# Investing for a better tomorrow

MOHAWK®

2021 Annual Report

# Mohawk At-A-Glance

## FLOORING NORTH AMERICA

In the North American market, Mohawk is a leading provider of broadloom carpet, carpet tile, carpet cushion, rugs, premium waterproof laminate, luxury vinyl tile, sheet vinyl and revolutionary waterproof wood flooring. The Company's comprehensive product offering supports the needs of residential and commercial customers across all sales channels.

## GLOBAL CERAMIC

Mohawk is the world's largest manufacturer of ceramic tile. The segment produces ceramic floor and wall tile; stone floors; porcelain slabs; and quartz and stone countertops for residential and commercial applications. Manufacturing operations in North America, South America and Europe facilitate sales in approximately 160 countries.

## FLOORING REST OF WORLD

With manufacturing operations in Europe, Oceania, Asia and South America the segment has become a global leader in premium laminate, luxury vinyl tile, sheet vinyl, carpet, carpet tile and wood flooring with sales in approximately 120 countries. The segment is also a leading producer of boards and insulation material used extensively in the European market.

## 2021 SALES BY BUSINESS SEGMENT

- **37%** Flooring North America
- **35%** Global Ceramic
- **28%** Flooring Rest of World

## 2021 SALES BY BUSINESS GEOGRAPHY

- **55%** United States
- **28%** Europe
- **17%** Other

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# How do we define better?

- ▶ Better meeting the needs of our customers.
- ▶ Better utilizing our planet’s natural resources.
- ▶ Better optimizing value for our shareholders.

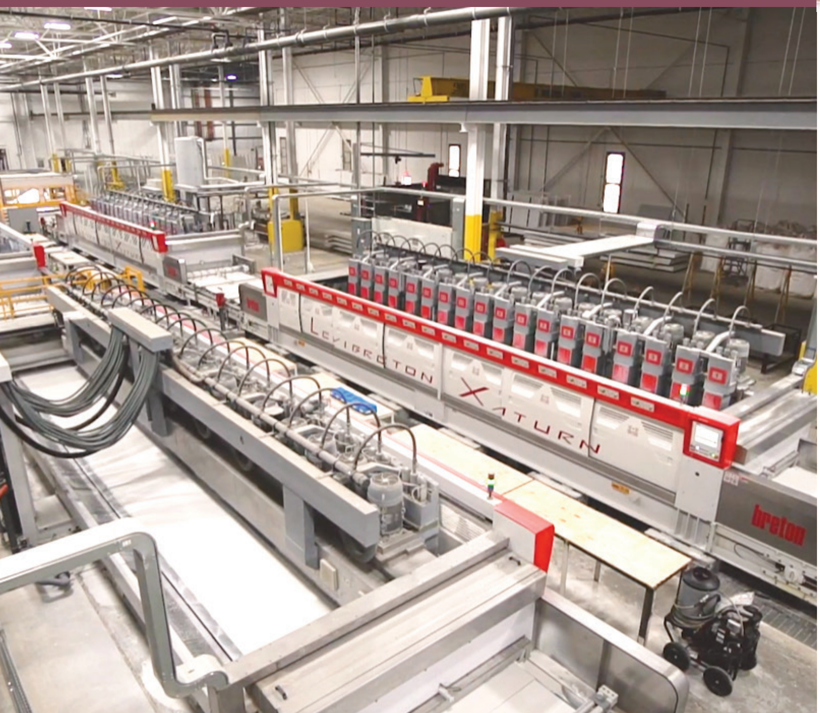
At Mohawk, we believe better is accomplished by always pushing the finish line further out as we get close to it. In this year’s report, we explain how we’re investing today to make a better reality tomorrow.

OPEN TO SEE WHERE WE’RE INVESTING FOR A BETTER TOMORROW

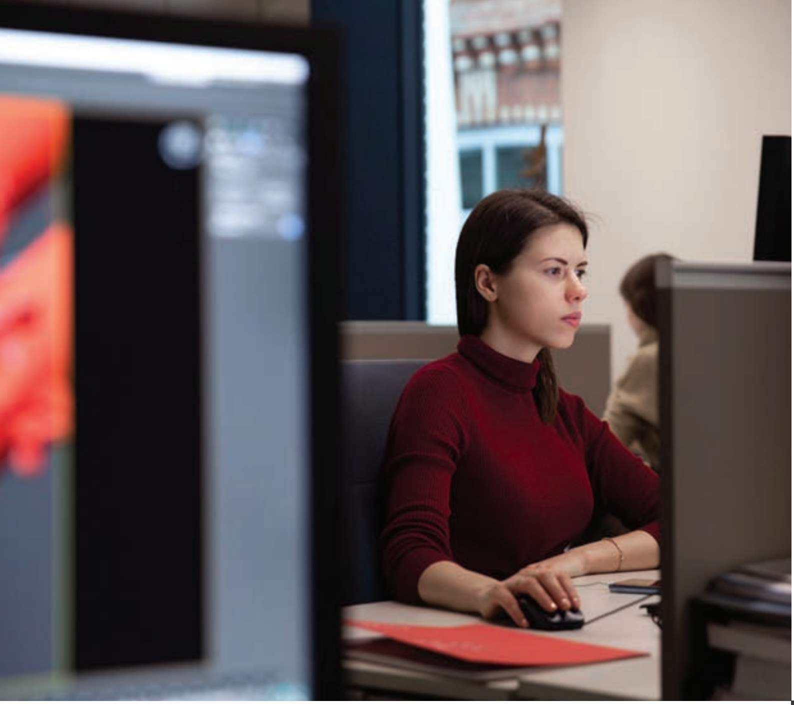
# In People, Products and Processes

Each year, Mohawk allocates hundreds of millions of dollars to introduce product innovation, expand capacity and improve service. While the most visible of these investments are in new facilities and equipment, we are equally committed to substantial investments in developing our workforce, leveraging technological advances and integrating sustainable practices across our processes. Combined, these investments will drive greater growth and profitability while doing what's right for people and the planet.

**PRODUCT INNOVATION**
Investments in state-of-the-art manufacturing technology facilitate the creation of the next generation of flooring products from the industry leader in design and performance innovation.



**CAPACITY EXPANSION**
To better support customers in high-growth product categories, we are investing in additional manufacturing capacity to satisfy expanding market demand with new production lines and facilities strategically positioned to improve our service and increase our sales.



**TECHNOLOGY**

To drive process improvements across manufacturing, distribution, sales and administrative functions, Mohawk customizes state-of-the-art systems to anticipate and resolve challenges. Whether making new products, increasing efficiencies or enhancing how we support our customers, we are using data to make better decisions for today and tomorrow.

**TRAINING & SUPPORT OF PEOPLE**

For 16 consecutive years, our groundbreaking workforce learning programs have been ranked among the global elite by Training magazine. Mohawk's investments also include safety, health, wellness, financial planning and other initiatives to ensure that employees have resources for peace of mind, personal fulfillment and professional growth.


**SUSTAINABILITY**

Mohawk invests to enhance our sustainable products to create healthier spaces where people live and work, refine our processes to reduce consumption of natural resources, lower carbon emissions and improve the quality of life for our employees and our communities.

# To Our Shareholders

**Jeffrey S. Lorberbaum**
Chairman and Chief Executive Officer

In an exceptional year, Mohawk delivered significantly improved results that underscore the Company's fundamental strengths: the scope of our products and geographies, strategic internal investments in growth categories and our talented team's ability to optimize the business' performance. While we are proud of our 2021 results, we are focused on actions that will support increased sales and profitability for the long-term.

## Results That Reflect Our Strengths

In 2021, we achieved our highest annual net sales, $11.2 billion, and each of our segments recorded their highest annual net sales. Our adjusted EPS[1] of $14.86 was the highest in the Company's history, and our adjusted EBITDA[1] rose to more than $1.9 billion. Our operating margins expanded dramatically to approximately 12%, even with significant material, energy, labor and transportation inflation; and our adjusted operating income[1] approached $1.4 billion. Compared to our 2019 pre-pandemic results, we produced 12% organic sales growth and improved our adjusted margins by 270 basis points.

During 2021, our regions benefited from strong housing markets supported by rising home prices, favorable interest rates and accelerated housing purchases by millennials. Changing lifestyles encouraged shifts from rental to owned properties, movement to larger homes and remodeling upgrades to adapt to work, school and recreation at home. The appealing designs and innovative features of our products made them popular choices as residential remodeling accelerated, a trend that is projected to continue throughout 2022. The commercial sector improved over the prior year but has not yet reached pre-pandemic sales levels.

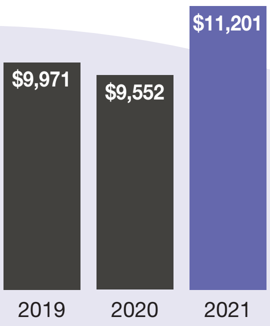
Throughout 2021, we delivered product innovation, leveraged our logistics strengths as a competitive advantage and executed multiple price increases to pass through material, energy and transportation inflation across all products and geographies. The greatest inflationary impact was felt in Europe, where natural gas prices accelerated at an unprecedented pace. While inflation was the most notable headwind of 2021, we also managed labor shortages with enhanced training, process improvements and strategic automation where possible. We creatively addressed material supply shortages through product re-engineering, SKU rationalization

and improved production planning. All our segments responded effectively to the complexities that occurred throughout the year, and we are proud to have achieved our results despite these challenges.

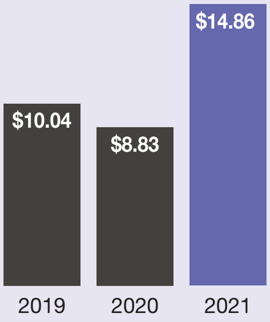
## Investing with Financial Strength

Mohawk ended 2021 in a strong financial position with our net-debt leverage at a historical low of 0.9x adjusted EBITDA[1], and our liquidity remains advantageous at approximately $1.8 billion. During the year, we bought approximately 4.9 million shares of Mohawk stock for approximately $900 million as part of our stock repurchase program. In February 2022, the board of directors approved an additional authorization for share repurchases of $500 million, reinforcing our confidence in the Company's strength and further enhancing shareholder return. Our strong financial position affords us the flexibility to pursue opportunities that create value for our shareholders, including additional internal investments, acquisitions and stock purchases.

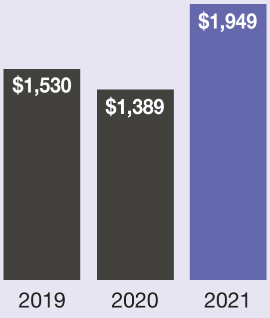
**NET SALES**
in millions



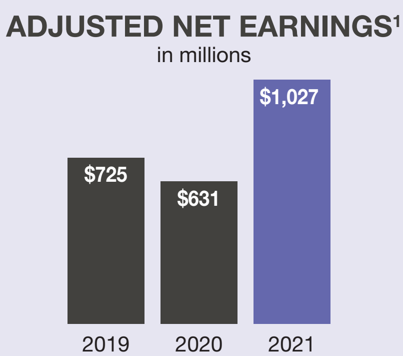

**ADJUSTED DILUTED EPS[1]**

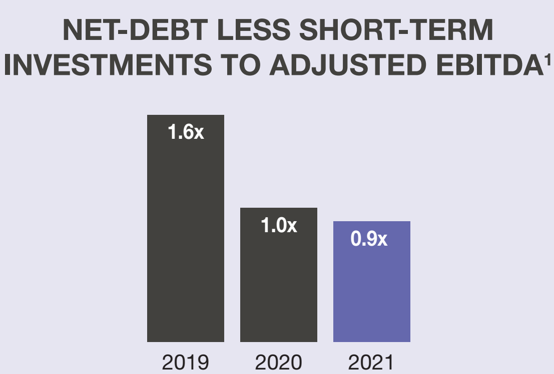



**ADJUSTED EBITDA[1]**
in millions




1) Reconciliation of GAAP to non-GAAP financial measures begin on page 92 of the 10-k section of the annual report.


1) Reconciliation of GAAP to non-GAAP financial measures begin on page 92 of the 10-k section of the annual report.

## Investing for Future Growth

Our Flooring North America Segment has benefited from strength across product categories, strong customer relationships in all selling channels and industry-leading product innovation. LVT remains the fastest-growing flooring product in the North American market, and our LVT sales grew significantly during 2021 as the performance of our existing LVT facility improved. As LVT imports were constrained by shipping bottlenecks, the advantages of domestic production were reinforced to the market. To better meet customer needs, we are starting up a new LVT operation to support sales of more than $160 million. Installation of the plant's first equipment began in the first quarter of 2022, and the project will be completed in phases through the second half of 2023. Once all planned lines are fully operational, the site can be expanded further as needed.

Mohawk is the leader in the North American laminate market, and we have reinvigorated the product category with improved visuals and waterproof performance. All sales channels are expanding use of our premium laminate, and we are increasing our capacity to support $300 million of additional sales. The first expansion phase started up in the fourth quarter of 2021, and the second phase will follow in 2023. The new production lines will have capabilities to produce the next generation of proprietary laminate to extend our leadership in the category. In addition to these capacity increases, we are also implementing many cost-saving investments, including fiber manufacturing and transportation projects, that will improve productivity and profitability within the segment over the next two to three years.

Mohawk is the world's largest producer of ceramic tile, and with our advantages in design, manufacturing and distribution, we are well positioned for significant growth in our markets where ceramic tile is the dominant residential and commercial flooring. In Brazil, we are constructing a new porcelain tile facility that should be fully operational by the end of next year. In Mexico, we are expanding our manufacturing of mosaics and specialty products, while allocating more of our ceramic production to the local market. In Europe, we are adding capacity to expand our high-value porcelain slab business and enhance our successful outdoor and specialty tile businesses. In the U.S., we are investing to grow our quartz countertop production to keep pace with rapidly increasing demand. We have suspended the previously announced capacity expansion in Russia given the changes in the environment. Collectively, these investments should support additional sales of approximately $300 million when all the lines are fully operational.

Our Flooring Rest of the World Segment has grown sales across its markets based on developing innovative value-added features that consumers prefer. Our laminate's unique style and performance have made us the market leader in the premium category, with our waterproof products increasing in popularity across all sales channels. Demand has grown as home renovation increased during the pandemic, and in response to rising orders we expanded our laminate press capacity last year. We are executing our next laminate manufacturing expansion, which will support additional sales of approximately $150 million when production is fully operational at the end of 2023.

Our recently acquired French MDF facility will complement our existing operations, enhance our product offering and strengthen our regional position. Our 2021 purchase of an insulation manufacturer with plants in Ireland and the U.K. aligns with our existing operations in those countries and will increase our share in the polyurethane insulation market. During the second quarter of 2022, we anticipate completing the purchase of a wood veneer manufacturer, which will improve the costs and quality of our engineered wood floors and make our operations more sustainable. To enhance these acquisitions, we will upgrade their assets and refine their processes. When integrated, these purchases will enhance our present operations, expand our markets and reduce our costs.

## Near-Term Expectations

After a record-setting 2021, we are optimistic about Mohawk's future growth and profitability even with the challenges of inflation, supply chain disruption and the Ukrainian crisis. In most of our markets, residential sales are expected to remain strong with commercial improving. The Eurozone may face greater short-term economic pressures than the rest of our markets, though solid GDP growth is still forecast in the region in 2022. As countries address inflation, interest rates will rise but should remain historically favorable and support continued home sales and remodeling. Significant material, energy and transportation inflation is affecting all our businesses and may continue to be impacted by the invasion of Ukraine. We are re-engineering formulations, reducing spending and improving efficiencies to offset these pressures. We began 2022 by implementing another round of pricing actions and have announced additional increases across our products and geographies. We will continue to adjust pricing as necessary to protect our margins. We are selling all our capacity in many product categories and are focused on optimizing our mix and margins in 2022. With multiple expansion projects underway, we expect to increase sales in these growth categories this year and beyond.

## Long-Range Optimism

Flooring is an essential component of new construction and remodeling. As the world's largest flooring manufacturer, Mohawk has built leading positions in key markets around the globe. In most of our markets, we expect our business to benefit from continued strong demand through this economic cycle. Given the low housing inventory in our markets, new residential construction and remodeling should remain robust for years. Mohawk's sustainable products appeal to today's environmentally conscious end-users, which gives us an added advantage in our markets and enhances our bottom line. In time, we expect the commercial sector to return to its historical growth with pent-up demand representing a significant opportunity. In addition to expanding capacity, we continue to invest in our organization's talent and state-of-the-art technology to deliver exceptional design, value and service to our customers. In general, over the next three years, we anticipate higher sales as we implement our product manufacturing and marketing initiatives while we focus on optimizing our margins. We will continue to leverage our strong balance sheet to pursue acquisitions that further our geographic reach and product offering.

During the past three decades, Mohawk has executed transformational acquisitions that added new product categories to our portfolio and introduced us to new markets. We have created substantial organic growth by investing in product innovation, industry-leading technology and talented people. We are investing now to create even better results over the next several years. We will see some benefit from our expansion projects in 2022 and even more in the years that follow. We appreciate your continued support as we invest to deliver the best possible returns for the near and long term.

Jeffrey S. Lorberbaum
Chairman and Chief Executive Officer
April 1, 2022

# How Our Businesses Are Investing for a Better Tomorrow



## FLOORING NORTH AMERICA

# Expanding Growth Through Customer-Focused Innovation

Mohawk is the most comprehensive and customer-focused residential and commercial flooring provider in North America. In 2021, the Company delivered its largest-ever product launch, highlighting innovation across all categories.

Mohawk uniquely provides carpet collections in SmartStrand™, polyester, nylon, wool and fiber blends to cover all price points and end-user preferences. Mohawk's rigid and flexible LVT sales continue to increase through collections with enhanced visuals and performance features. Mohawk's laminate sales have risen dramatically due to waterproof technology, performance features and surfaces that faithfully reproduce wood and stone finishes. In 2021, Mohawk introduced the first truly waterproof wood flooring that also offers unsurpassed stain and scratch resistance. To increase customer sales, Mohawk also provides retail partners with digital marketing through Omnify, an award-winning platform that captures and tracks leads while streamlining reputation management and digital merchandising.

MOHAWK

Karastan

MOHAWK HOME

Mohawk Group

Godfrey Hirst

QUICK·STEP

PERGO

DURKAN

## What We Make

Residential & Commercial Carpet

Luxury Vinyl Tile

Premium Laminate

Sheet Vinyl

Rugs & Mats

Wood Flooring

## Major Distribution Channels

Specialty Retailers

Aligned Dealers

Home Centers

Mass Merchants

New Home Construction

Commercial

### Shared Success with Customers

Mohawk focuses on exceeding customer expectations, and we deliver value for them through superior innovation, execution, quality and service. Our strategies are purposeful: each new product launch is intentionally simplified to make its value proposition straightforward. By reducing the complication within the marketplace and removing clutter from the consumer buying experience, we are making it easier to do business with Mohawk. We also have optimized our product offering to reduce manufacturing complexity, emphasizing key product options at each price point. We have invested in advanced systems and equipment to enhance our quality and productivity, and we continue to focus on process improvements and adding talent in all aspects of the business. We are investing in product development, manufacturing, marketing and logistics to ensure we and our customers both win in a highly competitive marketplace.

### Investing with Purpose

By creating ongoing innovation in LVT and laminate, we have differentiated our products in the market. We are significantly outpacing laminate market growth in North America because our premium products deliver design sophistication and waterproof performance that distinguishes them from the competition. To meet accelerating demand, we have strategically invested in expanding laminate capacity, which will address today's production needs while also providing the technology to develop and execute our next generation of products. We are also constructing a new LVT manufacturing facility to better service our West Coast and Southwest customers. The additional capacity will reinforce Mohawk's position as the leading domestic LVT supplier, which is particularly important after supply chain disruptions impacted other providers who rely exclusively on imported products. The equipment at our new LVT facility will support continued enhancements to the styling and performance of our collections as we create greater value for our customers.

### Opportunities

While expanding capacity in high-growth products is essential, we are also investing in our logistics systems to improve service to customers and in our fiber production, which will improve our efficiencies and carpet styling possibilities. We constantly evaluate internal investments and possible acquisitions with a focus on how we can enhance the business.

# Driving Sales Growth Through Differentiation

**MOST DURABLE LVT**

SolidTech Plus™ rigid vinyl flooring is three times more scratch resistant than typical LVT due to an innovative new tough wear layer with an enhanced lacquer finish. Its unique technology adds enhanced stain and soil protection to ensure easy cleanup. With the patented Uniclic locking system, the collection is 100% waterproof and can be installed over existing hard surface flooring.

**FULLY RECYCLABLE CARPETS**

Our unique ReCover® carpet backing removes latex and polypropylene components of traditional backing and substitutes polyester-based fibers, yielding a fully recyclable product that is also hypoallergenic and VOC free. The backing was initially launched with Mohawk's proprietary SmartStrand collections, which are constructed with partially plant-based fiber, so the depth of the sustainability story is compounded.

**REVOLUTIONARY WATERPROOF WOOD**

Our worry-free waterproof wood features a patented joint locking system that delivers the only truly watertight wood floors on the market, guaranteed to prevent moisture from reaching the subfloor. Advanced wood laminating technology provides unparalleled scratch protection, fade resistance and dimensional stability. The family-friendly products also include built-in antimicrobial features and a premium attached pad that provides warmth and reduces noise.

*Learn how our LVT outshines the competition*

# Sustainable Commitments

## The Climate Pledge

In 2021, Mohawk Group, our North American commercial flooring division, signed The Climate Pledge, committing to achieve net-zero annual carbon emissions by 2040, ten years ahead of the Paris Agreement. By 2022, all Mohawk Group collections will be carbon neutral plus an additional 5% carbon offset, and our carpet tile products already meet this goal. With this new initiative, all Mohawk Group hard and soft surface floors will have a net positive climate impact later this year.

## Upcycled Materials

Mohawk is a leader in upcycling post-consumer materials into premium products. In 2021, more than 6.6 billion plastic bottles were converted into polyester carpet and rugs. To produce durable rubber door mats, the Company repurposed almost 50 million pounds of used tires. To manufacture quality carpet cushion, Mohawk processed more than 150 million pounds of scrap foam previously used in automotive or home furnishing products. Mohawk's U.S. laminate production includes 93% recycled wood content, saving around 430 million pounds of wood in 2021.

## Investing in People

Our success depends on the right people doing the right work. We are committed to attracting, retaining and developing the best talent and investing in our employees to create opportunity, growth and engagement at every level. Mohawk's award-winning training programs yield a high-performance workforce from the plant floor to the executive team. Our world-class safety program has resulted in continuous reductions in workplace injuries and illnesses. Active and ongoing reinforcement of zero tolerance for harassment, discrimination or retaliation has fostered a respectful environment where individuals can fulfill their potential. Finally, physical and mental health resources are available at 20 on-site, near-site and virtual clinics, providing access to affordable, quality care while on the clock.

## Product Lifecycle Management

Since its inception in 2006, Mohawk's ReCover Carpet Recycling program has diverted almost 160 million pounds of carpet away from landfills. After years of success in the commercial sector, in 2021, the program was expanded to include residential carpet. The ReCover program provides anyone an opportunity to recycle carpet — regardless of manufacturer — at the end of its lifecycle through a network of recyclers across North America.

*See how plastic bottles become beautiful carpet*

## GLOBAL CERAMIC

# Investing in the World's Largest Flooring Category

In 2002, Mohawk entered the ceramic tile industry with the acquisition of Dal-Tile Corporation, the largest tile manufacturer in the U.S. with production in Mexico that supported U.S. sales.

During the following two decades, the Company invested to improve the product offering, distribution and manufacturing infrastructure to extend that leadership position in the U.S. market, become a leader in the Mexican market and expand our global footprint. The 2013 Marazzi acquisition established Mohawk as the largest tile producer in Europe and subsequent investments enhanced our capacity and product innovation. Additional acquisitions enhanced our position in Europe, and the 2018 purchase of Eliane gave us a leading position in Brazil, the world's third-largest tile market. In 2020, the worldwide ceramic market was 173 billion square feet. Mohawk has 2% of that fragmented market, and we are investing to grow our share.

daltile

AMERICAN OLEAN

MARAZZI

EMILGROUP

RAGNO

KAI GROUP

KERAMA MARAZZI

eliane

# What We Make

Floor Tile

Wall Tile

Mosaic Tile

Porcelain Slabs

Quartz Countertops

Stone Slabs

# Major Distribution Channels

Specialty Retailers

Company Owned/ Franchised Stores

Home Centers

New Home Construction

Commercial

## Investing in the Best

For two decades, Mohawk has acquired the premier tile manufacturers in the most desirable markets and then improved on their performance through strategic investments that elevated their manufacturing assets, gave their talented designers access to proprietary technology like our digital inkjet printing, and shared training programs and resources across the segment. We acquired the best businesses and made them even better by investing to reinforce their strengths and mitigate the challenges they faced.

## Continued Commitment

Going forward, we are expanding tile capacity in markets where demand for our products has escalated. In Europe, we are targeting investments in high-value porcelain slabs with multiple applications as well as thick porcelain pavers used as an alternative to stone in landscaping. In the U.S., our quartz countertop production has been a successful greenfield launch, and we are investing to expand our capacity as we grow the business through many of our tile partnerships. In Brazil, we are adding a new porcelain tile facility; and, in Mexico, we are expanding production of mosaic tile and specialty products.

## Opportunities

Having built our tile business through acquisitions and improved it through perpetual investment, we continue to seek appealing acquisition opportunities in markets where we already have a strong presence or new geographies to expand our footprint.

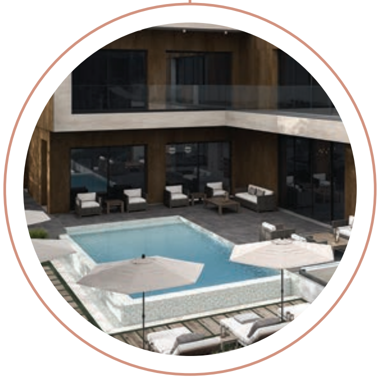
# Investing in Ceramic Innovation

**EXTRAORDINARY WALL TILES**

Innovative wall tile designs present great options for families that are updating their spaces as part of a historic uptick in home improvement projects. Statement walls have extended ceramic looks beyond traditional applications in baths and kitchens. We have introduced collections to suit any décor: non-uniform and ombre mosaics, distressed brick, metallics, stone looks in large and small formats, geometric designs and dynamic 3-D collections that bring a wall to life.

**EXCEPTIONAL EXTERIOR COLLECTIONS**

As indoor and outdoor living spaces blur, the versatility and performance of our 2 cm and 3 cm porcelain pavers bring the beauty, durability and slip resistance of tile to the great outdoors. Sales of these hardscape alternatives are increasing rapidly, and they're only part of our growing array of exterior options that include cladding for buildings, roofing systems and an unsurpassed collection of pool tile.



**MULTI-FUNCTIONAL PORCELAIN SLABS**

Porcelain slabs are incredibly versatile, resilient and lightweight. They offer a virtually maintenance-free alternative to the scale and style of natural stone slabs at an attractive price. The slabs replicate stone or concrete visuals through enhanced inkjet printing. With their large sizes, they can be customized for use as countertops, vanities, table tops, shower walls, tub surrounds, fireplaces, floors, feature walls, exterior cladding and more. These durable products resist chips, heat, stains and scratches. With their beauty and practicality, porcelain slabs are already widely used in Europe and are becoming increasingly popular in the U.S.

*See how we're bringing walls to life*

# The Sustainable Attributes of Tile

## Long Lasting

Durable tile provides reliable performance over a typical 75-year lifecycle, reducing future product consumption over generations.

## Carbon Light

Tile has the lifetime lowest global warming potential of any flooring option due to lower emissions during the manufacturing process; and, once installed, tile's natural insulation properties reduce a building's consumption of various non-renewable energy resources.

## Sustainably Sourced

The essential components of tile — clay, water, sand, feldspar and quartz — are natural materials, and most are sourced within 500 miles of the manufacturing site, reducing emissions from transportation. Production wastewater is recycled and reused, as well.

## Easily Recycled

Our closed loop manufacturing means that responsibly recovered waste — including dust, powder, unfired scrap and water — are typically reincorporated into new products. So, if a tile fails to meet our exacting quality standards, it is pulverized and reintroduced to the process. Almost all our tile products contain pre-consumer recycled content.

*Learn how tile helps to reduce the carbon footprint*

FLOORING REST OF WORLD

# Investing in Advantageous Products and Markets

In 2005, Mohawk completed the acquisition of Unilin, which established a European presence for the business and the leading position in laminate flooring because Unilin originated many of the features that created laminate's appeal.

Since that time, Mohawk has invested in expanding and upgrading product offerings, extending distribution, entering new markets and deploying leading-edge equipment. The addition of LVT, sheet vinyl, wood and carpet tile in Europe has broadened flooring sales opportunities and enhanced the value of the European hard surface flooring distributors we have purchased. In 2018, the acquisition of Godfrey Hirst in Australia and New Zealand made us the largest flooring provider in the region. Through acquisition and internal growth, the segment's footprint now extends to four continents, and significant opportunities for expansion into new product categories and markets remain.

UNILIN QUICK·STEP PERGO

ivc moduleo Design Floors

leoline residential floors

Xtratherm More than insulation

Godfrey Hirst Feltex

## What We Make

Premium Laminate

Luxury Vinyl Tile

Sheet Vinyl

Residential & Commercial Carpet

Wood Flooring

MDF/HDF Boards

Insulation Panels

## Major Distribution Channels

Specialty Retailers

Home Centers

Independent Retailers

Company Owned Distributors

New Home Construction

Commercial

### Rapid Expansion

Since 2017, the segment's operating margin has increased approximately 200 basis points while sales have increased approximately 50%, much of which was organic growth spurred by investments to expand into new product categories and markets. Our primary acquisition in that period, Godfrey Hirst, accomplished both, adding a significant carpet business and establishing us as the flooring leader in Australia and New Zealand. With our momentum over the past five years, we are optimistic about future growth and profitability.

### Investing for Growth

The market for our premium laminate has continued to grow as our technologies have made the product virtually identical to real wood and have created water-resilience that makes laminate flooring an option in any space in the home. To support future growth in this high-value category, we are expanding manufacturing capacity with state-of-the-art equipment that can produce the next generation of product advancements. We continue to invest in product innovation to support sales growth of our other flooring categories across our global markets. Our 2021 acquisitions in boards and insulation reflect our commitment to growing those businesses in Europe, complemented by the addition of manufacturing technology to produce higher-value decorative panels for interior décor and furniture.

### Opportunities

When we acquired Unilin, the product line consisted of laminate, boards and insulation panels. Today, the segment offers a comprehensive product portfolio, which illustrates our successful history of expanding into new categories. The success of our ventures outside of Europe reinforces the potential for increasing our geographic footprint while also identifying bolt-on acquisitions in our existing markets.We will continue to seek opportunities that can drive profitable growth in regions rich with potential.

# Investing in Product Innovation

**GROUNDBREAKING PREMIUM LAMINATE**

Our laminate flooring has become a highly desirable option for families seeking a perfect solution for bringing beauty, performance and easy maintenance into all areas of their homes. Elegant design, durable structures and realistic bevels yield collections that are nearly indistinguishable from traditional wood floors, while offering exceptional protection against water and scratches.

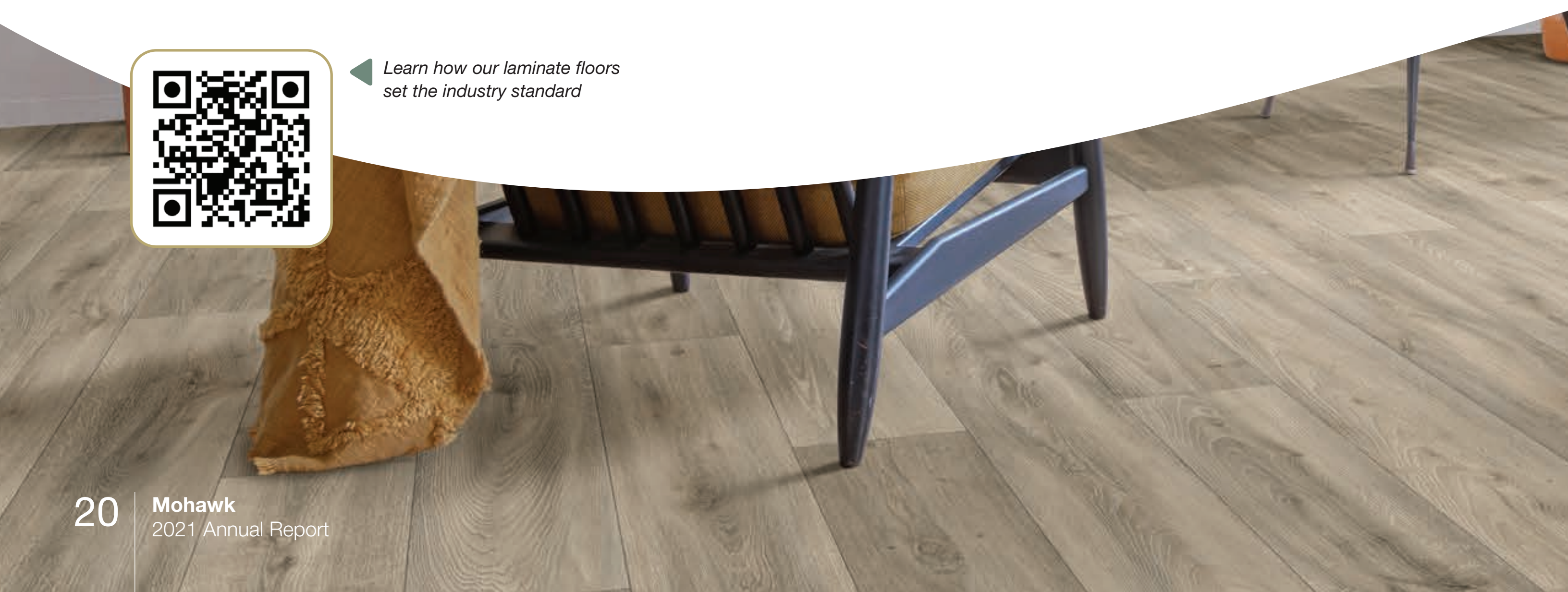
**100% WATERPROOF LVT**

With homes now doubling as workplaces, schools and gyms, families want waterproof floors to reduce maintenance and support their active lifestyles. Alpha Vinyl LVT™ features a proprietary watertight click system combined with patented water-repellent technology to produce a completely waterproof floor. With advanced scratch- and stain-resistant technology and an ultra-strong core, these floors can withstand falling objects and heavy daily use while maintaing beautiful visuals.

**DIFFERENTIATED DECORATIVE PANELS**

To elevate our decorative panels used for wall and door finishes or furniture production, we have developed melamine-faced MDF and chipboard with a thermal-fused laminated surface or a transparent finishing layer. In addition to more striking visuals, these panels are durable, scratch resistant, colorfast, antibacterial and low maintenance, differentiating them from similar products in the market.

*Learn how our laminate floors set the industry standard*



# Sustainable Commitments

## Carbon Reduction

In Europe, the segment is setting objectives aligned with the Science Based Targets initiative (SBTi), and the flooring business in Australia and New Zealand has obtained Climate Active certification by establishing carbon reduction goals. We are committed to keeping wood in circulation for as long as possible. Scrap wood equals stored carbon and by upgrading it into quality products, we reduce combustion and $CO_2$ emissions.

## Product Circularity

Our European resilient flooring and carpet tile businesses are implementing innovative processes for recycling PVC content so that used PVC can be converted into granules and repurposed into new products. Wool carpeting in the Australia and New Zealand markets represents an excellent example of circular design: a renewable resource; inherently long wearing to limit replacement; and biodegradable at the end of its lifecycle.

## Recycled Input

Our LVT, laminate and carpet tile produced in Europe contain significant recycled material. Our board business gives a second life to around 700,000 tons of reclaimed wood each year, with chipboards composed of 90% recycled content. With a proprietary technology for reclaiming wood fiber from used MDF and HDF boards, we now uniquely reuse this material to produce high-quality fiberboard. We will eventually keep 380,000 tons of $CO_2$ per year stored in wood fiber that has been repurposed.

## Green Energy

Investments in renewable energy technologies help to power the growth of our business. Biomass heat and power generation from end-of-life wood byproducts is in place at two facilities with a third in the planning stages. A wind farm provides 20% of the electricity at our Avelgem, Belgium, plant, and rooftop solar panels at our headquarters and flooring development center significantly offset electricity use.

*We're the first to recycle wood fiber from MDF and HDF boards*

## SENIOR MANAGEMENT TEAM

**Jeffrey S. Lorberbaum**
Chairman and Chief Executive Officer

**W. Christopher Wellborn**
President and Chief Operating Officer
President — Global Ceramic

**James F. Brunk**
Chief Financial Officer

**Clifford C. Suing**
Chief Accounting Officer and
Corporate Controller

**R. David Patton**
General Counsel and
Vice President — Business Strategy

**Paul De Cock**
President — Flooring North America

**Bernard Thiers**
President — Flooring Rest of World

## BOARD OF DIRECTORS

**Karen A. Smith Bogart PhD**
President
Smith Bogart Consulting
Former Chairperson and
President Greater Asia
Eastman Kodak Company

**Bruce C. Bruckmann**
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**Jerry W. Burris**
President and
Chief Executive Officer
Midwest Can Company

**John M. Engquist**
Executive Chairman
H&E Equipment Services, Inc.

**Jeffrey S. Lorberbaum**
Chairman and
Chief Executive Officer
Mohawk Industries, Inc.

**Joseph A. Onorato**
Former Chief Financial Officer
Echlin, Inc.

**William H. Runge III**
Managing Director
Alvarez and Marsal

**W. Christopher Wellborn**
President and
Chief Operating Officer
President Global Ceramic
Mohawk Industries, Inc.

# Form 10-k

MOHAWK®

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

# FORM 10-K

**[Mark One]**

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

**For the fiscal year ended December 31, 2021**

**OR**

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

**For the transition period from to**

**Commission File Number**
**01-13697**

# MOHAWK INDUSTRIES, INC.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **52-1604305** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

| | | | |
|---|---|---|---|
| **160 S. Industrial Blvd.** | **Calhoun** | **Georgia** | **30701** |
| **(Address of principal executive offices)** | | | **(Zip Code)** |

**Registrant's telephone number, including area code: (706) 629-7721**
**Securities Registered Pursuant to Section 12(b) of the Act:**

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| **Common Stock, $.01 par value** | **MHK** | **New York Stock Exchange** |

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 USC. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates (excludes beneficial owners of more than 10% of the Common Stock) of the Registrant (55,725,449 shares) on July 3, 2021 (the last business day of the Registrant's most recently completed fiscal second quarter) was $10,870,920,591. The aggregate market value was computed by reference to the closing price of the Common Stock on such date.

Number of shares of Common Stock outstanding as of February 18, 2022: 65,071,033 shares of Common Stock, $.01 par value. Mohawk Industries, Inc. common stock trades on the New York Stock Exchange under symbol MHK.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the definitive Proxy Statement for the 2022 Annual Meeting of Stockholders-Part III.

## Table of Contents

# PART I

## Item 1. Business

Unless this Form 10-K indicates otherwise or the context otherwise requires, the terms "we," "our," "us," "Mohawk," or "the Company" as used in this Form 10-K refer to Mohawk Industries, Inc.

## General

Mohawk is a leading global flooring manufacturer that creates products to enhance residential and commercial spaces around the world. The Company's vertically integrated manufacturing and distribution processes provide competitive advantages in carpet, rugs, ceramic tile, laminate, wood, stone, luxury vinyl tile ("LVT") and sheet vinyl flooring. The Company's industry-leading innovation develops products and technologies that differentiate its brands in the marketplace and satisfy all flooring-related remodeling and new construction requirements. The Company's brands are among the most recognized in the industry and include American Olean®, Daltile®, Durkan®, Eliane®, Feltex®, Godfrey Hirst®, IVC Commercial®, IVC Home®, Karastan®, Kerama Marazzi®, Marazzi®, Moduleo®, Mohawk®, Pergo®, Quick-Step® and Unilin®. During the past two decades, the Company has transformed its business from an American carpet manufacturer into the world's largest flooring company with operations in Australia, Brazil, Canada, Europe, India, Malaysia, Mexico, New Zealand, Russia, United Kingdom and the United States. The Company had annual net sales in 2021 of $11.2 billion. Approximately 60% of this amount was generated by sales in the United States and approximately 40% was generated by sales outside the United States. The Company has three reporting segments, Global Ceramic, Flooring North America ("Flooring NA") and Flooring Rest of the World ("Flooring ROW") with their 2021 net sales representing 35%, 37% and 28%, respectively, of the Company's total revenue. Selected financial information for the three segments, geographic net sales and the location of long-lived assets are set forth in Note 18-Segment Reporting.

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

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

The Flooring ROW Segment designs, manufactures, sources and distributes a wide variety of laminate, LVT and sheet vinyl, wood flooring, broadloom carpet and carpet tile collections used in the residential and commercial markets for both remodeling and new construction. In addition, the Flooring ROW Segment manufactures roofing panels, insulation boards, mezzanine flooring, MDF and chipboards primarily for the European market. The Segment also licenses certain patents related to flooring manufacturing throughout the world. The Segment markets and distributes its products under various brands, including the following: Feltex, Godfrey Hirst, Hycraft®, IVC Commercial, IVC Home, Leoline®, Moduleo, Pergo, Quick-Step, Unilin and Xtratherm®. The Segment sells its products through floor covering retailers, wholesalers, company-operated distributors, independent distributors and home centers.

## Business Strategy

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

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

The Mohawk business strategy provides continuity for the Company’s operating principles and ensures a focus on exceeding customer expectations.

## Strengths

### *Market Position*

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

### *Product Innovation*

Mohawk drives performance through innovation and process improvements across all product categories. In ceramic, this includes proprietary Reveal Imaging® printing that replicates the appearance of other surfaces, such as long planks with the visuals and texture of natural wood as well as tiles that mimic natural stone, cement, textiles and other alternatives. The Company has patented an innovative new Clic-Fit™ installation technology for its Revo-Tile™ collection that significantly reduces the time and cost to install ceramic tile flooring. Given the frequent use of ceramic tile in kitchens and baths, the Company has also introduced numerous collections featuring antimicrobial treatment that becomes a permanent part of the product. In Italy and Russia, the Company manufactures large-scale porcelain slabs that replicate the look of stone but are harder and more durable. The slabs are being sold in the European and North American markets and are used for floors, walls and countertops. In the U.S., the Company manufactures quartz countertops that, along with its stone and porcelain slabs, provide customers with a comprehensive array of surface options. In carpet, the Company introduced the unique Air.o™ unified soft surface collection that integrates a polyester pad into tufted carpet, offering consumers a hypoallergenic and moisture-resistant alternative to traditional carpet. The Company has also launched an innovative carpet backing called Recover™ that is hypoallergenic, latex and VOC free and is easier to install and seam. The Company's exclusive fiber technologies include the proprietary bio-based SmartStrand® and its brand extensions that represented the first super-soft stain-resistant products on the market as well as the patented Continuum™ process that adds bulk and softness to polyester fiber, differentiating the Company's products in this fast-growing component of the carpet market. These fiber advantages have been extended into the Company's rug production, as well, adding luxurious feel and performance enhancements to the Company's design leadership. In laminate, the Company's patented Uniclic® installation technology revolutionized the category and has been extended into the LVT and wood categories, as well. The Company continues to deliver new innovations such as unique HydroSeal™ water-resistance that has extended the laminate category into kitchens and baths, more realistic visuals with GenuEdge® pressed bevel edges and surface embossing in register that precisely recreates the appearance of wood. As consumer preference for water-proof flooring has increased, the Company has introduced a propriety technology called WetProtect™ that makes the joints of installed laminate and LVT water tight and prevents liquid spills from reaching the subfloor. This technology has been uniquely applied to wood flooring with UltraWood™, which also features an advanced waterproof finish in addition to improved scratch, wear and dent resistance. The Company's vinyl offerings reflect significant investments in leading-edge technology that yield incredibly realistic reproductions of stone, wood and other materials with embossed finishes that create more realistic visuals. To complement the beauty of its LVT collections, the Company has also enhanced the performance of its premium rigid products with a solid stone-plastic composite core and an enhanced lacquer finish to provide a dent proof, scratch resistant surface that can withstand today's active family homes.

### *Operational Excellence*

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

### *Sustainability*

The Company believes that it is the industry leader in sustainable products and processes. In 2021, the Company's extensive use of recycled content in its products included the use of 6.6 billion plastic bottles to create polyester carpet fiber and more than 49 million pounds of tires to produce decorative crumb rubber mats. In 2020, the Company diverted more than 3.4 billion pounds of waste from landfills, with 41 of the Company's manufacturing sites internally certified as Zero Process Waste to Landfill facilities. The Company's commitment to sustainability extends beyond its products to resource utilization, including a 349-million-gallon reduction in water in 2020, as well as 243 thousand-metric tons of reduced greenhouse gas emissions. The Company also produces energy through solar panels, windmills and a waste-to-energy program using scrap wood material. The Company's commitment to safety and wellness helps to retain a talented workforce. The Company currently operates 20 on-site, near-site or virtual Healthy Life Centers to assist employees with management of chronic conditions as well as the treatment of acute illness. The Company's annual Environmental, Social and Governance Report details these and other initiatives and may be accessed at http://www.mohawksustainability.com.

## Sales and Distribution

*Global Ceramic Segment*

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

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

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

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

*Flooring NA Segment*

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

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

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

*Flooring ROW Segment*

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

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

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

**Advertising and Promotion**

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

In North America, the Company actively supports well known programs such as Susan G. Komen® (breast cancer research), Habitat for Humanity® (housing for low income families) and Operation Finally Home® (housing for disabled veterans), which include marketing partnerships that showcase the Company's products and highlight its corporate values. The Company also sponsors a European cycling team to promote its Quick-Step brand through logo placements and use of the team in its advertising and point-of-sale displays.

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

**Manufacturing and Operations**

*Global Ceramic Segment*

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

*Flooring NA Segment*

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

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

*Flooring ROW Segment*

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

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

**Inputs and Suppliers**

*Global Ceramic Segment*

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

*Flooring NA Segment*

The principal raw materials used in the production of carpet and rugs are polypropelene, polyester, triexta, nylon, caprolactam, recycled post-consumer plastics, synthetic backing materials, latex and various dyes and chemicals, the majority of which are petroleum-based. The Company uses wood chips, wood veneers, lumber, paper and resins in its production of laminate and wood products. In its vinyl flooring operations, the Company uses glass fiber, plasticizers and polyvinyl chloride (PVC) resins. Major raw materials used in the Company's manufacturing process are available from independent sources, and the Company obtains most of its raw materials from major suppliers that provide inputs to each major product category. If these suppliers were unable to satisfy the requirements, the Company believes that alternative supply arrangements would be available. The market for raw materials is sensitive to temporary disruptions. During the COVID-19 pandemic, the North American flooring industry has experienced and might continue to experience disruptions in obtaining raw materials or components to produce the Company's products, adversely affecting its operations.

*Flooring ROW Segment*

The principal raw materials used in the production of boards, laminate and wood flooring are wood, paper and resins. The wood suppliers provide a variety of wood species, providing the Company with a cost-effective and secure supply of raw material. In its vinyl flooring operations, the Company uses glass fiber, plasticizers and PVC resins. Major raw materials used in the Company's manufacturing process are available from independent sources, and the Company has long-standing relationships with a number of suppliers. The principal raw materials used in the production of broadloom carpet and carpet tile are polypropelene, polyester, triexta, nylon, caprolactam, recycled post-consumer plastics, synthetic backing materials, latex and various dyes and chemicals, the majority of which are petroleum-based. If these suppliers were unable to satisfy the requirements, the Company believes that alternative supply arrangements would be available. The market for raw materials is sensitive to temporary disruptions. During the COVID-19 pandemic, the flooring industry has experienced and might continue to experience disruptions in obtaining raw materials or components to produce the Company's products, adversely affecting its operations.

## Industry and Competition

The Company is the largest flooring manufacturer in a fragmented industry composed of a wide variety of companies ranging from small, privately-held firms to large multinationals. In 2020, the U.S. floor covering industry reported $26.7 billion in sales, down approximately 1.3% over 2019's sales of $27.0 billion. In 2020, the primary categories of flooring in the U.S., based on sales, were carpet and rugs (38.4%), resilient consisting of LVT, sheet vinyl and various other resilient categories (25.2%), ceramic tile (13.3%), wood (12.9%), stone (6.6%) and laminate (3.6%). In 2020, the primary categories of flooring in the U.S., based on square feet sold, were carpet and rugs (44.5%), resilient consisting of LVT, sheet vinyl and various other resilient categories (30.1%), ceramic tile (13.4%), wood (6.4%), laminate (4.0%) and stone (1.6%). Each of these categories is influenced by the residential and commercial construction and residential and commercial remodeling end-use markets. These markets are influenced by many factors including changing consumer preferences, consumer confidence, spending for durable goods, interest rates, inflation, availability of credit, turnover in housing and the overall strength of the economy.

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

*Global Ceramic Segment*

Globally, the ceramic tile industry is significantly fragmented. Certain regions around the world have established sufficient capacity to allow them to meet domestic needs in addition to exporting product to other markets where their design and/or technical advantages may drive consumer preferences. Some mature markets have seen industry consolidation driven by mergers and acquisitions; however, most markets are comprised of many relatively small manufacturers all working with similar technologies, raw materials and designs. During 2020, the estimated global capacity for ceramic tile was 173 billion square feet – up slightly from the prior year primarily due to increased production capacity in China – with selling prices varying widely based on many factors, including supply within the market, materials used, size, shape and design. While the Company operates ceramic manufacturing facilities in eight countries, the Company has leveraged advantages in technology, design, brand recognition and marketing to extend exports of its products to approximately 160 countries. As a result of this global sales strategy, the Company faces competition in the ceramic tile market from a large number of foreign and domestic manufacturers, all of which compete for sales of ceramic tile to customers through multiple residential and commercial channels. The Company believes it is the largest manufacturer, distributor and marketer of ceramic tile in the world. The Company also believes it is the largest manufacturer, distributor and marketer of ceramic tile in specific markets, including the U.S., Europe and Russia, as well as maintaining leading positions in the Mexican and Brazilian markets. The Company has leveraged the advantages of its scale, product innovation and unique designs in these markets to solidify its leadership position, however the Company continues to face pressures in these markets from imported ceramic products as well as alternate flooring categories.

*Flooring NA Segment*

The North American flooring industry is highly competitive, with an increasing variety of product categories, shifting consumer preferences, supply chain disruptions and pressures from imported products, particularly in the rug and hard surface categories. Based on industry publications, in 2020, the U.S. flooring industry had carpet and rug sales in excess of $10.2 billion out of the overall $26.7 billion market. Based on its 2020 net sales, the Company believes it is the largest producer of rugs and the second largest producer of carpet in the world. The Company differentiates its carpet and rug products in the marketplace through proprietary fiber systems, state-of-the-art manufacturing technologies and unique styling as well as leveraging the strength of some of the oldest and best-known brands in the industry. The Company also believes it is the largest manufacturer and distributor of laminate flooring in the U.S., as well as the producer of the industry's first waterproof wood flooring. The Company's leading position in laminate flooring is driven by the strength of its premium brands as well as technical innovations such as water resistance, realistic visuals, beveled edges, deeply embossed in register surfaces and patented installation technologies. The U.S. resilient industry is highly competitive, and according to industry publications, grew more than 13.8% in 2020. Based on industry publications, in 2020, LVT, sheet vinyl and other various resilient categories generated sales of $6.7 billion out of the $26.7 billion total U.S. flooring market. The Company believes that it is one of the largest manufacturers and distributors of LVT and sheet vinyl in the U.S. The Company's sheet vinyl operations produce fiberglass backed products, which have proven more popular with consumers in the past several years due to superior performance and durability.

*Flooring ROW Segment*

The Company faces competition in the non-U.S. laminate, wood, LVT and sheet vinyl flooring business from a large number of domestic manufacturers as well as pressures from imports. The Company believes it is one of the largest manufacturers and distributors of laminate flooring in the world, with a focus on premium products, which the Company supplies under some of the best-known and most widely marketed brands in its regions. In addition, the Company believes it has a competitive advantage in its laminate flooring markets as a result of the Company's industry-leading water resistance, realistic visuals and embossed-in-register surfaces as well as patented installation technologies, all of which allow the Company to differentiate its products in the areas of design, performance, installation and assembly. In wood flooring, the Company has extended the strength of its well-known laminate brands and its installation technologies to add value to its wood collections. The Company faces competition in the non-U.S. vinyl flooring channel from a large number of domestic and foreign manufacturers, but believes it has a competitive advantage in its LVT and sheet vinyl markets due to industry-leading design, patented technologies, brand recognition and vertical integration. The Company has elevated the performance of its sheet vinyl collections and is now aggressively placing the product in commercial applications. After initially extending its geographic footprint by acquiring national hard surface distributors in Australia and New Zealand, the Company acquired Godfrey Hirst in 2018, making the Company the largest manufacturer of carpet in both countries. The Company has integrated its soft and hard surface businesses to provide a comprehensive offering to residential and commercial customers in the region. In Australia and New Zealand, the Company faces competition from a large number of domestic and foreign manufacturers, but believes it has a competitive advantage in its carpet and hard surface offering due to industry-leading design, patented technologies, brand recognition and vertical integration of manufacturing and distribution. Through the 2015 acquisition of Xtratherm and the 2021 acquisition of Ballytherm, the Company has extended its insulation panel business to the United Kingdom and Ireland while expanding sales in its core Benelux Region. The Company also expanded its European wood panels business by acquiring German-based Berghoef in 2018 (mezzanine flooring) and French-based Panneaux De Corrèze in 2021 (MDF).

**Patents and Trademarks**

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

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

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

**Major Customers**

During 2021, no single customer accounted for more than 10% of the Company's total net sales, and the top 10 customers accounted for less than 20% of the Company's total net sales. The Company believes the loss of one major customer would not have a material adverse effect on its business.

**Human Capital**

The Company's management team recognizes the importance of its employees to the Company's overall long-term success. The Company continues to focus on the recruitment, development, safety, engagement, and retention of its employees. The health and safety of the Company's employees during the COVID-19 pandemic have been particularly important. The safety procedures the Company has put in place to prevent workplace transfer of the virus include strict policies on quarantining, audits and enforcement of social distancing, temperature scans, masks and sanitization standards.

As of December 31, 2021, the Company employed approximately 43,000 persons, consisting of approximately 19,600 in North America - United States, approximately 14,400 in Europe and Russia and approximately 9,000 in other countries. The majority of the Company's European and Russian manufacturing employees are members of unions. Additionally, the Company has not experienced any major strikes or work stoppages in recent years. The Company believes that its relations with its employees are good.

**Available Information**

The Company's Internet address is https://www.mohawkind.com. The Company makes available the following reports it files on its website, free of charge, under the heading "Investors":

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

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

## Item 1A. Risk Factors

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

### Industry and Economic Risks

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

Downturns in the U.S. and global economies, including as a result of the COVID-19 pandemic, negatively impact the floor covering industry and the Company's business. During times of economic uncertainty or decline, end consumers tend to spend less on remodeling their homes, which is how the Company derives a majority of its sales. Likewise, new home construction - and the corresponding need for new flooring materials - tends to slow down during recessionary periods. There may be downturns in the foreseeable future that could cause the industry to deteriorate globally or in the local markets in which the Company operates. A significant or prolonged decline in residential or commercial remodeling or new construction activity could have a material adverse effect on the Company's business and results of operations.

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

The floor covering industry is highly competitive. The Company faces competition from a number of manufacturers and independent distributors. Some of the Company's competition is from companies located outside of the United States, and these competitors may benefit from lower input costs or state subsidies. Also, trade tariffs may impact both the Company and its competitors in different and unpredictable ways. Maintaining the Company's competitive position may require substantial investments in the Company's product development efforts, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for the Company's products, force the Company to lower prices or prevent the Company from raising prices to keep up with inflation. Moreover, fluctuations in currency exchange rates and input costs may contribute to more attractive pricing for imports that compete with the Company's products, which may put pressure on the Company's pricing. Any of these factors could have a material adverse effect on the Company's business.

***The COVID-19 pandemic has materially impacted the Company's business, and will likely continue to impact the Company's business in the future.***

The COVID-19 pandemic continues to impact areas where the Company operates and sells its products and services. Mohawk generates sales in approximately 170 countries and maintains manufacturing operations in 18 countries. Due to its large global footprint, Mohawk's business is sensitive to macroeconomic events in the United States and abroad, including the COVID-19 pandemic. The Company expects that it will continue to see fluctuating demand across a number of its markets resulting from the COVID-19 pandemic. In particular, pent up demand for travel and entertainment may reduce consumer willingness to make investments in the Company's products as health conditions improve. Also, the Company has experienced and may continue to experience plant closures or slowdowns in productivity resulting from lower demand, health-based concerns, COVID-19-related employee absenteeism, supply disruptions and government-mandated closures.

During economic downturns, including current downturns resulting from the COVID-19 pandemic experienced in some of the Company's markets, demand for the Company's products may significantly decrease. This reduced demand may lead to lower sales and intensified competitive pressures.

The Company experienced certain disruptions to its business and further disruptions may occur that could materially affect the Company's ability to obtain supplies, manufacture its products or deliver inventory in a timely manner. Although the Company believes that it can manage its exposure to these risks, there is no guarantee that the Company will be able to do so in the future. The extent to which the COVID-19 pandemic continues to impact the Company's operations, results of operations, liquidity and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak (including the possibility of further surges or variants of concern), the efficacy of the vaccination programs in the jurisdictions in which the Company operates, supply chain disruptions, rising inflation, the Company's ability to maintain sufficient qualified personnel due to labor shortages, employee illness, quarantine, willingness to return to work, vaccine and/or testing mandates, face-coverings and other safety requirements, or travel and other restrictions, and the actions taken by governments, businesses and individuals to contain the impact of the COVID-19 pandemic, as well as further actions taken to limit the resulting economic impact. Accordingly, the COVID-19 pandemic and the related global reaction could have a material adverse effect on the Company's business, results of operations and financial condition.

To the extent the COVID-19 pandemic adversely affects the Company's business, financial conditions and results of operations it may also have the effect of heightening many of the other risks described in this "Risk Factor" section.

**International Risks**

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

The Company's international activities are significant to its manufacturing capacity, revenues and profits; and the Company continues to expand internationally through the construction of new manufacturing operations and investments in existing ones. Currently, the Company's Flooring ROW Segment has significant operations in Europe, Russia, Brazil, Malaysia, Australia and New Zealand, and the Company's Global Ceramic Segment has significant operations in Brazil, Europe, Russia and Mexico. In addition, the Company sources raw materials and finished goods from multiple international locations.

The Company's international sales, supply chain, operations and investments are subject to risks and uncertainties, including:

- changes in foreign country regulatory requirements;
- differing business practices associated with foreign operations;
- various import/export restrictions and the availability of required import/export licenses;
- imposition of foreign or domestic tariffs and other trade barriers;
- foreign currency exchange rate fluctuations;
- differing inflationary or deflationary market pressures, including the recent increase in inflation globally;
- foreign country tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations in tax laws;
- differing labor laws and changes in those laws;
- work stoppages and labor shortages, including as a result of the COVID-19 pandemic;
- disruptions in the shipping of imported and exported products;
- government price controls;
- extended payment terms and the inability to collect accounts receivable;
- potential difficulties repatriating cash from non-U.S. subsidiaries; and
- compliance with laws governing international relations, including those U.S. laws that relate to sanctions and corruption.

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

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

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

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

Changes in any one or a combination of these factors 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 are translated into U.S. dollars from the local currency for consolidated reporting. The exchange rates between some of these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. The Company may not be able to manage effectively its 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.

## Business and Operational Risks

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

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

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

The supply and prices of raw materials, labor, energy and fuel-related costs, including those related to oil and natural gas, are subject to market conditions and are impacted by many factors beyond the Company's control, including pandemics (such as the COVID-19 pandemic), labor shortages, weather conditions, natural disasters, governmental programs, regulations and trade and tariff policies, inflation and increased demand, among other factors. For example, in fiscal 2021, the price of the natural gas consumed in the Company's manufacturing operations increased significantly in some markets compared to the prior year period. Although the Company generally attempts to pass on increases in raw material, labor, energy and fuel-related costs to its customers, the Company's ability to do so is dependent upon the rate and magnitude of any increase, competitive pressures and market conditions for the Company's products. In addition to those experienced in fiscal 2021, 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 has been and may be materially affected.

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

The principal raw materials used in the Company's manufacturing operations include triexta, nylon, polypropylene, and polyester resins and fibers, which are used in the Company's carpet and rug business; clay, talc, feldspar and glazes, including frit (ground glass), zircon and stains, which are used in the Company's ceramic tile business; wood, paper and resins, which are used in the Company's wood and laminate flooring business; and glass fiber, plasticizers, and pvc resins, which are used in the Company's sheet vinyl and luxury vinyl tile business. In addition to raw materials, the Company sources finished goods. For certain raw materials and sourced products, the Company is dependent on one or a small number of suppliers. A material temporary or long-term adverse change in the Company's relationship with such a supplier, the financial condition of such a supplier or such supplier's ability to manufacture or deliver such raw materials or sourced products to the Company could lead to an interruption of supply or require the Company to purchase more expensive alternatives. Also, the Company's ability to obtain raw materials or source products at reasonable costs may be impacted by tariffs, global trade uncertainties and international crises, such as the COVID-19 pandemic. Despite the Company's efforts to maintain a number of sources for its raw materials, the Company experienced disruptions in its raw materials supply chain resulting from the COVID-19 pandemic in 2021. While the Company continues to monitor the COVID-19 pandemic and government restrictions enacted to address the pandemic, the long-term impact on its supply chain is unpredictable. An extended interruption in the supply of sourced products or raw materials used in the Company's business or in the supply of suitable substitute materials or products would disrupt the Company's operations, which could have a material adverse effect on the Company's business.

***The Company makes significant capital investments in its business and such capital investments may not be successful or achieve their intended results.***

The Company's business requires significant capital investment to expand capacity to support its growth, introduce new products, enter new markets and improve operating efficiencies. The Company has historically made significant capital investments each year and will continue to make capital investments in future periods, including approximately $800 million of capital investments in 2022. While the Company believes that many of its past capital investments have been successful, there is no guarantee that the return on investment from the Company's recent or future capital projects will be sufficient to recover the expenses and opportunity costs associated with these projects. Furthermore, a meaningful portion of the Company's capital investment is based on forecasted growth in its business, which is subject to uncertainty such as general economic trends, including as a result of the COVID-19 pandemic, increased competition and consumer preferences. If the Company does not accurately forecast its future capital investment needs, the Company could have excess capacity or insufficient capacity, either of which would negatively affect its revenues and profitability.

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

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

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

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

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

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

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

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

The Company is subject to increasingly numerous and complex laws, regulations and licensing requirements in each of the jurisdictions in which the Company conducts business. In addition, new laws and regulations may be enacted in the U.S. or abroad, the compliance of which may require the Company to incur additional personnel-related, environmental, or other costs on an ongoing basis.

In particular, the Company's operations are subject to various environmental, health and safety laws and regulations, including those governing air emissions, wastewater discharges, and the use, storage, treatment, recycling and disposal of materials and finished product. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations of agencies or courts. The Company may incur material costs in order to comply with new or existing regulations, including fines and penalties and increased costs of its operations. For example, Extended Producer Responsibility laws place a shared responsibility for post-consumer product management on various entities involved in the supply chain, including producers and manufacturers. Expansion of Extended Producer Responsibility legislation in the jurisdictions where the Company operates could impose additional responsibility on the Company in relation to the ultimate treatment or disposal of its products, which could lead to an increase in total costs related to the Company's products. Also, the Company's manufacturing facilities may become subject to further limitations on the emission of "greenhouse gases" due to public policy concerns regarding climate change issues or other environmental or health and safety concerns. While the form of any additional regulations cannot be predicted, a "cap-and-trade" system similar to the system that applies to the Company's businesses in the European Union could be adopted in the United States. The Company's manufacturing processes use a significant amount of energy, especially natural gas. Any such "cap-and-trade" system or other limitations imposed on the emission of "greenhouse gases" could require the Company to increase its capital expenditures, use its cash to acquire emission credits or restructure its manufacturing operations, any of which could have a material adverse effect on its business.

***The Company's business operations could suffer significant losses from natural disasters, catastrophes, fire, pandemics 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, pandemics (including COVID-19) or other unexpected events. The Company could incur uninsured losses and liabilities arising from such events, including damage to its reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on its business.

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

In the ordinary course of business, the Company is subject to a variety of product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters. The Company is also subject to various claims related to its operations and its compliance with various corporate laws and regulations, including a putative securities class action and related matters described in Note 16, *Commitments and Contingencies*. A very large claim or several similar claims asserted by a large class of plaintiffs could have a material adverse effect on the Company's business, if the Company is unable to successfully defend against or resolve these matters or if its insurance coverage is insufficient to satisfy any judgments against the Company or settlements relating to these matters. Although the Company has product liability insurance and other types of insurance, the policies may not provide coverage for certain claims against the Company or may not be sufficient to cover all possible liabilities. Further, the Company may not be able to maintain insurance at commercially acceptable premium levels. Moreover, adverse publicity arising from claims made against the Company, even if the claims are not successful, could adversely affect the Company's reputation or the reputation and sales of its products.

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

The Company's ability to attract, develop and retain qualified and talented personnel in management, sales, marketing, product design and operations, including in new international markets into which the Company may enter, is key to the Company's overall success. The Company competes with multinational firms for these employees and invests resources in recruiting, developing, motivating and retaining them. The failure to attract, develop, motivate and retain key employees could negatively affect the Company's competitive position and its operating results.

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

The profit margins of certain of the Company's businesses, particularly the Company's Flooring ROW Segment, depend in part upon the Company's ability to obtain, maintain and license proprietary technology used in the Company's principal product families. The Company has filed and is continuing to file patents relating to many different aspects of the Company's products and associated methods and is generating patent license revenues on these diverse patents; however, certain revenue-producing patents have expired or will expire. The failure to develop alternative revenues to replace expired or invalidated patents in the future could have a material adverse effect on the Company's business.

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

The Company relies, in part, on the patent, trade secret and trademark laws of the U.S., countries in the European Union and elsewhere, as well as confidentiality agreements with some of the Company's employees, to protect that technology. The Company cannot assure investors that any patents owned by or issued to it will provide the Company with competitive advantages, that third parties will not challenge these patents, or that the Company's pending patent applications will be approved.

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

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

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

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

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

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

**Information Technology Risks**

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

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

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

The Company also relies on its computer hardware, software and network for the storage, delivery and transmission of data to the Company's sales and distribution systems, and certain of the Company's production processes are managed and conducted by computer.

Any event that causes interruptions to the input, retrieval and transmission of data or increase in the service time could disrupt the Company's normal operations. There can be no assurance that the Company can effectively carry out its disaster recovery plan to handle the failure of its information systems, or that the Company will be able to restore its operational capacity within sufficient time to avoid material disruption to its business. The occurrence of any of these events could cause unanticipated disruptions in service, decreased customer service and customer satisfaction, harm to the Company's reputation and loss or misappropriation of sensitive information, which could result in loss of customers, increased operating expenses and financial losses. Any such events could in turn have a material adverse effect on the Company's business, financial condition, results of operations, and prospects.

***The Company is subject to cybersecurity risks and expects to incur increasing costs in an effort to minimize those risks.***

The Company's business employs systems that allow for the secure storage and transmission of customers', consumers', vendors', employees' and its own sensitive and proprietary information. These systems may be subject to computer hacking, acts of vandalism or theft, malware, computer viruses or other malicious codes, phishing, employee error or malfeasance, catastrophes, unforeseen events or other cyber-attacks. Any significant compromise or breach of the Company's data security, whether external or internal, or misuse of customer, consumer, employee, supplier or Company data, could result in significant costs, lost sales, fines, lawsuits and damage to the Company's reputation. Furthermore, as cyber-attacks become more sophisticated, the Company expects to incur increasing costs to strengthen its systems from outside intrusions and to maintain insurance coverage related to the threat of such attacks. While the Company has implemented administrative and technical controls and has taken other preventive actions to reduce the risk of cyber incidents and protect its information technology, they may be insufficient to prevent, or respond to, physical and electronic break-ins, cyber-attacks or other security breaches to the Company's systems.

In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to the Company's business, compliance with those requirements could also result in additional costs to the Company. Any failure to comply with federal, state or international privacy-related or data protection laws and regulations could result in proceedings against the Company by government entities or others. In addition to reputational impacts, penalties could include significant legal liability.

Furthermore, third party business partners provide a number of the key components necessary to the Company's business functions and systems. Any problems caused by these business partners, including those resulting from disruptions in communication services provided by a business partner, cyber-attacks and security breaches, regulatory restrictions, fines, or orders or other regulatory action causing reputational harm, failure of a business partner to provide services for any reason or poor performance of services, could adversely affect the Company's ability to conduct its business. In addition, the Company's business partners could also be sources of operational and information security risk to the Company, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third-party business partners could also create significant delay and expense.

## Financial and Liquidity Risks

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

A downturn in the U.S. or global economies could impact the Company's ability to obtain financing in the future, including any financing necessary to refinance existing indebtedness.

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

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

On October 18, 2019, the Company entered into a $1,800 million, senior revolving credit facility (the "Senior Credit Facility") that provides for revolving credit, including limited amounts of credit in the form of letters of credit and swingline loans. Any outstanding borrowings under the Company's U.S. and European commercial paper programs also reduce availability under the Senior Credit Facility. Including commercial paper borrowings, the Company has utilized approximately $615.3 million under the Senior Credit Facility resulting in a total of $1,184.7 million available as of December 31, 2021.

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

Additionally, the Company's credit facilities include certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, indebtedness, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company's business. In addition, the Senior Credit Facility requires the Company to maintain a Consolidated Interest Coverage Ratio of at least 3.0 to 1.0 and a Consolidated Net Leverage Ratio of no more than 4.75 to 1.0 through December 31, 2021 and 3.75 to 1.0 after December 31, 2021. A failure to comply with the obligations contained in the Company's current or future credit facilities or indentures relating to its outstanding public debt could result in an event of default or an acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. The Company cannot be certain that it would have, or be able to obtain, sufficient funds to make these accelerated payments.

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

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

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

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

***Forward-Looking Information***

Certain of the statements in this Form 10-K, particularly those anticipating future performance, business prospects, growth and operating strategies, and similar matters, and those that include the words "could," "should," "believes," "anticipates," "expects" and "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. There can be no assurance that the forward-looking statements will be accurate because they are based on many assumptions, which involve risks and uncertainties. The following important factors could cause future results to differ: changes in economic or industry conditions; competition; inflation and deflation in freight, raw material prices and other input costs; inflation and deflation in consumer markets; currency fluctuations; energy costs and supply; timing and level of capital expenditures; timing and implementation of price increases for the Company's products; impairment charges; integration of acquisitions; international operations; introduction of new products; rationalization of operations; taxes and tax reform, product and other claims; litigation; the risks and uncertainty related to the COVID-19 pandemic; regulatory and political changes in the jurisdictions in which the Company does business; and other risks identified in Mohawk's SEC reports and public announcements.

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

The Company owns and leases manufacturing and distribution facilities worldwide. The table below lists the primary owned and leased facilities at December 31, 2021. The Company owns its Corporate Headquarters in Calhoun, GA. The Company also owns and operates service centers and stores in the United States and Russia, none of which are individually material. The Company believes its existing facilities are suitable for its present needs.

| Segment and Property Use | North America | Europe and Russia | Other | Total |
|---|---|---|---|---|
| **Global Ceramic** | | | | |
| Manufacturing | 8 | 11 | 3 | 22 |
| Distribution / Warehouse | 8 | 7 | 3 | 18 |
| **Flooring North America** | | | | |
| Manufacturing | 23 | — | — | 23 |
| Distribution / Warehouse | 10 | — | — | 10 |
| **Flooring Rest of the World** | | | | |
| Manufacturing | — | 19 | 5 | 24 |
| Distribution / Warehouse | — | 3 | — | 3 |
| **Total** | | | | |
| Manufacturing | 31 | 30 | 8 | 69 |
| Distribution / Warehouse | 18 | 10 | 3 | 31 |

**Item 3. Legal Proceedings**

The Company is involved in various lawsuits, claims, investigations and other legal matters from time to time in the regular course of its business. Except as noted elsewhere in this report, 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.

See Note 16. *Commitments and Contingencies*, and Note 15. *Income Taxes,* of the notes to the consolidated financial statements included in Part II, Item 8 of this Form 10-K for a discussion of the Company's legal proceedings.

**Item 4. Mine Safety Disclosures**

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

# PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

### Market for the Common Stock

The Company's common stock, $0.01 par value per share (the "Common Stock"), is quoted on the New York Stock Exchange ("NYSE") under the symbol "MHK."

As of February 18, 2022, there were 213 holders of record of Common Stock. The Company has not paid or declared any cash dividends on shares of its Common Stock since completing its initial public offering. The payment of future cash dividends will be at the discretion of the Board of Directors and will depend upon the Company's profitability, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

### Issuer Purchases of Equity Securities

On September 16, 2021, the Company's Board of Directors approved a new share repurchase program, authorizing the Company to repurchase up to $500 million of its common stock ("2021 Share Repurchase Program"). In the fourth quarter 2021, the Company purchased $427.0 million of its common stock. As of December 31, 2021, there remained $36.8 million authorized under the 2021 Share Repurchase Program.

On February 10, 2022, the Company's Board of Directors approved a new share repurchase program, authorizing the Company to repurchase up to $500 million of its common stock (the "2022 Share Repurchase Program"). As of February 10, 2022, there remained zero authorized under the 2021 Share Repurchase Program.

Under the Share Repurchase Programs, the Company may purchase common stock in open market transactions, block or privately negotiated transactions, and may from time to time purchase shares pursuant to trading plans in accordance with Rules 10b5-1 or 10b-18 under the Exchange Act or by any combination of such methods. The number of shares to be purchased and the timing of the purchases are based on a variety of factors, including, but not limited to, the level of cash balances, credit availability, debt covenant restrictions, general business conditions, regulatory requirements, the market price of the Company's stock and the availability of alternative investment opportunities. No time limit was set for completion of repurchases under the Share Repurchase Programs and the Share Repurchase Programs may be suspended or discontinued at any time.

| Period | Total Number of Shares Purchased in Millions | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan in Millions | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plan in Millions |
|---|---|---|---|---|
| October 3 through November 6, 2021 | 0.3 | $ 180.33 | 0.3 | $ 414.5 |
| November 7 through December 4, 2021 | 0.8 | $ 175.66 | 0.8 | $ 273.7 |
| December 5 through December 31, 2021 | 1.4 | $ 173.10 | 1.4 | $ 36.8 |
| Total | 2.4 | $ 174.75 | 2.4 | |

## Item 6. Reserved

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

The following discussion and analysis of the Company's Results of Operations includes a comparison of fiscal 2021 to fiscal 2020. A similar discussion and analysis that compares fiscal 2020 to fiscal 2019 may be found in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of the Company's Form 10-K for the fiscal year ended December 31, 2020.

During the past two decades, the Company has grown significantly. Its current geographic breadth and diverse product offering are reflected in three reporting segments: Global Ceramic; Flooring North America ("Flooring NA"); and Flooring Rest of the World ("Flooring ROW"). The Global Ceramic Segment designs, manufactures, sources and markets a broad line of ceramic tile, porcelain tile, natural stone tile and other products including natural stone, porcelain slabs and quartz countertops, which it distributes primarily in North America, Europe, Brazil and Russia through various selling channels, which include company-owned stores, independent distributors and home centers. The Flooring NA Segment designs, manufactures, sources and markets its floor covering products, including broadloom carpet, carpet tile, carpet cushion, rugs, laminate, vinyl products, including luxury vinyl tile ("LVT") and sheet vinyl, and wood flooring, all of which it distributes through its network of regional distribution centers and satellite warehouses using Company-operated trucks, common carriers or rail transportation. The Segment's product lines are sold through various channels, including independent floor covering retailers, independent distributors, home centers, mass merchandisers, department stores, shop at home, online retailers, buying groups, commercial contractors and commercial end users. The Flooring ROW Segment designs, manufactures, sources, licenses and markets laminate, vinyl products, including LVT and sheet vinyl, wood flooring, roofing panels, insulation boards, medium-density fiberboard ("MDF") and chipboards, which it distributes primarily in Europe, Russia, Australia and New Zealand through various channels, including independent floor covering retailers, independent distributors, company-owned distributors, home centers, commercial contractors and commercial end users.

Mohawk is a significant supplier of every major flooring category with manufacturing operations in 18 nations and sales in approximately 170 countries. Based on its annual sales, the Company believes it is the world's largest flooring manufacturer. A majority of the Company's long-lived assets are located in the United States and Europe, which are also the Company's primary markets. Additionally, the Company maintains operations in the United Kingdom, Russia, Mexico, Australia, New Zealand, Brazil and other parts of the world. The Company is a leading provider of flooring for residential and commercial markets and has earned significant recognition for its innovation in design and performance as well as sustainability.

Due to its global footprint, Mohawk's business is sensitive to macroeconomic events in the United States and abroad. The current environment has placed unprecedented demands on the Company's operations as the COVID-19 pandemic has caused disruptions to the Company's markets and operations around the world. While the near-term economic and financial impact of the COVID-19 pandemic is improving in its residential markets, the Company expects that it will continue to see fluctuating demand across a number of its markets. During 2020, the Company completed actions prompted by the evolving COVID-19 pandemic to enhance future performance including site closings, other facility and product rationalizations and workforce reductions. These global actions delivered savings of approximately $110 million in the aggregate in 2020 and 2021, with costs of approximately $168 million.

During 2021, inflation in materials, energy, transportation and labor has impacted the Company's profitability across all segments. Mohawk has, to some extent, offset the impact of inflationary pressures through multiple pricing actions across product categories and geographies; improved mix from sales of higher-value, differentiated products; and productivity gains in manufacturing and logistics. In the near future, the Company might not foresee significant changes in these external pressures, which could have an adverse impact on the Company's results. In Europe, natural gas prices accelerated at an unprecedented pace due to supply shortages and are presently more than five times higher than last year. Given the unexpected acceleration of natural gas expenses, the European flooring industry will require some time to align product prices with higher energy costs, which could result from pricing actions, de-escalation of energy costs or a combination of the two factors. The duration of the natural gas price spike is unpredictable, and the Company will explore all options to manage the impact of energy inflation while continuing to deliver service to customers, but this energy inflation could impact future results of operations.

The Company believes it has the experience and resources necessary to capitalize on opportunities that will arise given projected strength in residential new construction and remodeling and forecasts for lower inflation, improved global supply chain issues and eventual pandemic containment. The Company also believes it is well positioned with a strong balance sheet and limited debt. Based on its current liquidity and available credit, the Company is in a position to finance internal investments, acquisitions and/or additional stock purchases. Finally, the Company is applying recommendations of local health authorities with procedures that minimize COVID-19 pandemic exposure risk for employees, suppliers, customers and other stakeholders. For information on risk that could impact the Company's results, please refer to "Risk Factors" in Part I, Item 1A of this Form 10-K.

Since becoming a publicly traded company in April 1992, Mohawk has grown both organically and through strategic and bolt-on acquisitions. The Company's most recent major acquisitions were in 2018: Godfrey Hirst, the largest floor covering manufacturer in Australia and New Zealand; and Eliane, a leading manufacturer and exporter of ceramic tile in Brazil. Mohawk has completed a number of smaller acquisitions during the past three years; many of which expanded the Company's hard surface flooring distribution in Europe. During 2021, the Company purchased an Irish insulation manufacturer that complemented its existing insulation production and distribution in Ireland and the U.K. and a French MDF production plant that added additional capacity and product offerings.

In 2021, the Company invested $676.1 million in capital projects to expand capacities, create differentiated products, and improve productivity. The largest investments during this period were ceramic tile capacity increases in Brazil, Italy, and Russia; premium laminate capacity increases in North America and Europe; LVT in North America; and countertop expansions in North America and Europe. In 2022, the Company plans to invest an additional amount of approximately $800 million to complete existing projects and commence new initiatives. The Company plans to invest in cost reduction initiatives, upgrades in recent acquisitions and previously initiated expansion projects as well as maintenance across the businesses. The main investment areas include the Company's LVT portfolio to upgrade its product offering and improve profitability; premium water-proof laminate in North America and Europe; ceramic capacity increases in Brazil, Italy, and Russia; and countertop expansion in North America and Europe.

Net earnings attributable to the Company were $1,033.2 million, or diluted EPS of $14.94 for 2021 compared to net earnings attributable to the Company of $515.6 million, or diluted EPS of $7.22 for 2020. The change in EPS was primarily attributable to the favorable net impact of price and product mix, the favorable net impact of higher volumes, productivity gains, lower restructuring, acquisition and integration-related costs, the favorable impact due to fewer short-term manufacturing disruptions and the favorable net impact from foreign exchange rates, partially offset by higher inflation, higher costs associated with investments in new product development and marketing costs and higher startup costs. The Company's operations and net earnings for 2020 were affected by broader economic conditions related to the COVID-19 pandemic. In particular, the Company experienced decreasing demand during the first six months of 2020 and increased costs associated with short-term reductions in manufacturing output. The Company believes that a number of circumstances may impact trends in 2022, including the continuation of the COVID-19 pandemic, impacts to material availability due to disruptions in the global supply chain and inflation, but the extent and duration of such impact cannot be predicted.

For the year ended December 31, 2021, the Company generated $1,309.1 million of cash from operating activities. As of December 31, 2021, the Company had cash and cash equivalents of $268.9 million, of which $68.4 million was in the United States and $200.5 million was in foreign countries, in addition to $323.0 million in short-term investments. On October 19, 2021, the Company redeemed at par the 2.00% Senior Notes, originally due on January 14, 2022, and paid the remaining €500 million outstanding principal of the 2.00% Senior Notes, plus any unpaid interest, utilizing cash on hand.

**Results of Operations**

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

| | For the Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | (In millions) | | | |
| **Statement of operations data:** | | | | |
| Net sales | $ 11,200.6 | 100.0 % | 9,552.2 | 100.0 % |
| Cost of sales (1) | 7,931.9 | 70.8 % | 7,121.5 | 74.6 % |
| Gross profit | 3,268.7 | 29.2 % | 2,430.7 | 25.4 % |
| Selling, general and administrative expenses (2) | 1,933.7 | 17.3 % | 1,794.7 | 18.8 % |
| Operating income | 1,335.0 | 11.9 % | 636.0 | 6.7 % |
| Interest expense | 57.3 | 0.5 % | 52.4 | 0.5 % |
| Other income (3) | (12.2) | (0.1)% | (0.8) | 0.0 % |
| Earnings before income taxes | 1,290.0 | 11.5 % | 584.4 | 6.1 % |
| Income tax expense (4) | 256.4 | 2.3 % | 68.6 | 0.7 % |
| Net earnings including noncontrolling interests | 1,033.5 | 9.2 % | 515.7 | 5.4 % |
| Less: Net earnings attributable to noncontrolling interests | 0.4 | 0.0 % | 0.1 | 0.0 % |
| Net earnings attributable to Mohawk Industries, Inc. | $ 1,033.2 | 9.2 % | 515.6 | 5.4 % |
| (1) Cost of sales includes: | | | | |
| Restructuring, acquisition and integration-related charges | $ 18.4 | 0.2 % | 102.4 | 1.1 % |
| Acquisition inventory step-up | 1.7 | 0.0 % | — | — % |
| Other charges | — | — % | 24.5 | 0.3 % |
| (2) Selling, general and administrative expenses include: | | | | |
| Restructuring, acquisition and integration-related charges | 5.2 | 0.0 % | 26.5 | 0.3 % |
| Other charges | — | — % | 10.1 | 0.1 % |
| (3) Other expense (income) includes: | | | | |
| Resolution of foreign non-income tax contingencies | (6.2) | (0.1) % | — | — % |
| Other charges | (0.5) | 0.0 % | 3.3 | 0.0 % |
| (4) Income tax expense (income) includes: | | | | |
| One-time tax planning election | (22.2) | (0.2) % | — | — % |
| Income tax effect on resolution of foreign non-income tax contingencies | 2.3 | 0.0 % | — | — % |
| Other charges | 0.9 | 0.0 % | 0.3 | 0.0 % |

***Year Ended December 31, 2021, as Compared with Year Ended December 31, 2020***

**Net sales**

Net sales for 2021 were $11,200.6 million, reflecting an increase of $1,648.4 million, or 17.3%, from the $9,552.2 million reported for 2020. The increase was primarily attributable to the favorable net impact of price and product mix of approximately $792 million, higher volumes of approximately $739 million, and the favorable net impact from foreign exchange rates of approximately $160 million, partially offset by the unfavorable impact from one less shipping day for 2021 of approximately $42 million. In 2020, the Company's global sales were affected by broader economic conditions related to the COVID-19 pandemic. In particular, the Company experienced decreasing demand during the first six months of 2020.

*Global Ceramic Segment*—Net sales increased $484.5 million, or 14.1%, to $3,917.3 million for 2021, compared to $3,432.8 million for 2020. The increase was primarily attributable to the favorable net impact of price and product mix of approximately $239 million, higher volumes of approximately $236 million and the favorable net impact from foreign exchange rates of approximately $22 million, partially offset by the unfavorable impact from one less shipping day for 2021 of approximately $12 million.

*Flooring NA Segment*—Net sales increased $522.3 million, or 14.5%, to $4,116.4 million for 2021, compared to $3,594.1 million for 2020. The increase was attributable to the favorable net impact of price and product mix of approximately $269 million and higher volumes of approximately $275 million, partially offset by the unfavorable impact from one less shipping day for 2021 of approximately $21 million.

*Flooring ROW Segment*—Net sales increased $641.5 million, or 25.4%, to $3,166.9 million for 2021, compared to $2,525.4 million for 2020. The increase was primarily attributable to the favorable net impact of price and product mix of approximately $284 million, higher volumes of approximately $228 million and the favorable net impact from foreign exchange rates of approximately $138 million, partially offset by the unfavorable impact from one less shipping day for 2021 of approximately $9 million.

Quarterly net sales and the percentage changes in net sales by quarter for 2021 versus 2020 were as follows (dollars in millions):

| | 2021 | 2020 | Change |
|---|---|---|---|
| First quarter | $ 2,669.0 | 2,285.8 | 16.8 % |
| Second quarter | 2,953.8 | 2,049.8 | 44.1 % |
| Third quarter | 2,817.0 | 2,574.9 | 9.4 % |
| Fourth quarter | 2,760.7 | 2,641.8 | 4.5 % |
| Total year | $ 11,200.6 | 9,552.2 | 17.3 % |

**Gross profit**

Gross profit for 2021 was $3,268.7 million (29.2% of net sales), an increase of $838.0 million or 34.5%, compared to gross profit of $2,430.7 million (25.4% of net sales) for 2020. As a percentage of net sales, gross profit increased 380 basis points. The increase in gross profit dollars was primarily attributable to the favorable net impact of price and product mix of approximately $593 million, productivity gains of approximately $263 million, higher volumes of approximately $257 million, lower restructuring, acquisition and integration-related costs of approximately $107 million, the favorable impact of approximately $90 million due to fewer short-term manufacturing disruptions and the favorable net impact from foreign exchange rates of approximately $55 million, partially offset by higher inflation of approximately $524 million and approximately $4 million of higher startup cost. As previously discussed, the Company's operations for the period did not reflect normal seasonality in 2020 and were affected by broader economic conditions related to the COVID-19 pandemic. In particular, the Company experienced increased costs associated with short-term reductions in manufacturing output in addition to decreased demand during the first six months of 2020.

**Selling, general and administrative expenses**

Selling, general and administrative expenses for 2021 were $1,933.7 million (17.3% of net sales), an increase of $139.0 million or 7.7% compared to $1,794.7 million (18.8% of net sales) for 2020. As a percentage of net sales, selling, general and administrative expenses decreased 150 basis points. The increase in selling, general and administrative expenses in dollars was primarily attributable to an increase in costs that were curtailed in 2020 due to the COVID-19 pandemic of approximately $54 million, higher volumes of approximately $45 million, higher inflation costs of approximately $35 million, the unfavorable net impact from foreign exchange rates of approximately $20 million, higher costs associated with investments in new product development and marketing costs of approximately $9 million and the unfavorable net impact of price and product mix of approximately $7 million, partially offset by the lower restructuring, acquisition and integration-related costs of approximately $31 million.

**Operating income**

Operating income for 2021 was $1,335.0 million (11.9% of net sales) reflecting an increase of $699.0 million, or 109.9%, compared to operating income of $636.0 million (6.7% of net sales) for 2020. The increase in operating income was primarily attributable to approximately $586 million due to the favorable net impact of price and product mix, higher volumes of approximately $212 million, productivity gains of approximately $209 million, the impact of lower restructuring, acquisition and integration-related costs of approximately $138 million, the favorable impact due to fewer short-term manufacturing disruptions of approximately $90 million and the favorable net impact from foreign exchange rates of approximately $34 million, partially offset by higher inflation costs of approximately $559 million, higher costs associated with investments in new product development and marketing costs of approximately $9 million and higher startup costs of approximately $4 million. As previously discussed, the Company's operations for 2020 were negatively impacted by disruptions from the COVID-19 pandemic resulting in decreased demand during the first six months of 2020 and increased costs associated with short-term reductions in manufacturing output.

*Global Ceramic Segment*—Operating income was $403.1 million (10.3% of segment net sales) for 2021 reflecting an increase of $235.4 million, or 140.3%, compared to operating income of $167.7 million (4.9% of segment net sales) for 2020. The increase in operating income was primarily attributable to the favorable net impact of price and product mix of approximately $167 million, higher productivity gains of approximately $82 million, lower restructuring, acquisition and integration-related costs of approximately $63 million, higher volumes of approximately $62 million and the favorable impact due to fewer short-term manufacturing disruptions of approximately $38 million, partially offset by higher inflation costs of approximately $173 million and higher costs associated with investments in new product development and marketing costs of approximately $9 million.

*Flooring NA Segment*—Operating income was $407.6 million (9.9% of segment net sales) for 2021 reflecting an increase of $260.2 million, or 176.5%, compared to operating income of $147.4 million (4.1% of segment net sales) for 2020. The increase in operating income was primarily attributable to the favorable net impact of price and product mix of approximately $177 million, higher productivity gains of approximately $135 million, higher volumes of approximately $66 million, the favorable impact due to fewer short-term manufacturing disruptions of approximately $39 million and lower restructuring, acquisition and integration-related costs of approximately $34 million, partially offset by higher inflation costs of approximately $189 million.

*Flooring ROW Segment*—Operating income was $571.1 million (18.0% of segment net sales) for 2021 reflecting an increase of $204.2 million, or 55.7%, compared to operating income of $366.9 million (14.5% of segment net sales) for 2020. The increase in operating income was primarily attributable to the favorable net impact of price and product mix of approximately $242 million, higher volumes of approximately $84 million, lower restructuring, acquisition and integration-related costs of approximately $36 million, the favorable net impact from foreign exchange rates of approximately $35 million and the favorable impact due to fewer short-term manufacturing disruptions of approximately $14 million, partially offset by higher inflation costs of approximately $193 million, an increase in costs that were curtailed due to the COVID-19 pandemic of approximately $7 million and higher startup costs of $4 million.

**Interest expense**

Interest expense was $57.3 million for 2021, reflecting an increase of $4.9 million compared to interest expense of $52.4 million for 2020. During the second quarter of 2020, the Company issued new long-term debt to strengthen its liquidity position during the early months of the COVID-19 pandemic, which shifted the Company from a mix of fixed and floating rate debt, with a lower average interest rate, to more fixed rate debt, which carries a higher average interest rate. The higher average interest rate impacted interest expense for all of 2021 compared to a portion of 2020, with the impact partially offset by the early redemption of the €500.0 million 2.00% Senior Notes in October 2021 and the prepayment of the Term Loan Facility of $500.0 million in May 2020.

**Other expense (income)**

Other income was $12.2 million for 2021, reflecting a favorable change of $11.4 million compared to other income of $0.8 million for 2020. The change was primarily attributable to the resolution of foreign non-income tax contingencies of $6.2 million, favorable net impact of foreign exchange rates of $1.5 million, an impairment charge of $3.6 million related to the Company's net investment in a joint venture in Brazil during 2020 and other miscellaneous items.

### Income tax expense

For 2021, the Company recorded income tax expense of $256.4 million on earnings before income taxes of $1,290.0 million for an effective tax rate of 19.9%, as compared to an income tax expense of $68.6 million on earnings before income taxes of $584.4 million, resulting in an effective tax rate of 11.7% for 2020. In 2021, the Company was impacted by significant pre-tax income differences between the 2020 and 2021 periods that was a result of the recovery from the COVID-19 pandemic, a one-time Italian step-up benefit allowing for the realignment of tax asset values, and carryback rate differential in the U.S. In 2020, the Company realized a $33.8 million carryback rate differential in the U.S. and had a $10.3 million tax benefit from a foreign exchange loss on previously taxed earnings distributed during the year.

## Liquidity and Capital Resources

The Company’s primary capital requirements are for working capital, capital expenditures and acquisitions. The Company’s capital needs are met primarily through a combination of internally generated funds, commercial paper, bank credit lines, term and senior notes and credit terms from suppliers. As of December 31, 2021, the Company had a total of $1,184.7 million available under its Senior Credit Facility. The Company also maintains local currency revolving lines of credit and other credit facilities to provide liquidity to its businesses around the world. None of such local facilities are material in amount.

Net cash provided by operating activities for the year ended 2021 was $1,309.1 million, compared to net cash provided by operating activities of $1,769.8 million for the year ended 2020. This decrease of $460.7 million was primarily attributable to changes in working capital, partially offset by higher net earnings.

Net cash used in investing activities for the year ended 2021 was $556.8 million compared to net cash used in investing activities of $954.8 million for the year ended 2020. The decrease was primarily due to the increase in the redemptions of short-term investments of $772.6 million (net of purchases of short-term investments), partially offset by the increase of capital expenditures of $250.6 million and an increase in acquisitions of $124.0 million.

Net cash used in financing activities for the year ended 2021 was $1,232.2 million compared to net cash used in financing activities of $188.2 million for the year ended 2020. The change in cash used in financing is primarily attributable to the lower proceeds from the Senior Notes of $1,667.6 million (net of repayments of $605.3 million) and higher share repurchases of $711.7 million, partially offset by the reduced net pay down on commercial paper of $1,310.3 million.

On September 16, 2021, the Company’s Board of Directors approved a new share repurchase program, authorizing the Company to repurchase up to $500 million of its common stock. This was in addition to the previously approved 2020 Share Repurchase Program. For the twelve months ended December 31, 2021, the Company purchased $900.3 million of its common stock, exhausting the $437.2 million remaining under the 2020 Share Repurchase Program, and utilizing $463.1 million under the 2021 Share Repurchase Program. As of December 31, 2021, there remained $36.8 million authorized under the 2021 Share Repurchase Program.

On February 10, 2022, the Company's Board of Directors approved a new share repurchase program, authorizing the Company to repurchase up to $500 million of its common stock. As of February 10, 2022, there remained zero authorized under the 2021 Share Repurchase Program.

As of December 31, 2021, the Company had cash of $268.9 million, of which $200.5 million was held outside the United States. In addition to its cash on hand, the Company also had short-term investments of $323.0 million as of December 31, 2021. The Company plans to permanently reinvest the cash held outside the United States. The Company believes that its cash and cash equivalents, and short-term investments on hand, cash generated from operations and availability under its Senior Credit Facility will be sufficient to meet its planned capital expenditures, further working capital investment and debt servicing requirements over the next twelve months.

See Note 10. Long-Term Debt, of the notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further discussion of the Company’s long-term debt. 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.

**Contractual obligations and commitments**

The following is a summary of the Company's future minimum payments under contractual obligations and commitments as of December 31, 2021 (in millions):

| | Total | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter |
|---|---|---|---|---|---|---|---|
| Contractual obligations and commitments: | | | | | | | |
| Long-term debt, including current maturities | $ 2,333.4 | 624.5 | 610.0 | 8.4 | 7.1 | 4.8 | 1,078.6 |
| Interest payments on long-term debt and finance leases [1] | 234.1 | 30.8 | 28.6 | 28.5 | 28.4 | 28.3 | 89.4 |
| Operating leases | 427.2 | 120.8 | 98.8 | 73.9 | 56.9 | 40.5 | 36.5 |
| Purchase commitments [2] | 496.2 | 247.9 | 30.4 | 30.4 | 30.4 | 30.4 | 126.7 |
| Expected pension contributions [3] | 3.8 | 3.8 | — | — | — | — | — |
| Uncertain tax positions [4] | 6.2 | 6.2 | — | — | — | — | — |
| Guarantees [5] | 41.8 | 18.6 | 5.2 | 5.1 | 5.1 | 5.1 | 2.7 |
| Total | $ 3,542.7 | 1,052.6 | 773.0 | 146.3 | 127.9 | 109.1 | 1,333.9 |

(1)For fixed rate debt, the Company calculated interest based on the applicable rates and payment dates. For variable rate debt, the Company estimated average outstanding balances for the respective periods and applied interest rates in effect as of December 31, 2021 to these balances.

(2)Includes volume commitments for primarily raw material purchases.

(3)Includes the estimated pension contributions for 2022 only, as the Company is unable to estimate the pension contributions beyond 2022. The Company's projected benefit obligation and plan assets as of December 31, 2021 were $80.3 million and $65.1 million, respectively. The projected benefit obligation liability has not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(4)Excludes $53.4 million of non-current accrued income tax liabilities and related interest and penalties for uncertain tax positions. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

(5)Includes bank guarantees and letters of credit.

**Critical Accounting Policies**

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

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K. Some of those significant accounting policies require the Company to make subjective or complex judgments or estimates. Critical accounting estimates are defined as those that are both most important to the portrayal of a company's financial condition and results and require management's most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

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

- *Accounts receivable and revenue recognition.* The Company recognizes revenues when it satisfies performance obligations as evidenced by the transfer of control of the promised goods to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. The nature of the promised goods are ceramic, stone, carpet, resilient, laminate, wood and other flooring products. Payment is typically received 90 days or less from the invoice date. The Company adjusts the amounts of revenue for expected cash discounts, sales allowances, returns, and claims, based upon historical experience. The Company adjusts accounts receivable for doubtful account allowances based upon relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount, periodic evaluation of specific customer accounts, and the aging of accounts receivable. If the Company expects the financial condition of the Company's customers to deteriorate based on current conditions or reasonable and supportable forecasts, additional allowances may be required. A 10% change in the Company's allowance for discounts, returns, claims and doubtful accounts would have affected net earnings by approximately $6 million for the year ended December 31, 2021.

- *Inventories are stated at the lower of cost or market (net realizable value).* Inventories are stated at the lower of cost or market (net realizable value). Cost has been determined using the first-in first-out method ("FIFO"). Costs included in inventory include raw materials, direct and indirect labor and employee benefits, depreciation, general manufacturing overhead and various other costs of manufacturing. Market, with respect to all inventories, is replacement cost or net realizable value. Inventories on hand are compared against anticipated future usage, which is a function of historical usage, anticipated future selling price, expected sales below cost, excessive quantities and an evaluation for obsolescence. Actual results could differ from assumptions used to value obsolete inventory, excessive inventory or inventory expected to be sold below cost, and a 10% change in the Company's assumptions for excess or obsolete inventory would have affected net earnings by approximately $13 million for the year ended December 31, 2021.

- *Acquisition Accounting.* The fair value of the consideration the Company pays for each new acquisition is allocated to tangible assets and identifiable intangible assets, liabilities assumed, any noncontrolling interest in the acquired entity and goodwill. The accounting for acquisitions involves a considerable amount of judgment and estimate, including the fair value of certain forms of consideration; fair value of acquired intangible assets involving projections of future revenues and cash flows that are then either discounted at an estimated discount rate or measured at an estimated royalty rate; fair value of other acquired assets and assumed liabilities, including potential contingencies; and the useful lives of the acquired assets. The assumptions used are determined at the time of the acquisition in accordance with accepted valuation models. Projections are developed using internal forecasts, available industry and market data and estimates of long-term rates of growth for the business. The impact of prior or future acquisitions on the Company's financial position or results of operations may be materially impacted by the change in or initial selection of assumptions and estimates. See Note 2, *Acquisitions* included in Part II, Item 8 of this Form 10-K for further discussion of business combination accounting valuation methodology and assumptions.

- *Goodwill and other intangibles.* Goodwill is tested annually for impairment in the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. The goodwill impairment tests are based on determining the fair value of the specified reporting units based on management judgments and assumptions using the discounted cash flows and comparable company market valuation approaches. The Company has identified Global Ceramic, Flooring NA and Flooring ROW as its reporting units for the purposes of allocating goodwill and intangibles as well as assessing impairments. The valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital ("WACC"), and comparable company market multiples. When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the fair value of the reporting unit. However, estimates are inherently uncertain and represent only management's reasonable expectations regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Should a significant or prolonged deterioration in economic conditions occur, such as declines in spending for new construction, remodeling and replacement activities; the inability to pass increases in the costs of raw materials and fuel on to customers; or a decline in comparable company market multiples, then key judgments and assumptions could be impacted. Generally, a decline in estimated after tax cash flows greater than approximately 24% to 43% or a percentage increase of approximately 22% to 60% in WACC or a significant or prolonged decline in market capitalization could result in an additional indication of impairment.

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

The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted on the first day of the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The determination of fair value used in the impairment evaluation is based on discounted estimates of future sales projections attributable to ownership of the trademarks. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with past performance and are also consistent with the projections and assumptions that are used in operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the trademarks. Estimated cash flows are sensitive to changes in the economy among other things.

The Company reviews its long-lived asset groups, which include intangible assets subject to amortization, which for the Company are its patents and customer relationships, for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset groups may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated by these asset groups. If such asset groups are considered to be impaired, the impairment recognized is the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets held for sale are reported at the lower of the carrying amount or fair value less estimated costs of disposal and are no longer depreciated.

The Company conducted its annual assessment of goodwill and indefinite lived intangibles on the first day of the fourth quarter and no impairment was indicated for 2021. While the Company has concluded that neither goodwill nor any of its indefinite-lived intangible assets were impaired during the year ended December 31, 2021, a prolonged pandemic could impact the Company’s assumptions utilized in the determination of the estimated fair values of the Company’s reporting units and indefinite-lived intangible assets significantly enough to trigger an impairment.

- *Income taxes.* The Company’s effective tax rate is based on its income, statutory tax rates and tax planning opportunities available in the jurisdictions in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining the Company’s tax expense and in evaluating the Company’s tax positions. Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in a future period. The Company evaluates the recoverability of these future tax benefits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely on estimates, including business forecasts and other projections of financial results over an extended period of time. In the event that the Company is not able to realize all or a portion of its deferred tax assets in the future, a valuation allowance is provided. The Company would recognize such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. For further information regarding the Company’s valuation allowances, see Note 15, *Income Taxes* included in Part II, Item 8 of this Form 10-K.

  In the ordinary course of business there is inherent uncertainty in quantifying the Company’s income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company’s evaluation of the facts, circumstances and information available as of the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information, as required by the provisions of the Financial Accounting Standards Board (“FASB”) FASB Accounting Standards Codification Topic (“ASC”) 740-10. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. For further information regarding the Company’s uncertain tax positions, see Note 15, *Income Taxes* included in Part II, Item 8 of this Form 10-K.

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

**Recent Accounting Pronouncements**

See Note 1(y), "Summary of Significant Accounting Policies", of the Company's accompanying audited Consolidated Financial Statements in Part II, Item 8 of this Form 10-K for a description of recent accounting pronouncements including the dates, or expected dates of adoption, and effects, or expected effects, on the Company's disclosures, results of operations and financial condition.

**Impact of Inflation**

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

**Seasonality**

The Company is a calendar year-end company. With respect to its Global Ceramic Segment, the second quarter typically sees higher net sales, followed by the third and first quarters, while the fourth quarter shows weaker net sales. For the segment's operating income, generally, the second quarter shows stronger earnings, followed by third and first quarters, and the fourth quarter shows weaker earnings. The Flooring NA Segment's second quarter typically produces higher net sales followed by moderate third and fourth quarters, and a weaker first quarter. For the segment's operating income, historically, the third quarter shows stronger earnings, followed by second and fourth quarters, and a weaker first quarter. The Flooring ROW Segment's second quarter historically typically produces higher net sales followed by moderate fourth and third quarters, and a weaker first quarter. For the segment's operating income, generally, the second quarter shows stronger earnings, followed by first and third quarters, and the fourth quarter shows weaker earnings.

The COVID-19 pandemic has created significant volatility in the global economy and has led to unpredictable economic activity and impacted the supply chain for raw materials and sourced finished goods. The Company expects the impact of the COVID-19 pandemic to continue to impact normal seasonality trends into 2022, but the extent and duration of such impact cannot be predicted.

## Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company's market risk is impacted by changes in foreign currency exchange rates, interest rates and certain commodity prices. Financial exposures to these risks are monitored as an integral part of the Company's risk management program, which seeks to reduce the potentially adverse effect that the volatility of these markets may have on its operating results. The Company does not regularly engage in speculative transactions, nor does it regularly hold or issue financial instruments for trading purposes. Excluding the hedge of net investment discussed in Note 1(r) "Hedges of Net Investments in Non-U.S. Operations", of the Company's accompanying consolidated financial statements in Part II, Item 8 of this Form 10-K, the Company did not have any derivative contracts outstanding as of December 31, 2021 and 2020.

*Interest Rate Risk*

As of December 31, 2021, approximately 74% of the Company's debt portfolio was comprised of fixed-rate debt and 26% was floating-rate debt. The Company believes that probable near-term changes in interest rates would not materially affect its financial condition, results of operations or cash flows. The annual impact on interest expense of a one-percentage point interest rate change on the outstanding balance of the Company's variable rate debt as of December 31, 2021 would be approximately $5 million or $0.07 to diluted EPS.

*Foreign Exchange Risk*

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

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

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

Based on financial results for the year ended December 31, 2021, a hypothetical overall 10 percent change in the U.S. dollar against the euro would have resulted in a translational adjustment of approximately $54 million.

## Item 8. Consolidated Financial Statements and Supplementary Data

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Mohawk Industries, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 23, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

*Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Assessment of the carrying value of goodwill in the Global Ceramic reporting unit*

As discussed in Note 8 to the consolidated financial statements, the goodwill balance as of December 31, 2021 was $2,607.9 million, of which $1,031.3 million related to the Global Ceramic reporting unit. The Company performs goodwill impairment testing on an annual basis and whenever events or changes in circumstances indicate that the carrying value of goodwill might exceed the fair value of a reporting unit.

We identified the assessment of the carrying value of goodwill in the Global Ceramic reporting unit as a critical audit matter. Specifically, the assessment of the Company's forecasted sales growth rates, forecasted operating margins, discount rate, and selection of comparable company market multiples used in the Company's fair value estimation of the reporting unit required a higher degree of subjective auditor judgment and required the involvement of valuation professionals. Changes in these assumptions could have a significant impact on the fair value of the reporting unit.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's goodwill impairment assessment process including controls over the reasonableness of the assumptions listing above. We evaluated the Global Ceramic reporting unit's forecasted sales growth rates and operating margins for the reporting unit and compared the growth assumptions to the reporting unit's historical performance and to relevant market data. To assess the Company's ability to estimate cash flows, including forecasted sales growth rates and operating margins, we compared the reporting unit's historical cash flow forecasts to actual results. We also performed sensitivity analyses over certain assumptions listed above to assess their impact on the Company's determination that the fair value of the Global Ceramic reporting unit exceeded its carrying value. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the Global Ceramic reporting unit's discount rate by comparing it to discount rates that were independently developed using publicly available market data for comparable companies and the Company's selection of comparable company market multiples.

/s/ KPMG LLP

We have served as the Company's auditor since 1990.

Atlanta, Georgia
February 23, 2022

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Mohawk Industries, Inc.:

*Opinion on Internal Control Over Financial Reporting*

We have audited Mohawk Industries, Inc. and subsidiaries (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 23, 2022 expressed an unqualified opinion on those consolidated financial statements.

*Basis for Opinion*

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

*Definition and Limitations of Internal Control Over Financial Reporting*

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

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

/s/ KPMG LLP

Atlanta, Georgia
February 23, 2022

**MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES**

**Consolidated Balance Sheets**
**December 31, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| | (In thousands, except per share data) | |
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 268,895 | 768,625 |
| Short-term investments | 323,000 | 571,741 |
| Receivables, net | 1,839,985 | 1,709,493 |
| Inventories | 2,391,672 | 1,913,020 |
| Prepaid expenses | 394,649 | 369,432 |
| Other current assets | 20,156 | 31,343 |
| Total current assets | 5,238,357 | 5,363,654 |
| Property, plant and equipment, net | 4,636,865 | 4,591,229 |
| Right of use operating lease assets | 389,967 | 323,138 |
| Goodwill | 2,607,909 | 2,650,831 |
| Tradenames | 694,905 | 727,268 |
| Other intangible assets subject to amortization, net | 205,075 | 224,339 |
| Deferred income taxes and other non-current assets | 451,439 | 447,292 |
| Total assets | $ 14,224,517 | 14,327,751 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Short-term debt and current portion of long-term debt | $ 624,503 | 377,255 |
| Accounts payable and accrued expenses | 2,217,418 | 1,895,951 |
| Current operating lease liabilities | 104,434 | 98,042 |
| Total current liabilities | 2,946,355 | 2,371,248 |
| Deferred income taxes | 495,521 | 493,668 |
| Long-term debt, less current portion | 1,700,282 | 2,356,887 |
| Non-current operating lease liabilities | 297,390 | 234,726 |
| Other long-term liabilities | 356,753 | 330,064 |
| Total liabilities | 5,796,301 | 5,786,593 |
| Commitments and contingencies (Note 16) | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value; 60 shares authorized; no shares issued | — | — |
| Common stock, $.01 par value; 150,000 shares authorized; 72,952 and 77,624 shares issued and outstanding in 2021 and 2020, respectively | 729 | 776 |
| Additional paid-in capital | 1,911,131 | 1,885,142 |
| Retained earnings | 7,692,064 | 7,559,191 |
| Accumulated other comprehensive loss | (966,952) | (695,145) |
| | 8,636,972 | 8,749,964 |
| Less: treasury stock at cost; 7,343 and 7,346 shares in 2021 and 2020, respectively | 215,547 | 215,648 |
| Total Mohawk Industries, Inc. stockholders' equity | 8,421,425 | 8,534,316 |
| Nonredeemable noncontrolling interests | 6,791 | 6,842 |
| Total stockholders' equity | 8,428,216 | 8,541,158 |
| Total liabilities and stockholders' equity | $ 14,224,517 | 14,327,751 |

See accompanying notes to consolidated financial statements.

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

### Consolidated Statements of Operations
### Years Ended December 31, 2021, 2020 and 2019

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | (In thousands, except per share data) | | |
| Net sales | $ 11,200,613 | 9,552,197 | 9,970,672 |
| Cost of sales | 7,931,879 | 7,121,507 | 7,294,629 |
| Gross profit | 3,268,734 | 2,430,690 | 2,676,043 |
| Selling, general and administrative expenses | 1,933,723 | 1,794,688 | 1,848,819 |
| Operating income | 1,335,011 | 636,002 | 827,224 |
| Interest expense | 57,252 | 52,379 | 41,272 |
| Other expense (income) net | (12,234) | (751) | 36,407 |
| Earnings before income taxes | 1,289,993 | 584,374 | 749,545 |
| Income tax expense | 256,445 | 68,647 | 4,974 |
| Net earnings including noncontrolling interests | 1,033,548 | 515,727 | 744,571 |
| Net earnings attributable to noncontrolling interests | 389 | 132 | 360 |
| Net earnings attributable to Mohawk Industries, Inc. | $ 1,033,159 | 515,595 | 744,211 |
| | | | |
| **Basic earnings per share attributable to Mohawk Industries, Inc.** | | | |
| Basic earnings per share attributable to Mohawk Industries, Inc. | $ 15.01 | 7.24 | 10.34 |
| Weighted-average common shares outstanding—basic | 68,852 | 71,214 | 71,986 |
| | | | |
| **Diluted earnings per share attributable to Mohawk Industries, Inc.** | | | |
| Diluted earnings per share attributable to Mohawk Industries, Inc. | $ 14.94 | 7.22 | 10.30 |
| Weighted-average common shares outstanding—diluted | 69,145 | 71,401 | 72,264 |

See accompanying notes to consolidated financial statements.

**MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income (Loss)**
**Years Ended December 31, 2021, 2020 and 2019**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | | (In thousands) | |
| Net earnings including noncontrolling interests | $ 1,033,548 | 515,727 | 744,571 |
| Other comprehensive income (loss): | | | |
| Foreign currency translation adjustments | (279,384) | 72,956 | 28,996 |
| Prior pension and post-retirement benefit service cost and actuarial gain (loss), net of tax | 7,137 | (2,174) | (3,210) |
| Other comprehensive income (loss) | (272,247) | 70,782 | 25,786 |
| Comprehensive income | 761,301 | 586,509 | 770,357 |
| Comprehensive income (loss) attributable to noncontrolling interests | (51) | 235 | 360 |
| Comprehensive income attributable to Mohawk Industries, Inc. | $ 761,352 | 586,274 | 769,997 |

See accompanying notes to consolidated financial statements.

# MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

## Consolidated Statements of Stockholders' Equity
## Years Ended December 31, 2021, 2020 and 2019

| | Total Stockholders' Equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | | Nonredeemable Noncontrolling Interests | Total Stockholders' Equity |
| | Shares | Amount | | | | Shares | Amount | | |
| | | | | | (In thousands) | | | | |
| Balances at December 31, 2018 | 79,656 | $ 797 | $ 1,852,173 | $ 6,588,197 | $ (791,608) | (7,349) | $ (215,745) | $ 6,245 | $ 7,440,059 |
| Shares issued under employee and director stock plans | 130 | 1 | (7,543) | — | — | 1 | 33 | — | (7,509) |
| Stock-based compensation expense | — | — | 23,620 | — | — | — | — | — | 23,620 |
| Repurchases of common stock | (806) | (8) | | (100,071) | — | — | — | — | (100,079) |
| Net earnings attributable to noncontrolling interests | — | — | — | — | — | — | — | 360 | 360 |
| Currency translation adjustment on noncontrolling interests | — | — | — | — | — | — | — | 2 | 2 |
| Currency translation adjustment | — | — | — | — | 28,994 | — | — | — | 28,994 |
| Prior pension and post-retirement benefit service cost and actuarial loss | — | — | — | — | (3,210) | — | — | — | (3,210) |
| Net earnings | — | — | — | 744,211 | — | — | — | — | 744,211 |
| Balances at December 31, 2019 | 78,980 | 790 | 1,868,250 | 7,232,337 | (765,824) | (7,348) | (215,712) | 6,607 | 8,126,448 |
| Shares issued under employee and director stock plans | 152 | 1 | (2,805) | — | — | 2 | 64 | — | (2,740) |
| Stock-based compensation expense | — | — | 19,697 | — | — | — | — | — | 19,697 |
| Repurchases of common stock | (1,508) | (15) | — | (188,610) | — | — | — | — | (188,625) |
| Net earnings attributable to noncontrolling interests | — | — | — | — | — | — | — | 132 | 132 |
| Currency translation adjustment on noncontrolling interests | — | — | — | — | — | — | — | 103 | 103 |
| Currency translation adjustment | — | — | — | — | 72,853 | — | — | — | 72,853 |
| Prior pension and post-retirement benefit service cost and actuarial loss | — | — | — | — | (2,174) | — | — | — | (2,174) |
| CECL adoption | — | — | — | (131) | — | — | — | — | (131) |
| Net earnings | — | — | — | 515,595 | — | — | — | — | 515,595 |
| Balances at December 31, 2020 | 77,624 | 776 | 1,885,142 | 7,559,191 | (695,145) | (7,346) | (215,648) | 6,842 | 8,541,158 |
| Shares issued under employee and director stock plans | 144 | 1 | 338 | — | — | 3 | 101 | — | 440 |
| Stock-based compensation expense | — | — | 25,651 | — | — | — | — | — | 25,651 |
| Repurchases of common stock | (4,816) | (48) | — | (900,286) | — | — | — | — | (900,334) |
| Net earnings attributable to noncontrolling interests | — | — | — | — | — | — | — | 389 | 389 |
| Currency translation adjustment on noncontrolling interests | — | — | — | — | — | — | — | (440) | (440) |
| Currency translation adjustment | — | — | — | — | (278,944) | — | — | — | (278,944) |
| Prior pension and post-retirement benefit service cost and actuarial gain | — | — | — | — | 7,137 | — | — | — | 7,137 |
| Net earnings | — | — | — | 1,033,159 | — | — | — | — | 1,033,159 |
| Balances at December 31, 2021 | 72,952 | $ 729 | $ 1,911,131 | $ 7,692,064 | $ (966,952) | (7,343) | $ (215,547) | $ 6,791 | $ 8,428,216 |

See accompanying notes to consolidated financial statements.

# MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
## Consolidated Statements of Cash Flows
## Years Ended December 31, 2021, 2020 and 2019

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| | | (In thousands) | |
| Cash flows from operating activities: | | | |
| Net earnings including noncontrolling interests | $ 1,033,548 | 515,727 | 744,571 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Restructuring | 10,783 | 103,695 | 90,341 |
| Depreciation and amortization | 591,711 | 607,507 | 576,452 |
| Deferred income taxes | (4,929) | 22,324 | (107,842) |
| Loss on disposal of property, plant and equipment | 5,462 | 6,296 | 1,608 |
| Stock-based compensation expense | 25,651 | 19,697 | 23,620 |
| Impairment of net investment in a manufacturer and distributor of ceramic tile in China | — | — | 59,906 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | |
| Receivables, net | (207,047) | (54,977) | 81,953 |
| Inventories | (519,229) | 357,516 | 7,212 |
| Accounts payable and accrued expenses | 360,791 | 255,466 | (52,065) |
| Other assets and prepaid expenses | (66,844) | (55,084) | 3,625 |
| Other liabilities | 79,222 | (8,328) | (10,620) |
| Net cash provided by operating activities | 1,309,119 | 1,769,839 | 1,418,761 |
| Cash flows from investing activities: | | | |
| Additions to property, plant and equipment | (676,120) | (425,557) | (545,462) |
| Acquisitions, net of cash acquired | (123,969) | — | (81,082) |
| Purchases of short-term investments | (1,211,239) | (1,187,891) | (581,500) |
| Redemption of short-term investments | 1,454,574 | 658,650 | 592,000 |
| Net cash used in investing activities | (556,754) | (954,798) | (616,044) |
| Cash flows from financing activities: | | | |
| Payments on Senior Credit Facilities | — | (633,134) | (488,978) |
| Proceeds from Senior Credit Facilities | — | 617,883 | 448,587 |
| Payments on commercial paper | (570,362) | (4,890,991) | (15,168,820) |
| Proceeds from commercial paper | 1,185,020 | 4,195,353 | 14,540,177 |
| Proceeds from Floating Rate Notes | — | — | 331,325 |
| Payment on Floating Rate Notes | — | — | (331,325) |
| Proceeds from Senior Notes issuance | — | 1,062,240 | — |
| Repayments on Senior Notes | (932,252) | (326,904) | — |
| Proceeds from Term Loan Facility | — | 500,000 | — |
| Repayment on Term Loan Facility | — | (500,000) | — |
| Net payments of other financing activities | (11,656) | (8,338) | (13,071) |
| Debt issuance costs | — | (11,413) | (3,028) |
| Purchase of Mohawk common stock | (900,334) | (188,625) | (100,080) |
| Change in outstanding checks in excess of cash | (2,641) | (4,256) | (4,664) |
| Net cash used in financing activities | (1,232,225) | (188,185) | (789,877) |
| Effect of exchange rate changes on cash and cash equivalents | (19,870) | 6,984 | 2,895 |
| Net change in cash and cash equivalents | (499,730) | 633,840 | 15,735 |
| Cash and cash equivalents, beginning of year | 768,625 | 134,785 | 119,050 |
| Cash and cash equivalents, end of year | $ 268,895 | 768,625 | 134,785 |

See accompanying notes to consolidated financial statements.

**MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements**
**Years Ended December 31, 2021, 2020 and 2019**
**(In thousands, except per share data)**

**(1) Summary of Significant Accounting Policies**

*(a) Basis of Presentation*

Mohawk Industries, Inc. ("Mohawk" or the "Company"), a term which includes the Company and its subsidiaries, is a leading global flooring manufacturer that creates products to enhance residential and commercial spaces around the world. The Company's vertically integrated manufacturing and distribution processes provide competitive advantages in the production of carpet, rugs, ceramic tile, laminate, wood, stone, luxury vinyl tile ("LVT") and sheet vinyl flooring.

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

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

*(b) The COVID-19 Pandemic*

During 2020 and 2021, the Company experienced certain disruptions to its business and further disruptions may occur that could materially affect the Company's ability to obtain supplies, manufacture its products or deliver inventory in a timely manner. Future disruptions may result in lost revenue, additional costs or impairments to goodwill or other assets. Although the Company believes that it can manage its exposure to these risks, there is no guarantee that it will be able to do so in the future. The Company continues to follow the recommendations of local health authorities to minimize exposure risk for its employees, suppliers, customers and other stakeholders. The Company has implemented business continuity plans during the crisis and is attempting to minimize the pandemic's impact, but it may be unable to adequately respond to further outbreaks in particular geographies and its operations may be materially impacted. The extent to which the COVID-19 pandemic may impact the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including the successful implementation of vaccination programs and the continued fiscal support currently provided by governments. Accordingly, the COVID-19 pandemic and the related global reaction could have a material adverse effect on the Company's business, results of operations and financial condition.

*(c) Cash and Cash Equivalents*

The Company considers investments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2021, the Company had cash and cash equivalents of $268,895 of which $200,501 was held outside the United States. As of December 31, 2020, the Company had cash and cash equivalents of $768,625 of which $436,948 was held outside the United States.

*(d) Short-term Investments*

The Company invests in high quality credit instruments. At December 31, 2021, short-term investments consisted solely of investments in the Company's commercial paper by its wholly-owned captive insurance company. At December 31, 2020, amounts consisted of a short-duration bond fund and managed income fund. Such investments are not insured by the Federal Deposit Insurance Corporation.

The Company's investment in the short-duration bond fund and managed income fund at December 31, 2020 was classified as an equity security, recorded at fair value based on the closing market price of the security. The Company recognized dividends, realized and unrealized gains and losses to other expense (income), net in the statement of operations.

*(e) Fair Value*

Accounting principles generally accepted in the U.S. define fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. As the basis for evaluating such inputs, a three-tier value hierarchy prioritizes the inputs used in measuring fair value as follows:

***Level 1:*** Observable inputs such as quoted prices for identical assets or liabilities in active markets.

***Level 2:*** Observable inputs other than quoted prices that are directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets; quoted prices for similar or identical assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

***Level 3:*** Unobservable inputs that reflect the reporting entity's own assumptions.

*(f) Accounts Receivable and Revenue Recognition*

The Company recognizes revenues when it satisfies performance obligations as evidenced by the transfer of control of the promised goods to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. The nature of the promised goods are ceramic, stone, carpet, resilient (includes sheet vinyl and LVT), laminate, wood and other flooring products. Payment is typically received 90 days or less from the invoice date. The Company adjusts the amounts of revenue for expected cash discounts, sales allowances, returns, and claims, based upon historical experience. The Company adjusts accounts receivable for doubtful account allowances based upon historical bad debt, claims experience, periodic evaluation of specific customer accounts, and the aging of accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The Company accounts for incremental costs of obtaining a contract as an expense when incurred in selling, general and administrative expenses if the amortization period is less than one year.

The Company accounts for shipping and handling activities performed after control has been transferred as a fulfillment cost in cost of sales.

*(g) Inventories*

The Company accounts for all inventories on the first-in, first-out ("FIFO") method. Inventories are stated at the lower of cost or net realizable value. Cost has been determined using the FIFO method. Costs included in inventory include raw materials, direct and indirect labor and employee benefits, depreciation, general manufacturing overhead and various other costs of manufacturing. Inventories on hand are compared against anticipated future usage, which is a function of historical usage, anticipated future selling price, expected sales below cost, excessive quantities and an evaluation for obsolescence.

*(h) Property, Plant and Equipment*

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

*(i) Accounting for Business Combinations*

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

*(j) Goodwill and Other Intangible Assets*

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

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

The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted on the first day of the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The impairment tests for indefinite lived intangible assets may be completed through an assessment of qualitative factors to determine the existence of events or circumstances that would indicate that it is not more likely than not that the fair value of these assets is less than their carrying amounts. If the qualitative assessment indicates it is not more likely than not that the fair value of these assets is less than their carrying amounts, a quantitative impairment test is not required. If a quantitative test is necessary, the Company estimates the fair value of the intangible asset and compares it to its carrying amount. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The Company may also elect to bypass the qualitative assessment and perform a quantitative impairment test in any period. If the Company elects to perform a quantitative impairment test, it may resume the qualitative assessment in subsequent periods.

The determination of fair value used in the impairment evaluation is based on discounted estimates of future sales projections attributable to ownership of the trademarks. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, applicable discount rate and the amount of expected future cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with past performance and are also consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the trademarks. Estimated cash flows are sensitive to changes in the economy among other things.

Intangible assets that do not have indefinite lives are amortized based on average lives, which range from 7-20 years.

*(k) Leases*

The Company measures right of use ("ROU") assets and lease liabilities based on the present value of the future minimum lease payments over the lease term at the commencement date. Minimum lease payments include the fixed lease and non-lease components of the agreement, as well as any variable rent payments that depend on an index, initially measured using the index at the lease commencement date. The ROU assets are adjusted for any initial direct costs incurred less any lease incentives received, in addition to payments made on or before the commencement date of the lease. The Company recognizes lease expense for leases on a straight-line basis over the lease term.

As the implicit rate is not readily determinable for most of the Company's lease agreements, the Company uses an estimated incremental borrowing rate to determine the initial present value of lease payments. These discount rates for leases are calculated using the Company's credit spread adjusted for current market factors and foreign currency rates. The Company also made a policy election to determine its incremental borrowing rate, at the initial application date, using the total lease term and the total minimum rental payments, as the Company believes this rate is more indicative of the implied financing cost.

The Company determines if a contract is or contains a lease at inception. The Company has operating and finance leases for service centers, warehouses, showrooms, and machinery and equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet and expensed as incurred. The Company enters into lease contracts ranging from 1 to 60 years with a majority of the Company's lease terms ranging from 1 to 10 years.

Some leases include one or more options to renew, with renewal terms that can extend the lease term from 3 to 10 years or more. The exercise of these lease renewal options is at the Company's sole discretion. An insignificant number of the Company's leases include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term.

*(l) Income Taxes*

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

*(m) Financial Instruments*

The Company's financial instruments consist primarily of short-term investments, receivables, accounts payable, accrued expenses and long-term debt. The carrying amounts of receivables, accounts payable and accrued expenses approximate their fair value because of the short-term maturity of such instruments. The Company has a wholly-owned captive insurance company that may periodically invest in the Company's commercial paper. These short-term commercial paper investments are classified as trading securities and carried at fair value based upon level two fair value hierarchy. The carrying amount of the Company's floating rate debt approximates its fair value based upon level two fair value hierarchy. Interest rates that are currently available to the Company for issuance of long-term debt with similar terms and remaining maturities are used to estimate the fair value of the Company's long-term debt.

*(n) Advertising Costs and Vendor Consideration*

Advertising and promotion expenses are charged to earnings during the period in which they are incurred. Advertising and promotion expenses included in selling, general, and administrative expenses were $139,538 in 2021, $105,974 in 2020 and $130,207 in 2019.

Vendor consideration, generally cash, is classified as a reduction of net sales, unless specific criteria are met regarding goods or services that the Company may receive in return for this consideration. The Company makes various payments to customers, including rebates, slotting fees, advertising allowances, buy-downs and co-op advertising. All of these payments reduce gross sales with the exception of co-op advertising. Co-op advertising expenses, classified as a selling, general and administrative expense, were $22,092 in 2021, $16,087 in 2020 and $11,418 in 2019.

*(o) Product Warranties*

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

*(p) Impairment of Long-Lived Assets*

The Company reviews its long-lived asset groups, which include intangible assets such as patents and customer relationships subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset groups may not be recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of long-lived assets to future undiscounted net cash flows expected to be generated by these asset groups. If such asset groups are considered to be impaired, the impairment recognized is the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. Assets held for sale are reported at the lower of the carrying amount or fair value less estimated costs of disposal and are no longer depreciated.

*(q) Foreign Currency Translation*

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

*(r) Hedges of Net Investments in Non-U.S. Operations*

The Company has numerous investments outside the United States. The net assets of these subsidiaries are exposed to changes and volatility in currency exchange rates. The Company has in the past and might in the future use foreign currency denominated debt to hedge its non-U.S. net investments against adverse movements in exchange rates. The gains and losses on the Company's net investments in its non-U.S. operations are economically offset by losses and gains on its foreign currency borrowings. In June 2015, the Company designated its €500,000 2.00% Senior Notes borrowing as a net investment hedge of a portion of its European operations. On October 19, 2021, the Company redeemed at par the 2.00% Senior Notes, originally due on January 14, 2022, and paid the remaining €500 million outstanding principal of the 2.00% Senior Notes, plus any unpaid interest, utilizing cash on hand. In connection with this repayment, the Company dedesignated its €500,000 2.00% Senior Notes borrowing as a net investment hedge of a portion of its European operations. For the period January 1, 2021 through October 19, 2021, the change in the U.S. dollar value of the Company's euro denominated debt was a decrease of $35,363 ($26,928 net of taxes). For the years ended December 31, 2020 and December 31, 2019, the change in the U.S. dollar value of the Company's euro denominated debt was an increase of $54,907 ($41,708 net of taxes) and a decrease of $12,049 ($9,153 net of taxes), respectively. Changes in the U.S. dollar value of the Company's euro denominated debt are recorded in the foreign currency translation adjustment component of accumulated other comprehensive income (loss).

*(s) Earnings per Share ("EPS")*

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

Dilutive common stock options and unvested restricted shares (units) are included in the diluted EPS calculation using the treasury stock method. There were no common stock options and unvested restricted shares (units) that were excluded from the diluted EPS computation because the price was greater than the average market price of the common shares for the periods presented for 2021, 2020 and 2019.

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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Net earnings available to common stockholders | $ 1,033,159 | 515,595 | 744,211 |
| Weighted-average common shares outstanding-basic and diluted: | | | |
| Weighted-average common shares outstanding—basic | 68,852 | 71,214 | 71,986 |
| Add weighted-average dilutive potential common shares—options to purchase common shares and RSUs, net | 293 | 187 | 278 |
| Weighted-average common shares outstanding-diluted | 69,145 | 71,401 | 72,264 |
| Earnings per share attributable to Mohawk Industries, Inc. | | | |
| Basic | $ 15.01 | 7.24 | 10.34 |
| Diluted | $ 14.94 | 7.22 | 10.30 |

*(t) Stock-Based Compensation*

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

*(u) Employee Benefit Plans*

The Company has 401(k) retirement savings plans (the "Mohawk Plan") open to substantially all U.S. and Puerto Rico based employees who have completed 60 days of eligible service. The Company contributes $.50 for every $1.00 of employee contributions up to a maximum of 6% of the employee's salary based upon each individual participants election. Employee and employer contributions to the Mohawk Plan were $67,044 and $23,884 in 2021, $56,241 and $13,509 in 2020 and $57,354 and $23,008 in 2019, respectively.

The Company also has various pension plans covering employees in Belgium, France, and the Netherlands (the "Non-U.S. Plans") within the Flooring ROW Segment. Benefits under the Non-U.S. Plans depend on compensation and years of service. The Non-U.S. Plans are funded in accordance with local regulations. The Company uses December 31 as the measurement date for its Non-U.S. Plans. The Company's projected benefit obligation and plan assets as of December 31, 2021 were $80,324 and $65,118, respectively. The Company's projected benefit obligation and plan assets as of December 31, 2020 were $86,722 and $68,413, respectively. As of December 31, 2021, the funded status of the Non-U.S. Plans was a liability of $15,206 of which $8,866 was recorded in accumulated other comprehensive income, for a net liability of $6,340 recorded in other long-term liabilities within the consolidated balance sheets. As of December 31, 2020, the funded status of the Non-U.S. Plans was a liability of $18,309 of which $11,304 was recorded in accumulated other comprehensive income, for a net liability of $7,005 recorded in other long-term liabilities within the consolidated balance sheets.

*(v) Comprehensive Income (Loss)*

Comprehensive income (loss) includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature, pension and post-retirement benefit service cost. The Company does not provide income taxes on currency translation adjustments, as earnings from foreign subsidiaries are considered to be indefinitely reinvested. The Company presents currency translation adjustments on noncontrolling interests separately from currency translation adjustments on controlling interests in accumulated other comprehensive income (loss) within stockholders' equity.

The changes in accumulated other comprehensive income (loss) by component, net of tax, for years ended December 31, 2021, 2020 and 2019 are as follows:

| | Foreign currency translation adjustments | Prior pension and post-retirement benefit service cost and actuarial gain (loss) | Total |
|---|---|---|---|
| Balance as of December 31, 2018 | $ (782,102) | (9,506) | (791,608) |
| Current period other comprehensive income (loss) before reclassifications | 28,994 | (3,210) | 25,784 |
| Balance as of December 31, 2019 | (753,108) | (12,716) | (765,824) |
| Current period other comprehensive income (loss) before reclassifications | 72,853 | (2,174) | 70,679 |
| Balance as of December 31, 2020 | (680,255) | (14,890) | (695,145) |
| Current period other comprehensive income (loss) before reclassifications | (278,944) | 7,137 | (271,807) |
| Balance as of December 31, 2021 | $ (959,199) | (7,753) | (966,952) |

*(w) Self-Insurance Reserves*

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

The Company has a wholly-owned captive insurance company, Mohawk Assurance Services, Inc. ("MAS"). MAS insures the retained portion of the Company's U.S. general liability, automobile liability, workers' compensation exposures, pandemic, terrorism and medical coverage to MAS.

*(x) Fiscal Year*

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

*(y) Recent Accounting Pronouncements*

*- Recently Adopted*

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* which simplified the accounting for income taxes in several areas by removing certain exceptions and by clarifying and amending existing guidance applicable to accounting for income taxes. The Company adopted the new standard on January 1, 2021. The effect of adopting the new standard was not material.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which was further amended by additional accounting standards updates issued by the FASB. The new standard replaced the incurred loss impairment methodology for recognizing credit losses with a new methodology that requires recognition of lifetime expected credit losses when a financial asset is originated or purchased, even if the risk of loss is remote. The new methodology (referred to as the current expected credit losses model, or "CECL") applies to most financial assets measured at amortized cost, including trade receivables, and requires consideration of a broader range of reasonable and supportable information to estimate expected credit losses. The Company adopted the new standard on January 1, 2020 using a modified retrospective transition approach, with the cumulative impact being immaterial to the financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and other (Topic 350): Simplifying the test for goodwill impairment.* The amendments remove the second step of the current goodwill impairment test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. The Company adopted the new standard in the fourth quarter of 2019. The effect of adopting the new standard was not material.

In February 2016, the FASB issued a new standard ASU 2016-02, *Leases*, and subsequently issued additional ASUs amending this ASU (collectively ASC 842, *Leases*). ASC 842 was issued to increase transparency and comparability among organizations by requiring the recognition of right of use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted the provisions of ASC 842 on January 1, 2019 using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption in line with the new transition method allowed under ASU 2018-11. ASC 842 provides a number of optional practical expedients in transition. The Company elected the "package of practical expedients" which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. The Company did not elect the use-of-hindsight and elected the practical expedient pertaining to land easements. The new standard also provides practical expedients for an entity's ongoing accounting for leases. The Company elected the short-term lease exemption for all leases that qualify, meaning the Company will not recognize ROU assets or lease liabilities for leases with terms shorter than twelve months. The Company also elected the practical expedient to not separate lease and non-lease components for a majority of its asset classes, including real estate and most equipment.

The adoption of ASC 842 had a material impact on the Company's condensed consolidated balance sheets, but did not have a material impact on the Company's condensed consolidated statements of operations or cashflow. The most significant impact was the recognition of ROU assets of $328,169 and lease liabilities for operating leases of $332,286 at January 1, 2019, based on the present value of the future minimum rental payments for existing operating leases. The difference in the balances is due to deferred rent, tenant incentive allowances and prepaid amounts taken into account for adoption. The Company's accounting for finance leases remained substantially unchanged. See Note 12, *Leases.*

On January 1, 2019, the Company adopted the new accounting standard, ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The standard permits entities to reclassify, to retained earnings, the one-time income tax effects stranded in accumulated other comprehensive income arising from the change in the U.S. federal corporate tax rate as a result of the Tax Cuts and Jobs Act of 2017. The effect of adopting the new standard was not material.

## (2) Acquisitions

*2021 Acquisitions*

During 2021, the Company made acquisitions in the Flooring ROW Segment totaling $123,969, including the acquisition of an insulation manufacturer, on September 7, 2021 for $67,285 and the acquisition of a MDF production plant on November 2, 2021 for $46,348. The Company's acquisitions resulted in a preliminary goodwill allocation of $55,258 and intangible assets subject to amortization of $19,946. The goodwill is not expected to be deductible for tax purposes. The remaining acquisitions resulted in preliminary goodwill of $1,672 and intangible assets subject to amortization of $5,596.

*2019 Acquisitions*

During 2019, the Company acquired two hard surface flooring distribution companies based in the Netherlands and the Czech Republic for $76,237, which resulted in allocations of goodwill of $38,366 and intangible assets subject to amortization of $12,789. The results have been included in the Flooring ROW Segment and are not material to the Company's consolidated results of operations.

## (3) Revenue from Contracts with Customers

*Contract liabilities*

The Company historically records contract liabilities when it receives payment prior to fulfilling a performance obligation. Contract liabilities related to revenues are recorded in accounts payable and accrued expenses on the accompanying condensed consolidating balance sheets. The Company had contract liabilities of $65,744 and $39,466 as of December 31, 2021 and December 31, 2020, respectively.

*Performance obligations*

Substantially all of the Company's revenue is recognized at a point in time when the product is either shipped or received from the Company's facilities and control of the product is transferred to the customer. Accordingly, in any period, the Company does not recognize a significant amount of revenue from performance obligations satisfied or partially satisfied in prior periods and the amount of such revenue recognized during the years ended December 31, 2021, 2020, and 2019 was immaterial.

*Costs to obtain a contract*

The Company historically incurs certain incremental costs to obtain revenue contracts. These costs relate to marketing display structures and are capitalized when the amortization period is greater than one year, with the amount recorded in other assets on the accompanying condensed consolidated balance sheets. Capitalized costs to obtain contracts were $49,644 and $59,847 as of December 31, 2021 and December 31, 2020, respectively. Straight-line amortization expense recognized during 2021 and 2020 related to these capitalized costs were $61,681 and $68,201, respectively.

*Revenue disaggregation*

The following table presents the Company's segment revenues disaggregated by the geographical market location of customer sales and product categories during the years ended December 31, 2021, 2020 and 2019, respectively:

| December 31, 2021 | Global Ceramic Segment | Flooring NA Segment | Flooring ROW Segment | Total |
|---|---|---|---|---|
| ***Geographical Markets*** | | | | |
| United States | $ 2,193,234 | 3,978,146 | 10,248 | 6,181,628 |
| Europe | 849,247 | 2,731 | 2,265,914 | 3,117,892 |
| Russia | 299,621 | 94 | 150,295 | 450,010 |
| Other | 575,217 | 135,434 | 740,432 | 1,451,083 |
| Total | $ 3,917,319 | 4,116,405 | 3,166,889 | 11,200,613 |
| | | | | |
| ***Product Categories*** | | | | |
| Ceramic & Stone | $ 3,903,597 | 35,057 | — | 3,938,654 |
| Carpet & Resilient | 13,722 | 3,287,533 | 992,787 | 4,294,042 |
| Laminate & Wood | — | 793,815 | 1,058,951 | 1,852,766 |
| Other[(1)] | — | — | 1,115,151 | 1,115,151 |
| Total | $ 3,917,319 | 4,116,405 | 3,166,889 | 11,200,613 |

| December 31, 2020 | Global Ceramic Segment | Flooring NA Segment | Flooring ROW Segment | Total |
|---|---|---|---|---|
| ***Geographical Markets*** | | | | |
| United States | $ 2,050,470 | 3,477,556 | 2,381 | 5,530,407 |
| Europe | 699,715 | 1,506 | 1,785,549 | 2,486,770 |
| Russia | 262,846 | 50 | 122,934 | 385,830 |
| Other | 419,725 | 114,963 | 614,502 | 1,149,190 |
| Total | $ 3,432,756 | 3,594,075 | 2,525,366 | 9,552,197 |
| | | | | |
| ***Product Categories*** | | | | |
| Ceramic & Stone | $ 3,425,672 | 31,531 | — | 3,457,203 |
| Carpet & Resilient | 7,084 | 2,871,050 | 857,754 | 3,735,888 |
| Laminate & Wood | — | 691,494 | 847,473 | 1,538,967 |
| Other[(1)] | — | — | 820,139 | 820,139 |
| Total | $ 3,432,756 | 3,594,075 | 2,525,366 | 9,552,197 |

| December 31, 2019 | Global Ceramic Segment | Flooring NA Segment | Flooring ROW Segment | Total |
|---|---|---|---|---|
| ***Geographical Markets*** | | | | |
| United States | $ 2,131,029 | 3,688,691 | 2,873 | 5,822,593 |
| Europe | 711,762 | 6,922 | 1,813,555 | 2,532,239 |
| Russia | 269,142 | 66 | 116,187 | 385,395 |
| Other | 519,209 | 148,035 | 563,201 | 1,230,445 |
| Total | $ 3,631,142 | 3,843,714 | 2,495,816 | 9,970,672 |
| | | | | |
| ***Product Categories*** | | | | |
| Ceramic & Stone | $ 3,631,142 | 55,503 | — | 3,686,645 |
| Carpet & Resilient | — | 3,136,474 | 785,295 | 3,921,769 |
| Laminate & Wood | — | 651,737 | 849,340 | 1,501,077 |
| Other[1] | — | — | 861,181 | 861,181 |
| Total | $ 3,631,142 | 3,843,714 | 2,495,816 | 9,970,672 |

[1] Other includes roofing elements, insulation boards, chipboards and IP contracts.

**(4) Restructuring, Acquisition Transaction and Integration-Related Costs**

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

- In connection with acquisition activity, the Company typically incurs costs associated with executing the transactions, integrating the acquired operations (which may include expenditures for consulting and the integration of systems and processes), and restructuring the combined company (which may include charges related to employees, assets and activities that will not continue in the combined company); and
- In connection with the Company's cost-reduction/productivity initiatives, it typically incurs costs and charges associated with site closings and other facility rationalization actions including accelerated depreciation ("Asset write-downs") and workforce reductions.

Restructuring, acquisition transaction and integration-related costs consisted of the following during the year ended December 31, 2021, 2020 and 2019, respectively (in thousands):

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| ***Cost of sales*** | | | |
| Restructuring costs | $ 17,899 | 101,230 | 84,844 |
| Acquisition integration-related costs | 497 | 1,153 | 3,458 |
| Restructuring and acquisition integration-related costs | $ 18,396 | 102,383 | 88,302 |
| ***Selling, general and administrative expenses*** | | | |
| Restructuring costs | $ 1,301 | 24,127 | 5,497 |
| Acquisition transaction-related costs | 2,372 | 213 | 1,502 |
| Acquisition integration-related costs | 1,568 | 2,127 | 5,871 |
| Restructuring, acquisition transaction and integration-related costs | $ 5,241 | 26,467 | 12,870 |

The restructuring activity for the years ended December 31, 2021 and 2020, respectively is as follows (in thousands):

| | Lease impairments | Asset write-downs (gains on disposals) | Severance | Other restructuring costs | Total |
|---|---|---|---|---|---|
| Balance as of December 31, 2019 | $ 21 | — | 4,122 | 116 | 4,259 |
| Restructuring costs | | | | | |
| Global Ceramic Segment | 2,239 | 19,963 | 13,987 | 6,927 | 43,116 |
| Flooring NA Segment | 227 | 32,902 | 4,660 | 13,809 | 51,598 |
| Flooring ROW Segment | — | 12,913 | 5,746 | 6,391 | 25,050 |
| Corporate | — | 3,685 | 1,908 | — | 5,593 |
| Total restructuring costs for 2020 | 2,466 | 69,463 | 26,301 | 27,127 | 125,357 |
| Cash payments | (21) | — | (20,001) | (18,425) | (38,447) |
| Non-cash items | (2,466) | (69,463) | 1,154 | (8,089) | (78,864) |
| Balance as of December 31, 2020 | — | — | 11,576 | 729 | 12,305 |
| Restructuring costs | | | | | |
| Global Ceramic Segment | 226 | 1,458 | 134 | 808 | 2,626 |
| Flooring NA Segment | (37) | 7,595 | (284) | 9,614 | 16,888 |
| Flooring ROW Segment | — | (1,968) | (1,096) | 1,538 | (1,526) |
| Corporate | — | 1,017 | 195 | — | 1,212 |
| Total restructuring costs for 2021 | 189 | 8,102 | (1,051) | 11,960 | 19,200 |
| Cash payments | — | — | (8,507) | (10,822) | (19,329) |
| Non-cash items | (189) | (8,102) | (384) | (872) | (9,547) |
| Balance as of December 31, 2021 | $ — | — | 1,634 | 995 | 2,629 |
| | | | | | |
| 2020 restructuring costs recorded in: | | | | | |
| Cost of sales | $ — | 64,415 | 13,949 | 22,866 | 101,230 |
| Selling, general and administrative expenses | 2,466 | 5,048 | 12,352 | 4,261 | 24,127 |
| Total restructuring costs for 2020 | $ 2,466 | 69,463 | 26,301 | 27,127 | 125,357 |
| | | | | | |
| 2021 restructuring costs recorded in: | | | | | |
| Cost of sales | $ — | 6,721 | (370) | 11,548 | 17,899 |
| Selling, general and administrative expenses | 189 | 1,381 | (681) | 412 | 1,301 |
| Total restructuring costs for 2021 | $ 189 | 8,102 | (1,051) | 11,960 | 19,200 |

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

## (5) Fair Value

For publicly-traded investment securities, which consisted of the Company's money market, short-duration bond funds and managed income funds, fair value was determined on the basis of quoted market prices and, accordingly, such investments were classified as Level 1. The Company's wholly-owned captive insurance company may also invest in the Company's commercial paper. These short-term commercial paper investments are classified as trading securities and carried at fair value based upon the Level 2 fair value hierarchy.

*Items Measured at Fair Value*

The following table presents the items measured at fair value as of December 31, 2021 and December 31, 2020:

| | Fair Value | |
|---|---|---|
| | December 31, 2021 | December 31, 2020 |
| *Cash and cash equivalents:* | | |
| Money market fund (Level 1) | $ — | 197,835 |
| *Short-term investments:* | | |
| Short-term investments (Level 1) [1] | — | 571,741 |
| Commercial Paper (Level 2) | 323,000 | — |

[1] The Company's short-term investments at December 31, 2020 consisted of short-duration bond funds and managed income funds that were designed to deliver current income consistent with the preservation of capital through investing in high- and medium grade fixed income securities. The investments were readily convertible into cash.

The fair values and carrying values of the Company's debt are disclosed in Note 10 - Long-Term Debt.

## (6) Receivables, net

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Customers, trade | $ 1,721,584 | 1,591,503 |
| Income tax receivable | 73,727 | 112,580 |
| Other | 117,823 | 89,092 |
| | 1,913,134 | 1,793,175 |
| Less: allowance for discounts, returns, claims and doubtful accounts[1] | 73,149 | 83,682 |
| Receivables, net | $ 1,839,985 | 1,709,493 |

[1] The Company adopted the new standard, ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* on January 1, 2020 using a modified retrospective transition approach, with the cumulative impact being immaterial to the financial statements.

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

| | Balance at beginning of year | Acquisitions | Additions charged to net sales or costs and expenses | Deductions[1] | Balance at end of year |
|---|---|---|---|---|---|
| 2019 | $ 74,718 | 382 | 387,253 | 400,432 | 61,921 |
| 2020 | 61,921 | — | 384,403 | 362,642 | 83,682 |
| 2021 | 83,682 | 644 | 357,635 | 368,812 | 73,149 |

[1] Represents charge-offs, net of recoveries.

## (7) Inventories

The components of inventories are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Finished goods | $ 1,677,707 | 1,372,234 |
| Work in process | 144,004 | 126,231 |
| Raw materials | 569,961 | 414,555 |
| Total inventories | $ 2,391,672 | 1,913,020 |

## (8) Goodwill and Other Intangible Assets

The Company conducted its annual impairment assessment on the first day of the fourth quarter of 2021 and determined the fair values of its reporting units and trademarks exceeded their carrying values. As a result, no impairment was indicated.

The following table summarizes the components of intangible assets:

**Goodwill:**

| | Global Ceramic Segment | Flooring NA Segment | Flooring ROW Segment | Total |
|---|---|---|---|---|
| Balances as of December 31, 2019 | | | | |
| Goodwill | $ 1,583,576 | 874,198 | 1,439,678 | 3,897,452 |
| Accumulated impairment losses | (531,930) | (343,054) | (452,441) | (1,327,425) |
| | 1,051,646 | 531,144 | 987,237 | 2,570,027 |
| Goodwill recognized during the period | — | — | (9,642) | (9,642) |
| Currency translation during the period | (4,085) | — | 94,531 | 90,446 |
| Balances as of December 31, 2020 | | | | |
| Goodwill | 1,579,491 | 874,198 | 1,524,567 | 3,978,256 |
| Accumulated impairment losses | (531,930) | (343,054) | (452,441) | (1,327,425) |
| | 1,047,561 | 531,144 | 1,072,126 | 2,650,831 |
| Goodwill recognized during the period | — | — | 56,930 | 56,930 |
| Currency translation during the period | (16,224) | — | (83,628) | (99,852) |
| Balances as of December 31, 2021 | | | | |
| Goodwill | 1,563,267 | 874,198 | 1,497,869 | 3,935,334 |
| Accumulated impairment losses | (531,930) | (343,054) | (452,441) | (1,327,425) |
| | $ 1,031,337 | 531,144 | 1,045,428 | 2,607,909 |

**MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES**
**Notes to Consolidated Financial Statements—(Continued)**

**Intangible assets:**

| | | Tradenames |
|---|---|---|
| **Indefinite life assets not subject to amortization:** | | |
| Balance as of December 31, 2019 | $ | 702,732 |
| Currency translation during the year | | 24,536 |
| Balance as of December 31, 2020 | | 727,268 |
| Intangible assets acquired during the year | | 2,725 |
| Currency translation during the year | | (35,088) |
| Balance as of December 31, 2021 | $ | 694,905 |

| | | Customer relationships | Patents | Other | Total |
|---|---|---|---|---|---|
| **Intangible assets subject to amortization:** | | | | | |
| Balances as of December 31, 2019 | $ | 218,441 | 2,228 | 5,478 | 226,147 |
| Intangible assets acquired during the year | | 12,789 | — | — | 12,789 |
| Amortization during the year | | (26,612) | (2,195) | (84) | (28,891) |
| Currency translation during the year | | 13,921 | 111 | 262 | 14,294 |
| Balances as of December 31, 2020 | | 218,539 | 144 | 5,656 | 224,339 |
| Intangible assets acquired during the year | | 18,189 | 4,628 | — | 22,817 |
| Amortization during the year | | (27,820) | (639) | (821) | (29,280) |
| Currency translation during the year | | (12,479) | (211) | (111) | (12,801) |
| Balances as of December 31, 2021 | $ | 196,429 | 3,922 | 4,724 | 205,075 |

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | | Cost | Acquisitions | Currency translation | Accumulated amortization | Net Value |
| Customer Relationships | $ | 699,795 | 18,189 | (37,807) | 483,748 | 196,429 |
| Patents | | 273,570 | 4,628 | (21,862) | 252,414 | 3,922 |
| Other | | 6,945 | — | (159) | 2,062 | 4,724 |
| Total | $ | 980,310 | 22,817 | (59,828) | 738,224 | 205,075 |

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | | Cost | Acquisitions | Currency translation | Accumulated amortization | Net Value |
| Customer Relationships | $ | 645,206 | 12,789 | 41,800 | 481,256 | 218,539 |
| Patents | | 249,100 | — | 24,470 | 273,426 | 144 |
| Other | | 6,631 | — | 314 | 1,289 | 5,656 |
| Total | $ | 900,937 | 12,789 | 66,584 | 755,971 | 224,339 |

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | | 2021 | 2020 | 2019 |
| Amortization expense | $ | 29,280 | 28,891 | 27,613 |

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

| | |
|---|---|
| 2022 | $ 28,747 |
| 2023 | 27,113 |
| 2024 | 26,390 |
| 2025 | 26,195 |
| 2026 | 26,048 |

**(9) Property, Plant and Equipment**

Following is a summary of property, plant and equipment:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Land | $ 465,240 | 484,450 |
| Buildings and improvements | 1,862,463 | 1,856,859 |
| Machinery and equipment | 6,023,087 | 5,987,272 |
| Furniture and fixtures | 158,315 | 164,027 |
| Leasehold improvements | 102,766 | 103,172 |
| Construction in progress | 638,716 | 309,486 |
| | 9,250,587 | 8,905,266 |
| Less: accumulated depreciation | 4,613,722 | 4,314,037 |
| Net property, plant and equipment | $ 4,636,865 | 4,591,229 |

Additions to property, plant and equipment included capitalized interest of $9,082, $6,362 and $7,214 in 2021, 2020 and 2019, respectively. Depreciation expense was $558,818, $574,095 and $544,733 for 2021, 2020 and 2019, respectively. Included in property, plant and equipment are finance leases with a cost of $67,984 and $58,170 and accumulated depreciation of $19,902 and $12,498 as of December 31, 2021 and 2020, respectively.

**(10) Long-Term Debt**

*Senior Credit Facility*

On October 18, 2019, the Company amended and restated its $1,800,000 senior credit facility, extending the maturity from March 26, 2022 to October 18, 2024 (as amended and restated, the "Senior Credit Facility"). The Senior Credit Facility marginally reduced the commitment fee and modified certain negative covenants to provide the Company with additional flexibility, including flexibility to make acquisitions and incur additional indebtedness. The restatement also renewed the Company's option to extend the maturity of the Senior Credit Facility up to two times for an additional one-year period each.

At the Company's election, revolving loans under the Senior Credit Facility bear interest at annual rates equal to either (a) LIBOR for 1, 3 or 6 month periods, as selected by the Company, plus an applicable margin ranging between 1.00% and 1.75% (1.00% as of December 31, 2021), or (b) the higher of the Wells Fargo Bank, National Association prime rate, the Federal Funds rate plus 0.5%, or the Eurocurrency Rate (as defined in the Senior Credit Facility) rate plus 1.0%, plus an applicable margin ranging between 0.00% and 0.75% (0.00% as of December 31, 2021). The Company also pays a commitment fee to the lenders under the Senior Credit Facility on the average amount by which the aggregate commitments of the lenders exceed utilization of the Senior Credit Facility ranging from 0.09% to 0.20% per annum (0.09% as of December 31, 2021). The applicable margins and the commitment fee are determined based on whichever of the Company's Consolidated Net Leverage Ratio or its senior unsecured debt rating (or if not available, corporate family rating) results in the lower applicable margins and commitment fee (with applicable margins and the commitment fee increasing as that ratio increases or those ratings decline, as applicable). On October 28, 2021, the Company further amended the Senior Credit Facility to replace LIBOR for euros with the EURIBOR benchmark rate.

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

The Senior Credit Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, subsidiary indebtedness, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, future negative pledges, and changes in the nature of the Company's business. The limitations contain customary exceptions or, in certain cases, do not apply as long as the Company is in compliance with the financial ratio requirements and is not otherwise in default. The Senior Credit Facility originally required the Company to maintain a Consolidated Interest Coverage Ratio of at least 3.00 to 1.00 and a Consolidated Net Leverage Ratio of no more than 3.75 to 1.00, each as of the last day of any fiscal quarter. However, on May 7, 2020 the Company amended the Senior Credit Facility to temporarily increase the minimum Consolidated Net Leverage Ratio to 4.75 to 1.00 and to increase the amount of certain adjustments to Net Income that are permitted to calculate the ratio. The relief provided by the amendment is in effect for the fiscal quarters ending on September 26, 2020 through (and including) the fiscal quarter ending December 31, 2021.

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

In 2019, the Company paid financing costs of $2,264 in connection with the amendment and restatement of its Senior Credit Facility. These costs were deferred and, along with previously unamortized costs of $3,405 are being amortized over the term of the Senior Credit Facility.

As of December 31, 2021, amounts utilized under the Senior Credit Facility included zero borrowings and $1,432 of standby letters of credit related to various insurance contracts and foreign vendor commitments. Any outstanding borrowings under the Company's U.S. and European commercial paper programs reduce the availability of the Senior Credit Facility. Including commercial paper borrowings, the Company has utilized $615,291 under the Senior Credit Facility resulting in a total of $1,184,709 available as of December 31, 2021.

*Commercial Paper*

On February 28, 2014 and July 31, 2015, the Company established programs for the issuance of unsecured commercial paper in the United States and Eurozone capital markets, respectively. Commercial paper issued under the U.S. and European programs will have maturities ranging up to 397 and 183 days, respectively. None of the commercial paper notes may be voluntarily prepaid or redeemed by the Company and all rank pari passu with all of the Company's other unsecured and unsubordinated indebtedness. To the extent that the Company issues European commercial paper notes through a subsidiary of the Company, the notes will be fully and unconditionally guaranteed by the Company.

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

The proceeds from the issuance of commercial paper notes will be available for general corporate purposes. As of December 31, 2021, there was $598,000 outstanding under the U.S. commercial paper program, and the euro equivalent of $15,859 under the European program. The weighted-average interest rate and maturity period for the U.S. program were 0.37% and 20.5 days, respectively. The weighted-average interest rate and maturity period for the European program were (0.43)% and 25.1 days, respectively.

*Senior Notes*

On June 12, 2020, Mohawk Capital Finance S.A. ("Mohawk Finance"), an indirect wholly-owned finance subsidiary of the Company, completed the issuance and sale of €500,000 aggregate principal amount of 1.750% Senior Notes ("1.750% Senior Notes") due June 12, 2027. The 1.750% Senior Notes are senior unsecured obligations of Mohawk Finance and rank pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The 1.750% Senior Notes are fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. Interest on the 1.750% Senior Notes is payable annually in cash on June 12 of each year, commencing on June 12, 2021. The Company paid financing costs of $4,400 in connection with the 1.750% Senior Notes. These costs were deferred and are being amortized over the term of the 1.750% Senior Notes.

On May 14, 2020, the Company completed the issuance and sale of $500,000 aggregate principal amount of 3.625% Senior Notes ("3.625% Senior Notes") due May 15, 2030. The 3.625% Senior Notes are senior unsecured obligations of the Company and rank pari passu with all of the Company's existing and future unsecured indebtedness. Interest on the 3.625% Senior Notes is payable semi-annually in cash on May 15 and November 15 of each year, commencing on November 15, 2020. The Company paid financing costs of $5,476 in connection with the 3.625% Senior Notes. These costs were deferred and are being amortized over the term of the 3.625% Senior Notes.

On September 4, 2019, Mohawk Finance completed the issuance and sale of €300,000 aggregate principal amount of its Floating Rate Notes due September 4, 2021 ("2021 Floating Rate Notes"). The 2021 Floating Rate Notes were senior unsecured obligations of Mohawk Finance and ranked pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The 2021 Floating Rate Notes were fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bore interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.2% (but in no event would the interest rate be less than zero). Interest on the 2021 Floating Rate Notes was payable quarterly on December 4, March 4, June 4, and September 4 of each year. Mohawk Finance received an issuance premium of €744 and paid financing cost of $754 in connection with the 2021 Floating Rate Notes. The issuance premium and financing costs were deferred and amortized over the term of the 2021 Floating Rate Notes. On September 7, 2021, the Company paid the remaining €300,000 outstanding principal of the 2021 Floating Rate Notes utilizing cash on hand.

On May 18, 2018, Mohawk Finance completed the issuance and sale of €300,000 aggregate principal amount of its Floating Rate Notes due May 18, 2020 ("2020 Floating Rate Notes"). The 2020 Floating Rate Notes were senior unsecured obligations of Mohawk Finance and ranked pari passu with all of Mohawk Finance's other existing and future senior unsecured indebtedness. The 2020 Floating Rate Notes were fully, unconditionally and irrevocably guaranteed by the Company on a senior unsecured basis. These notes bore interest at a rate per annum, reset quarterly, equal to three-month EURIBOR plus 0.3% (but in no event would the interest rate be less than zero). Interest on the 2020 Floating Rate Notes was payable quarterly on August 18, November 18, February 18, and May 18 of each year. Mohawk Finance paid financing costs of $890 in connection with the 2020 Floating Rate Notes. These costs were deferred and amortized over the term of the 2020 Floating Rate Notes. On May 18, 2020, the Company paid the remaining €300,000 outstanding principal of the 2020 Floating Rate Notes utilizing cash on hand and borrowings under its commercial paper programs.

On June 9, 2015, the Company issued €500,000 aggregate principal amount of 2.00% Senior Notes ("2.00% Senior Notes") due January 14, 2022. The 2.00% Senior Notes were senior unsecured obligations of the Company and ranked pari passu with all of the Company's existing and future unsecured indebtedness. Interest on the 2.00% Senior Notes was payable annually in cash on January 14 of each year, commencing on January 14, 2016. The Company paid financing costs of $4,218 in connection with the 2.00% Senior Notes. These costs were deferred and were being amortized over the term of the 2.00% Senior Notes. On October 19, 2021, the Company redeemed at the par the remaining €500,000 outstanding principal of the 2.00% Senior Notes plus any unpaid interest, utilizing cash on hand.

On January 31, 2013, the Company issued $600,000 aggregate principal amount of 3.85% Senior Notes ("3.85% Senior Notes") due February 1, 2023. The 3.85% Senior Notes are senior unsecured obligations of the Company and rank pari passu with all of the Company's existing and future unsecured indebtedness. Interest on the 3.85% Senior Notes is payable semi-annually in cash on February 1 and August 1 of each year. The Company paid financing costs of $6,000 in connection with the 3.85% Senior Notes. These costs were deferred and are being amortized over the term of the 3.85% Senior Notes.

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

*Term Loan*

On April 7, 2020, the Company entered into a credit agreement that provided for a $500,000 delayed draw term loan facility (the "Term Loan Facility"). On April 15, 2020, the Company borrowed the full amount on the Term Loan Facility, the proceeds of which could be used for funding working capital and general corporate purposes of the Company. The principal amount of the Term Loan Facility was to be repaid in a single installment on April 6, 2021. The Company could prepay all or a portion of the Term Loan Facility from time to time, plus accrued and unpaid interest. The obligations of the Company and its subsidiaries in respect of the Term Loan Facility were unsecured. The Term Loan Facility was subject to the same affirmative and negative covenants that are applicable to the Senior Credit Facility. The Company recorded financing costs of $1,088 in connection with the Term Loan Facility. On May 15, 2020, the Company prepaid the entire outstanding balance on the Term Loan Facility utilizing cash on hand and proceeds from the 3.625% Senior Notes and associated financing costs were written off in the quarter ending June 27, 2020.

The fair values and carrying values of the Company's debt instruments are detailed as follows:

| | At December 31, 2021 | | At December 31, 2020 | |
|---|---|---|---|---|
| | Fair Value | Carrying Value | Fair Value | Carrying Value |
| 1.750% Senior Notes, payable June 12, 2027; interest payable annually | $ 601,037 | 566,380 | 635,664 | 615,006 |
| 3.625% Senior Notes, payable May 15, 2030; interest payable semi-annually | 538,545 | 500,000 | 561,890 | 500,000 |
| 3.85% Senior Notes, payable February 1, 2023; interest payable semi-annually | 615,630 | 600,000 | 638,844 | 600,000 |
| 2.00% Senior Notes, payable January 14, 2022; interest payable annually | — | — | 624,680 | 615,006 |
| 2021 Floating Rate Notes, payable September 04, 2021; interest payable quarterly | — | — | 368,738 | 369,004 |
| U.S. commercial paper | 598,000 | 598,000 | — | — |
| European commercial paper | 15,859 | 15,859 | — | — |
| Finance leases and other | 53,163 | 53,163 | 46,302 | 46,302 |
| Unamortized debt issuance costs | (8,617) | (8,617) | (11,176) | (11,176) |
| Total debt | 2,413,617 | 2,324,785 | 2,864,942 | 2,734,142 |
| Less current portion of long term-debt and commercial paper | 624,503 | 624,503 | 376,989 | 377,255 |
| Long-term debt, less current portion | $ 1,789,114 | 1,700,282 | 2,487,953 | 2,356,887 |

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

The aggregate maturities of total debt as of December 31, 2021 are as follows[1]:

| | |
|---|---|
| 2022 | $ 624,503 |
| 2023 | 609,994 |
| 2024 | 8,447 |
| 2025 | 7,062 |
| 2026 | 4,790 |
| Thereafter | 1,078,606 |
| | $ 2,333,402 |

[1] Debt maturity table excludes deferred loan costs.

## (11) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are as follows:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Outstanding checks in excess of cash | $ 3,005 | 5,672 |
| Accounts payable, trade | 1,228,621 | 1,016,897 |
| Accrued expenses | 666,209 | 566,052 |
| Product warranties | 45,215 | 54,692 |
| Accrued interest | 17,940 | 30,403 |
| Accrued compensation and benefits | 256,428 | 222,235 |
| Total accounts payable and accrued expenses | $ 2,217,418 | 1,895,951 |

## (12) Leases

Effective January 1, 2019 the Company adopted ASC 842, which requires recognition of right of use ("ROU") assets and lease liabilities on the balance sheet, based on the present value of the future minimum rental payments for existing operating leases. The Company adopted the provisions of ASC 842 on January 1, 2019 using a modified retrospective approach through a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption in line with the new transition method allowed under ASU 2018-11.

Certain of the Company's leases include rental payments that will adjust periodically for inflation or certain adjustments based on step increases. An insignificant number of the Company's leases contain residual value guarantees and none of the Company's agreements contain material restrictive covenants. Variable rent expenses consist primarily of maintenance, property taxes and charges based on usage.

The Company rents or subleases certain real estate to third parties. The Company's sublease portfolio consists mainly of operating leases.

The components of lease costs for the twelve months ended December 31, 2021, 2020 and 2019, respectively, are as follows:

| December 31, 2021 | Cost of Goods Sold | Selling, General and Administrative | Total |
|---|---|---|---|
| **Operating lease costs** | | | |
| Fixed | $ 20,130 | 104,651 | 124,781 |
| Short-term | 13,415 | 18,434 | 31,849 |
| Variable | 7,949 | 30,127 | 38,076 |
| Sub-leases | (529) | (1,113) | (1,642) |
| | $ 40,965 | 152,099 | 193,064 |

| | Depreciation and Amortization | Interest | Total |
|---|---|---|---|
| **Finance lease costs** | | | |
| Amortization of leased assets | $ 9,193 | — | 9,193 |
| Interest on lease liabilities | — | 772 | 772 |
| | $ 9,193 | 772 | 9,965 |
| Net lease costs | | | $ 203,029 |

| December 31, 2020 | Cost of Goods Sold | Selling, General and Administrative | Total |
|---|---|---|---|
| **Operating lease costs** | | | |
| Fixed | $ 25,067 | 102,504 | 127,571 |
| Short-term | 11,633 | 16,021 | 27,654 |
| Variable | 8,285 | 30,036 | 38,321 |
| Sub-leases | (411) | (741) | (1,152) |
| | $ 44,574 | 147,820 | 192,394 |

| | Depreciation and Amortization | Interest | Total |
|---|---|---|---|
| **Finance lease costs** | | | |
| Amortization of leased assets | $ 6,423 | — | 6,423 |
| Interest on lease liabilities | — | 690 | 690 |
| | $ 6,423 | 690 | 7,113 |
| Net lease costs | | | $ 199,507 |

| December 31, 2019 | Cost of Goods Sold | Selling, General and Administrative | Total |
|---|---|---|---|
| **Operating lease costs** | | | |
| Fixed | $ 30,002 | 97,988 | 127,990 |
| Short-term | 9,725 | 13,933 | 23,658 |
| Variable | 8,123 | 29,852 | 37,975 |
| Sub-leases | (311) | (537) | (848) |
| | $ 47,539 | 141,236 | 188,775 |

| | Depreciation and Amortization | Interest | Total |
|---|---|---|---|
| **Finance lease costs** | | | |
| Amortization of leased assets | $ 4,015 | — | 4,015 |
| Interest on lease liabilities | — | 491 | 491 |
| | $ 4,015 | 491 | 4,506 |
| Net lease costs | | | $ 193,281 |

Supplemental balance sheet information related to leases is as follows:

| | Classification | | At December 31, 2021 | At December 31, 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Operating Leases | | | | |
| Right of use operating lease assets | Right of use operating lease assets | $ | 389,967 | 323,138 |
| Finance Leases | | | | |
| Property, plant and equipment, gross | Property, plant and equipment | | 67,984 | 58,170 |
| Accumulated depreciation | Accumulated depreciation | | (19,902) | (12,498) |
| Property, plant and equipment, net | Property, plant and equipment, net | | 48,082 | 45,672 |
| Total lease assets | | $ | 438,049 | 368,810 |
| **Liabilities** | | | | |
| Operating Leases | | | | |
| Other current | Current operating lease liabilities | $ | 104,434 | 98,042 |
| Non-current | Non-current operating lease liabilities | | 297,390 | 234,726 |
| Total operating liabilities | | | 401,824 | 332,768 |
| Finance Leases | | | | |
| Short-term debt | Short-term debt and current portion of long-term debt | | 9,560 | 8,025 |
| Long-term debt | Long-term debt, less current portion | | 38,390 | 38,098 |
| Total finance liabilities | | | 47,950 | 46,123 |
| Total lease liabilities | | $ | 449,774 | 378,891 |

Maturities of lease liabilities as of December 31, 2021 are as follows:

| Year ending December 31, | | Finance Leases | Operating Leases | Total |
|---|---|---|---|---|
| 2022 | $ | 10,223 | 120,754 | 130,977 |
| 2023 | | 9,393 | 98,769 | 108,162 |
| 2024 | | 7,696 | 73,884 | 81,580 |
| 2025 | | 6,210 | 56,853 | 63,063 |
| 2026 | | 4,624 | 40,452 | 45,076 |
| Thereafter | | 13,112 | 36,489 | 49,601 |
| Total lease payments | | 51,258 | 427,201 | 478,459 |
| Less imputed interest | | 3,308 | 25,377 | |
| Present value, Total | $ | 47,950 | 401,824 | |

The Company had approximately $10,969 of leases that commenced after December 31, 2021 that created rights and obligations to the Company. These leases are not included in the above maturity schedule.

Lease term and discount rate are as follows:

| | At December 31, 2021 | At December 31, 2020 |
|---|---|---|
| **Weighted Average Remaining Lease Term** | | |
| Operating Leases | 4.7 years | 4.5 years |
| Finance Leases | 7.2 years | 7.7 years |
| **Weighted Average Discount Rate** | | |
| Operating Leases | 2.4 % | 2.8 % |
| Finance Leases | 1.3 % | 1.4 % |

Supplemental cash flow information related to leases was as follows:

| | Twelve Months Ended | | |
|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2019 |
| Cash paid for amounts included in measurement of lease liabilities: | | | |
| Operating cash flows from operating leases | $ 122,886 | 124,708 | 127,213 |
| Operating cash flows from finance leases | 772 | 690 | 349 |
| Financing cash flows from finance leases | 9,289 | 6,386 | 3,975 |
| Right of use assets obtained in exchange for lease obligations: | | | |
| Operating leases | 186,605 | 110,036 | 133,959 |
| Finance leases | 13,395 | 18,248 | 20,464 |
| Amortization: | | | |
| Amortization of right of use operating lease assets(1) | 115,650 | 113,898 | 109,884 |

(1) Amortization of Right of use operating lease assets during the period is reflected in Other assets and prepaid expenses on the Consolidated Statements of Cash Flows.

## (13) Stock-Based Compensation

The Company recognized compensation expense for all share-based payments granted for the years ended December 31, 2021, 2020 and 2019 based on the grant-date fair value estimated in accordance with the provisions of ASC 718-10. Compensation expense is recognized on a straight-line basis over the options' or other awards' estimated lives for fixed awards with ratable vesting provisions.

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

On May 19, 2017, the Company's stockholders approved the 2017 Long-Term Incentive Plan ("2017 Plan"), which allows the Company to reserve up to a maximum of 3,000 shares of common stock for issuance upon the grant or exercise of awards under the 2017 Plan. No additional awards may be granted under the 2012 Plan after May 19, 2017.

*Restricted Stock Plans*

A summary of the Company's RSUs under the Company's long-term incentive plans as of December 31, 2021, and changes during the year then ended is presented as follows:

| | Shares | Weighted average grant date fair value | Weighted average remaining contractual term (years) | Aggregate intrinsic value |
|---|---|---|---|---|
| Restricted Stock Units outstanding, December 31, 2020 | 375 | $ 122.84 | | |
| Granted | 194 | 176.73 | | |
| Released | (105) | 192.78 | | |
| Forfeited | (25) | 145.76 | | |
| Restricted Stock Units outstanding, December 31, 2021 | 439 | $ 128.62 | 1.3 | $ 79,950 |
| Expected to vest as of December 31, 2021 | 418 | | 1.3 | $ 76,235 |

The Company recognized stock-based compensation costs related to the issuance of RSUs of $25,651 ($18,982, net of taxes), $19,697 ($14,576, net of taxes) and $23,620 ($17,479, net of taxes) for the years ended December 31, 2021, 2020 and 2019, respectively, which has been allocated to selling, general and administrative expenses and cost of goods sold. Pre-tax unrecognized compensation expense for unvested RSUs granted to employees, net of estimated forfeitures, was $20,086 as of December 31, 2021, and will be recognized as expense over a weighted-average period of approximately 1.61 years.

Additional information relating to the Company's RSUs under the Company's long-term incentive plans are as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Restricted Stock Units outstanding, January 1 | 375 | 362 | 446 |
| Granted | 194 | 192 | 187 |
| Released | (105) | (146) | (230) |
| Forfeited | (25) | (33) | (41) |
| Restricted Stock Units outstanding, December 31 | 439 | 375 | 362 |
| Expected to vest as of December 31 | 418 | 361 | 356 |

During 2021, 2020 and 2019, shares were awarded each year to certain non-employee directors in lieu of cash for their annual retainers. The total number of shares were 3, 2, and 1, respectively.

The Company has not granted stock options since the year ended December 31, 2012. At December 31, 2021, there were no options to acquire shares outstanding.

## (14) Other Expense (Income)

Following is a summary of other expense (income):

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Foreign currency losses (gains), net | $ 6,298 | 7,815 | (7,190) |
| Release of indemnification asset | — | — | (304) |
| Impairment of joint venture in Brazil | — | 3,599 | — |
| Impairment of net investment in a manufacturer and distributor of Ceramic tile in China[1] | — | — | 59,906 |
| Resolution of foreign non-income tax contingencies | (6,211) | — | — |
| All other, net | (12,321) | (12,165) | (16,005) |
| Total other expense (income), net | $ (12,234) | (751) | 36,407 |

[1] During 2019, the Company determined that its net investment in a manufacturer and distributor of ceramic tile in China was impaired and therefore recorded a net impairment charge of $59,906.

## (15) Income Taxes

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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| United States | $ 380,632 | 94,829 | 163,764 |
| Foreign | 909,361 | 489,545 | 585,781 |
| Earnings before income taxes | $ 1,289,993 | 584,374 | 749,545 |

Income tax expense (benefit) for the years ended December 31, 2021, 2020 and 2019 consists of the following:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Current income taxes: | | | |
| U.S. federal | $ 93,085 | (33,821) | 19,936 |
| State and local | 24,904 | 7,794 | 12,659 |
| Foreign | 143,385 | 72,350 | 80,221 |
| Total current | 261,374 | 46,323 | 112,816 |
| Deferred income taxes: | | | |
| U.S. federal | (2,655) | 14,533 | 11,993 |
| State and local | 13,306 | 112 | 15,371 |
| Foreign | (15,580) | 7,679 | (135,206) |
| Total deferred | (4,929) | 22,324 | (107,842) |
| Total income tax expense | $ 256,445 | 68,647 | 4,974 |

The geographic dispersion of earnings and losses contributes to the annual changes in the Company's effective tax rates. Approximately 30% of the Company's current year earnings before income taxes was generated in the United States. The Company is also subject to taxation in other jurisdictions where it has operations, including Australia, Belgium, Brazil, Bulgaria, France, Ireland, Italy, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Poland, Russia, Spain and the United Kingdom. The effective tax rates that the Company accrues in these jurisdictions vary widely, but they are generally lower than the Company's overall effective tax rate. The Company's domestic effective tax rates for the years ended December 31, 2021, 2020 and 2019 were 33.8%, (12.0)%, and 36.6%, respectively, and its non-U.S. effective tax rates for the years ended December 31, 2021, 2020 and 2019 were 14.1%, 16.3%, and (9.4)%, respectively. The difference in rates applicable in foreign jurisdictions results from a number of factors, including lower statutory rates, historical loss carry-forwards, financing arrangements, and other factors. The Company's effective tax rate has been and will continue to be impacted by the geographical dispersion of the Company's earnings and losses. To the extent that domestic earnings increase while the foreign earnings remain flat or decrease, or increase at a lower rate, the Company's effective tax rate will increase.

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

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Income taxes at statutory rate | $ 270,898 | 122,719 | 157,404 |
| State and local income taxes, net of federal income tax benefit | 25,658 | 8,081 | 22,185 |
| Foreign income taxes[a] | (34,981) | (57,898) | (17,276) |
| Change in valuation allowance | 5,947 | 35,381 | (21,975) |
| European Restructuring[b] | — | — | (136,194) |
| Loss on previously taxed earnings | — | (10,346) | — |
| Carryback rate differential[c] | (15,743) | (33,739) | — |
| Global intangible low-taxed income | 34,400 | 2,500 | 6,000 |
| Italy Step-up Adjustment[d] | (22,163) | — | — |
| Tax contingencies and audit settlements, net | 12,505 | 6,779 | 6,686 |
| Other, net | (20,076) | (4,830) | (11,856) |
| | $ 256,445 | 68,647 | 4,974 |

[a] Foreign income taxes include statutory rate differences, financing arrangements, withholding taxes, local income taxes, notional deductions, and other miscellaneous items.

[b] The Company implemented select operational, administrative and financial restructurings that centralized certain business processes and intangible assets in various European jurisdictions into a new entity.

[c] The CARES Act permits the Company to carry back its 2020 U.S. taxable loss to a tax year before the corporate income tax rate was lowered by the Tax Cuts and Jobs Act.

[d] The company realized a one-time Italian step-up benefit allowing for the realignment of tax asset values.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2021 and 2020 are presented below:

| | 2021 | 2020 |
|---|---|---|
| Deferred tax assets: | | |
| Accounts receivable | $ 16,550 | 14,384 |
| Inventories | 38,388 | 44,597 |
| Employee benefits | 54,865 | 39,526 |
| Accrued expenses and other | 73,983 | 103,892 |
| Deductible state tax and interest benefit | 7,206 | 4,042 |
| Intangibles | 135,777 | 152,499 |
| Lease liabilities | 106,753 | 91,359 |
| Federal, foreign and state net operating losses and credits | 408,434 | 433,822 |
| Gross deferred tax assets | 841,956 | 884,121 |
| Valuation allowance | (236,357) | (267,838) |
| Net deferred tax assets | 605,599 | 616,283 |
| Deferred tax liabilities: | | |
| Inventories | (23,484) | (17,403) |
| Plant and equipment | (467,451) | (489,240) |
| Intangibles | (188,417) | (197,009) |
| Right of use assets | (101,935) | (87,351) |
| Prepaids | (45,077) | (56,140) |
| Other liabilities | (67,914) | (46,121) |
| Gross deferred tax liabilities | (894,278) | (893,264) |
| Net deferred tax liability | $ (288,679) | (276,981) |

The Company evaluates its ability to realize the tax benefits associated with deferred tax assets by analyzing its forecasted taxable income using both historic and projected future operating results, the reversal of existing temporary differences, taxable income in prior carry-back years (if permitted) and the availability of tax planning strategies. The valuation allowance as of December 31, 2021, and 2020 is $236,357 and $267,838, respectively. The valuation allowance as of December 31, 2021 relates to the net deferred tax assets of certain of the Company's foreign subsidiaries as well as certain state net operating losses and tax credits. The total change in the 2021 valuation allowance was a decrease of $31,481 related to tax rate changes, foreign currency translation, and other activities. The total change in the 2020 valuation allowance was an increase of $35,642 related to tax rate changes, foreign currency translation, and other activities.

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

As of December 31, 2021, the Company has state net operating loss carry forwards and state tax credits with potential tax benefits of $44,186, net of federal income tax benefit; these carry forwards expire over various periods based on taxing jurisdiction. A valuation allowance totaling $22,851 has been recorded against these state deferred tax assets as of December 31, 2021. In addition, as of December 31, 2021, the Company has credits and net operating loss carry forwards in the U.S. with potential tax benefits of $6,173 and in various foreign jurisdictions with potential tax benefits of $1,596,351. A valuation allowance of $5,882 and $207,624, respectively, has been recorded against these deferred tax assets as of December 31, 2021.

As a result of the redemption of hybrid instruments in response to changes in global tax regimes, the Company has an ASC 740-10 liability of $1,238,277 for the full tax effected loss on the hybrid instrument in the *Tax Uncertainties* section below. This ASC 740-10-45 liability is recorded as a reduction to the related deferred tax asset in the financial statements as a result of management's determination that it is not more likely than not that the benefit will be realized.

The Company has no intentions or plans to repatriate foreign earnings and continues to assert that historical earnings of its foreign subsidiaries as of December 31, 2021 are permanently reinvested. Should the remaining earnings be distributed in the form of dividends in the future, the Company might be subject to withholding taxes (possibly offset by U.S. foreign tax credits) in various foreign jurisdictions, but the Company would not expect incremental U.S. federal or state taxes to be accrued on these previously taxed earnings.

*Tax Uncertainties*

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

As of December 31, 2021, the Company's gross amount of unrecognized tax benefits is $1,296,523, excluding interest and penalties. If the Company were to prevail on all uncertain tax positions, $45,147 of the unrecognized tax benefits would affect the Company's effective tax rate, exclusive of any benefits related to interest and penalties.

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

| | 2021 | 2020 |
|---|---|---|
| Balance as of January 1 | $ 1,388,391 | 1,260,970 |
| Additions based on tax positions related to the current year | 458 | 1,694 |
| Additions for tax positions of acquired companies | — | — |
| Additions for tax positions of prior years | 18,001 | 7,663 |
| Transition tax planning initiatives | — | — |
| Reductions resulting from the lapse of the statute of limitations | (3,336) | (1,239) |
| Reductions due to Luxembourg tax rate change | — | — |
| Settlements with taxing authorities | — | (497) |
| Effects of foreign currency translation | (106,991) | 119,800 |
| Balance as of December 31 | $ 1,296,523 | 1,388,391 |

As a result of the redemption of hybrid instruments in response to changes in global tax regimes, the Company has an ASC 740-10 liability for the full tax effected loss on hybrid instruments. This ASC 740-10-45 liability is recorded as a reduction to the related deferred tax asset in the financial statements as a result of management's determination that it is not more likely than not that the benefit will be realized. The tax effected loss was adjusted for foreign currency translation changes in 2021, resulting in an updated balance of $1,238,277 as of December 31, 2021.

As of December 31, 2021 and 2020, the Company has $14,494 and $11,485, respectively, accrued for the payment of interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the years ended December 31, 2021, 2020 and 2019, the Company accrued interest and penalties through income tax expense of $3,236, $(695) and $5,368, respectively.

The Company believes that its unrecognized tax benefits could decrease by $19,510 within the next twelve months. The Internal Revenue Service has initiated its audit of the Company's 2019 and 2020 tax years. As permitted by the CARES Act, the company carried back its 2020 taxable losses to tax years before the corporate income tax rate was lowered by the Tax Cut and Jobs Act. Federal income tax matters related to years prior to 2014 have been effectively settled. Various other state and foreign income tax returns are open to examination for various years.

*Belgian Tax Matter*

The Company has been in a dispute with the Belgian Tax Authority (the "BTA") regarding the proper tax treatment of the royalty income arising from intellectual property ("IP") owned by a Luxembourg subsidiary, Flooring Industries Limited Sarl ("FIL"). The BTA had assessed Unilin BV for the calendar years ending December 2005 through 2010 in an amount totaling €223,321 (including penalties but excluding interest), alleging that Unilin BV inappropriately transferred valuable IP to FIL and income associated with that IP should be taxed in Belgium. Unilin BV challenged all of these assessments and prevailed both in the Court of First Appeal in Bruges and in the Ghent Court of Appeal. In 2021, the BTA indicated it will not appeal these cases to the Supreme Court and has withdrawn all of the assessments for 2005 through 2010. Consequently, all of those tax years are now closed.

Having lost under its original theory, the BTA is in the process of initiating new assessments for later years against FIL rather than Unilin BV. The BTA now alleges that FIL had a taxable presence in Belgium and should be taxed on royalties received in respect of its IP. The BTA issued initial assessments in December 2020 and June 2021 that totaled €371,696 (including penalties but excluding interest) for calendar years ending December 2013 through 2018. However, in November and December of 2021, the BTA cancelled these assessments and issued a new notice of change that totals €182,594 (including penalties but excluding interest) for those years using different calculations. The Company expects an additional assessment for 2019. Under the statute of limitations, the BTA may not assess FIL for any years prior to 2013, and the Company believes that FIL's statute of limitations is closed for 2013 through 2016, although this will be a point of contention with the BTA. These assessments would involve the same underlying facts at issue in the above referenced cases where Unilin BV prevailed at two different levels. Consequently, the Company believes that its tax position in Belgium was correct and will persist with its vigorous defense.

When the BTA issues tax assessments, Belgian tax law requires assurances that the taxes can be paid even while they are being disputed. Consequently, the BTA has placed liens on various properties of Unilin BV to support the original assessments discussed above. Since those assessments have been nullified by the courts, the accompanying liens will be withdrawn. Since FIL does not have property in Belgium, the BTA may require assurances from FIL to support the new assessments for 2013 through 2019. These assurances may take the form of a bond or bank guarantees.

## (16) Commitments and Contingencies

The Company had approximately $1,432 and $787 in standby letters of credit for various insurance contracts and commitments to foreign vendors as of December 31, 2021 and 2020, respectively that expire within two years.

The Company is involved in various lawsuits, claims, investigations and other legal matters from time to time in the regular course of its business. Except as noted below and in Note 15, Income Taxes *Belgian Tax Matter*, there are no material legal proceedings pending or known by the Company to be contemplated to which the Company is a party or to which any of its property is subject.

*Perfluorinated Compounds ("PFCs") Litigation*

In September 2016, the Water Works and Sewer Board of the City of Gadsden, Alabama (the "Gadsden Water Board") filed an individual complaint in the Circuit Court of Etowah County, Alabama against certain manufacturers, suppliers, and users of chemicals containing specific PFCs, including the Company. In May 2017, the Water Works and Sewer Board of the Town of Centre, Alabama (the "Centre Water Board") filed a similar complaint in the Circuit Court of Cherokee County, Alabama. The Gadsden Water Board and the Centre Water Board both seek monetary damages and injunctive relief claiming that their water supplies contain excessive amounts of PFCs. Certain defendants, including the Company, filed dispositive motions in each case arguing that the Alabama state courts lack personal jurisdiction over them. These motions were denied. In June and September 2018, certain defendants, including the Company, petitioned the Alabama Supreme Court for Writs of Mandamus directing each lower court to enter an order granting the defendants' dispositive motions on personal jurisdiction grounds. The Alabama Supreme Court denied the petitions on December 20, 2019. Certain defendants, including the Company, filed an Application for Rehearing with the Alabama Supreme Court asking the court to reconsider its December 2019 decision. The Alabama Supreme Court denied the application for rehearing. On August 21, 2020, certain defendants, including the Company, petitioned the Supreme Court of the United States for review of the matter. On January 19, 2021, the Supreme Court denied the defendants' petition for review.

In December 2019, the City of Rome, Georgia ("Rome") filed a complaint in the Superior Court of Floyd County, Georgia that is similar to the Gadsden Water Board and Centre Water Board complaints, again seeking monetary damages and injunctive relief related to PFCs. Also in December 2019, Jarrod Johnson filed a putative class action in the Superior Court of Floyd County, Georgia purporting to represent all water subscribers with the Rome (Georgia) Water and Sewer Division and/or the Floyd County (Georgia) Water Department and seeking to recover, among other things, damages in the form of alleged increased rates and surcharges incurred by ratepayers for the costs associated with eliminating certain PFCs from their drinking water. In January 2020, defendant 3M Company removed the class action to federal court. The Company filed motions to dismiss in both of these cases. On December 17, 2020, the Superior Court of Floyd County denied the Company's motion to dismiss in the Rome case. On September 20, 2021, the Northern District of Georgia denied the Company's motion to dismiss in the class action.

The Company denies all liability in these matters and intends to defend them vigorously.

*Putative Securities Class Action*

On January 3, 2020, the Company and certain of its executive officers were named as defendants in a putative shareholder class action lawsuit filed in the United States District Court for the Northern District of Georgia (the "Securities Class Action"). The complaint alleges that defendants violated the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making materially false and misleading statements and that the officers are control persons under Section 20(a) of the Securities Exchange Act of 1934. The complaint is filed on behalf of shareholders who purchased shares of the Company's common stock between April 28, 2017 and July 25, 2019 ("Class Period"). On June 29, 2020, an amended complaint was filed in the Securities Class Action against Mohawk and its CEO Jeff Lorberbaum, based on the same claims and the same Class Period. The amended complaint alleges that the Company (1) engaged in fabricating revenues by attempting delivery to customers that were closed and recognizing these attempts as sales; (2) overproduced product to report higher operating margins and maintained significant inventory that was not salable; and (3) valued certain inventory improperly or improperly delivered inventory with knowledge that it was defective and customers would return it. On October 27, 2020, defendants filed a motion to dismiss the amended complaint. On September 29, 2021, the court issued an order granting in part and denying the defendants' motion to dismiss the amended complaint. Defendants filed an answer to the amended complaint on November 12, 2021, and fact discovery is ongoing. On January 26, 2022, Lead Plaintiff moved for class certification, to appoint itself as class representative, and for appointment of class counsel. The Company intends to vigorously defend against the claims.

*Government Subpoenas*

As previously disclosed, on June 25, 2020, the Company received subpoenas issued by the U.S. Attorney's Office for the Northern District of Georgia (the "USAO") and the U.S. Securities and Exchange Commission (the "SEC") relating to matters similar to the allegations of wrongdoing raised by the Securities Class Action. The Company's Audit Committee, with the assistance of outside legal counsel, conducted a thorough internal investigation into these allegations. The Audit Committee has completed the investigation and concluded that the allegations of wrongdoing are without merit. The USAO and SEC investigations are ongoing, and the Company is cooperating fully with those authorities. The Company will continue to vigorously defend against the allegations of wrongdoing in the Securities Class Action and does not believe they have merit.

*Delaware State Court Action*

The Company and certain of its present and former executive officers were named as defendants in a putative state securities class action lawsuit filed in the Superior Court of the State of Delaware on January 30, 2020. The complaint alleges that defendants violated Sections 11 and 12 of the Securities Act of 1933. The complaint is filed on behalf of shareholders who purchased shares of the Company's common stock in Mohawk Industries Retirement Plan 1 and Mohawk Industries Retirement Plan 2 between April 27, 2017 and July 25, 2019. On March 27, 2020, the court granted a temporary stay of the litigation. The stay may be lifted at the close of fact discovery in the related Securities Class Action pending in the United States District Court for the Northern District of Georgia according to the terms set forth in the court's order to stay litigation. The Company intends to vigorously defend against the claims.

*Georgia State Court Investor Actions*

The Company and certain of its present and former executive officers were named as defendants in certain investor actions, filed in the State Court of Fulton County of the State of Georgia on April 22, 2021 and April 23, 2021. Four complaints brought on behalf of purported former Mohawk stockholders each allege that defendants defrauded the respective plaintiffs through false or misleading statements and thereby induced plaintiffs to purchase Company stock at artificially inflated prices. The allegations are similar to those of the Securities Class Action pending in the United States District Court for the Northern District of Georgia. The claims alleged include fraud, negligent misrepresentation, violations of the Georgia Securities Act, and violations of the Georgia Racketeering and Corrupt Organizations statute. Plaintiffs in the investor actions seek compensatory and punitive damages. On June 28, 2021, defendants filed motions to dismiss each of the four complaints and answers to the same. On October 5, 2021, all four investor actions were transferred by the State Court of Fulton County to the Metro Atlanta Business Case Division, where fact discovery is ongoing. On January 28, 2022, the Court granted in part and denied in part the motions to dismiss, dismissing the Georgia Securities Act claims as to all defendants, and the negligent misrepresentation claim as to the Company. The Company intends to vigorously defend against the claims.

*Separate Federal Action*

The Company and certain of its present and former executive officers were named as defendants in an additional non-class action lawsuit filed in the United States District Court for the Northern District of Georgia on June 22, 2021. The complaint is brought on behalf of a group of purported former Mohawk stockholders and alleges that defendants defrauded the plaintiffs through false or misleading statements and thereby induced plaintiffs to purchase Company stock at artificially inflated prices. The allegations are similar to those of the Securities Class Action. The federal law claims alleged include violations of Sections 10(b) and 18 of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by making materially false and misleading statements and that the officers are control persons under Section 20(a) of the Securities Exchange Act of 1934. The state law claims alleged include fraud, negligent misrepresentation, violations of the Georgia Securities Act, and violations of the Georgia Racketeering and Corrupt Organizations statute. Plaintiffs in the lawsuit seek compensatory and punitive damages and attorneys' fees. On December 13, 2021, defendants filed motions to dismiss the complaint, which remain pending. The Company intends to vigorously defend against the claims.

*Derivative Actions*

The Company and certain of its executive officers and directors were named as defendants in certain derivative actions filed in the United States District Court for the Northern District of Georgia on May 18, 2020 and August 6, 2020, respectively (the "NDGA Derivative Actions"), and in the Superior Court of Gordon County of the State of Georgia on March 3, 2021 and July 12, 2021 (the "Georgia Derivative Actions"). The complaints allege that defendants breached their fiduciary duties to the Company by causing the Company to issue materially false and misleading statements. The complaints are filed on behalf of the Company and seek to remedy fiduciary duty breaches occurring from April 28, 2017 – July 25, 2019. On July 20, 2020, the court in the NDGA Derivative Actions granted a temporary stay of the litigation. On October 21, 2020, the court entered an order consolidating the NDGA Derivative Actions and appointing Lead Counsel. Other shareholders of record jointly moved to intervene in the derivative actions to stay the proceedings. On September 28, 2021, the court in the NDGA Derivative Actions issued an order granting the request to intervene. On April 8, 2021, the court in the first-filed of the Georgia Derivative Actions granted a temporary stay of the litigation. On January 18, 2022, the Court in the NDGA Derivative Actions lifted the temporary stay of the litigation. On January 20, 2022, the court in the second-filed of the Georgia Derivative Actions entered an order on scheduling requiring defendants to file and serve their response to the complaint on February 21, 2022. The Company intends to vigorously defend against the claims.

*General*

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

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

**(17) Consolidated Statements of Cash Flows Information**

Supplemental disclosures of cash flow information are as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Net cash paid during the years for: | | | |
| Interest | $ 75,514 | 44,584 | 45,241 |
| Income taxes | $ 323,718 | 106,891 | 123,974 |
| | | | |
| Supplemental schedule of non-cash investing and financing activities: | | | |
| Unpaid property plant and equipment in accounts payable and accrued expenses | $ 117,084 | 90,767 | 104,823 |
| | | | |
| Fair value of net assets acquired in acquisition | $ 176,924 | — | 107,290 |
| Liabilities assumed in acquisition | (52,955) | — | (31,053) |
| | $ 123,969 | — | 76,237 |

**(18) Segment Reporting**

The Company has three reporting segments: the Global Ceramic Segment, the Flooring NA Segment and the Flooring ROW Segment. The Global Ceramic Segment designs, manufactures, sources and markets a broad line of ceramic tile, porcelain tile, natural stone, porcelain slabs, quartz countertops and other products, which it distributes primarily in North America, Europe, South America and Russia through its network of regional distribution centers and Company-operated service centers using company-operated trucks, common carriers or rail transportation. The segment's product lines are sold through Company-operated service centers, independent distributors, home center retailers, tile and flooring retailers and contractors. The Flooring NA Segment designs, manufactures, sources and markets its floor covering product lines, including carpets, rugs, carpet pad, laminate, resilient (includes sheet vinyl and LVT) and wood flooring, which it distributes through its network of regional distribution centers and satellite warehouses using company-operated trucks, common carriers or rail transportation. The segment's product lines are sold through various selling channels, including independent floor covering retailers, distributors, home centers, mass merchandisers, department stores, shop at home, buying groups, commercial contractors and commercial end users. The Flooring ROW Segment designs, manufactures, sources, licenses and markets laminate, sheet vinyl, LVT, wood flooring, roofing elements, insulation boards, medium-density fiberboard ("MDF"), chipboards other wood products, which it distributes primarily in Europe, Australia, New Zealand and Russia through various selling channels, which include retailers, company-operated distributors, independent distributors and home centers.

The accounting policies for each operating segment are consistent with the Company's policies for the consolidated financial statements. Amounts disclosed for each segment are prior to any elimination or consolidation entries. Corporate general and administrative expenses attributable to each segment are estimated and allocated accordingly. Segment performance is evaluated based on operating income. No single customer accounted for more than 10% of net sales for the years ended December 31, 2021, 2020 or 2019.

Segment information is as follows:

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Assets: | | | |
| Global Ceramic Segment | $ 5,160,776 | 5,250,069 | 5,419,896 |
| Flooring NA Segment | 4,125,960 | 3,594,976 | 3,823,654 |
| Flooring ROW Segment | 4,361,741 | 4,194,447 | 3,925,246 |
| Corporate and intersegment eliminations | 576,040 | 1,288,259 | 217,884 |
| Total | $ 14,224,517 | 14,327,751 | 13,386,680 |
| | | | |
| Geographic net sales: | | | |
| United States | $ 6,181,628 | 5,530,407 | 5,822,593 |
| Europe | 3,117,892 | 2,486,770 | 2,532,239 |
| Russia | 450,010 | 385,830 | 385,395 |
| Other | 1,451,083 | 1,149,190 | 1,230,445 |
| Total | $ 11,200,613 | 9,552,197 | 9,970,672 |
| | | | |
| Long-lived assets: (1) | | | |
| United States | $ 3,334,256 | 3,303,197 | 3,391,676 |
| Belgium | 1,783,259 | 1,808,571 | 1,645,104 |
| Other | 2,127,259 | 2,130,292 | 2,232,164 |
| Total | $ 7,244,774 | 7,242,060 | 7,268,944 |
| | | | |
| Net sales by product categories: | | | |
| Ceramic & Stone | $ 3,938,654 | 3,457,203 | 3,686,645 |
| Carpet & Resilient | 4,294,042 | 3,735,888 | 3,921,769 |
| Laminate & Wood | 1,852,766 | 1,538,967 | 1,501,077 |
| Other (2) | 1,115,151 | 820,139 | 861,181 |
| Total | $ 11,200,613 | 9,552,197 | 9,970,672 |
| | | | |
| Net sales: | | | |
| Global Ceramic Segment | $ 3,917,319 | 3,432,756 | 3,631,142 |
| Flooring NA Segment | 4,116,405 | 3,594,075 | 3,843,714 |
| Flooring ROW Segment | 3,166,889 | 2,525,366 | 2,495,816 |
| Total | $ 11,200,613 | 9,552,197 | 9,970,672 |

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

(2) Other includes roofing elements, insulation boards, chipboards and IP contracts.

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Operating income (loss): | | | |
| Global Ceramic Segment | $ 403,135 | 167,731 | 335,639 |
| Flooring NA Segment | 407,577 | 147,442 | 177,566 |
| Flooring ROW Segment | 571,126 | 366,934 | 353,666 |
| Corporate and intersegment eliminations | (46,827) | (46,105) | (39,647) |
| Total | $ 1,335,011 | 636,002 | 827,224 |
| | | | |
| Depreciation and amortization: | | | |
| Global Ceramic Segment | $ 210,634 | 215,488 | 211,679 |
| Flooring NA Segment | 211,872 | 214,599 | 204,689 |
| Flooring ROW Segment | 156,700 | 164,701 | 145,417 |
| Corporate | 12,505 | 12,719 | 14,667 |
| Total | $ 591,711 | 607,507 | 576,452 |
| | | | |
| Capital expenditures (excluding acquisitions): | | | |
| Global Ceramic Segment | $ 167,224 | 121,418 | 244,026 |
| Flooring NA Segment | 327,691 | 186,179 | 148,820 |
| Flooring ROW Segment | 164,318 | 113,378 | 147,118 |
| Corporate | 16,887 | 4,582 | 5,498 |
| Total | $ 676,120 | 425,557 | 545,462 |

**(19) Subsequent Event**

On February 10, 2022, the Company's Board of Directors approved a new share repurchase program, authorizing the Company to repurchase up to $500 million of its common stock (the "2022 Share Repurchase Program"). As of February 10, 2022, there remained zero authorized under the 2021 Share Repurchase Program.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

## Item 9A. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

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

### Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company maintains internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Therefore, internal control over financial reporting determined to be effective provides only reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Under the supervision and with the participation of management, including the Company's Principal Executive Officer and Principal Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of the Company's internal control over financial reporting as of December 31, 2021. In conducting this evaluation, the Company used the framework set forth in the report titled "Internal Control - Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the results of this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their audit report which is included herein.

### Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the year ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Limitations on the Effectiveness of Controls

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

## Item 9B. Other Information

None

### Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

# PART III

## Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2022 Annual Meeting of Stockholders under the following headings: "Election of Directors—Director, Director Nominee and Executive Officer Information," "—Nominees for Director," "—Continuing Directors," "—Contractual Obligations with respect to the Election of Directors", "—Executive Officers," "—Meetings and Committees of the Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Audit Committee" and "Corporate Governance." The Company has adopted the Mohawk Industries, Inc. Standards of Conduct and Ethics, which applies to all of its directors, officers and employees. The standards of conduct and ethics are publicly available on the Company's website at *http://www.mohawkind.com* and will be made available in print to any stockholder who requests them without charge. If the Company makes any substantive amendments to the standards of conduct and ethics, or grants any waiver, including any implicit waiver, from a provision of the standards required by regulations of the Commission to apply to the Company's chief executive officer, chief financial officer or chief accounting officer, the Company will disclose the nature of the amendment or waiver on its website. The Company may elect to also disclose the amendment or waiver in a report on Form 8-K filed with the SEC. The Company has adopted the Mohawk Industries, Inc. Board of Directors Corporate Governance Guidelines, which are publicly available on the Company's website and will be made available to any stockholder who requests it.

## Item 11. Executive Compensation

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2022 Annual Meeting of Stockholders under the following headings: "Compensation Discussion and Analysis," "Executive Compensation—Summary Compensation Table," "—Grants of Plan Based Awards," "—Outstanding Equity Awards at Year End," "—Option Exercises and Stock Vested," "—Nonqualified Deferred Compensation," "—Certain Relationships and Related Transactions," "—Compensation Committee Interlocks and Insider Participation," "—Compensation Committee Report" and "Director Compensation."

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2022 Annual Meeting of Stockholders under the following headings: "Executive Compensation—Equity Compensation Plan Information," and "—Principal Stockholders of the Company."

## Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2022 Annual Meeting of Stockholders under the following heading: "Election of Directors—Meetings and Committees of the Board of Directors," and "Executive Compensation—Certain Relationships and Related Transactions."

## Item 14. Principal Accounting Fees and Services

Our independent registered public accounting firm is KPMG LLP, Atlanta, GA, Auditor ID: 185.

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2022 Annual Meeting of Stockholders under the following heading: "Audit Committee—Principal Accountant Fees and Services" and "Election of Directors—Meetings and Committees of the Board of Directors."

# PART IV

## Item 15. Exhibits, Financial Statement Schedules

### (a) 1. Consolidated Financial Statements

The Consolidated Financial Statements of Mohawk Industries, Inc. and subsidiaries listed in Part II, Item 8 of this Form 10-K are incorporated by reference into this item.

### 2. Consolidated Financial Statement Schedules

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

### 3. Exhibits

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

| Mohawk Exhibit Number | Description |
|---|---|
| *2.1 | Agreement and Plan of Merger dated as of December 3, 1993 and amended as of January 17, 1994 among Mohawk, AMI Acquisition Corp., Aladdin and certain Shareholders of Aladdin. (Incorporated herein by reference to Exhibit 2.1(a) in the Company's Registration Statement on Form S-4, Registration No. 333-74220.) |
| *3.1 | Restated Certificate of Incorporation of Mohawk, as amended. (Incorporated herein by reference to Exhibit 3.1 in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.) |
| *3.2 | Restated Bylaws of Mohawk. (Incorporated herein by reference to Exhibit 3.1 in the Company's Report on Form 8-K dated February 19, 2019.) |
| *4.1 | Indenture, dated as of January 31, 2013, by and between Mohawk Industries, Inc. and U.S. Bank National Association, as Trustee (Incorporated herein by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K dated January 31, 2013.) |
| *4.2 | First Supplemental Indenture, dated as of January 31, 2013, by and between Mohawk Industries, Inc. and U.S. Bank National Association, as Trustee (Incorporated herein by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K dated January 31, 2013.) |
| *4.3 | Form of Note for the 3.850% Senior Notes due 2023 (Incorporated herein by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K dated January 31, 2013.) |
| *4.4 | Third Supplemental Indenture, dated as of May 14, 2020, by and between Mohawk Industries, Inc. and U.S. Bank National Association, as trustee. (Incorporated herein by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on May 18, 2020.) |
| *4.5 | Form of Note for the 3.625% Senior Notes due 2030 (Incorporated herein by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K dated May 18, 2020.) |
| *4.6 | Indenture, dated as of September 11, 2017, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor and U.S. Bank National Association, as trustee. (Incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 11, 2017.) |
| *4.7 | Fourth Supplemental Indenture, dated as of June 12, 2020, by and among Mohawk Capital Finance S.A., as issuer, Mohawk Industries, Inc., as parent guarantor, U.S. Bank National Association, as trustee, registrar and transfer agent and Elavon Financial Services DAC, as paying agent. (Incorporated herein by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on June 12, 2020.) |
| *4.8 | Form of Note for the 1.750% Senior Notes due 2027 (Incorporated herein by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K dated June 12, 2020.) |
| 4.9 | Description of Registrant's Securities. |

| | |
|---|---|
| *10.1 | Registration Rights Agreement by and among Mohawk and the former shareholders of Aladdin. (Incorporated herein by reference to Exhibit 10.32 of the Company's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1993.) |
| *10.2 | Waiver Agreement between Alan S. Lorberbaum and Mohawk dated as of March 23, 1994 to the Registration Rights Agreement dated as of February 25, 1994 between Mohawk and those other persons who are signatories thereto. (Incorporated herein by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q (File No. 001-13697) for the quarter ended July 2, 1994.) |
| *10.3 | Second Amended and Restated Credit Facility, dated October 18, 2019, by and among the Company and certain of its subsidiaries, as borrowers, Wells Fargo Bank, National Association, as administrative agent, swing line lender, and an L/C issuer, and the other lenders party thereto. (Incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated October 18, 2019.) |
| *10.4 | First Amendment to Second Amended and Restated Credit Agreement, dated as of April 7, 2020, by and among the Company and certain of its subsidiaries, as borrowers, Wells Fargo Bank, National Association, as administrative agent, swing line lender, and an L/C issuer, and the other lenders party thereto. (Incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on April 13, 2020.) |
| *10.5 | Second Amendment to Second Amended and Restated Credit Agreement, dated as of May 7, 2020, by and among the Company and certain of its subsidiaries, as borrowers, Wells Fargo Bank, National Association, as administrative agent, and the other lenders party thereto. (Incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on May 7, 2020.) |
| 10.6 | Third Amendment to Second Amended and Restated Credit Agreement, dated as of October 28, 2021, by and among the Company and certain of its subsidiaries, as borrowers, Wells Fargo Bank, National Association, as administrative agent, and the other lenders party thereto. |

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

| | |
|---|---|
| *10.7 | Service Agreement dated December 18, 2018, by and between Mohawk International Services BVBA and Comm. V. "Bernard Thiers". (Incorporated herein by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.) |
| *10.8 | Employment Agreement dated December 29, 2018, by and between Mohawk Carpet, LLC and Paul F. De Cock (Incorporated herein by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.) |
| *10.9 | The Mohawk Industries, Inc. Senior Management Deferred Compensation Plan, as amended and restated as of January 1, 2015. (Incorporated herein by reference to Exhibit 10.19 in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2015.) |
| 10.10 | Mohawk Industries, Inc. Non-Employee Director Stock Compensation Plan. |
| *10.11 | Mohawk Industries, Inc. 2007 Incentive Plan (Incorporated herein by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A (File No. 001-13697) filed with the Securities and Exchange Commission on April 9, 2007.) |
| *10.12 | 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.) |
| *10.13 | Mohawk Industries, Inc. 2017 Incentive Plan (Incorporated herein by reference to Annex B of the Company's Definitive Proxy Statement on Schedule 14A (File No. 001-13697) filed with the Securities and Exchange Commission on April 6, 2017.) |
| 21 | Subsidiaries of the Registrant. |
| 22 | Subsidiary Guarantors. |
| 23.1 | Consent of Independent Registered Public Accounting Firm (KPMG LLP). |
| 31.1 | Certification Pursuant to Rule 13a-14(a). |
| 31.2 | Certification Pursuant to Rule 13a-14(a). |
| 32.1 | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

| | |
|---|---|
| 95.1 | Mine Safety Disclosure pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101) |

* Indicates exhibit incorporated by reference.

**Item 16. Form 10-K Summary**

None

## SIGNATURES

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

Mohawk Industries, Inc.

February 23, 2022

By: /s/ JEFFREY S. LORBERBAUM

**Jeffrey S. Lorberbaum,**
***Chairman and Chief Executive Officer***

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

| | |
|---|---|
| February 23, 2022 | /s/ JEFFREY S. LORBERBAUM<br>**Jeffrey S. Lorberbaum,**<br>***Chairman and Chief Executive Officer***<br>***(principal executive officer)*** |
| February 23, 2022 | /s/ JAMES F. BRUNK<br>**James F. Brunk,**<br>***Chief Financial Officer***<br>***(principal financial officer)*** |
| February 23, 2022 | /s/ STEVEN H. LEE<br>**Steven H. Lee,**<br>***Chief Accounting Officer and Corporate Controller***<br>***(principal accounting officer)*** |
| February 23, 2022 | /s/ BRUCE C. BRUCKMANN<br>**Bruce C. Bruckmann,**<br>***Director*** |
| February 23, 2022 | **Jerry W. Burris,**<br>***Director*** |
| February 23, 2022 | /s/ JOHN M. ENGQUIST<br>**John M. Engquist,**<br>***Director*** |
| February 23, 2022 | /s/ JOSEPH A. ONORATO<br>**Joseph A. Onorato,**<br>***Director*** |
| February 23, 2022 | /s/ WILLIAM H. RUNGE III<br>**William Henry Runge III**<br>***Director*** |
| February 23, 2022 | /s/ KAREN A. SMITH BOGART<br>**Karen A. Smith Bogart,**<br>***Director*** |
| February 23, 2022 | /s/ W. CHRISTOPHER WELLBORN<br>**W. Christopher Wellborn,**<br>***Director*** |

# Reconciliation of Non-GAAP Measures

(Amounts in thousands, except per share data)

## RECONCILIATION OF NET EARNINGS ATTRIBUTABLE TO MOHAWK INDUSTRIES, INC. TO ADJUSTED NET EARNINGS ATTRIBUTABLE TO MOHAWK INDUSTRIES, INC. AND ADJUSTED DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO MOHAWK INDUSTRIES, INC.

| For the Years Ended December 31, | 2019 | 2020 | **2021** |
|---|---|---|---|
| Net earnings attributable to Mohawk Industries, Inc. | $ 744,211 | 515,595 | **1,033,159** |
| Adjusting items: | | | |
| Restructuring, acquisition and integration-related and other costs | 99,622 | 166,817 | **23,118** |
| Acquisitions purchase accounting, including inventory step-up | 3,938 | — | **1,749** |
| Deferred loan cost write off | 601 | — | **—** |
| Impairment of net investment in a manufacturer and distributor of Ceramic tile in China(1) | 59,946 | — | **—** |
| Resolution of foreign non-income tax contingencies | — | — | **(6,211)** |
| Income tax effect on resolution of foreign non-income tax contingencies | — | — | **2,302** |
| European tax restructuring(2) | (136,194) | — | **—** |
| One-time tax planning election | — | — | **(22,163)** |
| Income taxes | (46,786) | (51,740) | **(4,626)** |
| Adjusted net earnings attributable to Mohawk Industries, Inc. | $725,338 | 630,672 | **1,027,328** |
| Adjusted diluted earnings per share attributable to Mohawk Industries, Inc. | $ 10.04 | 8.83 | **14.86** |
| Weighted-average common shares outstanding - diluted | 72,264 | 71,401 | **69,145** |

1) In September 2019, the US commerce department imposed a 104% countervailing duty on top of the 25% general tariffs on all ceramic produced in China. As a consequence, ceramic purchases from China would dramatically decline and Mohawk took a $60 million write off to our investment in a Chinese manufacturer and distributor.

2) In 2019, the Company implemented select operational, administrative and financial restructurings that centralized certain business processes and intangible assets in various European jurisdictions into a new entity. The restructurings resulted in a current tax liability of $136 million, calculated by measuring the fair value of intangible assets transferred. The Company offset the tax liability with the utilization of $136 million of deferred tax assets from accumulated net operating loss carry forwards. The restructurings also resulted in the Company recording a $136 million deferred tax asset, and a corresponding deferred tax benefit, related to the tax basis of the intangible assets transferred.

## RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

| For the Years Ended December 31, | 2019 | 2020 | **2021** |
|---|---|---|---|
| Operating income | $827,224 | 636,002 | **1,335,011** |
| Adjustments to operating income: | | | |
| Restructuring, acquisition and integration-related and other costs | 107,201 | 163,479 | **23,637** |
| Acquisitions purchase accounting, including inventory step-up | 3,938 | — | **1,749** |
| Adjusted operating income | $938,363 | 799,481 | **1,360,397** |

# Reconciliation of Non-GAAP Measures

(Amounts in thousands)

## RECONCILIATION OF OPERATING INCOME TO EBITDA AND ADJUSTED EBITDA

| For the Years Ended December 31, | 2019 | 2020 | **2021** |
|---|---|---|---|
| Operating Income | $827,224 | 636,002 | **1,335,011** |
| Net earnings attributable to noncontrolling interest | (360) | (132) | **(389)** |
| Depreciation and amortization[1] | 576,452 | 607,507 | **591,711** |
| Other income (expense), net | (36,407) | 752 | **12,234** |
| EBITDA | $1,366,909 | 1,244,129 | **1,938,567** |
| Restructuring, acquisition and integration-related and other costs | 99,679 | 145,415 | **14,700** |
| Acquisition purchase accounting, including inventory step-up | 3,938 | — | **1,749** |
| Resolution of foreign non-income tax contingencies | — | — | **(6,211)** |
| Release of indemnification asset | (56) | (262) | **—** |
| Impairment of net investment in a manufacturer and distributor of ceramic tile in China | 59,946 | — | **—** |
| Adjusted EBITDA | $1,530,416 | 1,389,282 | **1,948,805** |

1) Includes $8,417 and $21,662 of accelerated depreciation in 2021 and 2020, respectively.

## RECONCILIATION OF TOTAL DEBT TO NET DEBT LESS SHORT-TERM INVESTMENTS

| For the Years Ended December 31, | 2019 | 2020 | **2021** |
|---|---|---|---|
| Short-term debt and current portion of long-term debt | $1,051,498 | 377,255 | **624,503** |
| Long-term debt, less current portion | 1,518,388 | 2,356,887 | **1,700,282** |
| Less: Cash and cash equivalents | 134,785 | 768,625 | **268,895** |
| Net debt | 2,435,101 | 1,965,517 | **2,055,890** |
| Less: Short-term investments | 42,500 | 571,741 | **323,000** |
| Net debt less short-term investments | $2,392,601 | 1,393,776 | **1,732,890** |
| Net debt less short-term investments to adjusted EBITDA | 1.6 | 1.0 | **0.9** |

## LIQUIDITY

| For the Years Ended December 31, | 2019 | 2020 | **2021** |
|---|---|---|---|
| Cash | $134,785 | 768,625 | **268,895** |
| Short-term investments | 42,500 | 571,741 | **323,000** |
| Total cash and short-term investments | 177,285 | 1,340,366 | **591,895** |
| Availability under Senior Credit Facility | 1,066,464 | 1,799,213 | **1,184,709** |
| Total liquidity | $1,243,749 | 3,139,579 | **1,776,604** |

# Shareholder Information

**Corporate Headquarters**
P.O. Box 12069
160 South Industrial Boulevard
Calhoun, Georgia 30703
(706) 624-2246

**Independent Registered Public Accounting Firm**
KPMG LLP
Atlanta, Georgia

**Corporate Counsel**
Alston & Bird LLP
Atlanta, Georgia

**Transfer Agent and Registrar**
American Stock Transfer and Trust Company, LLC
6201 15th Avenue
Brooklyn, New York 11219
(972) 764-2720

**Publications**
The Company's Annual Report, Proxy Statement, Form 8-K, 10-K and 10-Q reports are available without charge and can be ordered via our stockholder communications service at (706) 624-2246 or via the Internet at mohawkind.com under Investors. Written requests should be sent to Shailesh Bettadapur, VP of Investor Relations, at the Company's headquarters address above.

**Product Inquiries**
For more information about Mohawk's products, visit our websites:
mohawkflooring.com
karastan.com
mohawkgroup.com
daltile.com
marazzigroup.com
eliane.com
unilin.com
pergo.com
quick-step.com
moduleo.com
unilinpanels.com
godfreyhirst.com

**Investor/Analyst Contact**
For additional information about Mohawk, please contact Shailesh Bettadapur, VP of Investor Relations at (706) 624-2103 or at the Company's headquarters address.

**Annual Meeting of Stockholders**
The Annual Meeting of Stockholders of Mohawk Industries, Inc. will be held at the time and location specified in our Notice of Annual Meeting of Stockholders for 2022.

**Company Stock**
Mohawk's common stock is traded on the New York Stock Exchange under the symbol MHK.

**Equal Opportunity**
Mohawk is an Equal Opportunity/Affirmative Action employer committed to attracting a diverse pool of applicants and sustaining an inclusive workforce.

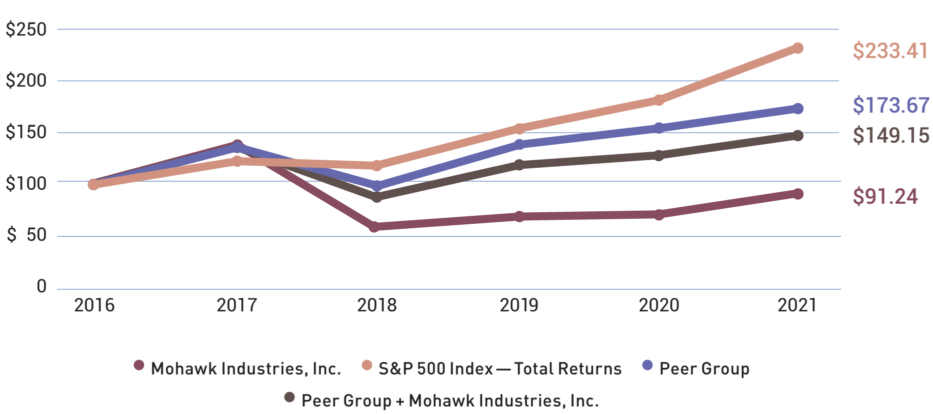
**NYSE Affirmation Certifications**
As a listed company with the New York Stock Exchange ("NYSE"), Mohawk is subject to certain Corporate Governance standards as required by the NYSE and/or the Securities and Exchange Commission ("SEC"). Among other requirements, Mohawk's CEO, as required by Section 303A.12(a) of the NYSE Listing Company Manual, must certify to the NYSE each year whether or not he is aware of any violations by the Company of NYSE Corporate Governance listing standards as of the date of the certification. On June 16, 2021, Mohawk's CEO Jeffrey S. Lorberbaum submitted such a certification to the NYSE which stated that he was not aware of any violation by Mohawk of the NYSE Corporate Governance listing standards.

The Company has filed the certifications of its Chief Executive Officer and Chief Financial Officer required by Section 302 of Sarbanes-Oxley Act of 2002 as an exhibit to the Company's Form 10-K for the year ended December 31, 2021.

# Stock Performance Graph

The following is a line graph comparing the yearly change in the Company's cumulative total stockholder returns to those of the Standard & Poor's 500 Index and a group of peer issuers beginning on December 31, 2016 and ending on December 31, 2021.

The peer group includes the following companies: Armstrong Flooring, Inc.; Dixie Group, Inc.; Interface, Inc.; Leggett & Platt, Inc.; MASCO Corporation and Stanley Black & Decker. Total return values were calculated based on cumulative total return, assuming the value of the investment in the Company's Common Stock and in each index on December 31, 2016 was $100 and that all dividends were reinvested. The Company is not included in the peer group because management believes that, by excluding the Company, investors will have a more accurate view of the Company's performance relative to peer companies.

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