

A woman with long, wavy blonde hair, wearing a white, sleeveless, lace-trimmed dress, stands in the central of three arched stone window openings. She has her hands on the wooden frames of the arches. The building is made of weathered, reddish-brown bricks. In front of the arches, three large, ornate, patterned carpets are laid out on the ground. The carpets feature intricate geometric and floral designs in shades of red, gold, and brown. Green foliage is visible in the foreground and to the left, partially obscuring the view. The overall scene is bathed in warm, golden light, suggesting late afternoon or early morning.

what will tomorrow bring?

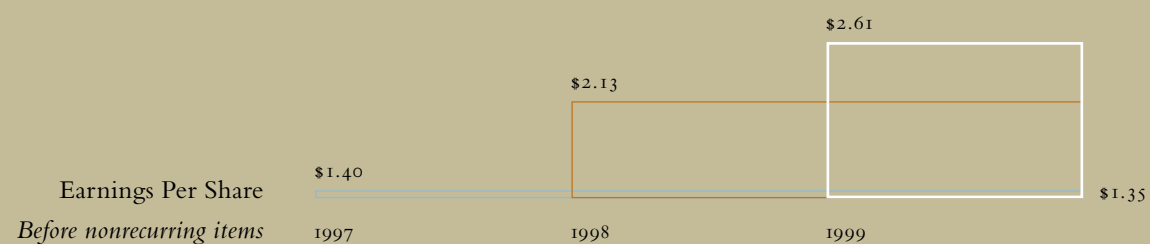
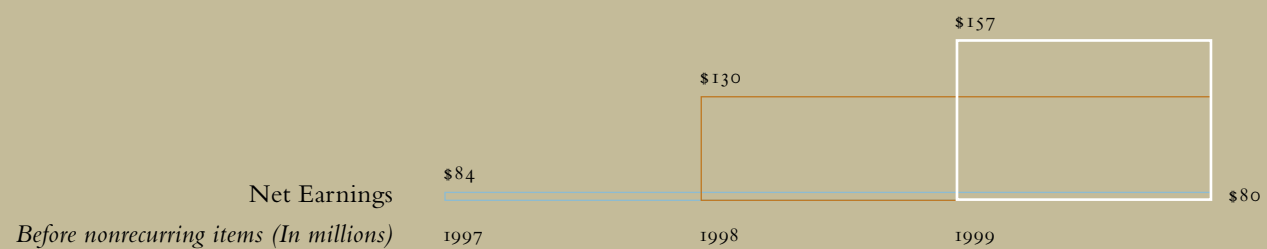
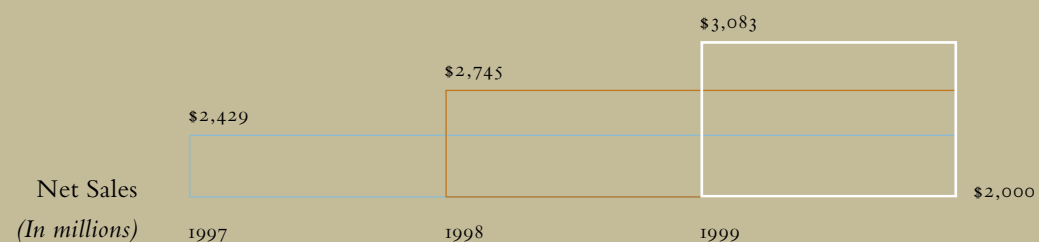
Mohawk Industries, Inc.

1999 Annual Report

Mohawk Industries is the second-largest carpet mill in the United States, and the leading producer of area rugs and mats. Headquartered in Calhoun, Georgia, Mohawk designs, manufactures and markets woven and tufted broadloom carpet, carpet tile, home textiles, bath mats, and area and accent rugs. The Company also markets hard surface flooring including laminate, wood and ceramic tile. Mohawk supplies products for all significant markets, distribution channels and price points through a family of popular and prestigious brands that include Aladdin, Alexander Smith, American Rug Craftsmen, American Weavers, Bigelow, CustomWeave, Durkan, Galaxy, Harbinger, Helios, Horizon, Image, Karastan, Mohawk, Newmark Rug, World and WundaWeve. Mohawk Industries' shares are traded on the New York Stock Exchange under the symbol MHK.

	1997	1998	1999
<i>(In thousands, except per share amounts)</i>			
Net sales	\$2,429,085	2,744,620	3,083,264
Gross profit	\$ 559,864	681,287	776,859
Operating income before nonrecurring items	\$ 176,341	249,096	294,797
Net earnings before nonrecurring items	\$ 84,464	130,494	157,239
Earnings per share before nonrecurring items	\$ 1.40	2.13	2.61

financial highlights



No one knows for sure what tomorrow will bring. At the threshold of our third century in business, we do know it will be full of

opportunity

dear stockholders

During 1999, Mohawk continued to outpace the industry in top-line and bottom-line growth. We achieved these excellent results by offering the widest array of products and price points in our industry. We serve our customers in innovative ways, continuously improve our infrastructure and adhere to time-tested strategies for delivering stockholder value. If Mohawk's past is any indication, our future will be full of new opportunities.

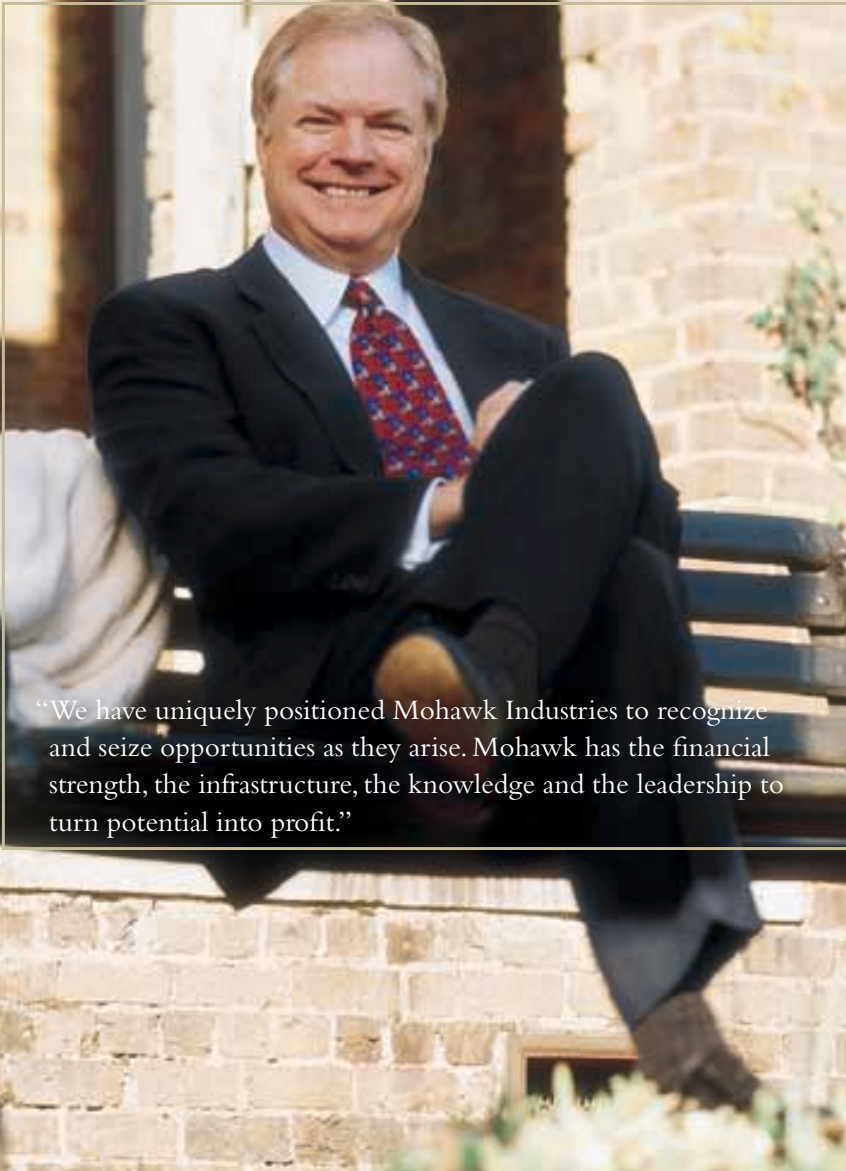
Strength in Numbers A 12% increase in net sales to \$3.1 billion in 1999 contributed to the highest diluted earnings per share in Mohawk's history—\$2.61 per share, or \$157.2 million in net earnings. This represents a 23% increase over 1998's diluted earnings per share of \$2.13 before nonrecurring items, or \$130.5 million in net earnings. Gross profit as a percentage of net sales improved from 1998's 24.8% to 25.2% in 1999. Operating income before nonrecurring items as a percentage of net sales improved from 9.1% in 1998 to 9.6% in 1999. Our return on equity before nonrecurring items increased from 23.6% in 1998 to 24.1% in 1999.

We accomplished our continued strong revenue growth through a combination of internal growth and acquisitions, and far exceeded the industry's 3% increase. As a result, Mohawk again gained market share.

This impressive performance failed to boost the Company's share price, as the stock market appears to favor some industry sectors over others. Given our share price attractiveness, the Board of Directors authorized the repurchase of up to 10 million shares of Mohawk common stock. This share repurchase program demonstrates our belief in the Company's future and our expectations for continued growth and earnings. We anticipate an increase in share price when investors return to the value sector of the market.

Although many investors failed to recognize our financial accomplishments in 1999, the financial press did. In February 2000, *Fortune* named Mohawk as one of "America's Most Admired Companies." In January 2000, *Forbes* placed us on its "Platinum 400" list of exceptional big corporations. In 1999, *The Atlanta Journal* ranked Mohawk the fifth-best Georgia corporation.

Strategies that Work Our basic strategies for growth remain unchanged: (1) to grow internally through strong marketing, merchandising and educational support coupled with product line expansion and (2) to grow externally through acquisitions that leverage our powerful infrastructure. In 1999, we complemented our internal growth with two outstanding acquisitions—the assets of Image Industries, Inc. and Durkan Patterned Carpets, Inc. Image is a leading postconsumer bottle recycler and manufacturer of polyester residential carpet. Image's state-of-the-art recycling



"We have uniquely positioned Mohawk Industries to recognize and seize opportunities as they arise. Mohawk has the financial strength, the infrastructure, the knowledge and the leadership to turn potential into profit."

David L. Kolb, *Chairman and Chief Executive Officer,*
with one of our new *Martha Stewart* throws.

and production technologies enhance Mohawk's low-cost producer position in staple yarn products and give us a market leadership position in the polyester product category.

Durkan is a leading supplier of custom commercial carpet to the hospitality market. Acquiring Durkan strengthens our commercial product offerings and adds the latest design and printing technology to Mohawk's manufacturing strengths.

These acquisitions exemplify our market strategy—to enter segments or niches with growth and synergy potential that complements or expands our product line. Two recently added hard surface products, Mohawk Laminate flooring and Mohawk Ceramic tile, fit this strategy. Their significant growth has led us to offer new styles and SKUs. We are also excited about our newly introduced Mohawk Hardwood flooring products. Both carpet padding and Mohawk Commercial carpet tiles posted substantial gains.

Last year, we focused on getting the maximum value from our brands. We strengthened Karastan's position at the high end of the market, and then heavily promoted the Mohawk brand to the mass market. Our goal is to make Mohawk the overall brand of choice among our dealers and consumers.

We also realigned the Company into five product categories dedicated to marketing and retail channels: rug and textile, residential, specified commercial, hospitality and Karastan. This enables us to focus more effectively on the needs of each of our customers.

Structural Integrity At Mohawk, continually improving our infrastructure enhances our low-cost position and strengthens relationships with our customers. The design and implementation of our leading-edge, real-time information system unified our operations. Our processes for integrating acquisitions have allowed us to take immediate advantage of synergies and cost savings.

During 1999, we significantly expanded our fiber extrusion capabilities to support new and existing product categories. New facilities and equipment increase the Company's filament and staple yarn processing



Jeffrey S. Lorberbaum,
*President and Chief
Operating Officer,
with one of our Karastan
tea-washed rugs.*

capacity, and we bought new dyeing equipment to further consolidate our residential manufacturing operations and improve costs.

An expanded warehouse system accommodates the higher volume produced by our acquisitions and our growth in the hard surfaces business. As we added space, trucks and people, we improved the automation of our distribution system to give us more accurate information faster.

In 1999, we began to tap the power of the Internet to assist our customers, and we will expand this effort in 2000. Mohawk tested programs on our proprietary business-to-business (B2B) website to provide customers with key information about shipping, delivery, claims and credit. This resource also provides immediate information and feedback to our sales and marketing staffs.

Tomorrow's Forecast In our business, there are many variables we cannot control. Industry dynamics, however, appear to favor continued growth. Consolidation has increased the professionalism of our industry's top companies, leading to improved stockholder value and a positive outlook.

Demographics remain favorable as baby boomers mature and prosper. The strong U.S. economy creates a large amount of discretionary income, offering tremendous potential for our industry. Retailers are moving from a focus on price to selling features and benefits. This translates into increased demand for higher-quality products and better margins at all levels.

Mohawk has established the foundation for a successful future. We provide a high level of service to a large, strong customer base. We own well-integrated, state-of-the-art manufacturing facilities and a distribution system second to none. Our acquisitions have contributed to the strength and depth of our management team and employees. Our new marketing initiatives support a continually broadening product line. With all these advantages in place, we remain confident that we possess the people, the manufacturing capabilities, the marketing strategies, the distribution network and the brand awareness to take advantage of the many opportunities that lie ahead.

David L. Kolb,
Chairman and Chief Executive Officer

Jeffrey S. Lorberbaum,
President and Chief Operating Officer



As we begin the 21st century, Mohawk Industries is positioned to make a grand entrance into what we believe will be an era of creative marketing for the floor covering and home textiles industry.

Mohawk's marketing plan centers on the value associated with our brands. To provide increased value to our dealers and help them attract more customers, we have significantly expanded the advertising, marketing and merchandising of the Mohawk and Karastan brands. We will promote the popular Mohawk brand name to all market segments and all product categories, including residential and commercial carpet, rugs, home textiles and hard surface flooring. The time-honored Karastan name will be promoted in conjunction with high-end residential and commercial carpet and rugs.

Surveys show that Mohawk and Karastan are the most recognized brands in floor covering. Our increased print advertising and

cable television commercials build on that name recognition with consumers. Our advertising campaign emphasizes style, beauty and fashion.

Working in concert with our advertising is a three-tiered merchandising program: Mohawk Floorscapes, a total store concept; Mohawk Color Center, which provides a boutique for a store-within-a-store presentation; and Mohawk Family of Brands, which offers product packages tailored to the particular needs of each retailer.

In 1999, we launched the Mohawk Floorscapes concept in limited test markets. Today, independent retailers have installed the concept in approximately 100 stores, and we plan to continue this rollout on a national basis. Mohawk Color Center, the industry's longest-running and most successful merchandising program, features nearly 2,000 participating dealers. More than 20,000 dealers buy products under the Mohawk Family of Brands.

Mohawk's commitment to its retailers includes not only marketing and sales programs, but also education and training. Last year, thousands of dealer representatives from across the country participated in Mohawk University, the industry's most in-depth program designed to improve sales techniques and consumer satisfaction. Our technological investments now extend to e-commerce. We have tested and introduced a B2B proprietary Internet site. The site will provide our dealers with easy access to customer service, shipping and delivery status, and claims and credit data as well as marketing and sales information. Internally, the site will give our sales force immediate feedback and will improve the level of service.

With this comprehensive approach to marketing, we're poised to make a truly grand entrance in the new millennium.

In 1999, we strengthened the Karastan brand at the high end of the market, and promoted the Mohawk brand to the mass market. These are now the most recognized brands in floor covering.

a grand entrance

Mohawk is uniquely positioned to take advantage of market possibilities. Our recent acquisitions create exciting new synergies in manufacturing and design. Mohawk has always recognized the value in sharing technology and ideas among its divisions. This results in product innovations that have increased sales and improved efficiencies.

The Durkan, Image and American Weavers acquisitions, for instance, have produced ripple effects throughout many areas of our business. Durkan diversified our position in commercial carpeting through its hospitality line, but Durkan's state-of-the-art Spectronics printing equipment and cutting-edge design also have been used to create bath mats, printed rugs and residential broadloom products.

Similarly, Image's polyester extrusion capabilities have allowed

us to introduce a variety of products in all residential brands. And we have introduced American Weavers' home textile designs into our printed rug and mat business. In fact, our recently realigned Rug & Textiles division has shared manufacturing technologies and strategies in sales and marketing to further enhance an already successful business.

With an eye toward both environmental responsibility and cost reduction, we reclaim waste in innovative and productive ways. We recycle material from our residential carpet business into nonwoven padding, creating a value-added product from manufacturing waste by-product.

Mohawk's ability to transform possibilities into reality continues to earn awards from a number of influential organizations. Our commercial carpet brands captured two prestigious awards at

Neocon '99, the nation's most distinguished commercial flooring exposition. A new woven product, Whipstitch, and a new carpet tile product, Tangents, received Silver Best of Neocon awards. Mohawk's commercial designs won Solutia's 1999 Doc Award for best-of-show, and our Lago Collection of patterned loop carpets received the 1999 *Design Journal* Award for Design Excellence. The Heirloom Collection from Mohawk Residential earned the Company its second consecutive Dealer's Choice Award at Surfaces '99.

Winning awards is gratifying, but winning consumer loyalty is more rewarding. Mohawk's commitment to bolstering our business through shared technology, shared design, shared manufacturing and shared information has solidified our reputation for innovation and efficiency.

Our acquisitions historically produce immediate synergies and are quickly accretive to earnings. Then we leverage the strengths of these purchases throughout our organization to create additional stockholder value.

endless possibilities





clear advantages

Mohawk's manufacturing and marketing strengths offer a distinct advantage to retailers and consumers alike. We offer superior service, product innovations and the ability to respond quickly and flexibly to retailer challenges. We combine the strength of an industry titan with the attention to detail of a specialty manufacturer.

In addition to our own product advances, we have extended Mohawk's market presence by entering into licensing agreements with major brands in American fashion. Our home textiles business, for example, proudly supplies Martha Stewart products to K-Mart. Most recently, Karastan and Ralph Lauren signed an exclusive licensing agreement to create a new series of area rug and broadloom designs for the Ralph Lauren Home Collection label. In addition, Karastan and the Rug & Textiles division have collaborated on an exciting new venture to create a unique line of washable bath rugs. This collection features the

Karastan brand and introduces the classic look of woven Oriental rugs to the bath market. In 1999, we added an accent pillow collection to complement our profitable mass-market home textile line. To leverage our commercial product lines and enhance our presence in the corporate office market, we've added a new manufacturing line and launched a carpet tile product under the Mohawk name.

We seek to offer our customers every possible advantage through product innovations. Last year, we launched the SmartBack Protective Backing System, a technologically advanced carpet backing engineered to reduce overall weight and improve carpet performance. This exclusive backing resists water damage, makes the carpet more flexible and is easier to install.

How do our customers respond to the advantages we offer? They confirm our successful program of continuous innovation by honoring us with awards and, more

importantly, by providing us with business opportunities that result in greater product placements and increased sales.

Wal-Mart selected Mohawk to be a worldwide vendor because it recognized our customer commitment and the strength of our manufacturing and distribution capabilities. We will now serve Wal-Mart stores in the U.S., Canada, Germany, the United Kingdom, Singapore and China. Mohawk was the only floor covering manufacturer to receive Home Depot's Partner of the Year award in 1999. We were also honored with a Partner in Progress award from Sears, Roebuck & Co.—the first time in a decade a floor covering manufacturer has been so honored.

Target recently presented our Rug & Textiles division with its 1999 Vendor of Excellence Award, citing our innovative leadership, superior execution and commitment to enhancing the retailer's performance.

Starting with the two most recognized brands in floor covering, we expand our consumer presence by aligning with other household names. Agreements with Ralph Lauren and Martha Stewart take advantage of our superior infrastructure.

As well as adding new products and manufacturing capabilities, our external growth strengthens our management team, our knowledge base and our ability to adapt to changing customer needs.

Mohawk has acquired 12 companies in the past eight years. Along with adding substantial products and sales, these acquisitions have introduced significant new ideas and technologies to our Company. Mohawk has retained key managers from each acquisition, adding their expertise to our knowledge base to help propel our Company forward. Currently, Mohawk's Top 25 management team includes representatives from most of these organizations. This diversity produces multiple perspectives and dynamic insights, and has allowed us to create a multifaceted organization whose synergies extend from manufacturing to marketing.

Today, we are an almost completely vertically integrated organization. Advanced technologies allow us to produce more than half of our own fiber, convert it into yarn, dye it, tuft or weave it, store it, and ship it anywhere in the country using our large fleet of

company trucks. At each step in the process, the combination of employee expertise and cutting-edge technology yields increased productivity and reduced waste. Knowledge is not just power; knowledge is profit.

At Mohawk, we continuously refine our information systems to provide superlative customer service. Now we are able to quickly realign our manufacturing and distribution systems to bring our products to customers faster. Real-time tracking of production, orders and shipping allows our customers to stay better informed and enables us to better control inventory at our network of regional and satellite warehouses. In many cases, our Residential division can deliver a broadloom order within 24 hours. Our Commercial division's advanced technology allows us to track orders and project demand.

Shared knowledge improves business relationships. We have

made it easier to work with Mohawk, and our customers have responded enthusiastically. In today's technology-driven world, needs change constantly. We strive to anticipate those needs and constantly challenge ourselves to stay on the cutting edge.

At Mohawk, information leads to innovation. By shifting manufacturing tasks to more efficient locations and revamping sales assignments, we ensure that our products are manufactured in the most effective place and sold in the most appropriate manner. We provide faster, more coordinated responses to customer requirements and empower customers to follow the flow of their orders, from placement to delivery. Mohawk's integrated information systems and our employees' experience are additional reasons we feel confident as we move into our third century of doing business.



knowledge is power



think big start small

Opportunity and risk go hand in hand. We feel an absolute obligation to our stockholders to minimize risk while maximizing opportunity. Historically, we have explored new markets with a deliberate, measured approach before committing to large investments. This strategy has proven successful time after time.

Residential and commercial carpet remain the core business of Mohawk Industries. Broadloom is the primary source of our sales and our profits. Our goal is to increase market share within that core business, while augmenting this effort with strategic opportunities.

In 1999, the fruits of this strategy were clearly evident. Growth in home textiles, carpet tiles, carpet padding and hard surface flooring added value for our customers and made Mohawk a more desirable business partner. Our customers appreciate the diversity of products we offer and have enthusiastically supported this expansion of our product line.

As one example, our entry into the home textile market began with limited exposure. The American Weavers product line offered a new market segment to Mohawk, and we have capitalized on it by manufacturing these items in concert with our mass-market

rugs. Our new accent pillow line is designed to complement these products. To further expand our rug and textile offerings, we import rugs from around the world.

Hard surface flooring represents the fastest-growing segment of the floor covering industry. We recognized that we had an opportunity to add value to our Company by further diversifying our product line in this market. We also discovered that our retailers wanted to associate the respected Mohawk brand with hard surface flooring. Our initial success with ceramic tile in the Florida region proved that hard surfaces could add to our profitability. Expansion of the ceramic tile program into other regions, coupled with an initial distribution of laminate flooring, is establishing Mohawk as a supplier of choice for hard surface flooring.

We have previously stated that hardwood flooring is an area of interest to Mohawk. We believe this sector offers significant sales and profit opportunities. We have recently introduced a line of wood products.

The “think big, start small” strategy has already placed us among the market leaders in area rugs, bath mats, throws, padding and ceramic tile.

Customers appreciate our penetration into niche markets. Expanding our product offerings gives them more opportunities to single-source their needs. The industry’s most diverse product line offers smaller customers the choices to differentiate themselves.

Mohawk's long history of growth and success is built upon our ability to seize opportunities. Today, we are the world's second-largest carpet manufacturer and the largest producer of rugs. With \$3.1 billion in sales last year, we hold an approximately 26% market share in an over \$11 billion carpet and rug industry. The industry continues to grow, and Mohawk continues to outpace industry growth. We are financially and organizationally prepared to seize opportunities as they arise.

Our brands represent a huge strength because of their established name recognition. Through our print and television advertising, we will bolster the Company's established reputation for excellence and further associate our brands with fashion, style and design.

Similarly, the breadth and depth of our product line offers many opportunities. We have the ability to expand product placements with existing customers and to attract new customers as they appear on the retail horizon.

Our industry leadership in information technology creates opportunities to do business at a lower cost and with greater ease. We constantly seek new avenues to provide our customers with

information. We also offer the industry's most in-depth training system, Mohawk University, which helps retailers produce greater sales and profits. We grow as our customers grow, so their success is vital to our future. We are developing new tools like Floorscapes and expanding time-tested tools like Color Center.

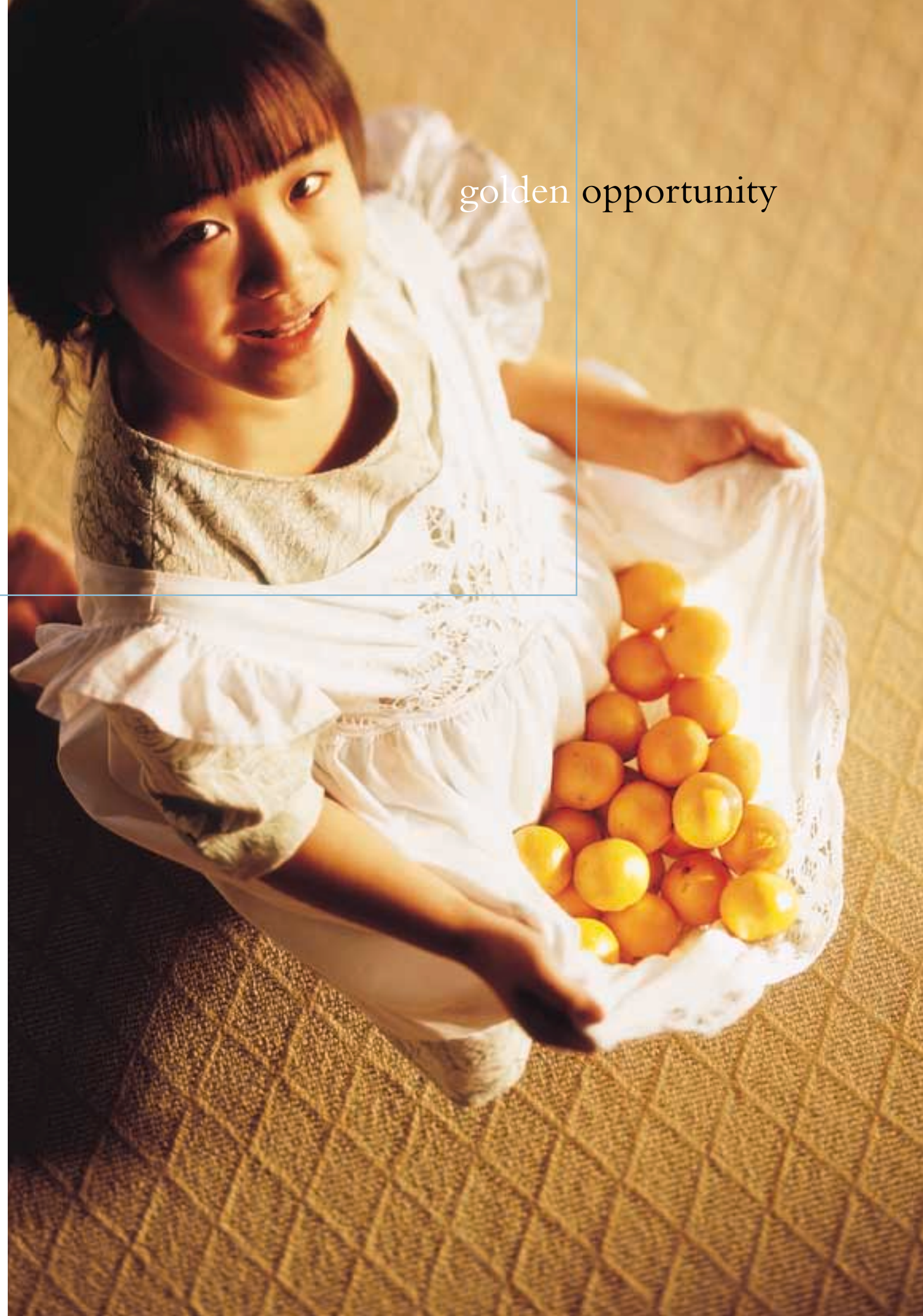
The basic structure of our Company provides additional opportunities. Our whole truly is stronger than the sum of its parts. The technology, expertise, information, manufacturing and marketing

shared among our five divisions supports the entire Company. Meeting business opportunities in one group often pays dividends in others. We have assembled a diverse group of people and technologies, and the synergies the two assets afford us are truly exciting.

The proven success of our business strategies shows that we can create many golden opportunities. As we expand and excel in design, marketing, merchandising, manufacturing and distribution, we believe that the opportunities are almost limitless.

Our strategies position Mohawk to capture tomorrow's opportunities: opportunities for strategic acquisitions at reasonable valuations. And for internal growth through marketing, product line extension and maintenance of our low-cost position.

golden opportunity





Our broad management expertise and continual infrastructure improvements enable us to quickly see and adapt to changes in the marketplace. We welcome change, as it provides us with more opportunities to demonstrate our superior capabilities.

looking ahead

At Mohawk Industries, we have built an organization that handles change quickly and efficiently. Our Company seizes opportunities that offer growth, synergies and stockholder value. We approach these opportunities in a measured manner to minimize risk while maximizing reward.

We have a very strong customer base; top consumer brands; and exciting merchandising, marketing and training. We offer a wide array of products. We have creative, innovative product development departments to keep new products flowing. We feature state-of-the-art facilities and leading-edge information systems. Our network of

regional and satellite warehouses, along with our extensive trucking fleet, promote high levels of customer service. Our organization is a blend of talented people, enhanced by our acquisitions, with hundreds of years of combined knowledge and skill. And our financial position is powerful, supporting our growth and acquisitions.

The challenge for Mohawk is to leverage these tremendous strengths and talents to grow our Company successfully and profitably. We believe that no one in our industry is in a better strategic position than Mohawk Industries, and we look forward with great anticipation to the opportunities ahead.

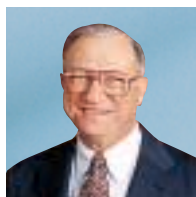
Board of Directors



David Kolb



Jeffrey Lorberbaum



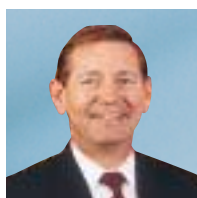
Leo Benatar



Bruce Bruckmann



Larry McCurdy



Robert Pokelwaldt



Jack Sharpe

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Chairman and
Chief Executive Officer
Mohawk Industries, Inc.

JEFFREY S. LORBERBAUM
President and
Chief Operating Officer
Mohawk Industries, Inc.

LEO BENATAR†
Associated Consultant,
A.T. Kearney, and former
Chairman, Engraph, Inc.,
a subsidiary of Sonoco Products
Company (an international
manufacturer of industrial and
consumer packaging products)

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Managing Director
Bruckmann, Rosser,
Sherrill & Co., Inc.
(a venture capital firm)

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Automotive Aftermarket Group
(a worldwide manufacturer
of motor vehicle parts)

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Former Chairman and
Chief Executive Officer
York International Corporation
(a manufacturer of air conditioning
and cooling systems)

S.H. "JACK" SHARPE
Executive Vice President
Mohawk Residential Business

* Audit Committee

† Compensation Committee