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

FORM 10-Q

[Mark One]

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

For the quarterly period ended October 2, 2010

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

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

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

The number of shares outstanding of the issuer's classes of common stock as of November 1, 2010, the latest practicable date, is as follows: 68,601,226 shares of Common Stock, $.01 par value.

MOHAWK INDUSTRIES, INC.
INDEX

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
ASSETS
(In thousands)
(Unaudited)

	October 2, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 365,835	531,458
Receivables, net	697,491	673,931
Inventories	996,271	892,981
Prepaid expenses	87,208	108,947
Deferred income taxes	119,729	130,990
Other current assets	27,668	20,693
Total current assets	2,294,202	2,359,000
Property, plant and equipment, at cost	3,488,233	3,469,525
Less accumulated depreciation and amortization	1,807,692	1,678,113
Net property, plant and equipment	1,680,541	1,791,412
Goodwill	1,389,057	1,411,128
Tradenames	466,613	477,607
Other intangible assets, net	244,321	307,735
Deferred income taxes and other non-current assets	117,176	44,564
	$ 6,191,910	6,391,446

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
(In thousands, except per share data)
(Unaudited)

	October 2, 2010	December 31, 2009
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 351,486	52,907
Accounts payable and accrued expenses	779,825	831,115
Total current liabilities	1,131,311	884,022
Deferred income taxes	352,228	370,903
Long-term debt, less current portion	1,303,151	1,801,572
Other long-term liabilities	89,720	100,667
Total liabilities	2,876,410	3,157,164
Commitments and contingencies (Notes 12 and 14)		
Equity:		
Preferred stock, $.01 par value; 60 shares authorized; no shares issued	—	—
Common stock, $.01 par value; 150,000 shares authorized; 79,629 and 79,518 shares issued in 2010 and 2009, respectively	796	795
Additional paid-in capital	1,232,255	1,227,856
Retained earnings	2,138,329	1,998,616
Accumulated other comprehensive income, net	236,377	296,917
	3,607,757	3,524,184
Less treasury stock at cost; 11,031 and 11,034 shares in 2010 and 2009, respectively	323,263	323,361
Total Mohawk Industries, Inc. stockholders’ equity	3,284,494	3,200,823
Noncontrolling interest	31,006	33,459
Total equity	3,315,500	3,234,282
	$ 6,191,910	6,391,446

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	October 2, 2010	September 26, 2009
Net sales	$ 1,309,552	1,382,565
Cost of sales	964,620	1,013,106
Gross profit	344,932	369,459
Selling, general and administrative expenses	259,750	301,388
Operating income	85,182	68,071
Other expense (income):		
Interest expense	30,046	32,318
Other expense	2,944	4,404
Other income	(1,820)	(6,061)
U.S. customs refund	(5,765)	—
	25,405	30,661
Earnings before income taxes	59,777	37,410
Income tax expense	7,513	2,015
Net earnings	52,264	35,395
Less: Net earnings attributable to noncontrolling interest	1,170	1,047
Net earnings attributable to Mohawk Industries, Inc.	$ 51,094	34,348
Basic earnings per share attributable to Mohawk Industries, Inc.	$ 0.74	0.50
Weighted-average common shares outstanding — basic	68,593	68,456
Diluted earnings per share attributable to Mohawk Industries, Inc.	$ 0.74	0.50
Weighted-average common shares outstanding — diluted	68,773	68,653

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Nine Months Ended	
	October 2, 2010	September 26, 2009
Net sales	$ 4,056,874	3,996,916
Cost of sales	2,995,940	3,106,380
Gross profit	1,060,934	890,536
Selling, general and administrative expenses	832,405	893,671
Operating income (loss)	228,529	(3,135)
Other expense (income):		
Interest expense	102,985	92,504
Other expense	2,588	11,739
Other income	(5,451)	(17,327)
U.S. customs refund	(5,765)	—
	94,357	86,916
Earnings (loss) before income taxes	134,172	(90,051)
Income tax benefit	(8,327)	(67,744)
Net earnings (loss)	142,499	(22,307)
Less: Net earnings attributable to noncontrolling interest	2,786	2,971
Net earnings (loss) attributable to Mohawk Industries, Inc.	$ 139,713	(25,278)
Basic earnings (loss) per share attributable to Mohawk Industries, Inc.	$ 2.04	(0.37)
Weighted-average common shares outstanding — basic	68,567	68,446
Diluted earnings (loss) per share attributable to Mohawk Industries, Inc.	$ 2.03	(0.37)
Weighted-average common shares outstanding — diluted	68,764	68,446

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	October 2, 2010	September 26, 2009
Cash flows from operating activities:		
Net earnings (loss)	$ 142,499	(22,307)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Restructuring	12,263	27,626
Depreciation and amortization	222,251	221,177
Deferred income taxes	(12,486)	(22,102)
Loss on extinguishment of debt	7,514	—
Loss (gain) on disposal of property, plant and equipment	(5,105)	318
Stock-based compensation expense	5,224	6,740
Changes in operating assets and liabilities:		
Receivables, net	(96,195)	(18,121)
Income tax receivable	74,252	(107,099)
Inventories	(103,944)	232,969
Accounts payable and accrued expenses	(24,775)	86,406
Other assets and prepaid expenses	(1,105)	11,348
Other liabilities	(9,999)	(4,235)
Net cash provided by operating activities	210,394	412,720
Cash flows from investing activities:		
Additions to property, plant and equipment	(86,240)	(71,281)
Proceeds from insurance claim	4,614	—
Acquisitions, net of cash acquired	(79,917)	(5,924)
Net cash used in investing activities	(161,543)	(77,205)
Cash flows from financing activities:		
Payments on revolving line of credit	—	(394,485)
Proceeds from revolving line of credit	—	331,940
Repayment of senior notes	(199,992)	—
Net change in asset securitization borrowings	—	(47,000)
Borrowings on term loan and other debt	198	6,777
Debt issuance costs	—	(23,528)
Debt extinguishment costs	(7,514)	—
Distribution to noncontrolling interest	(2,984)	(3,877)
Change in outstanding checks in excess of cash	(2,137)	(3,105)
Proceeds from stock transactions	1,126	339
Net cash used in financing activities	(211,303)	(132,939)
Effect of exchange rate changes on cash and cash equivalents	(3,171)	10,050
Net change in cash and cash equivalents	(165,623)	212,626
Cash and cash equivalents, beginning of year	531,458	93,519
Cash and cash equivalents, end of period	$ 365,835	306,145

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

1. Interim reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the consolidated financial statements and notes thereto, and the Company's description of critical accounting policies, included in the Company's 2009 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission.

2. New pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Codification topic 860 ("ASC 860"), formerly Statement of Financial Accounting Standards ("SFAS") No. 166, *"Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140"*. ASC 860 seeks to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. Specifically, ASC 860 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. ASC 860 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company's adoption of ASC 860 on January 1, 2010 did not have a material impact on the Company's consolidated financial statements.

In June 2009, FASB issued ASC 810, formerly SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)"*. ASC 810 amends FASB Interpretation No. 46(R), *"Variable Interest Entities",* for determining whether an entity is a variable interest entity ("VIE") and requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a VIE. Under ASC 810, an enterprise has a controlling financial interest when it has a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. ASC 810 also requires an enterprise to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has power to direct the activities of the VIE that most significantly impact the entity's economic performance. ASC 810 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and eliminates the scope exclusion for qualifying special-purpose entities. ASC 810 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company's adoption of ASC 810 on January 1, 2010 did not have a material impact on the Company's consolidated financial statements.

3. Receivables, net

Receivables, net are as follows:

	October 2, 2010	December 31, 2009
Customers, trade	$ 719,366	633,571
Income tax receivable	5,524	72,515
Other	32,324	30,654
	757,214	736,740
Less allowance for discounts, returns, claims and doubtful accounts	59,723	62,809
Receivables, net	$ 697,491	673,931

(In thousands, except per share amounts)

Table of Contents

4. Inventories

The components of inventories are as follows:

	October 2, 2010	December 31, 2009
Finished goods	$ 621,497	559,340
Work in process	89,758	84,414
Raw materials	285,016	249,227
Total inventories	$ 996,271	892,981

5. Goodwill and intangible assets

The components of goodwill and other intangible assets are as follows:

	Mohawk	Dal-Tile	Unilin	Total
Balances as of December 31, 2009				
Goodwill	$ 199,132	1,186,913	1,352,508	2,738,553
Accumulated impairments losses	(199,132)	(531,930)	(596,363)	(1,327,425)
	—	654,983	756,145	1,411,128
Goodwill recognized during the period	—	—	141	141
Currency translation during the period	—	—	(22,212)	(22,212)
Balances as of October 2, 2010				
Goodwill	199,132	1,186,913	1,330,437	2,716,482
Accumulated impairments losses	(199,132)	(531,930)	(596,363)	(1,327,425)
	$ —	654,983	734,074	1,389,057

	Tradenames
Intangible assets:	
Indefinite life assets not subject to amortization:	
Balance as of December 31, 2009	$ 477,607
Currency translation during the period	(10,994)
Balance as of October 2, 2010	$ 466,613

	Customer relationships	Patents	Other	Total
Intangible assets subject to amortization:				
Balance as of December 31, 2009	$ 159,302	147,008	1,425	307,735
Amortization during the period	(34,159)	(17,727)	(90)	(51,976)
Currency translation during the period	(4,901)	(6,526)	(11)	(11,438)
Balance as of October 2, 2010	$ 120,242	122,755	1,324	244,321

	Three Months Ended		Nine Months Ended	
	October 2, 2010	September 26, 2009	October 2, 2010	September 26, 2009
Amortization expense	$ 16,996	18,827	51,976	53,880

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

6. Accounts payable and accrued expenses

Accounts payable and accrued expenses are as follows:

	October 2, 2010	December 31, 2009
Outstanding checks in excess of cash	$ 15,763	17,900
Accounts payable, trade	389,262	335,401
Accrued expenses	179,065	169,730
Product warranties	38,700	66,545
Accrued interest	32,784	52,743
Income taxes payable	6,134	85,699
Deferred tax liability	2,940	2,836
Accrued compensation and benefits	115,177	100,261
Total accounts payable and accrued expenses	$ 779,825	831,115

7. Product warranties

The Company warrants certain qualitative attributes of its products for up to 50 years. The Company records a provision for estimated warranty and related costs in accrued expenses, based on historical experience, and periodically adjusts these provisions to reflect actual experience.

The provision for warranty obligations is as follows:

	Three Months Ended		Nine Months Ended	
	October 2, 2010	September 26, 2009	October 2, 2010	September 26, 2009
Balance at beginning of period	$ 44,501	109,848	66,545	56,460
Warranty claims paid during the period	(14,999)	(51,647)	(58,124)	(130,243)
Pre-existing warranty accrual adjustment during the period (1)	—	—	—	110,224
Warranty expense during the period	9,198	20,666	30,279	42,426
Balance at end of period	$ 38,700	78,867	38,700	78,867

(1) The adjustment to warranty accruals in 2009 relates to an increased number of warranty claims related to the performance of commercial carpet tiles that used a newer carpet backing technology. The Company discontinued sales of carpet tiles using this backing technology in 2009.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

8. Comprehensive income

Comprehensive income is as follows:

	Three Months Ended		Nine Months Ended	
	October 2, 2010	September 26, 2009	October 2, 2010	September 26, 2009
Net earnings (loss)	$ 52,264	35,395	142,499	(22,307)
Other comprehensive (loss) income:				
Foreign currency translation	152,573	75,955	(60,540)	74,920
Unrealized gain on derivative instruments, net of income taxes	—	2,296	—	5,273
Comprehensive income	204,837	113,646	81,959	57,886
Comprehensive income attributable to the noncontrolling interest	(1,170)	(1,047)	(2,786)	(2,971)
Comprehensive income attributable to Mohawk Industries, Inc.	$203,667	112,599	79,173	54,915

9. Stock-based compensation

The Company accounts for its stock-based compensation plans in accordance with ASC 718-10, formerly SFAS No. 123R, *"Share-Based Payment"*. Under ASC 718-10, all stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as an expense in the statement of earnings over the requisite service period.

Under the Company's 2007 Incentive Plan ("2007 Plan"), the Company reserved up to 3,200 shares of common stock for issuance upon the grant or exercise of stock options, restricted stock, restricted stock units ("RSU's") and other types of awards, as defined under the 2007 Plan. 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 vest between three and five years with a 10-year contractual term. Restricted stock and RSU's are granted with a price equal to the market price of the Company's common stock on the date of the grant and vest between two and five years.

The Company granted 40 and 76 options to employees at a weighted-average grant-date fair value of $19.10 and $9.17 per share for the nine months ended October 2, 2010 and September 26, 2009, respectively. The Company recognized stock-based compensation costs related to stock options of $554 ($351 net of taxes) and $1,000 ($633 net of taxes) for the three months ended October 2, 2010 and September 26, 2009, respectively and $1,878 ($1,190 net of taxes) and $3,063 ($1,940 net of taxes) for the nine months ended October 2, 2010 and September 26, 2009, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized compensation expense for stock options granted to employees and outside directors, net of estimated forfeitures, was $2,379 as of October 2, 2010, and will be recognized as expense over a weighted-average period of approximately 1.8 years.

The fair value of the option award is estimated on the date of grant using the Black-Scholes-Merton valuation model. Expected volatility is based on the historical volatility of the Company's common stock. The Company uses historical data to estimate option exercise and forfeiture rates within the valuation model.

The Company granted 89 and 114 RSU's at a weighted-average grant-date fair value of $46.94 and $29.34 per unit for the nine months ended October 2, 2010 and September 26, 2009, respectively. The Company recognized stock-based compensation costs related to the issuance of RSU's of $1,132 ($717 net of taxes) and $1,101 ($697 net of taxes) for the three months ended October 2, 2010 and September 26, 2009, respectively, and $3,208 ($2,032 net of taxes) and $3,593 ($2,276 net of taxes) for the nine months ended

(In thousands, except per share amounts)

October 2, 2010 and September 26, 2009, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized compensation expense for unvested RSU's granted to employees, net of estimated forfeitures, was $7,736 as of October 2, 2010, and will be recognized as expense over a weighted-average period of approximately 3.2 years.

The Company granted five restricted stock awards for the nine months ended October 2, 2010. Compensation expense for restricted stock awards for the three and nine months ended October 2, 2010 and September 26, 2009, respectively, was not significant.

10. Earnings (loss) per share

The Company applies the provisions of ASC 260-10, formerly SFAS No. 128, *"Earnings per Share"*, which requires companies to present basic earnings (loss) per share ("EPS") and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings (loss) of the Company, if dilutive.

Common stock options and RSU's are included in the diluted EPS calculation using the treasury stock method, if dilutive. Excluded from the computation of diluted EPS for the three months ended October 2, 2010 and September 26, 2009 are stock options to purchase common shares and RSU's of 1,339 and 1,401, respectively. Excluded from the computation of diluted EPS for the nine months ended October 2, 2010 are stock options to purchase common shares and RSU's of 1,197. For the nine months ended September 26, 2009, all outstanding common stock options to purchase common shares and RSU's were excluded from the calculation of diluted loss per share because their effect on loss per common share was anti-dilutive.

	Three Months Ended		Nine Months Ended	
	October 2, 2010	September 26, 2009	October 2, 2010	September 26, 2009
Net earnings (loss) attributable to Mohawk Industries, Inc.	$ 51,094	34,348	139,713	(25,278)
Weighted-average common shares outstanding-basic and diluted:				
Weighted-average common shares outstanding — basic	68,593	68,456	68,567	68,446
Add weighted-average dilutive potential common shares — options and RSU's to purchase common shares, net	180	197	197	—
Weighted-average common shares outstanding-diluted	68,773	68,653	68,764	68,446
Basic earnings (loss) per share attributable to Mohawk Industries, Inc.	$ 0.74	0.50	2.04	(0.37)
Diluted earnings (loss) per share attributable to Mohawk Industries, Inc.	$ 0.74	0.50	2.03	(0.37)

11. Segment reporting

The Company has three reporting segments, the Mohawk segment, the Dal-Tile segment and the Unilin segment. The Mohawk segment manufactures, markets and distributes its product lines, which include carpet, rugs, pad, ceramic tile, hardwood, resilient and laminate, primarily in North America 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, which include floor covering retailers, home centers, mass merchandisers, department stores, independent distributors, commercial dealers and commercial end users. The Dal-Tile segment manufactures, markets and distributes its product lines, which include ceramic tile, porcelain tile and stone products, primarily in North America through its network of regional distribution centers and company-operated sales service centers using company-operated

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts)
(Unaudited)

trucks, common carriers or rail transportation. The segment's product lines are purchased by floor covering retailers, home centers, independent distributors, tile specialty dealers, tile contractors, and commercial end users. The Unilin segment manufactures, markets and distributes its product lines, which include laminate flooring, wood flooring, roofing systems, insulation panels and other wood products, primarily in North America and Europe through various selling channels, which include retailers, home centers and independent distributors.

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 (loss).

Segment information is as follows:

	Three Months Ended		Nine Months Ended	
	October 2, 2010	September 26, 2009	October 2, 2010	September 26, 2009
Net sales:				
Mohawk	$ 713,481	755,904	2,177,646	2,118,025
Dal-Tile	345,074	361,590	1,050,088	1,096,772
Unilin	276,594	281,803	890,859	829,984
Intersegment sales	(25,597)	(16,732)	(61,719)	(47,865)
	$ 1,309,552	1,382,565	4,056,874	3,996,916
Operating income (loss):				
Mohawk	$ 31,127	16,261	74,100	(142,234)
Dal-Tile	33,913	21,166	77,432	72,626
Unilin	24,640	34,929	93,434	80,622
Corporate and eliminations	(4,498)	(4,285)	(16,437)	(14,149)
	$ 85,182	68,071	228,529	(3,135)

	October 2, 2010	December 31, 2009
Assets:		
Mohawk	$ 1,652,737	1,582,652
Dal-Tile	1,677,957	1,546,393
Unilin	2,542,233	2,598,182
Corporate and intersegment eliminations	318,983	664,219
	$ 6,191,910	6,391,446

12. Commitments, contingencies and other

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.

In Shirley Williams et al. v. Mohawk Industries, Inc., four plaintiffs filed a putative class action lawsuit in January 2004 in the United States District Court for the Northern District of Georgia (Rome Division), alleging that they are former and current employees of the Company and that the actions and conduct of the Company, including the employment of persons who are not authorized to work in the United States, have damaged them and the other members of the putative class by suppressing the wages of the Company's hourly employees in Georgia. The plaintiffs sought a variety of relief, including (a) treble damages; (b) return of any allegedly unlawful profits; and (c) attorney's fees and costs of litigation. In April 2010, the plaintiffs, the Company and the Company's insurance carrier agreed to settle the litigation. In July 2010, the District Court approved the settlement. The Company accrued for its portion of the settlement in a prior year. The claims process was completed in the third quarter of 2010.

(In thousands, except per share amounts)

On July 1, 2010, Monterrey, Mexico experienced flooding as a result of Hurricane Alex which temporarily interrupted operations at the Company's Dal-Tile ceramic tile production facility. The plant was fully operational in the latter part of the third quarter of 2010. Prior to the close of the third quarter of 2010, the Company and its insurance carrier agreed to a final settlement of its claim, which included property damage and business interruption for approximately $25,000. The amount included approximately $20,000 to cover costs to repair and/or replace property and equipment and approximately $5,000 to recover lost margin from lost sales. The settlement with the insurance carrier is recorded in cost of sales in the Company's 2010 condensed consolidated statement of operations. As a result of the insurance settlement, the flooding did not have a material impact on the Company's results of operations or financial position.

The Company has received partial refunds from the United States government in reference to settling custom disputes dating back to 1986. Accordingly, the Company realized a gain of $5,765 in other expense (income) for the three and nine months ended October 2, 2010. The Company is pursuing additional recoveries for prior years but there can be no assurances such recoveries will occur. Additional future recoveries, if any, will be recorded as realized.

The Company believes that adequate provisions for resolution of all contingencies, claims and pending litigation have been made for probable losses and that the ultimate outcome of these actions will not have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations in a given quarter or year.

The Company recorded pre-tax business restructuring charges of $3,330 and $12,263 for the three months and nine months ended October 2, 2010, respectively, of which $2,309 and $11,095 was recorded as cost of sales and $1,021 and $1,168 was recorded as selling, general and administrative expenses for the same periods. For the three months and nine months ended September 26, 2009, the Company recorded pre-tax business restructuring charges of $16,019 and $31,936, respectively, of which $6,030 and $21,138 was recorded as cost of sales and $9,989 and $10,798 was recorded as selling, general and administrative expenses for the same periods. The charges in 2010 and 2009 primarily relate to the Company's actions taken to lower its cost structure and improve the efficiency of its manufacturing and distribution operations as the Company adjusts to current economic conditions.

The restructuring activity for the first nine months of 2010 is as follows:

	Asset write-downs	Lease impairments	Severance	Other restructuring costs	Total
Balance as of December 31, 2009	$ —	21,073	7,824	3,001	31,898
Provisions:					
Mohawk segment	2,402	—	792	6,256	9,450
Dal-Tile segment	—	—	1,223	—	1,223
Unilin segment	815	—	775	—	1,590
Cash payments	—	(7,701)	(7,142)	(8,787)	(23,630)
Noncash items	(3,217)	—	—	—	(3,217)
Balance as of October 2, 2010	$ —	13,372	3,472	470	17,314

The Company expects the remaining severance costs, lease impairments and other restructuring costs to be paid over the next one to six years.

(In thousands, except per share amounts)

On July 6, 2010 the Company expanded its international presence with the completion of an equity investment of $79,917 in a leading manufacturer and distributor of ceramic tile in China. The investment was not significant to the Company's financial condition and was funded using available cash.

13. Income taxes

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, formerly FASB Interpretation No. 48 *"Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109"*. 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 flows in any given quarter or annual period.

During the second quarter of 2010, the Company settled all outstanding income tax matters with the Internal Revenue Service ("IRS") pertaining to the years 1999 – 2006. As a result of these settlements, the Company made a cash payment of $23,627 to the IRS during the three months ended July 3, 2010. For the nine months ended October 2, 2010, total payments to the IRS relating to the settlements were $59,471, including a previously posted $35,844 cash bond. The Company made a final payment to the IRS of $6,299 in the fourth quarter of 2010, to complete settlement of these years.

Following the aforementioned settlements, the Company has effectively settled all income tax matters with the IRS related to years prior to 2007. The Company believes it is reasonably possible that the balance of the unrecognized tax benefits could decrease by approximately $9,100 (which includes accrued penalties and interest expense) within the next twelve months due to settlements or expirations of statutes of limitations in various tax jurisdictions.

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

Balance as of January 1, 2010	$105,779
Additions based on tax positions related to the current period	1,766
Additions for tax positions of prior years	7,166
Reductions for tax positions of prior years	(9,035)
Settlements with taxing authorities	(65,323)
Effects of foreign currency translation	(1,737)
Balance as of October 2, 2010	$ 38,616

The Company will continue to recognize interest and penalties related to unrecognized tax benefits as a component of its income tax provision. As of October 2, 2010, the Company has $18,925 of accrued interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the first nine months of 2010, the Company reversed accrued interest and penalties of $9,138.

Income tax (benefit) expense

In accordance with ASC 270-10, formerly Accounting Principles Board Opinion No. 28, "*Interim Financial Reporting",* and ASC 740-270, formerly FASB Interpretation No. 18, "*Accounting for Income Taxes in Interim Periods — an interpretation of APB Opinion No. 28"*, at the end of each interim period, the

Company is required to determine its estimated annual effective tax rate and then apply that rate in providing for income taxes on an interim period. However, in certain circumstances where the Company is unable to make a reliable estimate of its annual effective tax rate, ASC 740-270 allows the actual effective tax rate for the interim period to be used. For the three and nine months ended October 2, 2010, the Company estimated its annual effective tax rate and applied that rate in providing for income taxes. For the three and nine months ended September 26, 2009, the Company calculated its effective rate for the nine months ended September 26, 2009 and applied that rate to the interim period results because it was unable to reasonably estimate its annual effective rate due to fluctuations in its annual pre-tax income and loss between quarters, including the effects caused by multiple tax jurisdictions.

14. Debt

On September 2, 2009, the Company entered into a $600,000 four-year, senior, secured revolving credit facility (the “ABL Facility”) in connection with the replacement of the Company’s then-existing senior, unsecured, revolving credit facility (the “Senior Unsecured Facility”). At the time of its termination, the Senior Unsecured Facility consisted of a $650,000 revolving credit facility, which was to mature on October 28, 2010. The ABL Facility provides for a maximum of $600,000 of revolving credit, subject to borrowing base availability, including limited amounts of credit in the form of letters of credit and swingline loans. The borrowing base is equal to specified percentages of eligible accounts receivable and inventories of the borrowers under the ABL Facility, which are subject to seasonal variations, less reserves established in good faith by the Administrative Agent under the ABL Facility. All obligations under the ABL Facility, and the guarantees of those obligations, are secured by a security interest in certain accounts receivable, inventories, certain deposit and securities accounts, tax refunds and other personal property (excluding intellectual property) directly relating to, or arising from, and proceeds of any of the foregoing. On June 1, 2010, the Company amended the ABL Facility to, among other things, reduce the applicable interest rate margins on loans and reduce the commitment fees.

At the Company’s election, revolving loans under the ABL 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 2.75% and 3.25%, or (b) the higher of the prime rate, the Federal Funds rate plus 0.5%, or a one-month LIBOR rate, plus an applicable margin ranging between 1.25% and 1.75%. The Company also pays a commitment fee to the lenders under the ABL Facility on the average amount by which the aggregate commitments of the lenders’ exceed utilization of the ABL Facility equal to 0.65% per annum during any quarter that this excess is 50% or more and 0.50% per annum during any quarter that this excess is less than 50%.

The ABL Facility includes certain affirmative and negative covenants that impose restrictions on the Company’s financial and business operations, including limitations on debt, liens, investments, 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. Many of these limitations are subject to numerous exceptions. The Company is also required to maintain a fixed charge coverage ratio of 1.1 to 1.0 during any period that the unutilized amount available under the ABL Facility is less than 15% of the lenders’ aggregated commitments.

The ABL Facility is scheduled to mature on September 2, 2013 but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to: (i) October 15, 2010 if the Company’s outstanding 5.75% senior notes due January 15, 2011 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to October 15, 2010, and (ii) January 15, 2012, if the Company’s outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012. The Company can make adequate reserves for such senior notes with unrestricted cash on hand and unutilized borrowing availability under the ABL Facility. On October 14, 2010, subsequent to the balance sheet date, the Company deposited $27,942 of cash in a restricted account under the control of the Administrative Agent and reserved $280,000 on the ABL Facility to repay the 5.75% senior notes due January 15, 2011, which actions were determined by the Administrative Agent to adequately reserve (for purposes of the ABL Facility) for the repayment of such notes.

(In thousands, except per share amounts)

As of October 2, 2010, the amount utilized under the ABL Facility was $112,563 resulting in a total of $487,437 available under the ABL Facility. The amount utilized included $53,542 of standby letters of credit guaranteeing the Company's industrial revenue bonds and $59,021 of standby letters of credit related to various insurance contracts and foreign vendor commitments. As a result of the Company's action to reserve for payment of the 5.75% senior notes due January 15, 2011, the total available under the ABL Facility as of October 14, 2010 was $207,437.

On January 17, 2006, the Company issued $500,000 aggregate principal amount of 5.75% notes due 2011 and $900,000 aggregate principal amount of 6.125% notes due 2016. Interest payable on each series of the notes is subject to adjustment if either Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("Standard & Poor's"), or both, downgrades the rating assigned to the notes. Each rating agency downgrade results in a 0.25% increase in the interest rate, subject to a maximum increase of 1% per rating agency. If later the rating of these notes improves, then the interest rates would be reduced accordingly. Each 0.25% increase in the interest rate of these notes would increase the Company's interest expense by approximately $63 per quarter per $100,000 of outstanding notes. Currently, the interest rates have been increased by an aggregate amount of 0.75% as a result of downgrades by Moody's and Standard & Poor's during 2009.

In 2002, the Company issued $400,000 aggregate principal amount of its senior 7.20% notes due 2012.

On April 12, 2010, the Company purchased for cash approximately $200,000 aggregate principal amount of its outstanding 5.75% senior notes due January 15, 2011, at a price equal to 103.5% of the principal amount, which resulted in a premium to tendering noteholders of approximately $7,000. The premium and fees of $514 are included in interest expense on the condensed consolidated statement of operations for the nine months ended October 2, 2010.

15. Fair value

ASC 825-10, formerly the FASB Staff Position FAS 107-1 and APB 28-1, "*Interim Disclosures About Fair Value of Financial Instruments",* requires disclosures about fair value of financial instruments in interim reporting periods of publicly-traded companies.

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

	October 2, 2010		December 31, 2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
5.75% notes, payable January 15, 2011 interest payable semiannually	$ 299,739	298,248	508,703	498,240
7.20% senior notes, payable April 15, 2012 interest payable semiannually	423,600	400,000	418,400	400,000
6.125% notes, payable January 15, 2016 interest payable semiannually	934,200	900,000	891,900	900,000
Industrial revenue bonds, capital leases and other	56,389	56,389	56,239	56,239
Total long-term debt	1,713,928	1,654,637	1,875,242	1,854,479
Less current portion	352,977	351,486	52,907	52,907
Long-term debt, less current portion	$1,360,951	1,303,151	1,822,335	1,801,572

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 carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate their fair values because of the relatively short-term maturities of these instruments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

Mohawk Industries, Inc., including its subsidiaries, (the "Company"), is a leading producer of floor covering products for residential and commercial applications in the U.S. and Europe with net sales in 2009 of $5.3 billion. The Company is the second largest carpet and rug manufacturer in the U.S., a leading manufacturer, marketer and distributor of ceramic tile, natural stone and hardwood flooring in the U.S. and a leading producer of laminate flooring in the U.S. and Europe.

The U.S. floor covering industry experienced declining demand beginning in the fourth quarter of 2006 which worsened considerably during the later parts of 2008 and continued to decline throughout 2009. Overall economic conditions in the U.S. including uncertainty in housing starts and resales continue to create a challenging environment. The Company believes it is well-positioned to take advantage of an economic recovery.

The Company has three reporting segments, the Mohawk segment, the Dal-Tile segment and the Unilin segment. The Mohawk segment manufactures, markets and distributes its product lines, which include carpet, rugs, pad, ceramic tile, hardwood, resilient and laminate, primarily in North America 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, which include floor covering retailers, home centers, mass merchandisers, department stores, independent distributors, commercial dealers and commercial end users. The Dal-Tile segment manufactures, markets and distributes its product lines, which include ceramic tile, porcelain tile and stone products, primarily in North America through its network of regional distribution centers and company-operated sales service centers using company-operated trucks, common carriers or rail transportation. The segment's product lines are purchased by floor covering retailers, home centers, independent distributors, tile specialty dealers, tile contractors, and commercial end users. The Unilin segment manufactures, markets and distributes its product lines, which include laminate flooring, wood flooring, roofing systems, insulation panels and other wood products, primarily in North America and Europe through various selling channels, which include retailers, home centers and independent distributors.

For the third quarter of 2010, net earnings attributable to the Company were $51.1 million, or diluted earnings per share ("EPS") of $0.74, compared to the net earnings attributable to the Company of $34.3 million or diluted EPS of $0.50 for the third quarter of 2009. The change in EPS is primarily the result of the net effect of price and product mix and the benefits of restructuring actions taken in 2009 and 2010, partially offset by lower sales volume and higher manufacturing costs.

For the nine months ended October 2, 2010, net earnings attributable to the Company were $139.7 million, or diluted EPS of $2.03, compared to net loss attributable to the Company of $25.3 million or diluted loss per share of $0.37 for the nine months ended September 26, 2009. The change in EPS is primarily the result of lower restructuring charges in 2010 and the pre-tax $110.2 million carpet sales allowance and a $12.4 million inventory write-off recognized in 2009. During 2009, the Company recognized an increased number of warranty claims related to the performance of commercial carpet tiles that used a newer carpet backing technology. The Company discontinued sales of carpet tiles using this backing technology in 2009. The amounts recorded reflect the Company's best estimate but the actual amount of total claims and related costs could vary from such estimate. The Company now manufactures these types of commercial carpet tiles with a different backing technology that has been used for many years by the Company.

On July 1, 2010, Monterrey, Mexico experienced flooding as a result of Hurricane Alex which temporarily interrupted operations at the Company's Dal-Tile ceramic tile production facility. The plant was fully operational in the latter part of the third quarter of 2010. Prior to the close of the third quarter of 2010, the Company and its insurance carrier agreed to a final settlement of its claim, which included property damage and business interruption for approximately $25 million. The amount included approximately $20 million to cover costs to repair and/or replace property and equipment and approximately $5 million to recover lost margin from lost sales. The settlement with the insurance carrier is recorded in cost of sales in the

Company's 2010 condensed consolidated statement of operations. As a result of the insurance settlement, the flooding did not have a material impact on the Company's results of operations or financial position.

Results of Operations

Quarter Ended October 2, 2010, as Compared with Quarter Ended September 26, 2009

Net sales

Net sales for the quarter ended October 2, 2010 were $1,309.6 million, reflecting a decrease of $73.0 million, or 5.3%, from the $1,382.6 million reported for the quarter ended September 26, 2009. The decrease was primarily due to lower sales volume of approximately $94 million, primarily related to continued weakness in the residential market, and unfavorable foreign exchange rates of approximately $21 million, offset by the net effect of price and product mix of approximately $42 million.

Mohawk Segment — Net sales decreased $42.4 million, or 5.6%, to $713.5 million in the current quarter compared to $755.9 million in the third quarter of 2009. The decrease was primarily driven by lower sales volume of approximately $90 million, primarily related to a combination of continued weakness in the residential market and mix within residential products, partially offset by the net effect of price and product mix of approximately $47 million.

Dal-Tile Segment — Net sales decreased $16.5 million, or 4.6%, to $345.1 million in the current quarter compared to $361.6 million in the third quarter of 2009. The decrease was primarily driven by lower sales volume of approximately $19 million, primarily related to continued weakness in the residential and commercial markets and lost sales as a result of the flood in Mexico, partially offset by the net effect of price and product mix and the impact of favorable foreign exchange rates.

Unilin Segment — Net sales decreased $5.2 million, or 1.8%, to $276.6 million in the current quarter compared to $281.8 million in the third quarter of 2009. The decrease was due to unfavorable foreign exchange rates of approximately $22 million and the net effect of price and product mix of approximately $6 million, partially offset by higher sales volume of approximately $23 million.

Gross profit

Gross profit for the third quarter of 2010 was $344.9 million (26.3% of net sales) and represented a decrease of $24.5 million compared to gross profit of $369.5 million (26.7% of net sales) for the prior year's third quarter. The decrease in gross profit is primarily attributable to higher manufacturing costs of approximately $48 million, primarily related to higher raw material costs, lower sales volume of approximately $24 million, and unfavorable foreign exchange rates of approximately $6 million, partially offset by the net effect of price and product mix of approximately $40 million, insurance settlement proceeds as a result of the flood in Mexico of approximately $9 million, of which approximately $5 million was related to the recovery of lost margin on lost sales and approximately $4 million related to other reimbursements, and lower restructuring charges of approximately $4 million.

Selling, general and administrative expenses

Selling, general and administrative expenses for the third quarter of 2010 were $259.8 million (19.8% of net sales), reflecting a decrease of $41.6 million, or 13.8%, compared to $301.4 million (21.8% of net sales) for the prior year's third quarter. The decrease in selling, general and administrative expenses is primarily driven by various restructuring actions and cost savings initiatives implemented by the Company, including distribution facility consolidations, workforce reductions and productivity improvements.

Operating income

Operating income for the third quarter of 2010 was $85.2 million (6.5% of net sales) reflecting a $17.1 million increase compared to an operating income of $68.1 million (4.9% of net sales) in the third quarter of 2009. The increase in operating income was primarily due to the net effect of price and product mix of approximately $40 million, lower restructuring charges of approximately $13 million and insurance settlement proceeds as a result of the flood in Mexico of approximately $9 million, of which approximately $5 million was related to the recovery of lost margin on lost sales and approximately $4 million related to other reimbursements, partially offset by lower sales volume of approximately $24 million, higher manufacturing costs of approximately $19 million, primarily related to higher raw material costs and the impact of unfavorable foreign exchange rates of approximately $2 million.

Mohawk Segment — Operating income was $31.1 million (4.4% of segment net sales) in the third quarter of 2010 reflecting an increase of $14.9 million compared to operating income of $16.3 million (2.2% of segment net sales) in the third quarter of 2009. The increase in operating income was primarily due to the net effect of price and product mix of approximately $41 million, lower restructuring charges of approximately $7 million, partially offset by lower sales volume of approximately $22 million, and higher manufacturing costs of approximately $10 million, primarily related to higher raw material costs.

Dal-Tile Segment — Operating income was $33.9 million (9.8% of segment net sales) in the third quarter of 2010 reflecting an increase of $12.7 million compared to operating income of $21.2 million (5.9% of segment net sales) for the third quarter of 2009. The increase was primarily driven by the insurance settlement proceeds as a result of the flood in Mexico of approximately $9 million, of which approximately $5 million was related to the recovery of lost margin on lost sales and approximately $4 million related to other reimbursements, lower restructuring charges of approximately $7 million and lower manufacturing and selling, general and administrative expenses of approximately $4 million, partially offset by lower sales volume of approximately $8 million.

Unilin Segment — Operating income was $24.6 million (8.9% of segment net sales) in the third quarter of 2010 reflecting a decrease of $10.3 million compared to operating income of $34.9 million (12.4% of segment net sales) for the third quarter of 2009. The decrease was primarily driven by the impact of higher manufacturing costs of approximately $13 million, primarily related to higher raw material costs, and the impact of unfavorable foreign exchange rates of approximately $3 million, partially offset by higher sales volume of approximately $7 million.

Interest expense

Interest expense for the third quarter of 2010 was $30.0 million compared to $32.3 million in the third quarter of 2009. The decrease in interest expense resulted from lower debt levels due to the extinguishment of approximately $200 million aggregate principal amount of the Company's 5.75% senior notes due January 15, 2011 in the second quarter of 2010, partially offset by higher costs on the Company's revolving credit facility.

U.S. Customs Refund

The Company has received partial refunds from the U.S. government in reference to settling custom disputes dating back to 1986. Accordingly, the Company realized a gain of $5.8 million in other expense (income) for the third quarter of 2010. The Company is pursuing additional recoveries for prior years but there can be no assurances such recoveries will occur. Additional future recoveries, if any, will be recorded as realized.

Income tax (benefit) expense

For the three months ended October 2, 2010, the Company recorded an income tax expense of $7.5 million on earnings before income taxes of $59.8 million, resulting in an effective tax rate of 12.6%, as compared to an income tax expense of $2.0 million on earnings before income taxes of $37.4 million for an effective tax rate of 5.4% for the three months ended September 26, 2009. For the three months ended October 2, 2010, the Company was able to estimate its annual effective tax rate and applied that rate in providing for income taxes. For the three months ended September 26, 2009, the Company was unable to reasonably estimate its annual effective rate due to fluctuations in its annual pre-tax income and loss between quarters, including the effects caused by multiple tax jurisdictions, and therefore calculated its effective rate for the nine months ended September 26, 2009, and applied that rate to the interim period results. This effective tax rate accounting convention, permitted by ASC 740-270, and the geographic dispersion of the Company's earnings and losses for the period are the primary causes of the effective tax rate difference.

Nine Months Ended October 2, 2010, as Compared with Nine Months Ended September 26, 2009

Net sales

Net sales for the nine months ended October 2, 2010 were $4,056.9 million, reflecting an increase of $60.0 million, or 1.5%, from the $3,996.9 million reported for the nine months ended September 26, 2009. Included in net sales for the nine months of 2009 is a carpet sales allowance of $110.2 million. For the first nine months of 2010, sales increased approximately $89 million due to additional shipping days as compared to 2009. This increase was offset by lower sales volume of approximately $100 million, primarily related to continued weakness in the residential and commercial real estate market, the net effect of price and product mix of approximately $22 million, as customers traded down to lower priced products, and unfavorable foreign exchange impact of approximately $18 million.

Mohawk Segment — Net sales increased $59.6 million, or 2.8%, to $2,177.6 million in the current nine months compared to $2,118.0 million in the first nine months of 2009. Included in net sales for the first nine months of 2009 is a carpet sales allowance of $110.2 million. For the first nine months of 2010, sales decreased due to lower sales volume of approximately $147 million primarily related to continued weakness in the residential market, partially offset by approximately $52 million due to the net effect of price and product mix and higher sales volume of approximately $45 million due to additional shipping days in 2010 as compared to 2009.

Dal-Tile Segment — Net sales decreased $46.7 million, or 4.3%, to $1,050.1 million in the current nine months compared to $1,096.8 million in the first nine months of 2009. The decrease was primarily driven by the net effect of price and product mix of approximately $46 million, as customers traded down to lower priced products and a decrease in sales volume of approximately $29 million primarily related to continued weakness in the commercial and residential real estate markets, partially offset by higher sales of approximately $21 million due to additional shipping days in 2010 compared to 2009 and by approximately $8 million due to favorable foreign exchange rates.

Unilin Segment — Net sales increased $60.9 million, or 7.3%, to $890.9 million in the current nine months compared to $830.0 million in the first nine months of 2009. The increase was driven by higher sales volume of approximately $91 million and higher sales of approximately $23 million due to additional shipping days in 2010 as compared to 2009, partially offset by the net effect of price and product mix of approximately $27 million, as customers traded down to lower priced products, and the impact of unfavorable foreign exchange rates of approximately $26 million.

Gross profit

Gross profit for the first nine months of 2010 was $1,060.9 million (26.2% of net sales) and represented an increase of $170.4 million compared to gross profit of $890.5 million (22.3% of net sales) for the prior year's first nine months. Gross profit for the first nine months of 2009 includes a carpet sales allowance of $110.2 million and inventory write-off of $12.4 million and the unfavorable impact of higher raw material costs flowing through cost of sales of approximately $62 million. For the first nine months of 2010, gross profit was favorably impacted by the net effect of price and product mix of approximately $16 million, lower restructuring charges of approximately $10 million and insurance settlement proceeds as a result of the flood in Mexico of approximately $9 million, of which approximately $5 million was related to the recovery of lost margin on lost sales and approximately $4 million related to other reimbursements, partially offset by higher manufacturing costs of approximately $44 million, primarily related to higher raw material costs, and the impact of unfavorable foreign exchange rates of approximately $6 million.

Selling, general and administrative expenses

Selling, general and administrative expenses for the first nine months of 2010 were $832.4 million (20.5% of net sales), reflecting a decrease of $61.3 million, or 6.9%, compared to $893.7 million (22.4% of net sales) for the prior year's first nine months. The decrease in selling, general and administrative expenses is primarily driven by various restructuring actions and cost savings initiatives implemented by the Company, including distribution facility consolidations, workforce reductions and productivity improvements, to align such expenses with the Company's current sales volumes.

Operating income (loss)

Operating income for the first nine months of 2010 was $228.5 million (5.6% of net sales) reflecting a $231.7 million increase compared to an operating loss of $3.1 million in the first nine months of 2009. Operating loss for the first nine months of 2009 includes a carpet sales allowance and inventory write-off of $122.6 million and the unfavorable impact of higher raw material costs flowing through cost of sales of approximately $62 million. For the first nine months of 2010, operating income was favorably impacted by lower restructuring charges of approximately $20 million, the net effect of price and product mix of approximately $16 million, insurance settlement proceeds as a result of the flood in Mexico of approximately $9 million, of which approximately $5 million was related to the recovery of lost margin on lost sales and approximately $4 million related to other reimbursements, and lower manufacturing and selling, general and administrative expenses of approximately $5 million, partially offset by the impact of unfavorable foreign exchange rates of approximately $4 million.

Mohawk Segment — Operating income was $74.1 million (3.4% of segment net sales) in the first nine months of 2010 reflecting an increase of $216.3 million compared to operating loss of $142.2 million in the first nine months of 2009. Operating loss for the first nine months of 2009 includes a carpet sales allowance and inventory write-off of $122.6 million and the unfavorable impact of higher raw material costs flowing through cost of sales of approximately $62 million. For the first nine months of 2010, operating income was favorably impacted by the net effect of price and product mix of approximately $59 million and partially offset by lower sales volume of approximately $27 million.

Dal-Tile Segment — Operating income was $77.4 million (7.4% of segment net sales) in the first nine months of 2010 reflecting an increase of $4.8 million compared to operating income of $72.6 million (6.6% of segment net sales) for the first nine months of 2009. The increase was primarily driven by lower manufacturing and selling, general and administrative expenses of approximately $20 million, insurance settlement proceeds as a result of the flood in Mexico of approximately $9 million, of which approximately $5 million was related to the recovery of lost margin on lost sales and approximately $4 million related to other reimbursements, and lower restructuring charges of approximately $7 million, partially offset by the net effect of price and product mix of approximately $28 million and lower sales volume of approximately $4 million.

Unilin Segment — Operating income was $93.4 million (10.5% of segment net sales) in the first nine months of 2010 reflecting an increase of $12.8 million compared to operating income of $80.6 million (9.7% of segment net sales) for the first nine months of 2009. The increase was primarily driven by higher sales volume of approximately $33 million and lower restructuring charges of approximately $14 million, partially offset by the net effect of price and product mix of approximately $15 million, higher manufacturing costs of approximately $14 million, primarily related to higher raw material costs, and unfavorable foreign exchange rates of approximately $5 million.

Interest expense

Interest expense for the first nine months of 2010 was $103.0 million compared to $92.5 million in the first nine months of 2009. The increase in interest expense resulted from the $7.5 million premium and fees related to the extinguishment of approximately $200 million aggregate principal amount of the Company's 5.75% senior notes due January 15, 2011, higher costs on the Company's revolving credit facility and higher interest rates on the Company's notes, partially offset by the impact of lower debt levels.

U.S. Customs Refund

The Company has received partial refunds from the U.S. government in reference to settling custom disputes dating back to 1986. Accordingly, the Company realized a gain of $5.8 million in other expense (income) for the first nine months of 2010. The Company is pursuing additional recoveries for prior years but there can be no assurances such recoveries will occur. Additional future recoveries, if any, will be recorded as realized.

Income tax benefit

For the nine months ended October 2, 2010, the Company recorded an income tax benefit of $8.3 million on earnings before income taxes of $134.2 million compared to a benefit of $67.7 million on loss before income taxes of $90.1 million for the nine months ended September 26, 2009. The difference in the effective tax rate for the comparative period is primarily due to the benefit from the settlement of certain tax contingencies of approximately $30 million recognized in the current year; the ability of the Company to estimate its annual effective tax rate for the nine months ended October 2, 2010, versus the inability of the Company to estimate its annual effective tax rate for the nine months ended September 26, 2009; and the geographical dispersion of earnings and losses for the period.

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, bank credit lines, term and senior notes and credit terms from suppliers.

Cash flows provided by operating activities for the first nine months of 2010 were $210.4 million compared to cash flows provided by operations of $412.7 million in the first nine months of 2009. The decrease in operating cash flows for 2010 as compared to 2009 is primarily attributable to higher working capital requirements as the Company's inventory levels stabilize to meet current market conditions, partially offset by higher earnings.

Net cash used in investing activities for the first nine months of 2010 was $161.5 million compared to $77.2 million in the first nine months of 2009. The increase is due to the Company's $79.9 million equity investment in a leading manufacturer and distributor of ceramic tile in China. Capital spending during the remainder of 2010, excluding acquisitions, is expected to range from $65 million to $75 million and is intended to be used primarily to purchase equipment and to streamline manufacturing capacity.

Net cash used in financing activities for the first nine months of 2010 was $211.3 million compared to net cash used in financing activities of $132.9 million in the first nine months of 2009. The change in cash used in financing activities as compared to the first nine months of 2009 is primarily attributable to higher debt repayments in 2010 compared to 2009.

On September 2, 2009, the Company entered into a $600.0 million four-year, senior, secured revolving credit facility (the "ABL Facility") in connection with the replacement of the Company's then-existing senior, unsecured, revolving credit facility (the "Senior Unsecured Facility"). At the time of its termination, the Senior Unsecured Facility consisted of a $650.0 million revolving credit facility, which was to mature on October 28, 2010. The ABL Facility provides for a maximum of $600.0 million of revolving credit, subject to borrowing base availability, including limited amounts of credit in the form of letters of credit and swingline loans. The borrowing base is equal to specified percentages of eligible accounts receivable and inventories of the borrowers under the ABL Facility, which are subject to seasonal variations, less reserves established in good faith by the Administrative Agent under the ABL Facility. All obligations under the ABL Facility, and the guarantees of those obligations, are secured by a security interest in certain accounts receivable, inventories, certain deposit and securities accounts, tax refunds and other personal property (excluding intellectual property) directly relating to, or arising from, and proceeds of any of the foregoing. On June 1, 2010, the Company amended the ABL Facility to, among other things, reduce the applicable interest rate margins on loans and reduce the commitment fees.

At the Company's election, revolving loans under the ABL 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 2.75% and 3.25%, or (b) the higher of the prime rate, the Federal Funds rate plus 0.5%, or a one-month LIBOR rate, plus an applicable margin ranging between 1.25% and 1.75%. The Company also pays a commitment fee to the lenders under the ABL Facility on the average amount by which the aggregate commitments of the lenders' exceed utilization of the ABL Facility equal to 0.65% per annum during any quarter that this excess is 50% or more and 0.50% per annum during any quarter that this excess is less than 50%.

The ABL Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on debt, liens, investments, 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. Many of these limitations are subject to numerous exceptions. The Company is also required to maintain a fixed charge coverage ratio of 1.1 to 1.0 during any period that the unutilized amount available under the ABL Facility is less than 15% of the lenders' aggregated commitments.

The ABL Facility is scheduled to mature on September 2, 2013 but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to: (i) October 15, 2010 if the Company's outstanding 5.75% senior notes due January 15, 2011 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to October 15, 2010, and (ii) January 15, 2012, if the Company's outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012. The Company can make adequate reserves for such senior notes with unrestricted cash on hand and unutilized borrowing availability under the ABL Facility. On October 14, 2010, subsequent to the balance sheet date, the Company deposited $27.9 million of cash in a restricted account under the control of the Administrative Agent and reserved $280.0 million on the ABL Facility to repay the 5.75% senior notes due January 15, 2011, which actions were determined by the Administrative Agent to adequately reserve (for purposes of the ABL Facility) for the repayment of such notes.

As of October 2, 2010, the amount utilized under the ABL Facility was $112.6 million resulting in a total of $487.4 million available under the ABL Facility. The amount utilized included $53.5 million of standby letters of credit guaranteeing the Company's industrial revenue bonds and $59.0 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. As a result of the Company's action to reserve for payment of the 5.75% senior notes due January 15, 2011, the total available under the ABL Facility as of October 14, 2010 was $207.4 million.

On January 17, 2006, the Company issued $500.0 million aggregate principal amount of 5.75% notes due 2011 and $900.0 million aggregate principal amount of 6.125% notes due 2016. Interest payable on each series of the notes is subject to adjustment if either Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("Standard & Poor's"), or both, downgrades the rating assigned to the notes. Each rating agency downgrade results in a 0.25% increase in the interest rate, subject to a maximum increase of 1% per rating agency. If later the rating of these notes improves, then the interest rates would be reduced accordingly. Each 0.25% increase in the interest rate of these notes would increase the Company's interest expense by approximately $0.1 million per quarter per $100 million of outstanding notes. Currently, the interest rates have been increased by an aggregate amount of 0.75% as a result of downgrades by Moody's and Standard & Poor's during 2009. Additional downgrades in the Company's credit ratings could further increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future.

On April 12, 2010, the Company purchased for cash approximately $200 million aggregate principal amount of its outstanding 5.75% senior notes due January 15, 2011 at a price equal to 103.5% of the principal amount, which resulted in a premium to tendering noteholders of approximately $7 million. The debt extinguishment will result in a decrease in interest expense of approximately $10 million over the remaining term of the notes. In connection with the extinguishment, the Company paid approximately $0.5 million in fees and accelerated the remaining deferred financing costs incurred in the original issuance of the notes that were purchased by the Company. The premium and fees associated with the cash tender are included in interest expense on the condensed consolidated statement of operations for the nine months ended October 2, 2010.

In 2002, the Company issued $400.0 million aggregate principal amount of its senior 7.20% notes due 2012.

As of October 2, 2010, the Company had invested cash of $310.4 million in money market AAA rated cash investments of which $149.7 million was in North America and $160.7 million was in Europe. The

Company believes that its cash and cash equivalents on hand, cash generated from operations and availability under its ABL Facility will be sufficient to meet its capital expenditure and working capital requirements over the next twelve months.

The Company may from time to time seek 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.

Contractual Obligations

There have been no significant changes to the Company's contractual obligations as disclosed in the Company's 2009 Annual Report filed on Form 10-K except for a reduction of approximately $200 million for the April 12, 2010 debt extinguishment on the Company's 5.75% senior notes due January 15, 2011, and for a reduction of $58.5 million and $8.7 million in the current and non-current portion of uncertain tax positions as discussed above in the quarterly discussion of income tax (benefit) expense.

Critical Accounting Policies and Estimates

There have been no significant changes to the Company's critical accounting policies and estimates during the period. The Company's critical accounting policies and estimates are described in its 2009 Annual Report filed on Form 10-K.

Recent Accounting Pronouncements

In June 2009, the FASB issued ASC 860, formerly SFAS No. 166, *"Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140"*. ASC 860 seeks to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. Specifically, ASC 860 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. ASC 860 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company's adoption of ASC 860 on January 1, 2010 did not have a material impact on the Company's consolidated financial statements.

In June 2009, FASB issued ASC 810, formerly SFAS No. 167, "*Amendments to FASB Interpretation No. 46(R)"*. ASC 810 amends FASB Interpretation No. 46(R), *"Variable Interest Entities",* for determining whether an entity is a variable interest entity ("VIE") and requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a VIE. Under ASC 810, an enterprise has a controlling financial interest when it has a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. ASC 810 also requires an enterprise to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has power to direct the activities of the VIE that most significantly impact the entity's economic performance. ASC 810 also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and eliminates the scope exclusion for qualifying special-purpose entities. ASC 810 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company's adoption of ASC 810 on January 1, 2010 did not have a material impact on the Company's consolidated financial statements.

Impact of Inflation

Inflation affects the Company's manufacturing costs, distribution costs and operating expenses. The carpet, tile and laminate industry experienced inflation in the prices of raw materials and fuel-related costs beginning in 2006, and the prices increased dramatically during the latter part of 2008, peaking in the second half of 2008. The Company expects raw material prices to continue to fluctuate based upon worldwide demand of commodities utilized in the Company's production processes. In the past, the Company has generally been able to pass along these price increases to its customers and has been able to enhance productivity 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 Mohawk and Dal-Tile segments, its results of operations for the first quarter tend to be the weakest. The second, third and fourth quarters typically produce higher net sales and operating income in these segments. These results are primarily due to consumer residential spending patterns for floor covering, which historically have decreased during the first two months of each year following the holiday season. The Unilin segment second and fourth quarters typically produce higher net sales and earnings followed by a moderate first quarter and a weaker third quarter. The third quarter is traditionally the weakest due to the European holiday in late summer.

Forward-Looking Information

Certain of the statements in this Form 10-Q, particularly those anticipating future performance, business prospects, growth and operating strategies, proposed acquisitions, and similar matters, and those that include the words "believes," "anticipates," "forecast," "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; raw material prices; energy costs and supply; timing and level of capital expenditures; timing and implementation of price increases for our products; impairment charges; integration of acquisitions; introduction of new products; rationalization of operations; claims; litigation; and other risks identified in Mohawk's SEC reports and public announcements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to the Company's exposure to market risk as disclosed in the Company's 2009 Annual Report filed on Form 10-K.

Item 4. 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) 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 for the period covered by this report.

No change in the Company's internal control over financial reporting occurred during the period covered by this report that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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.

In Shirley Williams et al. v. Mohawk Industries, Inc., four plaintiffs filed a putative class action lawsuit in January 2004 in the United States District Court for the Northern District of Georgia (Rome Division), alleging that they are former and current employees of the Company and that the actions and conduct of the Company, including the employment of persons who are not authorized to work in the United States, have damaged them and the other members of the putative class by suppressing the wages of the Company's hourly employees in Georgia. The plaintiffs sought a variety of relief, including (a) treble damages; (b) return of any allegedly unlawful profits; and (c) attorney's fees and costs of litigation. In April 2010, the plaintiffs, the Company and the Company's insurance carrier agreed to settle the litigation. In July 2010, the District Court approved the settlement. The Company accrued for its portion of the settlement in a prior year. The claims process was completed in the third quarter of 2010.

The Company believes that adequate provisions for resolution of all contingencies, claims and pending litigation have been made for probable losses and that the ultimate outcome of these actions will not have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations in a given quarter or year.

Item 1A. Risk Factors

In addition to the other information provided in this Form 10-Q, the following risk factors should be considered when evaluating an investment in shares of 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 and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The recent downturn in the U.S. and global economies, along with the residential and commercial markets in such economies, negatively impacted the floor covering industry and the Company's business. While overall economic conditions and the housing and flooring industries have begun stabilizing, this improvement may be temporary and economic conditions may deteriorate in the foreseeable future. Further, significant or prolonged declines in such economies or in spending for replacement floor covering products or new construction activity could have a material adverse effect on the Company's business.

The floor covering industry in which the Company participates is highly dependent on general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The Company derives a majority of the Company's sales from the replacement segment of the market. Therefore, economic changes that result in a significant or prolonged decline in spending for remodeling and replacement activities could have a material adverse effect on the Company's business and results of operations.

The floor covering industry is highly dependent on residential and commercial construction activity, including new construction, which is cyclical in nature and currently in a downturn. The recent downturn in the U.S. and global economies, along with the housing markets in such economies, negatively impacted the floor covering industry and the Company's business. Although the impact of a decline in new construction activity is typically accompanied by an increase in remodeling and replacement activity, these activities have also lagged during the recent downturn. While overall economic conditions and the housing and flooring industries have begun stabilizing, this improvement may be temporary and economic conditions may deteriorate in the foreseeable future. A significant or prolonged decline in residential or commercial construction activity could have a material adverse effect on the Company's business and results of operations.

Uncertainty in the credit market or downturns in the global economy and the Company's business could affect the Company's overall availability and cost of credit.

Uncertainty in the credit markets could affect the overall availability and cost of credit. Despite recent improvement in overall economic conditions, the impact of the recent economic downturn on our ability to obtain financing, including any financing necessary to refinance our existing senior unsecured notes, in the future, and the cost and terms of it, remains uncertain. These and other economic factors could have a material adverse effect on demand for our products and on our financial condition and operating results. Further, these generally negative economic and business conditions may factor into our periodic credit ratings assessment by either or both Moody's Investors Service, Inc. and Standard & Poor's Ratings Services. The rating agency's evaluation is based on a number of factors, which include scale and diversification, brand strength, profitability, leverage, liquidity and interest coverage. During 2009, our senior unsecured notes were downgraded by the rating agencies, which will increase the Company's interest expense by approximately $0.2 million per quarter per $100 million of outstanding notes and could adversely affect the cost of and ability to obtain additional credit in the future. Additional downgrades in the Company's credit ratings could further increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future, and the Company can provide no assurances that additional downgrades will not occur.

The Company has a significant level of short-term and other indebtedness that must be repaid or refinanced. In addition, if the Company were unable to meet certain covenants contained in the ABL Facility, it may be required to repay borrowings under the ABL Facility prior to their maturity and may lose access to the ABL Facility for additional borrowings that may be necessary to fund its operations.

The Company's outstanding 5.75% senior notes in the aggregate amount of $298.2 million as of October 2, 2010, are due January 15, 2011. Additionally, the Company's outstanding 7.20% senior notes in the aggregate amount of $400.0 million are due April 15, 2012. The ABL Facility is scheduled to mature on September 2, 2013 but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to January 15, 2012, if the Company's outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012 and would have accelerated to October 15, 2010 in the absence of the Company's actions described below to reserve for repayment of the Company's outstanding 5.75% senior notes due January 15, 2011. The Company can make adequate reserves for such senior notes with unrestricted cash on hand and unutilized borrowing availability under the ABL Facility. On October 14, 2010, subsequent to the balance sheet date, the Company deposited $27.9 million of cash in a restricted account under the control of the Administrative Agent and reserved $280.0 million on the ABL Facility to reserve for the repayment of the aforementioned debt due January 15, 2011. While the Company currently has access to other financing sources, including public debt markets, to satisfy the January 15, 2012 requirements under the ABL Facility and the subsequent repayment of the 7.20% senior notes due April 15, 2012, there can be no assurances that we will be able to complete any necessary financing transactions prior to the relevant date under the ABL Facility or the April 15, 2012 maturity date.

If the Company's cash flow is worse than expected or the borrowing base on its ABL Facility declines, the Company may need to refinance all or a portion of its indebtedness in the public debt markets 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 other factors, it could materially adversely affect the Company's ability to repay its indebtedness and otherwise have a substantial adverse effect on the Company's financial condition and results of operations.

Additionally, the Company's credit facilities require it to meet certain affirmative and negative covenants that impose restrictions on its financial and business operations, including limitations relating to debt, investments, asset dispositions and changes in the nature of its business. The Company is also required to maintain a fixed charge coverage ratio of 1.1 to 1.0 during any period that the unutilized amount available under the ABL Facility is less than 15% of the amount available under the ABL Facility. Failure to comply with these covenants could materially and adversely affect the Company's ability to finance its operations or capital needs and to engage in other activities that may be in the Company's best interest.

The Company faces intense competition in the flooring industry, which 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 profitability.

The floor covering industry is highly competitive. The Company faces competition from a number of manufacturers and independent distributors. Some of the Company's competitors are larger and have greater resources and access to capital than the Company does. 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. Any of these factors or others may impact demand which could have a material adverse effect on the Company's business.

The Company may be unable to obtain raw materials 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 nylon and polyester and polypropylene and triexta resins and fibers, which are used primarily in the Company's carpet and rugs business; talc, clay, nepheline syenite and various glazes, including frit (ground glass), zircon and stains, which are used exclusively in the Company's ceramic tile business; wood, paper, and resins which are used primarily in the Company's laminate flooring business; and other materials. For certain of such raw materials, 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 to the Company could lead to an interruption of supply. An extended interruption in the supply of these or other raw materials used in the Company's business or in the supply of suitable substitute materials would disrupt the Company's operations, which 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 and fuel-related cost increases on to its customers, which could have a material adverse effect on the Company's profitability.

The prices of raw materials and fuel-related costs vary with market conditions. Although the Company generally attempts to pass on increases in raw material 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 profitability may be materially adversely affected.

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 reported in the local currency are translated into U.S. dollars for balance sheet accounts using exchange rates in effect as of the balance sheet date and for the statement of operations accounts using, principally, the Company's average rates during the period. 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 may experience certain risks associated with acquisitions.

The Company has typically grown its business through 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. The combination of an acquired company's business with the Company's existing businesses involves risks. The Company cannot be assured that reported earnings will meet expectations because of goodwill and intangible asset impairment, increased interest costs and issuance of additional securities or incurrence of debt. The Company may also face challenges in consolidating functions, integrating the Company’s organizations, procedures, operations and product lines in a timely and efficient manner and retaining key personnel. These challenges may result in:

- 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
- providing different employment and compensation arrangements for employees.

The diversion of management attention and any difficulties encountered in the transition and integration process could have a material adverse effect on the Company’s revenues, level of expenses and operating results.

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 affect the Company’s financial condition and results of operations. Even if integration occurs successfully, failure of the acquisition to achieve levels of anticipated sales growth, profitability or productivity or otherwise perform as expected, may adversely impact the Company’s financial condition and results of operations.

A failure to identify suitable acquisition candidates 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 continue to pursue acquisitions of complementary businesses. Although the Company regularly evaluates acquisition opportunities, the Company may not be able successfully to identify suitable acquisition candidates; to obtain sufficient financing on acceptable terms to fund acquisitions; to complete acquisitions and integrate acquired businesses with the Company’s existing businesses; or to manage profitably acquired businesses.

The Company has been, and in the future may be, subject to claims, liabilities, costs and other obligations under existing or new environmental, health and safety laws and regulations, which could be significant.

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.

The nature of the Company’s business and operations, including the potential discovery of presently unknown environmental conditions, exposes it to the risk of claims under environmental, health and safety laws and regulations. The Company could incur material costs or liabilities in connection with such claims.

We may be exposed to litigation, claims and other legal proceedings in the ordinary course of business relating to our products, which could affect our results of operations and financial condition.

In the ordinary course of our business, we are 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 that are inherently subject to many uncertainties regarding the possibility of a loss to us. Such matters could have a material adverse effect on our business, results of operations and financial condition if we are unable to successfully defend against or resolve these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlements relating to these matters. Although we have product liability insurance, our policies may not provide coverage for certain claims against us or may not be sufficient to cover all possible liabilities. Moreover, adverse publicity arising from claims made against us, even if the claims were not successful, could adversely affect our reputation or the reputation and sales of our products.

Regulatory decisions could cause the prices of fuel and energy to fluctuate, and any price increases that result may reduce results of operations.

The Company's manufacturing operations and shipping needs require high inputs of energy, including the use of substantial amounts of electricity, natural gas, and petroleum based products, which are subject to price fluctuations due to changes in supply and demand and are also affected by local, national and international regulatory decisions. Significant increases in the cost of these commodities, either as a result of changes in market prices due to regulatory decisions or as a result of additional costs in order to comply with regulatory decisions, may have adverse effects on the Company's results of operations and cash flows if the Company is unable to pass such increases to its customers in a timely manner.

Changes in laws or in the business, political and regulatory environments in which the Company operates could have a material adverse effect on the Company's business.

The Company's manufacturing facilities in Mexico and Europe represent a significant portion of the Company's capacity for ceramic tile and laminate flooring, respectively, and the Company's European operations represent a significant source of the Company's revenues and profits. Accordingly, an event that has a material adverse impact on either of these operations or that changes the current tax treatment of the results thereof could have a material adverse effect on the Company. The business, regulatory and political environments in Mexico and Europe differ from those in the U.S., and the Company's Mexican and European operations are exposed to legal, currency, tax, political, and economic risks specific to the countries in which they occur, particularly with respect to labor regulations, which tend to be more stringent in Europe and, to a lesser extent, Mexico. The Company cannot assure investors that the Company will succeed in developing and implementing policies and strategies to counter the foregoing factors 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 operations or upon the Company's financial condition and results of operations.

If the Company is unable to protect the Company's intellectual property rights, particularly with respect to the Company's patented laminate flooring technology and the Company's registered trademarks, the Company's business and prospects could be harmed.

The future success and competitive position of certain of the Company's businesses, particularly the Company's laminate flooring business, depend in part upon the Company's ability to obtain and maintain proprietary technology used in the Company's principal product families. The Company relies, in part, on the patent, trade secret and trademark laws of the U.S. and countries in Europe, as well as confidentiality agreements with some of the Company's employees, to protect that technology.

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 ® family of patents, which protects Unilin's interlocking laminate flooring panel 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. In addition, patent filings by third parties, whether made before or after the date of the Company's filings, could render the Company's intellectual property less valuable.

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. In addition, if the Company does not obtain sufficient protection for the Company's intellectual property, the Company's competitiveness in the markets it serves could be significantly impaired, which would limit the Company's growth and future revenue.

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. Moreover, even if such applications are approved, third parties may seek to oppose or otherwise challenge the registrations. 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.

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.

Companies 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, companies have claimed that certain technologies incorporated in the Company's products infringe their patent rights. There can be no assurance that the Company will not receive notices in the future from parties asserting that the Company's products infringe, or may infringe, those parties' intellectual property 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. Historically, patent applications in the U.S. and some foreign countries have not been publicly disclosed until the patent is issued (or, in some recent cases, until 18 months following submission), and the Company may not be aware of currently filed patent applications that relate to the Company's products or processes. If patents are later issued on these applications, the Company may be liable for infringement.

Furthermore, the Company may initiate claims or litigation against parties for infringement of the Company's proprietary rights or to establish the invalidity, noninfringement, or unenforceability of the proprietary rights of others. Likewise, the Company may have similar claims brought against it by competitors. Litigation, either as plaintiff or defendant, could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel from operations, whether or not such litigation is resolved in the Company's favor. In the event of an adverse ruling in any such litigation, 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 to infringing technology. There can be no assurance that licenses to 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, financial condition and results of operations would be materially and adversely affected.

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 New York Stock Exchange, frequently issue new requirements and regulations, such as the Sarbanes-Oxley Act of 2002. 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 revenue generating activities to compliance activities.

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

A decrease in the Company's market capitalization, including a short-term decline in stock price, or a negative long-term performance outlook, could result in an impairment of its tangible and intangible assets which results when the carrying value of the Company's assets exceed their fair value. In 2008, the Company's goodwill and other intangible assets suffered an impairment and additional impairment charges could occur in future periods.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

None.

Item 5. Other Information

None.

Item 6. Exhibits

No.	Description
31.1	Certification Pursuant to Rule 13a-14(a).
31.2	Certification Pursuant to Rule 13a-14(a).
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements 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.
(Registrant)

Dated: November 5, 2010

By: /s/ Jeffrey S. Lorberbaum
JEFFREY S. LORBERBAUM
Chairman and Chief Executive Officer
(principal executive officer)

Dated: November 5, 2010

By: /s/ Frank H. Boykin
FRANK H. BOYKIN
Chief Financial Officer
(principal financial officer)

EXHIBIT 31.1

CERTIFICATIONS

I, Jeffrey S. Lorberbaum, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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(s) 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(s) 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: November 5, 2010

/s/ Jeffrey S. Lorberbaum

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Frank H. Boykin, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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(s) 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(s) 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: November 5, 2010

/s/ Frank H. Boykin

Frank H. Boykin
Chief Financial Officer

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 quarterly report of Mohawk Industries, Inc. (the "Company") on Form 10-Q for the period ended October 2, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey S. Lorberbaum, Chairman, President 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

November 5, 2010

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 quarterly report of Mohawk Industries, Inc. (the "Company") on Form 10-Q for the period ended October 2, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank H. Boykin, 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/ Frank H. Boykin

Frank H. Boykin
Chief Financial Officer

November 5, 2010