costs associated with these projects. Furthermore, a meaningful portion of the Company's capital investment is based on forecasted growth in its business, which is subject to uncertainty such as general economic trends, increased competition and consumer preferences. If the Company does not accurately forecast its future capital investment needs, the Company could have excess capacity or insufficient capacity, either of which would negatively affect its revenues and profitability.

The Company relies on information systems in managing the Company's operations and any system failure or deficiencies of such systems may have an adverse effect on the Company's business.

The Company's businesses rely on sophisticated software applications to obtain, process, analyze and manage data. The Company relies on these systems to, among other things:

- facilitate the purchase, management, distribution, and payment for inventory items;
- manage and monitor the daily operations of the Company's distribution network;

- receive, process and ship orders on a timely basis;
- manage accurate billing to and collections from customers;
- control logistics and quality control for the Company's retail operations;
- manage financial reporting; and
- monitor point of sale activity.

The Company also relies on its computer hardware, software and network for the storage, delivery and transmission of data to the Company's sales and distribution systems, and certain of the Company's production processes are managed and conducted by computer.

Any event that causes interruptions to the input, retrieval and transmission of data or increase in the service time could disrupt our normal operations. There can be no assurance that the Company can effectively carry out our disaster recovery plan to handle the failure of our information systems, or that we will be able to restore our operational capacity within sufficient time to avoid material disruption to our business. The occurrence of any of these events could cause unanticipated disruptions in service, decreased customer service and customer satisfaction, harm to the Company's reputation and loss or misappropriation of sensitive information, which could result in loss of customers, increased operating expenses and financial losses. Any such events could in turn have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

The Company is subject to cybersecurity risks and expects to incur increasing costs in an effort to minimize those risks.

The Company's business employs systems that allow for the secure storage and transmission of customers', consumers', vendors', employees' and its own sensitive and proprietary information. These systems may be subject to computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber-attacks. Any significant compromise or breach of the Company's data security, whether external or internal, or misuse of customer, consumer, employee, supplier or Company data, could result in significant costs, lost sales, fines, lawsuits, and damage to the Company's reputation. Furthermore, as cyber-attacks become more sophisticated, the Company expects to incur increasing costs to strengthen its systems from outside intrusions and to maintain insurance coverage related to the threat of such attacks. While the Company has implemented administrative and technical controls and has taken other preventive actions to reduce the risk of cyber incidents and protect its information technology, they may be insufficient to prevent, or respond to, physical and electronic break-ins, cyber-attacks or other security breaches to the Company's systems.

In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to the Company's business, compliance with those requirements could also result in additional costs to the Company. Any failure to comply with federal, state or international privacy-related or data protection laws and regulations could result in proceedings against the Company by government entities or others. In addition to reputational impacts, penalties could include significant legal liability.

The Company's inability to maintain its patent licensing revenues could have a material adverse effect on the Company's business.

The profit margins of certain of the Company's businesses, particularly the Company's Flooring Rest of the World Segment, depend in part upon the Company's ability to obtain, maintain and license proprietary technology used in the Company's principal product families. The Company has filed and is continuing to file patents relating to many different aspects of the Company's products and associated methods and is generating patent license revenues on these diverse patents; however, certain revenue-producing patents have expired or will expire. The failure to develop alternative revenues to replace expired or invalidated patents in the future could have a material adverse effect on the Company's business.

The Company may experience certain risks associated with acquisitions, joint ventures and strategic investments.

The Company intends to grow its business through a combination of organic growth and acquisitions. Growth through acquisitions involves risks, many of which may continue to affect the Company after the acquisition. The Company cannot give assurance that an acquired company will achieve the levels of revenue, profitability and production that the Company expects. Acquisitions may require the issuance of additional securities or the incurrence of additional indebtedness, which may dilute the ownership interests of existing security holders or impose higher interest costs on the Company. Additional challenges related to the Company's acquisition strategy include:

- maintaining executive offices in different locations;
- manufacturing and selling different types of products through different distribution channels;
- conducting business from various locations;
- maintaining different operating systems and software on different computer hardware; and
- retaining key employees.

Failure to successfully manage and integrate an acquisition with the Company's existing operations could lead to the potential loss of customers of the acquired business, the potential loss of employees who may be vital to the new operations, the potential loss of business opportunities or other adverse consequences that could have a material adverse effect on the Company's business. Even if integration occurs successfully, failure of the acquisition to achieve levels of anticipated sales growth, profitability, or otherwise perform as expected, may result in goodwill or other asset impairments or otherwise have a material adverse effect on the Company's business. Finally, acquisition targets may be subject to material liabilities that are not properly identified in due diligence and that are not covered by seller indemnification obligation or third party insurance. The unknown liabilities of the Company's acquisition targets may have a material adverse effect on the Company's business.

In addition, the Company has made certain investments, including through joint ventures, in which the Company has a minority equity interest and lack management and operational control. The controlling joint venture partner may have business interests, strategies or goals that are inconsistent with those of the Company. Business decisions or other actions or omissions of the controlling joint venture partner, or the joint venture company, may result in harm to the Company's reputation or adversely affect the value of the Company's investment in the joint venture.

A failure to identify suitable acquisition candidates or partners for strategic investments and to complete acquisitions could have a material adverse effect on the Company's business.

As part of the Company's business strategy, the Company intends to pursue a wide array of potential strategic transactions, including acquisitions of complementary businesses, as well as strategic investments and joint ventures. Although the Company regularly evaluates such opportunities, the Company may not be able to successfully identify suitable acquisition candidates or to obtain sufficient financing on acceptable terms to fund such strategic transactions, which may slow the Company's growth and have a material adverse effect on the Company's business.

The Company manufactures, sources and sells many products internationally and is exposed to risks associated with doing business globally.

The Company's international activities are significant to its manufacturing capacity, revenues and profits; and the Company is further expanding internationally. The Company sells products, sources goods, operates plants and invests in companies around the world. Currently, the Company's Flooring ROW segment has significant operations in Europe, Russia, Malaysia, Australia and New Zealand, and the Company's Global Ceramic segment has significant operations in Brazil, Europe, Russia and Mexico, and the Company has invested in joint ventures in Brazil and India related to laminate flooring. In addition, the Company sources raw materials and finished goods from multiple international locations.

The Company's international sales, supply chain, operations and investments are subject to risks and uncertainties, including:

- changes in foreign country regulatory requirements;
- differing business practices associated with foreign operations;
- various import/export restrictions and the availability of required import/export licenses;
- imposition of foreign or domestic tariffs and other trade barriers;
- foreign currency exchange rate fluctuations;
- differing inflationary or deflationary market pressures;
- foreign country tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations in tax laws;

- differing labor laws and changes in those laws;
- work stoppages and disruptions in the shipping of imported and exported products;
- government price controls;
- extended payment terms and the inability to collect accounts receivable;
- potential difficulties repatriating cash from non-U.S. subsidiaries; and
- compliance with laws governing international relations, including those U.S. laws that relate to sanctions and corruption.

Specifically, in Europe, the U.K. left the European Union ("Brexit") on January 31, 2020, and the terms of a trade deal with the EU are still being negotiated. A new trade deal may result in greater restrictions on trade between the U.K. and the EU, which could negatively impact the Company's results. Additionally, uncertainty regarding Brexit's current transitional phase may cause continued volatility in currency exchange rates. Sales generated by the Company’s U.K. businesses may be negatively impacted when they are translated from the British pound to the U.S. dollar.

The Company cannot assure investors that it will succeed in developing and implementing policies and strategies to address the foregoing risks effectively in each location where the Company does business, and, therefore that the foregoing factors will not have a material adverse effect on the Company’s business.

Negative tax consequences could materially and adversely affect the Company’s business.

The Company is subject to the tax laws of the many jurisdictions in which it operates. These tax laws are complex, and the manner in which they apply to our facts is sometimes open to interpretation. In calculating the provision for income taxes, the Company must make judgments about the application of these inherently complex tax laws. Our domestic and international tax liabilities are largely dependent upon the distribution of profit before tax among these many jurisdictions. However, our provision for income taxes also includes estimates of additional tax which may be incurred for tax exposures and reflects various estimates and assumptions, including assessments of future earnings of the Company that could impact the valuation of our deferred tax assets. The Company’s future results of operations and tax liability could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in the overall profitability of the Company, changes in tax legislation and rates, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings permanently reinvested offshore, the results of audits and examinations of previously filed tax returns, and ongoing assessments of the Company’s tax exposures.

The Company has been, and in the future may be, subject to costs, liabilities and other obligations under existing or new laws and regulations, which could have a material adverse effect on the Company’s business.

The Company is subject to increasingly numerous and complex laws, regulations and licensing requirements in each of the jurisdictions in which the Company conducts business. The Company faces risks and uncertainties related to compliance with such laws and regulations. In addition, new laws and regulations may be enacted in the U.S. or abroad that may require the Company to incur additional personnel-related, environmental, or other costs on an ongoing basis.

In particular, the Company’s operations are subject to various environmental, health and safety laws and regulations, including those governing air emissions, wastewater discharges, and the use, storage, treatment, recycling and disposal of materials and finished product. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. The Company could incur material expenditures to comply with new or existing regulations, including fines and penalties and increased costs of its operations. For example, the Company’s manufacturing facilities may become subject to further limitations on the emission of “greenhouse gases” due to public policy concerns regarding climate change issues or other environmental or health and safety concerns. While the form of any additional regulations cannot be predicted, a “cap-and-trade” system similar to the system that applies to the Company’s businesses in the European Union could be adopted in the United States. The Company’s manufacturing processes use a significant amount of energy, especially natural gas. Any such “cap-and-trade” system or other limitations imposed on the emission of “greenhouse gases” could require the Company to increase our capital expenditures, use its cash to acquire emission credits or restructure our manufacturing operations, which could have a material adverse effect on our business.

The Company's business operations could suffer significant losses from natural disasters, catastrophes, fire or other unexpected events.

Many of the Company's business activities involve substantial investments in manufacturing facilities and many products are produced at a limited number of locations. These facilities could be materially damaged by natural disasters, such as floods, tornados, hurricanes and earthquakes, or by fire or other unexpected events. The Company could incur uninsured losses and liabilities arising from such events, including damage to its reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on its business.

The Company may be exposed to litigation, claims and other legal proceedings relating to its products, operations and compliance with various laws and regulations, which could have a material adverse effect on the Company's business.

In the ordinary course of business, the Company is subject to a variety of product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters. The Company is also subject to various claims related to its operations and its compliance with various corporate laws and regulations. A very large claim or several similar claims asserted by a large class of plaintiffs could have a material adverse effect on the Company's business, if the Company is unable to successfully defend against or resolve these matters or if its insurance coverage is insufficient to satisfy any judgments against the Company or settlements relating to these matters. Although the Company has product liability insurance and other types of insurance, the policies may not provide coverage for certain claims against the Company or may not be sufficient to cover all possible liabilities. Further, the Company may not be able to maintain insurance at commercially acceptable premium levels. Moreover, adverse publicity arising from claims made against the Company, even if the claims are not successful, could adversely affect the Company's reputation or the reputation and sales of its products.

The Company's inability to protect its intellectual property rights could have a material adverse effect on the Company's business

The Company relies, in part, on the patent, trade secret and trademark laws of the U.S., countries in the European Union and elsewhere, as well as confidentiality agreements with some of the Company's employees, to protect that technology. The Company cannot assure investors that any patents owned by or issued to it will provide the Company with competitive advantages, that third parties will not challenge these patents, or that the Company's pending patent applications will be approved. The Company may be unable to prevent competitors and/or third parties from using the Company's technology without the Company's authorization, independently developing technology that is similar to that of the Company or designing around the Company's patents.

Furthermore, despite the Company's efforts, the Company may be unable to prevent competitors and/or third parties from using the Company's technology without the Company's authorization, independently developing technology that is similar to that of the Company or designing around the Company's patents. The use of the Company's technology or similar technology by others could reduce or eliminate any competitive advantage the Company has developed, cause the Company to lose sales or otherwise harm the Company's business.

The Company has obtained and applied for numerous U.S. and foreign service marks and trademark registrations and will continue to evaluate the registration of additional service marks and trademarks, as appropriate. The Company cannot guarantee that any of the Company's pending or future applications will be approved by the applicable governmental authorities. A failure to obtain trademark registrations in the U.S. and in other countries could limit the Company's ability to protect the Company's trademarks and impede the Company's marketing efforts in those jurisdictions and could have a material effect on the Company's business.

The Company generally requires third parties with access to the Company's trade secrets to agree to keep such information confidential. While such measures are intended to protect the Company's trade secrets, there can be no assurance that these agreements will not be breached, that the Company will have adequate remedies for any breach or that the Company's confidential and proprietary information and technology will not be independently developed by or become otherwise known to third parties. In any of these circumstances, the Company's competitiveness could be significantly impaired, which would limit the Company's growth and future revenue.

Third parties may claim that the Company infringed their intellectual property or proprietary rights, which could cause it to incur significant expenses or prevent it from selling the Company's products.

In the past, third parties have claimed that certain technologies incorporated in the Company's products infringe their patent rights. The Company cannot be certain that the Company's products do not and will not infringe issued patents or other intellectual property rights of others.

The Company might be required to pay substantial damages (including punitive damages and attorney's fees), discontinue the use and sale of infringing products, expend significant resources to develop non-infringing technology or obtain licenses authorizing the use of infringing technology. There can be no assurance that licenses for disputed technology or intellectual property rights would be available on reasonable commercial terms, if at all. In the event of a successful claim against the Company along with failure to develop or license a substitute technology, the Company's business would be materially and adversely affected.

The long-term performance of the Company's business relies on its ability to attract, develop and retain talented management.

To be successful, the Company must attract, develop and retain qualified and talented personnel in management, sales, marketing, product design, and operations, and as it considers entering new international markets, skilled personnel familiar with those markets. The Company competes with multinational firms for these employees and invests resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect the Company's competitive position and its operating results.

The Company is subject to changing regulation of corporate governance and public disclosure that have increased both costs and the risk of noncompliance.

The Company's stock is publicly traded. As a result, the Company is subject to the rules and regulations of federal and state agencies and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the Securities and Exchange Commission and the New York Stock Exchange, frequently issue new requirements and regulations. The Company's efforts to comply with the regulations and interpretations have resulted in, and are likely to continue to result in, increased general and administrative costs and diversion of management's time and attention from profit generating activities to compliance activities.

The Company's stock price is subject to volatility.

The Company's stock price has experienced price volatility in the past and may continue to do so in the future. The Company, the flooring industry and the stock market have experienced stock price and volume fluctuations that have affected stock prices in ways that may have been unrelated to the operating performance of these companies. Additionally, price volatility over a given period may cause the average price at which the Company repurchases its own stock to exceed the stock's price at a given point in time.

Declines in the Company's business conditions may result in an impairment of the Company's assets which could result in a material non-cash charge.

A significant or prolonged decrease in the Company's market capitalization, including a decline in stock price, or a negative long-term performance outlook, could result in an impairment of its assets which results when the carrying value of the Company's assets exceed their fair value.

Forward-Looking Information

Certain of the statements in this Form 10-K, particularly those anticipating future performance, business prospects, growth and operating strategies, and similar matters, and those that include the words "could," "should," "believes," "anticipates," "expects" and "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. There can be no assurance that the forward-looking statements will be accurate because they are based on many assumptions, which involve risks and uncertainties. The following important factors could cause future results to differ: changes in economic or industry conditions; competition; inflation and deflation in freight, raw material prices and other input costs; inflation and deflation in consumer markets; currency fluctuations; energy costs and supply; timing and level of capital expenditures; timing and implementation of price increases for the Company's products; impairment charges; integration of acquisitions; international operations; introduction of new products; rationalization of operations; tax and tax reform, product and other claims; litigation; regulatory and political changes in the jurisdictions in which the Company does business; and other risks identified in Mohawk's SEC reports and public announcements.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company owns and leases manufacturing and distribution facilities worldwide. The table below lists the primary owned and leased facilities at December 31, 2019. The Company owns its Corporate Headquarters in Calhoun, GA. The Company also owns and operates service centers and stores in the United States and Russia, none of which are individually material. The Company believes its existing facilities are suitable for its present needs.

Segment and Property Use	North America	Europe and Russia	Other	Total
Global Ceramic				
Manufacturing	10	11	2	23
Distribution / Warehouse	8	7	2	17
Flooring North America				
Manufacturing	17	—	—	17
Distribution / Warehouse	11	—	—	11
Flooring Rest of the World				
Manufacturing	—	17	5	22
Distribution / Warehouse	—	3	—	3
Total				
Manufacturing	27	28	7	62
Distribution / Warehouse	19	10	2	31

Item 3. Legal Proceedings

The Company is involved in litigation from time to time in the regular course of its business. Except as noted below, 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.

Perfluorinated Compounds ("PFCs") Litigation

In September 2016, the Water Works and Sewer Board of the City of Gadsden, Alabama (the "Gadsden Water Board") filed an individual complaint in the Circuit Court of Etowah County, Alabama against certain manufacturers, suppliers, and users of chemicals containing specific PFCs, including the Company. In May 2017, the Water Works and Sewer Board of the Town of Centre, Alabama (the "Centre Water Board") filed a similar complaint in the Circuit Court of Cherokee County, Alabama. The Gadsden Water Board and the Centre Water Board both seek monetary damages and injunctive relief claiming that their water supplies contain excessive amounts of PFCs. Certain defendants, including the Company, filed dispositive motions in each case arguing that the Alabama state courts lack personal jurisdiction over them. These motions were denied. In June and September 2018, certain defendants, including the Company, petitioned the Alabama Supreme Court for Writs of Mandamus directing each lower court to enter an order granting the defendants' dispositive motions on personal jurisdiction grounds. The Alabama Supreme Court denied the petitions on December 20, 2019. Certain defendants, including the Company, filed an Application for Rehearing with the Alabama Supreme Court asking the Court to reconsider its December 2019 decision.

In December 2019, the City of Rome, Georgia ("Rome") filed a complaint in the Superior Court of Floyd County, Georgia that is similar to the Gadsden Water Board and Centre Water Board complaints, again seeking monetary damages and injunctive relief related to PFCs. Also in December 2019, Jarrod Johnson filed a putative class action in the Superior Court of Floyd County, Georgia purporting to represent all water subscribers with the Rome (Georgia) Water and Sewer Division and/or the Floyd County (Georgia) Water Department and seeking to recover, among other things, damages in the form of alleged increased rates and surcharges incurred by ratepayers for the costs associated with eliminating certain PFCs from their drinking water. In January 2020, defendant 3M Company removed the class action to federal court.

The Company denies all liability in these matters and intends to defend them vigorously.

Putative Securities Class Action

The Company and certain of its present and former executive officers were named as defendants in a putative shareholder class action lawsuit filed in the United States District Court for the Northern District of Georgia on January 3, 2020. The complaint alleges that defendants violated the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making materially false and misleading statements and that the officers are control persons under Section 20(a) of the Securities Exchange Act of 1934. The complaint is filed on behalf of shareholders who purchased shares of the Company's common stock between April 28, 2017 and July 25, 2019. The Company believes the claims are frivolous and intends to defend them vigorously.

Delaware State Court Action

The Company and certain of its present and former executive officers were named as defendants in a putative state securities class action lawsuit filed in the Superior Court of the State of Delaware on January 30, 2020. The complaint alleges that defendants violated Sections 11 and 12 of the Securities Act of 1933. The complaint is filed on behalf of shareholders who purchased shares of the Company's common stock in Mohawk Industries Retirement Plan 1 and Mohawk Industries Retirement Plan 2 between April 27, 2017 and July 25, 2019. The Company believes the claims are frivolous and intends to defend them vigorously.

Belgian Tax Matter (amounts in thousands)

Between 2012 and 2014, the Company received assessments from the Belgian tax authority for the calendar years 2005 through 2010 in the amounts of €46,135, €38,817, €39,635, €30,131, €35,567 and €43,117 respectively, including penalties, but excluding interest. The Belgian tax authority denied the Company's formal protests against these assessments and the Company brought all six years before the Court of First Appeal in Bruges. The Court of First Appeal in Bruges ruled in favor of the Company on January 27, 2016, with respect to the calendar years ending December 31, 2005 and December 31, 2009; and on June 13, 2018, the Court of First Appeal in Bruges, ruled in favor of the Company with respect to the calendar years ending December 31, 2006, December 31, 2007, December 31, 2008 and December 31, 2010. The Belgian tax authority has lodged its Notification of Appeal for all six years with the Ghent Court of Appeal. On September 17, 2019, the Company pled its case to the Ghent Court of Special (Tax) Appeals and on October 1, 2019, the Court ruled in favor of the Company, re-confirming the rulings of the Court of First Appeals in Bruges with respect to the calendar years ending December 31, 2005 and December 31, 2009.

In March 2019, the Company received assessments from the Belgian tax authority for tax years 2011 through 2017 in the amount of €40,617, €39,732, €11,358, €23,919, €30,610, €93,145 and €79,933 respectively, including penalties, but excluding interest. The Company intends to file formal protests based on these assessments in a timely manner. The assessments are largely based on the same facts underlying the positive rulings, which the Belgian tax authority may appeal.

In January 2020, the Belgian tax authority set aside its tax assessments for the years 2011 through 2017, inclusively. These assessments were still in the administrative phase of the audit. At this time, the Company is uncertain what the Belgian tax authority intends to do with these years, if anything.

The Company continues to disagree with the views of the Belgian tax authority on this matter and will persist in its vigorous defense. Nevertheless, on May 24, 2016, the tax collector representing the Belgian tax authorities imposed a lien on the Company's properties in Wielsbeke (Ooigemstraat and Breestraat), Oostrozebeke (Ingelmunstersteenweg) and Desselgem (Waregemstraat) included in the Flooring ROW segment. The purpose of the lien is to provide security for payment should the Belgian tax authority prevail on its appeal. The lien does not interfere with the Company's operations at these properties.

General

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 the Company is 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.

Item 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this annual report on Form 10-K.

PART II

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

Market for the Common Stock

The Company's common stock, $0.01 par value per share (the "Common Stock"), is quoted on the New York Stock Exchange ("NYSE") under the symbol "MHK."

As of February 25, 2020, there were 226 holders of record of Common Stock. The Company has not paid or declared any cash dividends on shares of its Common Stock since completing its initial public offering. The payment of future cash dividends will be at the discretion of the Board of Directors and will depend upon the Company's profitability, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

Issuer Purchases of Equity Securities

On October 25, 2018, the Company announced that its Board of Directors approved a new share repurchase program authorizing the Company to repurchase up to $500 million in shares of its common stock. Under the share repurchase plan, the Company may purchase common stock in open market transactions, block or privately negotiated transactions, and may from time to time purchase shares pursuant to trading plans in accordance with Rules 10b5-1 or 10b-18 under the Exchange Act or by any combination of such methods. The number of shares to be purchased and the timing of the purchases are based on a variety of factors, including, but not limited to, the level of cash balances, credit availability, debt covenant restrictions, general business conditions, regulatory requirements, the market price of the Company's stock and the availability of alternative investment opportunities. No time limit was set for completion of repurchases under the authorization and the program may be suspended or discontinued at any time. The program replaces any previously authorized share repurchase programs.

Period	Total Number of Shares Purchased in Millions	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan in Millions	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan in Millions
September 30 through November 1, 2019	0.2	$ 119.76	0.2	$ 125.8
November 4 through November 29, 2019	—	$ —	—	$ 125.8
December 2 through December 31, 2019	—	$ —	—	$ 125.8
Total	0.2	$ 119.76	0.2	

Item 6. Selected Financial Data

The following table sets forth the selected financial data of the Company for the periods indicated which information is derived from the consolidated financial statements of the Company. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto included elsewhere herein.

	As of or for the Years Ended December 31,				
	2019	2018[(a)]	2017[(b)]	2016	2015
	(In thousands, except per share data)				
Statement of operations data:					
Net sales	$ 9,970,672	9,983,634	9,491,290	8,959,087	8,071,563
Cost of sales	7,294,629	7,145,564	6,494,876	6,146,262	5,660,877
Gross profit	2,676,043	2,838,070	2,996,414	2,812,825	2,410,686
Selling, general and administrative expenses	1,848,819	1,742,744	1,642,241	1,532,882	1,573,120
Operating income	827,224	1,095,326	1,354,173	1,279,943	837,566
Interest expense	41,272	38,827	31,111	40,547	71,086
Other expense (income), net	36,407	7,298	5,205	(1,729)	17,619
Earnings from continuing operations before income taxes	749,545	1,049,201	1,317,857	1,241,125	748,861
Income tax expense	4,974	184,346	343,165	307,559	131,875
Earnings from continuing operations	744,571	864,855	974,692	933,566	616,986
Net earnings including noncontrolling interest	744,571	864,855	974,692	933,566	616,986
Less: Net earnings attributable to the noncontrolling interest	360	3,151	3,054	3,204	1,684
Net earnings attributable to Mohawk Industries, Inc.	$ 744,211	861,704	971,638	930,362	615,302
Basic earnings from continuing operations per share	$ 10.34	11.53	13.07	12.55	8.37
Basic earnings per share attributable to Mohawk Industries, Inc.	$ 10.34	11.53	13.07	12.55	8.37
Diluted earnings from continuing operations per share	$ 10.30	11.47	12.98	12.48	8.31
Diluted earnings per share attributable to Mohawk Industries, Inc.	$ 10.30	11.47	12.98	12.48	8.31
Balance sheet data:					
Working capital	$ 1,716,874	1,243,057	1,417,612	753,192	(9,056)
Total assets	13,386,680	13,099,123	12,094,853	10,230,596	9,934,400
Long-term debt (including current portion)	2,569,886	3,257,974	2,763,578	2,511,485	3,191,967
Total stockholders' equity	8,126,448	7,440,059	7,067,009	5,783,487	4,860,863

(a) During 2018, the Company acquired Godfrey Hirst Group, Eliane S/A Revestimentos Ceramicos ("Eliane") and 3 businesses in Flooring ROW segment as discussed in Note 2 of the Notes to Consolidated Financial Statements.
(b) During 2017, the Company acquired Emil as discussed in Note 2 of the Notes to Consolidated Financial Statements.

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

Overview

The following discussion and analysis of the Company’s Results of Operations includes a comparison of fiscal 2019 to fiscal 2018. A similar discussion and analysis that compares fiscal 2018 to fiscal 2017 may be found in Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of the Company’s Form 10-K for the fiscal year ended December 31, 2018.

Mohawk is a significant supplier of every major flooring category with manufacturing operations in 19 nations and sales in more than 170 countries. Based on its annual sales, the Company believes it is the world’s largest flooring manufacturer. A majority of the Company’s long-lived assets are located in the United States and Europe, which are also the Company’s primary markets. The Company expects continued growth in the United States market consistent with residential housing starts and remodeling investments and has invested significantly in state-of-the-art manufacturing to create aspirational products to delight consumers with beauty and performance. The Company also is a leading provider of flooring for the U.S. commercial market and has earned significant recognition for its innovation in design and performance as well as its sustainable products and practices. Additionally, the Company maintains significant operations in Europe, Russia, Mexico, Australia, New Zealand, Brazil and other parts of the world. The Company is growing share in many markets through its differentiated products, especially its ceramic tile collections.

During the past two decades, the Company has grown significantly. Its current geographic breadth and diverse product offering are reflected in three reporting segments: Global Ceramic; Flooring North America (“Flooring NA”); and Flooring Rest of the World (“Flooring ROW”). The Global Ceramic Segment designs, manufactures, sources and markets a broad line of ceramic tile, porcelain tile, natural stone tile and other products including natural stone, quartz and porcelain slab countertops, which it distributes primarily in North America, Europe, Brazil and Russia through various selling channels, which include company-owned stores, independent distributors and home centers. The Flooring NA Segment designs, manufactures, sources and markets its floor covering products, including broadloom carpet, carpet tile, rugs, carpet cushion, laminate and vinyl products, including luxury vinyl tile (LVT) and sheet vinyl, and wood flooring, all of which it distributes through its network of regional distribution centers and satellite warehouses using Company-operated trucks, common carriers or rail transportation. The Segment’s product lines are sold through various channels, including independent floor covering retailers, independent distributors, home centers, mass merchandisers, department stores, shop at home, online retailers, buying groups, commercial contractors and commercial end users. The Flooring ROW Segment designs, manufactures, sources, licenses and markets laminate, vinyl products, including LVT and sheet vinyl, wood flooring, roofing panels, insulation boards, medium-density fiberboard (“MDF”) and chipboards, which it distributes primarily in Europe, Russia, Australia and New Zealand through various channels, including independent floor covering retailers, independent distributors, company-owned distributors, home centers, commercial contractors and commercial end users.

The Company is managing through current macroeconomic headwinds including significant inflation, a strong U.S. dollar that is impacting currency translation as well as strengthening the competitiveness of imports in the U.S., slowing housing markets in a number of countries and a shift in consumer preferences to luxury vinyl tile. The Company has implemented multiple price increases in most product categories due to escalating material, transportation and energy costs in most markets. While focused on addressing current conditions, the Company remains committed to its long-term growth strategy, which includes strategic acquisitions in key growth markets and targeted internal investments that are expanding the Company’s geographic reach and product portfolio.

In 2018, the Company completed five acquisitions: two that expanded the Company’s global footprint with leadership positions in major markets and three that extended the Company’s product offering and distribution in Europe. The Godfrey Hirst acquisition established the Company as the largest flooring manufacturer in Australia and New Zealand, with leading carpet and hard surface positions in both countries when combined with the Company’s existing regional flooring distribution business. Godfrey Hirst’s prestigious wool carpet collections are exported to numerous international markets and have been integrated into the U.S. soft surface product portfolio to expand sales. The acquisition of Brazil-based Eliane provided the Company with a leading ceramic tile position and the most appealing brand in one of the world’s largest ceramic markets and created a gateway into the overall South American market as Eliane is Brazil’s largest ceramic exporter. The acquisition of Berghoef, a leading European mezzanine flooring company, created a leading position in a category that is rapidly expanding due to increased construction of e-commerce warehousing across the continent. The acquisition of Swiss and Italian hard surface distributors expanded the Company’s direct distribution of flooring sales in Europe.

In 2019, the Company invested approximately $545.5 million in capital projects to introduce new product categories, enter new markets, expand capacity of constrained premium products and improve productivity. In 2020, the Company plans to invest approximately an additional $560-$580 million to complete existing projects and commence new initiatives. The Company plans to invest in cost reduction initiatives, upgrades in recent acquisitions, previously initiated expansion projects and maintenance across the businesses. The main investment areas include the Company's newly acquired ceramic business in Brazil and the Godfrey Hirst Group in Australia and New Zealand where the Company is investing to dramatically improve profitability; premium water-resistant laminate in the U.S.; outdoor tile manufacturing in Europe; and premium sanitary ware manufacturing in Russia.

Net earnings attributable to the Company were $744.2 million, or diluted EPS of $10.30 for 2019 compared to net earnings attributable to the Company of $861.7 million, or diluted EPS of $11.47 for 2018. The decrease in EPS was primarily attributable to higher inflation costs, the unfavorable net impact of price and product mix, an impairment charge related to the Company's net investment in a manufacturer and distributor of ceramic tile in China, the unfavorable net impact due to lower sales volumes, an increase in costs due to lower productivity (offset by lower startup costs), costs due to temporarily reducing production, the unfavorable net impact from foreign exchange rates, costs associated with investments in new product development, sales personnel and marketing, partially offset by decreased income tax expense. The Company implemented select operational, administrative and financial restructurings that centralized certain business processes and intangible assets in various European jurisdictions into a new entity (the "European Restructuring"). The European Restructuring resulted in a current income tax liability of $148.2 million, calculated in part by measuring the fair value of intangible assets transferred. The Company offset the income tax liability with the utilization of $148.2 million of deferred tax assets from accumulated net operating loss carry forwards. The European Restructuring also resulted in the Company recording a $136.2 million deferred tax asset, and a corresponding deferred tax benefit, related to the tax basis of the intangible assets in the new entity.

For the year ended December 31, 2019, the Company generated $1,418.8 million of cash from operating activities. As of December 31, 2019, the Company had cash and cash equivalents of $134.8 million, of which $24.8 million was in the United States and $110.0 million was in foreign countries.

Results of Operations

Following are the results of operations for the last three years:

	For the Years Ended December 31,					
	2019		2018		2017	
	(In millions)					
Statement of operations data:						
Net sales	$ 9,970.7	100.0 %	$ 9,983.6	100.0 %	$ 9,491.3	100.0 %
Cost of sales (1)	7,294.6	73.2 %	7,145.6	71.6 %	6,494.9	68.4 %
Gross profit	2,676.0	26.8 %	2,838.1	28.4 %	2,996.4	31.6 %
Selling, general and administrative expenses (2)	1,848.8	18.5 %	1,742.7	17.5 %	1,642.2	17.3 %
Operating income	827.2	8.3 %	1,095.3	11.0 %	1,354.2	14.3 %
Interest expense (3)	41.3	0.4 %	38.8	0.4 %	31.1	0.3 %
Other expense (income) (4)	36.4	0.4 %	7.3	0.1 %	5.2	0.1 %
Earnings before income taxes	749.5	7.5 %	1,049.2	10.5 %	1,317.9	13.9 %
Income tax expense (5)	5.0	0.1 %	184.3	1.8 %	343.2	3.6 %
Earnings from continuing operations	744.6	7.5 %	864.9	8.7 %	974.7	10.3 %
Net earnings including noncontrolling interest	744.6	7.5 %	864.9	8.7 %	974.7	10.3 %
Less: Net earnings attributable to the noncontrolling interest	0.4	— %	3.2	— %	3.1	— %
Net earnings attributable to Mohawk Industries, Inc.	$ 744.2	7.5 %	$ 861.7	8.6 %	$ 971.6	10.2 %
(1) Cost of sales includes:						
Restructuring, acquisition and integration-related charges	$ 88.3	0.9 %	$ 47.1	0.5 %	$ 36.0	0.4 %
Acquisition inventory step-up	3.9	— %	15.4	0.2 %	13.3	0.1 %
Other	5.8	0.1 %	—	— %	—	— %
(2) Selling, general and administrative expenses include:						
Restructuring, acquisition and integration-related charges	12.9	0.1 %	31.6	0.3 %	12.9	0.1 %
Reversal of uncertain tax position indemnification asset	0.2	0.0 %	—	— %	—	— %
(3) Interest expense includes:						
Debt extinguishment costs	—	— %	—	— %	0.2	— %
Deferred loan cost write-off	0.6	0.0 %	—	— %	—	— %
Acquisition interest expense	—	— %	4.3	— %	—	— %
(4) Other expense (income) includes:						
Restructuring, acquisition and integration charges	—	— %	(0.2)	— %	—	— %
Impairment of net investment in a manufacturer and distributor of Ceramic tile in China	59.9	0.6 %	—	— %	—	— %
Reversal of uncertain tax position indemnification asset	(0.3)	— %	4.6	— %	4.5	— %
Other	(7.2)	(0.1)%	—	— %	—	— %
(5) Income tax expense (income) includes:						
Tax reform and related, net	—	— %	—	— %	0.8	— %
European Restructuring	(136.2)	(1.4)%	—	— %	—	— %
Reversal of uncertain tax position	0.1	— %	(4.6)	— %	(4.5)	— %

Year Ended December 31, 2019, as Compared with Year Ended December 31, 2018

Net sales

Net sales for 2019 were $9,970.7 million, reflecting a decrease of $12.9 million, or 0.1%, from the $9,983.6 million reported for 2018. The decrease was primarily attributable to the unfavorable net impact from foreign exchange rates of approximately $178 million, or 1.8% and by the unfavorable net impact of price and product mix of approximately $54 million, or 0.5% offset by higher sales volume of approximately $219 million, or 2.2%, which includes the full year impact on sales from the prior year acquisitions of approximately $360 million.

Global Ceramic Segment—Net sales increased $78.2 million, or 2.2%, to $3,631.1 million for 2019, compared to $3,552.9 million for 2018. The increase was primarily attributable to higher sales volume of approximately $113 million, or 3.2%, which includes the full year impact on sales volume attributable to acquisitions from the prior year of approximately $183 million, and the favorable net impact of price and product mix of approximately $20 million partially offset by the unfavorable net impact from foreign exchange rates of approximately $54 million, or 1.5%.

Flooring NA Segment—Net sales decreased $185.4 million, or 4.6%, to $3,843.7 million for 2019, compared to $4,029.1 million for 2018. The decrease was attributable to lower volumes of approximately $186 million, or 4.6%.

Flooring ROW Segment—Net sales increased $94.2 million, or 3.9%, to $2,495.8 million for 2019, compared to $2,401.6 million for 2018. The increase was primarily attributable to higher sales volume of approximately $292 million, or 12.1%, which includes the full year impact on sales volume attributable to acquisitions from the prior year of approximately $177 million partially offset by the unfavorable net impact from foreign exchange rates of approximately $124 million, or 5.2%, and the unfavorable net impact of price and product mix of approximately $75 million, or 3.1%.

Quarterly net sales and the percentage changes in net sales by quarter for 2019 versus 2018 were as follows (dollars in millions):

	2019	2018	Change
First quarter	$ 2,442.5	2,412.2	1.3 %
Second quarter	2,584.5	2,577.0	0.3 %
Third quarter	2,519.2	2,545.8	(1.0)%
Fourth quarter	2,424.5	2,448.6	(1.0)%
Total year	$ 9,970.7	9,983.6	(0.1)%

Gross profit

Gross profit for 2019 was $2,676.0 million (26.8% of net sales), a decrease of $162.1 million or 5.7%, compared to gross profit of $2,838.1 million (28.4% of net sales) for 2018. As a percentage of net sales, gross profit decreased 159 basis points. The decrease in gross profit dollars was primarily attributable to the unfavorable net impact of price and product mix of approximately $80 million, the higher inflation costs of approximately $54 million, the unfavorable net impact from foreign exchange rates of approximately $51 million, the impact of restructuring, acquisition and integration-related costs of approximately $36 million, and costs due to temporarily reduced production of approximately $24 million, partially offset by lower startup costs of approximately $48 million and higher sales volume of approximately $36 million.

Selling, general and administrative expenses

Selling, general and administrative expenses for 2019 were $1,848.8 million (18.5% of net sales), an increase of $106.1 million or 6.1% compared to $1,742.7 million (17.5% of net sales) for 2018. As a percentage of net sales, selling, general and administrative expenses increased 109 basis points. The increase in selling, general and administrative expenses in dollars was primarily attributable to approximately $72 million of costs due to higher sales volume including acquisitions, higher inflation costs of approximately $29 million and approximately $13 million of costs associated with investments in new product development, sales personnel and marketing, partially offset by the net impact of favorable foreign exchange rates of approximately $27 million.

Operating income

Operating income for 2019 was $827.2 million (8.3% of net sales) reflecting a decrease of $268.1 million, or 24.5%, compared to operating income of $1,095.3 million (11.0% of net sales) for 2018. The decrease in operating income was primarily attributable to higher inflation costs of approximately $83 million, the unfavorable net impact of price and product mix of approximately $81 million, approximately $36 million due to lower sales volume, an increase in costs of approximately $31 million due to lower productivity (offset by lower startup costs of approximately $58 million), the unfavorable net impact from foreign exchange rates of approximately $24 million, approximately $24 million of costs due to temporarily reduced production, the impact of restructuring, acquisition and integration-related costs of approximately $17 million, and approximately $13 million of costs associated with investments in new product development, sales personnel and marketing.

Global Ceramic Segment—Operating income was $340.1 million (9.4% of segment net sales) for 2019 reflecting a decrease of $102.8 million, or 23.2%, compared to operating income of $442.9 million (12.5% of segment net sales) for 2018. The decrease in operating income was primarily attributable to higher inflation costs of approximately $75 million, approximately $25 million of costs due to temporarily reduced production, approximately $13 million of costs associated with investments in new product development, sales personnel and marketing, approximately $23 million due to the unfavorable net impact of sales volume, price, product mix, and the unfavorable net impact from foreign exchange rates of approximately $7 million, partially offset by savings from capital investments and cost reduction initiatives of approximately $34 million.

Flooring NA Segment—Operating income was $167.4 million (4.4% of segment net sales) for 2019 reflecting a decrease of $180.5 million, or 51.9%, compared to operating income of $347.9 million (8.6% of segment net sales) for 2018. The decrease
in operating income was primarily attributable to approximately $72 million in decreased sales volume, higher inflation costs of approximately $49 million, and an increase in costs of approximately $41 million due to lower than expected production volumes, the impact of restructuring, acquisition and integration-related costs of approximately $37 million, partially offset by lower startup costs of approximately $22 million.

Flooring ROW Segment—Operating income was $359.4 million (14.4% of segment net sales) for 2019 reflecting an increase of $13.6 million, or 3.9%, compared to operating income of $345.8 million (14.4% of segment net sales) for 2018. The increase in operating income was primarily attributable to increased sales volume of approximately $51 million, lower inflation costs of approximately $46 million and lower start-up costs of approximately $33 million, partially offset by unfavorable net impact of price and product mix of approximately $69 million, an increase in costs of approximately $24 million due to lower production volumes, and the unfavorable net impact from foreign exchange rates of approximately $17 million.

Interest expense

Interest expense was $41.3 million for 2019, reflecting an increase of $2.5 million compared to interest expense of $38.8 million for 2018. The increase in interest expense was primarily due to increased borrowings during the year.

Other expense (income)

Other expense was $36.4 million for 2019, reflecting an unfavorable change of $29.1 million compared to other expense of $7.3 million for 2018. The change was primarily attributable to a net impairment charge of $59.9 million related to the Company's net investment in a manufacturer and distributor of ceramic tile in China, partially offset by favorable FX and other miscellaneous items.

Income tax expense

For 2019, the Company recorded income tax expense of $5.0 million on earnings before income taxes of $749.5 million for an effective tax rate of 0.7%, as compared to an income tax expense of $184.3 million on earnings before income taxes of $1,049.2 million, resulting in an effective tax rate of 17.6% for 2018. The Company implemented select operational, administrative and financial restructurings that centralized certain business processes and intangible assets in various European jurisdictions into a new entity. The European Restructuring resulted in a current income tax liability of $148.2 million, calculated in part by measuring the fair value of intangible assets transferred. The Company offset the income tax liability with the utilization of $148.2 million of deferred tax assets from accumulated net operating loss carry forwards. The European Restructuring also resulted in the Company recording a $136.2 million deferred tax asset, and a corresponding deferred tax benefit, related to the tax basis of the intangible assets in the new entity. The tax rate for the Company was also favorably impacted by its geographic mix of earnings.

Liquidity and Capital Resources

The Company's primary liquidity requirements are for working capital, capital expenditures and acquisitions. The Company's liquidity needs are met primarily through a combination of internally generated funds, commercial paper, bank credit lines, term and senior notes and credit terms from suppliers. As of December 31, 2019, the Company had a total of $1,066.5 million available under its Senior Credit Facility. The Company also maintains local currency revolving lines of credit and other credit facilities to provide liquidity to its businesses around the world. None of such local facilities are material in amount.

Net cash provided by operating activities for the year ended 2019 was $1,418.8 million, compared to net cash provided by operating activities of $1,181.3 million for the year ended 2018. This increase of $237.4 million was primarily attributable to changes in working capital, partially offset by lower net earnings. The decrease in cash provided by operating activities for 2018 as compared to 2017 of $12.3 million was primarily attributable to a reduction in operating income and changes in working capital.

Net cash used in investing activities for the year ended 2019 was $616.0 million compared to net cash used in investing activities of $1,332.2 million for the year ended 2018. The decrease was primarily due to a $487.9 million reduction in acquisitions and a $248.6 million reduction in capital expenditures. Net cash used in investing activities for the year ended 2018 was $1,332.2 million compared to net cash used in investing activities of $1,240.7 million for the year ended 2017. The increase was primarily due to a $318.2 million increase in acquisitions, partially offset by a $111.9 million reduction in capital expenditures. The Company continues to invest to optimize sales and profit growth with product expansion and cost reduction projects in the business.

Net cash used in financing activities for the year ended 2019 was $789.9 million compared to net cash provided by financing activities of $198.0 million for the year ended 2018. The change in cash used in financing is primarily attributable to lower borrowings of commercial paper of $860.6 million. Net cash provided by financing activities for the year ended 2018 was $198.0 million compared to net cash used in financing activities of $7.0 million for the year ended 2017. The change in cash provided by financing is primarily attributable to increased borrowings of commercial paper, offset by purchases of the Company's shares of $274.1 million

Senior Credit Facility

On October 18, 2019, the Company amended and restated its $1,800.0 million senior credit facility, extending the maturity from March 26, 2022 to October 18, 2024 (as amended and restated, the "Senior Credit Facility"). The Senior Credit Facility marginally reduced the commitment fee and modified certain negative covenants to provide the Company with additional flexibility, including flexibility to make acquisitions and incur additional indebtedness. The amendment also renewed the Company's option to extend the maturity of the Senior Credit Facility up to two times for an additional one-year period each.

At the Company's election, revolving loans under the 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% (1.125% as of December 31, 2019), or (b) the higher of the Wells Fargo Bank, National Association prime rate, the Federal Funds rate plus 0.5%, or the Eurocurrency Rate (as defined in the Senior Credit Facility) rate plus 1.0%, plus an applicable margin ranging between 0.00% and 0.75% (0.125% as of December 31, 2019). The Company also pays a commitment fee to the lenders under the Senior Credit Facility on the average amount by which the aggregate commitments of the lenders exceed utilization of the Senior Credit Facility ranging from 0.09% to 0.20% per annum (0.11% as of December 31, 2019). 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 Senior Credit Facility are unsecured.

The 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. However, at the Company’s election upon the occurrence of certain material acquisitions, a step up of the maximum permitted Consolidated Net Leverage Ratio to 4.00 to 1.00 for the four (4) fiscal quarter period of the Company commencing with the fiscal quarter during which said acquisition(s) closes.

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

In 2019, the Company paid financing costs of $2.3 million in connection with the amendment and restatement of its Senior Credit Facility. These costs were deferred and, along with previously unamortized costs of $3.4 million are being amortized over the term of the Senior Credit Facility.

As of December 31, 2019, amounts utilized under the Senior Credit Facility included $16.8 million of borrowings and $22.8 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. The outstanding borrowings of $693.9 million under the Company’s U.S. and European commercial paper programs as of December 31, 2019 reduce the availability of the 2019 Senior Credit Facility. Including commercial paper borrowings, the Company has utilized $733.5 million under the Senior Credit Facility resulting in a total of $1,066.5 million available as of December 31, 2019.

Commercial Paper

On February 28, 2014 and July 31, 2015, the Company established programs for the issuance of unsecured commercial paper in the United States and Eurozone capital markets, respectively. Commercial paper issued under the U.S. and European programs will have maturities ranging up to 397 and 183 days, respectively. None of the commercial paper notes may be voluntarily prepaid or redeemed by the Company and all rank pari passu with all of the Company’s other unsecured and unsubordinated indebtedness. To the extent that the Company issues European commercial paper notes through a subsidiary of the Company, the notes will be fully and unconditionally guaranteed by the Company.

The Company uses its Senior Credit Facility as a liquidity backstop for its commercial paper programs. Accordingly, the total amount outstanding under all of the Company's commercial paper programs may not exceed $1,800.0 million (less any amounts drawn on the Senior Credit Facility) at any time.

The proceeds from the issuance of commercial paper notes will be available for general corporate purposes. As of December 31, 2019, there was $317.0 million outstanding under the U.S. commercial paper program, and the euro equivalent of $376.9 million under the European program. The weighted-average interest rate and maturity period for the U.S. program were 2.03% and 21days, respectively. The weighted-average interest rate and maturity period for the European program were (0.24)% and 24.5 days, respectively.

Senior Notes

On September 4, 2019, Mohawk Capital Finance S.A. (“Mohawk Finance”), an indirect wholly-owned finance subsidiary of the Company, completed the issuance and sale of €300.0 million aggregate principal amount of its Floating Rate Notes due September 4, 2021 (“2021 Floating Rate Notes”). The 2021 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance’s other existing and future senior unsecured indebtedness. The 2021 Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.2% (but in no event shall the interest rate be less than zero). Interest on the 2021 Floating Rate Notes is payable quarterly on December 4, March 4, June 4, and September 4 of each year. Mohawk Finance received an issuance premium of €0.7 million and paid financing cost of $0.8 million in connection with the 2021 Floating Rate Notes. The issuance premium and financing costs have been deferred and are being amortized over the term of the 2021 Floating Rate Notes.

On May 18, 2018, Mohawk Finance completed the issuance and sale of €300.0 million aggregate principal amount of its Floating Rate Notes due May 18, 2020 (“2020 Floating Rate Notes”). The 2020 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance’s other existing and future senior unsecured indebtedness. The 2020 Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event shall the interest rate be less than zero). Interest on the 2020 Floating Rate Notes is payable quarterly on August 18, November 18, February 18, and May 18 of each year. Mohawk Finance paid financing costs of $0.9 million in connection with the 2020 Floating Rate Notes. These costs were deferred and are being amortized over the term of the 2020 Floating Rate Notes.

On September 11, 2017, Mohawk Finance completed the issuance and sale of €300.0 million aggregate principal amount of its Floating Rate Notes due September 11, 2019 (“2019 Floating Rate Notes”). The 2019 Floating Rate Notes were senior unsecured obligations of Mohawk Finance and ranked pari passu with all of Mohawk Finance’s other existing and future senior unsecured indebtedness. The 2019 Floating Rate Notes were fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bore interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event would the interest rate be less than zero). Interest on the 2019 Floating Rate Notes was payable quarterly on September 11, December 11, March 11, and June 11 of each year. Mohawk Finance paid financing costs of $0.9 million in connection with the 2019 Floating Rate Notes. These costs were deferred and amortized over the term of the 2019 Floating Rate Notes. On September 11, 2019, the Company paid the remaining €300.0 million outstanding principal of the 2019 Floating Rate Notes utilizing cash on hand and borrowings under its European commercial paper program.

On June 9, 2015, the Company issued €500.0 million aggregate principal amount of 2.00% Senior Notes due January 14, 2022 (“2.00% Senior Notes”). The 2.00% Senior 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 2.00% Senior Notes is payable annually in cash on January 14 of each year, commencing on January 14, 2016. The Company paid financing costs of $4.2 million 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 $600.0 million aggregate principal amount of 3.85% Senior Notes due February 1, 2023 (“3.85% Senior Notes”). The 3.85% Senior 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 3.85% Senior Notes is payable semi-annually in cash on February 1 and August 1 of each year. The Company paid financing costs of $6.0 million 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.

As defined in the related agreements, the Company’s senior notes contain covenants, representations and warranties and events of default, subject to exceptions, and restrictions on the Company’s financial and business operations, including limitations on liens, restrictions on entering into sale and leaseback transactions, fundamental changes, and a provision allowing the holder of the notes to require repayment upon a change of control triggering event.

Other

The Company may continue, from time to time, to retire its outstanding debt through cash purchases in the open market, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on prevailing market conditions, the Company’s liquidity requirements, contractual restrictions and other factors. The amount involved may be material.

As of December 31, 2019, the Company had cash of $134.8 million, of which $110.0 million was held outside the United States. The Company plans to permanently reinvest the cash held outside the United States. The Company believes that its cash and cash equivalents on hand, cash generated from operations and availability under its Senior Credit Facility will be sufficient to meet its capital expenditure, working capital and debt servicing requirements over the next twelve months.

As of December 31, 2019, the Company has repurchased $374.2 million worth of its shares of common stock pursuant to the $500 million program announced in October 2018. All of these repurchases have been financed through the Company’s operations and existing finance arrangements. See Item 5 - Issuer Purchases of Equity Securities.

Contractual obligations and commitments

The following is a summary of the Company’s future minimum payments under contractual obligations and commitments as of December 31, 2019 (in millions):

		Total	2020	2021	2022	2023	2024	Thereafter
Contractual obligations and commitments:								
Long-term debt, including current maturities	$	2,573.0	1,051.6	340.6	564.3	603.8	2.6	10.1
Interest payments on long-term debt and finance leases (1)		103.0	40.5	34.8	24.4	2.2	0.3	0.8
Operating leases		363.2	119.7	94.2	66.1	37.0	20.1	26.1
Purchase commitments (2)		834.7	183.1	83.3	80.2	48.8	48.8	390.5
Expected pension contributions (3)		3.0	3.0	—	—	—	—	—
Uncertain tax positions (4)		3.3	3.3	—	—	—	—	—
Guarantees (5)		40.1	14.1	7.1	5.3	4.5	4.5	4.5
Total	$	3,920.3	1,415.3	560.0	740.3	696.3	76.4	432.0

(1) For fixed rate debt, the Company calculated interest based on the applicable rates and payment dates. For variable rate debt, the Company estimated average outstanding balances for the respective periods and applied interest rates in effect as of December 31, 2019 to these balances.

(2) Includes volume commitments for natural gas, electricity and raw material purchases.

(3) Includes the estimated pension contributions for 2020 only, as the Company is unable to estimate the pension contributions beyond 2020. The Company's projected benefit obligation and plan assets as of December 31, 2019 were $73.5 million and $60.0 million, respectively. The projected benefit obligation liability has not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(4) Excludes $38.6 million of non-current accrued income tax liabilities and related interest and penalties for uncertain tax positions. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(5) Includes bank guarantees and letters of credit.

Critical Accounting Policies

In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, the Company must make decisions which impact the reported amounts of assets, liabilities, revenues and expenses, and related disclosures. Such decisions include the selection of appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, the Company applies judgment based on its understanding and analysis of the relevant circumstances and historical experience. Actual amounts could differ from those estimated at the time the consolidated financial statements are prepared.

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included elsewhere in this report. Some of those significant accounting policies require the Company to make subjective or complex judgments or estimates. Critical accounting estimates are defined as those that are both most important to the portrayal of a company's financial condition and results and require management's most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The Company believes the following accounting policies require it to use judgments and estimates in preparing its consolidated financial statements and represent critical accounting policies.

- *Accounts receivable and revenue recognition.* The Company recognizes revenues when it satisfies performance obligations as evidenced by the transfer of control of the promised goods to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. The nature of the promised goods are ceramic, stone, carpet, resilient, laminate, wood and other flooring products. Payment is typically received 90 days or less from the invoice date. The Company adjusts the amounts of revenue for expected cash discounts, sales allowances, returns, and claims, based upon historical experience. The Company adjusts accounts receivable for doubtful account allowances based upon historical bad debt, claims experience, periodic evaluation of specific customer accounts, and the aging of accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. A 10% change in the Company's allowance for discounts, returns, claims and doubtful accounts would have affected net earnings by approximately $5 million for the year ended December 31, 2019.

- *Inventories are stated at the lower of cost or market (net realizable value).* Cost has been determined using the first-in first-out method ("FIFO"). 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 a 10% change in the Company's assumptions for excess or obsolete inventory would have affected net earnings by approximately $14 million for the year ended December 31, 2019.

- *Acquisition Accounting.* The fair value of the consideration the Company pays for each new acquisition is allocated to tangible assets and identifiable intangible assets, liabilities assumed, any non-controlling interest in the acquired entity and goodwill. The accounting for acquisitions involves a considerable amount of judgment and estimate, including the fair value of certain forms of consideration; fair value of acquired intangible assets involving projections of future revenues and cash flows that are then either discounted at an estimated discount rate or measured at an estimated royalty rate; fair value of other acquired assets and assumed liabilities, including potential contingencies; and the useful lives of the acquired assets. The assumptions used are determined at the time of the acquisition in accordance with accepted valuation models. Projections are developed using internal forecasts, available industry and market data and estimates of long-term rates of growth for the business. The impact of prior or future acquisitions on the Company's financial position or results of operations may be materially impacted by the change in or initial selection of assumptions and estimates. See Note 2, Acquisitions for further discussion of business combination accounting valuation methodology and assumptions.

- *Goodwill and other intangibles.* Goodwill is tested annually for impairment on the first day of the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances. 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 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 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. Generally, a decline in estimated after tax cash flows greater than approximately19% to 39% or an increase of approximately 15% to 45% in WACC or a significant or prolonged decline in market capitalization could result in an additional indication of impairment.

  The impairment test for intangible assets not subject to amortization involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. These judgments and assumptions are subject to the variability discussed above.

  The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted on the first day of the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. 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 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.

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 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.

The Company conducted its annual assessment of goodwill and indefinite lived intangibles on the first day of the fourth quarter and no impairment was indicated for 2019.

- *Income taxes.* The Company's effective tax rate is based on its income, statutory tax rates and tax planning opportunities available in the jurisdictions in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining the Company's tax expense and in evaluating the Company's tax positions. Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in a future period. The Company evaluates the recoverability of these future tax benefits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely on estimates, including business forecasts and other projections of financial results over an extended period of time. In the event that the Company is not able to realize all or a portion of its deferred tax assets in the future, a valuation allowance is provided. The Company would recognize such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. For further information regarding the Company's valuation allowances, see Note 14, Income Taxes.

  In the ordinary course of business there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company's evaluation of the facts, circumstances and information available as of the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information, as required by the provisions of the Financial Accounting Standards Board ("FASB") FASB Accounting Standards Codification Topic ("ASC") 740-10. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. For further information regarding the Company's uncertain tax positions, see Note 14, Income Taxes.

- *Environmental and legal accruals.* Environmental and legal accruals are estimates based on judgments made by the Company relating to ongoing environmental and legal proceedings, as disclosed in the Company's consolidated financial statements. In determining whether a liability is probable and reasonably estimable, the Company consults with its internal experts. The Company believes that the amounts recorded in the accompanying financial statements are based on the best estimates and judgments available to it.

Recent Accounting Pronouncements

See Note 1(u), "Summary of Significant Accounting Policies", of the Company's accompanying audited consolidated financial statements in Item 8 of this Annual Report on Form 10-K for a description of recent accounting pronouncements including the dates, or expected dates of adoption, and effects, or expected effects, on the Company's disclosures, results of operations, and financial condition.

Impact of Inflation

Inflation affects the Company's manufacturing costs, distribution costs and operating expenses. The Company expects raw material prices, many of which are petroleum based, to fluctuate based upon worldwide supply and demand of commodities utilized in the Company's production processes. Although the Company attempts to pass on increases in raw material, energy and fuel-related costs to its customers, the Company's ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for the Company's products. There have been in the past, and may be in the future, periods of time during which increases in these costs cannot be fully recovered. In the past, the Company has often been able to enhance productivity and develop new product innovations to help offset increases in costs resulting from inflation in its operations.

Seasonality

The Company is a calendar year-end company. With respect to its Global Ceramic segment, the second quarter typically sees higher net sales, followed by the third and first quarters while the fourth quarter shows weaker net sales. For the operating income, the second quarter generally shows the stronger earnings, followed by third and first quarters, and a weaker fourth quarter. The Flooring NA segment's second quarter typically produces the highest net sales followed by moderate third and fourth quarters, and a weaker first quarter. For the operating income, the third quarter typically shows stronger earnings, followed by second and fourth quarters, and the first quarter shows weaker earnings. The Flooring ROW segment's fourth quarter historically produces the highest net sales followed by moderate second and third quarters, and a weaker first quarter. For the operating income, generally, the second quarter shows the stronger earnings, followed by third and first quarters, and the fourth quarter shows weaker earnings.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company's market risk is impacted by changes in foreign currency exchange rates, interest rates and certain commodity prices. Financial exposures to these risks are monitored as an integral part of the Company's risk management program, which seeks to reduce the potentially adverse effect that the volatility of these markets may have on its operating results. The Company does not regularly engage in speculative transactions, nor does it regularly hold or issue financial instruments for trading purposes. Excluding the hedge of net investment discussed in Note 1(n) "Hedges of Net Investments in Non-U.S. Operations", of the Company's accompanying consolidated financial statements in Item 8 of this Annual Report on Form 10-K, the Company did not have any derivative contracts outstanding as of December 31, 2019 and 2018.

Interest Rate Risk

As of December 31, 2019, approximately 46% of the Company's debt portfolio was comprised of fixed-rate debt and 54% was floating-rate debt. The Company believes that probable near-term changes in interest rates would not materially affect its financial condition, results of operations or cash flows. The annual impact on interest expense of a one-percentage point interest rate change on the outstanding balance of the Company's variable rate debt as of December 31, 2019 would be approximately $12 million or $0.16 to diluted EPS.

Foreign Exchange Risk

As a result of being a global enterprise, there is exposure to market risks from changes in foreign currency exchange rates, which may adversely affect the operating results and financial condition of the Company. Principal foreign currency exposures relate primarily to the euro and to a lesser extent the Russian ruble, the Mexican peso, the Canadian dollar, the Australian dollar, the British pound and the Brazilian real.

The Company's objective is to balance, where possible, non-functional currency denominated assets to non-functional currency denominated liabilities to have a natural hedge and minimize foreign exchange impacts. The Company enters into cross border transactions through importing and exporting goods to and from different countries and locations. These transactions generate foreign exchange risk as they create assets, liabilities and cash flows in currencies other than their functional currency. This also applies to services provided and other cross border agreements among subsidiaries.

The Company takes steps to minimize risks from foreign currency exchange rate fluctuations through normal operating and financing activities. The Company does not enter into any speculative positions with regard to derivative instruments.

Based on financial results for the year ended December 31, 2019, a hypothetical overall 10 percent change in the U.S. dollar against the euro would have resulted in a translational adjustment of approximately $44 million.

Item 8. Consolidated Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Mohawk Industries, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries (the Company) as of December 31, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2020 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Adoption of ASU 2016-02

As discussed in Note 11 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of ASU 2016-02, *Leases*, and subsequently issued additional ASUs amending this ASU (collectively ASC 842, *Leases*).

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the carrying value of goodwill in the Flooring North America and Global Ceramic reporting units

As discussed in Note 7 to the consolidated financial statements, the goodwill balance as of December 31, 2019 was $2.57 billion, of which $531.1 million and $1.05 billion related to the Flooring North America reporting unit and the Global Ceramic reporting unit, respectively. The Company performs goodwill impairment testing on an annual basis and whenever events or changes in circumstances indicate that the carrying value of goodwill might exceed the fair value of a reporting unit. The reporting units' operating income declined during 2019 due to lower sales volumes and other operational and market conditions, indicating that there could be a higher risk of goodwill impairment.

We identified the assessment of the carrying value of goodwill in the Flooring North America and Global Ceramic reporting units as a critical audit matter. Specifically, the assessment of the Company's forecasted sales growth rates, forecasted operating margins, discount rates, and selection of comparable company market multiples used in the Company's fair value estimation of the reporting units required a higher degree of subjective auditor judgment. Changes in these assumptions could have a significant impact on the fair value of the reporting units.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's goodwill impairment assessment process including controls over the reasonableness of the assumptions listed above. We evaluated the Company's forecasted sales growth rates and operating margins for each reporting unit, and compared the growth assumptions to the Company's historical performance and to relevant market data. To assess the Company's ability to estimate cash flows, including sales growth rates and operating margins, we compared the Company's historical cash flow forecasts to actual results. We also performed sensitivity analyses over certain assumptions listed above to assess their impact on the Company's determination that the fair value of the Flooring North America and Global Ceramic reporting units exceeded their carrying values. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating (1) the reporting units' discount rates by comparing them to discount rates that were independently developed using publicly available market data for comparable companies, (2) the Company's selection of comparable company market multiples and (3) the valuation methodologies used by the Company to estimate the Flooring North America and Global Ceramic reporting units' fair values.

Evaluation of the impact of implemented restructurings in various European jurisdictions on foreign income tax liabilities, deferred tax assets and income tax expense

As discussed in Note 14 to the consolidated financial statements, for the year ended December 31, 2019, the Company implemented select operational, administrative and financial restructurings that centralized certain business processes and intangible assets in various European jurisdictions into a new entity. The restructurings resulted in a current income tax liability of $148.2 million, calculated in part by measuring the fair value of intangible assets transferred. The Company offset the income tax liability with the utilization of $148.2 million of deferred tax assets from accumulated net operating loss carry forwards. The restructurings also resulted in the Company recording a $136.2 million deferred tax asset, and a corresponding deferred tax benefit, related to the tax basis of the intangible assets in the new entity.

We identified the evaluation of the impact of the above mentioned restructurings on foreign income tax liabilities, deferred tax assets and income tax expense as a critical audit matter. The assessment of the Company's forecasted income and operating margins and discount rate used in the Company's fair value estimation of the intangible assets to determine the related foreign current tax liability required a high degree of subjective auditor judgment. Further, a high degree of complex auditor judgment was required to assess the application of the relevant tax regulations to the Company's restructuring and the impact on deferred tax assets and income tax expense.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's intangible assets fair value estimation and income tax process, including controls over the determination of the fair value assumptions listed above and the interpretation and application of tax regulations. We evaluated the Company's forecasted income and operating margins and compared the income assumptions to its historical performance and relevant market data. To assess the Company's ability to estimate cash flows, including income and operating margins, we compared the historical cash flow forecasts for the intangible assets to actual results. We also performed sensitivity analyses over certain assumptions to assess their impact on the Company's determination of the fair value of the intangible assets. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating (1) the Company's discount rate by comparing it to a discount rate that was independently developed using publicly available market data for comparable companies and (2) the valuation methodology used by the Company to estimate the intangible assets' fair value. We also involved international income tax professionals with specialized skills and knowledge, who assisted in assessing the Company's application of the relevant tax regulations and measuring the tax effects resulting from the restructurings.

Evaluation of the realizability of the deferred tax asset related to certain foreign intangible assets

As discussed in Note 14 to the consolidated financial statements, as of December 31, 2019, the Company had a $136.2 million deferred tax asset related to amortization of the tax basis of certain intangible assets in a foreign entity. The Company determined that projected future income of the entity will be sufficient to fully realize the deferred tax asset and accordingly has not recorded a valuation allowance. Assessments of future income could impact the valuation of deferred tax assets.

We identified the evaluation of the realizability of the deferred tax asset related to certain foreign intangible assets as a critical audit matter. The assessment of certain assumptions in the Company's projection of future income over the long-term deferred tax asset recovery period required a high degree of subjective auditor judgment.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the deferred tax asset valuation allowance process, including controls over the assessment of the realizability of the deferred tax asset and development of certain assumptions for projected future income. We evaluated the Company's forecasted income and operating margins and compared the income assumptions to its historical performance and relevant market data. To assess the Company's ability to estimate future income, we compared the historical forecasts for the intangible assets to actual results. We also performed sensitivity analyses over certain assumptions to assess their impact on the Company's realizability assessment. We involved income tax professionals with specialized skills and knowledge who assisted in assessing the Company's application of the relevant tax regulations. They also assisted in evaluating the tax planning strategies and the related impact of those strategies on the future projected income of the entity used in the realizability assessment.

/s/ KPMG LLP

We have served as the Company's auditor since 1990.

Atlanta, Georgia
February 28, 2020

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Mohawk Industries, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Mohawk Industries, Inc.'s and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2020 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our 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.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP

Atlanta, Georgia
February 28, 2020

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2019 and 2018

	2019	2018
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 134,785	119,050
Receivables, net	1,526,619	1,606,159
Inventories	2,282,328	2,287,615
Prepaid expenses	415,546	421,553
Other current assets	70,179	74,919
Total current assets	4,429,457	4,509,296
Property, plant and equipment, net	4,698,917	4,699,902
Right of use operating lease assets	323,003	—
Goodwill	2,570,027	2,520,966
Tradenames	702,732	707,380
Other intangible assets, net	226,147	254,430
Deferred income taxes and other non-current assets	436,397	407,149
	$ 13,386,680	13,099,123
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 1,051,498	1,742,373
Accounts payable and accrued expenses	1,559,140	1,523,866
Current operating lease liabilities	101,945	—
Total current liabilities	2,712,583	3,266,239
Deferred income taxes	473,886	413,740
Long-term debt, less current portion	1,518,388	1,515,601
Non-current operating lease liabilities	228,155	—
Other long-term liabilities	327,220	463,484
Total liabilities	5,260,232	5,659,064
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Preferred stock, $.01 par value; 60 shares authorized; no shares issued	—	—
Common stock, $.01 par value; 150,000 shares authorized; 78,980 and 79,656 shares issued in 2019 and 2018, respectively	790	797
Additional paid-in capital	1,868,250	1,852,173
Retained earnings	7,232,337	6,588,197
Accumulated other comprehensive loss	(765,824)	(791,608)
	8,335,553	7,649,559
Less: treasury stock at cost; 7,348 and 7,349 shares in 2019 and 2018, respectively	215,712	215,745
Total Mohawk Industries, Inc. stockholders' equity	8,119,841	7,433,814
Noncontrolling interest	6,607	6,245
Total stockholders' equity	8,126,448	7,440,059
	$ 13,386,680	13,099,123

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
	(In thousands, except per share data)		
Net sales	$ 9,970,672	9,983,634	9,491,290
Cost of sales	7,294,629	7,145,564	6,494,876
Gross profit	2,676,043	2,838,070	2,996,414
Selling, general and administrative expenses	1,848,819	1,742,744	1,642,241
Operating income	827,224	1,095,326	1,354,173
Interest expense	41,272	38,827	31,111
Other expense	36,407	7,298	5,205
Earnings before income taxes	749,545	1,049,201	1,317,857
Income tax expense	4,974	184,346	343,165
Net earnings including noncontrolling interest	744,571	864,855	974,692
Net earnings attributable to noncontrolling interest	360	3,151	3,054
Net earnings attributable to Mohawk Industries, Inc.	$ 744,211	861,704	971,638
Basic earnings per share attributable to Mohawk Industries, Inc.			
Basic earnings per share attributable to Mohawk Industries, Inc.	$ 10.34	11.53	13.07
Weighted-average common shares outstanding—basic	71,986	74,413	74,357
Diluted earnings per share attributable to Mohawk Industries, Inc.			
Diluted earnings per share attributable to Mohawk Industries, Inc.	$ 10.30	11.47	12.98
Weighted-average common shares outstanding—diluted	72,264	74,773	74,839

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)
Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
		(in thousands)	
Net earnings including noncontrolling interest	$ 744,571	864,855	974,692
Other comprehensive (loss) income:			
Foreign currency translation adjustments	28,996	(237,339)	281,655
Prior pension and post-retirement benefit service cost and actuarial loss (gain)	(3,210)	1,094	(2,927)
Other comprehensive income (loss)	25,786	(236,245)	278,728
Comprehensive income	770,357	628,610	1,253,420
Comprehensive income (loss) attributable to the non-controlling interest	360	(13)	7,282
Comprehensive income attributable to Mohawk Industries, Inc.	$ 769,997	628,623	1,246,138

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2019, 2018 and 2017

		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, 2016	$ 23,696	81,519	$ 815	$1,791,540	$5,032,914	$ (833,027)	(7,351)	$(215,791)	$ 7,036	$5,783,487
Shares issued under employee and director stock plans	—	252	3	269	—	—	1	25	—	297
Stock-based compensation expense	—	—	—	36,322	—	—	—	—	—	36,322
Distribution to noncontrolling interest, net of adjustments	—	—	—	—	—	—	—	—	(750)	(750)
Accretion of redeemable noncontrolling interest	46	—	—	—	(46)	—	—	—	—	(46)
Noncontrolling earnings	2,544	—	—	—	—	—	—	—	510	510
Currency translation adjustment on noncontrolling interests	3,177	—	—	—	—	—	—	—	1,051	1,051
Currency translation adjustment	—	—	—	—	—	277,427	—	—	—	277,427
Prior pension and post-retirement benefit service cost and actuarial loss	—	—	—	—	—	(2,927)	—	—	—	(2,927)
Net income	—	—	—	—	971,638	—	—	—	—	971,638
Balances at December 31, 2017	29,463	81,771	818	1,828,131	6,004,506	(558,527)	(7,350)	(215,766)	7,847	7,067,009
Shares issued under employee and director stock plans	—	191	2	(8,400)	—	—	1	21	—	(8,377)
Stock-based compensation expense	—	—	—	31,382	—	—	—	—	—	31,382
Repurchases of common stock	—	(2,306)	(23)	—	(274,121)	—	—	—	—	(274,144)
Accretion of redeemable noncontrolling interest	3,892				(3,892)	—	—	—	—	(3,892)
Noncontrolling earnings	2,474	—	—	—	—	—	—	—	677	677
Currency translation adjustment on non-controlling interests	(1,945)	—	—	—	—	—	—	—	(1,219)	(1,219)
Purchase of redeemable noncontrolling interest and noncontrolling interest, net of taxes	(33,884)	—	—	1,060	—	—	—	—	(1,060)	—
Currency translation adjustment	—	—	—	—	—	(234,175)	—	—	—	(234,175)
Prior pension and post-retirement benefit service cost and actuarial loss	—	—	—	—	—	1,094	—	—	—	1,094
Net income	—	—	—	—	861,704	—	—	—	—	861,704
Balances at December 31, 2018	—	79,656	797	1,852,173	6,588,197	(791,608)	(7,349)	(215,745)	6,245	7,440,059
Shares issued under employee and director stock plans	—	130	1	(7,543)	—	—	1	33	—	(7,509)
Stock-based compensation expense	—	—	—	23,620	—	—	—	—	—	23,620
Repurchases of common stock	—	(806)	(8)	—	(100,071)	—	—	—	—	(100,079)
Noncontrolling earnings	—	—	—	—	—	—	—	—	360	360
Currency translation adjustment	—	—	—	—	—	28,994	—	—	2	28,996
Prior pension and post-retirement benefit service cost and actuarial gain	—	—	—	—	—	(3,210)	—	—	—	(3,210)
Net income	—	—	—	—	744,211	—	—	—	—	744,211
Balances at December 31, 2019	$ —	78,980	$ 790	$1,868,250	$7,232,337	$ (765,824)	(7,348)	$(215,712)	$ 6,607	$8,126,448

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2019, 2018 and 2017

	2019	2018	2017
		(In thousands)	
Cash flows from operating activities:			
Net earnings	$ 744,571	864,855	974,692
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Restructuring	90,341	58,991	37,085
Depreciation and amortization	576,452	521,765	446,672
Deferred income taxes	(107,842)	88,456	(75,591)
Loss on disposal of property, plant and equipment	1,608	(205)	4,303
Stock-based compensation expense	23,620	31,382	36,322
Impairment of net investment in a manufacturer and distributor of ceramic tile in China	59,906	—	—
Changes in operating assets and liabilities, net of effects of acquisitions:			
Receivables, net	81,953	13,856	(60,566)
Inventories	7,212	(255,391)	(153,245)
Accounts payable and accrued expenses	(52,065)	(69,847)	25,365
Other assets and prepaid expenses	3,625	(79,482)	(52,115)
Other liabilities	(10,620)	6,964	10,673
Net cash provided by operating activities	1,418,761	1,181,344	1,193,595
Cash flows from investing activities:			
Additions to property, plant and equipment	(545,462)	(794,110)	(905,998)
Acquisitions, net of cash acquired	(81,082)	(568,960)	(250,799)
Purchases of short-term investments	(581,500)	(664,133)	(83,904)
Redemption of short-term investments	592,000	695,000	—
Net cash used in investing activities	(616,044)	(1,332,203)	(1,240,701)
Cash flows from financing activities:			
Payments on Senior Credit Facilities	(488,978)	(813,182)	(454,637)
Proceeds from Senior Credit Facilities	448,587	809,287	447,884
Payments on Commercial Paper	(15,168,820)	(16,756,404)	(15,584,017)
Proceeds from Commercial Paper	14,540,177	16,988,398	15,761,954
Proceeds from Floating Rate Notes	331,325	353,649	357,569
Payments on asset securitization borrowings	—	—	(500,000)
Payments on Floating Rate Notes	(331,325)	—	—
Payments on other debt	(4,295)	—	—
Payments on acquired debt and other financings	—	(69,571)	(18,811)
Debt issuance costs	(3,028)	(890)	(1,478)
Purchase of redeemable non-controlling and non-controlling interest	—	(34,944)	—
Repurchases of common stock	(100,080)	(274,144)	—
Change in outstanding checks in excess of cash	(4,664)	5,753	(3,402)
Shares redeemed for taxes	(8,777)	(9,925)	(13,902)
Proceeds and net tax benefit from stock transactions	1	2	1,845
Net cash (used in) provided by financing activities	(789,877)	198,029	(6,995)
Effect of exchange rate changes on cash and cash equivalents	2,895	(13,004)	17,320
Net change in cash and cash equivalents	15,735	34,166	(36,781)
Cash and cash equivalents, beginning of year	119,050	84,884	121,665
Cash and cash equivalents, end of year	$ 134,785	119,050	84,884

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Years Ended December 31, 2019, 2018 and 2017
(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 sheet 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) 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, 2019, the Company had cash of $134,785 of which $110,033 was held outside the United States. As of December 31, 2018, the Company had cash of $119,050 of which $88,100 was held outside the United States.

(c) Accounts Receivable and Revenue Recognition

On January 1, 2018, the Company adopted the new accounting standard, ASC 606, *Revenue from Contracts with Customers* and all the related amendments (“ASC 606”) and applied the provisions of the standard to all contracts using the modified retrospective method. The cumulative effect of adopting the new revenue standard was immaterial and no adjustment has been recorded to the opening balance of retained earnings. Prior year information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The Company recognizes revenues when it satisfies performance obligations as evidenced by the transfer of control of the promised goods to customers, when the product is either shipped or received from the Company’s facilities, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. The Company reviewed all of its revenue product categories under ASC 606 and the only changes identified were that an immaterial amount of revenue from intellectual property (“IP”) contracts results in earlier recognition of revenue, new controls and processes designed to meet the requirements of the standard were implemented, and the required new disclosures are presented in Note 3, Revenue from Contracts with Customers. The adoption of ASC 606 did not have a material impact on the amounts reported in the Company’s consolidated financial position, results of operations or cash flows.

(d) Inventories

The Company accounts for all inventories on the first-in, first-out (“FIFO”) method. Inventories are stated at the lower of cost or 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. 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.

(e) 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 15-40 years for buildings and improvements, 3-25 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.

(f) 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.

(g) 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 on the first day of 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 on the first day of the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The first step of the impairment tests for indefinite lived intangible assets may be completed through an 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 assessment indicates it is not more likely than not that the fair value of these assets is less than their carrying amounts, a quantitative impairment test is not required. If a quantitative test is necessary, the Company estimates the fair value of the intangible asset and compares it to its carrying amount. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company may also elect to bypass the qualitative assessment and perform a quantitative impairment test in any period. If the Company elects to perform a quantitative impairment test, it may resume the qualitative assessment in subsequent periods.

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, applicable discount rate 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.

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

(h) 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.

(i) 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 Company formed a wholly-owned captive insurance company during 2017 that invests in the Company's commercial paper. These short-term commercial paper investments are classified as trading securities and carried at fair value based upon level two fair value hierarchy. 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.

(j) 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 $130,207 in 2019, $116,854 in 2018 and $119,560 in 2017.

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. Co-op advertising expenses, a component of advertising and promotion expenses, were $11,418 in 2019, $13,332 in 2018 and $10,891 in 2017.

(k) 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.

(l) 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 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.

(m) 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.

(n) 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 years ended December 31, 2019, December 31, 2018 and December 31, 2017 the change in the U.S. dollar value of the Company's euro denominated debt was a decrease of $12,049 ($9,153 net of taxes), a decrease of $27,948 ($20,376 net of taxes) and an increase of $74,112 ($46,320 net of taxes), respectively, 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.

(o) 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 excluded from the diluted EPS computation because the price was greater than the average market price of the common shares for the periods presented for 2019, 2018 and 2017.

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

	2019	2018	2017
Earnings attributable to Mohawk Industries, Inc.	$ 744,211	861,704	971,638
Accretion of redeemable noncontrolling interest [a]	—	(3,892)	(46)
Net earnings available to common stockholders	$ 744,211	857,812	971,592
Weighted-average common shares outstanding-basic and diluted:			
Weighted-average common shares outstanding - basic	71,986	74,413	74,357
Add weighted-average dilutive potential common shares - options and RSUs to purchase common shares, net	278	360	482
Weighted-average common shares outstanding-diluted	72,264	74,773	74,839
Earnings per share attributable to Mohawk Industries, Inc.			
Basic	$ 10.34	11.53	13.07
Diluted	$ 10.30	11.47	12.98

[a] Represents the accretion of the Company's redeemable noncontrolling interest to redemption value. The holder put this option to the Company on December 20, 2018 for $33,884.

(p) 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.

(q) 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 60 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 $57,354 and $23,008 in 2019, $55,796 and $22,689 in 2018 and $53,544 and $22,039 in 2017, 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. The Company's projected benefit obligation and plan assets as of December 31, 2019 were $73,510 and $60,040, respectively. The Company's projected benefit obligation and plan assets as of December 31, 2018 were $63,569 and $54,315, respectively. As of December 31, 2019, the funded status of the Non-U.S. Plans was a liability of $13,470 of which $8,303 was recorded in accumulated other comprehensive income, for a net liability of $5,167 recorded in other long-term liabilities within the consolidated balance sheets. As of December 31, 2018, the funded status of the Non-U.S. Plans was a liability of $9,254 of which $5,092 was recorded in accumulated other comprehensive income, for a net liability of $4,162 recorded in other long-term liabilities within the consolidated balance sheets.

(r) 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. The Company presents currency translation adjustments on non-controlling interests separately from currency translation adjustments on controlling interests in accumulated other comprehensive income (loss) within stockholders' equity.

The changes in accumulated other comprehensive income (loss) by component, net of tax, for years ended December 31, 2019, 2018 and 2017 are as follows:

	Foreign currency translation adjustments	Pensions and post-retirement benefits	Total
Balance as of December 31, 2016	$ (825,354)	(7,673)	(833,027)
Current period other comprehensive income (loss) before reclassifications	277,427	(2,927)	274,500
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Balance as of December 31, 2017	(547,927)	(10,600)	(558,527)
Current period other comprehensive income (loss) before reclassifications	(234,175)	1,094	(233,081)
Amounts reclassified from accumulated other comprehensive income	—	—	—
Balance as of December 31, 2018	(782,102)	(9,506)	(791,608)
Current period other comprehensive income (loss) before reclassifications	28,994	(3,210)	25,784
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Balance as of December 31, 2019	$ (753,108)	(12,716)	(765,824)

(s) Self-Insurance Reserves

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 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.

In the fourth quarter of 2017, the Company formed a wholly-owned captive insurance company, Mohawk Assurance Services, Inc. ("MAS"). MAS insures the retained portion of the Company's U.S. workers' compensation, automobile liability and general liability exposures. The Company funded MAS with an initial cash contribution of $16,876 as a contribution to equity and $67,391 as the net present value of premiums owed by the Company for the insurance provided by MAS. MAS began providing coverage to the Company as of December 22, 2017. MAS had investments of $42,500 and $53,000 in the Company's commercial paper as of December 31, 2019 and 2018, respectively.

(t) 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.

(u) Recent Accounting Pronouncements

- Effective in Future Years

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and in November 2018 issued ASU 2018-19, which amended the standard. The standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures. This standard is effective for the Company on January 1, 2020. Entities are required to apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. Currently, the Company is assessing the impact of the new guidance. The Company does not expect the adoption of the guidance to have a significant impact on its financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* which simplified the accounting for income taxes in several areas by removing certain exceptions and by clarifying and amending existing guidance applicable to accounting for income taxes. The amendment is effective commencing in 2021 with early adoption permitted. The Company is currently evaluating the impact that the adoption of this accounting standards update will have on its consolidated financial statements.

- Recently Adopted

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and other (Topic 350): Simplifying the test for goodwill impairment.* The amendments remove the second step of the current goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This guidance is effective for impairment tests in fiscal years beginning after December 15, 2019. The effect of adopting the new standard was not material.

In February 2016, the FASB issued a new standard ASU 2016-02, *Leases*, and subsequently issued additional ASUs amending this ASU (collectively ASC 842, *Leases*). ASC 842 was issued to increase transparency and comparability among organizations by requiring the recognition of right of use (“ROU”) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted the provisions of ASC 842 on January 1, 2019 using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption in line with the new transition method allowed under ASU 2018-11. ASC 842 provides a number of optional practical expedients in transition. The Company elected the “package of practical expedients” which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight and elected the practical expedient pertaining to land easements. The new standard also provides practical expedients for an entity’s ongoing accounting for leases. The Company elected the short-term lease exemption for all leases that qualify, meaning the Company will not recognize ROU assets or lease liabilities for leases with terms shorter than twelve months. The Company also elected the practical expedient to not separate lease and non-lease components for a majority of its asset classes, including real estate and most equipment.

The adoption of ASC 842 had a material impact on the Company’s condensed consolidated balance sheets, but did not have a material impact on the Company’s condensed consolidated statements of operations or cashflow. The most significant impact was the recognition of ROU assets of $328,169 and lease liabilities for operating leases of $332,286 at January 1, 2019, based on the present value of the future minimum rental payments for existing operating leases. The difference in the balances is due to deferred rent, tenant incentive allowances and prepaid amounts taken into account for adoption. The Company's accounting for finance leases remained substantially unchanged. See Note 11, Leases.

On January 1, 2019, the Company adopted the new accounting standard, ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The standard permits entities to reclassify, to retained earnings, the one-time income tax effects stranded in accumulated other comprehensive income arising from the change in the U.S. federal corporate tax rate as a result of the Tax Cuts and Jobs Act of 2017. The effect of adopting the new standard was not material.

On January 1, 2018, the Company adopted the new accounting standard, ASC 606, *Revenue from Contracts with Customers* and all the related amendments ("ASC 606") and applied the provisions of the standard to all contracts using the modified retrospective method. The cumulative effect of adopting the new revenue standard was immaterial and no adjustment has been recorded to the opening balance of retained earnings. 2017 information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Substantially all of the Company's revenue continues to be recognized at a point in time when the product is either shipped or received from the Company's facilities and control of the product is transferred to the customer. The Company reviewed all of its revenue product categories under ASC 606 and the only changes identified were that an immaterial amount of revenue from intellectual property ("IP") contracts results in earlier recognition of revenue, new controls and processes designed to meet the requirements of the standard were implemented, and the required new disclosures are presented in Note 3, Revenue from Contracts with Customers. The adoption of ASC 606 did not have a material impact on the amounts reported in the Company's consolidated financial position, results of operations or cash flows.

On January 1, 2018, the Company adopted the new accounting standard, ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* The effect of adopting the new standard was not material.

On January 1, 2018, the Company adopted the new accounting standard, ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business.* The effect of adopting the new standard was not material.

(2) Acquisitions

2019 Acquisitions

During 2019, the Company acquired two businesses in the Flooring ROW segment for hard surface flooring distribution companies based in the Netherlands and Czech Republic for $76,237, resulting in a preliminary goodwill allocation of $48,008. The results have been included in the Flooring ROW segment and are not material to the Company's consolidated results of operations.

2018 Acquisitions

On November 16, 2018, the Company completed its purchase of Eliane S/A Revestimentos Ceramicos ("Eliane"), one of the largest ceramic tile companies in Brazil. Pursuant to the purchase agreement, the Company (i) acquired the entire issued share capital of Eliane and (ii) acquired $99,037 of indebtedness of Eliane, with total cash consideration paid of $148,302. The Company's acquisition of Eliane resulted in allocations of goodwill of $33,019, indefinite-lived tradename intangible assets of $32,238 and intangible assets subject to amortization of $5,818. The majority of the goodwill is deductible for tax purposes. The factors contributing to the recognition of the amount of goodwill include product, sales and manufacturing synergies. Eliane's results of operations have been included in the consolidated financial statements since the date of acquisition in the Global Ceramic reporting segment.

On July 2, 2018, the Company completed its acquisition of Godfrey Hirst Group, the leading flooring company in Australia and New Zealand, further extending Mohawk's global position. The total value of the acquisition was $400,894. The Company's acquisition of Godfrey Hirst Group resulted in allocations of goodwill of $88,655, indefinite-lived tradename intangible assets of $58,671 and intangible assets subject to amortization of $43,635. The goodwill is deductible for tax purposes. The factors contributing to the recognition of the amount of goodwill include product, sales and manufacturing synergies. The Godfrey Hirst Group's results have been included in the condensed consolidated financial statements since the date of acquisition in the Flooring NA and Flooring ROW segments.

During the first quarter of 2018, the Company completed the acquisition of three businesses in the Flooring ROW segment for $24,610, resulting in a goodwill allocation of $12,874 and intangibles subject to amortization of $7.

2017 Acquisitions

On April 4, 2017, the Company completed its purchase of Emilceramica S.r.l ("Emil"), a ceramic company in Italy. The total value of the acquisition was $186,099. The Emil acquisition will enhance the Company's cost position and strengthen its combined brand and distribution in Europe. The acquisition's results and purchase price allocation have been included in the condensed consolidated financial statements since the date of the acquisition. The Company's acquisition of Emil resulted in a goodwill allocation of $59,491, indefinite-lived tradename intangible asset of $16,196 and an intangible asset subject to amortization of $2,348. The goodwill was not directly deductible for tax purposes. The Emil results are reflected in the Global Ceramic segment and the results of Emil's operations are not material to the Company's consolidated results of operations.

During the second quarter of 2017, the Company completed the acquisition of two businesses in the Global Ceramic segment for $37,250, resulting in a goodwill allocation of $1,002. The Company also completed the acquisition of a business in the Flooring NA segment for $26,623.

During the first quarter of 2017, the Company acquired certain assets of a distribution business in the Flooring ROW segment for $1,407, resulting in intangible assets subject to amortization of $827.

(3) Revenue from Contracts with Customers

Revenue recognition and accounts receivable

The Company recognizes revenues when it satisfies performance obligations as evidenced by the transfer of control of the promised goods to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. The nature of the promised goods are ceramic, stone, carpet, resilient (includes sheet vinyl and LVT), laminate, wood and other flooring products. Payment is typically received 90 days or less from the invoice date. The Company adjusts the amounts of revenue for expected cash discounts, sales allowances, returns, and claims, based upon historical experience. The Company adjusts accounts receivable for doubtful account allowances based upon historical bad debt, claims experience, periodic evaluation of specific customer accounts, and the aging of accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Contract liabilities

The Company historically records contract liabilities when it receives payment prior to fulfilling a performance obligation. Contract liabilities related to revenues are recorded in accounts payable and accrued expenses on the accompanying condensed consolidating balance sheets. The Company had contract liabilities of $34,959 and $34,486 as of December 31, 2019 and December 31, 2018, respectively.

Performance obligations

Substantially all of the Company's revenue is recognized at a point in time when the product is either shipped or received from the Company's facilities and control of the product is transferred to the customer. Accordingly, in any period, the Company does not recognize a significant amount of revenue from performance obligations satisfied or partially satisfied in prior periods and the amount of such revenue recognized during the years ended December 31, 2019, 2018, and 2017 was immaterial.

Costs to obtain a contract

The Company historically incurs certain incremental costs to obtain revenue contracts. These costs relate to marketing display structures and are capitalized when the amortization period is greater than one year, with the amount recorded in other assets on the accompanying condensed consolidated balance sheets. Capitalized costs to obtain contracts were $69,039 and $57,840 as of December 31, 2019 and December 31, 2018, respectively. Amortization expense recognized during 2019 related to these capitalized costs was $41,819.

Practical expedients and policy elections

The Company elected the following practical expedients and policy elections:

- Incremental costs of obtaining a contract is recorded as an expense when incurred in selling, general and administrative expenses if the amortization period is less than one year.
- Shipping and handling activities performed after control has been transferred is accounted for as a fulfillment cost in cost of sales.

Revenue disaggregation

The following table presents the Company's segment revenues disaggregated by the geographical market location of customer sales and product categories during the years ended December 31, 2019, 2018 and 2017, respectively:

December 31, 2019	Global Ceramic segment	Flooring NA segment	Flooring ROW segment	Intersegment sales	Total
Geographical Markets					
United States	$ 2,131,029	3,688,691	2,873	—	5,822,593
Europe	711,762	6,922	1,813,555	—	2,532,239
Russia	269,142	66	116,187	—	385,395
Other	519,209	148,035	563,201	—	1,230,445
Total	$ 3,631,142	3,843,714	2,495,816	—	9,970,672
Product Categories					
Ceramic & Stone	$ 3,631,142	55,503	—	—	3,686,645
Carpet & Resilient	—	3,136,474	785,295	—	3,921,769
Laminate & Wood	—	651,737	849,340	—	1,501,077
Other (1)	—	—	861,181	—	861,181
Total	$ 3,631,142	3,843,714	2,495,816	—	9,970,672

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

December 31, 2018		Global Ceramic segment	Flooring NA segment	Flooring ROW segment	Intersegment sales	Total
Geographical Markets						
United States	$	2,251,233	3,851,267	1,289	—	6,103,789
Europe		714,315	6,487	1,861,890	—	2,582,692
Russia		245,867	2	103,351	—	349,220
Other		341,441	171,392	435,100	—	947,933
Total	$	3,552,856	4,029,148	2,401,630	—	9,983,634
Product Categories						
Ceramic & Stone	$	3,552,856	68,337	—	—	3,621,193
Carpet & Resilient		—	3,258,029	645,669	—	3,903,698
Laminate & Wood		—	702,782	850,250	—	1,553,032
Other [(1)]		—	—	905,711	—	905,711
Total	$	3,552,856	4,029,148	2,401,630	—	9,983,634

December 31, 2017		Global Ceramic segment	Flooring NA segment	Flooring ROW segment	Intersegment sales	Total
Geographical Markets						
United States	$	2,223,998	3,809,211	2,111	(120)	6,035,200
Europe		645,341	19,100	1,698,628	—	2,363,069
Russia		235,043	(1)	91,033	—	326,075
Other		300,718	182,548	283,680	—	766,946
Total	$	3,405,100	4,010,858	2,075,452	(120)	9,491,290
Product Categories						
Ceramic & Stone	$	3,405,100	80,145	—	—	3,485,245
Carpet & Resilient		—	3,219,971	435,931	—	3,655,902
Laminate & Wood		—	710,742	808,675	—	1,519,417
Other [(1)]		—	—	830,846	(120)	830,726
Total	$	3,405,100	4,010,858	2,075,452	(120)	9,491,290

[(1)] Other includes roofing elements, insulation boards, chipboards and IP contracts.

(4) Restructuring, Acquisition Transaction 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, 2019, 2018 and 2017, respectively (in thousands):

	2019	2018	2017
Cost of sales			
Restructuring costs	$ 84,844	43,733	33,109
Acquisition integration-related costs	3,458	3,330	2,916
Restructuring and integration-related costs	$ 88,302	47,063	36,025
Selling, general and administrative expenses			
Restructuring costs	$ 5,497	15,259	3,976
Acquisition transaction-related costs	1,502	4,977	2,751
Acquisition integration-related costs	5,871	11,351	6,188
Restructuring, acquisition and integration-related costs	$ 12,870	31,587	12,915

The restructuring activity for the years ended December 31, 2019 and 2018, respectively is as follows (in thousands):

	Lease impairments	Asset write-downs	Severance	Other restructuring costs	Total
Balance as of December 31, 2017	$ 359	—	584	152	1,095
Provision - Global Ceramic segment	528	1,131	7,113	337	9,109
Provision - Flooring NA segment	236	2,940	4,985	33,807	41,968
Provision - Flooring ROW segment	—	—	4,741	(104)	4,637
Provision - Corporate	—	—	3,278	—	3,278
Cash payments	(726)	—	(12,605)	(30,385)	(43,716)
Non-cash items	—	(4,071)	(230)	(3,557)	(7,858)
Balance as of December 31, 2018	397	—	7,866	250	8,513
Provision - Global Ceramic segment	—	—	5,264	—	5,264
Provision - Flooring NA segment	—	37,820	2,617	33,975	74,412
Provision - Flooring ROW segment	—	3,936	4,615	2,099	10,650
Provision - Corporate	—	—	15	—	15
Cash payments	(376)	—	(16,113)	(19,165)	(35,654)
Non-cash items	—	(41,756)	(142)	(17,043)	(58,941)
Balance as of December 31, 2019	$ 21	—	4,122	116	4,259

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

(5) Receivables

	December 31, 2019	December 31, 2018
Customers, trade	$ 1,491,592	1,562,284
Income tax receivable	8,428	17,217
Other	88,520	101,376
	1,588,540	1,680,877
Less allowance for discounts, returns, claims and doubtful accounts	61,921	74,718
Receivables, net	$ 1,526,619	1,606,159

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

	Balance at beginning of year	Acquisitions	Additions charged to net sales or costs and expenses	Deductions[(1)]	Balance at end of year
2017	$ 78,335	6,510	308,507	307,249	86,103
2018	86,103	4,240	317,716	333,341	74,718
2019	74,718	382	387,253	400,432	61,921

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

(6) Inventories

The components of inventories are as follows:

	December 31, 2019	December 31, 2018
Finished goods	$ 1,610,742	1,582,112
Work in process	144,639	165,616
Raw materials	526,947	539,887
Total inventories	$ 2,282,328	2,287,615

(7) Goodwill and Other Intangible Assets

The Company conducted its annual impairment assessment on the first day of the fourth quarter of 2019 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, 2017				
Goodwill	$ 1,567,872	869,764	1,361,248	3,798,884
Accumulated impairments losses	(531,930)	(343,054)	(452,441)	(1,327,425)
	1,035,942	526,710	908,807	2,471,459
Goodwill recognized during the year	19,821	4,434	95,483	119,738
Currency translation during the year	(22,706)	—	(47,525)	(70,231)
Balances as of December 31, 2018				
Goodwill	1,564,987	874,198	1,409,206	3,848,391
Accumulated impairments losses	(531,930)	(343,054)	(452,441)	(1,327,425)
	1,033,057	531,144	956,765	2,520,966
Goodwill recognized during the year	13,197	—	49,619	62,816
Currency translation during the year	5,392	—	(19,147)	(13,755)
Balances as of December 31, 2019				
Goodwill	1,583,576	874,198	1,439,678	3,897,452
Accumulated impairments losses	(531,930)	(343,054)	(452,441)	(1,327,425)
	$ 1,051,646	531,144	987,237	2,570,027

Intangible assets:

		Tradenames
Indefinite life assets not subject to amortization:		
Balance as of December 31, 2017	$	644,208
Intangible assets acquired during the year		91,782
Currency translation during the year		(28,610)
Balance as of December 31, 2018		707,380
Intangible assets acquired during the year[1]		(874)
Currency translation during the year		(3,774)
Balance as of December 31, 2019	$	702,732

[1] Includes adjustments on previously acquired intangible assets.

		Customer relationships	Patents	Other	Total
Intangible assets subject to amortization:					
Balances as of December 31, 2017	$	234,835	7,061	5,663	247,559
Intangible assets acquired during the year		47,361	—	7	47,368
Amortization during the year		(28,389)	(2,272)	(84)	(30,745)
Currency translation during the year		(9,179)	(294)	(279)	(9,752)
Balances as of December 31, 2018		244,628	4,495	5,307	254,430
Intangible assets acquired during the year		2,092	—	—	2,092
Amortization during the year		(25,527)	(2,156)	70	(27,613)
Currency translation during the year		(2,752)	(111)	101	(2,762)
Balances as of December 31, 2019	$	218,441	2,228	5,478	226,147

	December 31, 2019					
		Cost	Acquisitions	Currency translation	Accumulated amortization	Net Value
Customer Relationships	$	651,014	2,092	(7,900)	426,765	218,441
Patents		254,483	—	(5,383)	246,872	2,228
Other		6,534	—	97	1,153	5,478
Total	$	912,031	2,092	(13,186)	674,790	226,147

	December 31, 2018					
		Cost	Acquisitions	Currency translation	Accumulated amortization	Net Value
Customer Relationships	$	625,263	47,361	(21,610)	406,386	244,628
Patents		266,969	—	(12,486)	249,988	4,495
Other		6,825	7	(298)	1,227	5,307
Total	$	899,057	47,368	(34,394)	657,601	254,430

	Years Ended December 31,		
	2019	2018	2017
Amortization expense	$ 27,613	30,745	34,279

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

2020	$ 27,847
2021	27,846
2022	25,866
2023	24,234
2024	23,511

(8) Property, Plant and Equipment

Following is a summary of property, plant and equipment:

	December 31, 2019	December 31, 2018
Land	$ 469,837	407,780
Buildings and improvements	1,790,781	1,584,240
Machinery and equipment	5,602,474	5,334,060
Furniture and fixtures	163,017	230,644
Leasehold improvements	103,755	94,683
Construction in progress	366,144	575,667
	8,496,008	8,227,074
Less accumulated depreciation and amortization	3,797,091	3,527,172
Net property, plant and equipment	$ 4,698,917	4,699,902

Additions to property, plant and equipment included capitalized interest of $7,214, $10,684 and $8,543 in 2019, 2018 and 2017, respectively. Depreciation expense was $544,733, $487,411 and $408,646 for 2019, 2018 and 2017, respectively. Included in property, plant and equipment are finance leases with a cost of $35,271 and $7,106 and accumulated depreciation of $5,664 and $2,333 as of December 31, 2019 and 2018, respectively.

(9) Long-Term Debt

Senior Credit Facility

On October 18, 2019, the Company amended and restated its $1,800,000 senior credit facility, extending the maturity from March 26, 2022 to October 18, 2024 (as amended and restated, the “Senior Credit Facility”). The Senior Credit Facility marginally reduced the commitment fee and modified certain negative covenants to provide the Company with additional flexibility, including flexibility to make acquisitions and incur additional indebtedness. The amendment also renewed the Company’s option to extend the maturity of the Senior Credit Facility up to two times for an additional one-year period each.

At the Company’s election, revolving loans under the 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% (1.125% as of December 31, 2019), or (b) the higher of the Wells Fargo Bank, National Association prime rate, the Federal Funds rate plus 0.5%, or the Eurocurrency Rate (as defined in the Senior Credit Facility) rate plus 1.0%, plus an applicable margin ranging between 0.00% and 0.75% (0.125% as of December 31, 2019). The Company also pays a commitment fee to the lenders under the Senior Credit Facility on the average amount by which the aggregate commitments of the lenders exceed utilization of the Senior Credit Facility ranging from 0.09% to 0.20% per annum (0.11% as of December 31, 2019). 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 Senior Credit Facility are unsecured.

The 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. However, at the Company's election upon the occurrence of certain material acquisitions, a step up of the maximum permitted Consolidated Net Leverage Ratio to 4.00 to 1.00 for the four (4) fiscal quarter period of the Company commencing with the fiscal quarter during which said acquisition(s) closes.

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

In 2019, the Company paid financing costs of $2,264 in connection with the amendment and restatement of its Senior Credit Facility. These costs were deferred and, along with previously unamortized costs of $3,405 are being amortized over the term of the Senior Credit Facility.

As of December 31, 2019, amounts utilized under the Senior Credit Facility included $16,803 of borrowings and $22,787 of standby letters of credit related to various insurance contracts and foreign vendor commitments. The outstanding borrowings of $693,946 under the Company's U.S. and European commercial paper programs as of December 31, 2019 reduce the availability of the Senior Credit Facility. Including commercial paper borrowings, the Company has utilized $733,536 under the Senior Credit Facility resulting in a total of $1,066,464 available as of December 31, 2019.

Commercial Paper

On February 28, 2014 and July 31, 2015, the Company established programs for the issuance of unsecured commercial paper in the United States and Eurozone capital markets, respectively. Commercial paper issued under the U.S. and European programs will have maturities ranging up to 397 and 183 days, respectively. None of the commercial paper notes may be voluntarily prepaid or redeemed by the Company and all rank pari passu with all of the Company's other unsecured and unsubordinated indebtedness. To the extent that the Company issues European commercial paper notes through a subsidiary of the Company, the notes will be fully and unconditionally guaranteed by the Company.

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

The proceeds from the issuance of commercial paper notes will be available for general corporate purposes. As of December 31, 2019, there was $317,000 outstanding under the U.S. commercial paper program, and the euro equivalent of $376,946 under the European program. The weighted-average interest rate and maturity period for the U.S. program were 2.03% and 21 days, respectively. The weighted-average interest rate and maturity period for the European program were (0.24)% and 24.5 days, respectively.

Senior Notes

On September 4, 2019, Mohawk Finance completed the issuance and sale of €300,000 aggregate principal amount of its Floating Rate Notes due September 4, 2021 (“2021 Floating Rate Notes”). The 2021 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance’s other existing and future senior unsecured indebtedness. The 2021 Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.2% (but in no event shall the interest rate be less than zero). Interest on the 2021 Floating Rate Notes is payable quarterly on December 4, March 4, June 4, and September 4 of each year. Mohawk Finance received an issuance premium of €744 and paid financing cost of $754 in connection with the 2021 Floating Rate Notes. The issuance premium and financing costs have been deferred and are being amortized over the term of the 2021 Floating Rate Notes.

On May 18, 2018, Mohawk Finance completed the issuance and sale of €300,000 aggregate principal amount of its Floating Rate Notes due May 18, 2020 (“2020 Floating Rate Notes”). The 2020 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance’s other existing and future senior unsecured indebtedness. The 2020 Floating Rate Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bear interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event shall the interest rate be less than zero). Interest on the 2020 Floating Rate Notes is payable quarterly on August 18, November 18, February 18, and May 18 of each year. Mohawk Finance paid financing costs of $890 in connection with the 2020 Floating Rate Notes. These costs were deferred and are being amortized over the term of the 2020 Floating Rate Notes.

On September 11, 2017, Mohawk Finance completed the issuance and sale of €300,000 aggregate principal amount of its Floating Rate Notes due September 11, 2019 (“2019 Floating Rate Notes”). The 2019 Floating Rate Notes are senior unsecured obligations of Mohawk Finance and ranked pari passu with all of Mohawk Finance’s other existing and future senior unsecured indebtedness. The 2019 Floating Rate Notes were fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bore interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event would the interest rate be less than zero). Interest on the 2019 Floating Rate Notes was payable quarterly on September 11, December 11, March 11, and June 11 of each year. Mohawk Finance paid financing costs of $911 in connection with the 2019 Floating Rate Notes. These costs were deferred and amortized over the term of the 2019 Floating Rate Notes. On September 11, 2019, the Company paid the remaining €300,000 outstanding principal of the 2019 Floating Rate Notes utilizing cash on hand and borrowings under its European commercial paper program.

On June 9, 2015, the Company issued €500,000 aggregate principal amount of 2.00% Senior Notes (“2.00% Senior Notes”) due January 14, 2022. The 2.00% Senior 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 2.00% Senior 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 (“3.85% Senior Notes”) due February 1, 2023. The 3.85% Senior 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 3.85% Senior Notes is payable semi-annually in cash on February 1 and August 1 of each year. 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.

As defined in the related agreements, the Company’s senior notes contain covenants, representations and warranties and events of default, subject to exceptions, and restrictions on the Company’s financial and business operations, including limitations on liens, restrictions on entering into sale and leaseback transactions, fundamental changes, and a provision allowing the holder of the notes to require repayment upon a change of control triggering event.

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. Amounts borrowed under the Securitization Facility bore interest at LIBOR plus an applicable margin of 0.70% per annum and the borrower paid a commitment fee at a per annum rate of 0.30% on the unused amount of each lender's commitment. On December 10, 2015, the Company extended the termination date to December 19, 2016, and on December 13, 2016, the Company extended the termination date to December 19, 2017. The Company paid financing costs of $250 in connection with the second extension. These costs were deferred and amortized over the term of the Securitization Facility. The Securitization Facility expired in accordance with its terms on December 19, 2017.

The fair values and carrying values of the Company's debt instruments are detailed as follows:

	At December 31, 2019		At December 31, 2018	
	Fair Value	Carrying Value	Fair Value	Carrying Value
3.85% senior notes, payable February 1, 2023; interest payable semiannually	$ 627,144	600,000	599,904	600,000
2.00% senior notes, payable January 14, 2022; interest payable annually	580,235	560,099	587,487	572,148
Floating Rate Notes, payable May 18, 2020, interest payable quarterly	336,066	336,059	343,004	343,289
Floating Rate Notes, payable September 11, 2019, interest payable quarterly	—	—	343,560	343,289
Floating rate notes, payable September 4, 2021, interest payable quarterly	335,965	336,059	—	—
U.S. commercial paper	317,000	317,000	632,668	632,668
European commercial paper	376,946	376,946	707,175	707,175
Five-year senior unsecured credit facility, due October 18, 2024	16,803	16,803	57,896	57,896
Finance leases and other	30,049	30,049	6,664	6,664
Unamortized debt issuance costs	(3,129)	(3,129)	(5,155)	(5,155)
Total debt	2,617,079	2,569,886	3,273,203	3,257,974
Less current portion of long-term debt and commercial paper	1,051,498	1,051,498	1,742,373	1,742,373
Long-term debt, less current portion	$ 1,565,581	1,518,388	1,530,830	1,515,601

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 total debt as of December 31, 2019 are as follows[(1)]:

2020	$ 1,051,643
2021	340,555
2022	564,339
2023	603,770
2024	2,635
Thereafter	10,073
	$ 2,573,015

[(1)] Debt maturity table excludes deferred loan costs.

(10) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are as follows:

	December 31, 2019	December 31, 2018
Outstanding checks in excess of cash	$ 9,924	14,624
Accounts payable, trade	824,956	811,879
Accrued expenses	461,035	430,431
Product warranties	49,184	47,511
Accrued interest	21,050	21,908
Accrued compensation and benefits	192,991	197,513
Total accounts payable and accrued expenses	$ 1,559,140	1,523,866

(11) Leases

Effective January 1, 2019 the Company adopted ASC 842, which requires recognition of right of use ("ROU") assets and lease liabilities on the balance sheet, based on the present value of the future minimum rental payments for existing operating leases. The Company adopted the provisions of ASC 842 on January 1, 2019 using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption in line with the new transition method allowed under ASU 2018-11. ASC 842 provides a number of optional practical expedients in transition. The Company elected the "package of practical expedients" which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight and elected the practical expedient pertaining to land easements. The new standard also provides practical expedients for an entity's ongoing accounting for leases. The Company elected the short-term lease exemption for all leases that qualify, meaning the Company will not recognize ROU assets or lease liabilities for leases with terms shorter than twelve months. The Company also elected the practical expedient to not separate lease and non-lease components for a majority of its asset classes, including real estate and most equipment.

The Company measures the ROU assets and liabilities based on the present value of the future minimum lease payments over the lease term at the commencement date. Minimum lease payments include the fixed lease and non-lease components of the agreement, as well as any variable rent payments that depend on an index, initially measured using the index at the lease commencement date. The ROU assets are adjusted for any initial direct costs incurred less any lease incentives received, in addition to payments made on or before the commencement date of the lease. The Company recognizes lease expense for leases on a straight-line basis over the lease term.

As the implicit rate is not readily determinable for most of the Company's lease agreements, the Company uses an estimated incremental borrowing rate to determine the initial present value of lease payments. These discount rates for leases are calculated using the Company's credit spread adjusted for current market factors and foreign currency rates. The Company also made a policy election to determine its incremental borrowing rate, at the initial application date, using the total lease term and the total minimum rental payments, as the Company believes this rate is more indicative of the implied financing cost.

The Company determines if a contract is or contains a lease at inception. The Company has operating and finance leases for service centers, warehouses, showrooms, and machinery and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company enters into lease contracts ranging from 1 to 60 years with a majority of the Company's lease terms ranging from 1 to 8 years.

Some leases include one or more options to renew, with renewal terms that can extend the lease term from 3 to 10 years or more. The exercise of these lease renewal options is at the Company's sole discretion. An insignificant number of the Company's leases include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

Certain of the Company's leases include rental payments that will adjust periodically for inflation or certain adjustments based on step increases. An insignificant number of the Company's leases contain residual value guarantees and none of the

Company's agreements contain material restrictive covenants. Variable rent expenses consist primarily of maintenance, property taxes and charges based on usage.

The Company rents or subleases certain real estate to third parties. The Company's sublease portfolio consists mainly of operating leases.

The components of lease costs are as follows:

	Twelve Months Ended December 31, 2019		
	Cost of Goods Sold	Selling, General and Administrative	Total
Operating lease costs			
Fixed	$ 30,002	97,988	127,990
Short-term	9,725	13,933	23,658
Variable	8,123	29,852	37,975
Sub-leases	(311)	(537)	(848)
	$ 47,539	141,236	188,775

	Twelve Months Ended December 31, 2019		
	Depreciation and Amortization	Interest	Total
Finance lease costs			
Amortization of leased assets	$ 4,015	—	4,015
Interest on lease liabilities	—	491	491
	$ 4,015	491	4,506
Net lease costs			193,281

Supplemental balance sheet information related to leases is as follows:

	Classification	At December 31, 2019
Assets		
Operating Leases		
Right of use operating lease assets	Right of use operating lease assets	$ 323,003
Finance Leases		
Property, plant and equipment, gross	Property, plant and equipment	35,271
Accumulated depreciation	Accumulated depreciation	(5,664)
Property, plant and equipment, net	Property, plant and equipment, net	29,607
Total lease assets		$ 352,610
Liabilities		
Operating Leases		
Other current	Current operating lease liabilities	$ 101,945
Non-current	Non-current operating lease liabilities	228,155
Total operating liabilities		330,100
Finance Leases		
Short-term debt	Short-term debt and current portion of long-term debt	4,835
Long-term debt	Long-term debt, less current portion	25,214
Total finance liabilities		30,049
Total lease liabilities		$ 360,149

Maturities of lease liabilities are as follows:

As of December 31, 2019

Year ending December 31,	Finance Leases	Operating Leases	Total
2020	$ 5,355	119,745	125,100
2021	4,955	94,169	99,124
2022	4,612	66,090	70,702
2023	4,077	36,965	41,042
2024	2,894	20,118	23,012
Thereafter	10,884	26,105	36,989
Total lease payments	32,777	363,192	395,969
Less imputed interest	2,728	33,092	
Present value, Total	$ 30,049	330,100	

As of December 31, 2018

Year ending December 31,	Finance Leases	Operating Leases	Total
2019	$ 1,494	116,110	117,604
2020	1,195	93,724	94,919
2021	766	66,129	66,895
2022	562	42,247	42,809
2023	555	22,207	22,762
Thereafter	3,215	26,097	29,312
Total payments	7,787	366,514	374,301
Less amount representing interest	1,123		
Present value of capitalized lease payments	$ 6,664		

The Company had approximately $13,932 of leases that commenced after December 31, 2019 that created rights and obligations to the Company. These leases are not included in the above maturity schedule.

Lease term and discount rate are as follows:

	At December 31, 2019
Weighted Average Remaining Lease Term	
Operating Leases	4.27
Finance Leases	8.44
Weighted Average Discount Rate	
Operating Leases	3.3%
Finance Leases	1.4%

Supplemental cash flow information related to leases was as follows:

	Twelve Months Ended December 31, 2019
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	$ 127,213
Operating cash flows from finance leases	349
Financing cash flows from finance leases	3,975
Right-of-use assets obtained in exchange for lease obligations:	
Operating Leases	133,959
Finance Leases	20,464
Amortization:	
Amortization of Right of use operating lease assets [1]	109,884

[1] Amortization of Right of use operating lease assets during the period is reflected in Other assets and prepaid expenses on the Condensed Consolidated Statements of Cash Flows.

Rental expense under fixed operating leases was $127,990, $143,513 and $145,176 in 2019, 2018 and 2017, respectively.

(12) Stock-Based Compensation

The Company recognizes compensation expense for all share-based payments granted for the years ended December 31, 2019, 2018 and 2017 based on the grant-date fair value estimated in accordance with the provisions of ASC 718-10. Compensation 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 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. The grant date fair value of restricted stock and RSUs is 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.

On May 19, 2017, the Company's stockholders approved the 2017 Long-Term Incentive Plan ("2017 Plan"), which allows the Company to reserve up to a maximum of 3,000 shares of common stock for issuance upon the grant or exercise of awards under the 2017 Plan. No additional awards may be granted under the 2012 Plan after May 19, 2017.

Stock Option Plans

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

	2019	2018	2017
Options outstanding at beginning of year	63	63	91
Options exercised	—	—	(28)
Options forfeited and expired	—	—	—
Options outstanding at end of year	63	63	63
Options exercisable at end of year	63	63	63
Option prices per share:			
Options exercised during the year	$ —	—	57.34-66.14
Options forfeited and expired during the year	$ —	—	—
Options outstanding at end of year	57.34-66.14	57.34-66.14	57.34-66.14
Options exercisable at end of year	57.34-66.14	57.34-66.14	57.34-66.14

A summary of the Company's options under it's long-term incentive plans as of December 31, 2019, 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
Options outstanding, December 31, 2018	63	$ 62.86		
Granted	—	—		
Exercised	—	—		
Forfeited and expired	—	—		
Options outstanding, December 31, 2019	63	$ 62.86	1.8	$ 4,640
Vested and expected to vest as of December 31, 2019	63	$ 62.86	1.8	$ 4,640
Exercisable as of December 31, 2019	63	$ 62.86	1.8	$ 4,640

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, 2019, 2018, and 2017 was $0, $0 and $5,005, respectively. Total compensation expense recognized for the years ended December 31, 2019, 2018 and 2017 was $0 ($0, net of tax), $0 ($0, net of tax) and $6 ($4, 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, 2019 was $0.

The following table summarizes information about the Company's stock options outstanding as of December 31, 2019:

	Outstanding			Exercisable	
Exercise price range	Number of shares	Average life	Average price	Number of shares	Average price
$57.34-$57.34	23	1.15	57.34	23	57.34
$66.14-$66.14	40	2.14	66.14	40	66.14
Total	63	1.77	$ 62.86	63	$ 62.86

Restricted Stock Plans

A summary of the Company's RSUs under the Company's long-term incentive plans as of December 31, 2019, and changes during the year then ended is presented as follows:

	Shares	Weighted average grant date fair value	Weighted average remaining contractual term (years)	Aggregate intrinsic value
Restricted Stock Units outstanding, December 31, 2018	446	$ 166.56		
Granted	187	137.30		
Released	(230)	152.00		
Forfeited	(41)	189.23		
Restricted Stock Units outstanding, December 31, 2019	362	$ 158.13	1.3	$ 48,914
Expected to vest as of December 31, 2019	356		1.3	$ 48,060

The Company recognized stock-based compensation costs related to the issuance of RSUs of $23,620 ($17,479, net of taxes), $31,382 ($24,436, net of taxes) and $36,316 ($22,037, net of taxes) for the years ended December 31, 2019, 2018 and 2017, 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 $20,598 as of December 31, 2019, and will be recognized as expense over a weighted-average period of approximately 1.67 years.

Additional information relating to the Company's RSUs under the Company's long-term incentive plans are as follows:

	2019	2018	2017
Restricted Stock Units outstanding, January 1	446	555	695
Granted	187	136	154
Released	(230)	(235)	(284)
Forfeited	(41)	(10)	(10)
Restricted Stock Units outstanding, December 31	362	446	555
Expected to vest as of December 31	356	440	546

During 2019, 2018 and 2017, a total of 1 shares were awarded each year to certain non-employee directors in lieu of cash for their annual retainers.

(13) Other Expense (Income)

Following is a summary of other expense (income):

	2019	2018	2017
Foreign currency losses	(7,190)	9,613	8,395
Release of indemnification asset	(304)	4,606	4,459
Impairment of net investment in a manufacturer and distributor of Ceramic tile in China[1]	59,906	—	—
All other, net	(16,005)	(6,921)	(7,649)
Total other expense (income)	$ 36,407	7,298	5,205

[1] During 2019, the Company determined that its net investment in a manufacturer and distributor of ceramic tile in China was impaired and therefore recorded a net impairment charge of $59,906.

(14) Income Taxes

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

	2019	2018	2017
United States	$ 163,764	387,564	754,562
Foreign	585,781	661,637	563,295
Earnings before income taxes	$ 749,545	1,049,201	1,317,857

Income tax expense (benefit) for the years ended December 31, 2019, 2018 and 2017 consists of the following:

	2019	2018	2017
Current income taxes:			
U.S. federal	$ 19,936	22,700	327,697
State and local	12,659	14,521	17,811
Foreign	80,221	58,669	73,248
Total current	112,816	95,890	418,756
Deferred income taxes:			
U.S. federal	11,993	54,983	(17,419)
State and local	15,371	19,076	(3,046)
Foreign	(135,206)	14,397	(55,126)
Total deferred	(107,842)	88,456	(75,591)
Total	$ 4,974	184,346	343,165

The geographic dispersion of earnings and losses contributes to the annual changes in the Company’s effective tax rates. Approximately 22% of the Company’s current year earnings 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, Brazil, Bulgaria, France, Ireland, Italy, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Poland, Russia, Spain, the U.K. and the Ukraine. The effective tax rates that the Company accrues in these 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, 2019, 2018 and 2017 were 36.6%, 28.7%, and 43.1%, respectively, and its non-U.S. effective tax rates for the years ended December 31, 2019, 2018 and 2017 were (9.4)%, 11.0%, and 3.2%, 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 before income taxes differs from the amounts computed by applying the U.S. statutory federal income tax rate to earnings before income taxes as follows:

	2019	2018	2017
Income taxes at statutory rate	$ 157,404	220,332	461,250
State and local income taxes, net of federal income tax benefit	22,185	22,315	10,133
Foreign income taxes[(a)]	(17,276)	(39,915)	(113,520)
Change in valuation allowance	(21,975)	2,472	10,008
European Restructuring[(b)]	(136,194)	—	—
Manufacturing deduction	—	—	(11,911)
2017 revaluation of deferred tax assets and liabilities [(c)]	—	—	(150,546)
Transition Tax	—	28,201	105,165
Transition tax planning initiatives	—	(18,706)	14,825
Tax contingencies and audit settlements, net	6,686	(31,874)	23,097
Other, net	(5,856)	1,521	(5,336)
	$ 4,974	184,346	343,165

(a) Foreign income taxes include statutory rate differences, financing arrangements, withholding taxes, local income taxes, notional deductions, and other miscellaneous items. The significant decrease in foreign income taxes for 2018 is primarily due to the impact of the U.S. statutory rate reduction from 35% to 21% as a result of the Tax Cuts and Jobs Act (“TCJA”) discussed below.

(b) The Company implemented select operational, administrative and financial restructurings that centralized certain business processes and intangible assets in various European jurisdictions into a new entity. The European Restructuring resulted in a current income tax liability of $148,240, calculated in part by measuring the fair value of intangible assets transferred. The Company offset the income tax liability with the utilization of $148,240 of deferred tax assets from accumulated net operating loss carry forwards. The European Restructuring also resulted in the Company recording a $136,194 deferred tax asset, and a corresponding deferred tax benefit, related to the tax basis of the intangible assets in the new entity.

(c) 2017 revaluation of deferred tax assets and liabilities includes $106,107 related to the TCJA and $44,439 related to Belgium tax reform.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements—(Continued)

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, 2019 and 2018 are presented below:

	2019	2018
Deferred tax assets:		
Accounts receivable	$ 7,063	8,312
Inventories	50,585	47,212
Employee benefits	36,068	37,335
Accrued expenses and other	67,638	71,621
Deductible state tax and interest benefit	3,665	2,904
Intangibles	146,953	16,134
Lease liabilities	86,717	—
Federal, foreign and state net operating losses and credits	376,375	575,625
Gross deferred tax assets	775,064	759,143
Valuation allowance	(232,196)	(347,786)
Net deferred tax assets	542,868	411,357
Deferred tax liabilities:		
Inventories	(12,885)	(18,332)
Plant and equipment	(510,952)	(477,734)
Intangibles	(182,424)	(181,436)
Right of use assets	(83,271)	—
Other liabilities	(24,220)	(96,134)
Gross deferred tax liabilities	(813,752)	(773,636)
Net deferred tax liability	$ (270,884)	(362,279)

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, 2019, and 2018 is $232,196 and $347,786, respectively. The valuation allowance as of December 31, 2019 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 2019 valuation allowance was a decrease of $115,590 which includes $148,240 related to the tax liability resulting from the European Restructuring, with remaining $32,650 related to tax rate changes, foreign currency translation, and other activities. The total change in the 2018 valuation allowance was a decrease of $15,177, which includes $15,357 related to foreign currency translation.

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, 2019, the Company has state net operating loss carry forwards and state tax credits with potential tax benefits of $51,175, net of federal income tax benefit; these carry forwards expire over various periods based on taxing jurisdiction. A valuation allowance totaling $31,349 has been recorded against these state deferred tax assets as of December 31, 2019. In addition, as of December 31, 2019, the Company has credits and net operating loss carry forwards in various foreign jurisdictions with potential tax benefits of $1,549,745. A valuation allowance totaling $200,847 has been recorded against these deferred tax assets as of December 31, 2019. In 2018 the Company redeemed hybrid instruments in response to changes in global tax regimes. The changes were triggered by the EU's Base Erosion and Profit Shifting "BEPS" and Anti-Tax Avoidance Directives "ATAD" I and II initiatives. As a result of the redemption, the Company recorded an ASC 740-10 liability of $1,224,545 for the full tax effected loss in the *Tax Uncertainties* section below. This ASC 740-10-45 liability is recorded as a reduction to the related deferred tax asset in the financial statements as a result of management's determination that it is not more likely than not that the benefit will be realized.

Due to the passage of the Tax Cuts and Jobs Act ("TCJA") on December 22, 2017, the Company was required to recognize U.S. federal and state taxes on the higher of its accumulated earnings as of November 2, 2017, or December 31, 2017. The TCJA imposed U.S. tax on all post-1986 foreign unrepatriated earnings accumulated through December 31, 2017. Accordingly, as of December 31, 2018, the Company recognized $133,366 of income tax expense on its foreign earnings**.** As of December 31, 2018, the Company has recognized net income tax expense on earnings of approximately $1,936,000. As of December 31, 2019, the Company has accrued an additional $6,000 of income tax expense on additional foreign earnings of approximately $177,000. Should these earnings be distributed in the form of dividends in the future, the Company might be subject to withholding taxes (possibly offset by U.S. foreign tax credits) in various foreign jurisdictions, but the Company would not expect incremental U.S. federal or state taxes to be accrued on these previously taxed earnings. Despite the new territorial tax regime created by the TCJA, Company continues to assert that earnings of its foreign subsidiaries are permanently reinvested.

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 and penalties related to unrecognized tax benefits 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, 2019, the Company's gross amount of unrecognized tax benefits is $1,260,970, excluding interest and penalties. If the Company were to prevail on all uncertain tax positions, $29,420 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:

	2019	2018
Balance as of January 1	$ 1,330,713	65,631
Additions based on tax positions related to the current year [(a)]	2,302	1,304,447
Additions for tax positions of acquired companies	2,094	1,413
Additions for tax positions of prior years	4,744	5,098
Transition tax planning initiatives	—	(27,470)
Reductions resulting from the lapse of the statute of limitations	(2,729)	(8,110)
Reductions due to Luxembourg tax rate change	(46,841)	—
Settlements with taxing authorities	(1,929)	(9,773)
Effects of foreign currency translation	(27,384)	(523)
Balance as of December 31	$ 1,260,970	1,330,713

(a) 2018 includes tax effected loss of $1,298,737 on Luxembourg hybrid instruments redemptions. The tax effected loss was adjusted for tax rate and foreign currency translation changes in 2019, resulting in an updated balance of $1,224,545 as of December 31, 2019. This $1,224,545 of unrecognized benefit is presented as a reduction to the related deferred tax asset in the balance sheet.

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, 2019 and 2018, the Company has $12,555 and $7,184, respectively, accrued for the payment of interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the years ended December 31, 2019, 2018 and 2017, the Company accrued interest and penalties through the consolidated statements of operations of $5,368, $(1,085) and $165, respectively.

The Company believes that its unrecognized tax benefits could decrease by $6,772 within the next twelve months. The Internal Revenue Service has completed its audit of the Company's 2014 & 2015 tax years, therefore Federal income tax matters related to years prior to 2016 has been effectively settled. Various other state and foreign income tax returns are open to examination for various years.

Belgian Tax Matter

Between 2012 and 2014, the Company received assessments from the Belgian tax authority for the calendar years 2005 through 2010 in the amounts of €46,135, €38,817, €39,635, €30,131, €35,567 and €43,117 respectively, including penalties, but excluding interest. The Belgian tax authority denied the Company's formal protests against these assessments and the Company brought all six years before the Court of First Appeal in Bruges. The Court of First Appeal in Bruges ruled in favor of the Company on January 27, 2016, with respect to the calendar years ending December 31, 2005 and December 31, 2009; and on June 13, 2018, the Court of First Appeal in Bruges ruled in favor of the Company with respect to the calendar years ending December 31, 2006, December 31, 2007, December 31, 2008 and December 31, 2010. The Belgian tax authority has lodged its Notification of Appeal for all six years with the Ghent Court of Appeal. On September 17, 2019, the Company pled its case to the Ghent Court of Special (Tax) Appeals and on October 1, 2019, the Court ruled in favor of the Company, re-confirming the rulings of the Court of First Appeals in Bruges with respect to the calendar years ending December 31, 2005 and December 31, 2009.

In March 2019, the Company received assessments from the Belgian tax authority for tax years 2011 through 2017 in the amount of €40,617, €39,732, €11,358, €23,919, €30,610, €93,145 and €79,933 respectively, including penalties, but excluding interest. The Company intends to file formal protests based on these assessments in a timely manner. The assessments are largely based on the same facts underlying the positive rulings, which the Belgian tax authority may appeal.

In January 2020, the Belgian tax authority set aside its tax assessments for the years 2011 through 2017, inclusively. These assessments were still in the administrative phase of the audit. At this time, the Company is uncertain what the Belgian tax authority intends to do with these years, if anything.

The Company continues to disagree with the views of the Belgian tax authority on this matter and will persist in its vigorous defense. Nevertheless, on May 24, 2016, the tax collector representing the Belgian tax authorities imposed a lien on the Company's properties in Wielsbeke (Ooigemstraat and Breestraat), Oostrozebeke (Ingelmunstersteenweg) and Desselgem (Waregemstraat) included in the Flooring ROW segment. The purpose of the lien is to provide security for payment should the Belgian tax authority prevail on its appeal. The lien does not interfere with the Company's operations at these properties.

(15) Commitments and Contingencies

The Company had approximately $22,787 and $54,591 in standby letters of credit for various insurance contracts and commitments to foreign vendors as of December 31, 2019 and 2018, 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 14, 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.

Perfluorinated Compounds (“PFCs”) Litigation

In September 2016, the Water Works and Sewer Board of the City of Gadsden, Alabama (the “Gadsden Water Board”) filed an individual complaint in the Circuit Court of Etowah County, Alabama against certain manufacturers, suppliers, and users of chemicals containing specific PFCs, including the Company. In May 2017, the Water Works and Sewer Board of the Town of Centre, Alabama (the “Centre Water Board”) filed a similar complaint in the Circuit Court of Cherokee County, Alabama. The Gadsden Water Board and the Centre Water Board both seek monetary damages and injunctive relief claiming that their water supplies contain excessive amounts of PFCs. Certain defendants, including the Company, filed dispositive motions in each case arguing that the Alabama state courts lack personal jurisdiction over them. These motions were denied. In June and September 2018, certain defendants, including the Company, petitioned the Alabama Supreme Court for Writs of Mandamus directing each lower court to enter an order granting the defendants’ dispositive motions on personal jurisdiction grounds. The Alabama Supreme Court denied the petitions on December 20, 2019. Certain defendants, including the Company, filed an Application for Rehearing with the Alabama Supreme Court asking the Court to reconsider its December 2019 decision.

In December 2019, the City of Rome, Georgia (“Rome”) filed a complaint in the Superior Court of Floyd County, Georgia that is similar to the Gadsden Water Board and Centre Water Board complaints, again seeking monetary damages and injunctive relief related to PFCs. Also in December 2019, Jarrod Johnson filed a putative class action in the Superior Court of Floyd County, Georgia purporting to represent all water subscribers with the Rome (Georgia) Water and Sewer Division and/or the Floyd County (Georgia) Water Department and seeking to recover, among other things, damages in the form of alleged increased rates and surcharges incurred by ratepayers for the costs associated with eliminating certain PFCs from their drinking water. In January 2020, defendant 3M Company removed the class action to federal court.

The Company denies all liability in these matters and intends to defend them vigorously.

Putative Securities Class Action

The Company and certain of its present and former executive officers were named as defendants in a putative shareholder class action lawsuit filed in the United States District Court for the Northern District of Georgia. The complaint alleges that defendants violated the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making materially false and misleading statements and that the officers are control persons under Section 20(a) of the Securities Exchange Act of 1934. The complaint is filed on behalf of shareholders who purchased shares of the Company’s common stock between April 28, 2017 and July 25, 2019. The Company believes the claims are frivolous and intends to defend them vigorously.

Delaware State Court Action

The Company and certain of its present and former executive officers were named as defendants in a putative state securities class action lawsuit filed in the Superior Court of the State of Delaware on January 30, 2020. The complaint alleges that defendants violated Sections 11 and 12 of the Securities Act of 1933. The complaint is filed on behalf of shareholders who purchased shares of the Company’s common stock in Mohawk Industries Retirement Plan 1 and Mohawk Industries Retirement Plan 2 between April 27, 2017 and July 25, 2019. The Company believes the claims are frivolous and intends to defend them vigorously.

General

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.

(16) Consolidated Statements of Cash Flows Information

Supplemental disclosures of cash flow information are as follows:

	2019	2018	2017
Net cash paid (received) during the years for:			
Interest	$ 45,241	46,186	33,952
Income taxes	$ 123,974	196,193	373,900
Supplemental schedule of non-cash investing and financing activities:			
Additions to property, plant and equipment	$ 6,387	(4,672)	30,643
Fair value of net assets acquired in acquisition	$ 107,290	831,760	369,956
Liabilities assumed in acquisition	(31,053)	(257,515)	(119,157)
	$ 76,237	574,245	250,799

(17) 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, quartz, porcelain slab countertops and other products, which it distributes primarily in North America, Europe, South America 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 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 resilient (includes sheet vinyl and 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, Australia, New Zealand 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. No single customer accounted for more than 10% of net sales for the years ended December 31, 2019, 2018 or 2017.

Segment information is as follows:

	2019	2018	2017
Assets:			
Global Ceramic	$ 5,419,896	5,194,030	4,838,310
Flooring NA	3,823,654	3,938,639	3,702,137
Flooring ROW	3,925,246	3,666,617	3,245,424
Corporate and intersegment eliminations	217,884	299,837	308,982
Total	$ 13,386,680	13,099,123	12,094,853
Geographic net sales:			
United States	$ 5,822,593	6,103,789	6,035,200
Europe	2,532,239	2,582,692	2,363,069
Russia	385,395	349,220	326,075
Other	1,230,445	947,933	766,946
Total	$ 9,970,672	9,983,634	9,491,290
Long-lived assets: (1)			
United States	$ 3,391,676	3,485,046	3,339,363
Belgium	1,645,104	1,663,470	1,705,947
Other	2,232,164	2,072,353	1,696,939
Total	$ 7,268,944	7,220,869	6,742,249
Net sales by product categories:			
Ceramic & Stone	$ 3,686,645	3,621,193	3,485,245
Carpet & Resilient	3,921,769	3,903,698	3,655,902
Laminate & Wood	1,501,077	1,553,032	1,519,417
Other (2)	861,181	905,711	830,726
Total	$ 9,970,672	9,983,634	9,491,290
Net sales:			
Global Ceramic	$ 3,631,142	3,552,856	3,405,100
Flooring NA	3,843,714	4,029,148	4,010,858
Flooring ROW	2,495,816	2,401,630	2,075,452
Intersegment sales	—	—	(120)
Total	$ 9,970,672	9,983,634	9,491,290

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

(2) Other includes roofing elements, insulation boards, chipboards and IP contracts.

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	2019	2018	2017
Operating income:			
Global Ceramic	$ 340,058	442,898	525,401
Flooring NA	167,385	347,937	540,337
Flooring ROW	359,428	345,801	329,054
Corporate and intersegment eliminations	(39,647)	(41,310)	(40,619)
Total	$ 827,224	1,095,326	1,354,173
Depreciation and amortization:			
Global Ceramic	$ 211,679	189,904	161,913
Flooring NA	204,689	184,455	159,980
Flooring ROW	145,417	135,350	114,794
Corporate	14,667	12,056	9,985
Total	$ 576,452	521,765	446,672
Capital expenditures (excluding acquisitions):			
Global Ceramic	$ 244,026	281,125	310,650
Flooring NA	148,820	262,676	355,941
Flooring ROW	147,118	232,949	221,763
Corporate	5,498	17,360	17,644
Total	$ 545,462	794,110	905,998

(18) Quarterly Financial Data (Unaudited)

The supplemental quarterly financial data are as follows:

	Quarters Ended			
	March 30, 2019	June 29, 2019	September 28, 2019	December 31, 2019
Net sales	$ 2,442,490	2,584,485	2,519,185	2,424,512
Gross profit	624,927	736,618	691,691	622,807
Net earnings	121,585	202,441	155,518	264,667
Basic earnings per share	1.68	2.80	2.16	3.69
Diluted earnings per share	1.67	2.79	2.15	3.68

	Quarters Ended			
	March 31, 2018	June 30, 2018	September 29, 2018	December 31, 2018
Net sales	$ 2,412,202	2,577,014	2,545,800	2,448,618
Gross profit	704,692	766,555	720,433	646,390
Net earnings	208,766	196,586	227,013	229,339
Basic earnings per share	2.80	2.64	3.03	3.07
Diluted earnings per share	2.78	2.62	3.02	3.05

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

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), which have been designed to provide reasonable assurance that such controls and procedures will meet their objectives, as of the end of the period covered by this report, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective at a reasonable assurance level for the period covered by this report.

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.

Under the supervision and with the participation of management, including the Company's Principal Executive Officer and Principal Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting as of December 31, 2019. 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. Based on the results of this evaluation, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

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.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2020 Annual Meeting of Stockholders under the following headings: "Election of Directors—Director, Director Nominee and Executive Officer Information," "—Nominees for Director," "—Continuing Directors," "—Contractual Obligations with respect to the Election of Directors", "—Executive Officers," "—Meetings and Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Audit Committee" and "Corporate Governance." The Company has adopted the Mohawk Industries, Inc. Standards of Conduct and Ethics, which applies to all of its directors, officers and employees. The standards of conduct and ethics are publicly available on the Company's website at *http://www.mohawkind.com* and will be made available in print to any stockholder who requests them without charge. If the Company makes any substantive amendments to the standards of conduct and ethics, or grants any waiver, including any implicit waiver, from a provision of the standards required by regulations of the Commission to apply to the Company's chief executive officer, chief financial officer or chief accounting officer, the Company will disclose the nature of the amendment or waiver on its website. The Company may elect to also disclose the amendment or waiver in a report on Form 8-K filed with the SEC. The Company has adopted the Mohawk Industries, Inc. Board of Directors Corporate Governance Guidelines, which are publicly available on the Company's website and will be made available to any stockholder who requests it.

Item 11. Executive Compensation

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2020 Annual Meeting of Stockholders under the following headings: "Compensation Discussion and Analysis," "Executive Compensation—Summary Compensation Table," "—Grants of Plan Based Awards," "—Outstanding Equity Awards at Year End," "—Option Exercises and Stock Vested," "—Nonqualified Deferred Compensation," "—Certain Relationships and Related Transactions," "—Compensation Committee Interlocks and Insider Participation," "—Compensation Committee Report" and "Director Compensation."

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

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2020 Annual Meeting of Stockholders under the following headings: "Executive Compensation—Equity Compensation Plan Information," and "—Principal Stockholders of the Company."

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

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2020 Annual Meeting of Stockholders under the following heading: "Election of Directors—Meetings and Committees of the Board of Directors," and "Executive Compensation—Certain Relationships and Related Transactions."

Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2020 Annual Meeting of Stockholders under the following heading: "Audit Committee—Principal Accountant Fees and Services" and "Election of Directors—Meetings and Committees of the Board of Directors."

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, 2019.)
*4.1	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.)
*4.2	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.)
*4.3	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.)
*4.4	Indenture, dates as of September 11, 2017, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor and U.S. Bank National Association, as trustee. (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 11, 2017.)
*4.5	First Supplemental Indenture, dated as of September 11, 2017, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor, U.S. Bank National Association, as trustee, initial registrar and transfer agent and Elavon Financial Services DAC, UK Branch, as initial paying agent and calculation agent. (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 11, 2017.)
*4.6	Second Supplemental Indenture, dated as of May 18, 2018, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor, U.S. Bank National Association, as trustee, registrar and transfer agent and Elavon Financial Services DAC, UK Branch, as paying agent and calculation agent. (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 18, 2018.)
*4.7	Third Supplemental Indenture, dated as of September 4, 2019, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor, U.S. Bank National Association, as trustee, registrar and transfer agent and Elavon Financial Services DAC, as paying agent. (incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K dated September 4, 2019.)

*10.1	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.)
*10.2	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.)
*10.3	Second Amended and Restated Credit Facility, dated October 18, 2019, 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 October 18, 2019.)

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

*10.4	Service Agreement dated December 18, 2018, by and between Mohawk International Services BVBA and Comm. V. “Bernard Thiers”. (Incorporated by reference to Exhibit 10.18 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.)
*10.5	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 6, 2009.)
*10.6	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.).
*10.7	General Release and Separation Agreement, dated as of November 12, 2018, by and between Brian Carson and Mohawk Carpet, LLC (Incorporated by reference to Exhibit 10.21 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.)
*10.8	Employment Agreement dated December 29, 2018, by and between Mohawk Carpet, LLC and Paul F. De Cock (Incorporated by reference to Exhibit 10.22 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.)
*10.9	Transition Agreement, dated January 14, 2019, by and between Frank H. Boykin and Mohawk Industries, Inc. (Incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K dated January 14, 2019.)
*10.10	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 in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2015.)
*10.11	Mohawk Industries, Inc. Non-Employee Director Stock Compensation Plan (Incorporated herein by reference to Exhibit 10.22 in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2017.)
*10.12	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.)
*10.13	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.)
*10.14	Mohawk Industries, Inc. 2017 Incentive Plan (incorporated herein by reference to Annex B of the Company’s Definitive Proxy Statement on Schedule 14A (File No. 001-13697) filed with the Securities and Exchange Commission on April 6, 2017.)
21	Subsidiaries of the Registrant.
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.
95.1	Mine Safety Disclosure pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act
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.

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.

February 28, 2020	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.

February 28, 2020	/s/ JEFFREY S. LORBERBAUM **Jeffrey S. Lorberbaum,** *Chairman and Chief Executive Officer* *(principal executive officer)*
February 28, 2020	/s/ GLENN LANDAU **Glenn Landau,** *Chief Financial Officer and Executive Vice President* *(principal financial officer)*
February 28, 2020	/s/ JAMES F. BRUNK **James F. Brunk,** *Vice President and Corporate Controller* *(principal accounting officer)*
February 28, 2020	/s/ FILIP BALCAEN **Filip Balcaen,** *Director*
February 28, 2020	/s/ BRUCE C. BRUCKMANN **Bruce C. Bruckmann,** *Director*
February 28, 2020	**John M. Engquist,** *Director*
February 28, 2020	/s/ RICHARD C. ILL **Richard C. Ill,** *Director*
February 28, 2020	/s/ JOSEPH A. ONORATO **Joseph A. Onorato,** *Director*
February 28, 2020	/s/ WILLIAM H. RUNGE III **William Henry Runge III** *Director*
February 28, 2020	/s/ KAREN A. SMITH BOGART **Karen A. Smith Bogart,** *Director*
February 28, 2020	/s/ W. CHRISTOPHER WELLBORN **W. Christopher Wellborn,** *Director*

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

A&S Energie NV	Belgium
A&U Energie NV	Belgium
Aladdin Manufacturing Corporation	DE
Aladdin Manufacturing of Alabama, LLC	AL
Aladdin Manufacturing Of New York, LLC	NY
Avelgem Green Power CVBA	Belgium
Avon Pacific Holdings Ltd	New Zealand
B&M NV	Belgium
Berghoef GmbH	Germany
Berghoef-Hout B.V.	Netherlands
BGE Mexico, S. de R. L. de C.V.	Mexico
Bienes Raices y Materiales del Centro, S. de R.L. de C.V.	Mexico
C.F. Marazzi S.A.	Luxembourg
Canterbury Spinners Ltd	New Zealand
Carpet Foundation Ltd	New Zealand
Cevotrans BV	Netherlands
Céramus Bahia S/A – Produtos Cerâmicos	Brazil
Dal Italia LLC	DE
Dal-Elit, LLC	TX
Dal-Tile Chile Comercial Limitada	Chile
Dal-Tile Colombia S.A.S.	Colombia
Dal-Tile Corporation	PA
Dal-Tile Distribution, Inc.	DE
Dal-Tile Group Inc.	DE
Dal-Tile I, LLC	DE
Dal-Tile Industrias, S. de R.L. de C.V.	Mexico
Dal-Tile International Inc.	DE
Dal-Tile Mexico Comercial S. de R.L. de C.V.	Mexico
Dal-Tile Mexico, S. de R.L. de C.V.	Mexico
Dal-Tile of Canada ULC	BC, Canada
Dal-Tile Operaciones Mexico S. De R.L. De C.V.	Mexico
Dal-Tile Perú SRL	Peru
Dal-Tile Puerto Rico, Inc.	Puerto Rico
Dal-Tile Services, Inc.	DE
Dal-Tile Shared Services, Inc.	DE
Dal-Tile Tennessee, LLC	DE
DT Mex Holdings, LLC	DE
DTM/CM Holdings, LLC	DE
Dynea NV	Belgium
Eliane Ceramic Tiles (U.S.A.), Inc.	TX
Eliane S/A - Revestimentos Cerâmicos	Brazil
Emil Group Asia Limited	Hong Kong
Emil Russia OOO	Russian Federation
Emilamerica, Inc.	DE

Emilceramica India Pvt Ltd.	India
Emilceramica S.r.l	Italy
Emilgermany GmbH	Germany
Everel s.r.o.	Czechia
F.I.L.S. Investments Unlimited Company	Ireland
Feltex Carpets Ltd	New Zealand
Feltex Carpets Pty Ltd	Australia
Feltex New Zealand Ltd	New Zealand
Flooring Foundation Ltd	New Zealand
Flooring Industries Limited S.à r.l.	Luxembourg
Flooring XL B.V.	Netherlands
Floorscape Limited	New Zealand
Floorsome GmbH	Germany
Godfrey Hirst & Co Pty Ltd	Australia
Godfrey Hirst Australia Pty Ltd	Australia
Godfrey Hirst NZ Ltd	New Zealand
International Flooring Systems S.à r.l.	Luxembourg
International Vinyl Company - Vostok OOO	Russian Federation
Irkutsk-Kerama ZAO	Russian Federation
IVC BV	Belgium
IVC Far-East Trading (Shanghai) Co. Ltd.	China
IVC France S.à r.l.	France
IVC Green Power BVBA	Belgium
IVC Group GmbH	Germany
IVC GROUP LIMITED	United Kingdom
IVC Luxembourg S.à r.l.	Luxembourg
IVC Rus OOO	Russian Federation
IVC US, Inc.	GA
KAI Keramica Ltd	Greece
KAI Mining EOOD	Bulgaria
Kerama Baltics OOO	Latvia
Kerama Marazzi OOO	Russian Federation
Kerama Marazzi Ukraine OOO	Ukraine
KERAMA-SPB. OOO	Russian Federation
Khan Asparuh - Transport EOOD	Bulgaria
Khan Asparuh AD	Bulgaria
Khan Omurtag AD	Bulgaria
Koninklijke Peitsman B.V.	Netherlands
Management Co EAD	Bulgaria
Marazzi Acquisition S.r.l.	Italy
Marazzi France Trading S.A.S.	France
Marazzi Group S.r.l.	Italy
Marazzi Group Trading (Shanghai) Co. Ltd.	China
Marazzi Iberia S.L.U.	Spain
Marazzi Middle East FZ LLC	Dubai
Marazzi Schweiz S.A.G.L.	Switzerland
MG China Trading Ltd.	Hong Kong
MI Finance SRL	Barbados
Mohawk Assurance Services, Inc.	GA
Mohawk Canada Corporation	NS, Canada
Mohawk Capital Finance S.A.	Luxembourg

Mohawk Capital Luxembourg SA	Luxembourg
Mohawk Carpet Distribution, Inc.	DE
Mohawk Carpet Transportation Of Georgia, LLC	DE
Mohawk Carpet, LLC	DE
Mohawk Commercial, Inc.	DE
Mohawk ESV, Inc.	DE
Mohawk Europe BVBA	Belgium
Mohawk Factoring II, Inc.	DE
Mohawk Factoring, LLC	DE
Mohawk Finance S.à r.l.	Luxembourg
Mohawk Foreign Acquisitions S.à r.l.	Luxembourg
Mohawk Foreign Funding S.a.r.l	Luxembourg
Mohawk Foreign Investments, Inc.	DE
Mohawk Global Activities S. à r.l.	Luxembourg
Mohawk Global Financing S.à r.l.	Luxembourg
Mohawk Global Holdings S.à r.l.	Luxembourg
Mohawk Global Investments S.à r.l.	Luxembourg
Mohawk Holdings International B.V.	Netherlands
Mohawk International (Europe) S.à r.l.	Luxembourg
Mohawk International (Hong Kong) Limited	Hong Kong
Mohawk International Capital N.V.	Netherlands
Mohawk International Financing S.a.r.l	Luxembourg
Mohawk International Holdings (DE), LLC	DE
Mohawk International Holdings S.à r.l.	Luxembourg
Mohawk International Luxembourg S.à r.l.	Luxembourg
Mohawk International Netherlands B.V.	Netherlands
Mohawk International Services BV	Belgium
Mohawk KAI Luxembourg Holding S.à r.l.	Luxembourg
Mohawk KAI Luxembourg S.à r.l.	Luxembourg
Mohawk Luxembourg Capital S.A.	Luxembourg
Mohawk Luxembourg Financing S.à r.l.	Luxembourg
Mohawk Luxembourg Holdings S.à r.l.	Luxembourg
Mohawk Luxembourg Investments S.à r.l.	Luxembourg
Mohawk Luxembourg Pacific S.à r.l.	Luxembourg
Mohawk Marazzi International BV	Netherlands
Mohawk Marazzi Russia BV	Netherlands
Mohawk Operaciones Mexicali S. de R.L. de C.V.	Mexico
Mohawk Operations Luxembourg S.à r.l.	Luxembourg
Mohawk Pacific Investments S.à r.l.	Luxembourg
Mohawk Resources, LLC	DE
Mohawk Singapore Private Limited	Singapore
Mohawk Trading (Shanghai) Co., Ltd	China
Mohawk Unilin Luxembourg S.à r.l.	Luxembourg
Mohawk United International B.V.	Netherlands
Mohawk Vinyl Financing S.à r.l.	Luxembourg
Molber Beheer B.V.	Netherlands
Monarch Ceramic Tile, Inc.	TX
Orelshtamp OOO	Russian Federation
Pergo Holding BV	Netherlands
Pergo India Pvt Ltd	India
Polcolorit S.A.	Poland

Premium Floors Australia Pty Limited	Australia
S.C. KAI Ceramics SRL	Romania
SIBIR KERAMA OOO	Russian Federation
Stroyagromekhzapchast ChaO	Ukraine
Stroytrans OAO Orelstroy	Russian Federation
Summit Wool Spinners Ltd	New Zealand
The Flooring Federation Ltd	New Zealand
Tiles Co OOD	Bulgaria
Unilin (Malaysia) Sdn. Bhd.	Malaysia
Unilin ApS	Denmark
Unilin Arauco Pisos Ltda.	Brazil
Unilin Beheer BV	Netherlands
Unilin BV	Belgium
Unilin Distribution Ukraine LLC	Ukraine
Unilin Distribution, Ltd.	United Kingdom
Unilin Finland OY	Finland
Unilin Flooring India Private Limited	India
Unilin Flooring SAS	France
Unilin GmbH	Germany
Unilin Holding BV	Belgium
Unilin Insulation BV	Netherlands
Unilin Insulation GmbH	Germany
Unilin Insulation SAS	France
Unilin Insulation Sury SAS	France
Unilin Italia S.R.L.	Italy
Unilin Nordic AB	Sweden
Unilin North America, LLC	DE
Unilin Norway AS	Norway
Unilin OOO	Russian Federation
Unilin Panels SAS	France
Unilin s.r.o.	Czechia
Unilin SAS	France
Unilin Spain SL	Spain
Unilin Swiss GmbH	Switzerland
World International, Inc.	Barbados
Xtratherm Limited	Ireland
Xtratherm SPRL	Belgium
Xtratherm UK Limited	United Kingdom
YENISEI-KERAMA OOO	Russian Federation
YUGRA-KERAMA OOO	Russian Federation

Certain subsidiaries are omitted pursuant to Item 601(b)(21)(ii) of Regulation S-K.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Mohawk Industries, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-219716) on Form S-3 and (No. 333-219717, No. 333-143370, No. 333-181363 and No. 333-213078) on Form S-8, of Mohawk Industries, Inc. of our reports dated February 28, 2020, with respect to the consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries as of December 31, 2019 and 2018, 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, 2019, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2019, which reports appear in the December 31, 2019 annual report on Form 10-K of Mohawk Industries, Inc. Our report refers to a change to the method of accounting for leases as of January 1, 2019 due to the adoption of ASU 2016-02, *Leases*, and subsequently issued additional ASUs amending this ASU (collectively ASC 842, *Leases*).

/s/ KPMG LLP

Atlanta, Georgia
February 28, 2020

EXHIBIT 31.1

CERTIFICATIONS

I, Jeffrey S. Lorberbaum, certify that:

1. I have reviewed this annual report on Form 10-K of Mohawk Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ Jeffrey S. Lorberbaum

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Glenn Landau, certify that:

1. I have reviewed this annual report on Form 10-K of Mohawk Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ Glenn Landau

Glenn Landau
Chief Financial Officer and Executive Vice President

EXHIBIT 32.1

Statement of Chief Executive Officer of
MOHAWK INDUSTRIES, INC.
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Mohawk Industries, Inc. (the “Company”) on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey S. Lorberbaum, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeffrey S. Lorberbaum

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer

February 28, 2020

EXHIBIT 32.2

Statement of Chief Financial Officer of
MOHAWK INDUSTRIES, INC.
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the annual report of Mohawk Industries, Inc. (the "Company") on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Glenn Landau, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Glenn Landau

Glenn Landau
Chief Financial Officer and Executive Vice President

February 28, 2020

Exhibit 95.1

Mine Safety Disclosure

The following disclosures are provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

Mine Safety Information

Whenever the Federal Mine Safety and Health Administration (“MSHA”) believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, may be reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA inspector(s) assigned.

The following table includes information required by the Act for the twelve months ended December 31, 2019.

Mine (Federal Mine Safety and Health Administration (MSHA) ID)	Total # of Significant & Substantial violations under §104(a)	Total # of orders under §104(b)	Total # of unwarrantable failure citations and orders under §104(d)	Total # of violations under §110(b)(2)	Total # of orders under §107(a)	Total dollar value of proposed assessments from MSHA ($ in thousands)	Total # of mining related fatalities	Received Notice of Pattern of Violations under §104(e) (yes/no)?	Received Notice of Potential to have Pattern under §104(e) (yes/no)?	Total # of Legal Actions Pending with the Mine Safety and Health Review Commission as of the Last Day of Period	Legal Actions Initiated or Resolved During Period
TP Claims 1&2/Rosa Blanca (4100867)	2	—	1	—	—	(a)	—	No	No	—	—
Allamore Mill (4100869)	3	—	—	—	—	(a)	—	No	No	—	—
Wild Horse Plant (4101527)	3	—	—	—	—	(a)	—	No	No	—	—

[a] The total dollar value of proposed assessments from MSHA is $14 for three locations.

Capability Statement

COMPANY OVERVIEW

Mohawk Industries is the world's largest flooring manufacturer and distributor. As a global leader, we have the capability to offer the largest selection of flooring in the industry. Mohawk Group is the commercial division of Mohawk Industries. We offer exceptional floorcovering solutions for all environments, markets and price points. No matter the size or complexity of your floorcovering challenge, we have what it takes to meet your needs.

CORE CAPABILITIES

- **Total Flooring Solutions –** Mohawk's vertically integrated manufacturing and distribution processes provide leading quality, service and value in the production of carpet, rugs, ceramic tile, wood, laminate, stone and resilient flooring. Mohawk will get you the flooring you need, when and where you need it.

- **Segment & Industry Expertise –** Mohawk Group is committed to designing performance-driven floors for all the places you work, learn, heal, shop, travel and play. We approach flooring with solutions to your challenges in mind. Not only are we experts on flooring, but our teams are experts on flooring that respond to the needs of various segments delivering world-class project results and turnkey service for any project.

- **MohawkOne –** MohawkOne is a single, integrated solution for your entire flooring project. That means one source of accountability and one contact working to reduce associated risks. We execute and custom-manage every detail, from ordering to scheduling, installing to maintaining.

- **Global Capabilities –** Our Global Strategic Accounts group is a dedicated team of professionals who have the expertise, capabilities and resources to seamlessly coordinate your flooring solutions and services anywhere in the world.
    - 15 Countries with Manufacturing Facilities
    - 160+ Countries with Sales and Operations
    - 37,800+ associates
    - 25,000 customers worldwide

DIFFERENTIATORS

- **Sustainability –** At Mohawk Group, we hold ourselves to the highest standards of sustainability. This means taking a comprehensive approach in our initiatives and then constantly challenging ourselves to do better. We are the largest recycler in the flooring industry, our hard and soft surface flooring meet the highest standard in green building certifications and we have the most certified RedList Free products than any other flooring manufacturer.

- **5 Pillars –** Believe in Better. It's our commitment to you. It's our relationship with you—how our entire company is designed to support you at every step of your journey based upon five pillars: design, innovation, sustainability, project solution and operational excellence.

Capability Statement

- **Awards & Recognitions –** Mohawk Group has an extensive list of awards and recognitions receiving over 30 in 2018 alone, including the BGIS Sustainable Product Award, the Floor Covering News Award of Excellence, Commercial Carpet and the USGBC Leadership Award.

CONTRACTS

Mohawk Group is a vendor on numerous federal, state and local contracts, including

GSA Contract Holder	OMNIA Partners	Sourcewell	NASPO ValuePoint
Contract # GS-03F-077AA	**Contract # R171702**	**Contract # 121715-MCD**	**Contract # MA2283**

PAST PROJECTS

Mohawk Group is the largest carpet supplier to the Federal Government and a supporter of SBA, Service Disabled and 8A partnerships around the country. Our clients and partnerships include:

- Air Force BPA
- Census
- EPA
- Council on Competitiveness
- Operation Finally Home Flooring Sponsor
- Building for America's Bravest Flooring Sponsor

COMPANY CONTACT INFORMATION

NAICS Code: 314110
160 South Industrial Blvd.
Calhoun, GA 30701
800.554.6637
www.mohawkgroup.com

Mohawk Group
160 S. Industrial Blvd | Calhoun, GA 30701
800 554 6637 | www.mohawkgroup.com

Government/Education Customers

Entity Name - Berryessa Union School District
Entity Type - K-12 School District
State / Province - San Jose, CA
Scope of Work- Install Labor and Material in six schools
Size of Transactions - $2.3 million
Dollar Volume Past Three Years - $3.8 million

Entity Name - Cupertino Union School District
Entity Type - K-12 School District
State / Province - San Jose CA
Scope of Work - Labor and Material in seven schools within the district
Size of Transactions - $1.3 million
Dollar Volume Past Three Years - $1.5 million

Entity Name - Dept. of Management Services
Entity Type - Government / Public Spaces
State / Province - Tallahassee & Gainesville, FL
Scope of Work - Labor Only for DOH Bldg. 2585
Size of Transactions - $216,391
Dollar Volume Past Three Years - $1,272,230

Entity Name - Pasco County
Entity Type - County Spaces
State / Province - Florida
Scope of Work - Labor and materials for Tech School
Size of Transactions - $127,035
Dollar Volume Past Three Years - $1,398,426

Entity Name - Coller County
Entity Type - County Spaces
State / Province - Florida
Scope of Work - Labor and Materials for Offices
Size of Transactions - $359,384
Dollar Volume Past Three Years - $1,036,236

Soft Surface Adhesive Matrix

<table>
<tr><th></th><th>Product</th><th>Product Description</th><th>SKU</th><th>Size/Pkg</th><th>Spread Rate</th><th>Pallet Quantity</th></tr>
<tr><td rowspan="3">Tile Adhesives & Accessories</td><td>EnPress</td><td>Pressure Sensitive Releasable for EcoFlex ICT, NXT & NXT AIR Carpet Tile and Plank (80% RH and 5–9 pH)</td><td>M004</td><td>4 Gal Bucket</td><td>Carpet Tiles/Planks (ICT & NXT) - 3/8" Nap Roller - 140-160 SY
Carpet Tiles/Planks (NXT AIR) - 1/16"x1/32"x1/32" U-notch Trowel - 100-120 SY
Double Stick Pad to Floor - 1/16"x1/16"x1/16" Square Notch Trowel - 65-88 SY</td><td>48 Pails</td></tr>
<tr><td>PermaLInk</td><td>Adhesive film used to install EcoFlex ICT Carpet Tile over direct-glue, broadloom carpet</td><td>A067B</td><td>Rolls
27' ¾" x 195'</td><td>50sy</td><td>-</td></tr>
<tr><td>FlexLok Tabs</td><td>Installation tabs used to install EcoFlex ICT (80% RH and 5–9 pH) and EcoFlex NXT (no moisture testing required and 5–12 pH) Carpet Tile</td><td>FLXTB</td><td>Box of 500 tabs</td><td>24"x24" Square Tiles
Monolithic - 150 SY
Ashlar - 100 SY
Planks
Monolithic - 110 SY
Basket weave, Herringbone, Ashlar - 60 SY
Square Tiles & Planks
Mono Stepping, Half Lap, Brick Ashlar, Random, Herringbone - 100 SY
24"x48" Carpet Tiles
All methods - 150 SY
(Tabs to be placed at the corners *and* at 24" on the long side of tile)</td><td>250 Boxes</td></tr>
<tr><td rowspan="2">Broadloom Adhesives</td><td rowspan="2">NuBroadlok Premium Plus</td><td>Spread adhesive for Broadloom and Woven</td><td>B0020</td><td>4 Gal Bucket</td><td>1/8"x1/8"x1/8" U-notch Trowel - 32-40 SY
or
1/8"x1/8"x1/16" V-notch Trowel - 32-40 SY</td><td>48 Buckets</td></tr>
<tr><td>For Double Stick Installations Carpet to Pad</td><td>B0020</td><td>4 Gal Bucket</td><td>Synthetic Fiber Pad - 1/8"x1/8"x1/16" U-notch - 12-20 SY
Solid Rubber or Urethene Pad - 1/8"x1/8"x1/16" U-notch - 20-28 SY</td><td>48 Buckets</td></tr>
<tr><td>Floor Sealer</td><td>OptiSeal</td><td>One Coat Moisture Sealer
and
Adhesive/Cutback Sealer
(90% RH–11 pH)</td><td>M003</td><td>4 Gal Bucket</td><td>As a Moisture Sealer: 3/4" Nap Roller - 80-100 SY
As a Adhesive/Cutback Sealer: 3/8" Nap Roller - 120-140 SY</td><td>48 Buckets</td></tr>
<tr><td rowspan="5">Seam/Edge Sealers</td><td rowspan="2">NuBroadlok Latex Seam Sealer</td><td rowspan="2">For Broadloom</td><td>7702B</td><td>8 oz bottle
(12 bottles/case)</td><td>100 LF/bottle</td><td>60 Cases</td></tr>
<tr><td>7030B</td><td>1-qt bottle</td><td>400 LF/bottle</td><td>36 Cases</td></tr>
<tr><td>NuBroadlok Moisture Proof Latex Seam Sealer</td><td>For Moisture Barrier Broadloom Products</td><td>LLSSB</td><td>8 oz bottle
(12 bottles/case)</td><td>100 LF/bottle</td><td>60 Cases</td></tr>
<tr><td rowspan="2">NuBroadlok Edge Sealer</td><td rowspan="2">For Broadloom and Woven</td><td>B261</td><td>8 oz bottle</td><td>100 LF/bottle</td><td>150 Boxes</td></tr>
<tr><td>B267</td><td>8 oz bottle
(12 bottles/case)</td><td>100 LF/bottle</td><td>36 Cases</td></tr>
</table>

* Unless noted, adhesive spread rates shown are per bucket or in the case of FlexLok tabs, per box of tabs.

Hard Surface Adhesive Matrix

	Product	Product Description	Moisture	SKU	Size/Pkg	Spread Rate/ Approximate Coverage
ERT Adhesives	**M99**	High strength, high tack adhesive for installing ERT and LVT planks, rubber tile and sheet and rubber stair treads	99% RH	M99	1 Gal 4 Gal	1/16" x 1/32" x 1/32" U-notch trowel 220-260 SF/Gal
LVT Adhesives	**M99**	High strength, high tack adhesive for installing ERT and LVT planks, rubber tile and sheet and rubber stair treads	99% RH	M99	1 Gal 4 Gal	1/16" x 1/32" x 1/32" U-notch trowel 220-260 SF/Gal
	M95	Premium high-strength adhesive for loose lay and glue down LVT	95% RH	M95	1 Gal 4 Gal	1/16"x1/32"x1/32" U-notch trowel 220-260 SF/Gal
	MS160	Spray adhesive with high grab and sheer strength for loose lay and glue down LVT. Allows immediate occupancy	95% RH	MS160	Spray can (6 cans/ case)	140-160 SF/spray can Depends on substrate and flooring type being installed
	M700	High-tack, high sheer strength adhesive for glue down LVT	90% RH	VA67	1 Gal 4 Gal	1/16"x1/32"x1/32" U-notch trowel 200-260 SF/Gal
Hardwood Adhesives	**M1000**	High bond strength adhesive for engineered hardwood over concrete substrates only	95% RH	M1000	4 Gal	3/8”x3/16”x3/8”x1/16” Clip-on Trowel Blade attached to top of pail (approximately 35 SF/Gal)
	M92X	Modified Moisture-Cured Urethane Adhesive for Mohawk Engineered Flooring	90% RH	M92X	4 Gal	3/16" x 1/4" x 5/16" V-Notch Trowel 200-240 SF/Gal
	GLU1	High strength, low VOC, floor glue to bond tongue and groove hardwood	n/a	GLU1	16 oz bottle	124–200 LF/bottle
Resilient Sheet Adhesives	**M99**	High strength, high tack adhesive for installing LVT and planks, rubber tile and sheet and rubber stair treads	99% RH	M99	1 Gal 4 Gal	1/16" x 1/32" x 1/32" U-notch trowel 220-260 SF/Gal
	M95	Premium high-strength adhesive for loose lay and glue down LVT	95% RH	M95	1 Gal 4 Gal	1/16"x1/32"x1/32" U-notch trowel 220-260 SF/Gal
	MS160	Spray adhesive with high grab and sheer strength for loose lay and glue down LVT. Allows immediate occupancy	95% RH	MS160	Spray can (6 cans/ case)	140-160 SF/spray can Depends on substrate and flooring type being installed
Rubber Adhesives	**AD-777**	Wet-set adhesive for rubber tile and sheet	85% RH	AWP77	1 Gal 4 Gal	1/32"x1/16"x1/32" U-notch trowel 200-250 SF/Gal
	AD-535	Epoxy adhesive for rubber tile and sheet under heavy rolling loads	85% RH	SFE35	1 Gal	1/32"x1/16"x1/32" U-notch trowel 160-200 SF/Gal
	AD-888	Epoxy Stair Nosing Caulk required for rubber stair treads over concrete, wood or metal.	80% RH	AD888	13.5 oz 2 part cartridge system	Up to 30 LF/ 3/8" bead
	Durabond	Chemical weld system for rubber tile and sheet	n/a	LOCHC	1.7 oz cartridge	up to 40 LF/Cartridge
	Product	**Product Description**	**For Use With**	**SKU**	**Size/Pkg**	**Spread Rate/ Approximate Coverage**
LVT Underlays	**AccuSound**	Provides sound reduction and moisture protection under loose lay or glue down LVT	Loose Lay/ Glue Down LVT	VU01	Roll	5 ft W x 40 ft L 200 SF/Roll
	ActiveSound	Provides acoustic improvement and subfloor correction for Clic flooring	Clic LVT	VU02	Carton	3.87 ft W x 27.85 ft L 100 SF/Ctn
Hardwood Underlay	**SilentGuard**	Floating acoustic underlayment for engineered hardwood installations. Had attached moisture barrier.	Engineered Hardwood	LU7AB	Roll	40” W x 30’ L x 0.08” H Roll 100 SF/Roll
Laminate Underlay	**SilentGuard**	Floating acoustic underlayment for commercial laminate installations. Had attached moisture barrier.	Laminate	LU7AB	Roll	40” W x 30’ L x 0.08” H Roll 100 SF/Roll

Hard Surface Adhesive Matrix

		ADHESIVE						UNDERLAYMENT		
		M99	M95	MS160	M700	M1000	M92X	AccuSound	ActiveSound	SilentGuard
Luxury Vinyl Tile	Loose Lay	X	X	X				X		
	Glue Down	X	X	X	X			X		
	Clic								X	
Enhanced Resilient Tile		X								
Resilient Sheet		X	X	X						
Laminate										X
Hardwood	Engineered					X	X			X

SMART STEP CUSHION

Hospitality Plus Tackless 40

Product Specifications

Engineered exclusively for use with carpets, Smart Step is 100% post industrial recycled content pad. It offers excellent comfort underfoot and provides support to the carpet which enhances longer life, while adding a luxurious feel to the carpet. It's non allergenic, mold and mildew proof and prevents bacteria growth. Smart Step is exceedingly durable, lightweight and easy to install. Tackless pad is perfect for stretch-in installations.

Eco-friendly - this cushion contains post industrial recycled content and is 100% recyclable. CRI Green Label Certified and will contribute to LEED® Certification under MR Credit 4.1 and 4.2, and EQ Credit 4.1 and 4.3.

Weight per Sq. Yd. ....40 oz
Roll Weight ....100 lbs/200 lbs
Thickness ....0.42" approx.
Density (ASTM 05034)................................7.4 lbs. per cubic ft.
Width ....6'/12'
Length ....60'
Tear Strength(ASTM 2261) ....29.1 lbs
Tensile Strength..303.2 lb/in^2
Break Strength ....159.2 lbs.
Elongation Tests(ASTM 05034) 71.80%
Foot Traffic (12,000 cycles)(ASTM 05252)....12.1% loss
Acoustical (ASTM E492)
20oz carpet and pad................................79
20 oz carpet, pad & ceiling tile 86
Insulation "R"factor (ASTM C518-76)...........1.271
Compression Set...4.30%
Static Load Test
1 hr recovery...91%
24 hour recovery.......................................93%
FHA/HUD UM 72-A ....Pass Class 2
Radiant Panel (ASTM E648) ....76w/cm^2-Class 1
Flammability (DOC-FF-1-70) Pill Test...........Pass
Fiber Content..100% Post Industrial Synthetic Fiber

Manufacturer warrants that its carpet cushion products are free from any defects in workmanship and material for the life of the carpet under which they are originally installed. This warranty applies only when properly installed over flat, smooth, hard surfaces on, or above grade. This warranty specifically excludes stairs and is applicable to the original purchaser of the carpet cushion only.

Should a manufacturing defect exist which affects the quality and performance of this carpet cushion, the manufacturer, as a sole and exclusive remedy, will replace, without charge, the defective cushion F.O.B. manufacturing plant. This warranty is specifically restricted to carpet cushion replacement only. This warranty does not include the cost of removal or installation.
No liability will be assumed for any consequential damage, loss or expense.

SMART STEP CUSHION

Double Stick 40

Product Specifications

Engineered exclusively for use with carpets, Smart Step is 100% post industrial recycled content pad. It offers excellent comfort underfoot and provides support to the carpet which enhances longer life, while adding a luxurious feel to the carpet. It's non allergenic, mold and mildew proof and prevents bacteria growth. Smart Step is exceedingly durable, lightweight and easy to install. Double stick pad is perfect for commercial installation.

Eco-friendly - this cushion contains pre consumer recycled content and is 100% recyclable. CRI Green Label Certified and will contribute to LEED® Certification under MR Credit 4.1 and 4.2, and EQ Credit 4.1 and 4.3.

Weight per Sq. Yd.	40 oz.
Roll Weight	100 lbs/200 lbs
Thickness	0.32" approx.
Density (ASTM 05034)	10.64 lbs. per cubic ft.
Width	6'/12'
Length	60'
Tear Strength(ASTM 2261)	84.2 lbs
Tensile Strength	303.2 lb/in^2
Break Strength	391.2 lbs.
Elongation Tests(ASTM 05034)	87.30%
Foot Traffic (12,000 cycles)(ASTM 05252)	12.1% loss
Acoustical (ASTM E492)	
20oz carpet and pad	75
20 oz carpet, pad & ceiling tile	82
Insulation "R"factor (ASTM C518-76)	1.144
Compression Set	17.90%
Static Load Test	
1 hr recovery	91%
24 hour recovery	93%
FHA/HUD UM 72-A	Pass Class 2
Radiant Panel (ASTM E648)	70w/cm^2-Class 1
Flammability (DOC-FF-1-70) Pill Test	Pass
Fiber Content	100% Post Industrial Synthetic Fiber

Manufacturer warrants that its carpet cushion products are free from any defects in workmanship and material for the life of the carpet under which they are originally installed. This warranty applies only when properly installed over flat, smooth, hard surfaces on, or above grade. This warranty specifically excludes stairs and is applicable to the original purchaser of the carpet cushion only.

Should a manufacturing defect exist which affects the quality and performance of this carpet cushion, the manufacturer, as a sole and exclusive remedy, will replace, without charge, the defective cushion F.O.B. manufacturing plant. This warranty is specifically restricted to carpet cushion replacement only. This warranty does not include the cost of removal or installation.
No liability will be assumed for any consequential damage, loss or expense.

SMARTTRED CUSHION
Double Stick 68

Product Specifications

SmartTred Double Stick Cushion is made with recycled rubber making it the environmentally friendly choice. Manufactured with the added benefit of recycled tire crumb, it can handle any volume of traffic. Make a positive impact and enjoy comfort and luxury from a high-quality carpet cushion.

The Affordable Green Choice

- Produced with recycled tires to extend the life of the carpet
- Contributes to LEED® Green Building Credits for recycled content, regional materials and low-emitting materials
- High performance backing contains materials from responsible reforestation program
- Carpet and Rug Institute Green Label Plus approved for indoor air quality. Certified ZERO VOC

Quality Assurance

- High density construction for superior carpet performance and comfort underfoot
- Superior performance backing for strength, durability and quality installation
- Can be installed above or below grade and over radiant heat
- Will not cause carpet to stretch and buckle
- Contains baking soda for added deodorizing protection
- Open cell rubber for air circulation to improve maintenance
- Noise reduction

Weight per Sq. Yd.	68 oz
Roll Weight	83 lbs
Thickness	6.4 mm (0.250”)
Density	68 oz – 22 lbs/ft^3
Roll Width	1.8 mm (6 ft)
Roll Size	20 yd^2
Type	Recycled Tires
Content	100% Virgin SBR Synthetic Rubber with Recycled Tire Crumb
Backing	High Performance / TEXTRON®
Color	Black
Application	Commercial
Uses	Wall-to-Wall Carpet and Area Rugs
Hypo-Allergenic	Yes
Baking Soda	Yes
R-Value	0.64 / ASTM C518
Flammability (DOC-FF-1-70) Pill Test	Pass
Installations	Conventional Installation and Double Glue Installation above or below grade and over radiant heat
CMHC	Approved
CGSB specification	20-GP-23a Type 2
Warranty	Guaranteed for the useful life of the original carpet when installed wall-to-wall

Manufacturer warrants that its carpet cushion products are free from any defects in workmanship and material for the life of the carpet under which they are originally installed. This warranty applies only when properly installed over flat, smooth, hard surfaces on, or above grade. This warranty specifically excludes stairs and is applicable to the original purchaser of the carpet cushion only.

Should a manufacturing defect exist which affects the quality and performance of this carpet cushion, the manufacturer, as a sole and exclusive remedy, will replace, without charge, the defective cushion F.O.B. manufacturing plant. This warranty is specifically restricted to carpet cushion replacement only. This warranty does not include the cost of removal or installation. No liability will be assumed for any consequential damage, loss or expense.

MohawkOne

Streamline your process. Mitigate risk.
Let Mohawk Group manage your entire flooring project.

Flooring projects can be complicated. When something goes wrong, it costs you time and money. Why risk it?

The answer is simple. MohawkOne is a single, integrated solution for your entire flooring project. That means one source of accountability and one contact working to reduce associated risks. We execute and custom-manage every detail, from ordering to scheduling, installing to maintaining. Smarter, simpler, more efficient and cost-effective.

It's all based on the specific needs of your project, managed through a single point of contact.

FULL SERVICE

- Fully coordinated planning and management of your entire flooring project
- End-to-end supply chain to meet all customers' needs
- One proposal and one purchase order for all services for easier accounting and record keeping
- Professional estimating to insure correct order quantities and to avoid waste and extra cost
- Products and solutions to address site preparation
- Local project management including the coordination of quality and trusted installers
- Extended installation warranty
- Storage solutions and accurate tracking through warehousing and inventory management
- Maintenance training and post-care support
- Ongoing reporting including scheduled report outs and benchmarking for internal business review

CUSTOMIZED + COMPREHENSIVE

We'll develop your customized project strategy while delivering the right products for the right space. Our comprehensive portfolio of flooring products fits every need, including carpet tile, broadloom and woven carpet, as well as LVT, rubber, resilient sheet, ceramic tile, laminate and hardwood. Rely on our award winning design and design services. Reduce costs with national agreements that leverage purchasing volume.

OCCUPIED SOLUTIONS

Our furniture lift system, speed and procedural flexibility allow you to achieve all of your project goals without interrupting the work environment. Your business keeps running, your staff keeps working, and your profits stay up while your flooring goes down.

Contact your Mohawk Group account executive to hear how MohawkOne can simplify your flooring needs.

MohawkOne

800.554.6637 mohawkgroup.com mohawkone@mohawkind.com

Customer Purchasing Agreement

<name of company> & Mohawk Carpet Distribution, Inc.

Purpose

The purpose of this Customer Purchasing Agreement (Agreement) is to document the purchasing terms between Mohawk Carpet Distribution, Inc. (Mohawk) located at 160 S Industrial Blvd., Calhoun, GA 30701 and **<name of company>** located at ________ regarding the sale, pricing, delivery and service of carpet by Mohawk to various operating divisions. This Agreement includes all **<name of company>** properties in North America.

Duration of Agreement

This Agreement shall be in effect **DATE** and will expire **DATE** subject to the right of either party to terminate this Agreement anytime upon thirty (30) days advance written notice to the other party. The termination of this Agreement shall not affect purchase orders, or performance by either party, which are placed prior to termination. This Agreement may be renewed thereafter on annual increments with written consent of both parties.

Pricing

Prices are FOB Mill and do not include freight, taxes, padding or installation, per exhibit A. Prices are firm for the duration of the agreement, unless there is an industry-wide increase in the cost of raw materials. Pricing will be reviewed on an annual basis and any necessary increases will be communicated in writing 60 days prior to the effective date of such increase.

Delivery

Allow one week for shipment of stock carpet for all **<name of company>** properties located in the lower 48 US states. Allow six weeks for shipment of product not in stock for all properties located in the lower 48 US states. Custom product delivery will be quoted upon placement of order. All deliveries and orders are subject to Mohawk Terms and Conditions of Sale.

Carpet Installation

Coordination of blue print take-off, sale of pad, and installation should be done using an experienced contractor and is the responsibility of **<name of company>** to secure. Mohawk can recommend Mohawk-certified independent contractors upon request.

Ordering Procedure

A. Contact Mohawk Customer Service (877-235-0453) with the style, quantity and shipping address.

B. An authorized purchase order will be required from **<name of company>** or it's assigned representative. Commercial contract flooring dealers are authorized assignee's.

Terms

Payment terms are net 30 days.

Samples

Carpet samples/folders will be distributed directly to all properties as requested.

Mohawk Group Contacts
Corporate Headquarters:
Mohawk Flooring Center
160 S Industrial Blvd.
Calhoun, GA 30701

Name
RVP, Strategic & Global Customers
Phone
email

Notification of Agreement

<name of company> will notify its [purchasing/facilities/corporate real estate] offices and [A&D Firms & General Contractors] of the existence of this Agreement.

Warranty and Warranty Claims

Seller's liability shall be limited to the express warranties set forth in Seller's written warranties applicable to the products except where local law provides otherwise. No officer, employee, agent or representative of Mohawk has the authority to assure on behalf of Mohawk any greater liability for breach of warranty than that described in Mohawk's written warranties.

Contingency

Neither of the parties hereto shall be held responsible for any loss, damage, or delay in furnishing or accepting any of the material hereunder caused by fires, strikes, embargoes, government requirements, civil or military authorities, Acts of God or by the public enemy, inability to secure material or transportation facilities, acts or omissions of carriers or other causes beyond control of the parties hereto.

Reporting

Mohawk will provide **<name of company>** with an analysis of its carpet purchases on a timely basis, as required. The analysis will indicate yardage and volume purchased by locations.

Installation Training

Mohawk reserves the right to review and certify all approved **<name of company>** commercial flooring contractors prior to installing any Mohawk products on any project.

Terms and Conditions

Mohawk Industries, Inc. and its Subsidiaries and Affiliates Terms and Conditions of Sale form a part of this Agreement, are incorporated herein by reference, and are available at https://mohawkind.com/_pdf/MOHAWK_INDUSTRIES_PO_Terms_and_Conditions.pdf

Agreement

The undersigned parties have executed this Agreement with the full understanding of the above stated terms and conditions.

<name of company>	**Mohawk Carpet Distribution, Inc.**
By:______________________________	**By:**__________________________
Signature:______________________	**Signature:**____________________
Title:_____________________________	**Title:**_________________________
Date:_____________________________	**Date:**_________________________

EXHIBIT A – PRICING

MohawkONE
GLOBAL SOLUTIONS FROM MOHAWK GROUP

Installation Services Warranty

Mohawk Carpet Distribution, Inc. ("Mohawk Group") warrants that the installation of products purchased from and installed by Mohawk Group will be free from defects and/or faulty workmanship for a period of two (2) years from the date of installation completion. This warranty covers installation defects and/or faulty workmanship only and does not include the products themselves, which are the subject of a separate written warranty.

This installation warranty excludes problems caused by factors beyond Mohawk's control, including improper maintenance, defects in the substrate or abuse of the flooring. If, within the warranted period, defects and/or faulty workmanship should occur, Mohawk will, as the sole and exclusive remedy for breach of this installation warranty, reinstall the product at Mohawk's expense or, at Mohawk's option, refund the purchase price.
MOHAWK SHALL NOT BE LIABLE FOR AND WILL NOT PAY CONSEQUENTIAL, INCIDENTAL, OR SPECIAL DAMAGES OF ANY KIND WHATSOEVER UNDER THIS INSTALLATION WARRANTY.
If a dispute arises out of or relates to this installation warranty, or the breach thereof, and if said dispute cannot be settled through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitratiion Association under its Commercial Mediation Rules in Atlanta, GA.

Customer Purchase Order No: ______________________ **Mohawk Invoice #:** ______________

Customer Name: ______________________

Project Area: ______________________

Project Address: ______________________

City, State, & Zip Code: ______________________

Mohawk Installation Partner: ______________________

Contact Name: ______________ **Title:** ______________

Contact Phone: ______________ **E-mail:** ______________

Contact Fax: ______________

Install Completion Date: ______________

Mohawk Group
160 S. Industrial Blvd | Calhoun, GA 30701
800-554-6637 | www.mohawkgroup.com

Carpet Tile Warranty

Limited Commercial Lifetime Warranty

This limited warranty applies only to the original purchaser of Mohawk Group* carpet tiles for indoor commercial installations. This warranty applies only to product constructed with the following backing and fiber systems:

Backings: EcoFlex® ICT, EcoFlex® NXT, EcoFlex® NXTAir, and EcoFlex® Matrix

Fibers: Colorstrand, Duracolor, Antron or other Mohawk Group nylon fiber systems

The use of Mohawk Group branded adhesives is required to ensure optimum results and are the only approved adhesives warranted by Mohawk Group. Failure to use Mohawk Group branded adhesives will result in warranties being null and void. Substrates must be prepared using Mohawk Group's recommended floor preparation procedures.

Provided the designated carpet has been properly installed and maintained in the specified commercial location in strict accordance with Mohawk Group's instructions and procedures and subject to the limitations set forth herein, including the specifications and manufacturing tolerances established for the product, Mohawk Group warrants to the original Owner, the following:

I. Items Under Warranty

Mohawk Group warrants the following for the normal useful life of the carpet**:

1. **Wear –** Carpet tiles will not wear more than 10% of their surface pile weight from abrasive wear. "Abrasive wear" means fiber loss from the carpet tiles through normal abrasion, not crushing or flattening of the carpet pile in any area, nor staining, soiling, fading, or change in carpet appearance, nor fiber loss due to abnormal usage of the carpet tiles;
2. **Static –** Carpet tiles will not give static discharges in excess of 3.5 KV when tested under AATCC Test Method 134 (Step);
3. **Edge Ravel/Zippering –** Carpet tiles will not edge ravel or zipper;
4. **Delamination** Carpet tiles will not delaminate (Chair pads are recommended for maximum appearance retention and to deter delamination); and
5. **Dimensional Stability –** Carpet tiles will not lose their dimensional stability per the AACHEN test ISO 2551.

II. Limitations – This warranty does not include:

1. Disfigurement or damage caused by abnormal use or any damage to the carpet not arising out of a manufacturing defect in the carpet, including such disfigurement or damage as tears, burns, pulls, cuts, floods, excessive alkalinity, excessive moisture, installation on stairs, damage resulting from improper cleaning agents or methods, neglect, or damage in transit;
2. Edge ravel where carpet is cut for access to floor outlets and around trench header ducts;
3. Abuse by any athletic equipment such as roller skates, ski boots, or golf shoes;
4. Differential fading from light exposure, shading, pile crush, dye lot differences,or soiling;
5. Any condition that would have been visible upon inspection prior to the installation;
6. Any condition resulting from other than ordinary wear or from any use for which the product was not designed; and
7. Any issues related to moisture and alkalinity in the substrate. Moisture and pH testing are not the responsibility of Mohawk Group.

III. Owner Obligation

1. Owner must submit notice of all claims under this warranty to Mohawk Group within a reasonable time after discovery of the alleged defect and within the specified warranty period.
2. Claims must be submitted at www.mohawknet.com or in writing and delivered to the following:
   Mohawk Group
   Attention: Claims Department
   508 East Morris St.
   P.O. Box 1448
   Dalton, GA 30721
3. If Mohawk Group determines that carpet is to be replaced or repaired under the terms of this warranty, all areas must be free of all equipment, furnishings, partitions, and the like at the Owner's expense.

IV. Warranty Remedies

1. After receipt of proper written notice of the claim, Mohawk Group may designate a representative to inspect the carpet with the Owner's representative.
2. Subject to the above warranty limitations and Owner's obligations, Mohawk Group shall, at its sole discretion, repair or replace the affected carpet or refund the proportional purchase price for the affected area.
3. Any replacement will be made with a comparable product selected by Mohawk Group from the current Mohawk Group running line. However, Mohawk Group's obligation shall not include the reimbursing of any indirect costs or incidental or consequential damages, however incurred. By way of example and not limitation, damages arising from the interruption of use of the spaces affected or expenses in removing furniture or equipment from the affected area shall not be included in its obligation.
4. The remedies provided in connection with this limited warranty are expressly in lieu of any other remedies provided under any other express or implied warranty, INCLUDING ANY WARRANTY BY MODEL OR SAMPLE AND ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, and of any other obligation on the part of Mohawk Group. This warranty supersedes any additional or inconsistent warranty(ies) set by the dealer, Owner, or any third party. In no event shall Mohawk Group be liable for any incidental or consequential damages. No modification of this warranty shall be effective unless in writing and signed by an authorized representative of Mohawk Group.

Please Note: Some States do not allow the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty lasts. The above limitation or exclusion may not apply in some situations.

This warranty provides the Owner specific legal rights, and the Owner may also have other rights which vary from state to state. Except for these rights, the remedies provided under this warranty state the limit of Mohawk Group responsibilities.

V. Mediation/Arbitration:

1. If a dispute arises out of or relates to this warranty, or the breach thereof, and if said dispute cannot be settle through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules in Atlanta, Georgia before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this warranty, or breach thereof, shall be finally settled by arbitration administered by the American Arbitration Association in Atlanta, Georgia and in accordance with its Commercial Arbitration Rules and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
2. Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.
3. The arbitrator(s) shall be appointed as provided in the American Arbitration Association Commercial Arbitration Rules.

4. In rendering the award, the arbitrator(s) shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Georgia.

** Mohawk Group is a division of Mohawk Carpet Distribution, Inc.*

*** "For the normal useful life of the carpet" is defined as the life of the carpet with equitable adjustment to reflect the value of the Owner's use of the carpet. This warranty is not transferrable.*

ColorStrand® Warranty

This limited warranty applies only to the purchaser of Mohawk Group* carpets for indoor commercial installations. This warranty applies only to those products produced with Colorstrand® fibers specifically designated by Mohawk Group.

Provided the designated carpet, manufactured with Colorstrand® fibers, has been properly installed and maintained in the specified commercial location in strict accordance with Mohawk Group's instructions and procedures and subject to the limitations set forth herein, including the specifications and manufacturing tolerances established for the product, Mohawk Group warrants to the original Owner, the following:

Items Under Warranty

Mohawk Group warrants the following for the normal useful life of the carpet**:

1. Wear – Carpet will not wear more than 10% of their surface pile weight from abrasive wear. "Abrasive wear" means fiber loss from the carpet through normal abrasion, not crushing or flattening of the carpet pile in any area, nor staining, soiling, fading, or change in carpet appearance, nor fiber loss due to abnormal usage of the carpet;
2. Static – Carpet will not give static discharges in excess of 3.5 KV when tested under AATCC Test Method 134 (Step); and
3. Colorfastness to Light – Carpets will resist change color due to sunlight exposure to exceed the equivalent of 4.0 on the gray scale for color change as measured in accordance with AATCC Method 16E.

Mohawk Group warrants the following for ten (10) years from the date of invoice†:

1. Colorfastness to Atmospheric Contaminants – Carpets will resist change color due to atmospheric contaminants (Ozone and Nitrous Oxides) as measured by AATCC 164 and AATCC 129. Tested carpet will not rate less than a 3.0 rating on the grey scale for color change.
2. Stain – Carpet will resist permanent stains caused by spills of all conventional acid based substances per the AATCC Gray Scale for Evaluation Change in Color. This is not a cleaning contract. In order to make a claim under this warranty, the Owner must have attempted to remove the stain within three (3) working days after occurrence of the spill, and notify Mohawk Group immediately if the stain removal is unsuccessful. If, in testing and analysis performed by Mohawk Group, and subject to the other limitations set forth herein, the tested carpet or the cleaned area is found to have a rating of less the 8 under the AATCC Gray Scale for Evaluation Change in Color, Mohawk Group will pay for the attempted removal of the stain and replace the original carpet in the affected area up to 100 times the size of the stain. If the stain is successfully removed per Mohawk Group's recommended procedures, all stain removal costs will be the responsibility of the Owner. This warranty applies only to designated products that contain 100% solution dyed yarns.

Limitations – This warranty does not include:

1. Disfigurement or damage caused by abnormal use or any damage to the carpet not arising out of a manufacturing defect in the carpet, including such disfigurement or damage as tears, burns, pulls, cuts, floods, excessive alkalinity, excessive moisture, installation on stairs, damage resulting from improper cleaning agents or methods, neglect or damage in transit;
2. This warranty specifically excludes general soiling, discoloration, appearance change, due to pile distortion, and exposure to substances or contaminants which degrade or destroy nylon yarn or the color of the carpet. Also, this warranty specifically excludes carpet which has been surface treated with materials not recommenced or approved by Mohawk Group, or which has been subjected to abnormal use or conditions or to cleaning agents or maintenance methods not recommended or approved by Mohawk Group;
3. Abuse by any athletic equipment such as roller skates, ski boots, or golf shoes;

4. Differential fading from light exposure, shading, pile crush, dye lot differences, or soiling;
5. Any condition that would have been visible upon inspection prior to the installation; and
6. Any condition resulting from other than ordinary wear or from any use for which the product was not designed.

Owner Obligation

1. Owner must submit notice of all claims under this warranty to Mohawk Group within a reasonable time after discovery of the alleged defect and within the specified warranty period.
2. Claims must be submitted at www.mohawknet.com or in writing and delivered to the following:

   Mohawk Group
   Attention: Claims Department
   508 East Morris St.
   P.O. Box 1448
   Dalton, GA 30721

3. If Mohawk Group determines that carpet is to be replaced or repaired under the terms of this warranty, all areas must be free of all equipment, furnishings, partitions, and the like at the Owner's expense.

Warranty Remedies

1. After receipt of proper written notice of the claim, Mohawk Group may designate a representative to inspect the carpet with the Owner's representative.
2. Subject to the above warranty limitations and Owner's obligations, Mohawk Group shall, at its sole discretion, repair or replace the affected carpet or refund the proportional purchase price for the affected area.
3. Any replacement will be made with a comparable product selected by Mohawk Group from the current Mohawk Group running line. However, Mohawk Group's obligation shall not include the reimbursing of any indirect costs or incidental or consequential damages, however incurred. By way of example and not limitation, damages arising from the interruption of use of the spaces affected or expenses in removing furniture or equipment from the affected area shall not be included in its obligation.
4. The remedies provided in connection with this limited warranty are expressly in lieu of any other remedies provided under any other express or implied warranty, INCLUDING ANY WARRANTY BY MODEL OR SAMPLE AND ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, and of any other obligation on the part of Mohawk Group. This warranty supersedes any additional or inconsistent warranty(ies) set by the dealer, Owner, or any third party. In no event shall Mohawk Group be liable for any incidental or consequential damages. No modification of this warranty shall be effective unless in writing and signed by an authorized representative of Mohawk Group.

Please Note: Some States do not allow the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty lasts. The above limitation or exclusion may not apply in some situations. This warranty provides the Owner specific legal rights, and the Owner may also have other rights which vary from state to state. Except for these rights, the remedies provided under this warranty state the limit of Mohawk Group responsibilities.

Mediation/Arbitration:

1. If a dispute arises out of or relates to this warranty, or the breach thereof, and if said dispute cannot be settle through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules in Atlanta, Georgia before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this warranty, or breach thereof, shall be finally settled by arbitration administered by the American Arbitration Association in Atlanta, Georgia and in accordance with its Commercial Arbitration Rules and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
2. Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

3. The arbitrator(s) shall be appointed as provided in the American Arbitration Association Commercial Arbitration Rules.
4. In rendering the award, the arbitrator(s) shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Georgia.

*Mohawk Group is a division of Mohawk Carpet Distribution, Inc.

** “For the normal useful life of the carpet” is defined as the life of the carpet with equitable adjustment to reflect the value of the Owner’s use of the carpet. This warranty is not transferrable.

† This ten (10) year warranty is subject to an equitable adjustment to reflect the value of the Owner’s use of the carpet. This warranty is not transferrable

Commercial Resilient Sheet Flooring Limited Warranties

Mohawk Group Resilient Commercial Limited Warranty Chart

Period	Warranties						
	Manufacturing Defects Warranty	Contract & Expansion Resistant Warranty	Curl-Crack-Rip-Tear-Gouge Resistant Warranty	Scuff Resistant Warranty	Household Stain Resistant Warranty	Yellowing Stain Resistant Warranty	Wear Resistance Warranty
TEN YEARS	•	•	•	•	•	•	•

Details and Definitions of Commercial Limited Warranties

Warranties as defined below ensure that your commercial resilient sheet products will perform properly for normal commercial use (defined below) for the stated warranty period when installed in accordance with the Mohawk Group Commercial Installation Guide over approved substrates and underlayments and using the recommended adhesives and seam sealers with proper cleaning and maintenance

Manufacturing Defects Warranty: Mohawk Group warrants that your floor will be free of obvious visible manufacturing defects.

Contract & Expansion Resistant Warranty: Mohawk Group warrants that your floor will not contract or expand, excluding areas of extreme localized temperature variations.

Curl-Crack-Rip-Tear-Gouge Resistant Warranty: Mohawk Group warrants that your floor will not curl, crack rip, tear or gouge from normal commercial use.

Scuff Resistant Warranty: Mohawk Group warrants that your floor will not permanently scuff from shoe soles.

Common Stain Resistant Warranty: Mohawk Group warrants that your floor will not permanently stain from common household products, excluding permanent marker, permanent dyes and finishing stains.

Yellowing Stain Resistant Warranty (on products with a polyurethane lacquer): Mohawk Group warrants that your floor will not permanently stain or yellow from foot traffic, including asphalt track off. *

Wear Resistance Warranty: Mohawk Group warrants your floor will not wear through the wear layer under normal commercial conditions and proper maintenance. **

* A floor discolored due to asphalt track off will be replaced only one time. If the replacement floor fails in the same manner, the site conditions may not be acceptable for the installation of resilient sheet

** "Wear through" is defined as: Complete loss of the wear layer so that the printed pattern or design is altered. Gloss reduction is not considered wear and is not covered by this warranty. See Commercial Care and Maintenance Guide for further details and instructions.

General Commercial Limited Warranty Conditions and Owner Obligations

The warranties only extend to the original end user and are not transferable.

In order to maintain and protect your coverage under the terms of these warranties, it is the Owner's obligation to adhere to the following:

1. Know which warranties apply to your particular resilient sheet flooring.

2. Keep proof of your purchase in the form of a bill, invoice or statement from your Mohawk Group retailer/contractor that shows the date and price you paid for the resilient sheet flooring (including labor).
3. Understand that Mohawk Group warrants first quality products—which are used only for recommended commercial use—will perform properly for the stated warranty period when installed in accordance with the **Mohawk Group Commercial Resilient Sheet Installation Guide** over approved substrates and underlayments and using the **recommended adhesives and seam sealers.** The warranty period, when valid, begins on the date of the original installation.

"Normal commercial use" is defined as use in environments that experience normal commercial traffic, such as those outlined in the Application Chart below. Applications considered "industrial" do not qualify for warranty coverage. If there is a question as to the type of use that is considered "commercial," please contact your Mohawk Group representative prior to purchase and installation.

Light Commercial Building Type	Examples of Business Type Commercial Use	Recommended Application
HEALTHCARE	Hospitals, Med Clinics, Retirement Centers, Doctors' Offices, Hospice, Assisted Living, Professional Offices	All Non-required "Clean Room" Areas, Corridors, Patient Rooms, Lobby, Waiting Rooms, Cafeterias, Exam Rooms
CORPORATE	Offices, Banks	Offices, Hallways, Lobby, Reception Areas, Bathrooms, Break Rooms, Conference Rooms
RETAIL	Main Street, Boutiques, Chain Retail Stores, Grocery Stores	Dressing Rooms, Corridors, Restrooms, Entire Store (excluding Commercial Kitchens)
MULTI-FAMILY HOUSING	Apartments, Condos, Military Housing	Any Room in these segments will be suitable, including common areas *
HOSPITALITY	Hotel, Motel, Restaurants, Fast Food, Theme Parks	Guest Rooms, Corridors, Lobby, Restrooms, Hallways, Changing Rooms
EDUCATION	Daycare, Preschool, Elementary and Secondary Learning, Universities, Libraries	Corridors, Dorms, Common Areas, Cafeterias, Classrooms, Auditoriums, Libraries, Restrooms

* Products are recommended for use in commercial settings in multi-family housing, including main corridors, lobbies, facility hallways, break rooms, offices, etc., and installed in accordance with Mohawk Group Commercial Resilient Sheet Installation Guide.

4. Use Mohawk Group recommended adhesives and seam sealers when installing resilient sheet flooring, including Mohawk M95.0 Permanent Adhesive for Resilient Sheet, Mohawk MS160 Spray Adhesive and Infuze Seam Sealer.
5. Ensure resilient sheet flooring is installed in an environment that maintains a temperature range between 65° to 85° Fahrenheit (18° and 29° Celsius) 24 hours before, during and after installation.
6. Inspect flooring material prior to installation for any imperfections or manufacturing related defects. Mohawk Group floorings receive extensive testing and visual examination in an attempt to assure your shipped floor is always first quality. It is the responsibility of the installer/end user to confirm the received material is free of any obvious visible conditions that may be detrimental to the appearance and/or performance of the product.
   - Minor color, shade and/or texture variations are normal. Any variances between actual material, product samples and/or brochures should be addressed with the manufacturer prior to installation.

   Support furniture with wide, weight-bearing, smooth non-staining plastic floor protectors or non-staining felt pads. The protectors/pads should be at least one inch in diameter and rest flat on the floor. The heavier the item, the wider the floor protector should be. Non-staining felt pads should be inspected periodically and maintained with respect to the amount of foot traffic to remove embedded material to avoid abrasion.
7. Perform proper cleaning and maintenance regularly and as needed. See Commercial Care and Maintenance Guide for details.

What is NOT covered by this warranty

1. Product sold by the manufacturer as other than "first quality."
2. **Improper Installation:** Material installed not in accordance with Mohawk Group Commercial Resilient Sheet Installation Guide, including any and all problems caused by the use of non- recommended adhesive or seam sealer, underlayment and/or preparation of the substrate, is not warranted. Installation errors are not manufacturing-related conditions. Mohawk Group does not warrant installer workmanship.
3. Mohawk Group will not pay for labor costs to repair or replace material with visible conditions that were apparent before installation.
4. Improper maintenance that results in loss of gloss or buildup of a dulling film.
5. Damage resulting from neglect or misuse of strong detergents, chemicals or corrosives, including but not limited to stains from paints, dyes, mats, fertilizers or other similar materials.
6. Damage caused by moving appliances or heavy furniture or equipment without protecting the floor. (Always protect floor by using plywood or hardboard runways when moving heavy objects, and also when using an appliance dolly or heavy objects equipped with wheels or rollers, including two- or four-wheel carts, etc.).
7. Damage resulting from accidents, casualty events, abuse or improper usage (including pet- related damage, such as chewing, digging, clawing, etc.). Accidents, abuse and improper usage are defined as but are not limited to damage caused by: casters on furniture, rotating beater bars on vacuum cleaners, burns, cuts, impact from heavy and sharp objects, narrow or spike heels, cleats, etc., as well as damage resulting from unprotected furniture legs.
8. Damage caused by appliance or plumbing leaks.
9. Damage resulting from neglect or misuse of strong detergents, chemicals or corrosives, including but not limited to stains from paints, dyes, mats, fertilizers or other similar materials.
10. Fading, discoloration or other damage due to excessive temperatures or sunlight. Radiant heat must not exceed 85° F (29° C) and be approved by the manufacturer for the use of their product with resilient sheet flooring applications.

11. Problems or damage due to excessive moisture or hydrostatic pressure from the subfloor including pH levels outside the Mohawk Group Commercial Installation Guide.*
12. Discoloration caused by use of latex or rubber-backed floor mats. **NOTE** that some synthetic backed carpets contain latex in the manufacturing process that may discolor your resilient sheet. Always use mats marked as "non-staining."
13. Damage caused by remodel- or construction-related activities.
14. Discoloration caused by wheeled traffic. Mohawk Group does not recommend the use of casters on commercial resilient sheet flooring without appropriate chair pads.
15. Discoloration caused by rubber pads, rubber wheels, rubber tires, rubber rollers, automotive tires, etc.
16. Flooring installed on stairs is excluded from warranty coverage.
17. Installation of Residential products that are not approved for Commercial settings. Mohawk Group recommends installation of only commercially warranted products in commercial settings. If there is a question as to which products qualify as "Residential", "Light Commercial" or "Commercial", contact your Mohawk Group representative or call the Technical Services Department at 888-833-6954.

* The installation manual is reviewed on a regular basis, and floors must be installed according to the recommendations that are current and available at the time of installation.

Warranty Remedy

If your Mohawk Group floor fails to perform as stated in this warranty brochure, Mohawk Group will determine whether to repair the defective area or supply new Mohawk Group material of the same color, design or grade if available. If the same product is unavailable or discontinued, Mohawk Group reserves the right to select and supply similar Mohawk Group material. Mohawk Group reserves the right to have a Certified Inspector determine unknown causes.

1. If Mohawk Group authorizes repairs or replacement of a section as a result of a warranty claim, you will be required to clear any items placed over the affected area subsequent to the original installation. Mohawk Group will not credit or reimburse cost associated with the removal of those items.
2. Mohawk Group will reimburse reasonable labor costs (up to 100%) based on a detailed statement if professional installation was paid for when the original floor was installed for years 1 and 2. For years 3 through 5, 50% of reasonable labor costs will be reimbursed if professional installation was paid for when the original floor was installed. After 5 years, there will be no reimbursement for labor charges.
3. Labor reimbursement will not be considered for installations not adhering to the Mohawk Group Commercial Resilient Sheet Installation Guidelines.
4. Warranty coverage for a replacement floor will be limited to the remaining portion of the original warranty.

Consequential or Incidental Damages

MOHAWK GROUP SHALL NOT BE LIABLE FOR AND WILL NOT PAY CONSEQUENTIAL, INCIDENTAL, OR SPECIAL DAMAGES OF ANY KIND WHATSOEVER UNDER THIS WARRANTY. THERE ARE NO WARRANTIES BEYOND THIS EXPRESSED WARRANTY. ALL OTHER WARRANTIES, INCLUDING IMPLIED WARRANTIES, WARRANTIES OF MERCHANT ABILITY OR FITNESS FOR A PARTICULAR USE ARE EXCLUDED. Some states do not permit exclusion or limitation of incidental or consequential damages, so the exclusion or limitation may not apply to you. The limited warranty gives you specific legal rights, and you may also have other rights which vary from state to state. Except for these rights, the remedies provided under these warranties state the entire limit of Mohawk Group responsibilities.

Mohawk Group Commercial Limited Warranty Proration

The following prorated schedule applies to material value for all Mohawk Group Commercial Warranty resilient sheet flooring.

Material Proration			Labor Reimbursement Proration (Reasonable Labor Costs)	
10 YEARS	1st Year 100% 2nd Year 100% 3rd Year 100% 4th Year 100% 5th Year 90%	6th Year 70% 7th Year 50% 8th Year 30% 9th Year 15% 10th Year 10%	1st Year up to 100% 2nd Year up to 100% 3rd Year up to 50%	4th Year up to 50% 5th Year up to 50% 6th+ Year 0%

How to File a Claim

If you find a defect or other matter covered by any of the limited warranties described previously, promptly notify the retailer who sold you the floor covering material. The retailer will review and if necessary file a claim with Mohawk Group and help you answer any questions you may have.

After a warranty claim is properly filed, Mohawk's service coordinator will designate a representative to evaluate the warranty claim. This warranty is conditioned upon your reasonable cooperation with Mohawk Group and its service coordinator and representative in the evaluation of your warranty claim and the implementation of any remedy.

What You'll Need

Proof of your purchase in the form of a bill, invoice or statement from your Mohawk Group retailer that shows the date and price you paid for the vinyl flooring (including labor).

Duracolor® Warranty

This limited warranty applies only to the original purchaser of Mohawk Group* carpet for indoor commercial installations. This warranty applies only to those Duracolor® products specifically designated by Mohawk Group.

Provided the designated carpet has been properly installed and maintained in the specified commercial location in strict accordance with Mohawk Group's instructions and procedures and subject to the limitations set forth herein, including the specifications and manufacturing tolerances established for the product, Mohawk Group warrants to the original Owner, the following:

I. ITEMS UNDER WARRANTY

Mohawk Group warrants the following for the normal useful life of the carpet[†]:

1. **Wear** – Carpet will not wear more than 10% of its surface pile weight from abrasive wear. "Abrasive wear" means fiber loss from the carpet through normal abrasion, not crushing or flattening of the carpet pile in any area, nor staining, soiling, fading, or change in carpet appearance, nor fiber loss due to abnormal usage of the carpet;
2. **Stain** – Carpets incorporating the DURACOLOR® technology will retain permanent stain protection against acid type spills as measured by General Services Administration (GSA) Test for Permanence SIN 31-8 (note 11). AATCC 175 modified by exposing sample to 100 revolutions of the Taber Abrader (1,000 gram weight per H-18 wheel) then stain testing in the abraded area. Rating of 8.0 or better on the AATCC Red 40 Stain Scale;
3. .**Colorfastness (Wet and Dry)** – Carpets incorporating the DURACOLOR® technology will resist color transfer from wear for the life of the carpet. DURACOLOR® carpets will exhibit permanent colorfastness (wet or dry) for the lifetime of the installation as measured by AATCC Test Method 165. Minimum stain ratings of 4 or better compared to AATCC Color Transference Scale;
4. **Wetfastness** – Carpets incorporating the DURACOLOR® technology will resist color change after exposure to water damage for the life of the carpet. DURACOLOR® carpets will exhibit permanent wetfastness for the lifetime of the installation as measured by AATCC Test Method 107. Minimum shade change should be no less than International Gray Scale Rating of 4; and
5. **Static Protection** – Carpets incorporating the DURACOLOR® technology will offer protection from static discharge in excess of 3.5 KV when tested under AATCC Test Method 134 (Step).

MOHAWK GROUP WARRANTS THE FOLLOWING FOR TEN (10) YEARS FROM THE DATE OF INVOICE[‡]:

6. **Lightfastness** – Carpets incorporating the DURACOLOR® technology will resist color loss from light exposure as measured by AATCC Test Method 16E–International Gray Scale. Rating after 160 AFU's (Xenon Arc) should be 3-4 or better; and
7. **Atmospheric Contaminants** – Carpets incorporating the DURACOLOR® technology will resist color loss from atmospheric contamination as measured by AATCC Test Method 129. Ozone minimum shade change rating after five cycles should be no less than International Gray Scale Rating of 3.

II. LIMITATIONS – THIS WARRANTY DOES NOT INCLUDE:

1. Disfigurement or damage caused by abnormal use or any damage to the carpet not arising out of a manufacturing defect in the carpet, including such disfigurement or damage as tears, burns, pulls, cuts, floods, excessive alkalinity, excessive moisture, installation on stairs, damage resulting from improper cleaning agents or methods, neglect, or damage in transit; cleaning agents or methods, neglect, or damage in transit;

2. This warranty specifically excludes general soiling, discoloration, appearance change due to pile distortion, and exposure to substances or contaminants which degrade or destroy nylon yarn or the color of the carpet. Also, this warranty specifically excludes carpet which has been surface treated with materials not recommenced or approved by Mohawk Group, or which has been subjected to abnormal use or conditions or to cleaning agents or maintenance methods not recommended or approved by Mohawk Group;
3. Abuse by any athletic equipment such as roller skates, ski boots, or golf shoes;
4. Differential fading from light exposure, shading, pile crush, dye lot differences,or soiling;
5. Any condition that would have been visible upon inspection prior to the installation;
6. Any condition resulting from other than ordinary wear or from any use for which the product was not designed.

III. OWNER OBLIGATION

1. Owner must submit notice of all claims under this warranty to Mohawk Group within a reasonable time after discovery of the alleged defect and within the specified warranty period.
2. Claims must be submitted at www.mohawknet.com or in writing and delivered to the following: Mohawk Group Attention: Claims Department 508 East Morris St. P.O. Box 1448 Dalton, GA 30721
3. If Mohawk Group determines that carpet is to be replaced or repaired under the terms of this warranty, all areas must be free of all equipment, furnishing, partitions, and the like at the Owner's expense.

IV. WARRANTY REMEDIES

1. After receipt of proper written notice of the claim, Mohawk Group may designate a representative to inspect the carpet with the Owner's representative.
2. Subject to the above warranty limitations and Owner's obligations, Mohawk Group shall, at its sole discretion, repair or replace the affected carpet or refund the proportional purchase price for the affected area.
3. Any replacement will be made with a comparable product selected by Mohawk Group from the current Mohawk Group running line. However, Mohawk Group's obligation shall not include the reimbursing of any indirect costs or incidental or consequential damages, however incurred. By way of example and not limitation, damages arising from the interruption of use of the spaces affected or expenses in removing furniture or equipment from the affected area shall not be included in its obligation.
4. The remedies provided in connection with this limited warranty are expressly in lieu of any other remedies provided under any other express or implied warranty, INCLUDING ANY WARRANTY BY MODEL OR SAMPLE AND ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, and of any other obligation on the part of Mohawk Group. This warranty supersedes any additional or inconsistent warranty(ies) set by the dealer, Owner, or any third party. In no event shall Mohawk Group be liable for any incidental or consequential damages. No modification of this warranty shall be effective unless in writing and signed by an authorized representative of Mohawk Group.

Please Note: Some States do not allow the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty lasts. The above limitation or exclusion may not apply in some situations.

This warranty provides the Owner specific legal rights, and the Owner may also have other rights which vary from state to state. Except for these rights, the remedies provided under this warranty state the limit of Mohawk Group responsibilities.

V. MEDIATION / ARBITRATION:

1. If a dispute arises out of or relates to this warranty, or the breach thereof, and if said dispute cannot be settled through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules in Atlanta, Georgia, before resorting to arbitration.

Thereafter, any unresolved controversy or claim arising out of or relating to this warranty, or breach thereof, shall be finally settled by arbitration administered by the American Arbitration Association in Atlanta, Georgia, and in accordance with its Commercial Arbitration Rules and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

2. Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

3. The arbitrator(s) shall be appointed as provided in the American Arbitration Association Commercial Arbitration Rules.

4. In rendering the award, the arbitrator(s) shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Georgia.

* *Mohawk Group is a division of Mohawk Carpet Distribution, Inc.*

† *"For the normal useful life of the carpet" is defined as the life of the carpet with equitable adjustment to reflect the value of the Owner's use of the carpet. This warranty is not transferable.*

‡ *This ten (10) year warranty is subject to an equitable adjustment to reflect the value of the Owner's use of the carpet. This warranty is not transferable*

Light Commercial Hardwood Flooring Limited Warranties

Limited Warranties for Prefinished Solid and Engineered Floors

MANUFACTURING DEFECTS: Mohawk Carpet Distribution, L.P., and successors or assigns ("Mohawk"), hereby warrants to the original buyer ("Buyer") the prefinished solid and engineered wood floors for light commercial use ("Mohawk Wood Floors") to be free from manufacturing defects for a period of Five Years from the date of purchase.

Hardwood is a natural product and may have naturally occurring variations in grain and color, mineral streaks and knots. The owner/installer of a Mohawk Wood Floor must use reasonable selectivity and hold out or cut off objectionable naturally occurring blemishes prior to installation.

FINISH WARRANTY: Mohawk hereby warrants to the Buyer that the factory-applied finish of the Mohawk Wood Floor will not wear through and will not lack finish-adhesion as a result of normal use for a period of Five Years from the date of purchase. Diminished gloss is not considered wear-through of the finish. In the event the finish wears through or releases from the Mohawk Wood Floor, Mohawk will, at its option, repair or replace the affected planks or area, prorated over the remaining life of this warranty.

This warranty is conditioned upon Mohawk's receipt of notice in writing from the Buyer of the alleged defect prior to expiration of the limited warranty period and evidence that the Mohawk Wood Floor is not subject to any of the limitations described below.

STRUCTURE WARRANTY (Exclusively for Prefinished Engineered Floors): Mohawk hereby warrants to the Buyer of Mohawk engineered and wood flooring products that, under normal use, the plies will not separate for a period of Five Years from the date of purchase. Mohawk will, at its option, repair or replace any defective planks showing separation during this warranty period.

Jobsite Conditions

Mohawk recommends that all Mohawk Wood Flooring be acclimated before installation. The purpose of acclimation is to allow the moisture content of the wood to adjust to "normal living conditions" at the site. These are the temperature and humidity conditions that will typically be experienced once the structure is occupied.

The room temperature must be within the range of 60 – 80°F, with relative humidity in a range of 35 – 60%. These environmental conditions are specified as pre-installation requirements and should be maintained for the life of the product. Environmental conditions consistently outside of these parameters could result in product performance problems that would not be covered under these warranties.

Limitations of Liability

In the event Mohawk determines that one or more of the above warranties apply to a claim by Buyer, Buyer's exclusive remedy and Mohawk's sole liability on any claim, whether in tort, contract, or breach of warranty, shall be limited to either (1) the repair or replacement of the defective Mohawk Wood Floor for the affected area only, or (2) the refund of the applicable purchase price. MOHAWK HEREBY DISCLAIMS ALL OTHER WARRANTIES WHATSOEVER, EXPRESSED OR IMPLIED, INCLUDED ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR

PURPOSE. IN NO EVENT SHALL MOHAWK HAVE ANY OTHER LIABILITY OR ANY MONETARY LIABILITY TO BUYER IN EXCESS OF THE PURCHASE PRICE OF THE MOHAWK WOOD FLOOR. MOHAWK EXPRESSLY EXCLUDES AND SHALL NOT BE RESPONSIBLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND.

If Mohawk shall elect to repair or replace the Mohawk Wood Floor which has proven defective, then Mohawk will supply a new Mohawk Wood Floor of the same color and grade, if available. If such a Mohawk Wood Floor is unavailable or discontinued, Mohawk reserves the right to supply a Mohawk Wood Floor of similar value and appearance.

These limited warranties do not apply to Cabin grade or other downgraded or discontinued Mohawk Wood Floors and any such product(s) are sold "as is." Any and all representations, promises, warranties or statements by Mohawk or its agents that differ in any manner from the terms of these limited warranties shall be of no force or effect unless in writing, signed by a duly authorized officer of Mohawk.

Any of the Following Shall Void and Invalidate the Above Limited Warranties:

VISIBLE DEFECTS: Boards with visible defects must not be installed. Visible defects are those defects which are apparent on the face of the flooring. Boards with visible defects must be noted by the installer and reported before installation so that replacement flooring can be furnished before installation.

BUILDING SETTLING OR UNEVEN SUBFLOOR: Building settling or uneven subfloors are considered to be part of the pre-installation inspection process. Do not install the Mohawk Wood Floor if these situations exist. Mohawk's limited warranties do not cover damage or defects caused by settling or uneven subfloors.

IMPROPER INSTALLATION: Mohawk Wood Floors must be installed in strict accordance with Mohawk's written installation instructions. Improper installation done in a way that is contrary to Mohawk's written installation instructions can cause problems with a Mohawk Wood Floor. Mohawk's limited warranties do not cover damage or defects caused by improper installation.

IMPROPER MAINTENANCE OR INADEQUATE CARE: Your Mohawk floor requires maintenance. Mohawk Wood Floors must be maintained in accordance with Mohawk's written maintenance instructions. These limited warranties do not cover damage or defects caused by improper maintenance or inadequate care.

REFINISHING: While the factory finish of the Mohawk Wood Floor may be refinished, doing so will void the Finish warranty.

ACCIDENTS, ABUSE, OR ABNORMAL WEAR: Mohawk does not warrant for damage or defects resulting from accidents, abuses or abnormal usage which stain or scratch the finish, diminish gloss or indent the surface of the Mohawk Wood Floor. Mohawk's limited warranties also do not cover damage or defects caused by heavy or concentrated foot traffic, damage by pet claws (nails) or failure to protect the Mohawk Wood Floor from sand, gravel or other abrasives by use of walk-off mats.

INDENTATIONS FROM HIGH HEELS ON SHOES: A high heel can concentrate as much as 2,000 pounds per square inch on the floor. This type of heel has a diameter of approximately 3/8", and walking on a wood surface with high heels is considered an abusive situation. Mohawk's limited warranties do not cover damage or defects caused by high heels, shoes in need of repair, or golf cleats.

PROBLEMS WITH MOISTURE OR DRYNESS: Mohawk's limited warranties do not cover damage or defects caused by wetting or the presence of excessive moisture, or by conditions which are too dry. Flooding, acts of God, plumbing accidents and leaking appliances (icemakers, dishwashers, clothes washers, etc.) are not covered by this warranty. See Mohawk's written installation instructions for more details.

EXCESSIVE LIGHTING: Mohawk's limited warranties do not cover damage or defects, including, but not limited to, color change caused by excessive sunlight or intense lighting. Excessive sunlight or intense lighting can cause color changes in the finished product. Window treatments will usually provide adequate protection against excessive sunlight or intense lighting. Additionally, due to the effects of excessive sunlight or intense lighting, new and/or replacement Mohawk Wood Floors may not match display samples and/or existing flooring.

DIFFERENCES IN SAMPLES: Mohawk's limited warranties do not cover the differences that can be seen between color samples and color of installed floors. Please approve the color of the actual Mohawk Wood Floor prior to installation.

RADIANT HEATING: Solid hardwood is not warranted of use with radiant heating systems. Engineered hardwoods may be used with radiant heating systems provided they are installed in compliance with the Mohawk's written installation instructions.

TRANSFERABILITY: These warranties apply only to the original Buyer and to the Mohawk Wood Floor in its original installation. These warranties are not transferable.

Your Obligation to Mohawk

As the Buyer of our Mohawk Wood Floor, you agree to follow all instruction, care and maintenance directions as related to the Mohawk Wood Floor.

You also agree to allow Mohawk an opportunity to repair any claimed defects. Mohawk must be given the opportunity to inspect the flooring installation prior to any removal or repair that will be submitted for warranty coverage. The original proof of purchase must be supplied along with a warranty claim submission.

How to File a Claim

If you find a defect or other matter covered by any of the limited warranties described previously, promptly notify the retailer who sold you the floor covering material. The retailer will review and if necessary file a claim with Mohawk Group and help you answer any questions you may have.

After a warranty claim is properly filed, Mohawk's service coordinator will designate a representative to evaluate the warranty claim. This warranty is conditioned upon your reasonable cooperation with Mohawk Group and its service coordinator and representative in the evaluation of your warranty claim and the implementation of any remedy.

What You'll Need

Proof of your purchase in the form of a bill, invoice or statement from your Mohawk Group retailer that shows the date and price you paid for the hardwood flooring (including labor).

Light Commercial Laminate Flooring Limited Warranties

Mohawk Group Laminate Light Commercial Limited Warranty Chart

PERIOD	WARRANTIES							
	Manufacturing Defects Warranty	Contract & Expansion Resistant Warranty	Curl-Crack-Rip-Tear-Gouge Resistant Warranty	Moisture Resistant Warranty	Scuff Resistant Warranty	Fade Resistant Warranty	Yellowing Stain Resistant Warranty	Wear Resistance Warranty
FIVE YEAR	•	•	•	•	•	•	•	•

Details and Definitions of Light Commercial Limited Warranties

Warranties as defined below ensure that your light commercial use laminate flooring products will perform properly for the stated warranty period when installed in accordance with the Mohawk Group Light Commercial Installation Guide over approved substrates and underlayments and proper cleaning and maintenance techniques have been used. "Light commercial use" is defined as use in environments such as offices, boutiques, in-house businesses and those outlined in this warranty brochure and which do not experience heavy commercial traffic.

MANUFACTURING DEFECTS WARRANTY: Mohawk Group warrants that your floor will be free of obvious visible manufacturing defects.

CONTRACT & EXPANSION RESISTANT WARRANTY: Mohawk Group warrants that your floor will not contract or expand, excluding areas of extreme localized temperature variations.

JOINT INTEGRITY: Mohawk Group warrants that the Uniclic® system will not fail.

CURL-CRACK-RIP-TEAR-GOUGE RESISTANT WARRANTY: Mohawk Group warrants that your floor will not curl, crack rip, tear or gouge from normal light commercial use.

MOISTURE RESISTANT WARRANTY: Mohawk Group warrants that your floor will not permanently discolor from topical moisture.

SCUFF RESISTANT WARRANTY: Mohawk Group warrants that your floor will not permanently scuff from shoe soles.

YELLOWING STAIN RESISTANT WARRANTY (on products with a polyurethane lacquer): Mohawk Group warrants that your floor will not permanently stain or yellow from foot traffic, including asphalt track off. *

FADE RESISTANCE: Mohawk Group warrants that your flooring will resist fading from exposure to sunlight or artificial light.

WEAR RESISTANCE WARRANTY: Mohawk Group warrants your floor will not wear through the wear layer under normal light commercial conditions and proper maintenance. †

* A floor discolored due to asphalt track off will be replaced only one time. If the replacement floor fails in the same manner, the site conditions may not be acceptable for the installation of laminate flooring.

† Wear through is defined as: Complete loss of the wear layer so that the printed pattern or design is altered. Gloss reduction is not considered wear and is not covered by this warranty. See Light Commercial Care and Maintenance Guide for further details and instructions.

General Light Commercial Limited Warranty Conditions and Owner Obligations

The warranties only extend to the original end user and are not transferable.

In order to maintain and protect your coverage under the terms of these warranties, it is the Owner's obligation to adhere to the following:

1. Know which warranties apply to your particular laminate flooring.
2. Keep proof of your purchase in the form of a bill, invoice or statement from your Mohawk Group retailer/contractor that shows the date and price you paid for the laminate flooring (including labor).
3. Understand that Mohawk Group warrants first quality products—which are used only for recommended light commercial use—will perform properly for the stated warranty period when installed in accordance with the **Mohawk Group Light Commercial Installation Guide** over approved substrates and underlayments. The warranty period, when valid, begins on the date of the original installation.

The intended applications include: Privately owned in-house businesses, such as daycare centers, doctor dentist offices and barber/beauty shops. If there is a question as to the type of use that is considered "light commercial," please contact your Mohawk Group representative prior to purchase and installation.

The above-mentioned warranties **do not apply** to the following applications:

- All food areas, such as, but not limited to, restaurants, cafeterias, bars, kitchens
- All institutional applications, such as, but not limited to, hospitals and government buildings
- Heavy commercial areas, such as, but not limited to, airports, lobbies, mall corridors, schools
- Beauty salons, barber shops, dance halls/studios, gymnasiums
- Other areas that have heavy traffic or immediate access to street traffic

Light Commercial Building Type	Examples of Business Type Commercial Use	Recommended Application
HEALTHCARE	Professional Offices, Medical Office Buildings (MOBs), Doctors' Offices	Areas not requiring aseptic conditions - Offices, Lobby, Waiting Rooms, Common Areas
CORPORATE	Offices, Banks	Offices, Hallways, Lobby, Reception Areas, Break Rooms, Conference Rooms
RETAIL	Boutiques, Art Galleries, Bookstores, Coffee Shops, Dry Cleaners, Gift Shops, Jewelry Stores, Beauty Salons, Barber Shops	Dressing Rooms, Entire Store
HOSPITALITY	Hotel, Motel	Guest Rooms
EDUCATION	Daycare	Common Areas, Classrooms, Libraries

4. Ensure laminate flooring is installed in an environment that maintains a temperature range between 65° to 85° Fahrenheit (18° and 29° Celsius) 24 hours before, during and after installation.

5. We recommend using the approved SilentGuard™ underlayments as they have been specifically designed and tested for use with our patented Uniclic® locking system. The use of other underlayments might cause damage to the Mohawk floor. In such cases, the warranty provided by Mohawk will be void. Proof of compliance with the installation and maintenance instructions recommended by the manufacturer must be provided if a claim is filed. The instructions may be viewed at www.mohawkgroup.com. Metal, vinyl or other appropriate transitions must be used for commercial applications.

6. Inspect flooring material prior to installation for any imperfections or manufacturing related defects. Mohawk Group floorings receive extensive testing and visual examination in an attempt to assure your shipped floor is always first quality. It is the responsibility of the installer/end user to confirm the received material is free of any obvious visible conditions that may be detrimental to the appearance and/or performance of the product.
   - Minor color, shade and/or texture variations are normal. Any variances between actual material, product samples and/or brochures should be addressed with the manufacturer prior to installation.

7. Support furniture with wide, weight-bearing, smooth non-staining plastic floor protectors or non-staining felt pads. The protectors/pads should be at least one inch in diameter and rest flat on the floor. The heavier the item, the wider the floor protector should be. Non-staining felt pads should be inspected periodically and maintained with respect to the amount of foot traffic to remove embedded material to avoid abrasion.

8. Perform proper cleaning and maintenance regularly and as needed. See Light Commercial Care and Maintenance Guide for details.

What Is NOT Covered by This Warranty:

1. Product sold by the manufacturer as other than “first quality.”

2. Improper Installation: Material installed not in accordance with Mohawk Group Light Commercial Installation Guide, including any and all problems caused by the use of non- recommended underlayment and/or preparation of the substrate, is not warranted. Installation errors are not manufacturing-related conditions. Mohawk Group does not warrant installer workmanship.

3. Mohawk Group will not pay for labor costs to repair or replace material with visible conditions that were apparent before installation.

4. Improper maintenance that results in loss of gloss or buildup of a dulling film.

5. Damage resulting from neglect or misuse of strong detergents, chemicals or corrosives, including but not limited to stains from paints, dyes, mats, fertilizers or other similar materials.

6. Damage caused by moving appliances or heavy furniture or equipment without protecting the floor. (Always protect floor by using plywood or hardboard runways when moving heavy objects, and also when using an appliance dolly or heavy objects equipped with wheels or rollers, including two- or four-wheel carts, etc.).

7. Damage resulting from accidents, casualty events, abuse or improper usage (including pet-related damage, such as chewing, digging, clawing, etc.). Accidents, abuse and improper usage are defined as but are not limited to damage caused by: casters on furniture, rotating beater bars on vacuum cleaners, burns, cuts, impact from heavy and sharp objects, narrow or spike heels, cleats, etc., as well as damage resulting from unprotected furniture legs.

8. Damage caused by appliance or plumbing leaks.

9. The joint integrity warranty on the Uniclic® joint only applies to permanent open joints greater than 0.01 inches (0.2mm).

10. Fading, discoloration or other damage due to excessive temperatures or sunlight.

11. Problems or damage due to excessive moisture or hydrostatic pressure from the subfloor above 75 % RH and pH levels outside the Mohawk Group Light Commercial Installation Guide. *
12. Discoloration caused by use of latex or rubber-backed floor mats. NOTE that some synthetic backed carpets contain latex in the manufacturing process that may discolor your laminate. Always use mats marked as "non-staining."
13. Damage caused by remodel- or construction-related activities
14. Discoloration caused by asphalt walk off traffic on products without a polyurethane lacquer (these products will not be warranted under our Yellowing Stain Resistant Warranty). †
15. Discoloration caused by wheeled traffic. Mohawk Group does not recommend the use of casters on light commercial laminate flooring without appropriate chair pads.
16. Discoloration caused by rubber pads, rubber wheels, rubber tires, rubber rollers, automotive tires, etc.
17. Flooring installed on stairs is excluded from warranty coverage.
18. Installation of Residential products that are not approved for Light Commercial settings. Mohawk Group recommends installation of only commercially warranted products in commercial settings. If there is a question as to which products qualify as "Residential," Light Commercial" or "Commercial," contact your Mohawk Group representative or call the Technical Services Department at 888-833-6954.
19. The damage to the product must be evident, measuring, per product unit (panel, accessory, etc.) at least 1.40 square centimeter or 0.5 square inch.
20. This warranty does not apply to damage from exposure to extreme heat, dryness, water saturation or stains as a result of chemical or industrial products (other than recommended cleaning products). The floor may not be installed in damp and/or humid areas, in extremely dry areas or areas where there are extremely high temperatures.
21. This warranty excludes damage caused by moisture left on the floor, overly wet cleaning and/or the use of inappropriate cleaning products. Prolonged water exposure could damage your laminate flooring.

* The installation manual is reviewed on a regular basis, and floors must be installed according to the recommendations that are current and available at the time of installation.

† Mohawk Group recommends non-asphalt sealers to help avoid walk off staining.

Warranty Remedy

If your Mohawk Group floor fails to perform as stated in this warranty brochure, Mohawk Group will determine whether to repair the defective area or supply new Mohawk Group material of the same color, design or grade, if available. If the same product is unavailable or discontinued, Mohawk Group reserves the right to select and supply similar Mohawk Group material. Mohawk Group reserves the right to have a Certified Inspector determine unknown causes.

1. If Mohawk Group authorizes repairs or replacement of a section as a result of a warranty claim, you will be required to clear any items placed over the affected area subsequent to the original installation. Mohawk Group will not credit or reimburse cost associated with the removal of those items.
2. Mohawk Group will reimburse reasonable labor costs (up to 100%) based on a detailed statement if professional installation was paid for when the original floor was installed for years 1 and 2. For years 3 through 5, 50% of reasonable labor costs will be reimbursed if professional installation was paid for when the original floor was installed. After 5 years, there will be no reimbursement for labor charges.
3. Labor reimbursement will not be considered for installations not adhering to the Mohawk Group Light Commercial Installation Guidelines.
4. Warranty coverage for a replacement floor will be limited to the remaining portion of the original warranty.
5. Pro Ration of Warranty Period. The 5 Year Limited Commercial warranty is pro rata over 5 years. A pro rata warranty is one that provides for a refund or credit that decreases according to a set formula as the warranty period progresses. The Mohawk original warranty value is reduced by the amount of time that you own it. When a claim is made, the value of the warranty becomes a percentage of ownership per year based upon the 5 years for the general warranty for flooring and on the integrity of the Uniclic joint. Any services provided as part of this warranty do not extend the original warranty period. If the product for which a claim is made is no longer available, the customer will be able to choose a Mohawk product of equal value from the current product range. Warranty coverage is limited to a one time floor replacement.

Consequential or Incidental Damages

MOHAWK GROUP SHALL NOT BE LIABLE FOR AND WILL NOT PAY CONSEQUENTIAL, INCIDENTAL, OR SPECIAL DAMAGES OF ANY KIND WHATSOEVER UNDER THIS WARRANTY. THERE ARE NO WARRANTIES BEYOND THIS EXPRESSED WARRANTY. ALL OTHER WARRANTIES, INCLUDING IMPLIED WARRANTIES, WARRANTIES OF MERCHANT ABILITY OR FITNESS FOR A PARTICULAR USE, ARE EXCLUDED. Some states do not permit exclusion or limitation of incidental or consequential damages, so the exclusion or limitation may not apply to you. The limited warranty gives you specific legal rights, and you may also have other rights which vary from state to state. Except for these rights, the remedies provided under these warranties state the entire limit of Mohawk Group responsibilities.

Mohawk Group Light Commercial Limited Warranty Proration

The following prorated schedule applies to material value for all Mohawk Group Light Commercial Warranty Laminate Flooring.

Material Proration		**Labor Reimbursement Proration** (Reasonable Labor Costs)
FIVE YEARS	1st Year 100%	1st Year up to 100%
	2nd Year 100%	2nd Year up to 100%
	3rd Year 50%	3rd Year up to 50%
	4th Year 50%	4th Year up to 50%
	5th Year 50%	5th Year up to 50%

How to File a Claim

If you find a defect or other matter covered by any of the limited warranties described previously, promptly notify the retailer who sold you the floor covering material. The retailer will review and if necessary file a claim with Mohawk Group and help you answer any questions you may have.

After a warranty claim is properly filed, Mohawk's service coordinator will designate a representative to evaluate the warranty claim. This warranty is conditioned upon your reasonable cooperation with Mohawk Group and its service coordinator and representative in the evaluation of your warranty claim and the implementation of any remedy.

What You'll Need

Proof of your purchase in the form of a bill, invoice or statement from your Mohawk Group retailer that shows the date and price you paid for the laminate flooring (including labor).

Light Commercial Resilient Sheet Flooring Limited Warranties

Mohawk Group Resilient Light Commercial Limited Warranty Chart

Period	Warranties							
	Manufacturing Defects Warranty	Contract & Expansion Resistant Warranty	Curl-Crack-Rip-Tear-Gouge Resistant Warranty	Moisture Resistant Warranty	Scuff Resistant Warranty	Household Stain Resistant Warranty	Yellowing Stain Resistant Warranty	Wear Resistance Warranty
TEN YEARS	•	•	•	•	•	•	•	•

Details and Definitions of Commercial Limited Warranties

Warranties as defined below ensure that your light commercial use resilient sheet products will perform properly for the stated warranty period when installed in accordance with the Mohawk Group Light Commercial Installation Guide over approved substrates and underlayments and using the recommended adhesives and seam sealers with proper cleaning and maintenance. “Light commercial use” is defined as use in environments such as offices, boutiques, in-house businesses and those outlined in this warranty brochure and which do not experience heavy commercial traffic.

Manufacturing Defects Warranty: Mohawk Group warrants that your floor will be free of obvious visible manufacturing defects.

Contract & Expansion Resistant Warranty: Mohawk Group warrants that your floor will not contract or expand, excluding areas of extreme localized temperature variations.

Curl-Crack-Rip-Tear-Gouge Resistant Warranty: Mohawk Group warrants that your floor will not curl, crack rip, tear or gouge from normal light commercial use.

Moisture Resistant Warranty: Mohawk Group warrants that your floor will not permanently discolor from moisture.

Scuff Resistant Warranty: Mohawk Group warrants that your floor will not permanently scuff from shoe soles.

Common Stain Resistant Warranty: Mohawk Group warrants that your floor will not permanently stain from common household products, excluding permanent marker, permanent dyes and finishing stains.

Yellowing Stain Resistant Warranty (on products with a polyurethane lacquer): Mohawk Group warrants that your floor will not permanently stain or yellow from foot traffic, including asphalt track off. *

Wear Resistance Warranty: Mohawk Group warrants your floor will not wear through the wear layer under normal light commercial conditions and proper maintenance. **

* A floor discolored due to asphalt track off will be replaced only one time. If the replacement floor fails in the same manner, the site conditions may not be acceptable for the installation of resilient sheet.

** Wear through is defined as: Complete loss of the wear layer so that the printed pattern or design is altered. Gloss reduction is not considered wear and is not covered by this warranty. See Light Commercial Care and Maintenance Guide for further details and instructions.

General Light Commercial Limited Warranty Conditions and Owner Obligations

The warranties only extend to the original end user and are not transferable.

In order to maintain and protect your coverage under the terms of these warranties, it is the Owner’s obligation to adhere to the following:

1. Know which warranties apply to your particular resilient sheet flooring.
2. Keep proof of your purchase in the form of a bill, invoice or statement from your Mohawk Group retailer/ contractor that shows the date and price you paid for the resilient sheet flooring (including labor).
3. Understand that Mohawk Group warrants first quality products—which are used only for recommended light commercial use—will perform properly for the stated warranty period when installed in accordance with the **Mohawk Group Light Commercial Installation Guide** over approved substrates and underlayments and using the **recommended adhesives and seam sealers.** The warranty period, when valid, begins on the date of the original installation.

The intended applications include: Privately owned in-house businesses, such as daycare centers, doctor/dentist offices and barber/beauty shops. If there is a question as to the type of use that is considered "light commercial," please contact your Mohawk Group representative prior to purchase and installation.

Light Commercial Building Type	Examples of Business Type Commercial Use	Recommended Application
HEALTHCARE	Professional Offices, Doctors' Offices	All Non-required "Clean Room" Areas - Offices, Lobby, Waiting Rooms, Exam Rooms, Common Areas
CORPORATE	Offices, Banks	Offices, Hallways, Lobby, Reception Areas, Bathrooms, Break Rooms, Conference Rooms
RETAIL	Boutiques, Art Galleries, Bookstores, Coffee Shops, Dry Cleaners, Gift Shops, Jewelry Stores, Beauty Salons, Barber Shops	Dressing Rooms, Restrooms, Entire Store
HOSPITALITY	Hotel, Motel	Guest Rooms, Restrooms
EDUCATION	Daycare	Common Areas, Classrooms, Libraries

4. Use Mohawk Group recommended adhesives and seam sealers when installing light commercial resilient sheet flooring, including Mohawk M95.0 for Resilient Sheet, MS160 Spray Adhesive and Infuze Seam Sealer.
5. Ensure resilient sheet flooring is installed in an environment that maintains a temperature range between 65° to 85° Fahrenheit (18° and 29° Celsius) 24 hours before, during and after installation.
6. Inspect flooring material prior to installation for any imperfections or manufacturing related defects. Mohawk Group floorings receive extensive testing and visual examination in an attempt to assure your shipped floor is always first quality. It is the responsibility of the installer/ end user to confirm the received material is free of any obvious visible conditions that may be detrimental to the appearance and/or performance of the product.
   - Minor color, shade and/or texture variations are normal. Any variances between actual material, product samples and/or brochures should be addressed with the manufacturer prior to installation.
7. Support furniture with wide, weight-bearing, smooth non-staining plastic floor protectors or non-staining felt pads. The protectors/pads should be at least one inch in diameter and rest flat on the floor. The heavier the item, the wider the floor protector should be. Non-staining felt pads should be inspected periodically and maintained with respect to the amount of foot traffic to remove embedded material to avoid abrasion.
8. Perform proper cleaning and maintenance regularly and as needed. See Resilient Sheet Maintenance Guide for details.

What is NOT covered by this warranty:

1. Product sold by the manufacturer as other than “first quality.”
2. **Improper Installation**: Material installed not in accordance with Mohawk Group Light Commercial Installation Guide, including any and all problems caused by the use of non- recommended adhesive or seam sealer, underlayment and/or preparation of the substrate, is not warranted. Installation errors are not manufacturing-related conditions. Mohawk Group does not warrant installer workmanship.
3. Mohawk Group will not pay for labor costs to repair or replace material with visible conditions that were apparent before installation.
4. Improper maintenance that results in loss of gloss or buildup of a dulling film.
5. Damage resulting from neglect or misuse of strong detergents, chemicals or corrosives, including but not limited to stains from paints, dyes, mats, fertilizers or other similar materials.
6. Damage caused by moving appliances or heavy furniture or equipment without protecting the floor. (Always protect floor by using plywood or hardboard runways when moving heavy objects, and also when using an appliance dolly or heavy objects equipped with wheels or rollers, including two- or four-wheel carts, etc.).
7. Damage resulting from accidents, casualty events, abuse or improper usage (including pet-related damage, such as chewing, digging, clawing, etc.). Accidents, abuse and improper usage are defined as but are not limited to damage caused by: casters on furniture, rotating beater bars on vacuum cleaners, burns, cuts, impact from heavy and sharp objects, narrow or spike heels, cleats, etc., as well as damage resulting from unprotected furniture legs.
8. Damage caused by appliance or plumbing leaks.
9. Fading, discoloration or other damage due to excessive temperatures or sunlight. Radiant heat must not exceed 85° F (29° C) and be approved by the manufacturer for the use of their product with resilient sheet flooring applications.

10. Problems or damage due to excessive moisture or hydrostatic pressure from the subfloor including pH levels outside the Mohawk Group Light Commercial Installation Guide. *
11. Discoloration caused by use of latex or rubber-backed floor mats. NOTE that some synthetic backed carpets contain latex in the manufacturing process that may discolor your resilient sheet. Always use mats marked as "non-staining."
12. Damage caused by remodel- or construction-related activities
13. Discoloration caused by asphalt walk off traffic on products without a polyurethane lacquer (these products will not be warranted under our Yellowing Stain Resistant Warranty). **
14. Discoloration caused by wheeled traffic. Mohawk Group does not recommend the use of casters on light commercial resilient sheet flooring without appropriate chair pads.
15. Discoloration caused by rubber pads, rubber wheels, rubber tires, rubber rollers, automotive tires, etc.
16. Flooring installed on stairs is excluded from warranty coverage.
17. Installation of Residential products that are not approved for Light Commercial settings. Mohawk Group recommends installation of only commercially warranted products in commercial settings. If there is a question as to which products qualify as "Residential," Light Commercial" or "Commercial," contact your Mohawk Group representative or call the Technical Services Department at 888-833-6954.

* The installation manual is reviewed on a regular basis, and floors must be installed according to the recommendations that are current and available at the time of installation.

** Mohawk Group recommends non-asphalt sealers to help avoid walk off staining.

Warranty Remedy

If your Mohawk Group floor fails to perform as stated in this warranty brochure, Mohawk Group will determine whether to repair the defective area or supply new Mohawk Group material of the same color, design or grade, if available. If the same product is unavailable or discontinued, Mohawk Group reserves the right to select and supply similar Mohawk Group material. Mohawk Group reserves the right to have a Certified Inspector determine unknown causes.

1. If Mohawk Group authorizes repairs or replacement of a section as a result of a warranty claim, you will be required to clear any items placed over the affected area subsequent to the original installation. Mohawk Group will not credit or reimburse cost associated with the removal of those items.
2. Mohawk Group will reimburse reasonable labor costs (up to 100%) based on a detailed statement if professional installation was paid for when the original floor was installed for years 1 and 2. For years 3 through 5, 50% of reasonable labor costs will be reimbursed if professional installation was paid for when the original floor was installed. After 5 years, there will be no reimbursement for labor charges.
3. Labor reimbursement will not be considered for installations not adhering to the Mohawk Group Light Commercial Installation Guidelines.
4. Warranty coverage for a replacement floor will be limited to the remaining portion of the original warranty.

Consequential or Incidental Damages

MOHAWK GROUP SHALL NOT BE LIABLE FOR AND WILL NOT PAY CONSEQUENTIAL, INCIDENTAL, OR SPECIAL DAMAGES OF ANY KIND WHATSOEVER UNDER THIS WARRANTY. THERE ARE NO WARRANTIES BEYOND THIS EXPRESSED WARRANTY. ALL OTHER WARRANTIES, INCLUDING IMPLIED WARRANTIES, WARRANTIES OF MERCHANT ABILITY OR FITNESS FOR A PARTICULAR USE, ARE EXCLUDED. Some states do not permit exclusion or limitation of incidental or consequential damages, so the exclusion or limitation may not apply to you. The limited warranty gives you specific legal rights, and you may also have other rights which vary from state to state. Except for these rights, the remedies provided under these warranties state the entire limit of Mohawk Group responsibilities.

Mohawk Group Light Commercial Limited Warranty Proration

The following prorated schedule applies to material value for all Mohawk Group Light Commercial Warranty resilient sheet flooring.

Material Proration			Labor Reimbursement Proration (Reasonable Labor Costs)	
10 YEARS	1st Year 100% 2nd Year 100% 3rd Year 100% 4th Year 100% 5th Year 90%	6th Year 70% 7th Year 50% 8th Year 30% 9th Year 15% 10th Year 10%	1st Year up to 100% 2nd Year up to 100% 3rd Year up to 50%	4th Year up to 50% 5th Year up to 50% 6th+ Year 0%

How to File a Claim

If you find a defect or other matter covered by any of the limited warranties described previously, promptly notify the retailer who sold you the floor covering material. The retailer will review and if necessary file a claim with Mohawk Group and help you answer any questions you may have.

After a warranty claim is properly filed, Mohawk's service coordinator will designate a representative to evaluate the warranty claim. This warranty is conditioned upon your reasonable cooperation with Mohawk Group and its service coordinator and representative in the evaluation of your warranty claim and the implementation of any remedy.

What You'll Need

Proof of your purchase in the form of a bill, invoice or statement from your Mohawk Group retailer that shows the date and price you paid for the vinyl flooring (including labor).

Resilient Warranty

Warranty Owner: This limited warranty extends only to the original end-user starting with all purchases made after January 1, 2014. Mohawk Group warranties are non-transferable.

Disclaimer Of Implied Warranties

ALL IMPLIED WARRANTIES WHICH MAY ARISE BY IMPLICATION OF LAW OR APPLICATION OF COURSE OF DEALING OR USAGE OF TRADE - INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE— ARE EXPRESSLY EXCLUDED. NO WARRANTIES, EXPRESS, IMPLIED, STATUTORY, OR OTHERWISE, EXTEND BEYOND THOSE EXPRESSLY SET FORTH IN THIS WARRANTY, AND ALL SUCH WARRANTIES ARE EXPRESSLY DISCLAIMED.

By implied warranties we mean warranties that the law presumes to have been given by the seller even though they are not set out in writing. PLEASE NOTE: Some states do not allow the exclusion or limitation of incidental or consequential damages, or limitations on how long an implied warranty lasts, so the above limitation or exclusion may not apply to you.

We continuously make technological advancements that improve product performance or installation techniques and methods. To insure you have the most recent copy of our installation instructions visit www.mohawkgroup.com or call Mohawk Group Technical Services at 800-833-6954.

Collection	Manufacturing Defects Warranty	Limited Commercial Wear Warranty
20 mil Glue Down LVT	2 Years	10 Years
30 mil Glue Down LVT	2 Years	20 Years
12 mil Glue Down LVT	1 Year	10 Years Light Commercial
20 mil Click or Loose Lay LVT	2 Years	10 Years
12 mil Click LVT	1 Year	6 Years
TRUE Rubber Tiles / Sheet—Mediflex	2 Years	10 Years Wear, 10 Years Colorfast Warranty
SBR Rubber Tiles / Sheet—Master Step	2 Years	10 Years

Manufacturing Defects Warranty

This warrants that all Mohawk Group resilient products as shown above will be free from defects in materials and workmanship for a specified period from date of invoice, provided that the warranty set forth shall apply only if such products are installed and maintained in accordance with the written instructions published by Mohawk. Such warranty shall be voided if such products are removed from the site of their original installation. Mohawk will not reimburse labor costs for owner installed flooring.

Terms

Within One Year: if a defect covered by this warranty is reported to Mohawk within one year of purchase, Mohawk will supply new material of similar color, pattern and quality to replace the defective material; Mohawk will also pay reasonable labor costs if original material was professionally installed.

Within Two Years: if a defect covered by this warranty is reported to Mohawk within two years of purchase, Mohawk will supply new material of similar color, pattern and quality to replace the defective material; Mohawk will also pay fifty percent of reasonable labor costs if original material was professionally installed.

Limited Commercial Wear Warranty

This warranty applies to all purchases made after Jan 1, 2014.

The Mohawk Group warrants Resilient flooring will not wear through the wear layer from normal foot traffic for a period of time as specified in the above listed chart from the original date of invoice when properly installed and maintained in accordance with Mohawk Group's recommendations.

Mohawk Group defines "Commercial" as public space areas within commercial buildings that get exposed to heavy foot traffic. Examples: include corridors, lobbies, retail stores, restaurants, elevator cabs, etc. "Light Commercial" is defined as residential spaces within commercial buildings, areas with less foot traffic including: hotel rooms, housing, small retail environments, spas, etc. Mohawk Group is happy to make recommendations, but ultimately the choice of which product to use is left to the end user, designer and flooring contractor. "Abrasive wear" is defined as the loss of wear layer from normal foot traffic so the pattern or design of the floor has been removed. Diminished gloss level isn't defined as wear through. Removal of wear layer as a result of improper cleaning agents, equipment or methods or failure to properly maintain or protect resilient flooring from damage is specifically excluded from Mohawk Group wear warranties.

Prorated Terms

If Resilient Flooring covered by this warranty is reported to Mohawk within the specified warranty period specified in the above chart, Mohawk will supply new material of similar color, pattern and quality to replace the defective material; Mohawk will also pay reasonable labor costs if material was professionally installed.

THE FOREGOING WARRANTIES ARE EXCLUSIVE AND ARE IN LIEU OF ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR PATENT OR OTHER INTELLECTUAL PROPERTY RIGHT INFRINGEMENT.

Coverage

Without limiting the generality of the foregoing, SUCH WARRANTIES DO NOT COVER:

i. Installers' workmanship or failure to properly protect floor covering before, during or after installation from scratches or other trades. (Workmanship errors should be addressed to the contractor who installed the floor.)

ii. Minor shading, color or texture between products and samples or photographs

iii. Material installed with obvious defects. Installation is considered acceptance

iv. Installation with adhesive other than those recommended by Mohawk

v. Dissatisfaction, problems or damage due to installation and/or maintenance other than as recommended by Mohawk (recommended installation and maintenance instructions are available from Mohawk at www.mohawkgroup.com at Buyer's request)

vi. Damage due to accidents, gouges, scuffs, scratches, indentations or excessive point loads

vii. Damage from high heels, spike heels or inappropriate chair casters or glides

viii. Inappropriate end-users' activities

ix. Discoloration, including but not limited to U.V. light and heat sources.(All products except TRUE Rubber)

x. Discoloration from underlayment panels, mold or mildew, rubber backed mats, asphalt or deicer tracking

xi. Dissatisfaction, problems or damage due to irregularities caused by subfloor, including but not limited to moisture, alkali, or hydrostatic pressure in subfloor; or (x) "seconds," substandards," " irregulars," or "off-goods" which are sold by Mohawk strictly on an "as is" basis. If Buyer's order is for or includes goods ("Articles") made by another manufacturer, Buyer acknowledges that Mohawk is not the manufacturer of such Articles and therefore Mohawk makes

xii. Failure of Click LVT in excessively wet areas like bathrooms.

NO EXPRESS OR IMPLIED WARRANTIES OF ANY KIND WITH RESPECT TO SUCH ARTICLES, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR PATENT OR OTHER INTELLECTUAL PROPERTY RIGHT INFRINGEMENT.

Prorated Terms

Any claim must be made within seven (7) days after purchaser learns of the facts upon which such claim is based. All claims not made in writing and received by Mohawk within the time period specified above shall be deemed waived. Any claims for surface defects or variations in color must be communicated to Mohawk in writing prior to the actual installation. If the product is already installed, then Mohawk must examine and verify the defect.

Mohawk Group
Attention: Claims Department
508 East Morris Street
P. O. Box 1448
Dalton, GA 30721

Installation / Maintenance: 800.833.6954
Website: www.mohawkgroup.com

RUBBER FLOORING
MASTER STEP & ACCESSORIES
LIMITED 10-YEAR WEAR WARRANTY

Mohawk Group warrants that Mohawk Group Master Step Rubber Flooring and Accessories will be free from defects in materials and workmanship for a period of ten years after purchase provided that the warranty set forth shall apply only if such products are installed and maintained in accordance with the written instructions published by Mohawk Group. Such warranty shall be voided if such products are removed from the site of their original installation. This warranty applies to all purchases made after March 19, 2010.

Terms

Within One Year: if a defect covered by this warranty is reported to Mohawk Group within one year of purchase, Mohawk Group will supply new material of similar color, pattern and quality to replace the defective material; Mohawk Group will also pay reasonable labor costs.

Within Two Years: if a defect covered by this warranty is reported to Mohawk Group within two years of purchase, Mohawk Group will supply new material of similar color, pattern and quality to replace the defective material; Mohawk Group will also pay fifty percent of reasonable labor costs.

After Two Years: if a defect covered by this warranty is reported to Mohawk Group after two years of purchase, Mohawk Group will supply new material of similar color, pattern and quality to replace the defective material; Mohawk Group will not pay labor costs.

THE FOREGOING WARRANTIES ARE EXCLUSIVE AND ARE IN LIEU OF ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR PATENT OR OTHER INTELLECTUAL PROPERTY RIGHT INFRINGEMENT.

Without limiting the generality of the foregoing, SUCH WARRANTIES DO NOT COVER: (i) Installers' workmanship (Workmanship errors should be addressed to the contractor who installed the floor.); (ii) minor shading, color or texture between products and samples or photographs; (iii) material installed with obvious defects; (iv) installation with adhesive other than those recommended by Mohawk Group; (v) dissatisfaction, problems or damage due to installation and/or maintenance other than as recommended by Mohawk Group (recommended installation and maintenance instructions are available from Mohawk Group at Buyer's request); (vi) damage due to accidents, gouges, scuffs, scratches or indentations; (vii) damage from high heels, spike heels or inappropriate chair casters or glides; (viii) inappropriate end-users' activities; (ix) dissatisfaction, problems or damage due to irregularities caused by subfloor, including but not limited to moisture, alkali, or hydrostatic pressure in subfloor; or (x) "seconds," "substandards," " irregulars," or "off goods" which are sold by Mohawk Group strictly on an "as is" basis.

If Buyer's order is for or includes goods ("Articles") made by another manufacturer, Buyer acknowledges that Mohawk Group is not the manufacturer of such Articles and therefore Mohawk Group makes **NO EXPRESS OR IMPLIED WARRANTIES OF ANY KIND WITH RESPECT TO SUCH ARTICLES, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR PATENT OR OTHER INTELLECTUAL PROPERTY RIGHT INFRINGEMENT.** All Articles made by another manufacturer are warranted only to the extent of the manufacturer's express warranty to Mohawk Group, which Mohawk Group will provide at Buyer's request.

Claims

All claims must be written and sent to Mohawk Group, Claims Department, P.O. Box 800 / 235 Industrial Blvd., Chatsworth GA, 30705. ALL CLAIMS FOR SURFACE DEFECTS OR VARIATIONS IN COLOR OR PATTERN MUST BE DELIVERED TO MOHAWK GROUP IN WRITING BEFORE THE ARTICLE IS INSTALLED. Mohawk Group reserves the right to accept or reject any such claim in whole or in part, and Articles as to which a claim is accepted shall be shipped to Mohawk Group at Mohawk Group's expense. Mohawk Group will not, however, accept the return of any Article without the prior written approval from the Mohawk Group Customer Service Department.

Limitations of Remedies and Damages

Mohawk Group's liability and Buyer's exclusive remedy hereunder will be limited solely to repair, replacement or credit the defective areas at Mohawk Group's discretion.

NEITHER MOHAWK GROUP NOR ITS DEALER WILL HAVE ANY MONETARY LIABILITY WHATSOEVER FOR ANY DAMAGE OR EXPENSE INCURRED IN CONNECTION WITH THIS PRODUCT, WHETHER GENERAL, SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL OR INCIDENTAL (INCLUDING WITHOUT LIMITATION DAMAGES FOR LOSS OF PROFITS, SAVINGS OR DATA) INCLUDING BUT NOT LIMITED TO LABOR COSTS OR LOST PROFITS RESULTING FROM THE USE OF OR INABILITY TO USE THE ARTICLES OR FROM THE ARTICLES BEING INCORPORATED IN OR BECOMING A COMPONENT OF ANY OTHER ARTICLE.

No person, including any representative, employee or agent of Mohawk Group is authorized to assume on behalf of Mohawk Group any liability or responsibility in addition to or different from that described above. Any and all representations, promises, warranties, or statements that are in addition to or different from the terms set out above are of no force or effect.

Please note that technical web site documents prevail.

Rubber Flooring
Medi-Flex TRUE™ & Accessories
Limited 10-year Wear Warranty

Mohawk Group warrants that Mohawk Group Medi-Flex TRUE™ rubber line will be free from defects in materials and workmanship for a period of ten years after purchase provided that the warranty set forth shall apply only if such products are installed and maintained in accordance with the written instructions published by Mohawk Group. Such warranty shall be voided if such products are removed from the site of their original installation. This warranty applies to all purchases made after June 1st, 2012.

Terms

Within One Year: if a defect covered by this warranty is reported to Mohawk Group within one year of purchase, Mohawk Group will supply new material of similar color, pattern and quality to replace the defective material; Mohawk Group will also pay reasonable labor costs.

Within Two Years: if a defect covered by this warranty is reported to Mohawk Group within two years of purchase, Mohawk Group will supply new material of similar color, pattern and quality to replace the defective material; Mohawk Group will also pay fifty percent of reasonable labor costs.

After Two Years: if a defect covered by this warranty is reported to Mohawk Group after two years of purchase, Mohawk Group will supply new material of similar color, pattern and quality to replace the defective material; Mohawk Group will not pay labor costs.

THE FOREGOING WARRANTIES ARE EXCLUSIVE AND ARE IN LIEU OF ANY OTHER WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR PATENT OR OTHER INTELLECTUAL PROPERTY RIGHT INFRINGEMENT.

Without limiting the generality of the foregoing, SUCH WARRANTIES DO NOT COVER: (i) Installers' workmanship (Workmanship errors should be addressed to the contractor who installed the floor.); (ii) minor shading, color or texture between products and samples or photographs; (iii) material installed with obvious defects; (iv) installation with adhesive other than those recommended by Mohawk Group; (v) dissatisfaction, problems or damage due to installation and/or maintenance other than as recommended by Mohawk Group (recommended installation and maintenance instructions are available from Mohawk Group at Buyer's request); (vi) appearance changes caused by spills of chemicals; (vii) not recommended or miss use of sanitizing and/or maintenance products; (viii) damage due to accidents, gouges, scuffs, scratches or indentations; (ix) damage from high heels, spike heels or inappropriate chair casters or glides; (x) inappropriate end-users' activities; (xi) dissatisfaction, problems or damage due to irregularities caused by subfloor, including but not limited to moisture, alkali, or hydrostatic pressure in subfloor; or, (xii) "seconds," "sub standards," " irregulars," or "off goods" which are sold by American Biltrite strictly on an "as is" basis.

If Buyer's order is for or includes goods ("Articles") made by another manufacturer, Buyer acknowledges that Mohawk Group is not the manufacturer of such Articles and therefore Mohawk Group makes **NO EXPRESS OR IMPLIED WARRANTIES OF ANY KIND WITH RESPECT TO SUCH ARTICLES, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR PATENT OR OTHER INTELLECTUAL PROPERTY RIGHT INFRINGEMENT**. All Articles made by another manufacturer are warranted only to the extent of the manufacturer's express warranty to Mohawk Group, which Mohawk Group will provide at Buyer's request.

Claims

All claims must be written and sent to Mohawk Group, Claims Department, P.O. Box 800 / 235 Industrial Blvd., Chatsworth GA, 30705. ALL CLAIMS FOR SURFACE DEFECTS OR VARIATIONS IN COLOR OR PATTERN MUST BE DELIVERED TO MOHAWK GROUP IN WRITING BEFORE THE ARTICLE IS INSTALLED. Mohawk Group reserves the right to accept or reject any such claim in whole or in part, and Articles as to which a claim is accepted shall be shipped to Mohawk Group at Mohawk Group's expense. Mohawk Group will not, however, accept the return of any Article without the prior written approval from the Mohawk Group Customer Service Department.

Limitation of Remedies and Damages

Mohawk Group's liability and Buyer's exclusive remedy hereunder will be limited solely to repair, replace or credit the defective areas at Mohawk Group's discretion.

NEITHER MOHAWK GROUP NOR ITS DEALER WILL HAVE ANY MONETARY LIABILITY WHATSOEVER FOR ANY DAMAGE OR EXPENSE INCURRED IN CONNECTION WITH THIS PRODUCT, WHETHER GENERAL, SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL OR INCIDENTAL (INCLUDING WITHOUT LIMITATION DAMAGES FOR LOSS OF PROFITS, SAVINGS OR DATA) INCLUDING BUT NOT LIMITED TO LABOR COSTS OR LOST PROFITS RESULTING FROM THE USE OF OR INABILITY TO USE THE ARTICLES OR FROM THE ARTICLES BEING INCORPORATED IN OR BECOMING A COMPONENT OF ANY OTHER ARTICLE.

No person, including any representative, employee or agent of Mohawk Group is authorized to assume on behalf of Mohawk Group any liability or responsibility in addition to or different from that described above. Any and all representations, promises, warranties, or statements that are in addition to or different from the terms set out above are of no force or effect.

Please note that the web site document prevails**.**

Ten Year Stain Warranty

This limited warranty applies only to purchasers of the Mohawk Group carpet for indoor commercial installations. This warranty applies only to those products specifically designated by the Mohawk Group in writing.

The use of Mohawk branded adhesives are required to ensure optimum results and are the only approved adhesives that Mohawk Industries will warrant. Failure to use Mohawk branded adhesives will result in warranties being null and void.

Provided the designated carpet has been properly installed and maintained in the specified commercial location in strict accordance with Mohawk Group's instructions and procedures and subject to the limitations set forth herein,

I. Limited Stain Warranty::

1. Mohawk Group warrants for 10 years from the date of installation, the designated carpet, when installed and maintained as recommended by Mohawk Group, will resist permanent stains caused by spills of all conventional acid based substances, subject to the Limitations set forth in Section II.
2. This is not a cleaning contract. In order to make a claim under this warranty, the owner must have attempted to remove the stain within three (3) working days after occurrence of the spill, using only those cleaning agents and procedures recommended by the Mohawk Group, and must notify the Mohawk Group immediately if stain removal is not successful. For approved cleaning agents and removal procedures, maintenance recommendations and other information, refer to the Mohawk Group's Commercial Carpet Care Manual.
3. In addition, the owner must furnish to the Mohawk Group the original proof of purchase and nonreturnable samples of the carpet for testing, and must permit a Mohawk Group Representative or agent representing the Mohawk Group, access to the installed carpet in order to attempt to remove the stain. If, in testing and analysis performed by the Mohawk Group, and subject to the other limitations set forth herein,the tested carpet or the cleaned area is found to have a rating of less than 4 under the AATCC Gray Scale for Evaluation Change in Color, the Mohawk Group will pay for the attempted removal of the stain and replace the original carpet in the affected area up to 100 times the size of the stain, free of charge. No charges for floor preparation or for movement or replacement of equipment, furnishings, partitions, etc., will be allowed. At the Mohawk Group's option, it will refund to the owner the original purchase price of the carpet in the affected area, up to 100 times the size of the stain. If the stain is removed using the Mohawk Group's recommended procedures, all stain removal costs will be the responsibility of the owner.
4. This Warranty applies only to products whose dye method is Solution Dyed. Only those designated products that contain 100% solution dyed yarns qualify.

II. Limitations – This warranty does not include:

1. Disfigurement or damage caused by abnormal use or any damage to the carpet not arising out of defects in the carpet. For example, the warranty does not cover tears, burns, pulls, cuts, installation on stairs, damage resulting from improper cleaning agents or methods, or damage in transit
2. This warranty specifically excludes general soiling, discoloration, appearance change, due to pile distortion, and exposure to substances or contaminants which degrade or destroy nylon yarn or the color of the carpet. Also, this warranty specifically excludes carpet which has been surface treated with materials not recommenced or approved by the Mohawk Group, or which has been subjected to abnormal use or conditions

or to cleaning agents or maintenance methods not recommended or approved by the Mohawk Group.

3. Abuse by any athletic equipment such as roller skates, ski boots, or golf shoes.
4. Differential fading from light exposure, dye lot differences, and soiling.
5. Any condition that would have been visible upon inspection prior to installation.
6. Any condition resulting from other than ordinary wear, or from any use for which the product was not designed.

III. Owner Obligation

1. The Owner must submit notice of all claims under this limited warranty to Mohawk within the installed life of the carpet from the date of carpet installation.
2. Claims must be submitted in writing and delivered to:
   Mohawk Group
   Attention: Claims Department
   508 East Morris St.
   P.O. Box 1448
   Dalton, GA 30721
3. All areas in which carpet is to be replaced under the terms of this limited warranty must be cleared of all equipment, furnishing, partitions, and the like that have been installed over the carpet subsequent to the original carpet installation, at Owner's expense.

IV. Warranty Remedies

1. After receipt of proper written notice of claim, Mohawk Group will designate a representative to inspect the carpet with the Owner's representative and the Mohawk Group will meet all warranty obligations.
2. Subject to the above warranty limitations and owner's obligations, the Mohawk Group shall repair or, in its sole discretion, replace any carpet which does not meet the requirements of this warranty, at no expense to the owner for any cost of the replacement carpet material, adhesive, labor for removal of the defective carpet, and/or labor for the installation of any replacement carpet.
3. Subject to the above warranty limitations and owner's obligations, the Mohawk Group shall repair or, in its sole discretion, replace any carpet which does not meet the requirements of this warranty, at no expense to the owner for any cost of the replacement carpet material, adhesive, labor for removal of the defective carpet, and/or labor for the installation of any replacement carpet.
4. The remedies provided in connection with this limited warranty are expressly in lieu of any other remedies provided under any other express or implied warranty, INCLUDING ANY WARRANTY BY MODEL OR SAMPLE AND ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, and of any other obligation on the part of the Mohawk Group. This limited warranty supersedes any additional or inconsistent warranty(s) set by dealer, owner, or any third party. In no event shall Mohawk Group be liable for any incidental or consequential damages. No modification of this limited warranty shall be effective unless in writing and signed by a Representative of the Mohawk Group authorized to do so.

Please Note: Some States do not allow the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty lasts. The above limitation or exclusion may not apply to you.

This warranty gives you specific legal rights, and you may also have other rights which vary from state to state. Except for these rights, the remedies provided under this warranty state the limit of Mohawk Group responsibilities.

V. Mediation/Arbitration:

1. If a dispute arises out of or relates to this warranty, or the breach thereof, and if said dispute cannot be settle through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules in Atlanta, Georgia before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this warranty, or breach thereof, shall be finally settled by arbitration administered by the American Arbitration Association in Atlanta, Georgia and

in accordance with its Commercial Arbitration Rules and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

2. Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

3. The arbitrator(s) shall be appointed as provided in the American Arbitration Association Commercial Arbitration Rules.

4. .In rendering the award, the arbitrator(s) shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Georgia.

** Mohawk Group is a division of Mohawk Carpet Distribution, Inc.*

Unibond® Plus Warranty

This limited warranty applies only to the original purchaser of Mohawk Group* carpet for indoor commercial installations. This warranty applies only to those Unibond Plus® products specifically designated by Mohawk Group in writing.

The use of Mohawk Group branded adhesives is required to ensure optimum results and are the only approved adhesives warranted by Mohawk Group. Failure to use Mohawk Group branded adhesives will result in warranties being null and void. Substrates must be prepared using Mohawk Group's recommended floor preparation procedures.

Provided the designated carpet has been properly installed and maintained in the specified commercial location in strict accordance with Mohawk Group's instructions and procedures and subject to the limitations set forth herein, including the specifications and manufacturing tolerances established for the product, Mohawk Group warrants to the original Owner, the following:

I. Items Under Warranty

Mohawk Group warrants the following for the normal useful life of the carpet**:

1. **Wear –** Carpet will not wear more than 10% of their surface pile weight fromabrasive wear. "Abrasive wear" means fiber loss from the carpet throughnormal abrasion, not crushing or flattening of the carpet pile in any area, norstaining, soiling, fading, or change in carpet appearance, nor fiber loss due toabnormal usage of the carpet;
2. **Tuft Bind –** Unibond Plus® products will provide superior tuft bind capabilitiesin high-traffic environments;
3. **Static –** Carpet will not give static discharges in excess of 3.5 KV when testedunder AATCC Test Method 134 (Step)
4. **Edge Ravel/Zippering –** Carpet will not edge ravel or zipper. Seams must besealed properly to prevent edge ravel;
5. **Delamination –** Carpet will not delaminate (Chair pads are recommended formaximum appearance retention and to deter delamination);
6. **Cushion Resiliency –** Duraloc® AIR Performance will maintain it's useful cushioning characteristics and resilient properties without significant deterioration when tested in accordance with ASTM D-3574 using the 65%deflection method;
7. **Dimensional Stability –** Carpet will not lose its dimensional stability (i.e.growth or shrinkage with either stretch-in or glue down installations) for the lifeof the carpet due to normal variations in atmosphere, temperature, or humidityor when maintained in accordance with Mohawk Group's recommendedmaintenance procedures.;

II. Limitations – This warranty does not include:

1. Disfigurement or damage caused by abnormal use or any damage to the carpet not arising out of a manufacturing defect in the carpet, including such disfigurement or damage as tears, burns, pulls, cuts, floods, excessive alkalinity, excessive moisture, installation on stairs, damage resulting from improper cleaning agents or methods, neglect, or damage in transit;
2. Edge ravel where carpet is cut for access to floor outlets and around trench header ducts;
3. Abuse by any athletic equipment such as roller skates, ski boots, or golf shoes;
4. Differential fading from light exposure, shading, pile crush, dye lot differences,or soiling;

5. Any condition that would have been visible upon inspection prior to the installation;
6. Any condition resulting from other than ordinary wear or from any use for which the product was not designed; and
7. Any issues related to moisture and alkalinity in the substrate. Moisture and pH testing are not the responsibility of Mohawk Group.

III. Owner Obligation

1. Owner must submit notice of all claims under this warranty to Mohawk Group within a reasonable time after discovery of the alleged defect and within the specified warranty period.
2. Claims must be submitted at www.mohawknet.com or in writing and delivered to the following:
   Mohawk Group
   Attention: Claims Department
   508 East Morris St.
   P.O. Box 1448
   Dalton, GA 30721
3. If Mohawk Group determines that carpet is to be replaced or repaired under the terms of this warranty, all areas must be free of all equipment, furnishings, partitions, and the like at the Owner's expense.

IV. Warranty Remedies

1. After receipt of proper written notice of the claim, Mohawk Group may designate a representative to inspect the carpet with the Owner's representative.
2. Subject to the above warranty limitations and Owner's obligations, Mohawk Group shall, at its sole discretion, repair or replace the affected carpet or refund the proportional purchase price for the affected area.
3. Any replacement will be made with a comparable product selected by Mohawk Group from the current Mohawk Group running line. However, Mohawk Group's obligation shall not include the reimbursing of any indirect costs or incidental or consequential damages, however incurred. By way of example and not limitation, damages arising from the interruption of use of the spaces affected or expenses in removing furniture or equipment from the affected area shall not be included in its obligation.
4. The remedies provided in connection with this limited warranty are expressly in lieu of any other remedies provided under any other express or implied warranty, INCLUDING ANY WARRANTY BY MODEL OR SAMPLE AND ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, and of any other obligation on the part of Mohawk Group. This warranty supersedes any additional or inconsistent warranty(ies) set by the dealer, Owner, or any third party. In no event shall Mohawk Group be liable for any incidental or consequential damages. No modification of this warranty shall be effective unless in writing and signed by an authorized representative of Mohawk Group.

Please Note: Some States do not allow the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty lasts. The above limitation or exclusion may not apply in some situations.

This warranty provides the Owner specific legal rights, and the Owner may also have other rights which vary from state to state. Except for these rights, the remedies provided under this warranty state the limit of Mohawk Group responsibilities.

V. Mediation/Arbitration:

1. If a dispute arises out of or relates to this warranty, or the breach thereof, and if said dispute cannot be settle through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules in Atlanta, Georgia before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this warranty, or breach thereof, shall be finally settled by arbitration administered by the American Arbitration Association in Atlanta, Georgia and in accordance with its Commercial Arbitration Rules and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.

2. Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.
3. The arbitrator(s) shall be appointed as provided in the American Arbitration Association Commercial Arbitration Rules.
4. .In rendering the award, the arbitrator(s) shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Georgia.

** Mohawk Group is a division of Mohawk Carpet Distribution, Inc.*

*** "For the normal useful life of the carpet" is defined as the life of the carpet with equitable adjustment to reflect the value of the Owner's use of the carpet. This warranty is not transferrable.*

Unibond® Plus OnGuard Warranty

This limited warranty applies only to the original purchaser of Mohawk Group* carpet for indoor commercial installations. This warranty applies only to those Unibond® Plus OnGuard products specifically designated by Mohawk Group.

The use of Mohawk Group branded adhesives is required to ensure optimum results and are the only approved adhesives warranted by Mohawk Group. Failure to use Mohawk Group branded adhesives will result in warranties being null and void. Substrates must be prepared using Mohawk Group's recommended floor preparation procedures.

Provided the designated carpet has been properly installed and maintained in the specified commercial location in strict accordance with Mohawk Group's instructions and procedures and subject to the limitations set forth herein, including the specifications and manufacturing tolerances established for the product, Mohawk Group warrants to the original Owner, the following:

I. Items Under Warranty

Mohawk Group warrants the following for the normal useful life of the carpet**:

1. **Wear –** Carpet will not wear more than 10% of its surface pile weight from abrasive wear. "Abrasive wear" means fiber loss from the carpet through normal abrasion, not crushing or flattening of the carpet pile in any area, nor staining, soiling, fading, or change in carpet appearance, nor fiber loss due to abnormal usage of the carpet;
2. **Tuft Bind –** Unibond Plus® products will provide superior tuft bind capabilities in high-traffic environments;
3. **Static –** Carpet will not give static discharges in excess of 3.5 KV when tested under the step portion of AATCC Test Method 134 (Step);
4. **Liquid Management –** Unibond Plus OnGuard carpet will act as a liquid barrier and keep liquids from penetrating through the backing system, as tested under the British Spill Test (Moisture barrier seam sealer required);
5. **Adhesive Failure –** When properly installed with our NuBroadlok VRT adhesive, Unibond Plus OnGuard system carries a limited 15 year warranty provided by the adhesive manufacturer against adhesive failure when properly installed on floors up to 99% RH and 12 pH;
6. **Edge Ravel/Zippering –** Carpet will not edge ravel or zipper. Seams must be sealed properly to prevent edge ravel;
7. **Delamination –** Carpet will not delaminate (Chair pads are recommended for maximum appearance retention and to deter delamination);
8. **Manufacturing Defects –** Unibond Plus OnGuard is manufactured according to exacting quality control standards and is warranted to be free from manufacturing defects for a period of one year of invoicing.

II. Limitations – This warranty does not include:

1. Disfigurement or damage caused by abnormal use or any damage to the carpet not arising out of a manufacturing defect in the carpet, including such disfigurement or damage as tears, burns, pulls, cuts, floods, excessive alkalinity***, excessive moisture***, installation on stairs, damage resulting from improper cleaning agents or methods, neglect, or damage in transit;
2. Edge ravel where carpet is cut for access to floor outlets and around trench header ducts;
3. Abuse by any athletic equipment such as roller skates, ski boots, or golf shoes;
4. Differential fading from light exposure, shading, pile crush, dye lot differences,or soiling;
5. Any condition that would have been visible upon inspection prior to the installation;
6. Any condition resulting from other than ordinary wear or from any use for which the product was not designed; and
7. Any issues related to moisture and alkalinity in the substrate. Moisture and pH testing are not the responsibility of Mohawk Group.

III. Owner Obligation

1. Owner must submit notice of all claims under this warranty to Mohawk Group within a reasonable time after discovery of the alleged defect and within the specified warranty period.

2. Claims must be submitted at www.mohawknet.com or in writing and delivered to the following:
   Mohawk Group
   Attention: Claims Department
   508 East Morris St.
   P.O. Box 1448
   Dalton, GA 30721
3. If Mohawk Group determines that carpet is to be replaced or repaired under the terms of this warranty, all areas must be free of all equipment, furnishings, partitions, and the like at the Owner's expense.

IV. Warranty Remedies

1. After receipt of proper written notice of the claim, Mohawk Group may designate a representative to inspect the carpet with the Owner's representative.
2. Subject to the above warranty limitations and Owner's obligations, Mohawk Group shall, at its sole discretion, repair or replace the affected carpet or refund the proportional purchase price for the affected area.
3. Any replacement will be made with a comparable product selected by Mohawk Group from the current Mohawk Group running line. However, Mohawk Group's obligation shall not include the reimbursing of any indirect costs or incidental or consequential damages, however incurred. By way of example and not limitation, damages arising from the interruption of use of the spaces affected or expenses in removing furniture or equipment from the affected area shall not be included in its obligation.
4. The remedies provided in connection with this limited warranty are expressly in lieu of any other remedies provided under any other express or implied warranty, INCLUDING ANY WARRANTY BY MODEL OR SAMPLE AND ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, and of any other obligation on the part of Mohawk Group. This warranty supersedes any additional or inconsistent warranty(ies) set by the dealer, Owner, or any third party. In no event shall Mohawk Group be liable for any incidental or consequential damages. No modification of this warranty shall be effective unless in writing and signed by an authorized representative of Mohawk Group.

Please Note: Some States do not allow the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty lasts. The above limitation or exclusion may not apply in some situations.

This warranty provides the Owner specific legal rights, and the Owner may also have other rights which vary from state to state. Except for these rights, the remedies provided under this warranty state the limit of Mohawk Group responsibilities.

V. Mediation/Arbitration:

1. If a dispute arises out of or relates to this warranty, or the breach thereof, and if said dispute cannot be settle through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules in Atlanta, Georgia before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this warranty, or breach thereof, shall be finally settled by arbitration administered by the American Arbitration Association in Atlanta, Georgia and in accordance with its Commercial Arbitration Rules and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
2. Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.
3. The arbitrator(s) shall be appointed as provided in the American Arbitration Association Commercial Arbitration Rules.
4. In rendering the award, the arbitrator(s) shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Georgia.

** Mohawk Group is a division of Mohawk Carpet Distribution, Inc.*

*** "For the normal useful life of the carpet" is defined as the life of the carpet with equitable adjustment to reflect the value of the Owner's use of the carpet. This warranty is not transferable.*

****See Product Descriptions pages (sell sheets) for expanded alkalinity and moisture limits when Unibond Plus OnGuard is installed using Mohawk Group NuBroadlok VRT adhesive in applicable high floor moisture applications*

Weldlok® Warranty

This limited warranty applies only to the original purchaser of Mohawk Group* carpet for indoor commercial installations. This warranty applies only to those Weldlok® products specifically designated by Mohawk Group.

The use of Mohawk Group branded adhesives is required to ensure optimum results and are the only approved adhesives warranted by Mohawk Group. Failure to use Mohawk Group branded adhesives will result in warranties being null and void. Substrates must be prepared using Mohawk Group's recommended floor preparation procedures.

Provided the designated carpet has been properly installed and maintained in the specified commercial location in strict accordance with Mohawk Group's instructions and procedures and subject to the limitations set forth herein, including the specifications and manufacturing tolerances established for the product, Mohawk Group warrants to the original Owner, the following:

I. Items Under Warranty

Mohawk Group warrants the following for the normal useful life of the carpet**:

1. **Wear–** Carpet will not wear more than 10% of the surface pile weight from abrasive wear. "Abrasive wear" means fiber loss from the carpet through normal abrasion, not crushing or flattening of the carpet pile in any area, nor staining, soiling, fading, or change in carpet appearance, nor fiber loss due to abnormal usage of the carpet;

3. **Static –** Carpet will not give static discharges in excess of 3.5 KV when tested under AATCC Test Method 134 (Step);

II. Limitations – This warranty does not include:

1. Disfigurement or damage caused by abnormal use or any damage to the carpet not arising out of a manufacturing defect in the carpet, including such disfigurement or damage as tears, burns, pulls, cuts, floods, excessive alkalinity, excessive moisture, installation on stairs, damage resulting from improper cleaning agents or methods, neglect, or damage in transit;
2. Abuse by any athletic equipment such as roller skates, ski boots, or golf shoes;
3. Differential fading from light exposure, shading, pile crush, dye lot differences,or soiling;
4. Any condition that would have been visible upon inspection prior to the installation;
5. Any condition resulting from other than ordinary wear or from any use for which the product was not designed; and
6. Any issues related to moisture and alkalinity in the substrate. Moisture and pH testing are not the responsibility of Mohawk Group.

III. Owner Obligation

1. Owner must submit notice of all claims under this warranty to Mohawk Group within a reasonable time after discovery of the alleged defect and within the specified warranty period.
2. Claims must be submitted at www.mohawknet.com or in writing and delivered to the following:
   Mohawk Group
   Attention: Claims Department
   508 East Morris St.
   P.O. Box 1448
   Dalton, GA 30721

3. If Mohawk Group determines that carpet is to be replaced or repaired under the terms of this warranty, all areas must be free of all equipment, furnishings, partitions, and the like at the Owner's expense.

IV. Warranty Remedies

1. After receipt of proper written notice of the claim, Mohawk Group may designate a representative to inspect the carpet with the Owner's representative.
2. Subject to the above warranty limitations and Owner's obligations, Mohawk Group shall, at its sole discretion, repair or replace the affected carpet or refund the proportional purchase price for the affected area.
3. Any replacement will be made with a comparable product selected by Mohawk Group from the current Mohawk Group running line. However, Mohawk Group's obligation shall not include the reimbursing of any indirect costs or incidental or consequential damages, however incurred. By way of example and not limitation, damages arising from the interruption of use of the spaces affected or expenses in removing furniture or equipment from the affected area shall not be included in its obligation.
4. The remedies provided in connection with this limited warranty are expressly in lieu of any other remedies provided under any other express or implied warranty, INCLUDING ANY WARRANTY BY MODEL OR SAMPLE AND ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, and of any other obligation on the part of Mohawk Group. This warranty supersedes any additional or inconsistent warranty(ies) set by the dealer, Owner, or any third party. In no event shall Mohawk Group be liable for any incidental or consequential damages. No modification of this warranty shall be effective unless in writing and signed by an authorized representative of Mohawk Group.

Please Note: Some States do not allow the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty lasts. The above limitation or exclusion may not apply in some situations.

This warranty provides the Owner specific legal rights, and the Owner may also have other rights which vary from state to state. Except for these rights, the remedies provided under this warranty state the limit of Mohawk Group responsibilities.

V. Mediation/Arbitration:

1. If a dispute arises out of or relates to this warranty, or the breach thereof, and if said dispute cannot be settle through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules in Atlanta, Georgia before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this warranty, or breach thereof, shall be finally settled by arbitration administered by the American Arbitration Association in Atlanta, Georgia and in accordance with its Commercial Arbitration Rules and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
2. Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.
3. The arbitrator(s) shall be appointed as provided in the American Arbitration Association Commercial Arbitration Rules.
4. .In rendering the award, the arbitrator(s) shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Georgia.

** Mohawk Group is a division of Mohawk Carpet Distribution, Inc.*

*** This ten (10) year warranty is subject to an equitable adjustment to reflect the value of the Owner's use of the carpet. This warranty is not transferrable.*

Weldlok® OnGuard Warranty

This limited warranty applies only to the original purchaser of Mohawk Group* carpet for indoor commercial installations. This warranty applies only to those Weldlok OnGuard products specifically designated by Mohawk Group.

The use of Mohawk Group branded adhesives is required to ensure optimum results and are the only approved adhesives warranted by Mohawk Group. Failure to use Mohawk Group branded adhesives will result in warranties being null and void. Substrates must be prepared using Mohawk Group's recommended floor preparation procedures.

Provided the designated carpet has been properly installed and maintained in the specified commercial location in strict accordance with Mohawk Group's instructions and procedures and subject to the limitations set forth herein, including the specifications and manufacturing tolerances established for the product, Mohawk Group warrants to the original Owner, the following:

I. Items Under Warranty

Mohawk Group warrants the following for the normal useful life of the carpet**:

1. **Wear –** Carpet tiles will not wear more than 10% of their surface pile weight from abrasive wear. "Abrasive wear" means fiber loss from the carpet tiles through normal abrasion, not crushing or flattening of the carpet pile in any area, nor staining, soiling, fading, or change in carpet appearance, nor fiber loss due to abnormal usage of the carpet tiles;
2. **Static –** Carpet will not give static discharges in excess of 3.5 KV when tested under AATCC Test Method 134 (Step);
3. **Liquid Management –** Weldlok OnGuard carpet will act as a liquid barrier and keep liquids from penetrating through the backing system, as tested under the British Spill Test (Moisture barrier seam sealer required);
4. **Adhesive Failure –** When properly installed with our NuBroadlok VRT adhesive, Weldlok OnGuard system carries a limited 15 year warranty provided by the adhesive manufacturer against adhesive failure when properly installed on floors up to 99% RH and 12 pH;
5. **Manufacturing Defects –** Wedlok OnGuard is manufactured according to exacting quality control standards and is warranted to be free from manufacturing defects for a period of one year of invoicing.

II. Limitations – This warranty does not include:

1. Disfigurement or damage caused by abnormal use or any damage to the carpet not arising out of a manufacturing defect in the carpet, including such disfigurement or damage as tears, burns, pulls, cuts, floods, excessive alkalinity***, excessive moisture***, installation on stairs, damage resulting from improper cleaning agents or methods, neglect, or damage in transit;
2. Edge ravel where carpet is cut for access to floor outlets and around trench header ducts;
3. Abuse by any athletic equipment such as roller skates, ski boots, or golf shoes;
4. Differential fading from light exposure, shading, pile crush, dye lot differences,or soiling;
5. Any condition that would have been visible upon inspection prior to the installation;
6. Any condition resulting from other than ordinary wear or from any use for which the product was not designed; and
7. Any issues related to moisture and alkalinity in the substrate. Moisture and pH testing are not the responsibility of Mohawk Group.

III. Owner Obligation

1. Owner must submit notice of all claims under this warranty to Mohawk Group within a reasonable time after discovery of the alleged defect and within the specified warranty period.

2. Claims must be submitted at www.mohawknet.com or in writing and delivered to the following:
   Mohawk Group
   Attention: Claims Department
   508 East Morris St.
   P.O. Box 1448
   Dalton, GA 30721

3. If Mohawk Group determines that carpet is to be replaced or repaired under the terms of this warranty, all areas must be free of all equipment, furnishings, partitions, and the like at the Owner's expense.

IV. Warranty Remedies

1. After receipt of proper written notice of the claim, Mohawk Group may designate a representative to inspect the carpet with the Owner's representative.
2. Subject to the above warranty limitations and Owner's obligations, Mohawk Group shall, at its sole discretion, repair or replace the affected carpet or refund the proportional purchase price for the affected area.
3. Any replacement will be made with a comparable product selected by Mohawk Group from the current Mohawk Group running line. However, Mohawk Group's obligation shall not include the reimbursing of any indirect costs or incidental or consequential damages, however incurred. By way of example and not limitation, damages arising from the interruption of use of the spaces affected or expenses in removing furniture or equipment from the affected area shall not be included in its obligation.
4. The remedies provided in connection with this limited warranty are expressly in lieu of any other remedies provided under any other express or implied warranty, INCLUDING ANY WARRANTY BY MODEL OR SAMPLE AND ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, and of any other obligation on the part of Mohawk Group. This warranty supersedes any additional or inconsistent warranty(ies) set by the dealer, Owner, or any third party. In no event shall Mohawk Group be liable for any incidental or consequential damages. No modification of this warranty shall be effective unless in writing and signed by an authorized representative of Mohawk Group.

Please Note: Some States do not allow the exclusion or limitation of incidental or consequential damages or limitations on how long an implied warranty lasts. The above limitation or exclusion may not apply in some situations.

This warranty provides the Owner specific legal rights, and the Owner may also have other rights which vary from state to state. Except for these rights, the remedies provided under this warranty state the limit of Mohawk Group responsibilities.

V. Mediation/Arbitration:

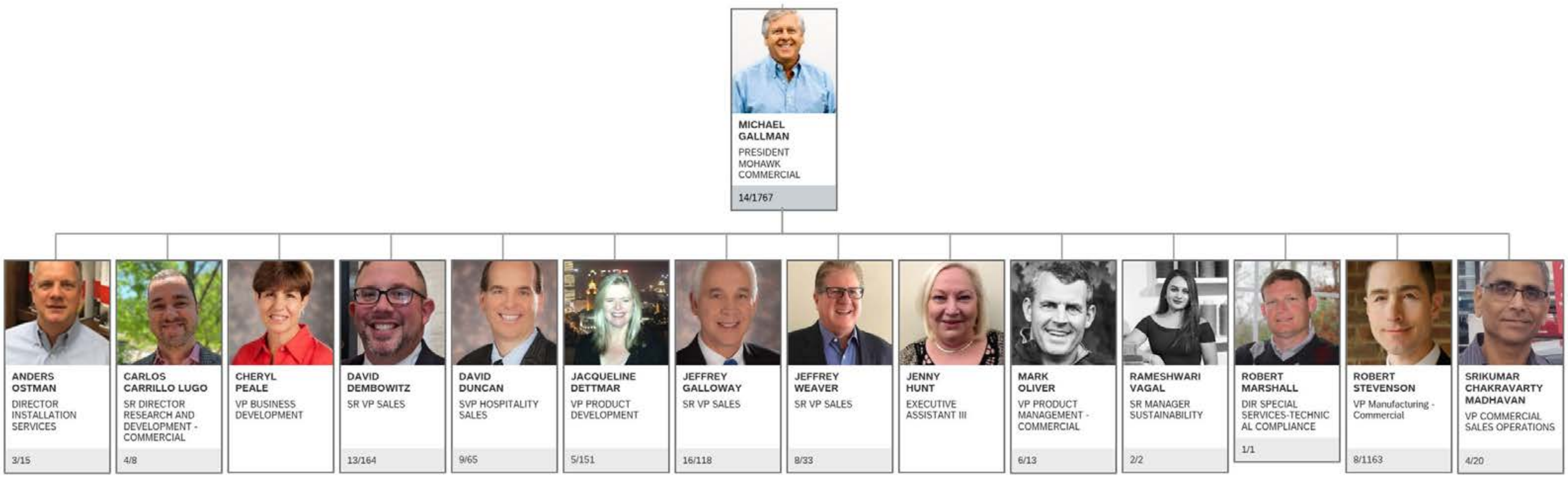
1. If a dispute arises out of or relates to this warranty, or the breach thereof, and if said dispute cannot be settle through direct discussions, the parties agree to first endeavor to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules in Atlanta, Georgia before resorting to arbitration. Thereafter, any unresolved controversy or claim arising out of or relating to this warranty, or breach thereof, shall be finally settled by arbitration administered by the American Arbitration Association in Atlanta, Georgia and in accordance with its Commercial Arbitration Rules and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
2. Neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.
3. The arbitrator(s) shall be appointed as provided in the American Arbitration Association Commercial Arbitration Rules.
4. In rendering the award, the arbitrator(s) shall determine the rights and obligations of the parties according to the substantive and procedural laws of the State of Georgia.

** Mohawk Group is a division of Mohawk Carpet Distribution, Inc.*

*** "For the normal useful life of the carpet" is defined as the life of the carpet with equitable adjustment to reflect the value of the Owner's use of the carpet. This warranty is not transferrable.*

****See Product Descriptions pages (sell sheets) for expanded alkalinity and moisture limits when Weldlok OnGuard is installed using Mohawk Group NuBroadlok VRT adhesive in applicable high floor moisture applications.*

Org Chart: MICHAEL GALLMAN



ATTACHMENT B - COST PROPOSAL

EQUALIS GROUP - RFP 2101 - COMMERCIAL FLOORING MATERIALS WITH INSTALLATION & RELATED SERVICES AND SOLUTIONS PROGRAM

COST PROPOSAL QUESTIONNAIRE

Instructions

There are two parts to **Attachment B - Cost Proposal** which are required to be completed in order to evaluate a Bidder's Cost Proposal.
Part 1 - Answer the questions below which provide an opportunity to add a narrative while describing various aspects of your Cost Proposal.
Part 2 - Complete an Excel workbook which includes all requirments outlined in **Section 2.3 of RFP - Equalis Flooring**.

IMPORTANT: This Excel workbook is provide supplied as a courtesy to the Bidders. It is not a requirement to use this document when developing the Cost Proposal. Bidders have the freedom to develop their own Excel workbook to serve as their **Attachment B**.

Questions

1) Provide a narrative description of your pricing model identifying how the model works. Describe how the proposed pricing model is able to be audited by public sector agencies to ensure they are receiving contract pricing.

   Mohawk Group's pricing model is based on a discount off list plus contractual fee. This pricing is presented as a not to exceed price. Public Agencies should have access to contract pricing by either contacting Mohawk Group or Equalis Group resources whether this is a portal or website link.

2) Put an X in the green cell next to the statement that best describes the answer to the following question. The prices offered in your Cost Proposal are:

   ______ a) the same as typically offered to an individual municipality, Higher Ed or school district.
   ___X___ b) the same as typically offered to group purchasing organizations, cooperative purchasing organizations, or state purchasing departments.
   ______ c) better than what is offered to group purchasing organizations, cooperative purchasing organizations, or state purchasing departments.
   ______ d) other, please describe.

3) Describe any quantity or volume discounts or rebate programs included in your Cost Proposal.

   Mohawk will price large products on a one off basis. No rebates are being offered under this agreement.

4) Propose an Alternative Method of Costing as it relates to pricing for products, services, or solutions not covered by catalog pricing, published price list, line item price list, automated system of pricing, R.S. Means, or that needs to be custom designed , developed, manufacturered and/or produced to meet the requirements of an individual project or sole source due to the projects' or application's specifications, condition, and/or requirements.

   Dependent upon the scope of work, Mohawk will evaluate production cost and compose a product price comparable to the structure of the pricing built in this RFP for running line products.

5) Describe how cost associated with freight, shipping, and delivery are calculated.

   Mohawk Group maintains our own fleet in which freight is based upon the product type, delivery location, and fuel surcharge.

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ATTACHMENT C: REQUIRED BIDDER INFORMATION & CERTIFICATIONS EQUALIS GROUP: COMMERCIAL FLOORING MATERIALS WITH INSTALLATION AND RELATED SERVICES & SOLUTIONS PROGRAM

Purpose of this Attachment C: CCOG requires the following information about Bidders who submit proposals in response to any CCOG request for proposal ("**RFP**") in order to facilitate the execution of the master group purchasing agreement ("**Master Agreement**") with the winning supplier ("**Winning Supplier**"). CCOG reserves the right to reject a Bidder's proposal if a Bidder fails to provide this information fully, accurately, and by the deadline set by CCOG in **RFP Section 1.3 – Anticipated Procurement Timetable**. Further, some of this information (as identified below) **must** be provided in order for CCOG to accept and consider a Bidder's proposal. **Failure to provide such required information may result in a Bidder's proposal being deemed nonresponsive to this RFP.**

Instructions: provide the following information about the Bidder. Bidders may a) complete this document in Microsoft Word by completing the form fields, print this attachment, and sign it in the designated signature areas, b) complete this document using the form fields, print to .pdf, and provide certified electronic signatures in the designated signature areas, or c) print this attachment, complete it, and sign it in the designated signature areas. It is mandatory that the information provided is certified with an original signature (in blue ink, please) or signed using a certified electronic signature by a person with sufficient authority and/or authorization to represent Bidder. Bidders are to provide the completed and signed information and certifications in **Tab 1** of the Technical Proposal submitted to CCOG as described in **RFP Section 4.2 – Format for Organization of the Proposal**.

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Bidders must provide all the information outlined below

1. Equalis Group RFP Name: *RFP # COG-2101*	2. Proposal Due Date: *September 3, 2020*
3. Bidder Name: Mohawk Carpet Distribution, Inc. *(legal name of the entity responding to RFP)*	4. Bidder Federal Tax ID # or Social Security #: *58-2173403*
5. Bidder Corporate Address: Mohawk Carpet Distribution, Inc. 160 South Industrial Blvd. Calhoun, GA 30701	6. Bidder Remittance Address *(or "same" if same as Item#5):* Same

7. Print or type information about the Bidder representative/contact person authorized to answer questions regarding the proposal submitted by yourcompany:

Bidder Representative:	*Lacreta Hackney*
Representative's Title:	*Strategic Accounts Coordinator*
Address 1:	Mohawk Carpet Distribution,Inc.
Address 2:	160 South Industrial Blvd.
City, State Zip:	Calhoun, GA 30701
Phone #:	*706-624-2187*
Fax #:	Click or tap here to enter text.
E-Mail Address:	lacreta_hackney@mohawkind.com

8. Print or type the name of the Bidder representative authorized to address contractual issues, including the authority to execute a contract on behalf of Bidder, and to whom legal notices regarding contract termination or breach, should be sent (*if not the same individual as in #7, provide the following information on each such representative and specify their function*):

Bidder Representative:	*Annaleigh Warmack*
Representative's Title:	*Manager of Contracting and Compliance*
Address 1:	Mohawk Carpet Distribution, Inc.
Address 2:	160 South Industrial Blvd.
City, State Zip:	Calhoun, GA 30701
Phone #:	*706-879-6554*
Fax #:	Click or tap here to enter text.
E-Mail Address:	annaleigh_warmack@mohawkind.com

9. **Is this Bidder an Ohio certified Minority BusinessEnterprise ("MBE")?** Yes ☐ No ☒

If yes, attach a copy of current certification to your proposal as an appendix in the third section of your proposal.

10. **Mandatory Supplier Certifications:**

CCOG may not enter into contracts with any suppliers who have been found to be ineligible for state contracts under specific federal or Ohio statutes or regulations. Bidders responding to any CCOG RFP MUST certify that they are NOT ineligible by signing each of the four statements below. **Failure to provide proper affirming signature on any of these statements will result in a Bidder's proposal being deemed nonresponsive to thisRFP.**

I, Lacreta Hackney *(insert signature of representative shown in Item #7 above)*, **hereby certify and affirm that** Mohawk Carpet Distribution, Inc., **has not been debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in transactions by the Unites States Department of Labor, the United States Department of Health and Human Services, or any other federal department or agency as set forth in 29 CFR Part 98, or 45 CFR Part 76, or other applicablestatutes.**

AND

I, Lacreta Hackney *(insert signature of representative shown in Item #7 above)*, **hereby certify and affirm that** Mohawk Carpet Distribution, Inc., **is in compliance with all federal, state, and local laws, rules, and regulations, including but not limited to the Occupational Safety and Health Act and the Ohio Bureau of Employment Services and the following:**

- Not penalized or debarred from any public contracts or falsified certified payroll records or any other violation of the Fair Labor Standards Act in the last three (3)years;
- Not found to have violated any worker's compensation law within the last three (3)years;
- Not violated any employee discrimination law within the last three (3)years;
- Not have been found to have committed more than one (1) willful or repeated OSHA violation of a safetystandard *(as opposed to a record keeping or administrative standard)* in the last three (3) years;
- Not have an Experience Modification Rating of greater than 1.5 (a penalty-rated employer) with respect to the Bureau of Workers' Compensation risk assessment rating; and
- Not have failed to file any required tax returns or failed to pay any required taxes to any governmental entity within the past three (3) years.

AND

I Lacreta Hackney *(insert signature of representative shown in Item #7 above)* **hereby certify and affirm that** Mohawk Carpet Distribution, Inc., **is not on the list established by the Ohio Secretary of State, pursuant to ORC Section 121.23, which identifies persons and businesses with more than one unfair labor practice contempt of court finding against them.**

AND

I Lacreta Hackney *(insert signature of representative shown in Item #7 above)* **hereby certify and affirm that** Mohawk Carpet Distribution, Inc., **either is not subject to a finding for recovery under ORC Section 9.24, or has taken appropriate remedial steps required under that statute to resolve any findings for recovery, or otherwise qualifies under that section to enter into contracts withCCOG.**

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11. Supplemental Bidder Contract and Equal Employment OpportunityInformation:

A. Provide data on Bidder employees both nationwide (inclusive of Ohio staff) and the number of Ohio employees:

	Nationwide:	Ohio Offices:
Total Number of Employees:	18,920	111
% of those whoare Women:	31%	22%
% of those whoare Minorities:	43%	11%

B. If you are selected as the Winning Supplier and this RFP involves the provision of services to Equalis Group Members, will you subcontract any part of thework?

- ☐ NO *-or-*
- ☒ YES, but for less than 50% of the work *-or-*
- ☐ YES, for 50% or more of the work

C. If any part of your proposal would be performed by any subcontractors, provide the following information on each subcontractor *(additional pages may be added asneeded)*:

Subcontractor Name: Name

Street Address 1: Street Address 1

Street Address 2: Street Address 2

City, State Zip: City, State Zip

Work to be Performed: Description of Work

Estimated percentage of total proposal to be performed by subcontractors: 100 %
(Do NOT show dollar amounts here; show % of WORK sub-contractors will perform/provide). Define the part of the work that will be performed by each subcontractor.

Subcontractor's employee information *(attach additional pages if needed)*:

	Nationwide:	Ohio Offices:
Total Number ofEmployees:	____	____
% of those who areWomen:	____	____
% of those who areMinorities:	____	____

MohawkOne utilizes local or national installation companies via subcontract, dependent upon your needs. All installers are vetted and Mohawk approved, and many are factory or field trained by our Field Managers. These subcontractors would be servicing 100% of the Equalis' locations.

12. Bidder has reviewed the Model Master Agreement attached to the RFP as Attachment E, and if awarded a contract, ☐ Bidder will not (or) ☒ Bidder will request changes to the standard language and has marked the requested changes and returned the model document with this proposal for consideration by CCOG and Equalis Group, LLC. *(All requested changes to Model Master Agreement contract language are subject to negotiation and CCOG and Equalis Group, LLC approval.)*

13. Bidder has reviewed the Model Administration Agreement attached to the RFP as Attachment E, and if awarded a contract, ☐ Bidder will not (or) ☒ Bidder will request changes to the standard language and has marked the requested changes and returned the model document with this proposal for consideration by Equalis Group, LLC. *(All requested changes to Model Administration Agreement contract language are subject to negotiation and Equalis Group, LLC approval.)*

14. I *Lacreta Hackney*, *(insert signature of representative shown in Item #7 above)* **hereby affirm that this proposal accurately represents the capabilities and qualifications of** Mohawk Carpet Distribution, Inc.**, and I hereby affirm that the cost(s) proposed to CCOG for the performance of services and/or provision of goods covered in this proposal in response to this CCOG RFP is a firm fixed price structure as described in the Cost Proposal, inclusive of all incidental as well as primary costs.** *(Failure to provide the proper affirming signature on this item may result in the disqualification of yourproposal.)*

15. Additional Documents:

CCOG makes every attempt to meet the varying legal requirements of public agencies across the country. The documents included in this section are intended to give our contracts the broadest geographic reach by meeting the procurement requirements of other states outside of Ohio.

15.1. Lobbying Certification

Submission of this certification is a prerequisite for making or entering into this transaction and is imposed by Section 1352, Title 31, U.S. Code. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Any person who fails to file the required certification shall be subject to civil penalty of not less than ten thousand dollars ($10,000) and not more than one hundred thousand dollars ($100,000) for eachsuchfailure.

The undersigned certifies, to the best of his/her knowledge and belief, on behalf of Bidder that:

1. No Federal appropriated funds have been paid or will be paid on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of a Federal contract, the making of a Federal grant, the making of a Federal loan, the entering into a cooperative agreement, and the extension, continuation, renewal, amendment, or modification of a Federal contract, grant, loan, orcooperativeagreement.

2. If any funds other than Federal appropriated funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure of Lobbying Activities," in accordance withitsinstructions.

3. The undersigned shall require that the language of this certification be included in the award documents for all covered sub-awards exceeding one hundred thousand dollars ($100,000) in Federal funds at all appropriate tiers and that all sub-recipients shall certify and disclose accordingly.

Lacreta Hackney
Signature of Bidder representative

15.2. Boycott Certification

Bidder must certify that during the term of any Agreement, it does not boycott Israel and will not boycott Israel. "Boycott" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes.

Lacreta Hackney
Signature of Bidder representative

15.3. Federal Funds Certification Form (EDGAR)

When a participating agency seeks to procure goods and services using funds under a federal grant or contract, specific federal laws, regulations, and requirements may apply in addition to those under state law. This includes, but is not limited to, the procurement standards of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR 200 (sometimes referred to as the "Uniform Guidance" or "EDGAR" requirements). All bidders submitting proposals must complete this Federal Funds Certification Form regarding bidder's willingness and ability to comply with certain requirements which may be applicable to specific participating agency purchases using federal grant funds. This completed form will be made available to Members for their use while considering their purchasing options when using federal grant funds. Members may also require Supplier Partners to enter into ancillary agreements, in addition to the contract's general terms and conditions, to address the member's specific contractual needs, including contract requirements for a procurement using federal grants or contracts.

For each of the items below, respondent should certify bidder's agreement and ability to comply, where applicable, by having respondents authorized representative complete and initial the applicable lines after each section and sign the acknowledgment at the end of this form. If a respondent fails to complete any item in this form, CCOG will consider the respondent's response to be that they are unable or unwilling to comply. A negative response to any of the items may, if applicable, impact the ability of a participating agency to purchase from the Supplier Partner using federalfunds.

15.3.1. Supplier Partner Violation or Breach of ContractTerms

Contracts for more than the simplified acquisition threshold currently set at one hundred fifty thousand dollars ($150,000), which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 USC 1908, must address administrative, contractual, or legal remedies in instances where Supplier Partners violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

Any contract award will be subject to Terms and Conditions of the Master Agreement, as well as any additional terms and conditions in any purchase order, participating agency ancillary contract, or Member construction contract agreed upon by Supplier Partner and the participating agency which mut be consistent with and protect the participating agency at least to the same extent as the CCOG Terms and Conditions.

The remedies under the contract are in addition to any other remedies that may be available under law or in equity. By submitting a proposal, you agree to these Supplier Partner violation and breach of contract terms.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.2. Termination for Cause or Convenience

When a participating agency expends federal funds, the participating agency reserves the right to immediately terminate any agreement in excess of ten thousand dollars ($10,000) resulting from this procurement process in the event of a breach or default of the agreement by Offeror in the event Offeror fails to: (1) meet schedules, deadlines, and/or delivery dates within the time specified in the procurement solicitation, contract, and/or a purchase order; (2) make any payments owed; or (3) otherwise perform in accordance with the contract and/or the procurement solicitation. Participating agency also reserves the right to terminate the contract immediately, with written notice to offeror, for convenience, if participating agency believes, in its sole discretion that it is in the best interest of participating agency to do so. Bidder will be compensated for work performed and accepted and goods accepted by participating agency as of the termination date if the contract is terminated for convenience of participating agency. Any award under this procurement process is not exclusive and participating agency reserves the right to purchase goods and services from other offerors when it is in participating agency'sbestinterest.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.3. Equal Employment Opportunity

Except as otherwise provided under 41 CFR Part 60, all participating agency purchases or contracts that meet the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 shall be deemed to include the equal opportunity clause provided under 41 CFR 60-1.4(b), in accordance with Executive Order 11246, "Equal Employment Opportunity" (30 FR 12319, 12935, 3 CFR Part, 1964-1965 Comp., p. 339), as amended by Executive Order 11375, "Amending Executive Order 11246 Relating to Equal Employment Opportunity," and implementing regulations at 41 CFR Part 60, "Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor."

The equal opportunity clause provided under 41 CFR 60-1.4(b) is hereby incorporated by reference. Supplier Partner agrees that such provision applies to any participating agency purchase or contract that meets the definition of "federally assisted construction contract" in 41 CFR Part 60-1.3 and Supplier Partner agrees that it shall comply with suchprovision.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.4. Davis-Bacon Act

When required by Federal program legislation, Supplier Partner agrees that, for all participating agency prime construction contracts/purchases in excess of two thousand dollars ($2,000), Supplier Partner shall comply with the Davis-Bacon Act (40 USC 3141-3144, and 3146-3148) as supplemented by Department of Labor regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction"). In accordance with the statute, Supplier Partner is required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determinate made by the Secretary of Labor. In addition, Supplier Partner shall pay wages not less than once a week.

Current prevailing wage determinations issued by the Department of Labor are available at www.wdol.gov. Supplier Partner agrees that, for any purchase to which this requirement applies, the award of the purchase to the Supplier Partner is conditioned upon Supplier Partner's acceptance of the wage determination.

Supplier Partner further agrees that it shall also comply with the Copeland "Anti-Kickback" Act (40 USC 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, "Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States". The Act provides that each Supplier Partner or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.5. Contract Work Hours and Safety Standards Act

Where applicable, for all participating agency contracts or purchases in excess of one hundred thousand dollars ($100,000) that involve the employment of mechanics or laborers, Supplier Partner agrees to comply with 40 USC 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5). Under 40 USC 3702 of the Act, Supplier Partner is required to compute the wages of every mechanic and laborer on the basis of a standard work week of forty (40) hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of forty (40) hours in the work week. The requirements of 40 USC 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.6. Right to Inventions Made Under a Contract or Agreement

If the participating agency's Federal award meets the definition of "funding agreement" under 37 CFR 401.2(a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance or experimental, developmental, or research work under that "funding agreement," the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, "Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements," and any implementing regulations issued by the awarding agency.

Supplier Partner agrees to comply with the above requirements when applicable.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.7. Clean Air Act and Federal Water Pollution Control Act

Clean Air Act (42 USC 7401-7671q.) and the Federal Water Pollution Control Act (33 USC 1251-1387), as amended – Contracts and subgrants of amounts in excess of one hundred fifty thousand dollars ($150,000) must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act (42 USC 7401-7671q.) and the Federal Water Pollution Control Act, as amended (33 USC 1251-1387). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

When required, Supplier Partner agrees to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.8. Debarment and Suspension

Debarment and Suspension (Executive Orders 12549 and 12689) – A contract award (see 2 CFR 180.220) must not be made to parties listed on the government-wide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR Part 1966 Comp. p. 189) and 12689 (3CFR Part 1989 Comp. p. 235), "Debarment and Suspension." SAM Exclusions contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Supplier Partner certifies that Supplier Partner is not currently listed on the government-wide exclusions in SAM, is not debarred, suspended, or otherwise excluded by agencies or declared ineligible under statutory or regulatory authority other than Executive Order 12549. Supplier Partner further agrees to immediately notify the Cooperative and all Members with pending purchases or seeking to purchase from Supplier Partner if Supplier Partner is later listed on the government-wide exclusions in SAM, or is debarred, suspended, or otherwise excluded by agencies or declared ineligible under statutory or regulatory authority other than Executive Order 12549.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.9. Byrd Anti-Lobbying Amendment

Byrd Anti-Lobbying Amendment (31 USC 1352) – Supplier Partners that apply or bid for an award exceeding one hundred thousand dollars ($100,000) must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any other award covered by 31 USC 1352. Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the non-Federal award. As applicable, Supplier Partner agrees to file all certifications and disclosures required by, and otherwise comply with, the Byrd Anti-Lobbying Amendment (31 USC1352).

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.10. Procurement of Recovered Materials

For participating agency purchases utilizing Federal funds, Supplier Partner agrees to comply with Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act where applicable and provide such information and certifications as a participating agency may require to confirm estimates and otherwise comply. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR Part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition, where the purchase price of the item exceeds ten thousand dollars ($10,000) or the value of the quantity acquired during the preceding fiscal year exceeded ten thousand dollars ($10,000); procuring solid waste management services in a manner that maximizes energy and resource recovery, and establishing an affirmative procurement program for procurement of recovered materials identified in the EPAguidelines.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.11. Profit as a Separate Element of Price

For purchases using federal funds in excess of one hundred fifty thousand dollars ($150,000), a participating agency may be required to negotiate profit as a separate element of the price. See, 2 CFR 200.323(b). When required by a participating agency, Supplier Partner agrees to provide information and negotiate with the participating agency regarding profit as a separate element of the price for a particular purchase. However, Supplier Partner agrees that the total price, including profit, charged by Supplier Partner to the participating agency shall not exceed the awarded pricing, including any applicable discount, under Supplier Partner's Group Purchasing Agreement.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.12. General Compliance and Cooperation with Members

In addition to the foregoing specific requirements, Supplier Partner agrees, in accepting any purchase order from a Member, it shall make a good faith effort to work with Members to provide such information and to satisfy such requirements as may apply to a particular participating agency purchase or purchases including, but not limited to, applicable recordkeeping and record retention requirements.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

15.3.13. Applicability to Subcontractors

Offeror agrees that all contracts it awards pursuant to the Contract shall be bound by the foregoing terms and conditions.

Does Supplier Partner agree? LH
(Initials of Authorized Representative)

By signature below, I certify that the information in this form is true, complete, and accurate and that I am authorized by my company to make this certification and all consents and agreements contained herein.

Mohawk Carpet Distribution, Inc.
Bidder Name

Lacreta Hackney
Signature of Authorized Company Official

Lacreta Hackney
Printed Name

Strategic Accounts Coordinator
Title

September 1, 2020
Date

16. Required Documents for Supplier Partners Intending to Do Business in NewJersey

16.1. Ownership Disclosure Form

Pursuant to the requirements of P.L. 1999, Chapter 440 effective April 17, 2000 (Local Public Contracts Law), Bidder shall complete the form attached to these specifications listing the persons owning 10 percent (10%) or more of the firm presenting the proposal.

Bidder Name:	**Mohawk Carpet Distribution, Inc.**
Street Address:	**160 South Industrial Blvd.**
City, State Zip:	**Calhoun, GA 30701**

Complete as appropriate:

I Click or tap here to enter text., *certify that I am the sole owner of* Click or tap here to enter text., *that there are no partners and the business is not incorporated, and the provisions of N.J.S. 52:25-24.2 do not apply.*

OR:

I Click or tap here to enter text., *a partner in* Click or tap here to enter text., *do hereby certify that the following is a list of all individual partners who own a* 10 percent (10%) *or greater interest therein. I further certify that if one (1) or more of the partners is itself a corporation or partnership, there is also set forth the names and addresses of the stockholders holding 10 percent (10%) or more of that corporation's stock or the individual partners owning 10%or greater interest in that partnership.*

OR:

I **Lacreta Hackney**, *an authorized representative of* Mohawk Carpet Distribution, Inc., *a corporation, do hereby certify that the following is a list of the names and addresses of all stockholders in the corporation who own 10% or more of its stock of any class. I further certify that if one (1) or more of such stockholders is itself a corporation or partnership, that there is also set forth the names and addresses of the stockholders holding* 10 percent (10%) *or more of the corporation's stock or the individual partners owning a* 10 percent (10%) *or greater interest in that partnership.*

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(Note: If there are no partners or stockholders owning 10% or more interest, indicate none.)

NAME	ADDRESS	% INTEREST
Jeffrey S. Lorberbaum	160 South Industrial Blvd., Calhoun, Georgia 30701	14.4
Aladdin Partners, L.P.	160 South Industrial Blvd., Calhoun, Georgia 30701	11.5

I further certify that the statements and information contained herein, are complete and correct to the best of my knowledge and belief.

Lacreta Hackney
Authorized Signature and Title

September 1, 2020
Date

16.2. Non-Collusion Affidavit (to be completed and included with each proposal submitted to Members in NJ)

Bidder Name: **Mohawk Carpet Distribution, Inc.**

Street Address: **160 South Industrial Blvd.**

City, State Zip: **Calhoun, GA 30701**

State of Georgia

County of Gordon

I, Lacreta Hackney *of the* Calhoun *in the County of Gordon, State of Georgia of full age, being duly sworn according to law on my oath depose and say that:*

I am the Strategic Accounts Coordinator of the firm of Mohawk Carpet Distribution, Inc., the Bidder making the proposal for the goods, services, or public work specified under the attached proposal, and that I executed the said proposal with full authority to do so; that said respondent has not directly or indirectly entered into any agreement, participated in any collusion, or otherwise taken any action in restraint of free, competitive bidding in connection with the above proposal, and that all statements contained in said bid proposal and in this affidavit are true and correct, and made with full knowledge that the Customer Name *relies upon the truth of the statements contained in said bid proposal and in the statements contained in this affidavit in awarding the contract for the said goods, services, orpublicwork.*

I further warrant that no person or selling agency has been employed or retained to solicit or secure such contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except bona fide employees or bona fide established commercial or selling agencies maintainedby:

Mohawk Carpet Distribution, Inc.

Lacreta Hackney
Authorized Signature

Strategic Accounts Coordinator

Subscribed and sworn before me

this 1st day of Sept, 2020

Notary Public of Georgia
My commission expires Aug 14. 2020

SEAL

TANDY KNUDSTRUP
My Commission Expires
NOTARY PUBLIC
August 14, 2024
COBB COUNTY, GEORGIA

16.3. Affirmative Action Affidavit
(P.L. 1975, C.127)

Bidder Name: Mohawk Carpet Distribution, Inc.

Street Address: 160 South Industrial Blvd.

City, State Zip: Calhoun, GA 30701

Bid Proposal Certification:
Indicate below your compliance with New Jersey Affirmative Action regulations. Your proposal will be accepted even if you are not in compliance at this time. No contract and/or purchase order may be issued, however, until all Affirmative Action requirements are met.

Required Affirmative Action Evidence:
Procurement, Professional & Service Contracts (Exhibit A)

Supplier Partners must submit with proposal:

1. *A photocopy of their Federal Letter of Affirmative Action Plan Approval*

   OR

2. *A photocopy of their Certificate of Employee Information Report*

   OR

3. *A complete Affirmative Action Employee Information Report (AA302)*

Public Work – Over Fifty Thousand Dollars ($50,000) Total Project Cost:

Check One –

☐ *No approved Federal or New Jersey Affirmative Action Plan. We will complete Report Form AA201-A upon receipt from the Customer Name, or*

[x] *Approved Federal or New Jersey Plan – certificate enclosed*
Updated certificate has been requested and will be submitted upon receipt.

I further certify that the statements and information contained herein, are complete and correct to the best of my knowledge and belief.

Mohawk Carpet Distribution, Inc.

Lacreta Hackney
Authorized Signature

Strategic Accounts Coordinator

September 1, 2020

P.L. 1995, c. 127 (N.J.A.C. 17:27)
MANDATORY AFFIRMATIVE ACTION LANGUAGE

PROCUREMENT, PROFESSIONAL & SERVICE CONTRACTS

During the performance of this contract, the Supplier Partner agrees as follows:

The Supplier Partner or subcontractor, where applicable, will not discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. The Supplier Partner will take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment, without regard to their age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Supplier Partner agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Public Agency Compliance Officer setting forth provisions of this non-discriminationclause.

The Supplier Partner or subcontractor, where applicable will, in all solicitations or advertisement for employees placed by or on behalf of the Supplier Partner, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation.

The Supplier Partner or subcontractor, where applicable, will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer advising the labor union or workers' representative of the Supplier Partner's commitments under this act and shall post copies of the notice in conspicuous places available to employees and applicants foremployment.

The Supplier Partner or subcontractor, where applicable, agrees to comply with any regulations promulgated by the Treasurer pursuant to P.L. 1975, c. 127, as amended and supplemented from time to time and the Americans with DisabilitiesAct.

The Supplier Partner or subcontractor agrees to attempt in good faith to employ minority and female workers trade consistent with the applicable county employment goal prescribed by N.J.A.C. 17:27-5.2 promulgated by the Treasurer pursuant to P.L. 1975, C.127, as amended and supplemented from time to time or in accordance with a binding determination of the applicable county employment goals determined by the Affirmative Action Office pursuant to N.J.A.C. 17:27-5.2 promulgated by the Treasurer pursuant to P.L. 1975, C.127, as amended and supplemented from timetotime.

The Supplier Partner or subcontractor agrees to inform in writing appropriate recruitment agencies in the area, including employment agencies, placement bureaus, colleges, universities, labor unions, that it does not discriminate on the basis of age, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation, and that it will discontinue the use of any recruitment agency which engages in direct or indirect discriminatory practices.

The Supplier Partner or subcontractor agrees to revise any of it testing procedures, if necessary, to assure that all personnel testing conforms with the principles of job-related testing, as established by the statutes and court decisions of the state of New Jersey and as established by applicable Federal law and applicable Federal courtdecisions.

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The Supplier Partner or subcontractor agrees to review all procedures relating to transfer, upgrading, downgrading and lay-off to ensure that all such actions are taken without regard to age, creed, color, national origin, ancestry, marital status, sex, affectional or sexual orientation, and conform with the applicable employment goals, consistent with the statutes and court decisions of the State of New Jersey, and applicable Federal law and applicable Federal court decisions.

The Supplier Partner and its subcontractors shall furnish such reports or other documents to the Affirmative Action Office as may be requested by the office from time to time in order to carry out the purposes of these regulations, and public agencies shall furnish such information as may be requested by the Affirmative Action Office for conducting a compliance investigation pursuant to Subchapter 10 of the Administrative Code (NJAC17:27).

Lacreta Hackney

Signature of Procurement Agent

16.4. Political Contribution Disclosure Form

Public Agency Instructions

This page provides guidance to public agencies entering into contracts with business entities that are required to file Political Contribution Disclosure forms with the agency. **It is not intended to be provided to Supplier Partners.** What follows are instructions on the use of form local units can provide to Supplier Partners that are required to disclose political contributions pursuant to N.J.S.A. 19:44A-20.26 (P.L. 2005, c. 271, s.2). Additional information on the process is available in Local Finance Notice 2006-1 (**www.nj.gov/dca/lgs/lfns/lfnmenu.shtml**).

1. The disclosure is required for all contracts in excess of seventeen thousand five hundred dollars ($17,500) thatare **not awarded** pursuant to a "fair and open" process (N.J.S.A. 19:44A-20.7).
2. Due to the potential length of some Supplier Partner submissions, the public agency should consider allowing data to be submitted in electronic form (i.e., spreadsheet, pdf file, etc.). Submissions must be kept with the contract documents or in an appropriate computer file and be available for public access. **The form is worded to accept this alternate submission.** The text should be amended if electronic submission will notbeallowed.
3. The submission must be **received from the Supplier Partner and** on file at least ten (10) days prior to award of the contract. Resolutions of award should reflect that the disclosure has been received and is onfile.
4. The Supplier Partner must disclose contributions made to candidate and party committees covering a wide range of public agencies, including all public agencies that have elected officials in the county of the public agency, state legislative positions, and various state entities. The Division of Local Government Services recommends that Supplier Partners be provided a list of the affected agencies. This will assist Supplier Partners in determining the campaign and political committees of the officials and candidates affected by thedisclosure.
    a) The Division has prepared model disclosure forms for each county. They can be downloaded from the "County PCD Forms" link on the Pay-to-Play web site at **www.nj.gov/dca/lgs/p2p**. They will be updated from time-to-time, as necessary.
    b) A public agency using these forms **should edit them to properly reflect the correct legislative district**(s). As the forms are county-based, **they list all legislative districts** in each county. **Districts that do not represent the public agency should be removed from thelists.**
    c) Some Supplier Partners may find it easier to provide a single list that covers all contributions, regardless of the county. These submissions are appropriate and should be accepted.
    d) The form may be used "as-is", subject to edits asdescribedherein.
    e) The "Supplier Partner Instructions" sheet is intended to be provided with the form. It is recommended that the Instructions and the form be printed on the same piece of paper. The form notes that the Instructions are printed on the back of the form; where that is not the case, the text should be editedaccordingly.
    f) The form is a Word document and can be edited to meet local needs, and posted for download on web sites, used as an e-mail attachment, or provided as a printeddocument.
5. It is recommended that the Supplier Partner also complete a "Stockholder Disclosure Certification." This will assist the local unit in its obligation to ensure that Supplier Partner did not make any prohibited contributions to the committees listed on the Business Entity Disclosure Certification in the twelve (12) months prior to the contract. (See Local Finance Notice 2006-7 for additional information on this obligation) A sample Certification form is partofthis

package and the instruction to complete it is included in the Supplier Partner Instructions. **NOTE: This section is not applicable to Boards of Education.**

C. 271 POLITICAL CONTRIBUTION DISCLOSURE FORM
Supplier Partner Instructions

Supplier Partners receiving contracts from a public agency that are NOT awarded pursuant to a "fair and open" process (defined at N.J.S.A. 19:44A-20.7) are subject to the provisions of P.L. 2005, c. 271, s.2 (N.J.S.A. 19:44A-20.26). This law provides that ten (10) days prior to the award of such a contract, the Supplier Partner shall disclose contributions to:

1) any State, county, or municipal committee of a politicalparty,
2) any legislative leadership committee[1],
3) any continuing political committee (a.k.a., political action committee),
4) any candidate committee of a candidate for, or holder of, an electiveoffice:
   a) of the public entity awarding the contract,
   b) of that county in which that public entity is located,
   c) of another public entity within thatcounty,
   d) or of a legislative district in which that public entity is located or, when the public entity is a county, of any legislative district which includes all or part of the county. The disclosure must list reportable contributions to any of the committees that exceed three hundred dollars ($300) per election cycle that were made during the twelve (12) months prior to award of the contract. See N.J.S.A. 19:44A-8 and 19:44A-16 for more details on reportable contributions.

N.J.S.A. 19:44A-20.26 itemizes the parties from whom contributions must be disclosed when a business entity is not a natural person. This includes the following:

1) individuals with an "interest" ownership or control of more than ten percent (10%) of the profits or assets of a business entity or 10% of the stock in the case of a business entity that is a corporation forprofit,
2) all principals, partners, officers, or directors of the business entity or theirspouses,
3) any subsidiaries directly or indirectly controlled by the businessentity,
4) IRS Code Section 527 New Jersey based organizations, directly or indirectly controlled by the business entity and filing as continuing political committees, (PACs). When the business entity is a natural person, "a contribution by that person's spouse or child, residing therewith, shall be deemed to be a contribution by the business entity." [N.J.S.A. 19:44A-20.26(b)] The contributor must be listed on the disclosure. Any business entity that fails to comply with the disclosure provisions shall be subject to a fine imposed by ELEC in an amount to be determined by the Commission which may be based upon the amount that the business entity failed to report. The enclosed list of agencies is provided to assist the Supplier Partner in identifying those public agencies whose elected official and/or candidate campaign committees are affected by the disclosure requirement. It is the Supplier Partner's responsibility to identify the specific committees to which contributions may have been made and need to be disclosed. The disclosed information may exceed the minimum requirement. The enclosed form, a content-consistent facsimile, or an electronic data file containing the required details (along with a signed cover sheet) may be used as the Supplier Partner's submission and is disclosable to the public under the Open Public Records Act. The Supplier Partner must also complete the attached Stockholder Disclosure Certification. This will assist the agency in meeting its obligations under thelaw.

NOTE: This section does not apply to Board of Education contracts.

[1] N.J.S.A. 19:44A-3(s): "The term "legislative leadership committee" means a committee established, authorized to be established, or designated by the President of the Senate, the Minority Leader of the Senate, the Speaker of the General Assembly or the Minority Leader of the General Assembly pursuant to section 16 of P.L.1993, c.65 (C.19:44A-10.1) for the purpose of receiving contributions and making expenditures."

C. 271 POLITICAL CONTRIBUTION DISCLOSURE FORM
Required Pursuant to N.J.S.A. 19:44A-20.26

This form or its permitted facsimile must be submitted to the local unit no later than ten (10) days prior to the award of the contract.

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Part I – Supplier Partner Information

Bidder Name:	Mohawk Carpet Distribution, Inc.
Address:	160 South Industrial Blvd.
City:	Calhoun
State:	GA
Zip:	30701

The undersigned being authorized to certify, hereby certifies that the submission provided herein represents compliance with the provisions of N.J.S.A. 19:44A-20.26 and as represented by the Instructions accompanying thisform.

Lacreta Hackney
Authorized Signature

Lacreta Hackney

Strategic Accounts Coordinator

Part II – Contribution Disclosure

Disclosure requirement: Pursuant to N.J.S.A. 19:44A-20.26 this disclosure must include all reportable political contributions (more than three hundred dollars ($300) per election cycle) over the twelve (12) months prior to submission to the committees of the government entities listed on the form provided by the local unit.

☐ Check here if disclosure is provided in electronic form.

Contributor Name	Recipient Name	Date	Dollar Amount
N/A	N/A	N/A	$N/A

☐ Check here if the information is continued on subsequent page(s)

List of Agencies with Elected Officials Required for Political Contribution Disclosure
N.J.S.A. 19:44A-20.26
County Name:
State: Governor, and Legislative Leadership Committees
Legislative District #s:
State Senator and two members of the General Assembly per district.

County:
Freeholders County Clerk Sheriff
{County Executive} Surrogate

Municipalities (Mayor and members of governing body, regardless of title):

USERS SHOULD CREATE THEIR OWN FORM, OR DOWNLOAD FROM WWW.NJ.GOV/DCA/LGS/P2P A COUNTY-BASED, CUSTOMIZABLE FORM.

16.5. Stockholder Disclosure Form

Name of Business:

☒ I certify that the list below contains the names and home addresses of all stockholders holding ten percent (10%) or more of the issued and outstanding stock of the undersigned.

OR

☐ I certify that no one stockholder owns ten percent (10%) or more of the issued and outstanding stock of the undersigned.

Check the box that represents the type of business organization:

☐ Partnership

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☒ Corporation
☐ Sole Proprietorship
☐ Limited Partnership
☐ Limited Liability Corporation
☐ Limited Liability Partnership
☐ Subchapter S Corporation

Sign and notarize the form below, and, if necessary, complete the stockholder list below.

Stockholders:

Name: Jeffrey S. Lorberbaum Home Address: 160 South Industrial Blvd. Calhoun, Georgia 30701	Name: Aladdin Partners, L.P. Home Address: 160 South Industrial Blvd. Calhoun, Georgia 30701
Name: Stockholder Name Home Address: Home Address	Name: Stockholder Name Home Address: Home Address
Name: Stockholder Name Home Address: Home Address	Name: Stockholder Name Home Address: Home Address
Subscribed and sworn before me this 1st day of Sept, 2020 (Notary Public) My Commission expires: 8/14/20 TAMMY KNUDSTRUP NOTARY PUBLIC COBB COUNTY, GEORGIA My Commission Expires August 14, 2024	Lacreta Hackney (Affiant) Lacreta Hackney (Print name & title) Strategic Accounts Coordinator (Corporate Seal) Mohawk Industries, Inc. Corporate Seal 1988 Delaware MOHAWK

17. Required Documents for Supplier Partners Intending to Do Business in Arizona

17.1. Arizona Supplier Partner Requirements

AZ Compliance with Federal and state requirements. Supplier Partner agrees when working on any federally assisted projects with more than two thousand dollars ($2,000.00) in labor costs, to comply with all federal and state requirements, as well as Equal Opportunity Employment requirements and all other federal and state laws, statutes, etc. Supplier Partner agrees to post wage rates at the work site and submit a copy of their payroll to the member for their files. Supplier Partner must retain records for three years to allow the federal grantor agency access to these records, upon demand. Supplier Partner also agrees to comply with the Arizona Executive Order 75-5, as amended by Executive Order 99-4.

When working on contracts funded with Federal Grant monies, Supplier Partner additionally agrees to comply with the administrative requirements for grants, and cooperative agreements to state, local and federally recognized Indian Tribal Governments.

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AZ Compliance with workforce requirements. Pursuant to ARS 41-4401, Supplier Partner and subcontractor(s) warrant their compliance with all federal and state immigration laws and regulations that relate to their employees, and compliance with ARS 23-214 subsection A, which states, ..."every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program".

CCOG reserves the right to cancel or suspend the use of any contract for violations of immigration laws and regulations. CCOG and its members reserve the right to inspect the papers of any Supplier Partner or subcontract employee who works under this contract to ensure compliance with the warranty above.

AZ Supplier Partner Employee Work Eligibility. By entering into this contract, Supplier Partner agrees and warrants compliance with A.R.S. 41-4401, A.R.S. 23-214, the Federal Immigration and Nationality Act (FINA), and all other Federal immigration laws and regulations. CCOG and/or Equalis Group members may request verification of compliance from any Supplier Partner or subcontractor performing work under this contract. CCOG and Equalis Group members reserve the right to confirm compliance. In the event that CCOG or Equalis Group members suspect or find that any Supplier Partner or subcontractor is not in compliance, CCOG may pursue any and all remedies allowed by law, including but not limited to suspension of work, termination of contract, suspension and/or debarment of the Supplier Partner. All cost associated with any legal action will be the responsibility of the Supplier Partner.

AZ Non-Compliance. All federally assisted contracts to members that exceed ten thousand dollars ($10,000.00) may be terminated by the federal grantee for noncompliance by Supplier Partner. In projects that are not federally funded, respondent must agree to meet any federal, state or local requirements as necessary. In addition, if compliance with the federal regulations increases the contract costs beyond the agreed on costs in this solicitation, the additional costs may only apply to the portion of the work paid by the federalgrantee.

Registered Sex Offender Restrictions (Arizona). For work to be performed at an Arizona school, Supplier Partner agrees that no employee or employee of a subcontractor who has been adjudicated to be a registered sex offender will perform work at any time when students are present, or reasonably expected to be present. Supplier Partner agrees that a violation of this condition shall be considered a material breach and may result in the cancellation of the purchase order at the Equalis Group member's discretion. Supplier Partner must identify any additional costs associated with compliance to this term. If no costs are specified, compliance with this term will be provided at no additionalcharge.

Offshore Performance of Work Prohibited. Due to security and identity protection concerns, direct services under this contract shall be performed within the borders of the United States.

Terrorism Country Divestments. In accordance with A.R.S. 35-392, CCOG and Equalis Group members are prohibited from purchasing from a company that is in violation of the Export Administration Act. By entering into the contract, Supplier Partner warrants compliance with the Export Administration Act.

The undersigned hereby accepts and agrees to comply with all statutory compliance and notice requirements listed in this document.

Lacreta Hackney

Signature of Authorized Representative

September 1, 2020