

MOHAWK INDUSTRIES INC

Form 10-K

March 01, 2011

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

Form 10-K

[Mark One]

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 01-13697

MOHAWK INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

52-1604305
(I.R.S. Employer Identification No.)

160 S. Industrial Blvd., Calhoun, Georgia
(Address of principal executive offices)

30701
(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 No

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

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

Indicate by check mark whether the registrant has submitted electronically 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 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the Common Stock of the Registrant held by non-affiliates (excludes beneficial owners of more than 10% of the Common Stock) of the Registrant (47,891,122 shares) on July 2, 2010 (the last business day of the Registrant's most recently completed fiscal second quarter) was \$2,116,308,681. 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 21, 2011: 68,645,180 shares of Common Stock, \$.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2011 Annual Meeting of Stockholders-Part III.

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Mohawk Industries, Inc. (Mohawk or the Company), a term which includes the Company and its subsidiaries, including its primary operating subsidiaries, Mohawk Carpet, LLC, Dal-Tile Corporation and Unilin BVBA, is a leading producer of floor covering products for residential and commercial applications in the United States (U.S.) and residential applications in Europe. The Company is the second largest carpet and rug manufacturer and one of the largest manufacturers, marketers and distributors of ceramic tile, natural stone and hardwood flooring in the U.S., as well as a leading producer of laminate flooring in the U.S. and Europe. The Company had annual net sales in 2010 of \$5.3 billion. Approximately 84% of this amount was generated by sales in North America and approximately 16% was generated by sales outside North America. The Company has three reporting segments: the Mohawk segment, the Dal-Tile segment and the Unilin segment. Selected financial information for the Mohawk, Dal-Tile and Unilin segments, geographic net sales and the location of long-lived assets is set forth in note 15 to the consolidated financial statements.

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, in a broad range of colors, textures and patterns for residential and commercial applications in both new construction and remodeling. The Mohawk segment markets and distributes its carpets and rugs under its soft surface floor covering brands and ceramic tile, laminate, hardwood and resilient under its hard surface floor covering brands. The Mohawk segment positions its products in all price ranges and emphasizes quality, style, performance and service. The Mohawk segment is widely recognized through its premier brand names, which include Mohawk®, Aladdin®, Mohawk ColorCenters®, Mohawk Floorscapes®, Portico®, Mohawk Home®, Bigelow®, Durkan®, Horizon®, Karastan®, Lees® and Merit®. The Mohawk segment markets and distributes soft and hard surface products through over 24,000 customers, which include independent floor covering retailers, home centers, mass merchandisers, department stores, commercial dealers and commercial end users. Some products are also marketed through private labeling programs. The Mohawk segment's soft surface operations are vertically integrated from the extrusion of resin to the manufacturing and distribution of finished carpets and rugs.

The Dal-Tile segment designs, manufactures, sources, distributes and markets a broad line of ceramic tile, porcelain tile, natural stone and other products used in the residential and commercial markets for both new construction and remodeling. Most of the Dal-Tile segment's ceramic tile products are marketed under the Dal-Tile® and American Olean® brand names and sold through Company-owned sales service centers, independent distributors, home center retailers, tile and flooring retailers and contractors. The Dal-Tile 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 Unilin segment designs, manufactures, sources, licenses, distributes and markets laminate and hardwood flooring used primarily in the residential market for both new construction and remodeling in Europe and the U.S. Unilin is one of the leaders in laminate flooring technology, having commercialized direct pressure laminate, or DPL, a technology used in a majority of laminates today, and has developed the patented UNICLIC® glueless installation system and a variety of other new technologies, such as beveled edges, multiple length planks and new surface and finish features. Unilin sells its flooring products under the Quick-Step®, Columbia Flooring®, Century Flooring®, and Universal Flooring® brands through retailers, independent distributors and home centers. Unilin is one of the largest

vertically-integrated laminate flooring manufacturers in the U.S. producing both laminate flooring and related high density fiberboard. Unilin also produces roofing systems, insulation panels and other wood products.

Industry

The U.S. floor covering industry has declined from \$18.8 billion in sales in 1999 to \$17.1 billion in 2009. In 2009, the primary categories of the U.S. floor covering industry, based on sales dollars, were carpet and rug

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(55%), resilient and rubber (12%), ceramic tile (11%), hardwood (11%), stone (6%) and laminate (5%). Each of these categories are influenced by the average selling price per square foot, the residential builder and homeowner remodeling markets, housing starts and housing resales, average house size and home ownership. In addition, the level of sales in the floor covering industry, both in the U.S. and Europe, is influenced by consumer confidence, spending for durable goods, interest rates and availability of credit, turnover in housing, the condition of the residential and commercial construction industries and the overall strength of the economy. The U.S. floor covering industry experienced declining demand beginning in the fourth quarter of 2006 that worsened during the latter parts of 2008, and continued to decline in 2009. In the first half of 2010 demand showed signs of recovering, but first half gains were lost in the second half of the year. Overall industry conditions in the U.S. are expected to improve during 2011, although the timing and size of a sustained recovery within the market remains uncertain.

Domestic carpet and rug sales volume of U.S. manufacturers was approximately 1.2 billion square yards, or \$9.3 billion, in 2009. The carpet and rugs category has two primary markets, residential and commercial. In 2009, the residential market made up approximately 69% of industry amounts shipped and the commercial market comprised approximately 31%. Of the total residential market, 73% of the dollar values of shipments are made in response to residential replacement demand.

The U.S. ceramic tile industry shipped 1.8 billion square feet, or \$1.9 billion, in 2009. The ceramic tile industry's two primary markets, residential applications and commercial applications, represent 58% and 42% of the 2009 industry total, respectively. Of the total residential market, 55% of the dollar values of shipments are made in response to residential replacement demand.

In 2009, the U.S. laminate industry shipped 0.9 billion square feet, or \$0.9 billion. The laminate industry's two primary markets, residential applications and commercial applications, represent 88% and 12% of the 2009 industry total, respectively. Sales of U.S. laminate flooring are primarily distributed through the residential replacement market. In 2009, the European laminate industry produced approximately 5.0 billion square feet which accounted for approximately 15% of the European floor covering market.

In 2009, the U.S. stone flooring industry shipped 0.3 billion square feet, representing a market of approximately \$1.1 billion. The stone flooring industry's two primary markets, residential applications and commercial applications, represent 53% and 47% of the 2009 industry total, respectively. Sales of U.S. stone flooring are primarily distributed to the residential market for both new construction and residential replacement.

In 2009, the U.S. hardwood industry shipped 0.8 billion square feet, representing a market of approximately \$1.8 billion. The hardwood industry's two primary markets, residential applications and commercial applications, represent 80% and 20% of the 2009 industry total, respectively. Sales of U.S. hardwood are primarily distributed to the residential market for both new construction and residential replacement.

In 2009, the U.S. resilient and rubber industry shipped 3.3 billion square feet, representing a market of approximately \$2.1 billion. The resilient and rubber industry's two primary markets, residential applications and commercial applications, represent 46% and 54% of the 2009 industry total, respectively. Sales of U.S. resilient are distributed to the residential market for both new construction and residential replacement.

Sales and Distribution

Mohawk Segment

Through its Mohawk segment, the Company designs, manufactures, distributes and markets thousands of styles of carpet and rugs in a broad range of colors, textures and patterns. In addition, the Mohawk segment markets and

distributes ceramic tile, laminate, hardwood, resilient floor covering, carpet pad and flooring accessories. The Mohawk segment positions product lines in all price ranges and emphasizes quality, style, performance and service. The Mohawk segment markets and distributes its soft and hard surface product lines to over 24,000 customers, which include independent floor covering retailers, home centers, mass merchandisers, department stores, commercial dealers and commercial end users. Some products are also marketed

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through private labeling programs. Sales to residential customers represent a significant portion of the total industry and the majority of the Company's carpet and rug sales.

The Company has positioned its premier residential carpet and rug brand names across all price ranges. Mohawk, Horizon, WundaWev®, and Karastan are positioned to sell primarily in the medium-to-high retail price channels in the residential broadloom and rug markets. These lines have substantial brand name recognition among carpet dealers and retailers, with the Karastan and Mohawk brands having among the highest consumer recognition in the industry. Karastan is a leader in the high-end market. The Aladdin and Mohawk Home brand names compete primarily in the value retail price channel. The Portico and Property® brand names compete primarily in the builder and multi-family markets, respectively. The Company markets its hard surface product lines, which include Mohawk Ceramic, Mohawk Hardwood, Mohawk Laminate and Congoleum across all price ranges.

The Company offers marketing and advertising support through dealer programs like Mohawk Floorscapes, Mohawk ColorCenter, and Karastan. These programs offer varying degrees of support to dealers in the form of sales and management training, in-store merchandising systems, exclusive promotions and assistance in certain administrative functions, such as consumer credit, advertising and website technology.

The commercial customer base is divided into several channels: corporate office space, education institutions, healthcare facilities, retail space, public space and institutional and government facilities. Different purchase decision makers and decision-making processes exist for each channel. The Company produces and markets its commercial broadloom and modular carpet tile under The Mohawk Group brand which includes these brand collections: Bigelow, Lees, and Karastan Contract®. It markets its hospitality carpet under the Durkan brand which includes the Merit collection of hospitality carpet.

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

Dal-Tile Segment

The Dal-Tile segment designs, manufactures, distributes and markets a broad line of ceramic tile, porcelain tile and natural stone products. Products are distributed through separate distribution channels consisting of retailers, contractors, commercial users, independent distributors and home centers. The business is organized to address the specific customer needs of each distribution channel, and dedicated sales forces support the various channels.

The Company serves as a one-stop source that 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 Company has two of the leading brand names in the U.S. ceramic tile industry—Dal-Tile and American Olean. The Dal-Tile and American Olean brand names date back over 50 years and are well recognized in the industry. Both of these brands are supported by a fully integrated marketing program, displays, merchandising boards, literature/catalogs and internet websites.

A network of Company-owned sales service centers distributes primarily the Dal-Tile brand product with a fully integrated marketing program, emphasizing a focus on quality and fashion serving customers in the U.S., Canada and Puerto Rico. The sales service centers provide distribution points for customer pick-up, local delivery and showrooms

to assist customers. In addition, the Dal-Tile brand is distributed through independent distributors in Mexico. The American Olean brand is primarily distributed through independent distributors and Company-owned sales service centers that service a variety of residential and commercial customers. The Company is focused on sales growth opportunities through innovative products and programs in both the residential and commercial channels.

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The Company uses regional distribution centers to help deliver high-quality customer service by focusing on shorter lead times, increased order fill rates and improved on-time deliveries to customers.

Unilin Segment

The Unilin segment designs, manufactures, sources, licenses, distributes and markets laminate and hardwood flooring. It also designs and manufactures roofing systems, insulation panels and other wood products in Europe. Products are distributed through separate distribution channels consisting of retailers, independent distributors and home centers. Unilin U.S. operations also manufacture Mohawk branded laminate and hardwood flooring, which sells through the Mohawk channel. The majority of Unilin's laminate sales, both in the U.S. and Europe, are for residential replacement. The business is organized to address the specific customer needs of each distribution channel.

The Unilin segment markets and sells laminate and hardwood flooring products under the Quick-Step, Columbia Flooring, Century Flooring, and Universal Flooring brands. In addition, Unilin also sells laminate and hardwood flooring products under private label. The Company believes Quick-Step is one of the leading brand names in the U.S. and European flooring industry.

In the U.S., Europe and Asia the Company uses regional distribution centers and direct shipping from manufacturing facilities to help deliver high-quality customer service and also enhance the Company's ability to plan and schedule production and manage inventory requirements.

Advertising and Promotion

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

Manufacturing and Operations

Mohawk Segment

The Company's carpet and rug manufacturing operations are vertically integrated and include the extrusion of resin and post-consumer plastics into polypropylene, polyester, nylon and triexta fiber, yarn processing, backing manufacturing, tufting, weaving, dyeing, coating and finishing. Over the past three years, the Mohawk Segment has invested in capital expenditures, principally in state-of-the-art equipment, to increase manufacturing efficiency, improve overall cost competitiveness and develop new capabilities.

Dal-Tile 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, as well as the industry's largest offering of trim and angle pieces and its ability to utilize the industry's newest technology. In addition, Dal-Tile also imports or sources a portion of its product to supplement its product offerings. Over the past three years, the Dal-Tile segment has invested in capital expenditures, principally in state-of-the-art equipment, to increase manufacturing capacity, improve efficiency and develop new capabilities.

Unilin Segment

The Company's laminate flooring manufacturing operations are vertically integrated, both in the U.S. and in Europe, and include high-density fiberboard (HDF) production, paper impregnation, short-cycle pressing, cutting and milling. The European operations also include resin production. Unilin has state-of-the-art

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equipment that results in competitive manufacturing in terms of cost and flexibility. Most of the equipment for the production of laminate flooring in Belgium and North Carolina is relatively new. In addition, Unilin has significant manufacturing capability for both engineered and prefinished solid wood flooring for the U.S. and European markets. Over the past three years, the Unilin segment has invested in capital expenditures, principally in new plants and state-of-the-art equipment, to increase manufacturing capacity, improve efficiency and develop new capabilities.

The manufacturing facilities for other activities in the Unilin business (roofing systems, insulation panels and other wood products) are all configured for cost-efficient manufacturing and production flexibility and are competitive in the European market.

Raw Materials and Suppliers

Mohawk Segment

The principal raw materials used in the production of carpet and rugs are nylon, polypropylene, triexta, polyester, wool, synthetic backing materials, latex and various dyes and chemicals, many of which are petroleum based. Major raw materials used in the Company's manufacturing process are available from independent sources, and the Company obtains most of its externally purchased fibers and resins principally from four major suppliers. Although temporary disruptions of supply of carpet raw materials were experienced in 2005 as a result of hurricane Katrina, the carpet and rug business has not experienced significant shortages of raw materials in recent years.

Dal-Tile Segment

The principal raw materials used in the production of ceramic tile are clay, talc, nepheline syenite and glazes. The Company has entered into a long-term supply agreement for most of its talc requirements. In addition, the Company has long-term clay mining rights in Kentucky and Mississippi that satisfy nearly all of its clay requirements for producing unglazed quarry tile. The Company purchases a number of different grades of clay for the manufacture of its non-quarry tile. The Company believes that there is an adequate supply of all grades of clay and that all are readily available from a number of independent sources. The Company has two suppliers for its nepheline syenite requirements. If these suppliers were unable to satisfy the requirements, the Company believes that alternative supply arrangements would be available. 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 approximately 74% of its frit requirements.

Unilin Segment

The principal raw materials used in producing boards, laminate and hardwood flooring are wood, paper, resins, coatings and stains. Wood supply is a very fragmented market in Europe. The Company has long-standing relationships with numerous suppliers. These suppliers provide a wide variety of wood species, varying from fresh round wood to several kinds of by-products of sawmills and used wood recycled specifically for chipboard production, giving the Company a cost-effective and secure supply of raw material. In the U.S., the Company has a long-term contract with a contiguously located lumber company that supplies most of its total needs for HDF board production. The supply of various species of hardwoods and hardwood veneers used in the production of solid wood and engineered flooring is both localized and global.

Major manufacturers supply the papers required in the laminate flooring business in both Europe and the U.S. The Company processes most of the paper impregnation internally in its laminate flooring facilities in Europe and the U.S. In Europe, the resins for paper impregnation are manufactured by the Company, which permits greater control over the laminate flooring manufacturing process, enabling the Company to produce higher-quality products. The

Company buys the balance of its resin requirements from a number of companies. The Company believes there are ample sources of supply located within a reasonable distance of Unilin's facilities.

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Competition

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 competition 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 primarily on the basis of performance, quality, style and service, rather than just price.

Mohawk Segment

The carpet and rug industry is highly competitive. Based on industry publications, the top 5 North American carpet and rug manufacturers (including their North American and foreign divisions) in 2009 had carpet and rug sales in excess of \$7 billion of the over \$9 billion market. The Company believes it is the second largest producer of carpets and rugs (in terms of sales dollars) in the world based on its 2009 sales.

Dal-Tile Segment

The ceramic tile industry is significantly more fragmented than the carpet industry. The Company estimates that over 100 tile manufacturers, more than half of which are based outside the U.S., compete for sales of ceramic tile to customers located in the U.S. Although the U.S. ceramic tile industry is highly fragmented at both the manufacturing and distribution levels, the Company believes it is one of the largest manufacturers, distributors and marketers of ceramic tile in the U.S. and the world. The Company believes it is substantially larger than the next largest competitor and that it is the only significant manufacturer with its own North American distribution system.

Unilin Segment

The Company faces competition in the laminate and hardwood flooring channel from a large number of domestic and foreign manufacturers. The Company estimates that there are over 100 wood flooring manufacturers located in various countries. The Company believes it is one of the largest manufacturers, distributors and marketers of laminate flooring in the world, with a focus on high-end products. The Company believes it is one of the largest manufacturers and distributors of hardwood flooring in the U.S. In addition, the Company believes it has a competitive advantage in the laminate flooring channel as a result of Unilin's industry leading design and patented technologies, which allows the Company to distinguish its laminate and hardwood flooring products in the areas of finish, quality, installation and assembly.

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 Aladdin, American Olean, Bigelow, Columbia Flooring, Century Flooring, Dal-Tile, Duracolor®, Durkan, Eka Everset fibers®, Horizon, Karastan, Lees, Mohawk, Mohawk Greenworks, Mohawk Home, Portico, PureBond, Quick-Step, SmartStrand®, Ultra Performance System, UNILIN, UNICLIC, Universal Flooring and Wear-Dated. These trademarks represent unique innovations that highlight competitive advantages and provide differentiation from competing brands in the market.

Unilin owns a number of important patent families in Europe and the U.S. The most important of these patent families is the UNICLIC family, as well as the snap, pretension, clearance and beveled edge patent families, which protects Unilin's interlocking laminate flooring panel technology. The patents in the UNICLIC family are not expected to expire until 2017.

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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.

During 2010, no single customer accounted for more than 5% of total net sales, and the top ten 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, 2010, the Company employed approximately 26,900 persons consisting of approximately 20,500 in the U.S., approximately 3,500 in Mexico, approximately 2,100 in Europe, approximately 700 in Malaysia and approximately 100 in Canada. 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 the U.S., Mexico or Malaysia for over 20 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

Certain Factors affecting the Company's Performance

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 and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The downturn in the U.S. and global economies beginning in 2006, along with the residential and commercial markets in such economies, negatively impacted the floor covering industry and the Company's business. While

overall economic conditions and the housing and flooring industries have begun to show signs of recovering, this improvement may be temporary and economic conditions may deteriorate in the foreseeable future. Further, significant or prolonged declines in such economies or in spending for replacement floor covering products or new construction activity could have a material adverse effect on the Company's business.

The floor covering industry in which the Company participates is highly dependent on general economic conditions, such as consumer confidence and income, corporate and government spending, interest rate levels, availability of credit and demand for housing. The Company derives a majority of its sales from the

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replacement segment of the market. Therefore, economic changes that result in a significant or prolonged decline in spending for remodeling and replacement activities could have a material adverse effect on the Company's business and results of operations.

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

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

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

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

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

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

The Company's outstanding 7.20% senior notes in the aggregate amount of \$400.0 million are due April 15, 2012. The Company's \$600.0 million four-year, senior, secured revolving credit facility (the ABL Facility) is scheduled to mature

on September 2, 2013, but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to January 15, 2012, if the Company's outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012. The Company believes it will be able to make adequate reserves for such senior notes with cash and cash

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equivalents, unutilized borrowing availability under the ABL Facility and other financing sources, including public debt markets or new bank facilities. As of December 31, 2010, the amount utilized under the ABL Facility was \$387.1 million resulting in a total of \$169.6 million available under the ABL Facility. The amount utilized included the reserved amount of \$280.0 million related to the repayment of the Company's outstanding 5.75% senior notes due January 15, 2011, \$53.5 million of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$53.5 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. Immediately following the repayment of the 5.75% senior notes due January 15, 2011 at maturity, a total of \$289.6 million was available under the ABL Facility. While the Company currently believes it has access to other uncommitted financing sources, including public debt markets, to satisfy the January 15, 2012 requirements under the ABL Facility and the subsequent repayment of the 7.20% senior notes due April 15, 2012, there can be no assurances that the Company will be able to complete any necessary financing transactions prior to the relevant date under the ABL Facility or the April 15, 2012 maturity date.

If the Company's cash flow is worse than expected or the borrowing base on its ABL Facility declines, the Company may need to refinance all or a portion of its indebtedness in the public debt markets and may not be able to do so on terms acceptable to it, or at all. If the Company is unable to access debt markets at competitive rates or in sufficient amounts due to credit rating downgrades, market volatility, market disruption, or other factors, it could materially adversely affect the Company's ability to repay its indebtedness and otherwise have a substantial adverse effect on the Company's financial condition and results of operations.

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

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

The floor covering industry is highly competitive. The Company faces competition from a number of manufacturers and independent distributors. Some of the Company's competitors are larger and have greater resources and access to capital than the Company does. Maintaining the Company's competitive position may require substantial investments in the Company's product development efforts, manufacturing facilities, distribution network and sales and marketing activities. Competitive pressures may also result in decreased demand for the Company's products or force the Company to lower prices. Any of these factors or others may impact demand which could have a material adverse effect on the Company's business.

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

The principal raw materials used in the Company's manufacturing operations include nylon, polypropylene, triexta and polyester resins and fibers, which are used primarily in the Company's carpet and rugs business; clay, talc, nepheline syenite and glazes, including frit (ground glass), zircon and stains, which are used exclusively in the Company's ceramic tile business; wood, paper, and resins which are used primarily in the Company's laminate flooring business. For certain of such raw materials, the Company is dependent on one or a small number of suppliers. An adverse change in the Company's relationship with such a supplier, the financial condition of such a supplier or such supplier's ability to manufacture or deliver such raw materials to the Company could lead to an interruption of supply or require

the Company to purchase more expensive alternatives. An extended interruption in the supply of these or other raw materials used in the Company's business or in the supply of suitable substitute materials would disrupt the Company's operations, which could have a material adverse effect on the Company's business.

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

The results of the Company's foreign subsidiaries reported in the local currency are translated into U.S. dollars for balance sheet accounts using exchange rates in effect as of the balance sheet date and for the statement of operations accounts using, principally, the Company's average rates during the period. The exchange rates between some of these currencies and the U.S. dollar in recent years have fluctuated significantly and may continue to do so in the future. The Company may not be able to manage effectively the Company's currency translation risks and volatility in currency exchange rates may have a material adverse effect on the Company's consolidated financial statements and affect comparability of the Company's results between financial periods.

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

The Company has typically grown its business through acquisitions. Growth through acquisitions involves risks, many of which may continue to affect the Company after the acquisition. The Company cannot give assurance that an acquired company will achieve the levels of revenue, profitability and production that the Company expects. The combination of an acquired company's business with the Company's existing businesses involves risks. The Company cannot be assured that reported earnings will meet expectations because of goodwill and intangible asset impairment, increased interest costs and issuance of additional securities or incurrence of debt. The Company may also face challenges in consolidating functions, integrating the Company's organizations, procedures, operations and product lines in a timely and efficient manner and retaining key personnel. These challenges may result in:

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

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

Failure to successfully manage and integrate an acquisition with the Company's existing operations could lead to the potential loss of customers of the acquired business, the potential loss of employees who may be vital to the new operations, the potential loss of business opportunities or other adverse consequences that could affect the Company's financial condition and results of operations. Even if integration occurs successfully, failure of the acquisition to achieve levels of anticipated sales growth, profitability or productivity or otherwise perform as expected, may adversely impact the Company's financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

In the ordinary course of business, the Company is subject to a variety of product-related claims, lawsuits and legal proceedings, including those relating to product liability, product warranty, product recall, personal injury, and other matters that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. Such matters could have a material adverse effect on its business, results of operations and financial condition if the Company is unable to successfully defend against or resolve these matters or if its

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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 were not successful, could adversely affect the Company's reputation or the reputation and sales of its products.

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

The Company's manufacturing facilities in Mexico and Europe represent a significant portion of the Company's capacity for ceramic tile and laminate flooring, respectively, and the Company's European operations represent a significant source of the Company's revenues and profits. The business, regulatory and political environments in these countries differ from those in the U.S. In addition, the Company increasingly sells products, operates plants and invests in companies in other parts of the world. The Company's international sales, operations and investments are subject to risks and uncertainties, including:

changes in foreign country regulatory requirements;

differing business practices associated with foreign operations;

various import/export restrictions and the availability of required import/export licenses;

imposition of foreign tariffs and other trade barriers;

political, legal and economic instability;

foreign currency exchange rate fluctuations;

changes in foreign country tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations in tax laws;

inflation;

differing labor laws and changes in those laws;

work stoppages and disruptions in the shipping of imported and exported products;

government price controls;

extended payment terms and the inability to collect accounts receivable; and

tax inefficiencies and currency exchange controls that may adversely impact its ability to repatriate cash from non-U.S. subsidiaries.

The Company cannot assure investors that it will succeed in developing and implementing policies and strategies to counter the foregoing factors effectively in each location where the Company does business and therefore that the foregoing factors will not have a material adverse effect on the Company's operations or upon its financial condition and results of operations.

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

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

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The Company has obtained a number of patents relating to the Company's products and associated methods and has filed applications for additional patents, including the UNICLIC[®] family of patents, which protects Unilin's interlocking laminate flooring panel technology. The Company cannot assure investors that any patents owned by or issued to it will provide the Company with competitive advantages, that third parties will not challenge these patents, or that the Company's pending patent applications will be approved. In addition, patent filings by third parties, whether made before or after the date of the Company's filings, could render the Company's intellectual property less valuable.

Furthermore, despite the Company's efforts, the Company may be unable to prevent competitors and/or third parties from using the Company's technology without the Company's authorization, independently developing technology that is similar to that of the Company or designing around the Company's patents. The use of the Company's technology or similar technology by others could reduce or eliminate any competitive advantage the Company has developed, cause the Company to lose sales or otherwise harm the Company's business. In addition, if the Company does not obtain sufficient protection for the Company's intellectual property, the Company's competitiveness in the markets it serves could be significantly impaired, which would limit the Company's growth and future revenue.

The Company has obtained and applied for numerous U.S. and Foreign Service marks and trademark registrations and will continue to evaluate the registration of additional service marks and trademarks, as appropriate. The Company cannot guarantee that any of the Company's pending or future applications will be approved by the applicable governmental authorities. Moreover, even if such applications are approved, third parties may seek to oppose or otherwise challenge the registrations. A failure to obtain trademark registrations in the U.S. and in other countries could limit the Company's ability to protect the Company's trademarks and impede the Company's marketing efforts in those jurisdictions.

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

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

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

Furthermore, the Company may initiate claims or litigation against parties for infringement of the Company's proprietary rights or to establish the invalidity, noninfringement, or unenforceability of the proprietary rights of others. Likewise, the Company may have similar claims brought against it by competitors. Litigation, either as plaintiff or defendant, could result in significant expense to the Company and divert the efforts of the Company's technical and management personnel from operations, whether or not such litigation is resolved in the Company's favor. In the event of an adverse ruling in any such litigation, the Company might be required to pay substantial damages (including punitive damages and attorney's fees), discontinue the use and sale of infringing products, expend significant resources

to develop non-infringing technology or obtain licenses to infringing technology. There can be no assurance that licenses to disputed technology or

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intellectual property rights would be available on reasonable commercial terms, if at all. In the event of a successful claim against the Company along with failure to develop or license a substitute technology, the Company's business, financial condition and results of operations would be materially and adversely affected.

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

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

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

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

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

To be successful, the Company must attract, develop and retain highly qualified and talented personnel in management, sales, marketing, product design and innovation and operations, and as it considers entering new international markets, skilled personnel familiar with those markets. The Company competes with multinational firms for these employees and invests significant 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.

Forward-Looking Information

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

Item 1B. Unresolved Staff Comments

None.

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The Company owns a 0.1 million square foot headquarters office in Calhoun, Georgia on an eight-acre site. The Company also owns a 2.1 million square foot manufacturing facility located in Dalton, Georgia, used by the Mohawk segment, a 1.7 million square foot manufacturing facility located in Monterey, Mexico and a 1.0 million square foot manufacturing facility located in Muskogee, Oklahoma, used by the Dal-Tile segment, and a 1.1 million square foot manufacturing facility located in Wielsbeke, Belgium and a 0.5 million square foot manufacturing facility located in Thomasville, North Carolina used by the Unilin segment.

The following table summarizes the Company's facilities both owned and leased for each segment in square feet (in millions):

Primary Purpose	Mohawk Segment		Dal-Tile Segment		Unilin Segment	
	Owned	Leased	Owned	Leased	Owned	Leased
Manufacturing	15.7		4.6		9.2	
Selling and Distribution	3.4	5.2	0.4	8.1	0.1	0.2
Other	1.1	0.1	0.3		0.1	
Total	20.2	5.3	5.3	8.1	9.4	0.2

The Company's properties are in good condition and adequate for its requirements. The Company believes its principal plants are generally adequate to meet its production plans pursuant to the Company's long-term sales goals. In the ordinary course of business, the Company monitors the condition of its facilities to ensure that they remain adequate to meet long-term sales goals and production plans.

Item 3. Legal Proceedings

The Company is involved in litigation from time to time in the regular course of its business. Currently 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.

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

Environmental Matters

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

activities will have a material adverse effect on its operations, but may have an effect on the results of operations for a given quarter or annual period.

Item 4. (Removed and Reserved)

Table of Contents**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
2009		
First quarter	\$ 46.05	16.97
Second quarter	51.88	28.74
Third quarter	53.71	31.40
Fourth quarter	50.49	39.84
2010		
First quarter	\$ 55.52	41.33
Second quarter	66.93	43.58
Third quarter	54.94	42.61
Fourth quarter	61.28	51.55

As of February 21, 2011, there were approximately 324 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 presently, 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 sole 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.

		Total Number of Shares (or units) Purchased as Part of Publicly Announced Plans	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or
Total Number of Shares (or units)	Average Price Paid per Share (or		

Period	Purchased(1)	unit)	or Programs	Programs(2)
October 3, 2010 – November 6, 2010				3,488,071
November 7, 2010 – December 4, 2010				3,488,071
December 5, 2010 – December 31, 2010	5,362	\$	56.94	3,482,709
Total	5,362	\$	56.94	3,482,709

(1) Shares surrendered to the Company to pay the exercise price in connection with the exercise of stock options under the Company's 2007 Incentive Plan.

(2) On September 29, 1999, the Company announced that its Board of Directors authorized the repurchase of up to 5 million shares of the Company's common stock. On December 16, 1999 and May 18, 2000, the Company announced that its Board of Directors authorized the repurchase, for each announcement, of up to 5 million additional shares of the Company's common stock, respectively, under the existing repurchase plan.

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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 consolidated financial statements include the results of all acquisitions from the date of acquisition. 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.

	2010	As of or for the Years Ended December 31,			2006
		2009	2008	2007	
		(In thousands, except per share data)			
Statement of operations data:					
Net sales(a)	\$ 5,319,072	5,344,024	6,826,348	7,586,018	7,905,842
Cost of sales(a)	3,916,472	4,111,794	5,088,584	5,471,234	5,674,531
Gross profit	1,402,600	1,232,230	1,737,764	2,114,784	2,231,311
Selling, general and administrative expenses	1,088,431	1,188,500	1,318,501	1,364,678	1,392,251
Impairment of goodwill and other intangibles(b)			1,543,397		
Operating income (loss)	314,169	43,730	(1,124,134)	750,106	839,060
Interest expense	133,151	127,031	127,050	154,469	173,697
Other (income) expense, net	(3,900)	(5,588)	21,288	(6,925)	(252)
U.S. customs refund(c)	(7,730)			(9,154)	(19,436)
	121,521	121,443	148,338	138,390	154,009
Earnings (loss) before income taxes	192,648	(77,713)	(1,272,472)	611,716	685,051
Income taxes (benefit) expense(d)	2,713	(76,694)	180,062	(102,697)	220,478
Net earnings (loss)	189,935	(1,019)	(1,452,534)	714,413	464,573
Less: Net earnings attributable to the noncontrolling interest	4,464	4,480	5,694	7,599	8,740
Net earnings (loss) attributable to Mohawk Industries, Inc	\$ 185,471	(5,499)	(1,458,228)	706,814	455,833
Basic earnings (loss) per share	\$ 2.66	(0.08)	(21.32)	10.37	6.74
Diluted earnings (loss) per share	\$ 2.65	(0.08)	(21.32)	10.32	6.70
Balance sheet data:					
	\$ 1,199,699	1,474,978	1,369,333	1,238,220	783,148

Working capital (includes short-term debt)					
Total assets (b and d)	6,098,926	6,391,446	6,446,175	8,680,050	8,212,209
Long-term debt (including current portion)	1,653,582	1,854,479	1,954,786	2,281,834	2,783,681
Total stockholders equity	3,271,556	3,200,823	3,153,803	4,707,357	3,715,263

- (a) During 2009, the Company recognized an increased number of warranty claims related to the performance of commercial carpet tiles that used a newer carpet backing technology. As a result, the Company recorded a \$121,224 carpet sales allowance and a \$12,268 inventory write-off.
- (b) In 2008, the Company recorded an impairment of goodwill and other intangibles which included \$276,807 for the Mohawk segment, \$531,930 for the Dal-Tile segment and \$734,660 for the Unilin segment.
- (c) In 2010, 2007 and 2006, the Company received refunds from the U.S. government in reference to settlement of customs disputes dating back to 1982.
- (d) In 2007, the Company implemented a change in residency of one of its foreign subsidiaries. This tax restructuring resulted in a step up in the subsidiary's taxable basis, which resulted in the recognition of a deferred tax asset of approximately \$245,000 and a related income tax benefit of approximately \$272,000. In 2008, the Company recorded a valuation allowance of approximately \$253,000 against the deferred tax asset described above.

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Item 7. *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 U.S. and residential applications in Europe with net sales in 2010 of \$5.3 billion. The Company is the second largest carpet and rug manufacturer and one of the largest manufacturers, marketers and distributors of ceramic tile, natural stone and hardwood flooring in the U.S., as well as a leading producer of laminate flooring in the U.S. and Europe. In 2009, the primary categories of the U.S. floor covering industry were carpet and rug (55%), resilient and rubber (12%), ceramic tile (11%), hardwood (11%), stone (6%) and laminate (5%).

The U.S. floor covering industry experienced declining demand beginning in the fourth quarter of 2006 that worsened during the latter parts of 2008, and continued to decline in 2009. In the first half of 2010 demand showed signs of recovering, but first half gains were lost in the second half of the year. Overall industry conditions in the U.S. are expected to improve during 2011, although the timing and size of a sustained recovery within the market remains uncertain.

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

The Company reported net earnings attributable to the Company of \$185.5 million or diluted earnings per share (EPS) of \$2.65 for 2010, compared to net loss attributable to the Company of \$5.5 million or loss per share of \$0.08 for 2009. The change in EPS is primarily the result of lower restructuring charges, tax benefits related to the settlement of certain tax contingencies in 2010 and the impact of geographic dispersion of profits and losses on income taxes. During 2009, the Company recognized an increased number of warranty claims related to the performance of commercial carpet tiles that used a newer carpet backing technology. The Company discontinued sales of carpet tiles using this backing technology in 2009. Therefore, 2009 EPS included the pre-tax \$121.2 million carpet sales allowance and a \$12.3 million inventory write-off related to the warranty claims, as well as the unfavorable impact of higher raw material costs flowing through cost of sales of approximately \$62 million. The amounts recorded for the carpet sales allowance reflected the Company's best estimate, but the actual amount of total claims and related costs could vary from such estimate. The Company now manufactures these types of commercial carpet tiles with a different backing technology that has been used for many years by the Company.

For the year ended December 31, 2010, the Company generated \$319.7 million of operating cash flow which it used to repay debt and fund working capital. As of December 31, 2010, the Company had cash and cash equivalents of \$354.2 million. Subsequent to the balance sheet date, the Company repaid the 5.75% senior notes due January 15,

2011 at maturity, including accrued interest, using approximately \$170 million of available cash and borrowings of approximately \$138 million under its \$600.0 million four-year, senior, secured revolving credit facility (the ABL Facility).

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On February 25, 2011, subsequent to the balance sheet date, the Company announced a plan to exit a manufacturing facility in the Mohawk segment. The Company is finalizing its estimates and expects to record a restructuring charge in the first quarter of 2011.

Results of Operations

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

	For the Years Ended December 31,					
	2010		2009		2008	
	(In millions)					
Statement of operations data:						
Net sales	\$ 5,319.1	100.0%	\$ 5,344.0	100.0%	\$ 6,826.3	100.0%
Cost of sales	3,916.5	73.6%	4,111.8	76.9%	5,088.5	74.5%
Gross profit	1,402.6	26.4%	1,232.2	23.1%	1,737.8	25.5%
Selling, general and administrative expenses	1,088.4	20.5%	1,188.5	22.2%	1,318.5	19.3%
Impairment of goodwill and other intangibles					1,543.4	22.6%
Operating income (loss)	314.2	5.9%	43.7	0.8%	(1,124.1)	(16.5)%
Interest expense	133.2	2.5%	127.0	2.4%	127.1	1.9%
Other (income) expense, net	(3.9)	(0.1)%	(5.6)	(0.1)%	21.3	0.3%
U.S. customs refund	(7.7)	(0.1)%				
	121.6	2.3%	121.4	2.3%	148.4	2.2%
Earnings (loss) before income taxes	192.6	3.6%	(77.7)	(1.5)%	(1,272.5)	(18.6)%
Income taxes expense (benefit)	2.7	0.1%	(76.7)	(1.4)%	180.0	2.6%
Net earnings (loss)	189.9	3.6%	(1.0)	(0.0)%	(1,452.5)	(21.3)%
Less: Net earnings attributable to the noncontrolling interest	4.4	0.1%	4.5	0.1%	5.7	0.1%
Net earnings (loss) attributable to Mohawk Industries, Inc	\$ 185.5	3.5%	\$ (5.5)	(0.1)%	\$ (1,458.2)	(21.4)%

Year Ended December 31, 2010, as Compared with Year Ended December 31, 2009**Net sales**

Net sales for 2010 were \$5,319.1 million, reflecting a decrease of \$25.0 million, or 0.5%, from the \$5,344.0 million reported for 2009. Included in net sales for 2009 is a carpet sales allowance of \$121.2 million. For 2010, net sales

decreased primarily due to lower sales volume of approximately \$81 million, primarily related to continued weakness in the residential, commercial and new construction markets, unfavorable foreign exchange impact of approximately \$37 million and the net effect of price and product mix of approximately \$28 million, driven by customers trading down to lower priced products and distribution channel mix.

Mohawk Segment Net sales decreased \$11.9 million, or 0.4%, to \$2,844.9 million in 2010 compared to \$2,856.7 million in 2009. Included in net sales for 2009 is a carpet sales allowance of \$121.2 million. For 2010, net sales decreased primarily due to lower sales volume of approximately \$183 million, primarily related to continued weakness in the soft surface product category, partially offset by approximately \$50 million due to the net effect of price and product mix as a result of price increases to offset higher raw material costs.

Dal-Tile Segment Net sales decreased \$59.3 million, or 4.2%, to \$1,367.4 million in 2010 compared to \$1,426.8 million in 2009. The decrease in net sales was primarily driven by the net effect of price and product mix of approximately \$51 million, primarily driven by customer mix, and lower sales volume of approximately \$17 million, primarily related to continued weakness in the commercial, residential and new construction markets, partially offset by the impact of favorable foreign exchange rates of approximately \$9 million.

Unilin Segment Net sales increased \$60.0 million, or 5.3%, to \$1,188.3 million in 2010 compared to \$1,128.3 million in 2009. The increase in net sales was primarily driven by higher sales volume of

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approximately \$132 million as a result of growth in developing markets, partially offset by the impact of unfavorable foreign exchange rates of approximately \$46 million and the net effect of price and product mix of approximately \$27 million, as customers traded down to lower priced products.

Quarterly net sales and the percentage changes in net sales by quarter for 2010 versus 2009 were as follows (dollars in millions):

	2010	2009	Change
First quarter	\$ 1,347.2	1,208.3	11.5%
Second quarter	1,400.1	1,406.0	(0.4)
Third quarter	1,309.6	1,382.6	(5.3)
Fourth quarter	1,262.2	1,347.1	(6.3)
Total year	\$ 5,319.1	5,344.0	(0.5)%

Gross profit

Gross profit for 2010 was \$1,402.6 million (26.4% of net sales) and represented an increase of \$170.4 million, or 13.8%, compared to gross profit of \$1,232.2 million (23.1% of net sales) for 2009. Gross profit for 2009 includes a carpet sales allowance of \$121.2 million and inventory write-off of \$12.4 million. For 2010, gross profit was favorably impacted by approximately \$50 million as a result of various restructuring actions and cost savings initiatives implemented by the Company, including facility consolidations, workforce reductions and productivity improvements, lower restructuring charges of approximately \$32 million and the net effect of price and product mix of approximately \$27 million. These increases were partially offset by higher manufacturing costs, primarily raw materials, of approximately \$58 million, lower sales volume of approximately \$13 million and the impact of unfavorable foreign exchange rates of approximately \$11 million.

Selling, general and administrative expenses

Selling, general and administrative expenses for 2010 were \$1,088.4 million (20.5% of net sales), reflecting a decrease of \$100.1 million, or 8.4%, compared to \$1,188.5 million (22.2% of net sales) for 2009. The decrease in selling, general and administrative expenses is primarily driven by various restructuring actions and cost savings initiatives implemented by the Company, including distribution facility consolidations, workforce reductions and productivity improvements, to align such expenses with the Company's sales volumes.

Operating income

Operating income for 2010 was \$314.2 million (5.9% of net sales) reflecting a \$270.4 million increase compared to an operating income of \$43.7 million (0.8% of net sales) in 2009. Operating income for 2009 includes a carpet sales allowance and inventory write-off of \$133.5 million. For 2010, operating income was favorably impacted by approximately \$128 million as a result of lower selling, general and administrative expenses and various restructuring actions and cost savings initiatives implemented by the Company, lower restructuring charges of approximately \$49 million and the net effect of price and product mix of approximately \$27 million, partially offset by higher manufacturing costs, primarily raw materials, of approximately \$58 million and lower sales volume of approximately \$13 million.

Mohawk Segment Operating income was \$122.9 million (4.3% of segment net sales) in 2010 reflecting an increase of \$248.9 million compared to operating loss of \$126.0 million in 2009. Operating loss for 2009 includes a carpet sales allowance and inventory write-off of \$133.5 million. For 2010, operating income was favorably impacted by approximately \$101 million as a result of lower selling, general and administrative expenses and various restructuring actions and cost savings initiatives implemented by the Company, the net effect of price and product mix of approximately \$66 million and lower restructuring charges of approximately \$19 million, partially offset by higher manufacturing costs, primarily raw materials, of approximately \$25 million and lower sales volume of approximately \$45 million.

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Dal-Tile Segment Operating income was \$97.3 million (7.1% of segment net sales) in 2010 reflecting an increase of \$13.2 million, or 15.7%, compared to operating income of \$84.2 million (5.9% of segment net sales) for 2009. The increase was primarily driven by the favorable impact of approximately \$20 million as a result of lower selling, general and administrative expenses and various restructuring actions and cost savings initiatives implemented by the Company, lower restructuring charges of approximately \$16 million and lower manufacturing expenses of approximately \$4 million, partially offset by the net effect of price and product mix of approximately \$28 million.

Unilin Segment Operating income was \$114.3 million (9.6% of segment net sales) in 2010 reflecting an increase of \$8.3 million, or 7.9%, compared to operating income of \$106.0 million (9.4% of segment net sales) for 2009. The increase was primarily driven by higher sales volume of approximately \$42 million, lower restructuring charges of approximately \$14 million and lower selling, general and administrative expenses of approximately \$5 million, offset by higher manufacturing costs, primarily raw materials, of approximately \$36 million, the net effect of price and product mix of approximately \$10 million and unfavorable foreign exchange rates of approximately \$6 million.

Interest expense

Interest expense for 2010 was \$133.2 million compared to \$127.0 million in 2009. The increase in interest expense resulted from the \$7.5 million premium and fees related to the extinguishment of approximately \$200 million aggregate principal amount of the Company's 5.75% senior notes due January 15, 2011, higher costs on the Company's revolving credit facility and higher interest rates on the Company's notes, partially offset by the impact of lower debt levels.

U.S. customs refund

The Company has received partial refunds from the U.S. government in reference to settling customs disputes dating back to 1986. Accordingly, the Company realized a gain of \$7.7 million in other expense (income) for 2010. The Company is pursuing additional recoveries for years subsequent to 1986 but there can be no assurances such recoveries will occur. Additional future recoveries, if any, will be recorded as realized.

Income tax expense (benefit)

For 2010, the Company recorded an income tax expense of \$2.7 million on earnings before income taxes of \$192.6 million compared to a benefit of \$76.7 million on loss before income taxes of \$77.7 million for 2009. The 2010 effective tax rate of 1.4% is primarily due to a tax benefit of approximately \$30 million related to the settlement of certain income tax contingencies in Europe, the favorable geographic dispersion of profits and losses resulting in a tax benefit of approximately \$21 million and a decrease in valuation allowance of approximately \$17 million related to European deferred tax assets. The 2009 effective tax rate of 98.7% was the result of the geographic dispersion of profits and losses resulting in a tax benefit of approximately \$13 million, a permanent tax benefit in Europe on notional interest of approximately \$56 million, offset by an increase to the Company's valuation allowance and tax contingencies of approximately \$19 million.

Year Ended December 31, 2009, as Compared with Year Ended December 31, 2008

Net sales

Net sales for 2009 were \$5,344.0 million, reflecting a decrease of \$1,482.3 million, or 21.7%, from the \$6,826.3 million reported for 2008. The decrease was primarily driven by a decline in sales volumes of approximately \$1,047 million due to the continued weakness in the U.S. residential remodeling and new construction markets, commercial real estate market and European demand, a decline of approximately \$298 million due to unfavorable

price and product mix as customers trade down to lower priced products, a decrease of approximately \$81 million due to a net increase in warranty requirements described in the overview and a decline of approximately \$56 million due to unfavorable foreign exchange rates and other.

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Mohawk Segment Net sales decreased \$771.4 million, or 21.3%, to \$2,856.7 million in 2009 compared to \$3,628.2 million in 2008. The decrease was primarily driven by a decline in sales volumes of approximately \$531 million due to the continued weakness in the U.S. residential remodeling and new construction markets and the declining commercial real estate market, a decline of approximately \$151 million due to unfavorable price and product mix as customers trade down to lower priced products and a decrease of approximately \$81 million due to a net increase in warranty requirements described above in the overview.

Dal-Tile Segment Net sales decreased \$388.6 million, or 21.4%, to \$1,426.8 million in 2009 compared to \$1,815.4 million in 2008. The decrease was primarily driven by a decline in sales volumes of approximately \$301 million due to the continued weakness in the U.S. residential remodeling and new construction markets and the declining commercial real estate market, a decline of approximately \$73 million due to unfavorable price and product mix as customers trade down to lower priced products and a decline of approximately \$15 million due to unfavorable foreign exchange rates.

Unilin Segment Net sales decreased \$336.9 million, or 23.0%, to \$1,128.3 million in 2009 compared to \$1,465.2 million in 2008. The decrease was driven by a decline in sales volumes of approximately \$215 million due to the continued weakness in the U.S. residential remodeling and new construction markets and slowing European demand, a decline of approximately \$74 million due to the net effect of price and product mix as customers trade down to lower priced products and a decline of approximately \$48 million due to unfavorable foreign exchange rates.

Quarterly net sales and the percentage changes in net sales by quarter for 2009 versus 2008 were as follows (dollars in millions):

	2009	2008	Change
First quarter	\$ 1,208.3	1,738.1	(30.5) %
Second quarter	1,406.0	1,840.0	(23.6)
Third quarter	1,382.6	1,763.0	(21.6)
Fourth quarter	1,347.1	1,485.2	(9.3)
Total year	\$ 5,344.0	6,826.3	(21.7)%

Gross profit

Gross profit for 2009 was \$1,232.2 million (23.1% of net sales) and represented a decrease of \$505.5 million compared to gross profit of \$1,737.8 million (25.5% of net sales) for 2008. Gross profit in 2009 was unfavorably impacted by approximately \$315 million resulting from lower sales volume, a decline of approximately \$185 million due to the net effect of price and product mix, a decline of approximately \$89 million due to a net increase in warranty requirements described above in the overview, restructuring charges of approximately \$28 million and the impact of unfavorable foreign exchange rates of approximately \$9 million, partially offset by lower manufacturing costs of approximately \$120 million. The decrease in gross profit percentage is primarily attributable to unfavorable price and product mix, increased warranty requirements and restructuring costs, partially offset by lower raw material and manufacturing costs

Selling, general and administrative expenses

Selling, general and administrative expenses for 2009 were \$1,188.5 million (22.2% of net sales), reflecting a decrease of \$130.0 million, or 9.9%, compared to \$1,318.5 million (19.3% of net sales) for the prior year. The decrease in selling, general and administrative expenses is primarily driven by lower sales and various cost savings initiatives implemented by the Company, including distribution facility consolidations, workforce reductions and productivity improvements, to align such expenses with the Company's sales volumes, partially offset by approximately \$8 million of unfavorable foreign exchange rates and approximately \$4 million for restructuring charges. The increase in selling general and administrative expenses as a percentage of net sales is primarily a result of a higher mix of fixed costs on lower net sales, and restructuring costs.

Table of Contents**Operating income (loss)**

Operating income for 2009 was \$43.7 million (0.8% of net sales) reflecting an increase of \$1,167.9 million compared to an operating loss of \$1,124.1 million in 2008. The change was primarily driven by the recognition of an impairment of goodwill and other intangibles of \$1,543.4 million in 2008. In addition, operating income in 2009 was impacted by a decline of approximately \$315 million due to lower sales volumes, a decline of approximately \$185 million due to unfavorable price and product mix, a decrease of approximately \$89 million due to a net increase in warranty requirements described above in the overview and restructuring charges of approximately \$32 million, partially offset by lower manufacturing and selling, general and administrative costs of approximately \$244 million.

Mohawk Segment Operating loss was \$126.0 million in 2009 reflecting a decrease of \$90.2 million compared to operating loss of \$216.2 million in 2008. The increase was primarily driven by the recognition of an impairment of goodwill and other intangibles of \$276.8 million in 2008. In addition, operating income in 2009 was impacted by a decline of approximately \$133 million due to lower sales volumes, a decrease of approximately \$89 million due to a net increase in warranty requirements and a decline of approximately \$74 million due to unfavorable price and product mix and restructuring charges of approximately \$7 million, partially offset by lower manufacturing and selling, general and administrative costs of approximately \$116 million.

Dal-Tile Segment Operating income was \$84.2 million (5.9% of segment net sales) in 2009 reflecting an increase of \$407.5 million compared to operating loss of \$323.4 million for 2008. The change was primarily driven by the recognition of an impairment of goodwill and other intangibles of \$531.9 million in 2008. In addition, operating income in 2009 was impacted by a decline of approximately \$108 million due to lower sales volumes, a decline of approximately \$35 million due to unfavorable price and product mix and restructuring charges of approximately \$12 million, partially offset by lower manufacturing and selling, general and administrative costs of approximately \$23 million.

Unilin Segment Operating income was \$106.0 million (9.4% of segment net sales) in 2009 reflecting an increase of \$670.9 million compared to operating loss of \$564.9 million for 2008. The increase was primarily driven by the recognition of an impairment of goodwill and other intangibles of \$734.7 million in 2008. In addition, operating income in 2009 was impacted by a decline of approximately \$76 million due to the net effect of price and product mix, a decline in sales volumes of approximately \$74 million, restructuring charges of approximately \$13 million and the impact of unfavorable foreign exchange rates of approximately \$8 million, partially offset by lower raw material, manufacturing and selling, general and administrative costs of approximately \$107 million.

Interest expense

Interest expense for 2009 was \$127.0 million compared to \$127.1 million in 2008. Interest expense in 2009 was directly impacted by higher interest rates on the Company's notes and revolving credit facilities due to three credit rating downgrades in 2009, partially offset by lower average debt levels in the current year compared to 2008.

Income tax (benefit) expense

For 2009, the Company recorded an income tax benefit of \$76.7 million on loss before taxes of \$77.7 million as compared to income tax expense of \$180.1 million on loss before taxes of \$1,272.5 million for 2008. The change is principally due to the non-deductible 2008 goodwill impairment charge, the recognition of a valuation allowance against a deferred asset of approximately \$253 million, and the geographic distribution of income (loss).

In the fourth quarter of 2007, the Company moved the intellectual property and treasury operations of an indirectly owned European entity to a new office in another jurisdiction in Europe. The Company also indirectly owned a

holding company in the new jurisdiction that provided certain treasury functions to Unilin, and the move allowed for the consolidation of the historical intellectual property and treasury operations to be

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combined with those of the holding company's treasury operations in a single jurisdiction in order to integrate and streamline the operations, to facilitate international acquisitions and to improve tax and cost efficiencies. This restructuring resulted in a step up in the subsidiary's taxable basis of its intellectual property. The step up relates primarily to intangible assets which will be amortized over 10 years for tax purposes. During the fourth quarter of 2007, the Company evaluated the evidence for recognition of the deferred tax asset created through the restructuring and determined that, based on the available evidence at the time, the deferred tax asset would more likely than not be realized. The deferred tax asset recognized as of December 31, 2007 was approximately \$245 million and the related income tax benefit recognized in the consolidated financial statements was approximately \$272 million.

During the third quarter of 2008, the Company reassessed the need for a valuation allowance against its deferred tax assets. Cash flows had decreased from that projected as of December 31, 2007, primarily due to the slowing worldwide economy and declining sales volume. The Company determined that, given the current and expected economic conditions and the corresponding reductions in cash flows, its ability to realize the benefit of the deferred tax asset related to the transaction described above as well as tax losses generated in the same jurisdiction was not more likely than not. Accordingly the Company recorded a valuation allowance against the deferred tax asset in the amount of \$253 million during the quarter ended September 27, 2008.

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 and credit terms from suppliers.

Cash flows provided by operations for 2010 were \$319.7 million compared to cash flows provided by operations of \$672.2 million in 2009. The decrease in operating cash flows for 2010 as compared to 2009 is primarily attributable to higher working capital requirements as the Company's inventory levels stabilize to meet current market conditions and the impact of higher raw material costs, partially offset by higher earnings.

Cash flows provided by operations for 2009 were \$672.2 million compared to cash flows provided by operations of \$576.1 million in 2008. The increase in operating cash flows for 2009 as compared to 2008 is primarily attributable to lower working capital requirements due to lower sales demand.

Net cash used in investing activities for 2010 was \$231.5 million compared to \$114.8 million in 2009. The increase is due to the investment of \$79.9 million in a Chinese tile manufacturer and higher capital spending during 2010 as compared to 2009. Capital expenditures, including \$94.1 million for acquisitions, have totaled \$577.0 million over the past three years. Capital spending during 2011, excluding acquisitions, is expected to range from \$270 million to \$300 million, and is intended to be used primarily to purchase equipment and to streamline manufacturing capacity.

Net cash used in investing activities for 2009 was \$114.8 million compared to \$226.1 million in 2008. The decrease is due to lower capital spending as a result of lower sales and tighter management of expenditures during 2009 as compared to 2008.

Net cash used in financing activities for 2010 was \$255.2 million compared to net cash used by financing activities of \$125.8 million in 2009. The change in cash used in financing activities as compared to 2009 is primarily attributable to the higher debt repayments in 2010, principally the repayment of \$200.0 million aggregate principal amount of the Company's outstanding 5.75% senior notes due January 15, 2011, and the establishment of a \$27.9 million restricted cash account to repay the remaining outstanding 5.75% senior notes due January 15, 2011, compared to 2009.

Net cash used in financing activities for 2009 was \$125.8 million compared to net cash used by financing activities of \$348.9 million in 2008. The change in cash used in financing activities as compared to 2008 is primarily attributable to lower debt levels as the Company manages its working capital requirements to align with its current sales.

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

At the Company's election, revolving loans under the ABL Facility bear interest at annual rates equal to either (a) LIBOR for 1, 2, 3 or 6 month periods, as selected by the Company, plus an applicable margin ranging between 2.75% and 3.25%, or (b) the higher of the prime rate, the Federal Funds rate plus 0.5%, or a one-month LIBOR rate, plus an applicable margin ranging between 1.25% and 1.75%. The Company also pays a commitment fee to the lenders under the ABL Facility on the average amount by which the aggregate commitments of the lenders exceed utilization of the ABL Facility equal to 0.65% per annum during any quarter that this excess is 50% or more and 0.50% per annum during any quarter that this excess is less than 50%.

The ABL Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on debt, liens, investments, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company's business. Many of these limitations are subject to numerous exceptions. The Company is also required to maintain a fixed charge coverage ratio of 1.1 to 1.0 during any period that the unutilized amount available under the ABL Facility is less than 15% of the lenders' aggregated commitments.

The ABL Facility is scheduled to mature on September 2, 2013 but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to January 15, 2012, if the Company's outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012. The Company believes it will be able to make adequate reserves for such senior notes with cash and cash equivalents, unutilized borrowings under the ABL and other uncommitted financing sources, including new public debt offerings or bank facilities, although there can be no assurances that the Company will be able to complete any necessary financing transactions prior to the relevant date under the ABL Facility or the April 15, 2012 maturity date.

As of December 31, 2010, the amount utilized under the ABL Facility was \$387.1 million resulting in a total of \$169.6 million available under the ABL Facility. The amount utilized included the reserved amount of \$280.0 million related to the repayment of the Company's outstanding 5.75% senior notes due January 15, 2011, discussed below, \$53.5 million of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$53.5 million of standby letters of credit related to various insurance contracts and foreign vendor commitments. Immediately following the repayment of the 5.75% senior notes due January 15, 2011 at maturity, a total of \$289.6 million was available under the ABL Facility.

On January 17, 2006, the Company issued \$900.0 million aggregate principal amount of 6.125% notes due 2016. Interest payable on these notes is subject to adjustment if either Moody's Investors Service, Inc. (Moody's) or Standard & Poor's Ratings Services (Standard & Poor's), or both, downgrades the rating assigned to the notes. Each

rating agency downgrade results in a 0.25% increase in the interest rate, subject to a maximum increase of 1% per rating agency. If later the rating of these notes improves, then the interest rates would be reduced accordingly. Each 0.25% increase in the interest rate of these notes would increase the

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Company's interest expense by approximately \$0.1 million per quarter per \$100 million of outstanding notes. Currently, the interest rates have been increased by an aggregate amount of 0.75% as a result of downgrades by Moody's and Standard & Poor's during 2009. Additional downgrades in the Company's credit ratings could further increase the cost of its existing credit and adversely affect the cost of and ability to obtain additional credit in the future.

On April 12, 2010, the Company purchased for cash approximately \$200 million aggregate principal amount of its outstanding 5.75% senior notes due January 15, 2011 at a price equal to 103.5% of the principal amount, which resulted in a premium to tendering noteholders of approximately \$7 million. The debt extinguishment resulted in a decrease in interest expense of approximately \$10 million over the remaining term of the notes. In connection with the extinguishment, the Company paid approximately \$0.5 million in fees and accelerated the remaining deferred financing costs incurred in the original issuance of the notes that were purchased by the Company. The premium and fees associated with the cash tender are included in interest expense on the 2010 consolidated statement of operations. On October 14, 2010, the Company deposited \$27.9 million of cash in a restricted account under the control of the Administrative Agent and reserved \$280.0 million on the ABL Facility to repay the remaining amount outstanding of the 5.75% senior notes due January 15, 2011, which actions were determined by the Administrative Agent to adequately reserve (for purposes of the ABL Facility) for the repayment of such notes. Subsequent to the balance sheet date, the Company repaid the 5.75% senior notes due January 15, 2011 at maturity, using approximately \$170 million of available cash and borrowings of approximately \$138 million under the ABL Facility.

In 2002, the Company issued \$400.0 million aggregate principal amount of its senior 7.20% notes due April 15, 2012.

As of December 31, 2010, the Company had invested cash of \$334.8 million in money market AAA rated cash investments of which \$149.6 million was in North America and \$185.2 million was in Europe. The Company believes that its cash and cash equivalents on hand, cash generated from operations, availability under its ABL Facility and other financing sources, including new public debt offerings or bank facilities, will be sufficient to adequately reserve for, repay, defease or refinance its 7.20% senior notes due April 15, 2012, on or before January 15, 2012 as required by the ABL Facility, and meet its capital expenditure and working capital requirements over the next twelve months.

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

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 \$334.7 million. All of these repurchases have been financed through the Company's operations and banking arrangements. No shares were repurchased during 2010, 2009 and 2008.

Table of Contents**Contractual obligations**

The following is a summary of the Company's future minimum payments under contractual obligations as of December 31, 2010 (in millions):

	Total	2011	2012	2013	2014	2015	Thereafter
Recorded Contractual Obligations:							
Long-term debt, including current maturities and capital leases	\$ 1,653.6	350.6	401.5	0.4	0.4	0.3	900.4
Unrecorded Contractual Obligations:							
Interest payments on long-term debt and capital leases(1)	350.3	91.7	70.3	61.9	61.9	61.9	2.6
Operating leases	356.8	91.7	75.6	59.5	49.7	38.5	41.8
Purchase commitments(2)	579.8	212.6	125.0	121.1	121.1		
Expected pension contributions(3)	1.9	1.9					
Uncertain tax positions(4)	3.2	3.2					
Guarantees	0.8	0.8					
	1,292.8	401.9	270.9	242.5	232.7	100.4	44.4
Total	\$ 2,946.4	752.5	672.4	242.9	233.1	100.7	944.8

- (1) For fixed rate debt, the Company calculated interest based on the applicable rates and payment dates. For variable rate debt, the Company estimated average outstanding balances for the respective periods and applied interest rates in effect as of December 31, 2010 to these balances.
- (2) Includes commitments for natural gas, electricity and raw material purchases.
- (3) Includes the estimated pension contributions for 2011 only, as the Company is unable to estimate the pension contributions beyond 2011. The Company's projected benefit obligation as of December 31, 2010 was \$27.0 million. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.
- (4) Excludes \$62.3 million of non-current accrued income tax liabilities and related interest and penalties for uncertain tax positions. These liabilities have not been presented in the table above due to uncertainty as to amounts and timing regarding future payments.

Critical Accounting Policies

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

from those estimated at the time the consolidated financial statements are prepared.

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

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

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Accounts receivable and revenue recognition. Revenues are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable, and collectability can be reasonably assured. The Company provides allowances for expected cash discounts, sales allowances, returns, claims and doubtful accounts based upon historical bad debt and claims experience and periodic evaluation of specific customer accounts and the aging of accounts receivable. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. A 10% change in the Company's allowance for discounts, returns, claims and doubtful accounts would have affected net earnings by approximately \$3 million for the year ended December 31, 2010.

Inventories are stated at the lower of cost or market (net realizable value). Cost has been determined using the first-in first-out method (FIFO). Costs included in inventory include raw materials, direct and indirect labor and employee benefits, depreciation, general manufacturing overhead and various other costs of manufacturing. Market, with respect to all inventories, is replacement cost or net realizable value. Inventories on hand are compared against anticipated future usage, which is a function of historical usage, anticipated future selling price, expected sales below cost, excessive quantities and an evaluation for obsolescence. Actual results could differ from assumptions used to value obsolete inventory, excessive inventory or inventory expected to be sold below cost and additional reserves may be required. A 10% change in the Company's reserve for excess or obsolete inventory would have affected net earnings by approximately \$4 million for the year ended December 31, 2010.

Goodwill and other intangibles. Goodwill is tested annually for impairment during the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. The goodwill impairment tests are based on determining the fair value of the specified reporting units based on management judgments and assumptions using the discounted cash flows and comparable company market valuation approaches. The Company has identified Mohawk, Dal-Tile, Unilin Flooring, Unilin Chipboard and Melamine, and Unilin Roofing as its reporting units for the purposes of allocating goodwill and intangibles as well as assessing impairments. The valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital (WACC), and comparable company market multiples. When developing these key judgments and assumptions, the Company considers economic, operational and market conditions that could impact the fair value of the reporting unit. However, estimates are inherently uncertain and represent only management's reasonable expectations regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will, in all likelihood, differ in some respects from actual future results. Should a significant or prolonged deterioration in economic conditions occur, such as continued declines in spending for new construction, remodeling and replacement activities; the inability to pass increases in the costs of raw materials and fuel on to customers; or a decline in comparable company market multiples, then key judgments and assumptions could be impacted. Generally, a decline in estimated after tax cash flows of more than 20% or a more than 15% increase in WACC or a decline in market capitalization could result in an additional indication of impairment.

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

The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted during the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The determination of fair value used in the impairment evaluation is based on discounted estimates of future sales projections attributable to

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

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

The Company conducted its annual assessment of goodwill and indefinite lived intangibles in the fourth quarter and no impairment was indicated. The Company did record impairment of goodwill and other intangibles of \$1,543.4 million in 2008.

Income taxes. The Company's effective tax rate is based on its income, statutory tax rates and tax planning opportunities available in the jurisdictions in which it operates. Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining the Company's tax expense and in evaluating the Company's tax positions. Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in a future period. The Company evaluates the recoverability of these future tax benefits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income inherently rely on estimates, including business forecasts and other projections of financial results over an extended period of time. In the event that the Company is not able to realize all or a portion of its deferred tax assets in the future, a valuation allowance is provided. The Company would recognize such amounts through a charge to income in the period in which that determination is made or when tax law changes are enacted. The Company had valuation allowances of \$325.1 million in 2010, \$365.9 million in 2009 and \$343.6 million in 2008. For further information regarding the Company's valuation allowances, see Note 12 to the consolidated financial statements.

In the ordinary course of business there is inherent uncertainty in quantifying the Company's income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon the Company's evaluation of the facts, circumstances and information available as of the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information, as required by the provisions of the Financial Accounting Standards Board (FASB) FASB Accounting Standards Codification Topic 740 (ASC 740-10), a replacement of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the consolidated financial statements. As of December 31, 2010, the Company has \$49.9 million accrued for uncertain tax positions. For further information regarding the Company's uncertain tax positions, see Note 12 to the consolidated financial statements.

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

Recent Accounting Pronouncements

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

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

Impact of Inflation

Inflation affects the Company's manufacturing costs, distribution costs and operating expenses. The carpet, tile and laminate industry experienced inflation in the prices of raw materials and fuel-related costs beginning in 2006, and the prices increased dramatically during the latter part of 2008, peaking in the second half of 2008. The Company expects raw material prices, many of which are petroleum based, to continue to fluctuate based upon worldwide supply and demand of commodities utilized in the Company's production processes. In the past, the Company has generally been able to pass along these price increases to its customers and has been able to enhance productivity 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 second and fourth quarters typically produce

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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.

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

Financial exposures are monitored as an integral part of the Company's risk management program, which seeks to reduce the potentially adverse effect that the volatility of exchange rates and natural gas markets may have on its operating results. From time to time the Company enters into derivative contracts to manage these risks. The Company does not regularly engage in speculative transactions, nor does it regularly hold or issue financial instruments for trading purposes. The Company did not have any derivative contracts outstanding as of December 31, 2010 and 2009.

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Item 8. *Consolidated Financial Statements and Supplementary Data*

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Mohawk Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mohawk Industries, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Mohawk Industries, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 1, 2011 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Atlanta, Georgia
March 1, 2011

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Mohawk Industries, Inc.:

We have audited Mohawk Industries, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Mohawk Industries, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, as set forth in Item 9A. of Mohawk Industries, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2010. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Mohawk Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated March 1, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Atlanta, Georgia
March 1, 2011

Table of Contents**MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES****Consolidated Balance Sheets
December 31, 2010 and 2009**

	2010	2009
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 354,217	531,458
Restricted cash	27,954	
Receivables, net	614,473	673,931
Inventories	1,007,503	892,981
Prepaid expenses	91,731	108,947
Deferred income taxes	133,304	130,990
Other current assets	19,431	20,693
Total current assets	2,248,613	2,359,000
Property, plant and equipment, net	1,687,124	1,791,412
Goodwill	1,369,394	1,411,128
Tradenames	456,890	477,607
Other intangible assets, net	220,237	307,735
Deferred income taxes and other non-current assets	116,668	44,564
	\$ 6,098,926	6,391,446
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 350,588	52,907
Accounts payable and accrued expenses	698,326	831,115
Total current liabilities	1,048,914	884,022
Deferred income taxes	346,503	370,903
Long-term debt, less current portion	1,302,994	1,801,572
Other long-term liabilities	93,518	100,667
Total liabilities	2,791,929	3,157,164
Commitments and contingencies (Notes 7 and 13)		
Redeemable noncontrolling interest	35,441	33,459
Stockholders' equity:		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued		
Common stock, \$.01 par value; 150,000 shares authorized; 79,666 and 79,518 shares issued in 2010 and 2009, respectively	797	795

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Additional paid-in capital	1,235,445	1,227,856
Retained earnings	2,180,843	1,998,616
Accumulated other comprehensive income, net	178,097	296,917
	3,595,182	3,524,184
Less treasury stock at cost; 11,037 and 11,034 shares in 2010 and 2009, respectively	323,626	323,361
Total stockholders' equity	3,271,556	3,200,823
	\$ 6,098,926	6,391,446

See accompanying notes to consolidated financial statements.

Table of Contents**MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES****Consolidated Statements of Operations
Years Ended December 31, 2010, 2009 and 2008**

	2010	2009	2008
	(In thousands, except per share data)		
Net sales	\$ 5,319,072	5,344,024	6,826,348
Cost of sales	3,916,472	4,111,794	5,088,584
Gross profit	1,402,600	1,232,230	1,737,764
Selling, general and administrative expenses	1,088,431	1,188,500	1,318,501
Impairment of goodwill and other intangibles			1,543,397
Operating income (loss)	314,169	43,730	(1,124,134)
Other expense (income):			
Interest expense	133,151	127,031	127,050
Other expense	8,144	16,935	31,139
Other income	(12,044)	(22,523)	(9,851)
U.S. customs refund	(7,730)		
	121,521	121,443	148,338
Earnings (loss) before income taxes	192,648	(77,713)	(1,272,472)
Income tax expense (benefit)	2,713	(76,694)	180,062
Net earnings (loss)	189,935	(1,019)	(1,452,534)
Less: Net earnings attributable to noncontrolling interest	4,464	4,480	5,694
Net earnings (loss) attributable to Mohawk Industries, Inc.	\$ 185,471	(5,499)	(1,458,228)
Basic earnings (loss) per share attributable to Mohawk Industries, Inc.	\$ 2.66	(0.08)	(21.32)
Diluted earnings (loss) per share attributable to Mohawk Industries, Inc.	\$ 2.65	(0.08)	(21.32)

See accompanying notes to consolidated financial statements.

Table of Contents**MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES****Consolidated Statements of Stockholders Equity and Comprehensive Income (Loss)
Years Ended December 31, 2010, 2009 and 2008**

	Redeemable noncontrolling interest	Common stock		Additional paid-in capital	Retained earnings (In thousands)	Stockholders equity Accumulated other comprehensive income (loss)	Treasury stock		Total stockholders equity
		Shares	Amount				Shares	Amount	
at December 31, 2007	\$ 31,488	79,404	\$ 794	\$ 1,203,957	\$ 3,462,343	\$ 363,981	(11,046)	\$ (323,718)	\$ 4,700,000
issued under employee stock purchase plan and director stock plans		57	1	1,621			6	173	
issued under employee stock purchase plan expense				11,991					
issued under employee stock purchase plan				334					
contribution to noncontrolling interest	(6,052)								
comprehensive loss:									
translation adjustment						(101,935)			(101,935)
net loss on hedge						(7,127)			(7,127)
prior service costs net of taxes						(384)			(384)
actuarial gain or loss	5,694				(1,458,228)				(1,452,534)
comprehensive income									(1,452,534)
at December 31, 2008	31,130	79,461	795	1,217,903	2,004,115	254,535	(11,040)	(323,545)	3,123,864
issued under employee stock purchase plan and director stock plans		57		642			6	184	
issued under employee stock purchase plan expense				9,653					
issued under employee stock purchase plan				(342)					

ation									
ion to									
olling interest,									
ustments	(2,151)								
ensive income:									
translation									
nt						36,089			
ed gain on									
struments net of						7,207			
prior service									
actuarial gain or						(914)			
ngs (loss)	4,480				(5,499)				
prehensive									
at									
r 31, 2009	33,459	79,518	795	1,227,856	1,998,616	296,917	(11,034)	(323,361)	3,2
sued under									
e and director									
ns		148	2	1,685			(3)	(265)	
sed									
ation expense				6,888					
it from									
ed									
ation				(984)					
ion to									
olling interest,									
ustments	(5,726)								
ensive income:									
translation									
nt							(119,200)		(1
prior service									
actuarial gain or									
ngs	4,464				185,471		380		1
n of redeemable									
olling interest	3,244				(3,244)				
prehensive									
at									
r 31, 2010	\$ 35,441	79,666	\$ 797	\$ 1,235,445	\$ 2,180,843	\$ 178,097	(11,037)	\$ (323,626)	\$ 3,2

See accompanying notes to consolidated financial statements.

Table of Contents**MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows
Years Ended December 31, 2010, 2009 and 2008**

	2010	2009	2008
	(In thousands)		
Cash flows from operating activities:			
Net earnings (loss)	\$ 189,935	(1,019)	(1,452,534)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Impairment of goodwill and other intangibles			1,543,397
Restructuring	12,341	57,412	29,617
Depreciation and amortization	296,773	303,004	295,054
Deferred income taxes	(21,279)	(20,579)	69,842
Loss on extinguishment of debt	7,514		
Loss (gain) on disposal of property, plant and equipment	(4,975)	1,481	2,272
Excess tax deficit (benefit) from stock-based compensation		342	(334)
Stock-based compensation expense	6,888	9,653	11,991
Changes in operating assets and liabilities:			
Receivables, net	(12,273)	102,799	118,199
Income tax receivable	68,740	(72,515)	
Inventories	(118,903)	276,169	102,706
Accounts payable and accrued expenses	(86,947)	11,510	(127,905)
Other assets and prepaid expenses	(11,791)	17,320	(23,774)
Other liabilities	(6,311)	(13,372)	7,555
Net cash provided by operating activities	319,712	672,205	576,086
Cash flows from investing activities:			
Additions to property, plant and equipment	(156,180)	(108,925)	(217,824)
Proceeds from insurance claim	4,615		
Acquisitions, net of cash acquired	(79,917)	(5,924)	(8,276)
Net cash used in investing activities	(231,482)	(114,849)	(226,100)
Cash flows from financing activities:			
Payments on revolving line of credit		(412,666)	(1,448,742)
Proceeds from revolving line of credit		349,571	1,270,449
Repayment of senior notes	(199,992)		
Net change in asset securitization borrowings		(47,000)	(143,000)
Borrowings (payments) on term loan and other debt	(812)	6,537	(11,819)
Debt issuance costs		(23,714)	
Debt extinguishment costs	(7,514)		
Distribution to noncontrolling interest	(3,472)	(4,402)	(6,052)
Change in restricted cash	(27,954)		

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Excess tax (deficit) benefit from stock-based compensation		(342)	334
Change in outstanding checks in excess of cash	(17,900)	5,288	(12,007)
Proceeds from stock transactions	2,445	884	1,915
Net cash used in financing activities	(255,199)	(125,844)	(348,922)
Effect of exchange rate changes on cash and cash equivalents	(10,272)	6,427	2,851
Net change in cash and cash equivalents	(177,241)	437,939	3,915
Cash and cash equivalents, beginning of year	531,458	93,519	89,604
Cash and cash equivalents, end of year	\$ 354,217	531,458	93,519

See accompanying notes to consolidated financial statements.

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
Years Ended December 31, 2010, 2009 and 2008
(In thousands, except per share data)

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Mohawk Industries, Inc. and its subsidiaries (the Company or Mohawk). All significant intercompany balances and transactions have been eliminated in consolidation.

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

(b) Reclassifications and adjustments

During the fourth quarter of 2010, the Company identified an immaterial error in its annual and interim consolidated financial statements included in its Form 10-K for 2009 and its Form 10-Qs for the quarters ended July 3 and October 2, 2010. The error related to the balance sheet misclassification of a redeemable noncontrolling interest, the accretion of a redemption feature in the noncontrolling interest (which decreases retained earnings), and the related earnings per share impact. In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 480-10-S99-3 (ASC 480), formerly FASB Emerging Issues Task Force (EITF) Topic D-98, *Classification and Measurement of Redeemable Securities*, the Company reduced both basic and diluted earnings per share attributable to common stockholders by \$0.04 for the quarter ended July 3, 2010 as a result of an adjustment to the fair value of a redeemable noncontrolling interest in a consolidated subsidiary of the Company (see Note 16). In addition, the Company reclassified \$33,459 of its noncontrolling interest from within equity to mezzanine on its consolidated balance sheet as of December 31, 2009. The Company believes the correction of this error to be both quantitatively and qualitatively immaterial to its quarterly results for 2010 or to any of its previously issued consolidated financial statements. The correction had no impact on total assets, total liabilities, net earnings or cash flows as previously presented.

(c) Cash and Cash Equivalents and Restricted Cash

The Company considers investments with an original maturity of three months or less when purchased to be cash equivalents. As of December 31, 2010, the Company had invested cash of \$334,830 in money market AAA rated cash investments of which \$149,649 was in North America and \$185,181 was in Europe. In addition, the Company had restricted cash of \$27,954 under the control of an administrative agent and reserved \$280,000 under its \$600,000 four-year, senior, secured revolving credit facility (the ABL Facility) to repay the remaining amount outstanding of the 5.75% senior notes due January 15, 2011.

(d) Accounts Receivable and Revenue Recognition

The Company is principally a carpet, rugs, ceramic tile, laminate and hardwood flooring manufacturer and sells carpet, rugs, ceramic tile, natural stone, hardwood, resilient and laminate flooring products in the U.S. principally for residential and commercial use. In addition, the Company manufactures laminate and sells carpet, rugs, hardwood and

laminate flooring products in Europe principally for residential and commercial use. The Company grants credit to customers, most of whom are retail-flooring dealers and commercial end users, under credit terms that the Company believes are customary in the industry.

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Revenues, which are recorded net of taxes collected from customers, are recognized when there is persuasive evidence of an arrangement, delivery has occurred, the price has been fixed or is determinable, and collectability can be reasonably assured. The Company provides allowances for expected cash discounts, returns, claims, sales allowances and doubtful accounts based upon historical bad debt and claims experience and periodic evaluations of specific customer accounts and the aging of accounts receivable. Licensing revenues received from third parties for patents are recognized based on contractual agreements.

(e) Inventories

The Company accounts for all inventories on the first-in, first-out (FIFO) method. Inventories are stated at the lower of cost or market (net realizable value). Cost has been determined using the FIFO method. Costs included in inventory include raw materials, direct and indirect labor and employee benefits, depreciation, general manufacturing overhead and various other costs of manufacturing. Market, with respect to all inventories, is replacement cost or net realizable value. Inventories on hand are compared against anticipated future usage, which is a function of historical usage, anticipated future selling price, expected sales below cost, excessive quantities and an evaluation for obsolescence. Actual results could differ from assumptions used to value obsolete inventory, excessive inventory or inventory expected to be sold below cost and additional reserves may be required.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost, including capitalized interest. Depreciation is calculated on a straight-line basis over the estimated remaining useful lives, which are 25-35 years for buildings and improvements, 5-15 years for machinery and equipment, the shorter of the estimated useful life or lease term for leasehold improvements and 3-7 years for furniture and fixtures.

(g) Goodwill and Other Intangible Assets

In accordance with the provisions of ASC 350 formerly Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*, the Company tests goodwill and other intangible assets with indefinite lives for impairment on an annual basis in the fourth quarter (or on an interim basis if an event occurs that might reduce the fair value of the reporting unit below its carrying value). The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. The goodwill impairment tests are based on determining the fair value of the specified reporting units based on management's judgments and assumptions using the discounted cash flows and comparable company market valuation approaches. The Company has identified Mohawk, Dal-Tile, Unilin Flooring, Unilin Chipboard and Melamine, and Unilin Roofing as its reporting units for the purposes of allocating goodwill and intangibles as well as assessing impairments. The valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital (WACC), and comparable company market multiples.

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

The impairment evaluation for indefinite lived intangible assets, which for the Company are its trademarks, is conducted during the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that an asset might be impaired. The determination of fair value used in the impairment

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evaluation is based on discounted estimates of future sales projections attributable to ownership of the trademarks. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with past performance and are also consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the trademarks. Estimated cash flows are sensitive to changes in the economy among other things. The impairment test for indefinite lived intangible assets involves a comparison of the estimated fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. The estimates of fair value of indefinite lived intangible assets are determined using a discounted cash flows valuation. Significant judgments inherent in this analysis include assumptions about appropriate sales growth rates, royalty rates, WACC and the amount of expected future cash flows. These judgments and assumptions are subject to the variability discussed above.

Intangible assets that do not have indefinite lives are amortized based on average lives, which range from 7-16 years.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company records interest and penalties related to unrecognized tax benefits in income taxes.

(i) Financial Instruments

The Company's financial instruments consist primarily of receivables, accounts payable, accrued expenses and long-term debt. The carrying amount of receivables, accounts payable and accrued expenses approximates its fair value because of the short-term maturity of such instruments. The carrying amount of the Company's floating rate debt approximates its fair value based upon level two fair value hierarchy. Interest rates that are currently available to the Company for issuance of long-term debt with similar terms and remaining maturities are used to estimate the fair value of the Company's long-term debt.

(j) Advertising Costs and Vendor Consideration

Advertising and promotion expenses are charged to earnings during the period in which they are incurred. Advertising and promotion expenses included in selling, general, and administrative expenses were \$38,553 in 2010, \$43,752 in 2009 and \$53,643 in 2008.

Vendor consideration, generally cash, is classified as a reduction of net sales, unless specific criteria are met regarding goods or services that the vendor may receive in return for this consideration. The Company makes various payments to customers, including slotting fees, advertising allowances, buy-downs and co-op advertising. All of these payments reduce gross sales with the exception of co-op advertising. Co-op advertising is classified as a selling, general and administrative expense in accordance with ASC 605-50, formerly FASB, Emerging Issues Task Force 01-09,

Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products).
Co-op advertising expenses, a component of advertising and promotion expenses, were \$4,660 in 2010, \$3,809 in 2009 and \$7,359 in 2008.

Table of Contents***(k) Product Warranties***

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

(l) Impairment of Long-Lived Assets

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

(m) Foreign Currency Translation

The Company's subsidiaries that operate outside the United States use their local currency as the functional currency, with the exception of operations carried out in Canada and Mexico, in which case the functional currency is the U.S. dollar. Other than Canada and Mexico, the functional currency is translated into U.S. dollars for balance sheet accounts using the month end rates in effect as of the balance sheet date and average exchange rate for revenue and expense accounts for each respective period. The translation adjustments are deferred as a separate component of stockholders' equity, within other comprehensive income (loss). Gains or losses resulting from transactions denominated in foreign currencies are included in other income or expense, within the consolidated statements of operations. The assets and liabilities of the Company's Canada and Mexico operations are re-measured using a month end rate, except for non-monetary assets and liabilities, which are re-measured using the historical exchange rate. Income and expense accounts are re-measured using an average monthly rate for the period, except for expenses related to those balance sheet accounts that are re-measured using historical exchange rates. The resulting re-measurement adjustment is reported in the consolidated statements of operations when incurred.

(n) Earnings per Share (EPS)

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

Dilutive common stock options 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 periods presented were 1,203, 1,413 and 1,099 for 2010, 2009 and 2008, respectively. For 2009 and 2008, all outstanding common stock options to purchase common shares and unvested restricted shares (units) were excluded from the calculation of diluted loss per share because their effect on net loss per common share was anti-dilutive.

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

	Years Ended December 31,		
	2010	2009	2008
Net earnings (loss) attributable to Mohawk Industries, Inc.	\$ 185,471	(5,499)	(1,458,228)
Accretion of redeemable noncontrolling interest(1)	(3,244)		
Net earnings (loss) available to common stockholders	\$ 182,227	(5,499)	(1,458,228)
Weighted-average common shares outstanding-basic and diluted:			
Weighted-average common shares outstanding basic	68,578	68,452	68,401
Add weighted-average dilutive potential common shares options and RSU s to purchase common shares, net	206		
Weighted-average common shares outstanding-diluted	68,784	68,452	68,401
Basic earnings (loss) per share attributable to Mohawk Industries, Inc.	\$ 2.66	(0.08)	(21.32)
Diluted earnings (loss) per share attributable to Mohawk Industries, Inc.	\$ 2.65	(0.08)	(21.32)

(1) Amount represents the adjustment to fair value of a redeemable noncontrolling interest in a consolidated subsidiary of the Company.

(o) Stock-Based Compensation

The Company recognizes compensation expense for all share-based payments granted based on the grant-date fair value estimated in accordance with ASC 718-10, formerly SFAS No 123R, *Stock Compensation*. Compensation expense is generally recognized on a straight-line basis over the award's estimated lives for fixed awards with ratable vesting provisions.

(p) Comprehensive Income

Comprehensive income includes foreign currency translation of assets and liabilities of foreign subsidiaries, effects of exchange rate changes on intercompany balances of a long-term nature and transactions and derivative financial instruments designated as cash flow hedges. The Company does not provide income taxes on currency translation adjustments, as earnings from foreign subsidiaries are considered to be indefinitely reinvested.

Amounts recorded in accumulated other comprehensive income on the Consolidated Statements of Equity and Comprehensive Income (Loss) for the years ended December 31, 2010, 2009 and 2008 are as follows:

Foreign Translation	Hedge
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	Adjustment	Instruments	Pensions	Tax Expense (Benefit)	Total
December 31, 2008	\$ 260,093	(11,150)	1,649	3,943	254,535
2009 activity	36,089	11,150	(914)	(3,943)	42,382
December 31, 2009	296,182		735		296,917
2010 activity	(119,200)		380		(118,820)
December 31, 2010	\$ 176,982		1,115		178,097

(q) Recent Accounting Pronouncements

In June 2009, the FASB issued ASC 860, formerly SFAS No. 166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No. 140 . ASC 860 seeks to improve the relevance,

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representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. Specifically, ASC 860 eliminates the concept of a qualifying special-purpose entity, creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale, clarifies other sale-accounting criteria, and changes the initial measurement of a transferor's interest in transferred financial assets. ASC 860 is effective for annual and quarterly reporting periods that begin after November 15, 2009. The Company's adoption of ASC 860 on January 1, 2010 did not have a material impact on the Company's consolidated financial statements.

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

(r) Fiscal Year

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

(2) Acquisitions

The Company acquired a 34% equity investment in a leading manufacturer and distributor of ceramic tile in China in the Dal-Tile segment for \$79,917 in 2010, a business in the Unilin segment for \$5,604 in 2009 and certain stone center assets in the Dal-Tile segment for \$8,276 in 2008.

(3) Receivables

Receivables are as follows:

	2010	2009
Customers, trade	\$ 621,539	633,571
Income tax receivable	11,027	72,515
Other	27,662	30,654
	660,228	736,740
Less allowance for discounts, returns, claims and doubtful accounts	45,755	62,809

Receivables, net	\$ 614,473	673,931
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The following table reflects the activity of allowances for discounts, returns, claims and doubtful accounts for the years ended December 31:

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions(1)	Balance at End of Year
2008	\$ 56,310	274,337	268,269	62,378
2009	62,378	205,145	204,714	62,809
2010	62,809	170,274	187,328	45,755

(1) Represents charge-offs, net of recoveries.

(4) Inventories

The components of inventories are as follows:

	2010	2009
Finished goods	\$ 624,082	559,340
Work in process	97,257	84,414
Raw materials	286,164	249,227
Total inventories	\$ 1,007,503	892,981

(5) Goodwill and Other Intangible Assets

The Company conducted its annual assessment in the fourth quarter of 2010 and determined the fair values of its reporting units exceeded their carrying values. As a result, no impairment was indicated. During 2008, the Company recorded a \$1,543,397 impairment charge to reduce the carrying amount of the Company's goodwill and intangible assets to their estimated fair value based upon the results of two interim impairment tests. The total impairment included \$276,807 in the Mohawk segment, \$531,930 in the Dal-Tile segment and \$734,660 in the Unilin segment.

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The following table summarizes the components of intangible assets:

Goodwill:

	Mohawk	Dal-Tile	Unilin	Total
Balances as of December 31, 2008				
Goodwill	\$ 199,132	1,186,913	1,340,814	2,726,859
Accumulated impairments losses	(199,132)	(531,930)	(596,363)	(1,327,425)
		654,983	744,451	1,399,434
Goodwill recognized during the year			1,288	1,288
Currency translation during the year			10,406	10,406
Balances as of December 31, 2009				
Goodwill	199,132	1,186,913	1,352,508	2,738,553
Accumulated impairments losses	(199,132)	(531,930)	(596,363)	(1,327,425)
		654,983	756,145	1,411,128
Goodwill recognized during the year			141	141
Currency translation during the year			(41,875)	(41,875)
Balances as of December 31, 2010				
Goodwill	199,132	1,186,913	1,310,774	2,696,819
Accumulated impairments losses	(199,132)	(531,930)	(596,363)	(1,327,425)
	\$	654,983	714,411	1,369,394

During 2010 and 2009, the Company recorded additional goodwill of \$141 and \$1,288, respectively, in the Unilin segment related to a business acquisition.

Intangible assets:

	Tradenames
Indefinite life assets not subject to amortization:	
Balance as of December 31, 2008	\$ 472,399
Currency translation during the year	5,208
Balance as of December 31, 2009	477,607
Currency translation during the year	(20,717)
Balance as of December 31, 2010	\$ 456,890

	Customer Relationships	Patents	Other	Total
Intangible Assets Subject to Amortization:				
Balance as of December 31, 2008	\$ 204,064	171,387		375,451
Intangible assets recognized during the year	972		1,496	2,468
Amortization during year	(47,175)	(26,812)	(68)	(74,055)
Currency translation during the year	1,441	2,433	(3)	3,871
Balance as of December 31, 2009	159,302	147,008	1,425	307,735
Amortization during year	(45,679)	(23,714)	(120)	(69,513)
Currency translation during the year	(7,191)	(10,774)	(20)	(17,985)
Balance as of December 31, 2010	\$ 106,432	112,520	1,285	220,237

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	Years Ended December 31,		
	2010	2009	2008
Amortization expense	\$ 69,513	74,055	78,567

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

2011	\$ 67,411
2012	58,061
2013	21,869
2014	19,974
2015	17,676

(6) Property, Plant and Equipment

Following is a summary of property, plant and equipment:

	2010	2009
Land	\$ 186,406	195,171
Buildings and improvements	703,939	722,533
Machinery and equipment	2,361,605	2,348,689
Furniture and fixtures	82,287	80,722
Leasehold improvements	54,156	54,995
Construction in progress	129,999	67,415
	3,518,392	3,469,525
Less accumulated depreciation and amortization	1,831,268	1,678,113
Net property, plant and equipment	\$ 1,687,124	1,791,412

Property, plant and equipment included capitalized interest of \$4,240, \$4,469 and \$6,419 in 2010, 2009 and 2008, respectively. Depreciation expense was \$218,649, \$223,453 and \$212,281 for 2010, 2009 and 2008, respectively. Included in the property, plant and equipment are capital leases with a cost of \$8,113 and \$37,846 and accumulated depreciation of \$5,420 and \$8,348 as of December 31, 2010 and 2009, respectively.

(7) Long-Term Debt

On September 2, 2009, the Company entered into the ABL Facility in connection with the replacement of the Company's then-existing senior, unsecured, revolving credit facility (the Senior Unsecured Facility). At the time of its termination, the Senior Unsecured Facility consisted of a \$650,000 revolving credit facility, which was to mature on October 28, 2010. The ABL Facility provides for a maximum of \$600,000 of revolving credit, subject to borrowing base availability, including limited amounts of credit in the form of letters of credit and swingline loans. The

borrowing base is equal to specified percentages of eligible accounts receivable and inventories of the borrowers under the ABL Facility, which are subject to seasonal variations, less reserves established in good faith by the Administrative Agent under the ABL Facility. All obligations under the ABL Facility, and the guarantees of those obligations, are secured by a security interest in certain accounts receivable, inventories, certain deposit and securities accounts, tax refunds and other personal property (excluding intellectual property) directly relating to, or arising from, and proceeds of any of the foregoing. On June 1, 2010, the Company amended the ABL Facility to, among other things, reduce the applicable interest rate margins on loans and reduce the commitment fees.

At the Company's election, revolving loans under the ABL Facility bear interest at annual rates equal to either (a) LIBOR for 1, 2, 3 or 6 month periods, as selected by the Company, plus an applicable margin ranging between 2.75% and 3.25%, or (b) the higher of the prime rate, the Federal Funds rate plus 0.5%, or a one-month LIBOR rate, plus an applicable margin ranging between 1.25% and 1.75%. The Company also pays a commitment fee to the lenders under the ABL Facility on the average amount by which the aggregate

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commitments of the lenders exceed utilization of the ABL Facility equal to 0.65% per annum during any quarter that this excess is 50% or more and 0.50% per annum during any quarter that this excess is less than 50%.

The ABL Facility includes certain affirmative and negative covenants that impose restrictions on the Company's financial and business operations, including limitations on debt, liens, investments, fundamental changes, asset dispositions, dividends and other similar restricted payments, transactions with affiliates, payments and modifications of certain existing debt, future negative pledges, and changes in the nature of the Company's business. The Company is also required to maintain a fixed charge coverage ratio of 1.1 to 1.0 during any period that the unutilized amount available under the ABL Facility is less than 15% of the lenders' aggregated commitments.

The ABL Facility is scheduled to mature on September 2, 2013 but the maturity date will accelerate, including the acceleration of any unamortized deferred financing costs, to January 15, 2012, if the Company's outstanding 7.20% senior notes due April 15, 2012 have not been repaid, refinanced, defeased or adequately reserved for by the Company, as reasonably determined by the Administrative Agent, prior to January 15, 2012. The Company believes it will be able to make adequate reserves for such senior notes with cash and cash equivalents, unutilized borrowings under the ABL and other uncommitted financing sources, including new public debt offerings or bank facilities, although there can be no assurances that the Company will be able to complete any necessary financing transactions prior to the relevant date under the ABL Facility or the April 15, 2012 maturity date.

As of December 31, 2010, the amount utilized under the ABL Facility was \$387,091 resulting in a total of \$169,614 available under the ABL Facility. The amount utilized included the reserved amount of \$280,000 related to the repayment of the Company's outstanding 5.75% senior notes due January 15, 2011, discussed below, \$53,542 of standby letters of credit guaranteeing the Company's industrial revenue bonds and \$53,549 of standby letters of credit related to various insurance contracts and foreign vendor commitments. Immediately following the repayment of the 5.75% senior notes due January 15, 2011 at maturity, discussed below, a total of \$289,610 was available under the ABL Facility.

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

On April 12, 2010, the Company purchased for cash approximately \$200,000 aggregate principal amount of its outstanding 5.75% senior notes due January 15, 2011 at a price equal to 103.5% of the principal amount, which resulted in a premium to tendering noteholders of approximately \$7,000. The premium and fees of \$514 associated with the cash tender are included in interest expense on the 2010 consolidated statement of operations. On October 14, 2010, the Company deposited \$27,942 of cash in a restricted account under the control of the Administrative Agent and reserved \$280,000 on the ABL Facility to repay the remaining amount outstanding of the 5.75% senior notes due January 15, 2011, which actions were determined by the Administrative Agent to adequately reserve (for purposes of the ABL Facility) for the repayment of such notes. Subsequent to the balance sheet date, the Company repaid the 5.75% senior notes due January 15, 2011 at maturity, including accrued interest, using approximately \$170,000 of available cash and borrowings of approximately \$138,000 million under the ABL Facility.

In 2002, the Company issued \$400,000 aggregate principal amount of its senior 7.20% notes due April 15, 2012.

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

	2010		2009	
	Fair Value	Carrying Value	Fair Value	Carrying Value
5.75% notes, payable January 15, 2011 interest payable semiannually	\$ 296,459	298,248	508,703	498,240
7.20% senior notes, payable April 15, 2012 interest payable semiannually	422,400	400,000	418,400	400,000
6.125% notes, payable January 15, 2016 interest payable semiannually	963,000	900,000	891,900	900,000
Industrial revenue bonds, capital leases and other	55,334	55,334	56,239	56,239
Total long-term debt	1,737,193	1,653,582	1,875,242	1,854,479
Less current portion	348,799	350,588	52,907	52,907
Long-term debt, less current portion	\$ 1,388,394	1,302,994	1,822,335	1,801,572

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

The aggregate maturities of long-term debt as of December 31, 2010 are as follows:

2011	\$ 350,588
2012	401,469
2013	433
2014	365
2015	258
Thereafter	900,469
	\$ 1,653,582

(8) Accounts Payable, Accrued Expenses and Deferred Tax Liability

Accounts payable and accrued expenses are as follows:

	2010	2009
Outstanding checks in excess of cash	\$	17,900
Accounts payable, trade	353,387	335,401
Accrued expenses	147,595	169,730

Product warranties	37,265	66,545
Accrued interest	45,696	52,743
Income taxes payable	9,301	85,699
Deferred tax liability	5,089	2,836
Accrued compensation and benefits	99,993	100,261
Total accounts payable and accrued expenses	\$ 698,326	831,115

(9) 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.

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Product warranties are as follows:

	2010	2009	2008
Balance at beginning of year	\$ 66,545	56,460	46,187
Warranty claims paid during the year	(77,017)	(167,053)	(81,586)
Pre-existing warranty accrual adjustment during the year(1)	2,261	125,124	
Warranty expense during the year(1)	45,476	52,014	91,859
Balance at end of year	\$ 37,265	66,545	56,460

- (1) The increase in warranty expense in 2009 and 2008 relates primarily to certain commercial carpet tiles that were discontinued in early 2009.

(10) Stock Options, Stock Compensation and Treasury Stock

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 ASC 718-10. Compensation expense is recognized on a straight-line basis over the award's estimated lives for fixed awards with ratable vesting provisions.

Under the Company's 2007 Incentive Plan (2007 Plan), which was approved by the Company's stockholders on May 16, 2007, 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 (RSU's) and other types of awards, to directors and key employees through 2017. Option awards are granted with an exercise price equal to the market price of the Company's common stock on the date of the grant and generally vest between three and five years with a 10-year contractual term. Restricted stock and RSU's are granted with a price equal to the market price of the Company's common stock on the date of the grant and generally vest between three and five years.

Additional information relating to the Company's stock option plans follows:

	2010	2009	2008
Options outstanding at beginning of year	1,481	1,506	1,455
Options granted	40	76	146
Options exercised	(74)	(35)	(46)
Options forfeited and expired	(76)	(66)	(49)
Options outstanding at end of year	1,371	1,481	1,506
Options exercisable at end of year	1,160	1,165	1,035
Option prices per share:			
Options granted during the year	\$ 46.80	28.37	74.47

Options exercised during the year	\$ 16.66-57.88	16.66-48.50	19.63-73.45
Options forfeited and expired during the year	\$ 22.63-93.65	19.94-93.65	16.66-93.65
Options outstanding at end of year	\$ 28.37-93.65	16.66-93.65	16.66-93.65
Options exercisable at end of year	\$ 28.37-93.65	16.66-93.65	16.66-93.65

During 1996, the Company adopted the 1997 Non-Employee Director Stock Compensation Plan. The plan provides for awards of common stock of the Company for non-employee directors to receive in lieu of cash for their annual retainers. During 2010, 2009 and 2008, a total of 4, 3 and 2 shares, respectively, were awarded to the non-employee directors under the plan.

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In addition, the Company maintains an employee incentive program that awards restricted stock on the attainment of certain service criteria. The outstanding awards related to these programs and related compensation expense was not significant for any of the years ended December 31, 2010, 2009 and 2008.

The Company's Board of Directors has authorized the repurchase of up to 15,000 shares of the Company's outstanding common stock. During 2010, the Company repurchased approximately 6 shares at an average price of \$56.94 in connection with the exercise of stock options under the Company's 2007 Incentive Plan. For the year ended December 31, 2009 and 2008, no shares of the Company's common stock were purchased. Since the inception of the program, a total of approximately 11,518 shares have been repurchased at an aggregate cost of approximately \$335,110. All of these repurchases have been financed through the Company's operations and banking arrangements.

The fair value of option awards is estimated on the date of grant using the Black-Scholes-Merton valuation model that uses the assumptions noted in the following table. Expected volatility is based on the historical volatility of the Company's common stock and other factors. The Company uses historical data to estimate option exercise and forfeiture rates within the valuation model. Optionees that exhibit similar option exercise behavior are segregated into separate groups within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on U.S. Treasury yields in effect at the time of the grant for the expected term of the award.

	2010	2009	2008
Dividend yield			
Risk-free interest rate	2.3%	1.7%	2.9%
Volatility	45.2%	35.3%	24.0%
Expected life (years)	5	5	5

A summary of the Company's options under the 2007 Plan as of December 31, 2010, and changes during the year then ended is presented as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding December 31, 2009	1,481	\$ 70.11		
Granted	40	46.80		
Exercised	(74)	33.16		
Forfeited and expired	(76)	69.35		
Options outstanding, December 31, 2010	1,371	71.48	4.0	\$ 3,765
Vested and expected to vest as of December 31, 2010	1,360	\$ 71.60	4.0	\$ 3,664

Exercisable as of December 31, 2010	1,160	\$	73.72	3.4	\$	1,839
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The weighted-average grant-date fair value of an option granted during 2010, 2009 and 2008 was \$19.10, \$9.17 and \$20.26, respectively. The total intrinsic value of options exercised during the years ended December 31, 2010, 2009, and 2008 was \$1,714, \$809 and \$1,169, respectively. Total compensation expense recognized for the years ended December 31, 2010, 2009 and 2008 was \$2,436 (\$1,543, net of tax), \$4,552 (\$2,884, net of tax) and \$6,646 (\$4,210, net of tax), respectively, which was allocated to selling, general and administrative expenses. The remaining unamortized expense for non-vested compensation expense as of December 31, 2010 was \$1,919 with a weighted average remaining life of 1.7 years.

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The following table summarizes information about the Company's stock options outstanding as of December 31, 2010:

Exercise Price Range	Number of Shares	Outstanding		Exercisable	
		Average Life	Average Price	Number of Shares	Average Price
Under \$49.09	234	4.7	\$ 41.01	140	\$ 44.23
\$53.01-\$69.46	241	1.5	62.40	241	62.40
\$69.95-\$74.47	312	4.8	73.87	227	73.65
\$74.93-\$84.85	242	4.5	82.38	221	82.48
\$86.51-\$88.00	45	4.9	87.63	45	87.63
\$88.33-\$93.65	297	4.1	89.00	286	88.83
Total	1,371	4.0	\$ 71.48	1,160	\$ 73.72

A summary of the Company's RSUs under the 2007 Plan as of December 31, 2010, and changes during the year then ended is presented as follows:

	Shares	Weighted Average Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Restricted Stock Units outstanding, December 31, 2009	359	\$ 60.69		
Granted	149	50.87		
Released	(95)	77.62		
Forfeited	(9)	46.00		
Restricted Stock Units outstanding, December 31, 2010	404	47.42	3.4	\$ 22,906
Vested and expected to vest as of December 31, 2010	343	\$ 47.42	2.8	\$ 19,474

The Company recognized stock-based compensation costs related to the issuance of RSUs of \$4,262 (\$2,700, net of taxes), \$5,009 (\$3,173, net of taxes) and \$4,977 (\$3,153, net of taxes) for the years ended December 31, 2010, 2009 and 2008, 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 \$8,766 as of December 31, 2010, and will be recognized as expense over a weighted-average period of approximately 4.0 years.

Additional information relating to the Company's RSUs under the 2007 Plan is as follows:

	2010	2009	2008
Restricted Stock Units outstanding, January 1	359	187	137
Granted	149	204	72
Released	(95)	(22)	(15)
Forfeited	(9)	(10)	(7)
Restricted Stock Units outstanding, December 31	404	359	187
Vested and expected to vest as of December 31	343	317	175

(11) Employee Benefit Plans

The Company has a 401(k) retirement savings plan (the Mohawk Plan) open to substantially all of its employees within the Mohawk segment, Dal-Tile segment and certain U.S. employees of the Unilin segment,

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who have completed 90 days of eligible service. For the Mohawk segment, the Company contributes \$0.50 for every \$1.00 of employee contributions up to a maximum of 4% of the employee's salary and an additional \$0.25 for every \$1.00 of employee contributions in excess of 4% of the employee's salary up to a maximum of 6%. For the Dal-Tile and Unilin segments, the Company contributes \$.50 for every \$1.00 of employee contributions up to a maximum of 6% of the employee's salary. Employee and employer contributions to the Mohawk Plan were \$33,071 and \$13,062 in 2010, \$34,838 and \$13,822 in 2009 and \$40,393 and \$16,024 in 2008, respectively. The Company also made a discretionary contribution to the Mohawk Plan of approximately \$1,908 and \$4,211 in 2009 and 2008, respectively. The Company discontinued the discretionary match on January 1, 2010.

The Company also has various pension plans covering employees in Belgium, France, and The Netherlands (the Non-U.S. Plans) that it acquired with the acquisition of Unilin. Benefits under the Non-U.S. Plans depend on compensation and years of service. The Non-U.S. Plans are funded in accordance with local regulations. The Company uses December 31 as the measurement date for its Non-U.S. Plans.

Components of the net periodic benefit cost of the Non-U.S. Plans are as follows:

	2010	2009	2008
Service cost of benefits earned	\$ 1,506	1,315	1,881
Interest cost on projected benefit obligation	1,219	1,352	1,245
Expected return on plan assets	(1,025)	(1,069)	(993)
Amortization of actuarial gain	4	(322)	(29)
Effect of curtailments and settlements		(200)	
Net pension expense	\$ 1,704	1,076	2,104

Assumptions used to determine net periodic pension expense for the Non-U.S. Plans:

	2010	2009
Discount rate	5.00%	6.00%-6.60%
Expected rate of return on plan assets	4.00%-5.00%	4.50%-6.60%
Rate of compensation increase	0.00%-3.00%	0.00%-4.00%
Underlying inflation rate	2.00%	2.25%

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The obligations, plan assets and funding status of the Non-U.S. Plans were as follows:

	2010	2009
Change in benefit obligation:		
Projected benefit obligation at end of prior year	\$ 25,468	20,090
Cumulative foreign exchange effect	(1,850)	458
Service cost	1,506	1,315
Interest cost	1,219	1,352
Plan participants contributions	720	763
Actuarial loss	863	2,588
Benefits paid	(949)	(687)
Effect of curtailment and settlement		(411)
Projected benefit obligation at end of year	\$ 26,977	25,468
Change in plan assets:		
Fair value of plan assets at end of prior year	\$ 21,841	16,371
Cumulative foreign exchange effect	(1,599)	306
Actual return on plan assets	2,324	3,234
Employer contributions	1,771	2,059
Benefits paid	(949)	(687)
Plan participant contributions	720	763
Effect of settlement	-	(205)
Fair value of plan assets at end of year	\$ 24,108	21,841
Funded status of the plans:		
Ending funded status	\$ (2,869)	(3,627)
Net amount recognized in consolidated balance sheets:		
Accrued expenses (current liability)	\$	
Accrued benefit liability (non-current liability)	(2,869)	(3,628)
Accumulated other comprehensive income	(1,115)	(735)
Net amount recognized	\$ (3,984)	(4,363)

The Company's net amount recognized in other comprehensive income related to actuarial gains (losses) was \$380, \$(914) and \$(384) for the years ended December 31, 2010, 2009 and 2008, respectively.

Assumptions used to determine the projected benefit obligation for the Non-U.S. Plans were as follows:

	2010	2009
Discount rate	4.75%	5.00%

Rate of compensation increase	0.00%-3.00%	0.00%-6.00%
Underlying inflation rate	2.00%	2.00%

The discount rate assumptions used to account for pension obligations reflect the rates at which the Company believes these obligations will be effectively settled. In developing the discount rate, the Company

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evaluated input from its actuaries, including estimated timing of obligation payments and yield on investments. The rate of compensation increase for the Non-U.S. Plans is based upon the Company's annual reviews.

	Non-U.S. Plans	
	2010	2009
Plans with accumulated benefit obligations in excess of plan assets:		
Projected benefit obligation	\$ 17,236	10,251
Accumulated benefit obligation	16,122	8,585
Fair value of plan assets	15,356	7,907
Plans with plan assets in excess of accumulated benefit obligations:		
Projected benefit obligation	\$ 9,741	15,217
Accumulated benefit obligation	8,132	13,242
Fair value of plan assets	8,752	13,934

Estimated future benefit payments for the Non-U.S. Plans are \$891 in 2011, \$834 in 2012, \$974 in 2013, \$1,029 in 2014, \$1,454 in 2015 and \$8,304 in total for 2016-2020.

The Company expects to make cash contributions of \$1,944 to the Non-U.S. Plans in 2011.

The fair value of the Non-U.S. Plans investments were estimated using market observable data. Within the hierarchy of fair value measurements, these investments represent Level 2 fair values. The fair value and percentage of each asset category of the total investments held by the plans as of December 31, 2010 and 2009 were as follows:

	2010	2009
Non-U.S. Plans:		
Insurance contracts	\$ 24,108	21,841

The Company's investment policy:

	2010	2009
Non-U.S. Plans:		
Insurance contracts	100.0%	100.0%

The Company's approach to developing its expected long-term rate of return on pension plan assets combines an analysis of historical investment performance by asset class, the Company's investment guidelines and current and expected economic fundamentals.

(12) Income Taxes

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Following is a summary of earnings (loss) from continuing operations before income taxes for United States and foreign operations:

	2010	2009	2008
United States	\$ 39,332	(205,737)	(847,624)
Foreign	153,316	128,024	(424,848)
Earnings (loss) before income taxes	\$ 192,648	(77,713)	(1,272,472)

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Income tax expense (benefit) for the years ended December 31, 2010, 2009 and 2008 consists of the following:

	2010	2009	2008
Current income taxes:			
U.S. federal	\$ 14,052	(78,051)	61,186
State and local	1,514	1,139	8,248
Foreign	8,427	20,797	41,232
Total current	23,993	(56,115)	110,666
Deferred income taxes:			
U.S. federal	(8,578)	18,082	(91,813)
State and local	18,562	(6,931)	(7,511)
Foreign	(31,264)	(31,730)	168,720
Total deferred	(21,280)	(20,579)	69,396
Total	\$ 2,713	(76,694)	180,062

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

	2010	2009	2008
Income taxes at statutory rate	\$ 67,427	(27,200)	(445,365)
State and local income taxes, net of federal income tax benefit	2,358	(3,874)	(4,113)
Foreign income taxes	(21,389)	(12,840)	(380)
Change in valuation allowance	(17,139)	12,214	276,801
Goodwill impairment			406,577
Notional interest		(55,956)	(63,694)
Tax contingencies and audit settlements	(3,447)	9,634	4,990
Acquisition related tax contingencies	(30,162)		
Change in statutory tax rate	(49)	101	(254)
Other, net	5,114	1,227	5,500
	\$ 2,713	(76,694)	180,062

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2010 and 2009 are presented below:

	2010	2009
Deferred tax assets:		
Accounts receivable	\$ 12,808	22,843
Inventories	46,981	46,536
Accrued expenses and other	89,549	102,665
Deductible state tax and interest benefit	15,441	24,801
Intangibles	164,945	199,660
Federal, foreign and state net operating losses and credits	201,337	214,955
Gross deferred tax assets	531,061	611,460
Valuation allowance	(325,127)	(365,944)
Net deferred tax assets	205,934	245,516
Deferred tax liabilities:		
Inventories	(4,358)	(5,089)
Plant and equipment	(269,340)	(279,668)
Intangibles	(144,120)	(160,429)
LIFO change in accounting method		(12,850)
Other liabilities	(5,338)	(30,144)
Gross deferred tax liabilities	(423,156)	(488,180)
Net deferred tax liability(1)	\$ (217,222)	(242,664)

(1) This amount includes \$1,066 and \$85 of non-current deferred tax assets which are in deferred income taxes and other non-current assets and \$5,089 and \$2,836 current deferred tax liabilities which are included in accounts payable and accrued expenses in the consolidated balance sheets as of December 31, 2010 and 2009, respectively.

Management believes it is more likely than not the Company will realize the benefits of these deductible differences, with the exception of certain carryforward deferred tax assets discussed below, based upon the expected reversal of deferred tax liabilities and the level of historic and forecasted taxable income over periods in which the deferred tax assets are deductible.

In accordance with ASC 350, the Company is required to test goodwill and indefinite-lived assets for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. In 2008, the Company recorded a non-cash pretax impairment charge of \$1,543,397 to reduce the carrying value of goodwill and other intangibles. The tax impact was to book an expense of \$406,577 related to the portion of the impaired assets that are non-deductible for tax purposes.

The Company evaluates its ability to realize the tax benefits associated with deferred tax assets by analyzing its forecasted taxable income using both historic and projected future operating results, the reversal of existing temporary differences, taxable income in prior carry-back years (if permitted) and the availability of tax planning strategies. The valuation allowance as of December 31, 2010 and 2009 is \$325,127 and \$365,944, respectively. The December 31, 2010 valuation allowance relates to net operating losses and tax credits of \$162,275 and intangibles of \$162,852. The December 31, 2009 valuation allowance relates to net operating losses and tax credits of \$168,773 and intangibles of \$197,171. For 2010, the total change in the valuation allowance was a decrease of \$40,817, which includes \$22,046 primarily related to foreign currency translation, \$17,139 related to European deferred tax assets and a non-P&L charge of \$1,632 primarily related to current year state tax credits which have a full valuation allowance, and foreign net operating losses.

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As of December 31, 2010, the Company has a federal net operating loss carryforward of \$17,174. The Company also has state net operating loss carryforwards and state tax credits with potential tax benefits of \$49,244, net of federal income tax benefit; these carryforwards expire over various periods based on taxing jurisdiction. A valuation allowance totaling \$39,178 has been recorded against these deferred tax assets as of December 31, 2010. In addition, as of December 31, 2010, the Company has net operating loss carryforwards in various foreign jurisdictions of \$134,918. A valuation allowance totaling \$123,097 has been recorded against these deferred tax assets as of December 31, 2010.

In the fourth quarter of 2007, the Company moved the intellectual property and treasury operations of an indirectly owned European entity to a new office in another jurisdiction in Europe. The Company also indirectly owned a holding company in the new jurisdiction that provided certain treasury functions to Unilin, and the move allowed for the consolidation of the historical intellectual property and treasury operations to be combined with those of the holding company's treasury operations in a single jurisdiction in order to integrate and streamline the operations, to facilitate international acquisitions and to improve tax and cost efficiencies. This restructuring resulted in a step up in the subsidiary's taxable basis of its intellectual property. The step up relates primarily to intangible assets which will be amortized over 10 years for tax purposes. During the fourth quarter of 2007, the Company evaluated the evidence for recognition of the deferred tax asset created through the restructuring and determined that, based on the available evidence, the deferred tax asset would more likely than not be realized. The deferred tax asset recognized as of December 31, 2007 was approximately \$245,000 and the related income tax benefit recognized in the consolidated financial statements was approximately \$272,000.

During the third quarter of 2008, the Company reassessed the need for a valuation allowance against its deferred tax assets. Actual cash flows have been less than those projected as of December 31, 2007, primarily due to the slowing worldwide economy and declining sales volume. The Company determined that, given the current and expected economic conditions and the corresponding reductions in cash flows, its ability to realize the benefit of the deferred tax asset related to the European step up transaction described above, as well as tax losses generated in the same jurisdiction was not more likely than not. Accordingly, the Company recorded a valuation allowance against the deferred tax asset in the amount of \$252,751 during the quarter ended September 27, 2008.

The Company does not provide for U.S. federal and state income taxes on the cumulative undistributed earnings of its foreign subsidiaries because such earnings are deemed to be permanently reinvested. As of December 31, 2010 and 2009, the Company had not provided federal income taxes on earnings of approximately \$748,000 and \$723,000, respectively, from its foreign subsidiaries. Should these earnings be distributed in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes and withholding taxes in various foreign jurisdictions. These taxes may be partially offset by U.S. foreign tax credits. Determination of the amount of the unrecognized deferred U.S. tax liability is not practical because of the complexities associated with this hypothetical calculation.

Tax Uncertainties

In the normal course of business, the Company's tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing jurisdictions. Accordingly, the Company accrues liabilities when it believes that it is not more likely than not that it will realize the benefits of tax positions that it has taken in its tax returns or for the amount of any tax benefit that exceeds the cumulative probability threshold in accordance with ASC 740-10, formerly FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109*. Differences between the estimated and actual amounts determined upon ultimate resolution, individually or in the aggregate, are not expected to have a material adverse effect on the Company's consolidated financial position but could possibly be material to the Company's consolidated results of operations or cash flow in any given quarter or annual period.

As of December 31, 2010, the Company's gross amount of unrecognized tax benefits is \$49,943, excluding interest and penalties. If the Company were to prevail on all uncertain tax positions, \$37,379 of the

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unrecognized tax benefits would affect the Company's effective tax rate, exclusive of any benefits related to interest and penalties.

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

	2010	2009
Balance as of January 1	\$ 105,779	91,887
Additions based on tax positions related to the current year	4,028	8,678
Additions for tax positions of prior years	13,726	10,630
Reductions for tax positions of prior years	(9,273)	
Reductions resulting from the lapse of the statute of limitations	(1,517)	(60)
Settlements with taxing authorities	(61,063)	(5,562)
Effects of foreign currency translation	(1,737)	206
Balance as of December 31	\$ 49,943	105,779

The Company will continue to recognize interest and penalties related to unrecognized tax benefits as a component of its income tax provision. As of December 31, 2010 and 2009, the Company has \$15,550 and \$47,870, respectively, accrued for the payment of interest and penalties, excluding the federal tax benefit of interest deductions where applicable. During the years ending December 31, 2010, 2009 and 2008, the Company accrued/(reversed) interest and penalties through the consolidated statements of operations of \$(9,852), \$8,228 and \$3,657, respectively.

The Company's 2007-2009 federal income tax returns are currently under examination by the Internal Revenue Service. The Company expects this examination to end December 31, 2012. The Company believes that its unrecognized tax benefits could decrease by \$10,405 within the next twelve months. In addition, the Company has effectively settled all federal income tax matters related to years prior to 2007, with the exception of one open issue related to the 2004-2006 tax years.

(13) Commitments and Contingencies

The Company is obligated under various operating leases for office and manufacturing space, machinery, and equipment. Future minimum lease payments under non-cancelable capital and operating leases (with initial or remaining lease terms in excess of one year) as of December 31:

	Capital	Operating	Total Future Payments
2011	\$ 1,383	91,696	93,079
2012	770	75,631	76,401
2013	497	59,492	59,989
2014	418	49,706	50,124
2015	296	38,518	38,814
Thereafter	538	41,773	42,311

Total payments	3,902	356,816	360,718
Less amount representing interest	395		
Present value of capitalized lease payments	\$ 3,507		

Rental expense under operating leases was \$105,976, \$130,227 and \$139,103 in 2010, 2009 and 2008, respectively.

The Company had approximately \$53,549 and \$58,603 as of December 31, 2010 and 2009, respectively, in standby letters of credit for various insurance contracts and commitments to foreign vendors that expire within two years. In addition, as of December 31, 2010 and 2009, the Company guaranteed approximately \$824 and \$721 for building leases, respectively, related to its operating facilities in France.

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

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

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

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

The Company has received partial refunds from the United States government in reference to settling custom disputes dating back to 1986. Accordingly, the Company realized a gain of \$7,730 in other expense (income) in the Company's 2010 consolidated statement of operations. The Company is pursuing additional recoveries for prior years but there can be no assurances such recoveries will occur. Additional future recoveries, if any, will be recorded as realized.

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

In the normal course of business, the Company has entered into various collective bargaining agreements with its workforce in Europe, Mexico and Malaysia, either locally or within its industry sector. Historically, the Company has maintained favorable relationships with its workforce and expects to do so in the future.

The Company recorded pre-tax business restructuring charges of \$13,156 in 2010, of which \$12,392 was recorded as cost of sales and \$764 was recorded as selling, general and administrative expenses. The Company recorded pre-tax business restructuring charges of \$61,725 in 2009, of which \$43,436 was recorded as cost of sales and \$18,289 was recorded as selling, general and administrative expenses. The charges primarily relate

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to the Company's actions taken to lower its cost structure and improve the efficiency of its manufacturing and distribution operations as it adjusts to current economic conditions.

The activity for 2009 and 2010 is as follows:

	Asset Write-Downs(1)	Inventory Write- Downs	Lease Impairments	Severance	Other Restructuring Costs	Total
Balance as of December 31, 2008	\$		12,711	2,070		14,781
Provisions						
Mohawk segment	13,604	2,300	5,365	7,075	347	28,691
Dal-Tile segment	5,717	1,653	9,160	1,191		17,721
Unilin segment	4,310	3,096		4,773	3,134	15,313
Cash payments			(6,163)	(7,285)	(65)	(13,513)
Noncash items	(23,631)	(7,049)			(415)	(31,095)
Balance as of December 31, 2009			21,073	7,824	3,001	31,898
Provisions						
Mohawk segment	3,989		(403)	305	6,452	10,343
Dal-Tile segment				1,223		1,223
Unilin segment	815			775		1,590
Cash payments			(9,687)	(8,019)	(9,033)	(26,739)
Noncash items	(4,804)					(4,804)
Balance as of December 31, 2010	\$		10,983	2,108	420	13,511

(1) Includes \$815 and \$4,313 in 2010 and 2009, respectively which were charged to depreciation.

On February 25, 2011, subsequent to the balance sheet date, the Company announced a plan to exit a manufacturing facility in the Mohawk segment. The Company is finalizing its estimates and expects to record a restructuring charge in the first quarter of 2011.

(14) Consolidated Statements of Cash Flows Information

Supplemental disclosures of cash flow information are as follows:

	2010	2009	2008
Net cash paid (received) during the year for:			

Interest	\$ 139,358	127,623	129,465
Income taxes	\$ (5,862)	(3,841)	107,638
Supplemental schedule of non-cash investing and financing activities:			
Fair value of assets acquired in acquisition	\$	17,911	9,745
Liabilities assumed in acquisition		(11,987)	(1,469)
	\$	5,924	8,276

(15) Segment Reporting

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

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products, primarily in North America through its network of regional distribution centers and Company-operated sales service centers using company-operated trucks, common carriers or rail transportation. The segment's product lines are sold through Company-owned sales 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.

Amounts disclosed for each segment are prior to any elimination or consolidation entries. Corporate general and administrative expenses attributable to each segment are estimated and allocated accordingly. Segment performance is evaluated based on operating income. No single customer accounted for more than 5% of net sales for the years ended December 31, 2010, 2009 and 2008.

Segment information is as follows:

	2010	2009	2008
Net sales:			
Mohawk	\$ 2,844,876	2,856,741	3,628,183
Dal-Tile	1,367,442	1,426,757	1,815,373
Unilin	1,188,274	1,128,315	1,465,208
Intersegment sales	(81,520)	(67,789)	(82,416)
	\$ 5,319,072	5,344,024	6,826,348
Operating income (loss)(1):			
Mohawk	\$ 122,904	(125,965)	(216,152)
Dal-Tile	97,334	84,154	(323,370)
Unilin	114,298	105,953	(564,911)
Corporate and eliminations	(20,367)	(20,412)	(19,701)
	\$ 314,169	43,730	(1,124,134)
Depreciation and amortization:			
Mohawk	\$ 91,930	94,134	92,130
Dal-Tile	45,578	47,934	46,093
Unilin	145,941	151,450	149,543
Corporate	13,324	9,486	7,288
	\$ 296,773	303,004	295,054
Capital expenditures (excluding acquisitions):			
Mohawk	\$ 84,013	35,149	78,239
Dal-Tile	37,344	17,683	41,616
Unilin	29,439	45,966	90,500
Corporate	5,384	10,127	7,469
	\$ 156,180	108,925	217,824

Assets:			
Mohawk	\$ 1,637,319	1,582,652	1,876,696
Dal-Tile	1,644,448	1,546,393	1,693,765
Unilin	2,475,049	2,598,182	2,663,599
Corporate and intersegment eliminations	342,110	664,219	212,115
	\$ 6,098,926	6,391,446	6,446,175
Geographic net sales:			
North America	\$ 4,447,965	4,516,784	5,776,701
Rest of world	871,107	827,240	1,049,647
	\$ 5,319,072	5,344,024	6,826,348

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	2010	2009	2008
Long-lived assets(2):			
North America	\$ 1,971,611	2,000,522	2,120,067
Rest of world	1,084,906	1,202,018	1,205,109
	\$ 3,056,517	3,202,540	3,325,176
Net sales by product categories(3):			
Soft surface	\$ 2,645,952	2,650,452	3,337,073
Tile	1,428,571	1,491,846	1,919,070
Wood	1,244,549	1,201,726	1,570,205
	\$ 5,319,072	5,344,024	6,826,348

(1) Operating income (loss) includes the impact of the impairment of goodwill and other intangibles recognized in 2008 of \$276,807 for the Mohawk segment, \$531,930 for the Dal-Tile segment and \$734,660 for the Unilin segment.

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

(3) The Soft surface product category includes carpets, rugs, carpet pad and resilient. The Tile product category includes ceramic tile, porcelain tile and natural stone. The Wood product category includes laminate, hardwood, roofing panels and wood-based panels.

(16) Quarterly Financial Data (Unaudited)

The supplemental quarterly financial data are as follows:

	Quarters Ended			
	April 3, 2010	July 3, 2010(1)	October 2, 2010(1)	December 31, 2010(1)
Net sales	\$ 1,347,236	1,400,086	1,309,552	1,262,198
Gross profit	341,246	374,756	344,932	341,666
Net earnings	20,538	68,081	51,094	45,758
Basic earnings per share	0.30	0.95	0.74	0.67
Diluted earnings per share	0.30	0.95	0.74	0.66

	Quarters Ended			
	March 28, 2009	June 27, 2009	September 26, 2009	December 31, 2009

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Net sales	\$ 1,208,339	1,406,012	1,382,565	1,347,108
Gross profit	153,689	367,388	369,459	341,694
Net (loss) earnings	(105,887)	46,261	34,348	19,779
Basic (loss) earnings per share	(1.55)	0.68	0.50	0.29
Diluted (loss) earnings per share	(1.55)	0.67	0.50	0.29

- (1) Basic and diluted earnings per share for the quarters ended July 3, 2010, October 2, 2010 and December 31, 2010, includes a correction to reduce the numerator by \$3,057, \$58 and \$129, respectively, for an increase in the fair value of a redeemable noncontrolling interest in a consolidated subsidiary of the Company. The Company reduced basic and diluted earnings per share in the quarter ended July 3, 2010 by \$0.04 from the previously reported amount of \$0.99 to correct an immaterial error related to the change in the aforementioned fair value. There was no change to the previously reported basic and diluted earnings per share for the quarter ended October 2, 2010.

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

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company's management assessed the effectiveness of its internal control over financial reporting as of December 31, 2010. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. The Company's management has concluded that, as of December 31, 2010, its internal control over financial reporting is effective based on these criteria. The Company's independent registered public accounting firm, KPMG LLP, has issued an attestation report on the Company's internal control over financial reporting, which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

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

Item 9B. *Other Information*

None.

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PART III

Item 10. *Directors and Executive Officers and Corporate Governance*

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders under the following headings: Election of Directors, Director, Director Nominee and Executive Officer Information, Nominees for Director, Continuing Directors, Executive Officers, Meetings and Committees of the Board of Directors, Section 16(a) Beneficial Ownership Reporting Compliance, Audit Committee and Corporate Governance. The Company has adopted the Mohawk Industries, Inc. Standards of Conduct and Ethics, which applies to all of its directors, officers and employees. The standards of conduct and ethics are publicly available on the Company's website at <http://www.mohawkind.com> and will be made available in print to any stockholder who requests them without charge. If the Company makes any substantive amendments to the standards of conduct and ethics, or grants any waiver, including any implicit waiver, from a provision of the standards required by regulations of the Commission to apply to the Company's chief executive officer, chief financial officer or chief accounting officer, the Company will disclose the nature of the amendment or waiver on its website. The Company may elect to also disclose the amendment or waiver in a report on Form 8-K filed with the SEC. The Company has adopted the Mohawk Industries, Inc. Board of Directors Corporate Governance Guidelines, which are publicly available on the Company's website and will be made available to any stockholder who requests it.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders under the following headings: Compensation, Discussion and Analysis, Executive Compensation and Other Information, Summary Compensation Table, Grants of Plan Based Awards, Outstanding Equity Awards at Fiscal Year End, Option Exercises and Stock Vested, Nonqualified Deferred Compensation, Certain Relationships and Related Transactions, Compensation Committee Interlocks and Insider Participation, Compensation Committee Report and Director Compensation.

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

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders under the following headings: Executive Compensation and Other Information, Equity Compensation Plan Information, and Principal Stockholders of the Company.

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

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders under the following heading: Election of Directors, Meetings and Committees of the Board of Directors, and Executive Compensation and Other Information, Certain Relationships and Related Transactions.

Item 14. *Principal Accounting Fees and Services*

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 2011 Annual Meeting of Stockholders under the following heading: Audit Committee, Principal Accountant Fees and Services and Meetings and Committees of the Board.

Table of Contents**PART IV****Item 15. Exhibits and Financial Statement Schedules****(a) 1. Consolidated Financial Statements**

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

2. Consolidated Financial Statement Schedules

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

3. Exhibits

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

Mohawk Exhibit Number	Description
*2.1	Agreement and Plan of Merger dated as of December 3, 1993 and amended as of January 17, 1994 among Mohawk, AMI Acquisition Corp., Aladdin and certain Shareholders of Aladdin. (Incorporated herein by reference to Exhibit 2.1(a) in Mohawk's Registration Statement on Form S-4, Registration No. 333-74220.)
*3.1	Restated Certificate of Incorporation of Mohawk, as amended. (Incorporated herein by reference to Exhibit 3.1 in Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.)
*3.2	Restated Bylaws of Mohawk. (Incorporated herein by reference to Exhibit 3.2 in Mohawk's Report on Form 8-K dated December 4, 2007.)
*4.1	See Article 4 of the Restated Certificate of Incorporation of Mohawk. (Incorporated herein by reference to Exhibit 3.1 in Mohawk's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1998.)
*4.2	See Articles 2, 6, and 9 of the Restated Bylaws of Mohawk. (Incorporated herein by reference to Exhibit 3.2 in Mohawk's Current Report on Form 8-K dated December 4, 2007.)
*4.3	Indenture, dated as of April 2, 2002 between Mohawk Industries, Inc. and Wachovia Bank, National Association, as Trustee (Incorporated herein by reference to Exhibit 4.1 in Mohawk's Registration Statement on Form S-4, Registration No. 333-86734, as filed April 22, 2002.)
*4.4	Indenture dated as of January 9, 2006, between Mohawk Industries, Inc. and SunTrust Bank, as trustee. (Incorporated herein by reference to Exhibit 4.4 in Mohawk's Registration Statement on Form S-3, Registration Statement No. 333-130910.)
*4.5	First Supplemental Indenture, dated as of January 17, 2006, by and between Mohawk Industries, Inc., and SunTrust Bank, as trustee. (Incorporated by reference to Exhibit 4.1 in Mohawk's Current Report on form 8-K dated January 17, 2006.)
*10.1	Registration Rights Agreement by and among Mohawk, Citicorp Investments, Inc., ML-Lee Acquisition Fund, L.P. and Certain Management Investors. (Incorporated herein by reference to

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- Exhibit 10.14 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- *10.2 Voting Agreement, Consent of Stockholders and Amendment to 1992 Registration Rights Agreement dated December 3, 1993 by and among Aladdin, Mohawk, Citicorp Investments, Inc., ML-Lee Acquisition Fund, L.P., David L. Kolb, Donald G. Mercer, Frank A. Procopio and John D. Swift. (Incorporated herein by reference to Exhibit 10(b) of Mohawk's Registration Statement on Form S-4, Registration No. 33-74220.)
- *10.3 Registration Rights Agreement by and among Mohawk and the former shareholders of Aladdin. (Incorporated herein by reference to Exhibit 10.32 of Mohawk's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1993.)

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Mohawk Exhibit Number	Description
*10.4	Waiver Agreement between Alan S. Lorberbaum and Mohawk dated as of March 23, 1994 to the Registration Rights Agreement dated as of February 25, 1994 between Mohawk and those other persons who are signatories thereto. (Incorporated herein by reference to Exhibit 10.3 of Mohawk's Quarterly Report on Form 10-Q (File No. 001-13697) for the quarter ended July 2, 1994.)
*10.5	Loan and Security Agreement dated as of September 2, 2009 by and among Mohawk Industries, Inc. and certain of its Subsidiaries, as Borrowers, certain of its Subsidiaries, as Guarantors, the Lenders from time to time party thereto, Wachovia Bank, National Association, as Administrative Agent, and the other parties thereto (Incorporated herein by reference to Exhibit 10.1 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010.)
*10.6	First Amendment to Loan and Security Agreement dated as of June 1, 2010 by and among Mohawk Industries, Inc. and certain of its Subsidiaries, as Borrowers, certain of its Subsidiaries, as Guarantors, the Lenders from time to time party thereto, Wells Fargo Bank, National Association, as Administrative Agent, and the other parties thereto. (Incorporated herein by reference to Exhibit 10.1 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended July 3, 2010.)
Exhibits Related to Executive Compensation Plans, Contracts and other Arrangements:	
*10.7	Service Agreement dated February 24, 2009, by and between Unilin Industries BVBA and BVBA - F. De Cock Management . (Incorporated by reference to the Company's Current Report on Form 8-K dated February 24, 2009).
*10.8	Service Agreement dated February 9, 2009, by and between Unilin Industries BVBA and Comm. V. Bernard Thiers . (Incorporated herein by reference to Exhibit 10.7 in Mohawk's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 2009.)
*10.9	Second Amended and Restated Employment Agreement, dated as of November 4, 2009, by and between the Company and W. Christopher Wellborn (Incorporated by reference to the Company's Current Report on Form 8-K dated November 4, 2009).
*10.10	Mohawk Carpet Corporation Supplemental Executive Retirement Plan, as amended. (Incorporated herein by reference to Exhibit 10.2 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
*10.11	Mohawk Industries, Inc. 1992 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.8 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
*10.12	Amendment dated July 22, 1993 to the Mohawk Industries, Inc. 1992 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.2 in Mohawk's quarterly report on Form 10-Q (File No. 001-13697) for the quarter ended July 3, 1993.)
*10.13	Second Amendment dated February 17, 2000 to the Mohawk Industries, Inc. 1992 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.35 of Mohawk's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1999.)
*10.14	Mohawk Industries, Inc. 1992 Mohawk-Horizon Stock Option Plan. (Incorporated herein by reference to Exhibit 10.15 of Mohawk's Registration Statement on Form S-1, Registration Number 33-53932.)
*10.15	Amendment dated July 22, 1993 to the Mohawk Industries, Inc. 1992 Mohawk-Horizon Stock Option Plan. (Incorporated herein by reference to Exhibit 10.1 of Mohawk's quarterly report on Form 10-Q (File No. 001-13697) for the quarter ended July 3, 1993.)
*10.16	Second Amendment dated February 17, 2000 to the Mohawk Industries, Inc. 1992 Mohawk-Horizon Stock Option Plan. (Incorporated herein by reference to Exhibit 10.38 of Mohawk's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1999.)
*10.17	

Mohawk Industries, Inc. 1993 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.39 of Mohawk's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1992.)

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Mohawk Exhibit Number	Description
*10.18	First Amendment dated February 17, 2000 to the Mohawk Industries, Inc. 1993 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.40 of Mohawk's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1999.)
10.19	The Mohawk Industries, Inc. Senior Management Deferred Compensation Plan.
*10.20	Mohawk Industries, Inc. 1997 Non-Employee Director Stock Compensation Plan (Amended and Restated as of January 1, 2009) (Incorporated herein by reference to Exhibit 10.32 in Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.).
*10.21	1997 Long-Term Incentive Plan. (Incorporated herein by reference to Exhibit 10.80 of Mohawk's Annual Report on Form 10-K (File No. 001-13697) for the fiscal year ended December 31, 1996.)
*10.22	2002 Long-Term Incentive Plan. (Incorporated herein by reference to Appendix A in the 2002 Mohawk Industries, Inc. Proxy Statement dated March 29, 2002.)
*10.23	Mohawk Industries, Inc. 2007 Incentive Plan (Incorporated herein by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A (File No. 001-13697) filed with the Securities and Exchange Commission on April 9, 2007)
21	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm (KPMG LLP).
31.1	Certification Pursuant to Rule 13a-14(a).
31.2	Certification Pursuant to Rule 13a-14(a).
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates exhibit incorporated by reference.

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SIGNATURES

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

Mohawk Industries, Inc.

Dated: March 1, 2011

By:
/s/ JEFFREY S. LORBERBAUM

Jeffrey S. Lorberbaum,
Chairman and Chief Executive Officer

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

Dated: March 1, 2011

/s/ JEFFREY S. LORBERBAUM

Jeffrey S. Lorberbaum,
Chairman and Chief Executive Officer
(principal executive officer)

Dated: March 1, 2011

/s/ FRANK H. BOYKIN

Frank H. Boykin,
Chief Financial Officer and Vice President-Finance
(principal financial officer)

Dated: March 1, 2011

/s/ JAMES F. BRUNK

James F. Brunk,
Vice President and Corporate Controller
(principal accounting officer)

Dated: March 1, 2011

/s/ PHYLLIS O. BONANNO

Phyllis O. Bonanno,
Director

Dated: March 1, 2011

/s/ BRUCE C. BRUCKMANN

Bruce C. Bruckmann,
Director

Dated: March 1, 2011

/s/ FRANS DE COCK

Frans De Cock,
Director

Dated: March 1, 2011

/s/ JOHN F. FIEDLER

John F. Fiedler,
Director

Dated: March 1, 2011

/s/ DAVID L. KOLB

David L. Kolb,
Director

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Dated: March 1, 2011

/s/ ROBERT N. POKELWALDT

**Robert N. Pokelwaldt,
*Director***

Dated: March 1, 2011

/s/ JOSEPH A. ONORATO

**Joseph A. Onorato,
*Director***

Dated: March 1, 2011

/s/ W. CHRISTOPHER WELLBORN

**W. Christopher Wellborn,
*Director***

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