

**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 **June 30, 2012**

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

(State or other jurisdiction of
incorporation or organization)

160 S. Industrial Blvd., Calhoun, Georgia

(Address of principal executive offices)

52-1604305

(I.R.S. Employer
Identification No.)

30701

(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 July 30, 2012, the latest practicable date, is as follows: 68,996,161 shares of Common Stock, \$.01 par value.

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(In thousands)
(Unaudited)

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 319,463	311,945
Receivables, net	782,122	686,165
Inventories	1,161,073	1,113,630
Prepaid expenses	127,505	112,779
Deferred income taxes	126,613	150,910
Other current assets	17,410	22,735
Total current assets	2,534,186	2,398,164
Property, plant and equipment, net	1,652,444	1,712,154
Goodwill	1,363,356	1,375,175
Tradenames	444,536	450,432
Other intangible assets, net	120,412	154,668
Deferred income taxes and other non-current assets	149,843	115,635
	\$ 6,264,777	6,206,228

See accompanying notes to condensed consolidated financial statements.

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

	June 30, 2012	December 31, 2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 57,158	386,255
Accounts payable and accrued expenses	733,411	715,091
Total current liabilities	790,569	1,101,346
Deferred income taxes	334,070	355,653
Long-term debt, less current portion	1,570,530	1,200,184
Other long-term liabilities	93,290	99,537
Total liabilities	2,788,459	2,756,720
Commitments and contingencies (Notes 6 and 11)		
Redeemable noncontrolling interest	—	33,723
Stockholders' equity:		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued	—	—
Common stock, \$.01 par value; 150,000 shares authorized; 80,027 and 79,815 shares issued in 2012 and 2011, respectively	800	798
Additional paid-in capital	1,260,186	1,248,131
Retained earnings	2,468,330	2,354,765
Accumulated other comprehensive income, net	70,464	135,639
	3,799,780	3,739,333
Less treasury stock at cost; 11,032 and 11,034 shares in 2012 and 2011, respectively	323,462	323,548
Total stockholders' equity	3,476,318	3,415,785
	\$ 6,264,777	6,206,228

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	
	June 30, 2012	July 2, 2011
Net sales	\$ 1,469,793	1,477,854
Cost of sales	1,081,329	1,095,607
Gross profit	388,464	382,247
Selling, general and administrative expenses	280,746	280,547
Operating income	107,718	101,700
Interest expense	18,844	25,760
Other expense	440	396
Earnings before income taxes	88,434	75,544
Income tax expense	15,246	13,450
Net earnings	73,188	62,094
Less: Net earnings attributable to noncontrolling interest	—	1,191
Net earnings attributable to Mohawk Industries, Inc.	\$ 73,188	60,903
Basic earnings per share attributable to Mohawk Industries, Inc.	\$ 1.06	0.89
Weighted-average common shares outstanding—basic	68,984	68,744
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 1.06	0.88
Weighted-average common shares outstanding—diluted	69,259	68,981

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)

	Six Months Ended	
	June 30, 2012	July 2, 2011
Net sales	\$ 2,878,828	2,821,449
Cost of sales	2,130,938	2,097,610
Gross profit	747,890	723,839
Selling, general and administrative expenses	568,196	566,055
Operating income	179,694	157,784
Interest expense	41,342	52,355
Other expense (income)	(1,385)	381
Earnings before income taxes	139,737	105,048
Income tax expense	25,537	18,416
Net earnings	114,200	86,632
Less: Net earnings attributable to noncontrolling interest	635	2,287
Net earnings attributable to Mohawk Industries, Inc.	\$ 113,565	84,345
Basic earnings per share attributable to Mohawk Industries, Inc.	\$ 1.65	1.23
Weighted-average common shares outstanding—basic	68,923	68,709
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 1.64	1.22
Weighted-average common shares outstanding—diluted	69,204	68,942

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net earnings	\$ 73,188	62,094	114,200	86,632
Other comprehensive income (loss):				
Foreign currency translation adjustments	(120,116)	38,711	(65,155)	153,370
Pension prior service cost and actuarial gain (loss)	(37)	19	(20)	91
Other comprehensive income (loss)	(120,153)	38,730	(65,175)	153,461
Comprehensive income (loss)	(46,965)	100,824	49,025	240,093
Less: comprehensive income attributable to the noncontrolling interest	—	1,191	635	2,287
Comprehensive income (loss) attributable to Mohawk Industries, Inc.	\$ (46,965)	99,633	48,390	237,806

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	June 30, 2012	July 2, 2011
Cash flows from operating activities:		
Net earnings	\$ 114,200	86,632
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Restructuring	8,226	13,327
Depreciation and amortization	145,117	148,597
Deferred income taxes	1,717	331
(Gain) loss on disposal of property, plant and equipment	(7)	485
Stock-based compensation expense	8,399	6,038
Changes in operating assets and liabilities:		
Receivables, net	(99,903)	(172,003)
Tax deposits	(31,820)	—
Inventories	(52,486)	(84,776)
Accounts payable and accrued expenses	16,000	38,418
Other assets and prepaid expenses	(6,313)	(7,193)
Other liabilities	(7,554)	(1,266)
Net cash provided by operating activities	95,576	28,590
Cash flows from investing activities:		
Additions to property, plant and equipment	(87,687)	(112,519)
Investment in joint venture	(7,007)	—
Net cash used in investing activities	(94,694)	(112,519)
Cash flows from financing activities:		
Payments on Senior Credit Facility	(653,675)	(637,430)
Proceeds from Senior Credit Facility	1,031,800	890,430
Repayment of senior notes	(336,270)	(298,248)
Payments on term loan and other debt	(582)	(125)
Debt issuance costs	(1,018)	—
Purchase of non-controlling interest	(35,000)	—
Distribution to non-controlling interest	(423)	(5,428)
Change in restricted cash	—	27,954
Change in outstanding checks in excess of cash	1,739	16,788
Proceeds from stock transactions	6,612	2,646
Net cash provided by (used in) financing activities	13,183	(3,413)
Effect of exchange rate changes on cash and cash equivalents	(6,547)	18,547
Net change in cash and cash equivalents	7,518	(68,795)
Cash and cash equivalents, beginning of period	311,945	354,217
Cash and cash equivalents, end of period	\$ 319,463	285,422

See accompanying notes to condensed consolidated financial statements.

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 2011 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission.

On March 19, 2012, the Company purchased the non-controlling interest within the Dal-Tile segment for \$35,000.

Accounting Standards Update ("ASU") No. 2011-05, "*Comprehensive Income (Topic 220)—Presentation of Comprehensive Income*" ("ASU 2011-05") requires comprehensive income to be presented as a single continuous financial statement or in two separate but consecutive statements. The option of presenting other comprehensive income in the statement of stockholders' equity was eliminated. The Company adopted ASU 2011-05 in the first quarter of 2012 and chose to present comprehensive income (loss) as two separate but consecutive statements.

Reclassification: Certain prior year amounts have been reclassified to conform to the current year presentation.

Foreign Currency Translation: Prior to the second quarter of 2012, operations carried out in Mexico used the U.S. dollar as the functional currency. Effective April 1, 2012, the Company changed the functional currency of its Mexico operations to the Mexican peso. The Company believes that the completion of a second plant in Mexico and growth in sales to the local Mexican market indicated a significant change in the economic facts and circumstances that justified the change in the functional currency. Consistent with the Company's policy on foreign currency translation disclosed in the Company's 2011 Annual Report filed on Form 10-K, the new functional currency will be translated into U.S. dollars for balance sheet accounts using the month end rates in effect as of the balance sheet date and average exchange rate for revenue and expense accounts for each respective period. The translation adjustments are deferred as a separate component of stockholders' equity, within other comprehensive income. The effects of the change in functional currency were not significant to the Company's condensed consolidated financial statements.

2. Receivables, net

Receivables, net are as follows:

	June 30, 2012	December 31, 2011
Customers, trade	\$ 794,691	696,856
Income tax receivable	613	1,703
Other	29,477	31,311
	824,781	729,870
Less allowance for discounts, returns, claims and doubtful accounts	42,659	43,705
Receivables, net	\$ 782,122	686,165

3. Inventories

The components of inventories are as follows:

	June 30, 2012	December 31, 2011
Finished goods	\$ 719,102	670,877
Work in process	106,004	113,311
Raw materials	335,967	329,442
Total inventories	\$ 1,161,073	1,113,630

4. Goodwill and intangible assets

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

Goodwill:

	<u>Mohawk</u>	<u>Dal-Tile</u>	<u>Unilin</u>	<u>Total</u>
Balances as of December 31, 2011				
Goodwill	\$ 199,132	1,186,913	1,316,555	2,702,600
Accumulated impairment losses	(199,132)	(531,930)	(596,363)	(1,327,425)
	<u>\$ —</u>	<u>654,983</u>	<u>720,192</u>	<u>1,375,175</u>
Currency translation during the period	\$ —	—	(11,819)	(11,819)
Balances as of June 30, 2012				
Goodwill	\$ 199,132	1,186,913	1,304,736	2,690,781
Accumulated impairment losses	(199,132)	(531,930)	(596,363)	(1,327,425)
	<u>\$ —</u>	<u>654,983</u>	<u>708,373</u>	<u>1,363,356</u>

Intangible assets:

	<u>Tradenames</u>
Indefinite life assets not subject to amortization:	
Balance as of December 31, 2011	\$ 450,432
Currency translation during the period	(5,896)
Balance as of June 30, 2012	<u>\$ 444,536</u>

	<u>Customer relationships</u>	<u>Patents</u>	<u>Other</u>	<u>Total</u>
Intangible assets subject to amortization:				
Balances as of December 31, 2011	\$ 64,958	88,544	1,166	154,668
Amortization during the period	(22,791)	(9,408)	(60)	(32,259)
Currency translation during the period	(191)	(1,809)	3	(1,997)
Balances as of June 30, 2012	<u>\$ 41,976</u>	<u>77,327</u>	<u>1,109</u>	<u>120,412</u>

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2012</u>	<u>July 2, 2011</u>	<u>June 30, 2012</u>	<u>July 2, 2011</u>
Amortization expense	<u>\$ 15,998</u>	<u>17,975</u>	<u>32,259</u>	<u>35,374</u>

5. Accounts payable and accrued expenses

Accounts payable and accrued expenses are as follows:

	June 30, 2012	December 31, 2011
Outstanding checks in excess of cash	\$ 19,329	17,590
Accounts payable, trade	381,503	372,616
Accrued expenses	169,554	154,560
Product warranties	34,867	30,144
Accrued interest	26,900	34,235
Deferred tax liability	7,320	8,760
Accrued compensation and benefits	93,938	97,186
Total accounts payable and accrued expenses	<u>\$ 733,411</u>	<u>715,091</u>

6. 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 activity related to warranty obligations is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Balance at beginning of period	\$ 32,680	36,437	30,144	37,265
Warranty claims paid during the period	(14,866)	(17,012)	(28,786)	(30,747)
Pre-existing warranty accrual adjustment during the period	—	489	—	3,484
Warranty expense during the period	17,053	12,138	33,509	22,050
Balance at end of period	<u>\$ 34,867</u>	<u>32,052</u>	<u>34,867</u>	<u>32,052</u>

7. Stock-based compensation

The Company recognizes compensation expense for all share-based payments granted based on the grant-date fair value estimated in accordance with the provisions of the Financial Accounting Standards Board Accounting Standards Codification topic ("ASC") 718-10. Compensation expense is recognized on a straight-line basis over the options' or other awards' estimated lives for fixed awards with ratable vesting provisions.

Under the Company's 2007 Incentive Plan ("2007 Plan"), the Company's principal stock compensation plan prior to May 9, 2012, the Company reserved up to a maximum of 3,200 shares of common stock for issuance upon the grant or exercise of stock options, restricted stock, restricted stock units ("RSUs") and other types of awards, to directors and key employees through 2017. Option awards are granted with an exercise price equal to the market price of the Company's common stock on the date of the grant and generally vest between three and five years with a 10-year contractual term. Restricted stock and RSUs are granted with a price equal to the market price of the Company's common stock on the date of the grant and generally vest between three and five years. On May 9, 2012, the Company's stockholders approved the 2012 Long-Term Incentive Plan ("2012 Plan"), which allows the Company to reserve up to a maximum of 3,200 shares of common stock for issuance upon the grant or exercise of awards under the 2012 Plan. No additional awards may be granted under the 2007 Plan after May 9, 2012. As of June 30, 2012, there have been no awards granted under the 2012 Plan.

Under the 2007 Plan, the Company granted 83 and 76 options to employees at a weighted-average grant-date fair value of \$28.71 and \$25.39 per share for the six months ended June 30, 2012 and July 2, 2011, respectively. There were no options granted during the three months ended June 30, 2012 and July 2, 2011. The Company recognized stock-based compensation costs related to stock options of \$518 (\$328 net of taxes) and \$450 (\$285 net of taxes) for the three months ended June 30, 2012 and July 2, 2011, respectively, and \$1,132 (\$717 net of taxes) and \$1,009 (\$639 net of taxes) for the six months ended June 30, 2012 and July 2, 2011, 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,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

was \$3,140 as of June 30, 2012, and will be recognized as expense over a weighted-average period of approximately 1.9 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.

Under the 2007 Plan, the Company granted 261 and 196 RSUs at a weighted-average grant-date fair value of \$65.98 and \$57.34 per unit for the six months ended June 30, 2012 and July 2, 2011, respectively. There were no RSUs granted during the three months ended June 30, 2012 and July 2, 2011. The Company recognized stock-based compensation costs related to the issuance of RSUs of \$2,311 (\$1,464 net of taxes) and \$1,708 (\$1,082 net of taxes) for the three months ended June 30, 2012 and July 2, 2011, respectively, and \$7,248 (\$4,592 net of taxes) and \$4,979 (\$3,154 net of taxes) for the six months ended June 30, 2012 and July 2, 2011, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized compensation expense for unvested RSUs granted to employees, net of estimated forfeitures, was \$20,072 as of June 30, 2012, and will be recognized as expense over a weighted-average period of approximately 3.4 years.

The Company did not grant any restricted stock awards for the six months ended June 30, 2012 and July 2, 2011. Compensation expense for restricted stock awards for the three months ended and six months ended June 30, 2012 and July 2, 2011, respectively, was not significant.

8. Other Expense (Income)

Other Expense (Income) is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Foreign currency (gains) losses, net	\$ (1,052)	1,199	(6,702)	(1,783)
All other, net	1,492	(803)	5,317	2,164
Total other expense (income)	\$ 440	396	(1,385)	381

9. Earnings per share

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

Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method. Common stock options and unvested restricted shares (units) that were not included in the diluted EPS computation because the price was greater than the average market price of the common shares for the six months ended June 30, 2012 and July 2, 2011 were 987 and 1,125, respectively.

	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net earnings available to common stockholders	\$ 73,188	60,903	113,565	84,345
Weighted-average common shares outstanding-basic and diluted:				
Weighted-average common shares outstanding—basic	68,984	68,744	68,923	68,709
Add weighted-average dilutive potential common shares—options and RSUs to purchase common shares, net	275	237	281	233
Weighted-average common shares outstanding-diluted	69,259	68,981	69,204	68,942
Basic earnings per share attributable to Mohawk Industries, Inc.	\$ 1.06	0.89	1.65	1.23
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 1.06	0.88	1.64	1.22

10. Segment reporting

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

The accounting policies for each operating segment are consistent with the Company's policies for the consolidated financial statements. Amounts disclosed for each segment are prior to any elimination or consolidation entries. Corporate general and administrative expenses attributable to each segment are estimated and allocated accordingly. Segment performance is evaluated based on operating income.

Segment information is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2012	July 2, 2011	June 30, 2012	July 2, 2011
Net sales:				
Mohawk	\$ 734,493	758,064	1,434,373	1,449,229
Dal-Tile	404,288	379,469	797,213	723,884
Unilin	354,374	363,097	691,798	688,929
Intersegment sales	(23,362)	(22,776)	(44,556)	(40,593)
	<u>\$ 1,469,793</u>	<u>1,477,854</u>	<u>2,878,828</u>	<u>2,821,449</u>
Operating income (loss):				
Mohawk	\$ 37,136	31,201	62,418	48,241
Dal-Tile	36,432	32,138	62,460	49,838
Unilin	40,575	46,209	67,721	72,459
Corporate and intersegment eliminations	(6,425)	(7,848)	(12,905)	(12,754)
	<u>\$ 107,718</u>	<u>101,700</u>	<u>179,694</u>	<u>157,784</u>
Assets:				
Mohawk		\$ 1,791,376	1,769,065	
Dal-Tile		1,742,563	1,732,818	
Unilin		2,539,997	2,533,070	
Corporate and intersegment eliminations		190,841	171,275	
		<u>\$ 6,264,777</u>	<u>6,206,228</u>	

11. 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.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

In these actions, the plaintiffs, on behalf of themselves and/or a class of purchasers, seek three times the amount of unspecified damages allegedly suffered as a result of alleged overcharges in the price of polyurethane foam products from at least 1999 to the present. Each plaintiff also seeks attorney fees, pre-judgment and post-judgment interest, court costs, and injunctive relief against future violations. In April 2011, the Company filed a motion to dismiss the class action claims brought by the direct purchasers, and in May 2011, the Company moved to dismiss the claims brought by the indirect purchasers. On July 19, 2011, the Court issued a written opinion denying all defendants' motions to dismiss. In December 2011, the Company was named as a defendant in a Canadian Class action, *Hi ! Neighbor Floor Covering Co. Limited v. Hickory Springs Manufacturing Company, et al.*, filed in the Superior Court of Justice of Ontario, Canada and *Options Consommateurs v. Vitafoam, Inc. et al.*, filed in the Superior Court of Justice of Quebec, Montreal, Canada, both of which allege similar claims against the Company as raised in the U.S. actions and seek unspecified damages and punitive damages. The Company denies all of the allegations in these actions and will vigorously defend itself.

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.

In January 2012, the Company received a €24,000 assessment from the Belgian tax authority related to the year ended December 31, 2008. The Company disagrees with the view and conclusions of the Belgian tax authority, believes it is unlikely that the Belgian tax authority would be able to successfully defend the proposed changes, and intends to vigorously contest the assessment. The Company filed a formal protest in the first quarter of 2012, contesting the Belgian tax authority's conclusions. In order to eliminate the accrual of additional interest on the assessed amount, the Company remitted payment of the entire assessment, plus interest to date of approximately €2,500, in the first quarter of 2012. If the Company is successful in its defense of this matter, such deposit earns 7% interest per year. In addition, during the fourth quarter of 2011, the Company received notification from the Belgian tax authority of its intent to increase the Company's tax base related to the year ended December 31, 2009. The Belgian tax authority investigation is ongoing. Although there can be no assurances, the Company believes the ultimate outcome of these actions will not have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations in a given quarter or year.

The Company recorded pre-tax business restructuring charges of \$8,226 for the three and six months ended June 30, 2012, of which \$6,636 was recorded as cost of sales and \$1,590 was recorded as selling, general and administrative expenses for the same periods, respectively. For the three and six months ended July 2, 2011, the Company recorded pre-tax business restructuring charges of \$6,514 and \$13,327 respectively, of which \$5,532 and \$11,879 was recorded as cost of sales and \$982 and \$1,448 was recorded as selling, general and administrative expenses for the same periods, respectively. The charges for 2012 and 2011 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 six months ended June 30, 2012 is as follows:

	Lease impairments	Asset write- downs	Severance	Other restructuring costs	Total
Balance as of December 31, 2011	\$ 10,956	—	2,378	1,511	14,845
Provision - Unilin Segment	—	138	668	38	844
Provision - Mohawk Segment	—	4,328	2,650	404	7,382
Cash payments	(1,743)	—	(3,497)	(425)	(5,665)
Non-cash items	—	(4,466)	—	—	(4,466)
Balance as of June 30, 2012	\$ 9,213	—	2,199	1,528	12,940

The Company expects the remaining severance costs, lease impairments and other restructuring costs to be paid over the

next four years.

Subsequent to the balance sheet date, the Company announced plans to consolidate operations of a facility in the Mohawk segment in order to streamline manufacturing capabilities. The Company is finalizing its estimates and expects to record a restructuring charge in the third quarter of 2012.

12. Debt

Senior Credit Facility

On July 8, 2011, the Company entered into a five-year, senior, secured revolving credit facility (the "Senior Credit Facility"). The Senior Credit Facility provides for a maximum of \$900,000 of revolving credit, including limited amounts of credit in the form of letters of credit and swingline loans. The Company paid financing costs of \$8,218 in connection with its Senior Credit Facility. These costs were deferred and, along with unamortized costs of \$12,277 related to the Company's prior senior, secured revolving credit facility, are being amortized over the term of the Senior Credit Facility.

On January 20, 2012, the Company entered into an amendment to the Senior Credit Facility that provides for an incremental term loan facility in the aggregate principal amount of \$150,000. The Company paid financing costs of \$1,018 in connection with the amendment to its Senior Credit Facility. These costs were deferred and are being amortized over the remaining term of the Senior Credit Facility. The incremental term loan facility provides for eight scheduled quarterly principal payments of \$1,875, with the first such payment due on June 30, 2012, followed by four scheduled quarterly principal payments of \$3,750, with remaining quarterly principal payments of \$5,625 prior to maturity.

The Senior Credit Facility is scheduled to mature on July 8, 2016. The Company can terminate and prepay the Senior Credit Facility at any time without payment of any termination or prepayment penalty (other than customary breakage costs in respect of loans bearing interest at a rate based on LIBOR).

At the Company's election, revolving loans under the Senior Credit Facility bear interest at annual rates equal to either (a) LIBOR for 1-, 2-, 3- or 6-month periods, as selected by the Company, plus an applicable margin ranging between 1.25% and 2.0%, or (b) the higher of the Bank of America, N.A. prime rate, the Federal Funds rate plus 0.5%, and a monthly LIBOR rate plus 1.0%, plus an applicable margin ranging between 0.25% and 1.0%. The Company also pays a commitment fee to the lenders under the Senior Credit Facility on the average amount by which the aggregate commitments of the lenders exceed utilization of the Senior Credit Facility ranging from 0.25% to 0.4% per annum. The applicable margin and the commitment fee are determined based on the Company's Consolidated Net Leverage Ratio (with applicable margins and the commitment fee increasing as the ratio increases).

All obligations of the Company and the other borrowers under the Senior Credit Facility are required to be guaranteed by all of the Company's material domestic subsidiaries, and all obligations of borrowers that are foreign subsidiaries are guaranteed by those foreign subsidiaries of the Company which the Company designates as guarantors.

Due to the rating agency upgrade announced on March 14, 2012 by Standard & Poor's Financial Services, LLC ("S&P"), the security interests in domestic accounts receivable and inventories, certain shares of capital stock (or equivalent ownership interests) of the domestic borrowers' and domestic guarantors' subsidiaries, and proceeds of any of the foregoing securing obligations under the Senior Credit Facility were released. The Company will be required to reinstate such security interests if there is a ratings downgrade such that: (a) both (i) the Moody's Investors Service, Inc. ("Moody's") rating is Ba2 and (ii) the S&P rating is BB, (b) (i) the Moody's rating is Ba3 or lower and (ii) the S&P rating is below BBB- (with a stable outlook or better) or (c) (i) the Moody's rating is below Baa3 (with a stable outlook or better) and (ii) the S&P rating is BB- or lower.

The Senior Credit Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, indebtedness, 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 Consolidated Interest Coverage Ratio of at least 3.0 to 1.0 and a Consolidated Net Leverage Ratio of no more than 3.75 to 1.0, each as of the last day of any fiscal quarter, as defined in the Senior Credit Facility. The Senior Credit Facility also contains customary representations and warranties and events of default, subject to customary grace periods.

As of June 30, 2012, the amount utilized under the Senior Credit Facility including the term loan was \$773,461 resulting in a total of \$274,664 available under the Senior Credit Facility. The amount utilized included \$676,125 of borrowings, \$46,796

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$50,540 of standby letters of credit related to various insurance contracts and foreign vendor commitments.

Senior Notes

On January 17, 2006, the Company issued \$900,000 aggregate principal amount of 6.125% notes due January 15, 2016. Interest payable on these notes is subject to adjustment if either Moody's or S&P, or both, upgrades or 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. In 2009, interest rates increased by an aggregate amount of 75 basis points as a result of downgrades by Moody's and S&P. In the first quarter of 2012, interest rates decreased by 50 basis points as a result of the upgrades from S&P and Moody's. Any future downgrades in the Company's credit ratings could increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future.

In 2002, the Company issued \$400,000 aggregate principal amount of its senior 7.20% notes due April 15, 2012. During 2011, the Company repurchased \$63,730 of its senior 7.20% notes, at an average price equal to 102.72% of the principal amount. On April 16, 2012, the Company repaid the \$336,270 principal amount of outstanding senior 7.20% notes, together with accrued interest of \$12,106, at maturity using available borrowings under its Senior Credit Facility.

13. Fair Value

ASC 825-10, formerly the FASB Staff Position FAS 107-1 and Accounting Principles Board Opinion 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 values and carrying values of our debt instruments are detailed as follows:

	June 30, 2012		December 31, 2011	
	Fair Value	Carrying Value	Fair Value	Carrying Value
7.20% senior notes, payable April 15, 2012 interest payable semiannually	\$ —	—	336,606	336,270
6.125% notes, payable January 15, 2016 interest payable semiannually	989,100	900,000	963,900	900,000
Five-year senior secured credit facility, due July 8, 2016	676,125	676,125	298,000	298,000
Industrial revenue bonds, capital leases and other	51,563	51,563	52,169	52,169
Total long-term debt	1,716,788	1,627,688	1,650,675	1,586,439
Less current portion	57,158	57,158	386,591	386,255
Long-term debt, less current portion	\$ 1,659,630	1,570,530	1,264,084	1,200,184

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

The Company is a leading producer of floor covering products for residential and commercial applications in the United States and residential applications in Europe. The Company is the second largest carpet and rug manufacturer and one of the largest manufacturers, marketers and distributors of ceramic tile, natural stone and hardwood flooring in the U.S., as well as a leading producer of laminate flooring in the U.S. and Europe. The Company is expanding its international presence through investments in Australia, Brazil, China, Mexico and Russia. The Company had annual net sales in 2011 of \$5.6 billion.

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

In 2010, the primary categories of the U.S. floor covering industry, based on sales dollars, were carpet and rug (55%), resilient and rubber (13%), ceramic tile (12%), hardwood (9%), stone (6%) and laminate (5%). Each of these categories is influenced by the average selling price per square foot, the residential builder and homeowner remodeling markets, housing starts and housing resales, average house size and home ownership. In addition, the level of sales in the floor covering industry, both in the U.S. and Europe, is influenced by consumer confidence, spending for durable goods, interest rates and availability of credit, turnover in housing, the condition of the residential and commercial construction industries and the overall strength of the economy.

The U.S. floor covering industry experienced declining demand beginning in the fourth quarter of 2006 with sales declining from \$25.7 billion in 2006 to \$17.1 billion in 2010. Industry conditions have remained difficult due to many factors, including uncertainty caused by economic conditions in the U.S., the European debt crisis, material price volatility, unemployment and consumer confidence, all of which have created headwinds to industry growth.

For the three months ended June 30, 2012, net earnings attributable to the Company were \$73.2 million, or diluted earnings per share ("EPS") of \$1.06, compared to the net earnings attributable to the Company of \$60.9 million, or diluted EPS of \$0.88, for the three months ended July 2, 2011. The increase in EPS was primarily attributable to operations productivity, the favorable net impact of price and product mix and lower interest costs, partially offset by the unfavorable impact of raw materials inflation.

For the six months ended June 30, 2012, net earnings attributable to the Company were \$113.6 million, or diluted EPS of \$1.64, compared to the net earnings attributable to the Company of \$84.3 million, or diluted EPS of \$1.22 for the six months ended July 2, 2011. The increase in EPS was primarily attributable to the favorable net impact of price and product mix, operations productivity, lower interest costs and higher sales volume, partially offset by the unfavorable impact of raw materials inflation.

Foreign Currency Translation: Prior to the second quarter of 2012, operations carried out in Mexico used the U.S. dollar as the functional currency. Effective April 1, 2012, the Company changed the functional currency of its Mexico operations to the Mexican peso. The Company believes that the completion of a second plant in Mexico and growth in sales to the local Mexican market indicated a significant change in the economic facts and circumstances that justified the change in the functional currency. Consistent with the Company's policy on foreign currency translation disclosed in the Company's 2011 Annual Report filed on Form 10-K, the new functional currency will be translated into U.S. dollars for balance sheet accounts using the month end rates in effect as of the balance sheet date and average exchange rate for revenue and expense accounts for each respective period. The translation adjustments are deferred as a separate component of stockholders' equity, within other comprehensive income. The effects of the change in functional currency were not significant to the Company's condensed consolidated financial statements.

Results of Operations

Quarter Ended June 30, 2012, as Compared with Quarter Ended July 2, 2011

Net sales

Net sales for the three months ended June 30, 2012 were \$1,469.8 million, reflecting a decrease of \$8.1 million, or 0.5%, from the \$1,477.9 million reported for the three months ended July 2, 2011. The decrease was primarily driven by the impact of unfavorable foreign exchange rates of approximately \$36 million and lower volume of approximately \$16 million, which was partially offset by the favorable net impact of price and product mix of approximately \$44 million.

Mohawk Segment—Net sales decreased \$23.6 million, or 3.1%, to \$734.5 million for the three months ended June 30, 2012, compared to \$758.1 million for the three months ended July 2, 2011. The decrease was primarily driven by lower volume of approximately \$61 million, which was partially offset by the favorable net impact of price and product mix of approximately \$37 million. The lower volume reflected carpet industry trends with commercial and residential sales slowing. Also contributing to the volume decline were lower retail rug sales, as well as retailers deferring promotional activities and further inventory reductions in the channel.

Dal-Tile Segment—Net sales increased \$24.8 million, or 6.5%, to \$404.3 million for the three months ended June 30, 2012, compared to \$379.5 million for the three months ended July 2, 2011. The increase was primarily driven by volume increases of approximately \$24 million and the favorable net impact of price and product mix of approximately \$5 million, partially offset by the impact of unfavorable foreign exchange rates of approximately \$4 million. The volume increases were attributable to improvement in the commercial and residential channel, as well as, growth in the Mexican market.

Unilin Segment—Net sales decreased \$8.7 million, or 2.4%, to \$354.4 million for the three months ended June 30, 2012, compared to \$363.1 million for the three months ended July 2, 2011. The decrease was primarily driven by the impact of unfavorable foreign exchange rates of approximately \$33 million, which was partially offset by volume increases of approximately \$22 million and the favorable net impact of price and product mix of approximately \$2 million. The volume increases were primarily attributable to panels and U.S. laminate flooring.

Gross profit

Gross profit for the three months ended June 30, 2012 was \$388.5 million (26.4% of net sales) and increased by \$6.2 million or 1.6% compared to gross profit of \$382.2 million (25.9% of net sales) for the three months ended July 2, 2011. The increase in gross profit dollars was primarily attributable to operations productivity of approximately \$18 million and the favorable net impact of price and product mix of approximately \$15 million, partially offset by higher inflationary costs of approximately \$18 million and the impact of unfavorable foreign exchange rates of approximately \$7 million.

Selling, general and administrative expenses

Selling, general and administrative expenses for the three months ended June 30, 2012 were \$280.7 million (19.1% of net sales), compared to \$280.5 million (19.0% of net sales) for the three months ended July 2, 2011. Changes in selling, general and administrative expenses were primarily driven by approximately \$6 million in costs associated with sales channel and geographic expansion and the related volume increases, offset by approximately \$6 million in favorable foreign exchange rates.

Operating income

Operating income for the three months ended June 30, 2012 was \$107.7 million (7.3% of net sales) reflecting an increase of \$6.0 million, or 5.9%, compared to operating income of \$101.7 million (6.9% of net sales) for the three months ended July 2, 2011. The increase was primarily driven by operations productivity of approximately \$18 million and the favorable net impact of price and product mix of approximately \$15 million, partially offset by higher inflationary costs of approximately \$18 million and approximately \$6 million of costs associated with sales channel and geographic expansion and the related volume increases.

Mohawk Segment—Operating income was \$37.1 million (5.1% of segment net sales) for the three months ended June 30, 2012 reflecting an increase of \$5.9 million compared to operating income of \$31.2 million (4.1% of segment net sales) for the three months ended July 2, 2011. The increase was primarily driven by the favorable net impact of price and product mix of approximately \$21 million and operations productivity of approximately \$9 million, partially offset by lower volume of approximately \$16 million and higher inflationary costs of approximately \$8 million.

Dal-Tile Segment—Operating income was \$36.4 million (9.0% of segment net sales) for the three months ended June 30, 2012 reflecting an increase of \$4.3 million compared to operating income of \$32.1 million (8.5% of segment net sales) for the three months ended July 2, 2011. The increase was primarily driven by volume increases of approximately \$8 million, operations productivity of approximately \$4 million and the impact of favorable foreign exchange rates of approximately \$3 million, partially offset by approximately \$4 million of costs associated with sales channel expansion and the related volume increases, the unfavorable net impact of price and product mix of approximately \$3 million and higher inflationary costs of approximately \$3 million.

Unilin Segment—Operating income was \$40.6 million (11.4% of segment net sales) for the three months ended June 30, 2012 reflecting a decrease of \$5.6 million compared to operating income of \$46.2 million (12.7% of segment net sales) for the three months ended July 2, 2011. The decrease was primarily driven by higher inflationary costs of approximately \$7 million, the impact of unfavorable foreign exchange rates of approximately \$4 million, approximately \$3 million of costs primarily associated with geographic expansion and the unfavorable net impact of price and product mix of approximately \$3 million, partially offset by higher volume of approximately \$8 million and operations productivity of approximately \$6 million.

Interest expense

Interest expense was \$18.8 million for the three months ended June 30, 2012, reflecting a decrease of \$6.9 million compared to interest expense of \$25.8 million for the three months ended July 2, 2011. The decrease in interest expense in 2012 was due to lower interest rates on the Company's outstanding debt. The lower interest rates were primarily attributable to the shift from higher interest rate senior notes to the Senior Credit Facility and the rating agency upgrades discussed in Liquidity and Capital Resources.

Income tax expense

For the three months ended June 30, 2012, the Company recorded income tax expense of \$15.2 million on earnings before income taxes of \$88.4 million for an effective tax rate of 17.2%, as compared to an income tax expense of \$13.5 million on earnings before income taxes of \$75.5 million, resulting in an effective tax rate of 17.8% for the three months ended July 2, 2011. The difference in the effective tax rate for the comparative period is primarily due to the geographic dispersion of earnings and losses for the current period compared to the prior period.

Six Months Ended June 30, 2012, as Compared with Six Months Ended July 2, 2011

Net sales

Net sales for the six months ended June 30, 2012 were \$2,878.8 million, reflecting an increase of \$57.4 million, or 2.0%, from the \$2,821.4 million reported for the six months ended July 2, 2011. The increase was primarily driven by the favorable net impact of price and product mix of approximately \$82 million and higher volume of approximately \$25 million, partially offset by the impact of unfavorable foreign exchange rates of approximately \$50 million.

Mohawk Segment—Net sales decreased \$14.9 million, or 1.0%, to \$1,434.4 million for the six months ended June 30, 2012, compared to \$1,449.2 million for the six months ended July 2, 2011. The decrease was primarily driven by lower volume of approximately \$87 million, partially offset by the favorable net impact of price and product mix of approximately \$72 million. The lower volume reflected carpet industry trends with commercial and residential sales slowing. Also contributing to the volume decline were lower retail rug sales, as well as retailers deferring promotional activities and further inventory reductions in the channel.

Dal-Tile Segment—Net sales increased \$73.3 million, or 10.1%, to \$797.2 million for the six months ended June 30, 2012, compared to \$723.9 million for the six months ended July 2, 2011. The increase was primarily driven by volume increases of approximately \$75 million due to improvement in the commercial and residential channel, as well as, growth in the Mexican market.

Unilin Segment—Net sales increased \$2.9 million, or 0.4%, to \$691.8 million for the six months ended June 30, 2012, compared to \$688.9 million for the six months ended July 2, 2011. The increase was primarily driven by volume increases of approximately \$41 million and the favorable net impact of price and product mix of approximately \$7 million, partially offset by the impact of unfavorable foreign exchange rates of approximately \$45 million. The volume increase was primarily attributable to panels and laminate flooring.

Gross profit

Gross profit for the six months ended June 30, 2012 was \$747.9 million (26.0% of net sales) and increased by \$24.1 million or 3.3% compared to gross profit of \$723.8 million (25.7% of net sales) for the six months ended July 2, 2011. The increase in gross profit dollars was primarily attributable to the favorable net impact of price and product mix of approximately \$40 million, operations productivity of approximately \$24 million, volume increases of approximately \$10 million and lower restructuring charges of approximately \$5 million. Partially offsetting these favorable items were higher inflationary costs of approximately \$46 million primarily related to raw materials and the impact of unfavorable foreign exchange rates of approximately \$9 million.

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended June 30, 2012 were \$568.2 million (19.7% of net sales), compared to \$566.1 million (20.1% of net sales) for the six months ended July 2, 2011. Changes in selling, general and administrative expenses were primarily driven by approximately \$10 million in costs associated with sales channel expansion and the related volume increases, partially offset by approximately \$8 million in favorable foreign exchange rates.

Operating income

Operating income for the six months ended June 30, 2012 was \$179.7 million (6.2% of net sales) reflecting an increase of \$21.9 million, or 13.9%, compared to operating income of \$157.8 million (5.6% of net sales) for the six months ended July 2, 2011. The increase was primarily driven by the favorable net impact of price and product mix of approximately \$40 million, operations productivity of approximately \$24 million, higher volume of approximately \$10 million and lower restructuring charges of approximately \$5 million, partially offset by higher inflationary costs of approximately \$46 million primarily related to raw materials and approximately \$10 million of costs associated with sales channel expansion and the related volume increases.

Mohawk Segment—Operating income was \$62.4 million (4.4% of segment net sales) for the six months ended June 30, 2012 reflecting an increase of \$14.2 million compared to operating income of \$48.2 million (3.3% of segment net sales) for the six months ended July 2, 2011. The increase was primarily driven by the favorable net impact of price and product mix of approximately \$43 million, operations productivity of approximately \$12 million, lower selling, general and administrative costs of approximately \$7 million and lower restructuring charges of approximately \$6 million, partially offset by higher inflationary costs of approximately \$31 million primarily related to raw materials and lower volume of \$22 million.

Dal-Tile Segment—Operating income was \$62.5 million (7.8% of segment net sales) for the six months ended June 30, 2012 reflecting an increase of \$12.6 million compared to operating income of \$49.8 million (6.9% of segment net sales) for the six months ended July 2, 2011. The increase was primarily driven by volume increases of approximately \$22 million, operations productivity of approximately \$7 million and the impact of favorable foreign exchange rates of approximately \$5 million, partially offset by approximately \$9 million of costs associated with sales channel expansion and the related volume increases, inflationary costs of approximately \$5 million and the unfavorable net impact of price and product mix of approximately \$3 million.

Unilin Segment—Operating income was \$67.7 million (9.8% of segment net sales) for the six months ended June 30, 2012 reflecting a decrease of \$4.7 million compared to operating income of \$72.5 million (10.5% of segment net sales) for the six months ended July 2, 2011. The decrease was primarily driven by higher inflationary costs of approximately \$10 million, unfavorable foreign exchange rates of approximately \$5 million and approximately \$4 million of costs primarily associated with geographic expansion, partially offset by volume increases of approximately \$10 million and operations productivity of approximately \$6 million.

Interest expense

Interest expense was \$41.3 million for the six months ended June 30, 2012, reflecting a decrease of \$11.0 million compared to interest expense of \$52.4 million for the six months ended July 2, 2011. The decrease in interest expense in 2012 was due to lower interest rates on the Company's outstanding debt. The lower interest rates were primarily attributable to the shift from higher interest rate senior notes to the Senior Credit Facility and the rating agency upgrades discussed in Liquidity and Capital Resources.

Income tax expense

For the six months ended June 30, 2012, the Company recorded income tax expense of \$25.5 million on earnings before income taxes of \$139.7 million for an effective tax rate of 18.3%, as compared to an income tax expense of \$18.4 million on earnings before income taxes of \$105.0 million, resulting in an effective tax rate of 17.5% for the six months ended July 2, 2011. The difference in the effective tax rate for the comparative period is primarily due to the geographic dispersion of earnings and losses for the current period compared to the prior 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.

Net cash provided by operating activities in the first six months of 2012 increased \$67.0 million to \$95.6 million, compared to \$28.6 million in the first six months of 2011. The favorable change in operating activities is primarily attributable to improved earnings and changes in net working capital, partially offset by a tax deposit of €26.5 million paid to the Belgian tax authority as discussed in Note 11 in the notes to the condensed consolidated financial statements. For the six months ended June 30, 2012, the \$99.9 million increase in receivables is primarily related to timing and the \$52.5 million increase in inventory is primarily related to seasonal demand and plant start-ups.

Net cash used in investing activities in the first six months of 2012 was \$94.7 million compared to \$112.5 million in the first six months of 2011. Cash used in investing activities primarily relates to various geographic capacity expansions. Capital spending during the remainder of 2012, excluding acquisition expenditures, is expected to range from approximately \$115 million to \$135 million and is intended to be used primarily to purchase equipment, add geographic capacity and to streamline manufacturing capabilities. During the second quarter of 2012, the Company's Unilin segment made a \$7.0 million equity investment in a laminate flooring facility in Brazil.

Net cash provided by financing activities in the first six months of 2012 was \$13.2 million compared to net cash used in financing activities of \$3.4 million in the first six months of 2011. The proceeds from the incremental term loan facility of \$150.0 million discussed below were used to pay down the revolving portion of the Senior Credit Facility. The increase in total borrowings on the Senior Credit Facility was primarily used to pay down its senior 7.20% notes due April 15, 2012, as well as, the purchase of the non-controlling interest within the Dal-Tile segment for \$35.0 million and funding of working capital.

On July 8, 2011, the Company entered into a five-year, senior, secured revolving credit facility (the "Senior Credit Facility"). The Senior Credit Facility provides for a maximum of \$900.0 million of revolving credit, including limited amounts of credit in the form of letters of credit and swingline loans. The Company paid financing costs of \$8.2 million in connection with its Senior Credit Facility. These costs were deferred and, along with unamortized costs of \$12.3 million related to the Company's prior senior, secured revolving credit facility, are being amortized over the term of the Senior Credit Facility.

On January 20, 2012, the Company entered into an amendment to the Senior Credit Facility that provides for an incremental term loan facility in the aggregate principal amount of \$150.0 million. The Company paid financing costs of \$1.0 million in connection with the amendment to its Senior Credit Facility. These costs were deferred and are being amortized over the remaining term of the Senior Credit Facility. The incremental term loan facility provides for eight scheduled quarterly principal payments of \$1.875 million, with the first such payment due on June 30, 2012, followed by four scheduled quarterly principal payments of \$3.750 million, with remaining quarterly principal payments of \$5.625 million prior to maturity.

The Senior Credit Facility is scheduled to mature on July 8, 2016. The Company can terminate and prepay the Senior Credit Facility at any time without payment of any termination or prepayment penalty (other than customary breakage costs in respect of loans bearing interest at a rate based on LIBOR).

At the Company's election, revolving loans under the Senior Credit Facility bear interest at annual rates equal to either (a) LIBOR for 1-, 2-, 3- or 6-month periods, as selected by the Company, plus an applicable margin ranging between 1.25% and 2.0%, or (b) the higher of the Bank of America, N.A. prime rate, the Federal Funds rate plus 0.5%, and a monthly LIBOR rate plus 1.0%, plus an applicable margin ranging between 0.25% and 1.0%. The Company also pays a commitment fee to the lenders under the Senior Credit Facility on the average amount by which the aggregate commitments of the lenders' exceed utilization of the Senior Credit Facility ranging from 0.25% to 0.4% per annum. The applicable margin and the commitment fee are determined based on the Company's Consolidated Net Leverage Ratio (with applicable margins and the commitment fee

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increasing as the ratio increases).

All obligations of the Company and the other borrowers under the Senior Credit Facility are required to be guaranteed by all of the Company's material domestic subsidiaries and all obligations of borrowers that are foreign subsidiaries are guaranteed by those foreign subsidiaries of the Company which the Company designates as guarantors.

Due to the rating agency upgrade announced on March 14, 2012 by Standard & Poor's Financial Services, LLC ("S&P"), the security interests in domestic accounts receivable and inventories, certain shares of capital stock (or equivalent ownership interests) of the domestic borrowers' and domestic guarantors' subsidiaries, and proceeds of any of the foregoing securing obligations under the Senior Credit Facility were released. The Company will be required to reinstate such security interests if there is a ratings downgrade such that: (a) both (i) the Moody's Investor's Service, Inc. ("Moody's") rating is Ba2 and (ii) the S&P rating is BB, (b) (i) the Moody's rating is Ba3 or lower and (ii) the S&P rating is below BBB- (with a stable outlook or better) or (c) (i) the Moody's rating is below Baa3 (with a stable outlook or better) and (ii) the S&P rating is BB- or lower.

The Senior Credit Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, indebtedness, 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 Consolidated Interest Coverage Ratio of at least 3.00 to 1.0 and a Consolidated Net Leverage Ratio of no more than 3.75 to 1.0, each as of the last day of any fiscal quarter, as defined in the Senior Credit Facility. The Senior Credit Facility also contains customary representations and warranties and events of default, subject to customary grace periods.

As of June 30, 2012, the amount utilized under the Senior Credit Facility including the term loan was \$773.5 million, resulting in a total of \$274.7 million available under the Senior Credit Facility. The amount utilized included \$676.1 million of borrowings, \$46.8 million of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$50.5 million of standby letters of credit related to various insurance contracts and foreign vendor commitments.

On January 17, 2006, the Company issued \$900.0 million aggregate principal amount of 6.125% notes due January 15, 2016. Interest payable on these notes is subject to adjustment if either Moody's or S&P, or both, upgrades or 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 \$100.0 million of outstanding notes. In 2009, interest rates increased by an aggregate amount of 75 basis points as a result of downgrades by Moody's and S&P. In the first quarter of 2012, interest rates decreased by 50 basis points as a result of the upgrades from S&P and Moody's. Any future downgrades in the Company's credit ratings could increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future.

In 2002, the Company issued \$400.0 million aggregate principal amount of its senior 7.20% notes due April 15, 2012. During 2011, the Company repurchased \$63.7 million of its senior 7.20% notes, at an average price equal to 102.72% of the principal amount. On April 16, 2012, the Company repaid the \$336.3 million principal amount of outstanding senior 7.20% notes, together with accrued interest of \$12.1 million, at maturity using available borrowings under its Senior Credit Facility.

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

As of June 30, 2012, the Company had invested cash of \$267.1 million, of which \$261.1 million was held in investment grade money market cash investments in Europe. While the Company's plans are to permanently reinvest the cash held in Europe, the estimated cost of repatriation for the cash invested in Europe would be approximately \$91 million. The Company believes that its cash and cash equivalents on hand, cash generated from operations and availability under its Senior Credit Facility will be sufficient to meet its capital expenditure, working capital and debt servicing requirements over the next twelve months.

Contractual Obligations

There have been no significant changes to the Company's contractual obligations as disclosed in the Company's 2011 Annual Report filed on Form 10-K.

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 2011 Annual Report filed on Form 10-K.

Impact of Inflation

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

Seasonality

The Company is a calendar year-end company. With respect to its 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's 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, and similar matters, and those that include the words "could," "should," "believes," "anticipates," "expects" and "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. There can be no assurance that the forward-looking statements will be accurate because they are based on many assumptions, which involve risks and uncertainties. The following important factors could cause future results to differ: changes in economic or industry conditions; competition; inflation in raw material prices and other input costs; energy costs and supply; timing and level of capital expenditures; timing and implementation of price increases for the Company's products; impairment charges; integration of acquisitions; international operations; introduction of new products; rationalization of operations; tax, product and other claims; litigation; and other risks identified in Mohawk's SEC reports and public announcements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of June 30, 2012, approximately 55% of the Company's debt portfolio was comprised of fixed-rate debt and 45% was floating-rate debt. A 1.0 percentage point change in the interest rate of the floating-rate debt would not have a material impact on the Company's results of operations. There have been no other significant changes to the Company's exposure to market risk as disclosed in the Company's 2011 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), which have been designed to provide reasonable assurance that such controls and procedures will meet their objectives, as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer have concluded that such controls and procedures were effective at a reasonable assurance level for the period covered by this report.

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.

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

In these actions, the plaintiffs, on behalf of themselves and/or a class of purchasers, seek three times the amount of unspecified damages allegedly suffered as a result of alleged overcharges in the price of polyurethane foam products from at least 1999 to the present. Each plaintiff also seeks attorney fees, pre-judgment and post-judgment interest, court costs, and injunctive relief against future violations. In April 2011, the Company filed a motion to dismiss the class action claims brought by the direct purchasers, and in May 2011, the Company moved to dismiss the claims brought by the indirect purchasers. On July 19, 2011, the Court issued a written opinion denying all defendants' motions to dismiss. In December 2011, the Company was named as a defendant in a Canadian Class action, *Hi ! Neighbor Floor Covering Co. Limited v. Hickory Springs Manufacturing Company, et al.*, filed in the Superior Court of Justice of Ontario, Canada and *Options Consommateurs v. Vitafoam, Inc. et al.*, filed in the Superior Court of Justice of Quebec, Montreal, Canada, both of which allege similar claims against the Company as raised in the U.S. actions and seek unspecified damages and punitive damages. The Company denies all of the allegations in these actions and will vigorously defend itself.

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 downturn in the U.S. and global economies beginning in 2006, along with the residential and commercial markets in such economies, negatively impacted the floor covering industry and the Company's business. It is not known when economic conditions will improve or whether they will deteriorate further. 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 its 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 construction activity, including new construction, which is cyclical in nature and currently in a downturn. The current downturn in the U.S. and global economies, along with the housing markets in such economies, has 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

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have also lagged during the current downturn. The difficult economic conditions may continue or 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.

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

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

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 business.

The floor covering industry is highly competitive. The Company faces competition from a number of manufacturers and independent distributors. Some of the Company's 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.

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 economic downturn on the Company's ability to obtain financing, including any financing necessary to refinance existing indebtedness, 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 the Company's products and on its financial condition and operating results. Further, these generally negative economic and business conditions may factor into the Company's periodic credit ratings assessment by either or both Moody's Investors Service, Inc. and Standard & Poor's Financial Services, LLC. A rating agency's evaluation is based on a number of factors, which include scale and diversification, brand strength, profitability, leverage, liquidity and interest coverage. Any future downgrades in the Company's credit ratings would increase the cost of its existing credit and could adversely affect the cost of and ability to obtain additional credit in the future. A downgrade of the Company's credit rating would increase interest expense on the Company's senior unsecured notes by 25 basis points per downgrade. The Company can provide no assurances that downgrades will not occur.

If the Company were unable to meet certain covenants contained in the Senior Credit Facility, it may be required to repay borrowings under the Senior Credit Facility prior to their maturity and may lose access to the Senior Credit Facility for additional borrowings that may be necessary to fund its operations, which could have a material adverse effect on the Company's business.

On July 8, 2011, the Company entered into a \$900.0 million five-year, senior, secured revolving credit facility (the "Senior Credit Facility"). On January 20, 2012, the Company entered into an amendment to the Senior Credit Facility that provides for an incremental term loan facility in the aggregate principal amount of \$150.0 million. As of June 30, 2012, the amount utilized under the Senior Credit Facility including the term loan was \$773.5 million resulting in a total of \$274.7 million available under the Senior Credit Facility. The amount utilized included \$676.1 million of borrowings, \$46.8 million of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$50.5 million of standby letters of credit related to various insurance contracts and foreign vendor commitments.

During the term of the Senior Credit Facility, if the Company's cash flow is worse than expected, the Company may need to refinance all or a portion of its indebtedness through a public and/or private debt offering or a new bank facility and may not be able to do so on terms acceptable to it, or at all. If the Company is unable to access debt markets at competitive rates or in sufficient amounts due to credit rating downgrades, market volatility, market disruption, or other factors, it could materially adversely affect the Company's ability to repay its indebtedness and otherwise have a material adverse effect on the Company's financial condition and results of operations.

Additionally, the Senior Credit Facility includes certain affirmative and negative covenants that impose restrictions on the

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Company's financial and business operations, including limitations on liens, indebtedness, 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 Consolidated Interest Coverage Ratio of at least 3.0 to 1.0 and a Consolidated Net Leverage Ratio of no more than 3.75 to 1.0, each as of the last day of any fiscal quarter and as defined in the Senior Credit Facility.

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

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

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, joint ventures and strategic investments.

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, other asset impairments, 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 have a material adverse effect on the Company's business, financial condition and results of operations. Even if integration occurs successfully, failure of the acquisition to

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achieve levels of anticipated sales growth, profitability or productivity, or otherwise perform as expected, may have a material adverse effect on the Company's business, financial condition and results of operations.

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

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

As part of the Company's business strategy, the Company intends to continue to pursue a wide array of potential strategic transactions, including acquisitions of complementary businesses, as well as strategic investments and joint ventures. Although the Company regularly evaluates such opportunities, the Company may not be able to successfully identify suitable acquisition candidates or investment opportunities, to obtain sufficient financing on acceptable terms to fund such strategic transactions, to complete acquisitions and integrate acquired businesses with the Company's existing businesses, or to manage profitably acquired businesses or strategic investments.

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

The Company and its customers and suppliers are subject to various federal, state and local laws, regulations and licensing requirements. The Company faces risks and uncertainties related to compliance with and enforcement of increasingly numerous and complex federal, state and local laws and regulations. In addition, new laws and regulations may be enacted in the U.S. or abroad that may require the Company to incur additional personnel-related, environmental, or other costs on an ongoing basis, such as recently enacted healthcare legislation in the United States.

Further, the Company's operations are subject to various environmental, health and safety laws and regulations, including those governing air emissions, wastewater discharges, and the use, storage, treatment, recycling and disposal of materials and finished product. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. The Company could incur material expenditures to comply with new or existing regulations, including fines and penalties and increased costs of its operations. For example, enactment of climate control legislation or other regulatory initiatives by the U.S. Congress or various states, or the adoption of regulations by the Environmental Protection Agency and analogous state or foreign governmental agencies that restrict emissions of greenhouse gases in areas in which the Company conducts business could have an adverse effect on its operations and demand for its products. The Company's manufacturing processes use a significant amount of energy, especially natural gas. Increased regulation of energy use to address the possible emission of greenhouse gases and climate change could have a material adverse effect on the Company's business.

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.

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

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

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

In the ordinary course of business, the Company is subject to a variety of product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. Such matters could have a

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material adverse effect on its business, results of operations and financial condition if the Company is unable to successfully defend against or resolve these matters or if its insurance coverage is insufficient to satisfy any judgments against the Company or settlements relating to these matters. Although the Company has product liability insurance, the policies may not provide coverage for certain claims against the Company or may not be sufficient to cover all possible liabilities. Further, the Company may not be able to maintain insurance at commercially acceptable premium levels. Moreover, adverse publicity arising from claims made against the Company, even if the claims are not successful, could adversely affect the Company's reputation or the reputation and sales of its products.

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

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. The business, regulatory and political environments in these locations differ from those in the U.S. In addition, the Company increasingly sells products, operates plants and invests in companies in other parts of the world. The Company's international sales, operations and investments are subject to risks and uncertainties, including:

- changes in foreign country regulatory requirements;
- differing business practices associated with foreign operations;
- various import/export restrictions and the availability of required import/export licenses;
- imposition of foreign tariffs and other trade barriers;
- political, legal and economic instability;
- foreign currency exchange rate fluctuations;
- foreign country tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations in tax laws;
- inflation;
- differing labor laws and changes in those laws;
- work stoppages and disruptions in the shipping of imported and exported products;
- government price controls;
- extended payment terms and the inability to collect accounts receivable; and
- tax inefficiencies and currency exchange controls that may adversely impact its ability to repatriate cash from non-U.S. subsidiaries.

The Company cannot assure investors that it 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 its financial condition and results of operations.

The Company's inability to protect its intellectual property rights or collect license revenues, particularly with respect to the Company's patented laminate flooring technology and its registered trademarks, could have a material adverse effect on the Company's business.

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, maintain and license 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

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the Company's technology without the Company's authorization through license agreements, 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 could have a material effect on the Company's business.

The Company has obtained and applied for numerous U.S. and Foreign Service marks and trademark registrations and will continue to evaluate the registration of additional service marks and trademarks, as appropriate. The Company cannot guarantee that any of the Company's pending or future applications will be approved by the applicable governmental authorities. 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 and could have a material effect on the Company's business.

The Company generates license revenue from certain patents that expire in 2017. The Company continues to develop new sources of revenue to offset the expiration in its UNICLIC family of patents. The failure to develop alternative revenues could have a material adverse effect on the Company's business.

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

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

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

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

The Company's stock is publicly traded. As a result, the Company is subject to the rules and regulations of federal and state agencies and financial market exchange entities charged with the protection of investors and the oversight of companies whose securities are publicly traded. These entities, including the Public Company Accounting Oversight Board, the Securities and Exchange Commission and the New York Stock Exchange, frequently issue new requirements and regulations. The Company's efforts to comply with the regulations and interpretations have resulted in, and are likely to continue to result in, increased general and administrative costs and diversion of management's time and attention from 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 significant or prolonged decrease in the Company's market capitalization, including a decline in stock price, or a negative long-term performance outlook, could result in an impairment of its tangible and intangible assets which results when the carrying value of the Company's assets exceed their fair value.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

No.	Description
10.1*	Mohawk Industries, Inc. 2012 Incentive Plan (incorporated herein by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A (File No. 001-13697) filed with the Securities and Exchange Commission on April 3, 2012).
10.2	Mohawk Industries, Inc. 2012 Non-Employee Director Compensation Plan.
31.1	Certification Pursuant to Rule 13a-14(a).
31.2	Certification Pursuant to Rule 13a-14(a).
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Indicates exhibit incorporated by reference.

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: August 3, 2012 By: /s/ Jeffrey S. Lorberbaum
JEFFREY S. LORBERBAUM
Chairman and Chief Executive Officer
(principal executive officer)

Dated: August 3, 2012 By: /s/ Frank H. Boykin
FRANK H. BOYKIN
Chief Financial Officer
(principal financial officer)

MOHAWK INDUSTRIES, INC.
2012 NON-EMPLOYEE DIRECTOR COMPENSATION PLAN

ARTICLE 1
PURPOSE OF THE PLAN

1.1 Background and Purpose. Mohawk Industries, Inc. (the “Corporation”) maintains the 2012 Non-Employee Director Compensation Plan (the “Plan”) to promote the long-term growth of Mohawk Industries, Inc. by providing a vehicle for Non-Employee Directors to increase their proprietary interest in the Corporation and to attract and retain highly qualified and capable Non-Employee Directors. The Plan is governed by the Mohawk Industries, Inc. 2012 Incentive Plan (“2012 Incentive Plan”).

1.2 Status of Plan. Article 7 of the Plan is intended to be a nonqualified, unfunded plan of deferred compensation under the Internal Revenue Code of 1986, as amended.

ARTICLE 2
DEFINITIONS

2.1 Defined Terms. Unless the context clearly indicates otherwise, the following terms shall have the following meanings:

“Annual Retainer” means the annual cash retainer fee payable by the Corporation to a Non-Employee Director for services as a director (and, if applicable, as the chairman of a committee of the Board) of the Corporation, as such amount may be changed from time to time.

“Board” means the Board of Directors of the Corporation.

“Business Day” shall mean a day on which the New York Stock Exchange or any national securities exchange or over-the-counter market on which the Shares are traded is open for business.

“Cash/Shares Election Form” means a form, substantially in the form attached hereto as Exhibit A, pursuant to which a Non-Employee Director elects to receive his or her Annual Retainer for a particular Service Year in the form of cash, a 50/50 split of cash and Shares or all Shares, as provided in Section 6.3.

“Change of Control” has the meaning set forth in the 2012 Incentive Plan.

“Committee” means the Compensation Committee of the Board.

“Common Stock” means the \$0.01 par value common stock of the Corporation.

“Corporation” means Mohawk Industries, Inc.

“Deferral Election Form” means a form, substantially in the form attached hereto as Exhibit B, pursuant to which a Non-Employee Director elects to defer his or her Annual Retainer under the Plan.

“Election Date” means the date established by the Plan as the date by which a Participant must submit to the Plan Administrator (i) a valid Shares Election Form in order to receive Shares in lieu of Annual Retainer for a Service Year, (ii) a valid Cash Election Form to receive cash in a subsequent Service Year, or (iii) a valid Deferral Election Form to defer Annual Retainer pursuant to Article 7. The Election Date is December 31 of each year with respect to an election to be effective for the Service Year beginning on the following annual meeting date. For example, the Election Date with respect to the Service Year from May 2012 to May 2013 would be December 31, 2011; provided, however, that the Election Date for a newly eligible Participant shall be the 30th day following the date on which such individual becomes a Non-Employee Director.

“Fair Market Value” has the meaning set forth in the 2012 Incentive Plan.

“Non-Employee Director” means a director of the Corporation who is not an employee of the Corporation or any subsidiary of the Corporation.

“Participant” means any Non-Employee Director who is participating in the Plan.

“Phantom Stock” means a hypothetical unit of value equal to the Fair Market Value of one share of Common Stock. The concept of Phantom Stock is for bookkeeping purposes only.

“Plan” means the Mohawk Industries, Inc. 2012 Non-Employee Director Stock Compensation Plan.

“Plan Administrator” means the Committee or the agent(s), if any, appointed by the Committee pursuant to Section 3.2 to assist in the administration of the Plan.

“Service Year” means a year of director service, which is the approximate 12-month period between annual meetings of the Corporation’s stockholders.

“Shares” means shares of Common Stock.

“Stock Account” means the account established by the Corporation for each Participant for Annual Retainer deferred pursuant to Article 7 of the Plan, the performance and value of which shall be measured by reference to the Fair Market Value of the Common Stock from time to time. The maintenance of individual Stock

Accounts is for bookkeeping purposes only.

“Termination of Service” occurs when a Participant ceases to serve as a Non-Employee Director for any reason.

ARTICLE 3
ADMINISTRATION OF THE PLAN

3.1 Administrator of the Plan. The Plan shall be administered by the Committee. The Committee shall have the rights set forth in Article 4 of the 2012 Incentive Plan with respect to the administration of the Plan.

ARTICLE 4
ELIGIBILITY

4.1 Eligibility. All active Non-Employee Directors of the Corporation shall be eligible to participate in the Plan.

ARTICLE 5
ANNUAL RESTRICTED STOCK UNIT GRANT

5.1 Annual Grant. The Corporation shall grant to each Non-Employee Director 1,000 RSUs on the first Business Day of each year; provided such director is serving on the Board on such date. Such RSUs shall vest 1/5 of the amount of the annual grant per year over a five year period from the date of the grant.

ARTICLE 6
ANNUAL RETAINER

6.1 Board Annual Retainer. Each Non-Employee Director shall receive an annual retainer of \$80,000 in cash, which may be adjusted by resolution of the Committee from time to time.

6.2 Committee Chair Annual Retainer. Each of the Compensation Committee and Nominating and Corporate Governance Committee Chairmen shall receive an additional annual retainer of \$10,000 in cash, and the Audit Committee Chairman shall receive an additional annual retainer of \$15,000 in cash. Such additional retainers for the committee chairmen may be adjusted by resolution of the Committee from time to time.

6.3 Election to Receive Shares. On the first Business Day of January following each annual meeting of stockholders of the Corporation, Shares shall be granted to each Non-Employee Director who either (i) on or before the Election Date for the then-current Service Year, filed with the Plan Administrator a written irrevocable Cash/Shares Election Form, indicating such Non-Employee Director's election to receive either (a) all of his or her Annual Retainer payable with respect to such Service Year in Shares or (b) 50% of his

or her Annual Retainer payable with respect to such Service Year in Shares, or (ii) filed a Cash/Shares Election Form for any prior Service Year and did not file a Cash/Shares Election Form (as described in Section 6.4 below) with respect to the current Service Year.

6.4 Subsequent Elections. Once a Non-Employee Director files a Cash/Shares Election Form or a Deferral Election Form for any Service Year, that election will carry forward into subsequent Service Years unless, on or before the Election Date for any subsequent Service Year, the Non-Employee Director files a separate Cash/Shares Election Form or Deferral Election Form for such subsequent Service Year.

6.5 Number of Shares. The payment of the Annual Retainer in the form of Shares shall be paid approximately mid-way through the Service Year (January), but based on the quarterly price points during the preceding calendar year. Therefore, the number of Shares to be granted in January of each year pursuant to this Article 6 shall be the sum of A, B, C and D below:

A = (i) one quarter ($\frac{1}{4}$) of the Annual Retainer for the applicable Service Year, divided by (ii) the Fair Market Value per Share as of January 1 of the immediately prior calendar year (whether or not the director was in office on such prior January 1).

B = (i) one quarter ($\frac{1}{4}$) of the Annual Retainer for the applicable Service Year, divided by (ii) the Fair Market Value per Share as of April 1 of the immediately prior calendar year (whether or not the director was in office on such prior April 1).

C = (i) one quarter ($\frac{1}{4}$) of the Annual Retainer for the applicable Service Year, divided by (ii) the Fair Market Value per Share as of July 1 of the immediately prior calendar year.

D = (i) one quarter ($\frac{1}{4}$) of the Annual Retainer for the applicable Service Year, divided by (ii) the Fair Market Value per Share as of October 1 of the immediately prior calendar year.

If a director elects to receive 50% of his or her Annual Retainer in Shares and 50% in cash, then the number of Shares to be granted to such director shall be determined by replacing “one quarter ($\frac{1}{4}$)” with “one eighth ($\frac{1}{8}$)” in A, B, C and D above. In determining the number of Shares to be granted, any fraction of a share will be disregarded and the remaining amount of the Annual Retainer shall be paid in cash.

ARTICLE 7 ELECTION TO DEFER ANNUAL RETAINER

7.1 Election to Defer. A Non-Employee Director may elect to defer his or her Annual Retainer under the Plan by delivering a properly completed and signed Deferral Election Form to the Plan Administrator on or before the Election Date. The Non-Employee Director's deferral will be effective as of the first day of the Service Year beginning after

the Plan Administrator receives the Non-Employee Director's Deferral Election Form, or, in the case of a newly eligible Participant, on the first day of the calendar month beginning after the Plan Administrator receives such Non-Employee Director's Deferral Election Form.

7.2 Termination or Continuation of Deferral Election Form.

(a) Voluntary Termination A Participant may terminate his or her Deferral Election Form at any time. Such termination will be effective on the first day of the Service year after the Participant notifies the Plan Administrator of the Participant's termination of the Deferral Election Form. Any Annual Retainer deferred prior to the termination of the Deferral Election Form shall remain deferred in accordance with the original Deferral Election Form and the Plan. The Participant may deliver a new Deferral Election Form and thereby defer the receipt of any future Annual Retainer, effective as of the first day of the following Service Year or the first day of any subsequent Service Year.

(b) Automatic Termination of Deferral Election Form. A Participant's Deferral Election Form will automatically terminate at the earlier of (i) the Participant's Termination of Service, or (ii) the termination of the Plan.

7.3 Stock Account. For bookkeeping purposes, the Annual Retainer that a Non-Employee Director elects to defer pursuant to the Plan shall be transferred to and held in an individual Stock Account in the name of such Participant. Amounts to be deferred shall be credited to the Participant's Stock Account as of the date such Annual Retainer is otherwise payable. Amounts deferred into a Stock Account are recorded as units of Phantom Stock, and fractions thereof, with one unit equating to a single share of Common Stock. Thus, the value of one unit of Phantom Stock shall equal the Fair Market Value of a single share of Common Stock. The use of units is merely a bookkeeping convenience; the units are not actual shares of Common Stock. As described below in Section 7.5, a Participant may elect to have some or all of the value of his or her Stock Account distributed in actual shares of Common Stock. To the extent required for bookkeeping purposes, a Participant's Stock Account will be subdivided to reflect deferred Annual Retainer on a year-by-year basis. For example, a 2012 Stock Sub-Account, a 2013 Stock Sub-Account, and so on.

7.4 Credits to the Stock Account.

(a) Initial Crediting of Stock Account. If a Participant elects to defer his or her Annual Retainer into his or her Stock Account, such account shall be credited, as of the date described in Section 7.1, with that number of units of Phantom Stock, and fractions thereof, obtained by dividing the dollar amount to be deferred into the Stock Account by the Fair Market Value of the Common Stock as of such date.

(b) Dividend Equivalents. Effective as of the payment date for each cash dividend on the Common Stock, the Stock Account of each Participant who had a balance in his or her Stock Account on the record date for such dividend shall be credited with a number of units of Phantom Stock, and fractions thereof, obtained by dividing (i) the

aggregate dollar amount of such cash dividend payable in respect of such Participant's Stock Account (determined by multiplying the dollar value of the dividend paid upon a single share of Common Stock by the number of units of Phantom Stock credited to the Participant's Stock Account on the record date for such dividend); by (ii) the Fair Market Value of the Common Stock on the business day immediately preceding the payment date for such cash dividend.

(c) Stock Dividends. Effective as of the payment date for each stock dividend on the Common Stock, additional units of Phantom Stock shall be credited to the Stock Account of each Participant who had a balance in his or her Stock Account on the record date for such dividend. The number of units that shall be credited to the Stock Account of such a Participant shall equal the number of shares of Common Stock, and fractions thereof, which the Participant would have received as stock dividends had he or she been the owner on the record date for such stock dividend of the number of shares of Common Stock equal to the number of units credited to his or her Stock Account on such record date.

(d) Allocation of Dividends. To the extent required for bookkeeping purposes, the allocation of additional units of Phantom Stock attributable to cash dividends or stock dividends will be made to the Stock Sub-Account holding existing units to which the cash dividend or stock dividend relates. For example, a Participant's 2012 Stock Sub-Account will be credited with dividends attributable to units held in the 2012 Stock Sub-Account. A Participant's 2013 Stock Sub-Account will be credited with dividends attributable to units held in the 2013 Stock Sub-Account, and so on.

(e) Recapitalization. If, as a result of a recapitalization of the Corporation, the outstanding shares of Common Stock shall be changed into a greater number or smaller number of shares, the number of units of Phantom Stock credited to a Participant's Stock Account shall be appropriately adjusted on the same basis.

7.5 Distributions.

(a) Distributions. Distributions from the Stock Account shall be made either in cash or shares of Common Stock, as indicated by the Participant at least six months prior to the scheduled distribution. Any fractional units shall be paid in cash. The number of units to be distributed from a Participant's Stock Account shall be valued by multiplying the number of such units of Phantom Stock by the Fair Market Value of the Common Stock as of the business day immediately preceding the date such distribution is to occur. The shares of Common Stock distributable to Non-Employee Directors under the Plan must be previously issued and repurchased shares and may not be original issue shares.

(b) Timing. Distributions from a Participant's Stock Account shall commence on the date the Participant selects on the initial Deferral Election Form. Any date selected by the Participant must be at least two calendar years following the date of the initial Deferral Election Form and will apply to all amounts (including future deferrals) held in the Stock Account. In no event, however, shall a Participant's Account commence to be distributed

later than the first regular business day of the fourth month following the Participant's death. If the Participant fails to designate a payment commencement date in the Participant's initial Deferral Election Form or within six months of such initial Deferral Election Form, the Participant's Stock Account shall commence to be distributed no later than the first regular business day of the fourth month following the Participant's Termination of Service.

(c) Optional Forms of Payment. Distributions from Participant Stock Accounts (either in cash or in Common Stock) may be paid to the Participant either in a lump sum or in a number of approximately equal annual installments designated by the Participant on the Participant's initial Deferral Election Form. Such annual installments may be for 5 years, 10 years or 15 years. The method of payment (e.g., in lump sum or installments) elected on the Participant's initial Deferral Election Form will apply to all amounts (including future deferrals) held in the Stock Account. If a Participant elects to receive a distribution of his or her Stock Account in cash installments, the Plan Administrator may purchase an annuity from an insurance company which annuity will pay the Participant the desired annual installments. If the Plan Administrator purchases an annuity contract, the Non-Employee Director will have no further rights to receive payments from the Corporation or the Plan with respect to the amounts subject to the annuity. If the Plan Administrator does not purchase an annuity contract, the value of the Stock Account remaining unpaid shall continue to receive allocations of dividends as provided in Section 7.4. If the Participant fails to designate a payment method in his or her initial Deferral Election Form or within six months of such initial Deferral Election Form, the Participant's Stock Account shall be distributed in a lump sum.

(d) Irrevocable Elections. The payment commencement date and payment form elected or deemed elected on the Participant's initial Deferral Election Form shall become irrevocable and may not be modified six months after the execution of such initial Deferral Election Form. A Participant's election of payment commencement date and payment form shall be uniform for all years' Annual Retainer deferred under the Plan.

(e) Acceleration of Payment. If a Participant elects an installment distribution and the value of such annual installment payment elected by the Participant would result in a combined distribution of cash and Common Stock (valued at its Fair Market Value on the initial commencement date) of less than \$3,000, the Plan Administrator shall accelerate payment of the Participant's benefits over a lesser number of whole years (but in increments of 5 or 10 years) so that the annual amount distributed is at least \$3,000. If payment of the Participant's benefits over a 5 year period will not provide annual distributions of at least \$3,000, the Participant's Stock Account shall be paid in a lump sum.

7.6 Change of Control. Notwithstanding any other provisions in the Plan, in the event there is a Change of Control, (i) any Participant whose service is terminated on account of such Change of Control shall receive an immediate lump sum payment of the Participant's Stock Account balance, and (ii) any Participant who has commenced receiving installment distributions from the Plan (other than from an annuity contract purchased from an insurance company) shall immediately receive a lump sum payment in an amount equal to the unpaid

balance of the Participant's Stock Account. A Participant's service shall be considered to have "terminated on account of such Change of Control" only if the Participant's service on the Board is terminated without cause during the 24-month period following the Change of Control.

7.7 Financial Hardship. The Committee may, in its sole discretion, accelerate the making of payment to a Participant of an amount reasonably necessary to handle a severe financial hardship of a sudden and unexpected nature due to causes not within the control of the Participant. Such payment may be made even if the Participant has not incurred a Termination of Service. All financial hardship distributions shall be made in cash in a lump sum. Such payments will be made on a first-in, first-out basis so that the oldest Annual Retainer deferred under the Plan shall be deemed distributed first in a financial hardship.

7.8 Application for Benefits. The Plan Administrator may require a Participant or Beneficiary to complete and file certain forms as a condition precedent to receiving the payment of benefits. The Plan Administrator may rely upon all such information given to it, including the Participant's current mailing address. It is the responsibility of all persons interested in receiving a distribution pursuant to the Plan to keep the Plan Administrator informed of their current mailing addresses.

7.9 Responsibility for Investment Choices. Each Participant is solely responsible for any decision to defer Annual Retainer into his or her Stock Account and accepts all investment risks entailed by such decision, including the risk of loss and a decrease in the value of the amounts he or she elects to defer into his or her Stock Account.

7.10 Funding. Deferred benefits under this Article 7 shall be paid from the general assets of the Corporation or as otherwise directed by the Corporation. To the extent that any Participant acquires the right to receive payments under the Plan (from whatever source), such right shall be no greater than that of an unsecured general creditor of the Corporation. Participants and their Beneficiaries shall not have any preference or security interest in the assets of the Corporation other than as a general unsecured creditor.

ARTICLE 8
AMENDMENT AND TERMINATION

8.1 Amendment, Suspension or Termination. The Board may amend, suspend or terminate the Plan, at any time and from time to time, without notice, to any extent deemed advisable; provided, however, that (i), the Board may condition any amendment or modification on the approval of stockholders of the Corporation if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations, and (ii) no such amendment or termination shall (without the written consent of the Participant, if living, and if not, the Participant's Beneficiary) adversely affect any benefit under the Plan which has accrued with respect to the Participant or Beneficiary as of the date of such amendment or termination regardless of whether such benefit is in pay status.

ARTICLE 9
MISCELLANEOUS

9.1 Right to Service. Except as provided in the Plan, no Non-Employee Director shall have any claim or right to be granted Shares under the Plan. Neither the Plan nor any action pursuant thereto shall be construed as giving any Non-Employee Director a right to be retained in the service of the Corporation. The adoption of this Plan shall not affect any other compensation, retirement or other benefit plan or program in effect for the Corporation.

9.2 Validity. In the event that any provision of the Plan is held to be invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of the Plan.

9.3 Inurement of Rights and Obligations. The rights and obligations under the Plan and any related agreements shall inure to the benefit of, and shall be binding upon the Corporation, its successors and assigns, and the Non-Employee Directors and their beneficiaries.

9.4 Headings. Headings are provided herein for convenience only and are not to serve as a basis for interpretation or construction of the Plan.

9.5 Governing Law. The Plan shall be construed, governed and enforced in accordance with the law of Georgia, except as such laws are preempted by applicable federal law.

9.6 Spendthrift Clause. None of the benefits, payments, proceeds or distribution under the Plan shall be subject to the claim of any creditor of any Participant or Beneficiary, or to any legal process by any creditor of such Participant or Beneficiary, and none of them shall have any right to alienate, commute, anticipate or assign any of the benefits, payments, proceeds or distributions under the Plan except to the extent expressly provided herein to the contrary.

9.7 Merger. The Plan shall not be automatically terminated by the Corporation's acquisition by, merger into, or sale of substantially all of its assets to any other organization, but the Plan shall be continued thereafter by such successor organization. All rights to amend, modify, suspend or terminate the Plan shall be transferred to the successor organization, effective as of the date of the combination or sale.

9.8 Release. Any payment to Participant or Beneficiary, or to their legal representatives, in accordance with the provisions of the Plan, shall to the extent thereof be in full satisfaction of all claims hereunder against the Plan Administrator and the Corporation, either of whom may require such Participant, Beneficiary, or legal representative, as a condition precedent to such payment, to execute a receipt and release therefor in such form as shall be determined by the Plan Administrator or the Corporation, as the case may be.

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: August 3, 2012

/s/ Jeffrey S. Lorberbaum

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer

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: August 3, 2012

/s/ Frank H. Boykin

Frank H. Boykin
Chief Financial Officer

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 June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey S. Lorberbaum, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations
2. of the Company.

/s/ Jeffrey S. Lorberbaum

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer

August 3, 2012

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 June 30, 2012 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
The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations
2. of the Company.

/s/ Frank H. Boykin

Frank H. Boykin
Chief Financial Officer

August 3, 2012

