

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

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**FORM 10-Q**

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[Mark One]

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

For the quarterly period ended **March 30, 2013**

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**

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**MOHAWK INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**160 S. Industrial Blvd., Calhoun, Georgia**

(Address of principal executive offices)

**52-1604305**

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

**30701**

(Zip Code)

**Registrant's telephone number, including area code: (706) 629-7721**

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

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

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

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

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

The number of shares outstanding of the issuer's classes of common stock as of April 29, 2013, the latest practicable date, is as follows: 72,487,834 shares of Common Stock, \$.01 par value.

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PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS  
(In thousands)  
(Unaudited)

	March 30, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,120,167	477,672
Receivables, net	825,659	679,473
Inventories	1,230,250	1,133,736
Prepaid expenses	134,944	138,117
Deferred income taxes	113,519	111,585
Other current assets	22,067	9,463
Total current assets	<u>3,446,606</u>	<u>2,550,046</u>
Property, plant and equipment, net	1,729,916	1,692,852
Goodwill	1,394,062	1,385,771
Tradenames	464,271	455,503
Other intangible assets subject to amortization, net	105,085	98,296
Deferred income taxes and other non-current assets	121,905	121,216
	<u>\$ 7,261,845</u>	<u>6,303,684</u>

See accompanying notes to condensed consolidated financial statements.

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

	March 30, 2013	December 31, 2012
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 53,496	55,213
Accounts payable and accrued expenses	824,135	773,436
Total current liabilities	877,631	828,649
Deferred income taxes	319,290	329,810
Long-term debt, less current portion	2,253,020	1,327,729
Other long-term liabilities	87,320	97,879
Total liabilities	3,537,261	2,584,067
Commitments and contingencies (Notes 7 and 13)		
Stockholders' equity:		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued	—	—
Common stock, \$.01 par value; 150,000 shares authorized; 80,638 and 80,185 shares issued in 2013 and 2012, respectively	806	802
Additional paid-in capital	1,308,040	1,277,521
Retained earnings	2,655,518	2,605,023
Accumulated other comprehensive income, net	82,242	159,733
	4,046,606	4,043,079
Less treasury stock at cost; 11,029 and 11,032 shares in 2013 and 2012, respectively	323,388	323,462
Total Mohawk Industries, Inc. stockholders' equity	3,723,218	3,719,617
Noncontrolling interest	1,366	—
Total stockholders' equity	3,724,584	3,719,617
	\$ 7,261,845	6,303,684

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales	\$ 1,486,815	1,409,035
Cost of sales	1,109,749	1,049,609
Gross profit	377,066	359,426
Selling, general and administrative expenses	290,224	287,450
Operating income	86,842	71,976
Interest expense	19,156	22,498
Other expense (income)	6,387	(1,825)
Earnings before income taxes	61,299	51,303
Income tax expense	10,732	10,291
Net earnings	50,567	41,012
Less: Net earnings attributable to noncontrolling interest	72	635
Net earnings attributable to Mohawk Industries, Inc.	\$ 50,495	40,377
Basic earnings per share attributable to Mohawk Industries, Inc.	\$ 0.73	0.59
Weighted-average common shares outstanding—basic	69,375	68,862
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 0.72	0.58
Weighted-average common shares outstanding—diluted	69,897	69,141

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 30, 2013	March 31, 2012
Net earnings	\$ 50,567	41,012
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(77,706)	54,961
Pension prior service cost and actuarial gain	215	17
Other comprehensive (loss) income	(77,491)	54,978
Comprehensive (loss) income	(26,924)	95,990
Less: comprehensive income attributable to the noncontrolling interest	72	635
Comprehensive (loss) income attributable to Mohawk Industries, Inc.	\$ (26,996)	95,355

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 30, 2013	March 31, 2012
Cash flows from operating activities:		
Net earnings	\$ 50,567	41,012
Adjustments to reconcile net earnings to net cash used in operating activities:		
Restructuring	8,222	—
Depreciation and amortization	60,349	73,286
Deferred income taxes	(5,985)	(4,978)
Loss on disposal of property, plant and equipment	51	419
Stock-based compensation expense	5,504	5,571
Changes in operating assets and liabilities, net of effects of acquisitions:		
Receivables, net	(120,814)	(91,485)
Tax deposits	—	(31,820)
Inventories	(50,134)	(46,331)
Accounts payable and accrued expenses	15,568	13,814
Other assets and prepaid expenses	11,115	1,565
Other liabilities	(13,387)	(5,523)
Net cash used in operating activities	<u>(38,944)</u>	<u>(44,470)</u>
Cash flows from investing activities:		
Additions to property, plant and equipment	(63,282)	(43,251)
Acquisitions, net of cash acquired	(147,769)	—
Net cash used in investing activities	<u>(211,051)</u>	<u>(43,251)</u>
Cash flows from financing activities:		
Payments on Senior Credit Facility	(537,409)	(329,800)
Proceeds from Senior Credit Facility	842,634	443,500
Proceeds from 3.85% Senior Notes	600,000	—
Net change in asset securitization borrowings	20,000	—
Payments on other debt	(1,630)	(584)
Debt issuance costs	(5,170)	(1,018)
Purchase of non-controlling interest	—	(35,000)
Distribution to non-controlling interest	—	(423)
Change in outstanding checks in excess of cash	(8,069)	(10,255)
Proceeds from stock transactions	27,619	5,539
Net cash provided by financing activities	<u>937,975</u>	<u>71,959</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(45,485)</u>	<u>8,592</u>
Net change in cash and cash equivalents	642,495	(7,170)
Cash and cash equivalents, beginning of period	477,672	311,945
Cash and cash equivalents, end of period	<u>\$ 1,120,167</u>	<u>304,775</u>

See accompanying notes to condensed consolidated financial statements.

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

1. Interim reporting

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the consolidated financial statements and notes thereto, and the Company's description of critical accounting policies, included in the Company's 2012 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission.

2. Receivables, net

Receivables, net are as follows:

	March 30, 2013	December 31, 2012
Customers, trade	\$ 843,851	691,553
Other	23,765	25,793
	867,616	717,346
Less allowance for discounts, returns, claims and doubtful accounts	41,957	37,873
Receivables, net	\$ 825,659	679,473

3. Acquisitions

On January 10, 2013, the Company completed its purchase of Pergo, a leading manufacturer of laminate flooring in the United States and the Nordic countries. The total value of the acquisition was approximately \$150 million in cash. Pergo complements our specialty distribution network in the United States, leverages our geographic position in Europe, expands our geographic reach to the Nordic countries and India and enhances our patent portfolio. The acquisition's results and a preliminary purchase price allocation are included in the condensed consolidated financial statements as of March 30, 2013.

On December 20, 2012, the Company entered into a definitive share purchase agreement to acquire Fintiles S.p.A and its subsidiaries (collectively, the "Marazzi Group"), a global manufacturer, distributor and marketer of ceramic tile. On April 3, 2013, pursuant to the terms of the purchase agreement dated December 20, 2012, the Company completed the acquisition of the Marazzi Group for approximately \$1.5 billion with a combination of cash and common stock of the Company.

On January 28, 2013 the Company entered into an agreement to purchase Spano Invest NV, a Belgian panel board manufacturer. On May 3, 2013, pursuant to the terms of the agreement dated January 28, 2013, the Company completed the acquisition of Spano for approximately \$164 million in cash.

4. Inventories

The components of inventories are as follows:

	March 30, 2013	December 31, 2012
Finished goods	\$ 777,825	695,606
Work in process	108,084	103,685
Raw materials	344,341	334,445
Total inventories	\$ 1,230,250	1,133,736

5. Goodwill and intangible assets

The Company's acquisition of Pergo resulted in a preliminary goodwill allocation of \$24,501.



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

**Goodwill:**

	Mohawk	Dal-Tile	Unilin	Total
Balance as of December 31, 2012				
Goodwill	\$ 199,132	1,186,913	1,327,151	2,713,196
Accumulated impairment losses	(199,132)	(531,930)	(596,363)	(1,327,425)
	<u>\$ —</u>	<u>654,983</u>	<u>730,788</u>	<u>1,385,771</u>
Goodwill acquired during the period	\$ —	—	24,501	24,501
Currency translation during the period	\$ —	—	(16,210)	(16,210)
Balance as of March 30, 2013				
Goodwill	\$ 199,132	1,186,913	1,335,442	2,721,487
Accumulated impairment losses	(199,132)	(531,930)	(596,363)	(1,327,425)
	<u>\$ —</u>	<u>654,983</u>	<u>739,079</u>	<u>1,394,062</u>

**Intangible assets:**

Indefinite life assets not subject to amortization:	Tradenames
Balance as of December 31, 2012	\$ 455,503
Intangible assets recognized during the period	16,835
Currency translation during the period	(8,067)
Balance as of March 30, 2013	<u>\$ 464,271</u>

Intangible assets subject to amortization:	Customer relationships	Patents	Other	Total
Balance as of December 31, 2012	\$ 26,210	71,031	1,055	98,296
Intangible assets acquired during the period	—	15,188	—	15,188
Amortization during the period	(1,219)	(4,726)	(29)	(5,974)
Currency translation during the period	—	(2,305)	(120)	(2,425)
Balance as of March 30, 2013	<u>\$ 24,991</u>	<u>79,188</u>	<u>906</u>	<u>105,085</u>

	Three Months Ended	
	March 30, 2013	March 31, 2012
Amortization expense	\$ 5,974	16,261

## 6. Accounts payable and accrued expenses

Accounts payable and accrued expenses are as follows:

	March 30, 2013	December 31, 2012
Outstanding checks in excess of cash	\$ 17,411	25,480
Accounts payable, trade	459,397	387,871
Accrued expenses	176,045	180,039
Product warranties	35,483	32,930
Accrued interest	16,553	26,843
Deferred tax liability	10,377	6,309
Income taxes payable	10,033	2,074
Accrued compensation and benefits	98,836	111,890
Total accounts payable and accrued expenses	<u>\$ 824,135</u>	<u>773,436</u>

## 7. Product warranties

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

The activity related to warranty obligations is as follows:

	Three Months Ended	
	March 30, 2013	March 31, 2012
Balance at beginning of period	\$ 32,930	30,144
Warranty claims paid during the period	(13,301)	(13,920)
Warranty expense during the period	15,854	16,456
Balance at end of period	<u>\$ 35,483</u>	<u>32,680</u>

## 8. Accumulated other comprehensive income

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

The changes in Accumulated other comprehensive income by component, net of tax, for the first quarter of 2013 are as follows:

	Foreign currency translation adjustments	Pensions (1)	Total
Balance as of December 31, 2012	\$ 160,661	(928)	159,733
Current period other comprehensive income (loss) before reclassifications	(77,706)	215	(77,491)
Amounts reclassified from accumulated other comprehensive income (loss)	—	—	—
Balance as of March 30, 2013	<u>\$ 82,955</u>	<u>(713)</u>	<u>82,242</u>

(1) This accumulated other comprehensive income (loss) component is included in the computation of net periodic pension cost (refer to Note 11 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012).

## 9. Stock-based compensation

The Company recognizes compensation expense for all share-based payments granted based on the grant-date fair value estimated in accordance with the provisions of the Financial Accounting Standards Board Accounting Standards

Codification topic ("ASC") 718-10. Compensation expense is recognized on a straight-line basis over the options' or other awards' estimated lives for fixed awards with ratable vesting provisions.

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

The Company did not grant any options for the three months ended March 30, 2013. The Company granted 83 options to employees at a weighted-average grant-date fair value of \$28.71 per share for the three months ended March 31, 2012. The Company recognized stock-based compensation costs related to stock options of \$606 (\$384 net of taxes) and \$614 (\$389 net of taxes) for the three months ended March 30, 2013 and March 31, 2012, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized compensation expense for stock options granted to employees and outside directors, net of estimated forfeitures, was \$1,752 as of March 30, 2013, and will be recognized as expense over a weighted-average period of approximately 1.9 years.

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

The Company granted 206 and 261 RSUs at a weighted-average grant-date fair value of \$111.74 and \$65.98 per unit for the three months ended March 30, 2013 and March 31, 2012, respectively. The Company recognized stock-based compensation costs related to the issuance of RSUs of \$4,898 (\$3,103 net of taxes) and \$4,937 (\$3,127 net of taxes) for the three months ended March 30, 2013 and March 31, 2012, respectively, which has been allocated to selling, general and administrative expenses. Pre-tax unrecognized compensation expense for unvested RSUs granted to employees, net of estimated forfeitures, was \$33,167 as of March 30, 2013, and will be recognized as expense over a weighted-average period of approximately 3.0 years.

The Company did not grant any restricted stock awards for the three months ended March 30, 2013 or March 31, 2012. Compensation expense for restricted stock awards for the three months ended March 30, 2013 and March 31, 2012, respectively, was not significant.

#### 10. Other (income) expense

Other (income) expense is as follows:

	Three Months Ended	
	March 30, 2013	March 31, 2012
Foreign currency (gains) losses, net	\$ 3,799	(5,650)
All other, net	2,588	3,825
Total other expense (income)	\$ 6,387	(1,825)

#### 11. Earnings per share

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

Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method. Common stock options and unvested restricted shares (units) that were not included in the diluted EPS computation because the price was greater than the average market price of the common shares for the three months ended March 30, 2013 and March 31, 2012 were 39 and 1,044, respectively.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Three Months Ended	
	March 30, 2013	March 31, 2012
Net earnings available to common stockholders	\$ 50,495	40,377
Weighted-average common shares outstanding-basic and diluted:		
Weighted-average common shares outstanding—basic	69,375	68,862
Add weighted-average dilutive potential common shares—options and RSUs to purchase common shares, net	522	279
Weighted-average common shares outstanding-diluted	69,897	69,141
Basic earnings per share attributable to Mohawk Industries, Inc.	\$ 0.73	0.59
Diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 0.72	0.58

## 12. Segment reporting

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

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

Segment information is as follows:

	Three Months Ended	
	March 30, 2013	March 31, 2012
Net sales:		
Mohawk	\$ 695,334	699,880
Dal-Tile	411,881	392,925
Unilin	404,475	337,424
Intersegment sales	(24,875)	(21,194)
	\$ 1,486,815	1,409,035
Operating income (loss):		
Mohawk	\$ 25,238	25,282
Dal-Tile	29,976	26,028
Unilin	38,693	27,146
Corporate and intersegment eliminations	(7,065)	(6,480)
	\$ 86,842	71,976

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

	March 30, 2013	December 31, 2012
Assets:		
Mohawk	\$ 1,802,241	1,721,214
Dal-Tile	1,795,828	1,731,258
Unilin	2,469,264	2,672,389
Corporate and intersegment eliminations	1,194,512	178,823
	<u>\$ 7,261,845</u>	<u>6,303,684</u>

In connection with the closing of the Marazzi acquisition on April 3, 2013, the Company decided to revise the names of its segments and, beginning in the second quarter of 2013, will refer to the Mohawk segment as the Carpet segment, the Dal-Tile segment as the Ceramic segment and the Unilin segment as the Laminate and Wood segment. Only the names of the segments are affected by the change and therefore no prior period financial information will change.

### 13. Commitments, contingencies and other

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

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

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

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

In January 2012, the Company received a €23,789 assessment from the Belgian tax authority related to its year ended December 31, 2008, asserting that the Company had understated its Belgian taxable income for that year. The Company filed a formal protest in the first quarter of 2012 refuting the Belgian tax authority's position and in order to eliminate the accrual of additional interest on the assessed amount, the Company remitted payment of the tax assessment, plus applicable interest of €2,912 (collectively, the "Deposit"). In July 2012, the Company received notification of the Belgian tax authority's intention to extend the statute of limitations back to and including the tax year 2005. On September 10, 2012, the Company received notice from the Belgian tax authority setting aside the 2008 assessment and refunding the Deposit to the Company. On October 23, 2012, the Company received notification from the Belgian tax authority of its intent to increase the Company's tax base for the 2008 tax year under a revised theory. On December 28, 2012, the Company received the refund of the Deposit of €23,789. On January 30, 2013, the Company received a refund of the interest Deposit of €2,912 and interest income of €1,583 earned on the Deposit.

On December 28, 2012, the Belgian taxing authority issued assessments under a revised theory related to the years ended December 31, 2005 and December 31, 2009, in the amounts of €46,135 and €35,567, respectively, excluding potential interest and penalties. The Company timely filed formal protests in the first quarter of 2013 for the years assessed. The Company disagrees with the views of the Belgian tax authority on this matter and will continue to vigorously defend itself. Although there can be no assurances, the Company believes the ultimate outcome of these actions will not have a material adverse effect on its financial condition but could have a material adverse effect on its results of operations, liquidity or cash flows in a given quarter or year.

For the three months ended March 30, 2013, the Company recorded pre-tax business restructuring charges of \$8,222, of which \$3,006 was recorded as cost of sales and \$5,216 was recorded as selling, general and administrative expenses for the same periods, respectively. For the three months ended March 31, 2012, the Company had no business restructuring charges. The charges for 2013 primarily relate to the Company's actions taken to lower its cost structure and improve the efficiency of its manufacturing operations and administrative functions, as well as actions related to the Company's acquisition of Pergo.

The restructuring activity for the three months ended March 30, 2013 is as follows:

	Lease impairments	Asset write- downs	Severance	Other restructuring costs	Total
Balance as of December 31, 2012	\$ 7,457	—	2,898	—	10,355
Provision - Mohawk Segment	—	—	5,892	326	6,218
Provision - Dal-Tile Segment	—	37	—	426	463
Provision - Unilin Segment	—	—	1,456	85	1,541
Cash payments	(703)	—	(4,145)	(837)	(5,685)
Non-cash items	—	(37)	—	—	(37)
Balance as of March 30, 2013	\$ 6,754	—	6,101	—	12,855

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

Subsequent to March 30, 2013, the Company completed negotiations with the unions in Sweden and finalized plans to close Pergo's Trelleborg and Perstorp plants. Both plants will close by July 31, 2013 and production will be transferred to the Wielsbeke plant in Belgium. The Company is finalizing its estimates and expects to record a restructuring charge in the second quarter of 2013.

Subsequent to March 30, 2013, the Company announced its intention to consolidate two roofing plants in the Unilin segment. The Company is finalizing its estimates and expects to record a restructuring charge in the second quarter of 2013.

#### 14. Debt

##### Senior Credit Facility

On July 8, 2011, the Company entered into a five-year, senior, secured revolving credit facility (the "Senior Credit Facility"). The Senior Credit Facility provides for a maximum of \$900,000 of revolving credit, including limited amounts of credit in the form of letters of credit and swingline loans. The Company paid financing costs of \$8,285 in connection with its Senior Credit Facility. These costs were deferred and, along with unamortized costs of \$12,277 related to the Company's prior senior, secured revolving credit facility, are being amortized over the term of the Senior Credit Facility.

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

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

The Senior Credit Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, indebtedness, investments, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company's business. Many of these limitations are subject to numerous exceptions. The Company is also required to maintain a Consolidated Interest Coverage Ratio of at least 3.0 to 1.0 and a Consolidated Net Leverage Ratio of no more than 3.75 to 1.0, each as of the last day of any fiscal quarter, as defined in the Senior Credit Facility. The Senior Credit Facility also contains customary representations and warranties and events of default, subject to customary grace periods.

As of March 30, 2013, the amount utilized under the Senior Credit Facility excluding the term loan was \$413,696 resulting in a total of \$486,304 available under the Senior Credit Facility. The amount utilized included \$316,600 of borrowings, \$46,823 of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$50,273 of standby letters of credit related to various insurance contracts and foreign vendor commitments.

#### Senior Notes

On January 31, 2013, the Company issued \$600,000 aggregate principal amount of 3.85% Senior Notes due February 1, 2023. The Company paid financing costs of \$5,150 in connection with the 3.85% Senior Notes. These costs were deferred and are being amortized over the term of the 3.85% Senior Notes.

On January 17, 2006, the Company issued \$900,000 aggregate principal amount of 6.125% notes due January 15, 2016. Interest payable on these notes is subject to adjustment if either Moody's or S&P, or both, upgrades or downgrades the rating assigned to the notes. Each rating agency downgrade results in a 0.25% increase in the interest rate, subject to a maximum increase of 1% per rating agency. If later the rating of these notes improves, then the interest rates would be reduced accordingly. Each 0.25% increase in the interest rate of these notes would increase the Company's interest expense by approximately \$63 per quarter per \$100,000 of outstanding notes. In 2009, interest rates increased by an aggregate amount of 75 basis points as a result of downgrades by Moody's and S&P. In the first quarter of 2012, interest rates decreased by 50 basis points as a result of the upgrades from S&P and Moody's. Any future downgrades in the Company's credit ratings could increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future.

In 2002, the Company issued \$400,000 aggregate principal amount of its senior 7.20% notes due April 15, 2012. During 2011, the Company repurchased \$63,730 of its senior 7.20% notes, at an average price equal to 102.72% of the

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

principal amount. On April 16, 2012, the Company repaid the \$336,270 principal amount of outstanding senior 7.20% notes, together with accrued interest of \$12,106, at maturity using available borrowings under its Senior Credit Facility.

## Accounts Receivable Securitization

On December 19, 2012, the Company entered into a three-year on-balance sheet trade accounts receivable securitization agreement (the "Securitization Facility"). The Securitization Facility allows the Company to borrow up to \$300,000 based on available accounts receivable and is secured by the Company's U.S. trade accounts receivable. Borrowings under the Securitization Facility bear interest at commercial paper interest rates, in the case of lenders that are commercial paper conduits, or LIBOR, in the case of lenders that are not commercial paper conduits, in each case, plus an applicable margin of 0.75% per annum. The Company also pays a commitment fee at a per annum rate of 0.30% on the unused amount of each lender's commitment. At March 30, 2013, the amount utilized under the Securitization Facility was \$300,000.

## 15. Fair Value

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

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

	March 30, 2013		December 31, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
3.85% senior notes, payable January 31, 2023; interest payable semiannually	\$ 610,800	600,000	—	—
6.125% notes, payable January 15, 2016; interest payable semiannually	1,004,400	900,000	1,011,600	900,000
Five-year senior secured credit facility, due July 8, 2016	459,100	459,100	153,875	153,875
Securitization facility	300,000	300,000	280,000	280,000
Industrial revenue bonds, capital leases and other	47,416	47,416	49,067	49,067
Total long-term debt	2,421,716	2,306,516	1,494,542	1,382,942
Less current portion	53,496	53,496	55,213	55,213
Long-term debt, less current portion	\$ 2,368,220	2,253,020	1,439,329	1,327,729

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

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



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

### Overview

The Company is a leading producer of floor covering products for residential and commercial applications in the United States and residential applications in Europe. The Company is the second largest carpet and rug manufacturer and one of the largest manufacturers, marketers and distributors of ceramic tile, natural stone and hardwood flooring in the United States, as well as a leading producer of laminate flooring in the U.S. and Europe. The Company has recently expanded its international presence through investments in Australia, Brazil, China, France, Mexico and Russia. The Company had annual net sales in 2012 of \$5.8 billion.

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

In 2011, the primary categories of the U.S. floor covering industry, based on sales dollars, were carpet and rug (53%), resilient and rubber (14%), ceramic tile (12%), hardwood (10%), stone (6%) and laminate (5%). Each of these categories is influenced by the average selling price per square foot, the residential builder and homeowner remodeling markets, housing starts and housing resales, average house size and home ownership. In addition, the level of sales in the floor covering industry, both in the U.S. and Europe, is influenced by consumer confidence, spending for durable goods, interest rates and availability of credit, turnover in housing, the condition of the residential and commercial construction industries and the overall strength of the economy.

For the three months ended March 30, 2013, net earnings attributable to the Company were \$50.5 million, or diluted earnings per share ("EPS") of \$0.72, compared to the net earnings attributable to the Company of \$40.4 million, or diluted EPS of \$0.58, for the three months ended March 31, 2012. The increase in EPS was primarily attributable to operations and selling, general and administrative productivity, higher sales volume, lower amortization costs and the favorable net impact of price and product mix, partially offset by increases in costs to support new product introductions and geographic expansion, increases in restructuring and acquisition/integration costs and the net impact of unrealized foreign exchange gains/losses.

### Recent Developments

On January 10, 2013, the Company completed its purchase of Pergo, a leading manufacturer of laminate flooring in the United States and the Nordic countries. The total value of the acquisition was approximately \$150 million in cash. Pergo complements our specialty distribution network in the United States, leverages our geographic position in Europe, expands our geographic reach to the Nordic countries and India and enhances our patent portfolio. The acquisition's results and a preliminary purchase price allocation are included in the condensed consolidated financial statements as of March 30, 2013.

On December 20, 2012, the Company entered into a definitive share purchase agreement to acquire Fintiles S.p.A and its subsidiaries (collectively, the "Marazzi Group"), a global manufacturer, distributor and marketer of ceramic tile. On April 3, 2013, pursuant to the terms of the purchase agreement dated December 20, 2012, the Company completed the acquisition of the Marazzi Group for approximately \$1.5 billion with a combination of cash and common stock of the Company.

On January 28, 2013 the Company entered into an agreement to purchase Spano Invest NV, a Belgian panel board manufacturer. On May 3, 2013, pursuant to the terms of the agreement dated January 28, 2013, the Company completed the acquisition of Spano for approximately \$164 million in cash.

In connection with the closing of the Marazzi acquisition on April 3, 2013, the Company decided to revise the names of its segments and, beginning in the second quarter of 2013, will refer to the Mohawk segment as the Carpet segment, the Dal-

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Tile segment as the Ceramic segment and the Unilin segment as the Laminate and Wood segment. Only the names of the segments are affected by the change and therefore no prior period financial information will change.

**Results of Operations**

***Quarter Ended March 30, 2013, as Compared with Quarter Ended March 31, 2012***

**Net sales**

Net sales for the three months ended March 30, 2013 were \$1,486.8 million, reflecting an increase of \$77.8 million, or 5.5%, from the \$1,409.0 million reported for the three months ended March 31, 2012. The increase was primarily driven by higher volume of approximately \$50 million primarily related to the Pergo acquisition, the favorable net impact of price and product mix of approximately \$26 million and the impact of favorable foreign exchange rates of approximately \$2 million.

*Mohawk Segment*—Net sales decreased \$4.5 million, or 0.6%, to \$695.3 million for the three months ended March 30, 2013, compared to \$699.9 million for the three months ended March 31, 2012. The decrease was primarily driven by lower volume of approximately \$28 million, which was partially offset by the favorable net impact of price and product mix of approximately \$23 million. The lower volume was primarily attributable to the timing of carpet product transitions in the home center channel and lower demand for rug products in the mass merchandise channel.

*Dal-Tile Segment*—Net sales increased \$19.0 million, or 4.8%, to \$411.9 million for the three months ended March 30, 2013, compared to \$392.9 million for the three months ended March 31, 2012. The increase was primarily driven by higher volume of approximately \$12 million, the favorable net impact of price and product mix of approximately \$6 million and the impact of favorable foreign exchange rates of approximately \$1 million. The volume increases were primarily attributable to continued improvement in the U.S. commercial and residential channels and growth in the Mexican market.

*Unilin Segment*—Net sales increased \$67.1 million, or 19.9%, to \$404.5 million for the three months ended March 30, 2013, compared to \$337.4 million for the three months ended March 31, 2012. The increase was primarily driven by higher volume of approximately \$69 million and the impact of favorable foreign exchange rates of approximately \$2 million, partially offset by the unfavorable net impact of price and product mix of approximately \$4 million. The volume increases were primarily attributable to the Pergo acquisition.

**Gross profit**

Gross profit for the three months ended March 30, 2013 was \$377.1 million (25.4% of net sales), an increase of \$17.6 million or 4.9%, compared to gross profit of \$359.4 million (25.5% of net sales) for the three months ended March 31, 2012. The increase in gross profit dollars was primarily attributable to higher sales volume of approximately \$10 million, operations productivity of approximately \$9 million and the favorable net impact of price and product mix of approximately \$5 million, partially offset by restructuring and acquisition/integration charges of approximately \$4 million and higher input costs of approximately \$3 million.

**Selling, general and administrative expenses**

Selling, general and administrative expenses for the three months ended March 30, 2013 were \$290.2 million (19.5% of net sales), compared to \$287.5 million (20.4% of net sales) for the three months ended March 31, 2012. As a percentage of net sales, selling, general and administrative expenses decreased 90 basis points. The increase in selling, general and administrative expenses in dollars was primarily driven by increases in costs to support new product introductions and geographic expansion and increases in restructuring and acquisition/integration charges, partially offset by lower amortization costs and improvements in productivity.

**Operating income**

Operating income for the three months ended March 30, 2013 was \$86.8 million (5.8% of net sales) reflecting an increase of \$14.9 million, or 20.7%, compared to operating income of \$72.0 million (5.1% of net sales) for the three months ended March 31, 2012. The increase in operating income was primarily driven by operations and selling, general and administrative productivity of approximately \$14 million, sales volume of approximately \$10 million, lower amortization expense of approximately \$10 million and the favorable net impact of price and product mix of approximately \$5 million, partially offset by increases in costs to support the Pergo acquisition, new product introductions and geographic expansion of approximately \$14 million and restructuring and acquisition/integration charges of approximately \$10 million.

*Mohawk Segment*—Operating income was relatively flat at \$25.2 million (3.6% of segment net sales) for the three months ended March 30, 2013 compared to operating income of \$25.3 million (3.6% of segment net sales) for the three months ended March 31, 2012. The change in operating income was primarily attributable to operations and selling, general and administrative productivity of approximately \$8 million and the favorable net impact of price and product mix of approximately \$5 million, offset by lower sales volume of approximately \$7 million and restructuring charges of approximately \$6 million.

*Dal-Tile Segment*—Operating income was \$30.0 million (7.3% of segment net sales) for the three months ended March 30, 2013 reflecting an increase of \$3.9 million compared to operating income of \$26.0 million (6.6% of segment net sales) for the three months ended March 31, 2012. The increase in operating income was primarily driven by operations and selling, general and administrative productivity of approximately \$5 million, the favorable net impact of price and product mix of approximately \$3 million and sales volume increases of approximately \$3 million, partially offset by increases in input costs of approximately \$5 million.

*Unilin Segment*—Operating income was \$38.7 million (9.6% of segment net sales) for the three months ended March 30, 2013 reflecting an increase of \$11.5 million compared to operating income of \$27.1 million (8.0% of segment net sales) for the three months ended March 31, 2012. The increase in operating income was primarily driven by sales volume of approximately \$14 million primarily related to the Pergo acquisition, lower amortization expense of approximately \$10 million and operations productivity of approximately \$2 million, partially offset by costs to support the Pergo acquisition, new product introductions and geographic expansion of approximately \$10 million, restructuring and acquisition/integration charges of approximately \$3 million and the unfavorable net impact of price and product mix of approximately \$3 million.

#### **Interest expense (income)**

Interest expense was \$19.2 million for the three months ended March 30, 2013, reflecting a decrease of \$3.3 million compared to interest expense of \$22.5 million for the three months ended March 31, 2012. Approximately \$7 million of the decrease was due to lower interest rates on the Company's outstanding debt, partially offset by interest expense of approximately \$4 million associated with the 3.85% Senior Notes issued in contemplation of the Marazzi acquisition. The lower interest rates were primarily attributable to the shift from higher interest rate senior notes to the Senior Credit Facility and the rating agency upgrades discussed in Liquidity and Capital Resources.

#### **Other expense (income)**

Other expense was \$6.4 million for the three months ended March 30, 2013, reflecting an unfavorable change of \$8.2 million compared to other income of \$1.8 million for the three months ended March 31, 2012. The change was primarily attributable to the net change in foreign currency gains/losses of approximately \$9 million.

#### **Income tax expense**

For the three months ended March 30, 2013, the Company recorded income tax expense of \$10.7 million on earnings before income taxes of \$61.3 million for an effective tax rate of 17.5%, as compared to an income tax expense of \$10.3 million on earnings before income taxes of \$51.3 million, resulting in an effective tax rate of 20.1% for the three months ended March 31, 2012. The difference in the effective tax rate for the comparative period is primarily due to the geographic dispersion of earnings and losses; a benefit of \$2 million from the settlement of certain income tax contingencies in the current period; and a benefit of \$1.9 million from the enactment of certain tax provisions that expired on December 31, 2011, including the research and development tax credit, retroactive to the beginning of 2012.

#### **Liquidity and Capital Resources**

The Company's primary capital requirements are for working capital, capital expenditures and acquisitions. The Company's capital needs are met primarily through a combination of internally generated funds, bank credit lines, term and senior notes and credit terms from suppliers.

Net cash used in operating activities in the first three months of 2013 was \$38.9 million, compared to net cash used in operating activities of \$44.5 million in the first three months of 2012.

Net cash used in investing activities in the first three months of 2013 was \$211.1 million compared to net cash used in investing activities of \$43.3 million in the first three months of 2012. The increase was primarily attributable to the Pergo

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acquisition of \$147.8 million and capital expenditures of \$63.3 million. Capital spending during the remainder of 2013, including acquisition capital expenditure requirements, is expected to range from approximately \$315 million to \$325 million and is intended to be used primarily to purchase equipment, add geographic capacity and to streamline manufacturing capabilities.

Net cash provided by financing activities in the first three months of 2013 was \$938.0 million compared to net cash provided by financing activities of \$72.0 million in the first three months of 2012. The increase was primarily attributable to the proceeds from the 3.85% Senior Notes and proceeds from the senior credit facility used to fund the Marazzi acquisition which closed on April 3, 2013.

On July 8, 2011, the Company entered into a five-year, senior, secured revolving credit facility (the "Senior Credit Facility"). The Senior Credit Facility provides for a maximum of \$900.0 million of revolving credit, including limited amounts of credit in the form of letters of credit and swingline loans. The Company paid financing costs of \$8.3 million in connection with its Senior Credit Facility. These costs were deferred and, along with unamortized costs of \$12.3 million related to the Company's prior senior, secured revolving credit facility, are being amortized over the term of the Senior Credit Facility.

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

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

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

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

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

The Senior Credit Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on liens, indebtedness, investments, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company's business. Many of these limitations are subject to numerous exceptions. The Company is also required to maintain a Consolidated Interest Coverage Ratio of at least 3.00 to 1.0 and a Consolidated Net Leverage Ratio of no more than 3.75 to 1.0, each as of the last day of any fiscal quarter, as defined in the Senior Credit Facility. The Senior Credit Facility also contains customary representations and warranties and events of default, subject to customary grace periods.

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As of March 30, 2013, the amount utilized under the Senior Credit Facility excluding the term loan was \$413.7 million, resulting in a total of \$486.3 million available under the Senior Credit Facility. The amount utilized included \$316.6 million of borrowings, \$46.8 million of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$50.3 million of standby letters of credit related to various insurance contracts and foreign vendor commitments.

On December 19, 2012, the Company entered into a three-year on-balance sheet trade accounts receivable securitization agreement (the "Securitization Facility"). The Securitization Facility allows the Company to borrow up to \$300,000 based on available accounts receivable and is secured by the Company's U.S. trade accounts receivable. Borrowings under the Securitization Facility bear interest at commercial paper interest rates, in the case of lenders that are commercial paper conduits, or LIBOR, in the case of lenders that are not commercial paper conduits, in each case, plus an applicable margin of 0.75% per annum. The Company also pays a commitment fee at a per annum rate of 0.30% on the unused amount of each lender's commitment. At March 30, 2013, the amount utilized under the Securitization Facility was \$300,000.

On January 31, 2013, the Company issued \$600,000 aggregate principal amount of 3.85% Senior Notes due February 1, 2023. The Company paid financing costs of \$5,150 in connection with the 3.85% Senior Notes. These costs were deferred and are being amortized over the term of the 3.85% Senior Notes.

On January 17, 2006, the Company issued \$900.0 million aggregate principal amount of 6.125% notes due January 15, 2016. Interest payable on these notes is subject to adjustment if either Moody's or S&P, or both, upgrades or downgrades the rating assigned to the notes. Each rating agency downgrade results in a 0.25% increase in the interest rate, subject to a maximum increase of 1% per rating agency. If later the rating of these notes improves, then the interest rates would be reduced accordingly. Each 0.25% increase in the interest rate of these notes would increase the Company's interest expense by approximately \$0.1 million per quarter per \$100.0 million of outstanding notes. In 2009, interest rates increased by an aggregate amount of 75 basis points as a result of downgrades by Moody's and S&P. In the first quarter of 2012, interest rates decreased by 50 basis points as a result of the upgrades from S&P and Moody's. Any future downgrades in the Company's credit ratings could increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future.

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

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

As of March 30, 2013, the Company had invested cash of \$1,060.9 million, of which \$1,058.9 million was in Europe. Of the \$1,058.9 million in Europe, \$39.2 million was invested in A-1/P-1 rated money market cash investments. On April 3, 2013, the Company completed the acquisition of the Marazzi Group for approximately \$1,500 million including approximately €784 million (\$1,004 million) in cash with the remainder in common stock of the Company and assumed debt. While the Company's plans are to permanently reinvest the cash held in Europe, the estimated cost of repatriation for the cash invested in Europe as of March 30, 2013 would have been approximately \$370.6 million. The Company believes that its cash and cash equivalents on hand, cash generated from operations and availability under its Senior Credit Facility will be sufficient to meet its capital expenditure, working capital and debt servicing requirements over the next twelve months.

### **Contractual Obligations**

There have been no significant changes to the Company's contractual obligations as disclosed in the Company's 2012 Annual Report filed on Form 10-K.

### **Critical Accounting Policies and Estimates**

There have been no significant changes to the Company's critical accounting policies and estimates during the period. The Company's critical accounting policies and estimates are described in its 2012 Annual Report filed on Form 10-K.

## **Impact of Inflation**

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

## **Seasonality**

The Company is a calendar year-end company. With respect to its Mohawk and Dal-Tile segments, its results of operations for the first quarter tend to be the weakest. The second, third and fourth quarters typically produce higher net sales and operating income in these segments. These results are primarily due to consumer residential spending patterns for floor covering, which historically have decreased during the first two months of each year following the holiday season. The Unilin segment's second and fourth quarters typically produce higher net sales and earnings followed by a moderate first quarter and a weaker third quarter. The third quarter is traditionally the weakest due to the European holiday in late summer.

## **Forward-Looking Information**

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

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As of March 30, 2013, approximately 65% of the Company's debt portfolio was comprised of fixed-rate debt and 35% was floating-rate debt. A 1.0 percentage point change in the interest rate of the floating-rate debt would not have a material impact on the Company's results of operations. There have been no other significant changes to the Company's exposure to market risk as disclosed in the Company's 2012 Annual Report filed on Form 10-K.

## **Item 4. Controls and Procedures**

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

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

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

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

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

### Item 1A. Risk Factors

There have been no material changes in the Company's risk factors from those disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the year ended December 31, 2012. The risk factors disclosed in our Annual Report on Form 10-K, in addition to the other information set forth in this report, could materially affect our business, financial condition or results.

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

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

None.

**Item 6. Exhibits**

<b>No.</b>	<b>Description</b>
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.)
10.1	Amendment No. 3 to the Credit Agreement, dated January 28, 2013, by and among Mohawk Industries, Inc. and certain of its subsidiaries, as Borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and a L/C Issuer, the other lenders party thereto and the other parties thereto (Incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated January 30, 2013.)
10.2	First Amendment to Credit and Security Agreement, dated as of January 22, 2013, by and among Mohawk Factoring, LLC, as borrower, Mohawk Servicing, LLC, as servicer, the lenders from time to time party thereto, the liquidity banks from time to time party thereto, the co-agents from time to time party thereto and SunTrust Bank, as administrative agent (Incorporated herein by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K dated February 27, 2013.)
10.3	Stock Restriction and Registration Rights Agreement, dated as of April 3, 2013, by and among Mohawk Industries, Inc., LuxELIT S.á r.l., and Finceramica S.p.A.
31.1	Certification Pursuant to Rule 13a-14(a).
31.2	Certification Pursuant to Rule 13a-14(a).
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.





**STOCK RESTRICTION AND REGISTRATION RIGHTS AGREEMENT**

THIS STOCK RESTRICTION AND REGISTRATION RIGHTS AGREEMENT (this "Agreement") is made and entered into as of April 3, 2013, by and among Mohawk Industries, Inc., a Delaware corporation (the "Parent"), LuxELIT S.á r.l., a Luxembourg limited liability company ("LuxELIT") and Finceramica S.p.A., an Italian corporation ("Finceramica" and together with LuxELIT the "Sellers" and each a "Seller").

**RECITALS**

WHEREAS, pursuant to the terms of that certain Stock Purchase Agreement dated as of December 20, 2012 (as may be amended, the "Purchase Agreement"), by and among the Parent, Mohawk International Holdings (DE) Corporation, a wholly-owned subsidiary of the Parent ("Purchaser"), and Sellers, the Purchaser shall purchase from the Sellers all of the issued share capital (the "Shares") of Fintiles S.p.A, an Italian corporation (*società per azioni*) with registered address at via B. Telesio 2, Milan (Italy), registered with the Companies Register of Milan at no. 06187460966 (the "Acquisition"), with a portion of the consideration therefore being the Sellers' receipt of shares of the \$0.01 par value common stock of the Parent (the "Parent Common Stock");

WHEREAS, the Parent has agreed, as a condition precedent to Sellers' obligations under the Purchase Agreement, to grant the Sellers certain registration rights; and

WHEREAS, pursuant to Section 7.11 of the Purchase Agreement, LuxELIT (or, if applicable, its successor as selected pursuant to Section 7.11 of the Purchase Agreement, the "Seller Representative") is each Seller's true and lawful attorney-in-fact for purposes of this Agreement (and, by execution of a joinder to this Agreement, each Permitted Transferee shall accept Seller Representative as its true and lawful attorney-in-fact for purposes of this Agreement); and

WHEREAS, the Parent and the Sellers desire to define such registration rights on the terms and subject to the conditions herein set forth.

NOW, THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the parties hereby agree as follows:

**1. DEFINITIONS**

As used in this Agreement, the following terms have the respective meanings set forth below:

"Affiliate" of any Person means any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlling," "controlled by" and "under common control with") as used with respect to any Person means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

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“Commission” means the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act;

“Effective Date” means the date on which the Acquisition is consummated;

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;

“Excluded Shares” means no more than that number of shares (rounded up to the nearest whole share) equal to 7.5% of the Mohawk Common Stock issued in connection with the Acquisition.

“Lock-up Party” means the Sellers and their Permitted Transferees, provided that, for the avoidance of doubt, if either or both of Private Equity Partners Fund IV (“PEP IV”) or Private Equity Partners SpA (“PEP SpA”) becomes a Permitted Transferee, it shall not be a Lock-up Party with respect to the Excluded Shares (provided, that if PEP IV or PEP SpA holds any Registrable Securities which are not Excluded Shares, then PEP IV or PEP SpA, as the case may be, shall be a Lock-up Party with respect to, but only with respect to, such other Registrable Securities).

“Permitted Transferee” means those Persons listed on Schedule 1 to this Agreement to the extent that such transferee executes a joinder to this Agreement substantially in the form of Exhibit A hereto.

“Person” means any individual, firm, corporation (wherever incorporated), partnership, limited liability company, joint venture, trust, association, organization, governmental authority, works council or employee representative body (whether or not having separate legal personality) or any other entity;

“register”, “registered” and “registration” means a registration effected by preparing and filing a registration statement in compliance with the Securities Act (and any post-effective amendments filed or required to be filed) and the declaration, ordering of or automatic effectiveness of such registration statement;

“Registrable Securities” means (A) the shares of Parent Common Stock issued to the Investors under the Purchase Agreement, and (B) any securities of the Parent issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares of Parent Common Stock referred to in clause (A); provided, that Registrable Securities shall not include such securities as are actually sold pursuant to (i) a registration statement with respect to the sale of such securities that has become effective under the Securities Act, or (ii) Rule 144 (or any successor provision thereto) under the Securities Act (“Rule 144”);

“Registration Expenses” means all expenses incurred by the Parent in compliance with this Agreement, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Parent, fees and disbursements for any transfer agent for the Registrable Securities, printing expenses, blue sky fees and expenses (but excluding the compensation of regular employees of the Parent, which shall be paid in any event by the Parent);

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“Securities Act” means the Securities Act of 1933, as amended and the rules and regulations promulgated thereunder; and

“Selling Expenses” means all selling commissions applicable to the sale of Registrable Securities and all fees and disbursements of counsel for each of the Sellers and, if applicable, their respective Permitted Transferees.

## 2. LOCK-UP; RESTRICTIONS ON TRANSFER

(a) No Lock-up Party shall effect any transfer, sale or distribution or make any short sale of, or loan of, any Parent Common Stock received by a Seller pursuant to the Purchase Agreement (collectively, the “Lock-up Shares”) from the Effective Date until the date that is the earlier of (i) the date as the Parent shall agree and (ii) (A) 90 days following the Effective Date, with respect to 50 percent of the Lock-up Shares received by the applicable Seller and (B) 180 days following the Effective Date, with respect to the remaining Lock-up Shares received by such applicable Seller (each a “Lock-up Period”); provided that, notwithstanding the foregoing, the Sellers may transfer all or a portion of the Lock-up Shares to a Permitted Transferee (which Permitted Transferee shall, if applicable, become a Lock-up Party upon executing a joinder to this Agreement substantially in the form of Exhibit A hereto) during the Lock-Up Period; provided, further, that the Excluded Shares shall in no event be considered Lock-up Shares.

(b) Following the applicable Lock-up Period and prior to any proposed transfer of any Registrable Securities (other than (x) under the circumstances described in Section 3 hereof and (y) with respect to Registrable Securities that no longer bear the restrictive legend set forth in Section 2(c) hereof), the applicable Seller shall give written notice to the Parent of its intention to effect such transfer. Each such notice shall describe the manner of the proposed transfer and, with respect to transfers of Registrable Securities pursuant to an exemption from registration under the Securities Act, if requested by the Parent, shall be accompanied by an opinion of counsel reasonably satisfactory to the Parent (it being understood that Skadden, Arps, Slate, Meagher & Flom LLP shall be acceptable to render such opinion) to the effect that the proposed transfer may be effected without registration under the Securities Act, whereupon such Seller shall be entitled to transfer the Registrable Securities in accordance with the terms of its notice. Each certificate or instrument evidencing transferred Registrable Securities shall bear the legend set forth in Section 2(c), except that any such certificate or instrument shall not bear such legend if (i) such transfer is made pursuant to an effective registration statement, (ii) such transfer is in accordance with the provisions of Rule 144 (or any other rule permitting the resale of Registrable Securities without registration under the Securities Act) or (iii) the opinion of counsel referred to above is to the further effect that the transferee and any subsequent transferee that is not an Affiliate of the Parent would be entitled to transfer such Registrable Securities in a public sale without registration under the Securities Act.

(c) Subject to the foregoing, each certificate evidencing Registrable Securities issued in connection with the Acquisition (“Restricted Shares”) shall bear a legend in substantially the following form:

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“THESE SECURITIES ARE SUBJECT TO RESTRICTIONS CONTAINED IN THAT CERTAIN STOCK RESTRICTION AND REGISTRATION RIGHTS AGREEMENT DATED APRIL 3, 2013. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES ACTS AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND ANY APPLICABLE STATE SECURITIES ACTS OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.”

(d) In the event that any Restricted Shares shall cease to be subject to the restrictions on transfer set forth in this Agreement, the Parent shall, upon the written request of the Seller, issue to such Seller one or more new certificates evidencing such shares without the legend required by Section 2(c) hereof endorsed thereon.

### 3. REGISTRATION RIGHTS

#### (a) Shelf Registration.

(i) The Parent has filed a “shelf” registration statement on Form S-3 relating to delayed or continuous offerings pursuant to Rule 415 under the Securities Act, which registration statement became automatically effective upon the filing thereof (the “Shelf Registration”). As promptly as practicable, but in no event more than 10 days, following the Effective Date, the Parent shall file a supplement to the prospectus that forms a part of the Registration Statement (the “Base Prospectus”) providing for the resale, subject to Section 3(a)(iv) hereof, from time to time by each of the Sellers and any Permitted Transferee of the Registrable Securities which prospectus supplement (such prospectus supplement and the Base Prospectus together, the “Prospectus”) shall name each of the Sellers and each person identified as a Permitted Transferee as selling securityholders of the Registrable Securities, in such a manner as to permit each of the Sellers and each Permitted Transferee to deliver the Prospectus to purchasers of Registrable Securities in accordance with applicable law. The Parent shall, subject to Section 3(g) hereof, use its reasonable best efforts to keep the Shelf Registration continuously effective until February 28, 2015 (or, in the event that the Parent renews the Shelf Registration, April 3, 2016) in order to permit the Prospectus to be usable by Holders during such period (the “Effectiveness Period”).

(ii) If, for any reason, at any time during the Effectiveness Period the Shelf Registration ceases to be effective under the Securities Act, or ceases to be usable for the purposes contemplated hereunder, then the Parent shall use its reasonable best efforts to promptly cause the Shelf Registration to become effective or usable under the Securities Act (including obtaining the prompt withdrawal of any order suspending the effectiveness of such Shelf Registration), and in any event shall, as promptly as reasonably practicable, (A) amend the Shelf Registration in a manner reasonably expected to obtain the withdrawal of any order suspending the effectiveness of the Shelf Registration or (B) file an additional registration statement or prospectus supplement to a prospectus contained in an existing automatic shelf registration statement, as applicable (a “Subsequent Shelf Registration”), for an offering to be made on a delayed or continuous basis pursuant to Rule 415 registering the resale from time to time by the Sellers of all Registrable Securities as of the time of such filing. If a Subsequent Shelf Registration is filed and such

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Subsequent Shelf Registration is not an automatic shelf registration statement or a prospectus supplement to a prospectus contained in an existing automatic shelf registration statement, the Parent shall use its commercially reasonable efforts to cause such Subsequent Shelf Registration to become effective under the Securities Act as promptly as practicable after such filing, but in no event later than the date that is one hundred eighty (180) days following the date that such Subsequent Shelf Registration is required to be filed with the Commission. The Parent shall use its reasonable best efforts to keep such Subsequent Shelf Registration (or another Subsequent Shelf Registration) continuously effective under the Securities Act from the date the Subsequent Shelf Registration is declared effective until the end of the Effectiveness Period. Subject to Section 3(a)(iv) hereof, each such Subsequent Shelf Registration, if any, shall provide for the registration of such Registrable Securities for resale by each of the Sellers (and, if applicable, any Permitted Transferee) in accordance with any reasonable method of distribution elected by a Seller (and, if applicable, any Permitted Transferee).

(iii) The Parent shall supplement and amend the Shelf Registration and any Subsequent Shelf Registration, as the case may be, if required by the rules, regulations or instructions applicable to the registration form used by the Parent for such Shelf Registration or Subsequent Shelf Registration, if required by the Securities Act or, if necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, as reasonably requested by one or more Sellers or any Permitted Transferee.

(iv) Notwithstanding anything to the contrary in this Agreement, the Parent shall not be obligated to file or cause to be filed any Prospectus, including any prospectus included in a Subsequent Shelf Registration, that provides for the resale of Registrable Securities by means of an underwritten offering.

(b) Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to this Agreement (including all Registration Expenses incurred in connection with the Shelf Registration and any supplements or amendments thereto, whether or not already effective or it becomes effective, and whether all, none or some of the Registrable Securities are sold pursuant to the Shelf Registration) shall be borne by the Parent, and all Selling Expenses shall be borne by the Seller (or, if applicable, their Permitted Transferee) incurring such expense severally and not jointly.

(c) Registration Procedures. Subject to Section 3(a)(iv) hereof, the Parent shall use its reasonable best efforts to effect the registration and the sale of such Registrable Securities in accordance with each Seller's (and, if applicable, each Permitted Transferee's) intended methods of disposition thereof, and pursuant thereto the Parent shall, at its expense and as expeditiously as possible:

(i) furnish to each Seller (and, if applicable, any Permitted Transferee) such number of conformed copies of the applicable registration statement and of each amendment and supplement thereto (in each case including all exhibits) and such number of copies of the prospectus forming a part of such registration statement (including each preliminary prospectus, any summary prospectus or any term sheet (as such term is used in Rule 434 under the Securities Act)) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, including without limitation documents

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incorporated or deemed to be incorporated by reference prior to the effectiveness of such registration, as each of the Sellers (and, if applicable, any Permitted Transferee) from time to time may reasonably request; and

(ii) notify the Sellers (and, if applicable, any Permitted Transferee), at any time during the Effectiveness Period of the occurrence of any event as a result of which any prospectus relating to the sale of Registrable Securities contains an untrue statement of a material fact or omits any material fact necessary to make the statements therein not misleading, and, at the request of any Seller (and, if applicable, any Permitted Transferee), the Parent shall prepare a supplement or amendment to such prospectus so that, as thereafter supplemented and/or amended, such prospectus shall not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading;

(iii) use its reasonable best efforts to maintain the listing of the Registrable Securities on the New York Stock Exchange;

(iv) cause management of the Parent to cooperate reasonably with each of the Sellers (and, if applicable, each Permitted Transferee) with respect to significant placements of Registrable Securities, including by participating in one-on-one meetings with institutional investors and responding to reasonable requests for information; and

(v) promptly notify each of the Sellers (and, if applicable, any Permitted Transferee):

(A) when any registration statement, any pre-effective amendment, the prospectus or any prospectus supplement or post-effective amendment to any registration statement relating to the resale of Registrable Securities has been filed and, with respect to any such registration statement or any post-effective amendment, when the same has become effective;

(B) of any written request by the Commission for amendments or supplements to any registration statement or any prospectus relating to the resale of Registrable Securities or of any inquiry by the Commission relating to any such registration statement or the Parent's status as a well-known seasoned issuer; and

(C) of the notification to the Parent by the Commission of its initiation of any proceeding with respect to the issuance by the Commission of any stop order suspending the effectiveness of any registration statement relating to the resale of Registrable Securities.

(d) The Parent represents and warrants that no registration statement (including any amendments or supplements thereto and prospectuses contained therein) relating to the resale of Registrable Securities shall contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading (except that the Parent makes no representation or warranty with respect to information relating to the Sellers (and, if applicable, any Permitted Transferee) furnished to the Parent by or on behalf of the Sellers (and, if applicable, any Permitted Transferee) specifically for use therein).

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(e) Indemnification.

(i) The Parent will indemnify each of the Sellers (and, if applicable, their respective Permitted Transferees), as applicable, each of its officers, directors, members and partners, and each person controlling each of the Sellers (and, if applicable, their respective Permitted Transferees), with respect to any registration which has been effected pursuant to this Agreement against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Parent of the Securities Act or the Exchange Act or relating to action or inaction required of the Parent in connection with any such registration, qualification or compliance, and will reimburse each of the Sellers (and, if applicable, their respective Permitted Transferees), and each of their respective officers, directors, members and partners, and each person controlling each of the Sellers (and, if applicable, their respective Permitted Transferees), for any legal and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, provided that the Parent will not be liable in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Parent by the Sellers (and, if applicable, their respective Permitted Transferees) and stated to be specifically for use therein.

(ii) Each of the Sellers (and, if applicable, their respective Permitted Transferees), severally and not jointly, will, if Registrable Securities held by it are included in the securities as to which any registration, qualification or compliance is being effected, indemnify the Parent, each of its directors and officers, and each person who controls the Parent, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document made by such Seller (and, if applicable, any Permitted Transferee), or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements by such Seller (and, if applicable, such Permitted Transferee) therein not misleading, and will reimburse the Parent and such directors, officers, persons or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Parent by such Seller (and, if applicable, such Permitted Transferee) and stated to be specifically for use therein; provided, however, that the obligations of each of the Sellers (and, if applicable, their respective Permitted Transferees) hereunder and under clause (vi) below shall be limited to an amount equal to the net proceeds actually received by such Seller for securities sold as contemplated herein pursuant to such registration.

(iii) Each party entitled to indemnification under this Section 3(e) (the “Indemnified Party”) shall give notice to the party required to provide indemnification (the “Indemnifying Party”) promptly after such Indemnified Party has actual knowledge of any claim

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as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld) and the Indemnified Party may participate in such defense at such party's expense (unless the Indemnified Party shall have reasonably concluded that there may be a conflict of interest between the Indemnifying Party and the Indemnified Party in such action, in which case the fees and expenses of one such counsel for all Indemnified Parties (in addition to any local counsel) shall be at the expense of the Indemnifying Party), and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 3(e) unless the Indemnifying Party is materially prejudiced thereby. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party (which consent shall not be unreasonably withheld or delayed), consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

(iv) If the indemnification provided for in this Section 3(e) is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage or expense referred to herein, then the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions which resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue (or alleged untrue) statement of a material fact or the omission (or alleged omission) to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Parent and the Sellers agree that it would not be just and equitable if contribution pursuant to this Section 3(e)(iv) were determined by pro rata allocation (even if the Sellers and their respective Permitted Transferees were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above.

(v) The foregoing indemnity agreement of the Parent and Sellers is subject to the condition that, insofar as they relate to any loss, claim, liability or damage made in a preliminary prospectus but eliminated or remedied in the amended prospectus that is on file with the Commission at the time of a sale of Registrable Securities (the "Final Prospectus"), such indemnity or contribution agreement shall not inure to the benefit of any Seller (but only if such Seller was required to deliver such Final Prospectus) if a copy of such Final Prospectus was furnished to such Seller prior to the time of sale of such Registrable Securities and was not furnished to the person asserting the loss, liability, claim or damage at or prior to the time such action is required by the Securities Act.

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(f) Information by the Sellers. Each of the Sellers (and, if applicable, their respective Permitted Transferees) holding securities included in any registration shall furnish to the Parent such information regarding such Seller (and, if applicable, such Permitted Transferee) and the distribution proposed by such Seller or Permitted Transferee as the Parent may reasonably request in writing and as shall be reasonably required in connection with any registration referred to in this Agreement.

(g) Holdback Agreement; Postponement. Notwithstanding the provisions of Section 3(a), if the Board of Directors of the Parent determines in good faith that it is in the best interests of the Parent (i) not to disclose the existence of facts surrounding any proposed or pending acquisition, disposition, strategic alliance or financing transaction involving the Parent or (ii) for any purpose, to suspend the registration rights set forth herein, the Parent may, by notice to the Seller Representative in accordance with Section 6(a) (a "Suspension Notice"), suspend the rights of the Sellers (and, if applicable, their respective Permitted Transferees) to make sales pursuant to the applicable Shelf Registration or Subsequent Shelf Registration, as the case may be, for such a period of time as the Board of Directors may reasonably determine; provided that such periods of suspension may not exceed 60 days in the aggregate during any period of 12 consecutive months. If the Parent shall deliver to the Sellers (and, if applicable, their respective Permitted Transferees) any Suspension Notice, the Effectiveness Period shall be extended by the number of days during the period from and including the date of the delivery of such Suspension Notice to and including the date the Seller (and, if applicable, their respective Permitted Transferees) is advised by the Parent that such suspension has ended.

(h) Assignment. The registration rights set forth in Section 3 hereof may not be assigned, in whole or in part, by any Seller other than, if applicable, to Permitted Transferees who execute a joinder to this Agreement substantially in the form of Exhibit A hereto. Any assignment to the contrary shall be null and void.

#### 4. RULE 144 REPORTING

With a view to making available the benefits of certain rules and regulations of the Commission which may permit the sale of restricted securities to the public without registration, the Parent agrees that it will:

- (a) make and keep current public information available (as those terms are understood and defined in Rule 144) at all times;
  - (b) use its reasonable best efforts to file with the Commission in a timely manner all reports and other documents required of the Parent under the Securities Act and the Exchange Act; and
  - (c) so long as there are outstanding any Registrable Securities, furnish to each Seller (and, if applicable, each Permitted Transferee), upon request, a written statement by the Parent as to its compliance with the reporting requirements of Rule 144 and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Parent, and such other reports and documents so filed as such Seller may reasonably request in availing itself of any rule or regulation of the Commission allowing such Seller (and, if applicable, such Permitted Transferee) to sell any such securities without registration.
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## 5. INTERPRETATION OF THIS AGREEMENT

(a) Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

(b) Generally. In this Agreement, unless the context otherwise requires: (i) headings do not affect the interpretation of this Agreement; (ii) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms; and (iii) the words “hereof,” “hereby” and “herein” and words of similar meaning when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement.

## 6. MISCELLANEOUS

(a) Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing in English and will be deemed to have been given when delivered personally to the recipient or when sent to the recipient by facsimile (receipt confirmed), one (1) business day after the date when sent to the recipient by reputable overnight express courier services (charges prepaid) or three (3) business days after the date when mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid. Such notices, demands and other communications will be sent the Parent and the Seller Representative at the addresses indicated below:

If to Seller Representative, to:

LuxELIT S.à r.l.  
282, Route de Longwy L – 1940  
Luxembourg  
Fax: (+352) 26 86 81 86  
Attention: Board of Managers

If to the Parent:

Mohawk Industries, Inc.  
P.O. Box 12069  
160 South Industrial Boulevard  
Calhoun, GA 30702  
Fax: 706-624-2483  
Attention: James T. Lucke

(b) Entire Agreement. This Agreement sets forth the entire agreement among the parties in respect of the subject matter hereof. No party shall have any claim or remedy in respect of any statement, representation, warranty or undertaking relating to the subject matter hereof which is not expressly set forth in this Agreement.

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(c) Waivers. No failure or delay by a party in exercising any right or remedy provided by law or under this Agreement shall impair such right or remedy or operate or be construed as a waiver or variation of it or preclude its exercise at any subsequent time and no single or partial exercise of any such right or remedy shall preclude any further exercise of it or the exercise of any other remedy.

(d) Counterparts. This Agreement may be executed in any number of separate counterparts (including by means of facsimile), each of which is an original but all of which taken together shall constitute one and the same instrument.

(e) Amendments. No amendment to this Agreement shall be valid unless it is in writing and duly executed by the Parent and Seller Representative.

(f) Severability. Each of the provisions of this Agreement is severable. If any such provision is held to be or becomes invalid or unenforceable in any respect under the law of any jurisdiction, it shall have no effect in that respect and the parties shall use all reasonable efforts to replace it in that respect with a valid and enforceable substitute provision the effect of which is as close to its intended effect as possible.

(g) Third Party Beneficiaries. A person who is not a party to this Agreement shall have no right to enforce any of its terms and this Agreement is not intended to give any Person other than the parties hereto and their permitted assigns any rights hereunder.

(h) Governing Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED IN ANY WAY TO THIS AGREEMENT, THE RELATIONSHIP OF THE PARTIES, THE PROPOSED TRANSACTION AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER OR RELATED IN ANY WAY TO THE FOREGOING, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAW OF THE STATE OF DELAWARE WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF DELAWARE OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF DELAWARE.

(i) Dispute Resolution. EACH PARTY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN NEW CASTLE COUNTY, DELAWARE FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS OR ANY TRANSACTION CONTEMPLATED HEREBY OR THEREBY AND AGREES THAT ALL CLAIMS IN RESPECT OF THE SUIT, ACTION OR OTHER PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. EACH PARTY AGREES TO COMMENCE ANY SUCH SUIT, ACTION OR OTHER PROCEEDING IN THE STATE AND FEDERAL COURTS SITTING IN NEW CASTLE COUNTY, DELAWARE. EACH PARTY WAIVES ANY DEFENSE OF IMPROPER VENUE OR INCONVENIENT FORUM TO THE MAINTENANCE OF ANY ACTION OR PROCEEDING SO BROUGHT AND WAIVES ANY BOND, SURETY, OR OTHER SECURITY THAT MIGHT BE REQUIRED OF ANY OTHER PARTY WITH RESPECT THERETO. ANY PARTY MAY MAKE SERVICE ON

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ANY OTHER PARTY BY SENDING OR DELIVERING A COPY OF THE PROCESS TO THE PARTY TO BE SERVED AT THE ADDRESS AND IN THE MANNER PROVIDED FOR THE GIVING OF NOTICES IN SECTION 6(a). NOTHING IN THIS SECTION 6(i). HOWEVER, SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AT EQUITY. EACH PARTY AGREES THAT A FINAL JUDGMENT IN ANY ACTION OR PROCEEDING SO BROUGHT SHALL BE CONCLUSIVE AND MAY BE ENFORCED BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW OR AT EQUITY.

EACH OF THE PARTIES HEREBY WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. EACH OF THE PARTIES (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HERETO HAS REPRESENTED EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS AND (ii) ACKNOWLEDGES THAT SUCH OTHER PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS CONTAINED HEREIN.

[Signature pages follow]

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

SELLERS:

LUXELIT S.À R.L.

By: /s/ Eddy Perrier  
Name: Eddy Perrier  
Title: Attorney

FINCERAMICA S.P.A.

By: /s/ Rosaria Marazzi  
Name: Rosaria Marazzi  
Title: Chairperson

PARENT:

MOHAWK INDUSTRIES, INC.

By: /s/ Frank H. Boykin  
Name: Frank H. Boykin Title: Chief Financial Officer

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**JOINDER AGREEMENT**

WHEREAS, simultaneously with the execution of this Joinder Agreement (this “Agreement”), [•] (the “Acquiror”) is acquiring from [•], [•] shares of common stock, par value \$0.01 per share (the “Parent Common Shares”), of [•], a Delaware corporation (the “Parent”);

WHEREAS, as a condition to the acquisition of the Parent Common Shares, the Acquiror has agreed, upon the acquisition of the Parent Common Shares, to join that certain Stock Restriction and Registration Rights Agreement, dated as of [•], 2012 (the “Registration Agreement”), among the Parent, LuxELIT and Finceramica;

WHEREAS, Acquiror understands that the execution of this Agreement is a condition precedent to the acquisition of the Parent Common Shares; and

WHEREAS, capitalized terms used but not defined herein shall have the meaning set forth in the Registration Agreement.

NOW, THEREFORE, as an inducement to the transferor of the Parent Common Shares and pursuant to Sections 2(a) and 3(h) of the Registration Agreement, the parties agree as follows:

1. [•] hereby agrees that, immediately upon its acquisition of Parent Common Shares, it shall automatically join in the Registration Agreement, and shall thereafter be bound by the terms and provisions and receive the benefits of the Registration Agreement with respect to the Parent Common Shares as fully as if it were an initial signatory thereto, and shall be deemed to be a “Permitted Transferee” and a “Seller” for all purposes thereunder.
  2. Acquiror accepts Seller Representative as its true and lawful attorney-in-fact for purposes of this Agreement and the Registration Agreement. Seller Representative shall be a third party beneficiary of this paragraph 2.
  3. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law, and Acquiror shall be subject to the provisions of Sections 6(h) and (i) of the Registration Agreement with respect to any dispute arising out of or relating to this Agreement.
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IN WITNESS WHEREOF, the undersigned have executed this Agreement this \_\_\_\_ day of \_\_\_\_\_ .

**[ACQUIROR]**

By:

By: \_\_\_\_\_

Name:

Title:

Address:



Accepted:

MOHAWK INDUSTRIES, INC.

By: \_\_\_\_\_

Name:

Title:

## Schedule I

### Permitted Transferees

1. P4 Sub L.P. 1
2. Permira IV L.P.2
3. Permira Investments Limited
4. P4 Co-Investment L.P.
5. Private Equity Partners Fund IV
6. Private Equity Partners SpA
7. Simon Fiduciaria
8. Rosaria Marazzi
9. Carolina Marazzi
10. Emanuela Marazzi

## CERTIFICATIONS

I, Jeffrey S. Lorberbaum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mohawk Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2013

/s/ Jeffrey S. Lorberbaum

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

## CERTIFICATIONS

I, Frank H. Boykin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mohawk Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2013

/s/ Frank H. Boykin

**Frank H. Boykin**  
**Chief Financial Officer**

Statement of Chief Executive Officer of  
MOHAWK INDUSTRIES, INC.  
Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Mohawk Industries, Inc. (the "Company") on Form 10-Q for the period ended March 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey S. Lorberbaum, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

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

/s/ Jeffrey S. Lorberbaum

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

May 6, 2013

Statement of Chief Financial Officer of  
MOHAWK INDUSTRIES, INC.  
Pursuant to 18 U.S.C. Section 1350,  
As Adopted Pursuant to  
§ 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Mohawk Industries, Inc. (the "Company") on Form 10-Q for the period ended March 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank H. Boykin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

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

/s/ Frank H. Boykin

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**Frank H. Boykin**  
**Chief Financial Officer**

May 6, 2013

