

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

(Unaudited)

Condensed Consolidated Statement of Operations Data*(Amounts in thousands, except per share data)*

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net sales	\$ 2,650,675	2,760,737	11,737,065	11,200,613
Cost of sales	2,096,235	2,023,294	8,793,639	7,931,879
Gross profit	554,440	737,443	2,943,426	3,268,734
Selling, general and administrative expenses	493,362	484,345	2,003,438	1,933,723
Impairment of goodwill and indefinite-lived intangibles	-	-	695,771	-
Operating income	61,078	253,098	244,217	1,335,011
Interest expense	14,601	12,169	51,938	57,252
Other expense (income), net	10,008	1,140	8,386	(12,234)
Earnings before income taxes	36,469	239,789	183,893	1,289,993
Income tax expense	2,917	50,689	158,110	256,445
Net earnings including noncontrolling interests	33,552	189,100	25,783	1,033,548
Net earnings attributable to noncontrolling interests	96	11	536	389
Net earnings attributable to Mohawk Industries, Inc.	\$ 33,456	189,089	25,247	1,033,159

Basic earnings per share attributable to Mohawk Industries, Inc.

Basic earnings per share attributable to Mohawk Industries, Inc.

	\$ 0.53	2.81	0.40	15.01
Weighted-average common shares outstanding - basic	63,534	67,209	63,826	68,852

Diluted earnings per share attributable to Mohawk Industries, Inc.

Diluted earnings per share attributable to Mohawk Industries, Inc.

	\$ 0.52	2.80	0.39	14.94
Weighted-average common shares outstanding - diluted	63,792	67,535	64,062	69,145

Other Financial Information*(Amounts in thousands)*

Net cash provided by operating activities	\$ 241,718	212,384	669,153	1,309,119
Less: Capital expenditures	150,658	300,941	580,742	676,120
Free cash flow	\$ 91,060	(88,557)	88,411	632,999
Depreciation and amortization	\$ 159,014	143,411	595,464	591,711

Condensed Consolidated Balance Sheet Data*(Amounts in thousands)*

	December 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 509,623	268,895
Short-term investments	158,000	323,000
Receivables, net	1,904,786	1,839,985
Inventories	2,793,765	2,391,672
Prepaid expenses and other current assets	528,925	414,805
Total current assets	5,895,099	5,238,357
Property, plant and equipment, net	4,661,178	4,636,865
Right of use operating lease assets	387,816	389,967
Goodwill	1,927,759	2,607,909
Intangible assets, net	857,948	899,980
Deferred income taxes and other non-current assets	390,632	451,439
Total assets	\$ 14,120,432	14,224,517
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 840,571	624,503
Accounts payable and accrued expenses	2,124,448	2,217,418
Current operating lease liabilities	105,266	104,434
Total current liabilities	3,070,285	2,946,355
Long-term debt, less current portion	1,978,563	1,700,282
Non-current operating lease liabilities	296,136	297,390
Deferred income taxes and other long-term liabilities	757,534	852,274
Total liabilities	6,102,518	5,796,301
Total stockholders' equity	8,017,914	8,428,216
Total liabilities and stockholders' equity	\$ 14,120,432	14,224,517

Segment Information	Three Months Ended		As of or for the Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<i>(Amounts in thousands)</i>				
Net sales:				
Global Ceramic	\$ 987,699	949,501	4,307,681	3,917,319
Flooring NA	945,959	1,015,513	4,207,041	4,116,405
Flooring ROW	717,017	795,723	3,222,343	3,166,889
Consolidated net sales	\$ 2,650,675	2,760,737	11,737,065	11,200,613
Operating income (loss):				
Global Ceramic	\$ 69,033	60,000	(236,066)	403,135
Flooring NA	(28,950)	91,711	231,076	407,577
Flooring ROW	35,902	114,339	340,167	571,126
Corporate and intersegment eliminations	(14,907)	(12,952)	(90,960)	(46,827)
Consolidated operating income	\$ 61,078	253,098	244,217	1,335,011
Assets:				
Global Ceramic	\$ 4,841,310		5,160,776	
Flooring NA	4,299,360		4,125,960	
Flooring ROW	4,275,519		4,361,741	

Corporate and intersegment eliminations	704,243	576,040
Consolidated assets	\$ 14,120,432	14,224,517

Reconciliation of Net Earnings Attributable to Mohawk Industries, Inc. to Adjusted Net Earnings Attributable to Mohawk Industries, Inc. and Adjusted Diluted Earnings Per Share Attributable to Mohawk Industries, Inc.

(Amounts in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net earnings attributable to Mohawk Industries, Inc.	\$ 33,456	189,089	25,247	1,033,159
Adjusting items:				
Restructuring, acquisition and integration-related and other costs	49,701	4,558	87,819	23,118
Acquisitions purchase accounting, including inventory step-up	1,218	1,067	2,762	1,749
Impairment of goodwill and indefinite-lived intangibles	-	-	695,771	-
Resolution of foreign non-income tax contingencies	-	-	-	(6,211)
Income tax effect on resolution of foreign non-income tax contingencies	-	-	-	2,302
One-time tax planning election	-	4,568	-	(22,163)
Legal settlements, reserves and fees, net of insurance proceeds	9,231 ⁽¹⁾	-	54,231	-
Release of indemnification asset	-	-	7,324	-
Income taxes - reversal of uncertain tax position	-	-	(7,324)	-
Income taxes - impairment of goodwill and indefinite-lived intangibles	-	-	(10,168)	-
Income tax effect of adjusting items	(9,245)	(309)	(32,536)	(4,626)
Adjusted net earnings attributable to Mohawk Industries, Inc.	\$ 84,361	198,973	823,126	1,027,328
Adjusted diluted earnings per share attributable to Mohawk Industries, Inc.	\$ 1.32	2.95	12.85	14.86
Weighted-average common shares outstanding - diluted	63,792	67,535	64,062	69,145

⁽¹⁾The Company has entered into an agreement with plaintiffs to resolve the Securities Class Action lawsuit, initially filed on January 3, 2020, in the United States District Court for the Northern District of Georgia for \$60m, of which a significant portion is covered by insurance, in addition to legal fees and other.

Reconciliation of Total Debt to Net Debt Less Short-Term Investments

(Amounts in thousands)

	December 31, 2022
Short-term debt and current portion of long-term debt	\$ 840,571
Long-term debt, less current portion	1,978,563
Total debt	2,819,134
Less: Cash and cash equivalents	509,623

Net debt	2,309,511
Less: Short-term investments	158,000
Net debt less short-term investments	\$ 2,151,511

Reconciliation of Net Earnings (Loss) to Adjusted EBITDA

(Amounts in thousands)

	Three Months Ended			Trailing Twelve Months Ended	
	April 2, 2022	July 2, 2022	October 1, 2022	December 31, 2022	December 31, 2022
Net earnings (loss) including noncontrolling interests	\$ 245,434	280,510	(533,713)	33,552	25,783
Interest expense	11,481	12,059	13,797	14,601	51,938
Income tax expense	61,448	78,176	15,569	2,917	158,110
Net earnings attributable to noncontrolling interests	(105)	(79)	(256)	(96)	(536)
Depreciation and amortization ⁽¹⁾	141,415	141,569	153,466	159,014	595,464
EBITDA	459,673	512,235	(351,137)	209,988	830,759
Restructuring, acquisition and integration-related and other costs	1,857	1,801	21,375	33,786	58,819
Acquisitions purchase accounting, including inventory step-up	-	143	1,401	1,218	2,762
Impairment of goodwill and indefinite-lived intangibles	-	-	695,771	-	695,771
Legal settlements, reserves and fees, net of insurance proceeds	-	-	45,000	9,231	54,231
Release of indemnification asset	7,324	-	-	-	7,324
Adjusted EBITDA	\$ 468,854	514,179	412,410	254,223	1,649,666

Net debt less short-term investments to adjusted EBITDA

1.3

⁽¹⁾Includes accelerated depreciation of \$13,085 for Q3 2022 and \$15,915 for Q4 2022.

Reconciliation of Net Sales to Net Sales on Constant Shipping Days and on a Constant Exchange Rate

(Amounts in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Net sales	\$ 2,650,675	2,760,737	11,737,065	11,200,613
Adjustment to net sales on constant shipping days	(9,529)	-	39,786	-
Adjustment to net sales on a constant exchange rate	84,299	-	411,649	-

Net sales on constant shipping days and on a constant exchange rate	\$ 2,725,445	2,760,737	12,188,500	11,200,613
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Reconciliation of Segment Net Sales to Segment Net Sales on Constant Shipping Days and on a Constant Exchange Rate

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Global Ceramic		
Net sales	\$ 987,699	949,501
Adjustment to segment net sales on constant shipping days	3,412	-
Adjustment to segment net sales on a constant exchange rate	7,838	-
Segment net sales on constant shipping days and on a constant exchange rate	\$ 998,949	949,501

Reconciliation of Segment Net Sales to Segment Net Sales on Constant Shipping Days and on a Constant Exchange Rate

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Flooring ROW		
Net sales	\$ 717,017	795,723
Adjustment to segment net sales on constant shipping days	(12,941)	-
Adjustment to segment net sales on a constant exchange rate	76,461	-
Segment net sales on constant shipping days and on a constant exchange rate	\$ 780,537	795,723

Reconciliation of Gross Profit to Adjusted Gross Profit

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Gross Profit	\$ 554,440	737,443
Adjustments to gross profit:		
Restructuring, acquisition and integration-related and other costs	39,159	2,363
Acquisitions purchase accounting, including inventory step-up	1,218	1,067
Adjusted gross profit	\$ 594,817	740,873

Reconciliation of Selling, General and Administrative Expenses to Adjusted Selling, General and Administrative Expenses

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Selling, general and administrative expenses	\$ 493,362	484,345
Adjustments to selling, general and administrative expenses:		

Restructuring, acquisition and integration-related and other costs	(8,480)	(2,238)
Legal settlements, reserves and fees, net of insurance proceeds	(9,231)	-
Adjusted selling, general and administrative expenses	\$ 475,651	482,107

Reconciliation of Operating Income to Adjusted Operating Income

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Operating income	\$ 61,078	253,098
Adjustments to operating income:		
Restructuring, acquisition and integration-related and other costs	47,639	4,601
Acquisitions purchase accounting, including inventory step-up	1,218	1,067
Legal settlements, reserves and fees, net of insurance proceeds	9,231	-
Adjusted operating income	\$ 119,166	258,766

Reconciliation of Segment Operating Income to Adjusted Segment Operating Income

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Global Ceramic		
Operating income	\$ 69,033	60,000
Adjustments to segment operating income:		
Restructuring, acquisition and integration-related and other costs	1,054	416
Adjusted segment operating income	\$ 70,087	60,416

Reconciliation of Segment Operating (Loss) Income to Adjusted Segment Operating (Loss) Income

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Flooring NA		
Operating (loss) income	\$ (28,950)	91,711
Adjustments to segment operating (loss) income:		
Restructuring, acquisition and integration-related and other costs	28,174	1,146
Adjusted segment operating (loss) income	\$ (776)	92,857

Reconciliation of Segment Operating Income to Adjusted Segment Operating Income

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Flooring ROW		
Operating income	\$ 35,902	114,339
Adjustments to segment operating income:		
Restructuring, acquisition and integration-related and other costs	18,411	2,022

Acquisitions purchase accounting, including inventory step-up	1,218	1,067
Adjusted segment operating income	\$ 55,531	117,428

Reconciliation of Segment Operating (Loss) to Adjusted Segment Operating (Loss)

(Amounts in thousands)

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Corporate and intersegment eliminations				
Operating (loss)	\$ (14,907)	(12,952)	(90,960)	(46,827)
Adjustments to segment operating (loss):				
Restructuring, acquisition and integration-related and other costs	-	1,017	-	1,212
Legal settlements, reserves and fees, net of insurance proceeds	9,231	-	54,231	-
Adjusted segment operating (loss)	\$ (5,676)	(11,935)	(36,729)	(45,615)

Reconciliation of Other Expense, net to Adjusted Other Expense, net

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Other expense, net	\$ 10,008	1,140
Adjustments to other expense:		
Restructuring, acquisition and integration-related and other costs	(2,062)	43
Adjusted other expense, net	\$ 7,946	1,183

Reconciliation of Earnings Including Noncontrolling Interests Before Income Taxes to Adjusted Earnings Including Noncontrolling Interests Before Income Taxes

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021
Earnings before income taxes	\$ 36,469	239,789
Net earnings attributable to noncontrolling interests	(96)	(11)
Adjustments to earnings including noncontrolling interests before income taxes:		
Restructuring, acquisition and integration-related and other costs	49,701	4,558
Acquisitions purchase accounting, including inventory step-up	1,218	1,067
Legal settlements, reserves and fees, net of insurance proceeds	9,231	-
Adjusted earnings including noncontrolling interests before income taxes	\$ 96,523	245,403

Reconciliation of Income Tax Expense to Adjusted Income Tax Expense

(Amounts in thousands)

	Three Months Ended	
	December 31, 2022	December 31, 2021

Income tax expense	\$	2,917	50,689
One-time tax planning election		-	(4,568)
Income tax effect of adjusting items		9,245	309
Adjusted income tax expense	\$	12,162	46,430
Adjusted income tax rate		12.6%	18.9%