MOHAWK INDUSTRIES INC
Form 10-K
February 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
[Mark One]
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number
01-13697
MOHAWK INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	52-1604305
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
160 S. Industrial Blvd., Calhoun, Georgia	30701
(Address of principal executive offices)	(Zip Code)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act Yes ¨ No ý
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 ý 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 ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company"

in Rule 12b-2 of the Exchange Act.

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates (excludes beneficial owners of more than 10% of the Common Stock) of the Registrant (62,815,500 shares) on July 2, 2015 (the last business day of the Registrant's most recently completed fiscal second quarter) was $12,157,940,025. The aggregate market value was computed by reference to the closing price of the Common Stock on such date.

Number of shares of Common Stock outstanding as of February 23, 2016: 73,956,759 shares of Common Stock, $.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2016 Annual Meeting of Stockholders-Part III.

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PART I

Item 1. Business

General

Mohawk Industries, Inc. (“Mohawk” or the “Company”) is a leading global flooring manufacturer that creates products to enhance residential and commercial spaces around the world. The Company's vertically integrated manufacturing and distribution processes provide competitive advantages in carpet, rugs, ceramic tile, laminate, wood, stone, luxury vinyl tile ("LVT") and vinyl flooring. The Company's industry-leading innovation develops products and technologies that differentiate its brands in the marketplace and satisfy all flooring related remodeling and new construction requirements. The Company's brands are among the most recognized in the industry and include American Olean®, Bigelow®, Daltile®, Durkan®, IVC™, Karastan®, Lees®, Marazzi®, Mohawk®, Pergo®, Quick-Step® and Unilin®. The Company has transformed its business from an American carpet manufacturer into the world's largest flooring company with operations in Australia, Brazil, Canada, Europe, India, Malaysia, Mexico, New Zealand, Russia and the United States. The Company had annual net sales in 2015 of $8.1 billion. Approximately 67% of this amount was generated by sales in the United States and approximately 33% was generated by sales outside the United States.

During the second quarter of 2015, the Company realigned its reportable segments to reflect how the Company’s results will be reported by management. The Company has reorganized its business into three segments, Global Ceramic, Flooring North America ("Flooring NA") and Flooring Rest of the World ("Flooring ROW"). In order to leverage its relationships and distribution capabilities, the Company organized its carpet, wood, laminate, LVT and vinyl operations by geography into the Flooring NA segment and Flooring ROW segment. The Company did not make any changes to the Global Ceramic segment, which includes the Company's ceramic, tile and stone operations. Previously reported segment results have been reclassified to conform to the current period presentation. The Global Ceramic, Flooring NA and the Flooring ROW segments contributed approximately 37%, 45% and 18%, respectively, of net sales in 2015. Selected financial information for the three segments, geographic net sales and the location of long-lived assets are set forth in Note 16-Segment Reporting.

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

The Flooring NA segment designs, manufactures, sources, distributes and markets its floor covering product lines, in a broad range of colors, textures and patterns in the residential and commercial markets for both remodeling and new construction. The segment's product lines include carpets, rugs, carpet pad, hardwood, laminate and vinyl products including LVT. The Flooring NA segment markets and distributes its flooring products under various brands, including the following brand names: Aladdin®, Bigelow, Columbia Flooring®, Durkan, Horizon®, IVC, Karastan, Lees, Mohawk, Pergo, Portico®, QuickStep and SmartStrand® which it sells through independent floor covering retailers, distributors, home centers, mass merchandisers, department stores, shop at home, buying groups, commercial contractors and commercial end users. Some products are also marketed through private labeling programs.

The Flooring ROW segment designs, manufactures, sources, distributes and markets laminate, hardwood flooring, roofing elements, insulation boards, medium-density fiberboard ("MDF"), chipboards, and vinyl flooring products, including LVT, used primarily in the residential and commercial markets for both remodeling and new construction. In addition, the Flooring ROW segment licenses certain patents related to flooring manufacturers throughout the world. The Flooring ROW segment markets and distributes its flooring products under various brands, including the following brand names: IVC, Moduleo, Pergo, Quick-Step and Unilin which it sells through retailers, wholesalers, independent distributors and home centers.

Recent Events

On May 12, 2015, the Company purchased approximately 90% of all outstanding shares of Advent KAI Luxembourg Holdings S.a r.l., a Luxembourg societe a respsonsabilite limitee, and its subsidiaries (collectively, the "KAI Group"), an eastern European ceramic tile floor manufacturer for $194.6 million. The KAI Group has a low cost position in the Bulgarian and Romanian

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markets. The combination with the Company will present opportunities to enhance the group's product offering, upgrade its technology and expand its exports to other countries. The KAI Group's results of operations and a preliminary purchase price allocation are included in the consolidated financial statements since the date of the acquisition.

On June 12, 2015, the Company completed the acquisition of International Flooring Systems S.A., a Luxembourg societe anonyme, and its subsidiaries (collectively, the “IVC Group”), a global manufacturer, distributor and marketer of vinyl flooring products, including LVT. The total value of the acquisition was $1.1 billion. The IVC Group acquisition will position the Company as a major participant in both the fast growing LVT category and the expanding fiberglass sheet vinyl business. The IVC Group's results of operations and a preliminary purchase price allocation are included in the consolidated financial statements since the date of the acquisition.

On December 7, 2015, the Company completed its purchase of Xtratherm Limited, an Irish company, and certain of its affiliates (collectively, "Xtratherm"), a manufacturer of insulation boards in Ireland, the UK and Belgium. The total value of the acquisition was $158.9 million. The Xtratherm acquisition will expand the Company's existing insulation board footprint to include Ireland and the UK while capitalizing on expanded product offerings in continental Europe. Xtratherm's results of operations and a preliminary purchase price allocation are included in the consolidated financial statements since the date of the acquisition. See Note 2-Acquisitions.

Sales and Distribution

Global Ceramic Segment

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

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

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

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

Flooring NA Segment

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

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

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

Flooring ROW Segment

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

The Flooring ROW segment markets and sells laminate, hardwood and vinyl flooring products under the IVC, Moduleo, Quick-Step, Pergo and Magnum brands. The Flooring ROW segment also sells private label laminate, hardwood and vinyl flooring products. The Company believes Quick-Step and Pergo are leading brand names in the European flooring industry. In addition, the Flooring ROW segment markets and sells insulation boards, roof panels, MDF and chipboards in Europe under the Unilin and Xtratherm brands. The segment also licenses its UNICLIC and other intellectual property to floor manufacturers throughout the world.
The Company uses regional distribution centers and direct shipping from manufacturing facilities to provide high-quality customer service and enhance the Company's ability to plan and manage inventory requirements.

Advertising and Promotion

The Company promotes its brands through advertising in television, print, social and internet media, as well as cooperative advertising, point-of-sale displays, sponsorship of a European cycling team and marketing literature. The Company also continues to rely on the substantial brand name recognition of its product lines. The cost of point-of-sale displays and product samples, a significant promotional expense, is partially offset by sales of samples to customers.

Manufacturing and Operations

Global Ceramic Segment

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

Flooring NA Segment

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

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

Flooring ROW Segment

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

Inputs and Suppliers

Global Ceramic Segment

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

Flooring NA Segment

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

Flooring ROW Segment

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

Industry and Competition

The Company is the largest flooring manufacturer in a fragmented industry composed of a wide variety of companies from small privately held firms to large multinationals. In 2014, the U.S. floor covering industry reported $21.8 billion in sales, up approximately 5.6% over 2013's sales of $20.7 billion. In 2014, the primary categories of flooring in the U.S., based on sales, were carpet and rug (49%), hardwood (15%), resilient (includes vinyl and LVT) and rubber (14%), ceramic tile (12%), stone (6%) and laminate (5%). In 2014, the primary categories of flooring in the U.S., based on square feet, were carpet and rug (56%), resilient (includes vinyl and LVT) and rubber (18%), ceramic tile (13%), hardwood (7%), laminate (5%) and stone (1%). Each of these categories is influenced by the residential construction, commercial construction, and residential remodeling markets. These markets are influenced by many factors including consumer confidence, spending for durable goods, interest rates, availability of credit, turnover in housing and the overall strength of the economy.

The principal methods of competition within the floor covering industry generally are service, style, quality, price, product innovation and technology. In each of the markets, price and market coverage are particularly important because there is limited differentiation among competing product lines. The Company’s investments in manufacturing equipment, computer systems and distribution network, as well as the Company's marketing strategy, contribute to its ability to compete on the basis of performance, quality, style and service, rather than just price.

Global Ceramic Segment

Globally, the ceramic tile industry is significantly fragmented. Based on industry publications, the 2014 market sales globally for ceramic tile and stone surfaces was over $73 billion. The Company faces competition in the ceramic tile flooring market from a large number of foreign and domestic manufacturers who all compete for sales of ceramic tile to customers. The Company believes it is the largest manufacturer, distributor and marketer of ceramic tile in the world. The Company also believes it is the largest manufacturer and distributor of ceramic tile in the U.S.

Flooring NA Segment

The North American carpet and rug industry is highly competitive. Based on industry publications, the top five North American carpet and rug manufacturers (including their foreign divisions) in 2014 had carpet and rug sales in excess of $7 billion of the over $10.7 billion market. The Company believes it is one of the largest manufacturers and distributors of hardwood flooring in the U.S. The Company also believes it is the second largest producer of carpets and rugs (in terms of sales dollars) in the world based on its 2014 net sales. The sheet vinyl and LVT industry is also highly competitive, but according to industry publications grew 10.7% in 2014. Based on industry publications the top twenty manufacturers in North America had sheet vinyl and LVT sales of $1.7 billion of the over $2.6 billion market in 2014.

Flooring ROW Segment

The Company faces competition in the laminate and hardwood flooring business from a large number of domestic and foreign manufacturers. The Company believes it is one of the largest manufacturers and distributors of laminate flooring in the world, with a focus on high-end products. In addition, the Company believes it has a competitive advantage in the laminate flooring market as a result of the Flooring ROW segment's industry leading design, patented technologies and brand recognition, which allow the Company to distinguish its laminate and hardwood flooring products in the areas of finish, quality, installation and assembly. The Company faces competition in the resilient flooring channel from a large number of domestic and foreign manufacturers, but believes it has a competitive advantage in the sheet vinyl and vinyl tile (including LVT) market due to industry leading design, patented technologies, brand recognition, and vertical integration.

Patents and Trademarks

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

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

The Flooring ROW segment owns a number of patent families in Europe and the U.S. some of which the Company licenses to manufacturers throughout the world. The most important of these patent families is the UNICLIC family, which include the snap, pretension, clearance and the beveled edge patents. The UNICLIC family of patents will expire in 2017. The licensing earnings from patents included in the Flooring ROW segment's results were approximately €118 million in 2015, only a portion of which will be retained following the UNICLIC expiration. The Company continues to explore additional opportunities to generate revenue from its patent portfolio. The licensing revenue from patents generated in the Flooring ROW segment's operations is partially offset by various expenses such as amortization, developing new technologies, filing new patents, supporting existing patents, defending patent lawsuits, collection and auditing of receivables, bad debt and other administrative activities.

Sales Terms and Major Customers

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

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During 2015, no single customer accounted for more than 10% of total net sales and the top 10 customers accounted for less than 20% of the Company’s net sales. The Company believes the loss of one major customer would not have a material adverse effect on its business.

Employees

As of December 31, 2015, the Company employed approximately 34,100 persons consisting of approximately 20,400 in the United States, approximately 5,000 in Europe, approximately 3,900 in Mexico, approximately 3,500 in Russia, approximately 1,000 in Malaysia and approximately 300 in various other countries. The majority of the Company’s European and Mexican manufacturing employees are members of unions. Most of the Company’s U.S. employees are not a party to any collective bargaining agreement. Additionally, the Company has not experienced any strikes or work stoppages in recent years. The Company believes that its relations with its employees are good.

Available Information

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

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

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

Item 1A. Risk Factors

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

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

Downturns in the U.S. and global economies, negatively impact the floor covering industry and the Company’s business. During times of economic uncertainty or decline, end consumers tend to spend less on remodeling their homes, which is how the Company derives a majority of its sales. Likewise new home construction - and the corresponding need for new flooring materials - tends to slow down during recessionary periods. Although the impact of a decline in new construction activity is typically accompanied by an increase in remodeling and replacement activity, these activities lagged in the most recent downturn. Although the difficult economic conditions have improved in the U.S., European and other markets have not recovered as quickly and there may be additional downturns that could cause the industry to deteriorate in the foreseeable future. A significant or prolonged decline in residential or commercial remodeling or new construction activity could have a material adverse effect on the Company's business and results of operations.

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

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

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

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

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

Despite recent improvement in overall economic conditions in the U.S., continued weakness elsewhere in the world or changes in market conditions could impact the Company’s ability to obtain financing in the future, including any financing necessary to refinance existing indebtedness. The cost and availability of credit during uncertain economic times could have a material adverse effect on the Company’s financial condition.

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

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

On March 26, 2015, the Company entered into a $1,800 million, senior revolving credit facility (the "2015 Senior Credit Facility"). As of December 31, 2015, the amount utilized under the 2015 Senior Credit Facility, including the commercial paper issuance, was $892.3 million resulting in a total of $907.7 million available. The amount utilized included $756.9 million of commercial paper issued, $134.1 million of direct borrowings, and $1.4 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. In addition, on December 19, 2012, the Company entered into an on-balance sheet U.S. trade accounts receivable securitization agreement (the "Securitization Facility") that after an amendment on September 11, 2014 allows the Company to borrow up to $500 million based on available accounts receivable and is secured by the Company's U.S. trade accounts receivable. At December 31, 2015, the amount utilized under the Securitization Facility was $500.0 million.

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

Additionally, the credit facilities include certain affirmative and negative covenants that impose restrictions on the Company’s financial and business operations, including limitations on liens, indebtedness, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company’s business. In addition, the 2015 Senior Credit Facility requires the Company to maintain a Consolidated Interest Coverage Ratio of at least 3.0 to 1.0 and a Consolidated Net Leverage Ratio of no more than 3.75 to 1.0. A failure to comply with the obligations contained in our current or future credit facilities or indentures relating to our outstanding public debt could result in an event of default or an acceleration of debt under other instruments that may contain cross-acceleration or cross-default provisions. We cannot be certain that we would have, or be able to obtain, sufficient funds to make these accelerated payments.

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

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

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

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

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

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

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

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

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

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

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sourced products used in the Company's business or in the supply of suitable substitute materials or products would disrupt the Company's operations, which could have a material adverse effect on the Company's business.

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

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

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

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

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

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

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

The Company has obtained a number of patents relating to the Company's products and associated methods and has filed applications for additional patents, including the UNICLIC and Pergo family of patents, which protects its interlocking laminate flooring technology. The Company generates license revenue from these patents, the majority of which will expire in 2017. The Company continues to develop new sources of revenue that may partially offset the expiration of its revenue-producing patents. The failure to develop alternative revenues could have a material adverse effect on the Company's business.

In addition, the Company cannot assure investors that any patents owned by or issued to it will provide the Company with competitive advantages, that third parties will not challenge these patents, or that the Company’s pending patent applications will be approved. The Company may be unable to prevent competitors and/or third parties from using the Company's technology without the Company's authorization, independently developing technology that is similar to that of the Company or designing around the Company's patents. The use of the Company's technology or similar technology by others could reduce or eliminate any competitive advantage the Company has developed, cause the Company to lose sales or otherwise

Furthermore, despite the Company’s efforts, the Company may be unable to prevent competitors and/or third parties from using the Company’s technology without the Company’s authorization, independently developing technology that is similar to that of the Company or designing around the Company’s patents. The use of the Company’s technology or similar technology by

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others could reduce or eliminate any competitive advantage the Company has developed, cause the Company to lose sales or otherwise harm the Company's business.

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

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

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

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

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

Failure to successfully manage and integrate an acquisition with the Company's existing operations could lead to the potential loss of customers of the acquired business, the potential loss of employees who may be vital to the new operations, the potential loss of business opportunities or other adverse consequences that could have a material adverse effect on the Company's business. Even if integration occurs successfully, failure of the acquisition to achieve levels of anticipated sales growth, profitability, or otherwise perform as expected, may result in goodwill or other asset impairments or otherwise have a material adverse effect on the Company's business.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the past, third parties have claimed that certain technologies incorporated in the Company’s products infringe their patent rights. The Company cannot be certain that the Company’s products do not and will not infringe issued patents or other intellectual property rights of others. Historically, patent applications in the U.S. and some foreign countries have not been publicly disclosed until the patent is issued (or, in some recent cases, until 18 months following submission), and the Company may not be aware of currently filed patent applications that relate to the Company's products or processes. If patents are later issued on these applications, the Company may be liable for infringement.

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

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

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

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

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

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

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

Forward-Looking Information

Certain of the statements in this Form 10-K, particularly those anticipating future performance, business prospects, growth and operating strategies, and similar matters, and those that include the words "could," "should," "believes," "anticipates," "expects" and "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. There can be no assurance that the forward-looking statements will be accurate because they are based on many assumptions, which involve risks and uncertainties. The following important factors could cause future results to differ: changes in economic or industry conditions; competition; inflation and deflation in raw material prices and other input costs; inflation and deflation in consumer markets; 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 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company owns and leases manufacturing and distribution facilities worldwide. The table below lists the primary owned and leased facilities at December 31, 2015. The Company owns its Corporate Headquarters in Calhoun, GA. The Company also owns and operates service centers and stores in the United States & Russia, none of which are individually material. The Company believes its existing facilities are suitable for its present needs.

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

Location	Function / Use	Owned / Leased
Global Ceramics Segment:		
Borriol, Spain	Manufacturing & Distribution	Owned
Castellon, Spain	Manufacturing	Owned
El Paso, Texas	Manufacturing	Owned

Location	Function / Use	Owned / Leased
Eldersburg, Maryland	Distribution	Leased
Finale Emilia, Italy	Manufacturing	Owned
Fiorano, Italy	Manufacturing	Owned
Florence, Alabama	Manufacturing	Owned
Isperih, Bulgaria	Manufacturing & Distribution	Owned
Lewisport, Kentucky	Manufacturing	Owned
Malino, Russia	Manufacturing & Distribution	Owned
Mexicali, Mexico	Manufacturing	Owned
Monterrey, Mexico	Manufacturing	Owned
Monterrey, Mexico	Distribution	Leased
Muskogee, Oklahoma	Manufacturing & Distribution	Owned
Ontario, California	Distribution	Leased
Orel, Russia	Manufacturing & Distribution	Owned
Salamanca, Mexico	Manufacturing	Owned
Sassuolo, Italy	Manufacturing & Distribution	Owned
Sassuolo, Italy	Distribution	Leased
Shumen, Bulgaria	Manufacturing & Distribution	Owned
Sunnyvale, Texas	Manufacturing	Owned
Sunnyvale, Texas	Distribution	Leased
Flooring NA Segment:		
Bennettsville, South Carolina	Manufacturing	Owned
Calhoun, Georgia	Manufacturing & Distribution	Owned
Dalton, Georgia	Manufacturing & Distribution	Owned
Danville, Virginia	Manufacturing	Owned
Eden, North Carolina	Manufacturing & Distribution	Owned
Flower Mound, Texas	Distribution	Leased
Fontana, California	Distribution	Leased
Garner, North Carolina	Manufacturing	Owned
Garner, North Carolina	Distribution	Leased
Glasgow, Virginia	Manufacturing	Owned
Hillsville, Virginia	Manufacturing	Owned
Holden, West Virginia	Manufacturing	Owned
Lyerly, Georgia	Manufacturing	Owned
Melbourne, Arkansas	Manufacturing	Owned
Milledgeville, Georgia	Manufacturing	Owned
Mt. Gilead, North Carolina	Manufacturing	Owned
Roanoke, Alabama	Manufacturing	Owned
Sugar Valley, Georgia	Manufacturing	Owned
Summerville, Georgia	Manufacturing	Owned
Thomasville, North Carolina	Manufacturing	Owned
Flooring ROW Segment:		
Avelgem, Belgium	Manufacturing	Owned
Avelgem, Belgium	Manufacturing	Leased
Bazeilles, France	Manufacturing	Owned
Chesterfield, United Kingdom	Manufacturing	Owned
Desselgem, Belgium	Manufacturing	Owned

Dzerzhinsk, Russia	Manufacturing	Owned
Feluy, Belgium	Manufacturing	Owned
Izegem, Belgium	Manufacturing	Owned
Meath County, Ireland	Manufacturing	Owned
Moeskroen, Belgium	Manufacturing	Owned
Oisterwijk, Netherlands	Manufacturing	Owned

Location	Function / Use	Owned / Leased
Oostrozebeke, Belgium	Manufacturing & Distribution	Owned
Sungai Pentani, Malaysia	Manufacturing	Owned
Sury-le-Comtal, France	Manufacturing	Owned
Vielsalm, Belgium	Manufacturing	Owned
Vyskov, Czech Republic	Manufacturing	Owned
Wielsbeke, Belgium	Manufacturing & Distribution	Owned
Wiltz, Luxembourg	Manufacturing	Owned

Item 3. Legal Proceedings

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

Polyurethane Foam Litigation

Beginning in August 2010, a series of civil lawsuits were initiated in several U.S. federal courts alleging that certain manufacturers of polyurethane foam products and competitors of the Company's carpet underlay division had engaged in price fixing in violation of U.S. antitrust laws. The Company was named as a defendant in a number of the individual cases (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 was named as a defendant were 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, sought damages allegedly suffered as a result of alleged overcharges in the price of polyurethane foam products from at least 1999 to the present. Any damages actually awarded at trial would have been subject to being tripled under US antitrust laws.

On March 23, 2015, the Company entered into an agreement to settle all claims brought by the class of direct purchasers, and the trial court entered an order granting final approval of this settlement on November 19, 2015. On April 30, 2015, the Company entered into an agreement to settle all claims brought by the class of indirect purchasers, and the trial court entered an order granting final approval of this settlement on January 27, 2016. The Company has also entered into settlement agreements resolving all of the claims brought on behalf of all but one of the consolidated individual lawsuits. The Company denies all allegations of wrongdoing but settled the class actions and individual lawsuits to avoid the uncertainty, risk, expense and distraction of protracted litigation.

The Company remains a defendant in one case involving an individual purchaser of polyurethane foam products not sold by the Company. This sole remaining case is in its early stages, no trial date has been set, and the amount of the damages has not yet been specified by the plaintiff. In addition to as yet unspecified actual damages, the 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 alleged similar claims against the Company as raised in the U.S. actions and sought unspecified damages and punitive damages. On June 12, 2015, the Company entered into an agreement to settle all claims brought by the class of Canadian plaintiffs, as well as a separate action pending in the Supreme Court of British Columbia. The courts in Ontario, Quebec and British Columbia have all approved the settlement although certain administrative issues remain. The Company continues to deny all allegations of wrongdoing but settled the case to avoid the uncertainty, risk, expense and distraction of protracted litigation.

During the twelve months ended December 31, 2015 the Company recorded a $122.5 million charge within selling, general and administrative expenses for the settlement and defense of the antitrust cases. The Company believes that adequate provisions for resolution of all of these cases have been made. The Company does not believe that the ultimate outcome of the remaining case will have a material adverse effect on its financial condition.

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Belgian Tax Matter

In January 2012, the Company received a €23.8 million assessment from the Belgian tax authority related to its year ended December 31, 2008, asserting that the Company had understated its Belgian taxable income for that year. The Company filed a formal protest in the first quarter of 2012 refuting the Belgian tax authority's position. The Belgian tax authority set aside the assessment in the third quarter of 2012 and refunded all related deposits, including interest income of €1.6 million earned on such deposits. However, on October 23, 2012, the Belgian tax authority notified the Company of its intent to increase the Company's taxable income for the year ended December 31, 2008 under a revised theory. On December 28, 2012, the Belgian tax authority issued assessments for the years ended December 31, 2005 and December 31, 2009, in the amounts of €46.1 million and €35.6 million, respectively, including penalties, but excluding interest. The Company filed a formal protest during the first quarter of 2013 relating to the new assessments. In September 2013, the Belgian tax authority denied the Company's protests, and the Company has brought these two years before the Court of First Appeal in Bruges. In December 2013, the Belgian tax authority issued additional assessments related to the years ended December 31, 2006, 2007, and 2010, in the amounts of €38.8 million, €39.6 million, and €43.1 million, respectively, including penalties, but excluding interest. The Company filed formal protests during the first quarter of 2014, refuting the Belgian tax authority's position for each of the years assessed. In the quarter ended June 28, 2014, the Company received a formal assessment for the year ended December 31, 2008, totaling €30.1 million, against which the Company also submitted its formal protest. All 4 additional years have been brought before the Court of First Appeal in November 2014. In January of 2015, the Company met with the Court of First Appeal in Bruges, Belgium and agreed with the Belgium tax authorities to consolidate and argue the issues regarding the years 2005 and 2009, and apply the ruling to all of the open years (to the extent there are no additional facts/procedural arguments in the other years).

On January 27, 2016, the Court of First Appeal in Bruges, Belgium ruled in favor of the Company with respect to the calendar years ending December 31, 2005 and December 31, 2009. The Company anticipates that the Belgian tax authority will appeal this ruling.

The Company disagrees with the views of the Belgian tax authority on this matter and will persist in its vigorous defense if there is an appeal. 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.

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 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5.

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

Market for the Common Stock

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

	Mohawk Common Stock	
	High	Low
2014		
First Quarter	$155.48	132.87
Second Quarter	143.50	128.54
Third Quarter	149.84	123.81
Fourth Quarter	158.58	120.37
2015		
First Quarter	188.29	151.15
Second Quarter	195.53	172.97
Third Quarter	212.16	174.49
Fourth Quarter	201.88	180.00

As of February 23, 2016, there were approximately 250 holders of record of Common Stock. The Company has not paid or declared any cash dividends on shares of its Common Stock since completing its initial public offering. The Company’s policy is to retain all net earnings for the development of its business, and it does not anticipate paying cash dividends on the Common Stock in the foreseeable future. The payment of future cash dividends will be at the discretion of the Board of Directors and will depend upon the Company’s profitability, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors.

The Company’s Board of Directors has authorized the repurchase of up to 15 million shares of the Company’s outstanding common stock. Since the inception of the program in 1999, a total of approximately 11.5 million shares have been repurchased at an aggregate cost of approximately $335.5 million. All of these repurchases have been financed through the Company’s operations and banking arrangements. The Company did not repurchase shares during the year ended December 31, 2015.

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Item 6. Selected Financial Data

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

	As of or for the Years Ended December 31,				
	2015[(a)]	2014	2013[(b)]	2012	2011
	(In thousands, except per share data)				
Statement of operations data:					
Net sales	$8,071,563	7,803,446	7,348,754	5,787,980	5,642,258
Cost of sales	5,660,877	5,649,254	5,427,945	4,297,922	4,225,379
Gross profit	2,410,686	2,154,192	1,920,809	1,490,058	1,416,879
Selling, general and administrative expenses	1,573,120	1,381,396	1,373,878	1,110,550	1,101,337
Operating income	837,566	772,796	546,931	379,508	315,542
Interest expense	71,086	98,207	92,246	74,713	101,617
Other expense (income), net	17,619	10,698	9,114	303	14,051
Earnings from continuing operations before income taxes	748,861	663,891	445,571	304,492	199,874
Income tax expense	131,875	131,637	78,385	53,599	21,649
Earnings from continuing operations	616,986	532,254	367,186	250,893	178,225
Loss from discontinued operations, net of income tax benefit of $1,050	—	—	(17,895)	—	—
Net earnings including noncontrolling interest	616,986	532,254	349,291	250,893	178,225
Less: Net earnings attributable to the noncontrolling interest	1,684	289	505	635	4,303
Net earnings attributable to Mohawk Industries, Inc.	$615,302	531,965	348,786	250,258	173,922
Basic earnings from continuing operations per share	$8.37	7.30	5.11	3.63	2.53
Basic earnings per share attributable to Mohawk Industries, Inc.	$8.37	7.30	4.86	3.63	2.53
Diluted earnings from continuing operations per share	$8.31	7.25	5.07	3.61	2.52
Diluted earnings per share attributable to Mohawk Industries, Inc.	$8.31	7.25	4.82	3.61	2.52
Balance sheet data:					
Working capital	$1,993,947	1,885,067	1,892,125	1,776,611	1,683,073
Total assets	9,942,364	8,285,544	8,494,177		