



it's more than a floor

Mohawk Industries, Inc.  
2003 Annual Report

## Financial Highlights

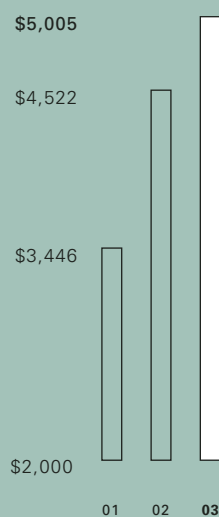
Mohawk Industries, Inc. + Subsidiaries

### CORPORATE PROFILE

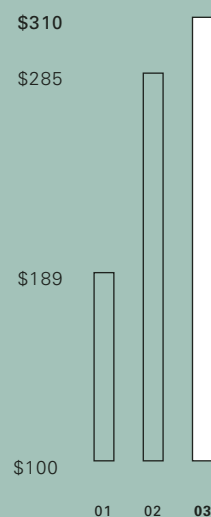
Mohawk began as a carpet manufacturer more than 120 years ago, and is one of the most trusted names in the flooring industry today. This strong foundation has allowed us to grow in other floor coverings – becoming a world leader in tufted and woven carpet, ceramic tile, wood, stone, laminate, vinyl, rugs and other home products, which are marketed through the premier brands in the industry. We've also moved off the floor, into stone countertops, wall accents and home fashion accessories. With our expanded product line, we've become a leader in both the residential and commercial markets. Our success shows that the Mohawk story is about so much more than a floor.

IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

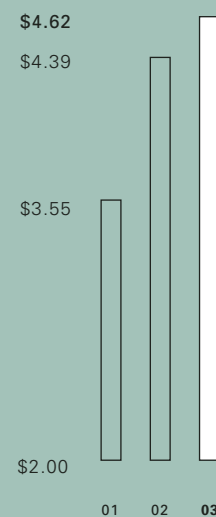
	2003	2002	2001
Net sales	\$5,005,053	4,522,336	3,445,945
Gross profit	\$1,359,376	1,240,067	832,902
Operating income	\$ 542,029	522,065	327,157
Net earnings	\$ 310,149	284,489	188,592
Diluted earnings per share	\$ 4.62	4.39	3.55



**Net Sales**  
(In millions)



**Net Earnings**  
(In millions)

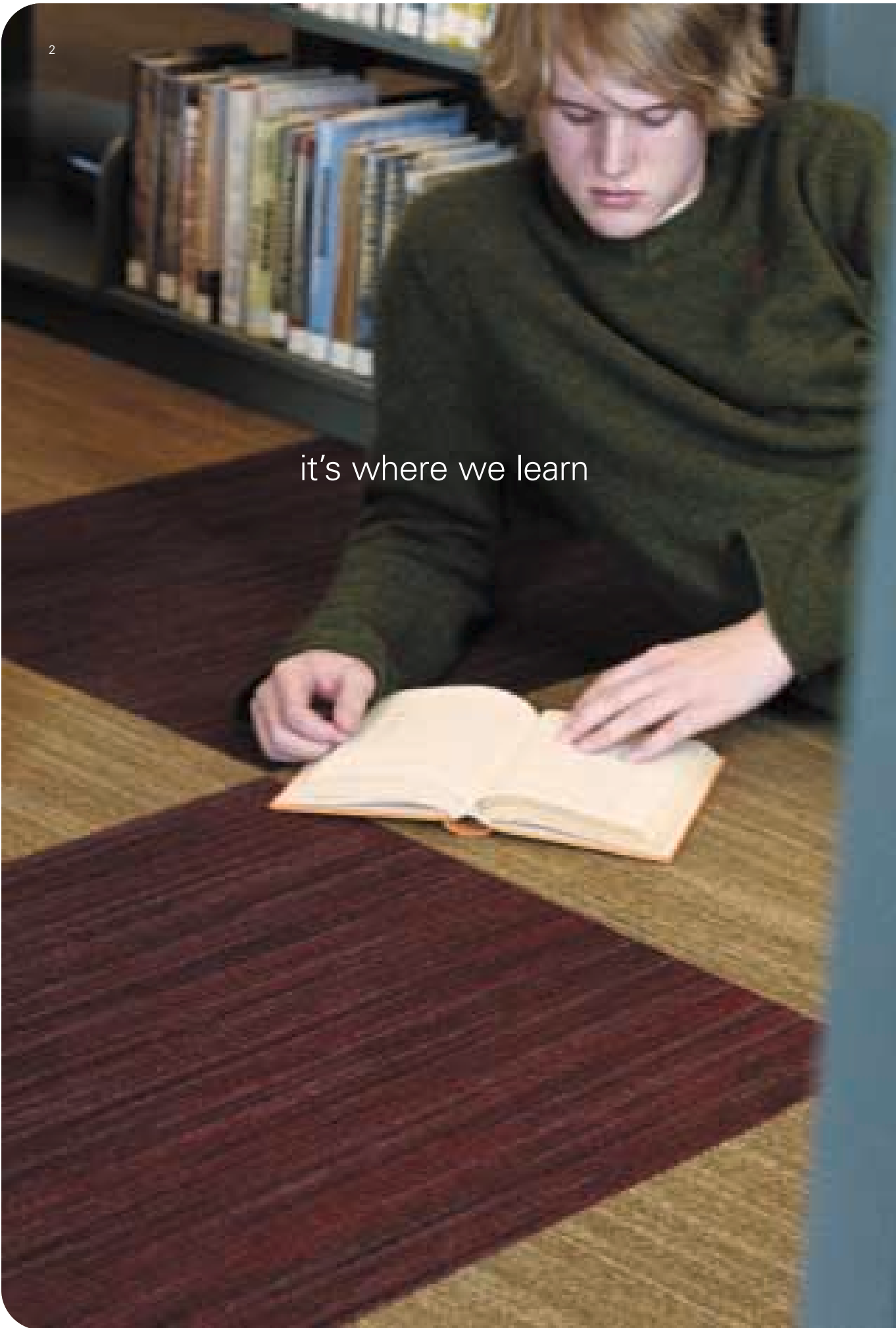


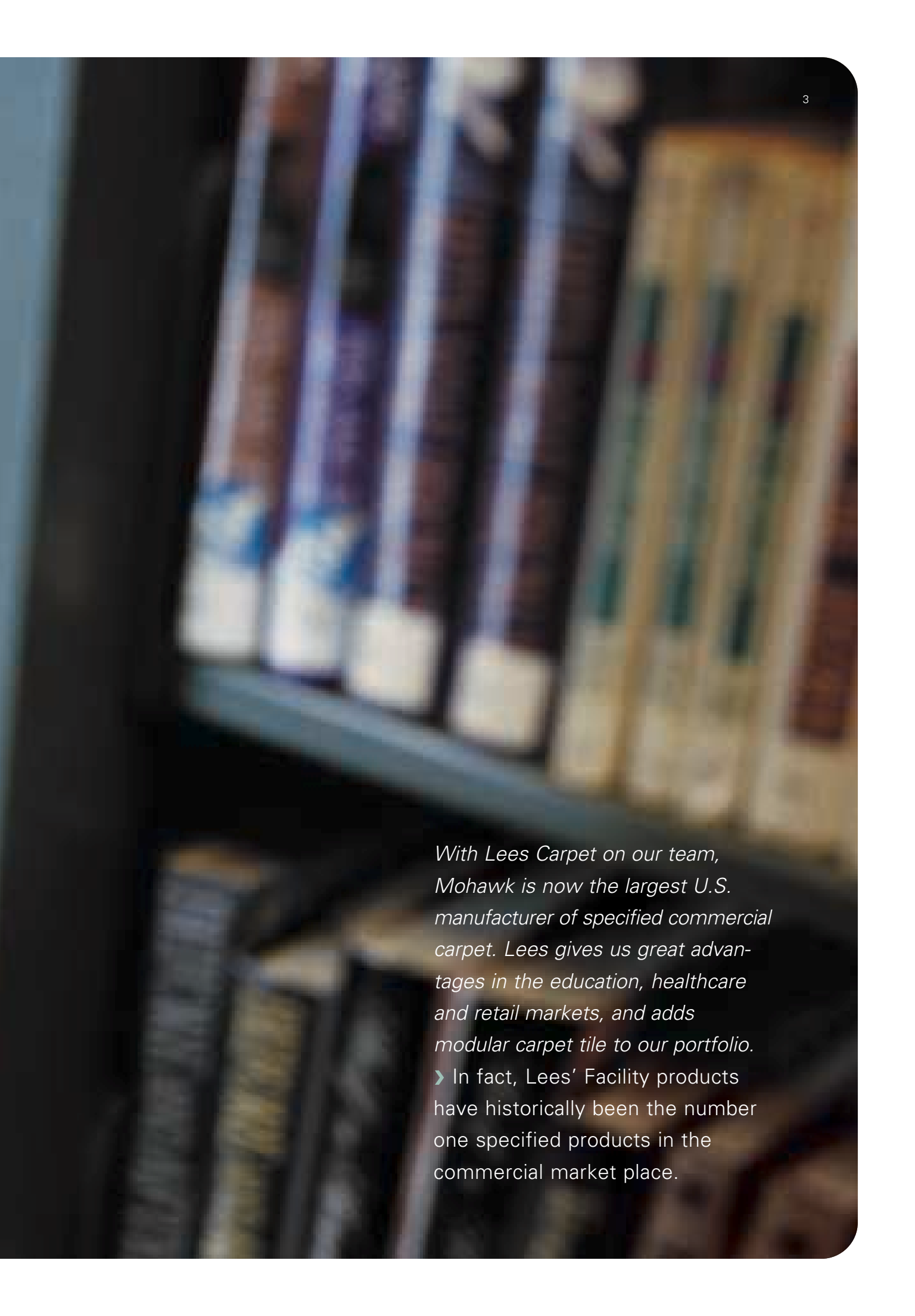
**Diluted Earnings**  
Per Share

## it's where we get started

*Today, more than 2.6 times as many households as in the past are considering new floor covering. On average, these consumers are spending 30% more on the same amount of flooring as their parents did. > As the nation's largest maker and distributor of floor covering, we think this is really good news. We're sure our stakeholders like it, too.*

it's where we learn





*With Lees Carpet on our team, Mohawk is now the largest U.S. manufacturer of specified commercial carpet. Lees gives us great advantages in the education, healthcare and retail markets, and adds modular carpet tile to our portfolio.*

▶ In fact, Lees' Facility products have historically been the number one specified products in the commercial market place.



## it's where we grow

*Ceramic tile industry sales volume increased 11% in 2002. The total U.S. ceramic tile market was \$2.34 billion or 2.63 billion square feet in 2002. >*

From the kitchen to the bath, the floor to the countertop, Mohawk is a major player in the ceramic tile and natural stone world. In fact, our tile operation accounts for about 30% of the total U.S. tile market.

*Industry-wide, wood and laminate flooring sales grew about 8% and 19%, respectively, in 2002. Together, their revenues approached \$3 billion. Most of these products are sold for homes and residences, and consumers are increasingly choosing them for their style, durability and ease of care. > Mohawk's wood and laminate flooring solutions complete our residential offerings – from tile to rugs, wood and laminate to vinyl, throws and pillows to carpet, we have it all for the home. Adding these products to our core carpet foundation has made our business stronger, less cyclical and better able to help our customers grow their businesses.*

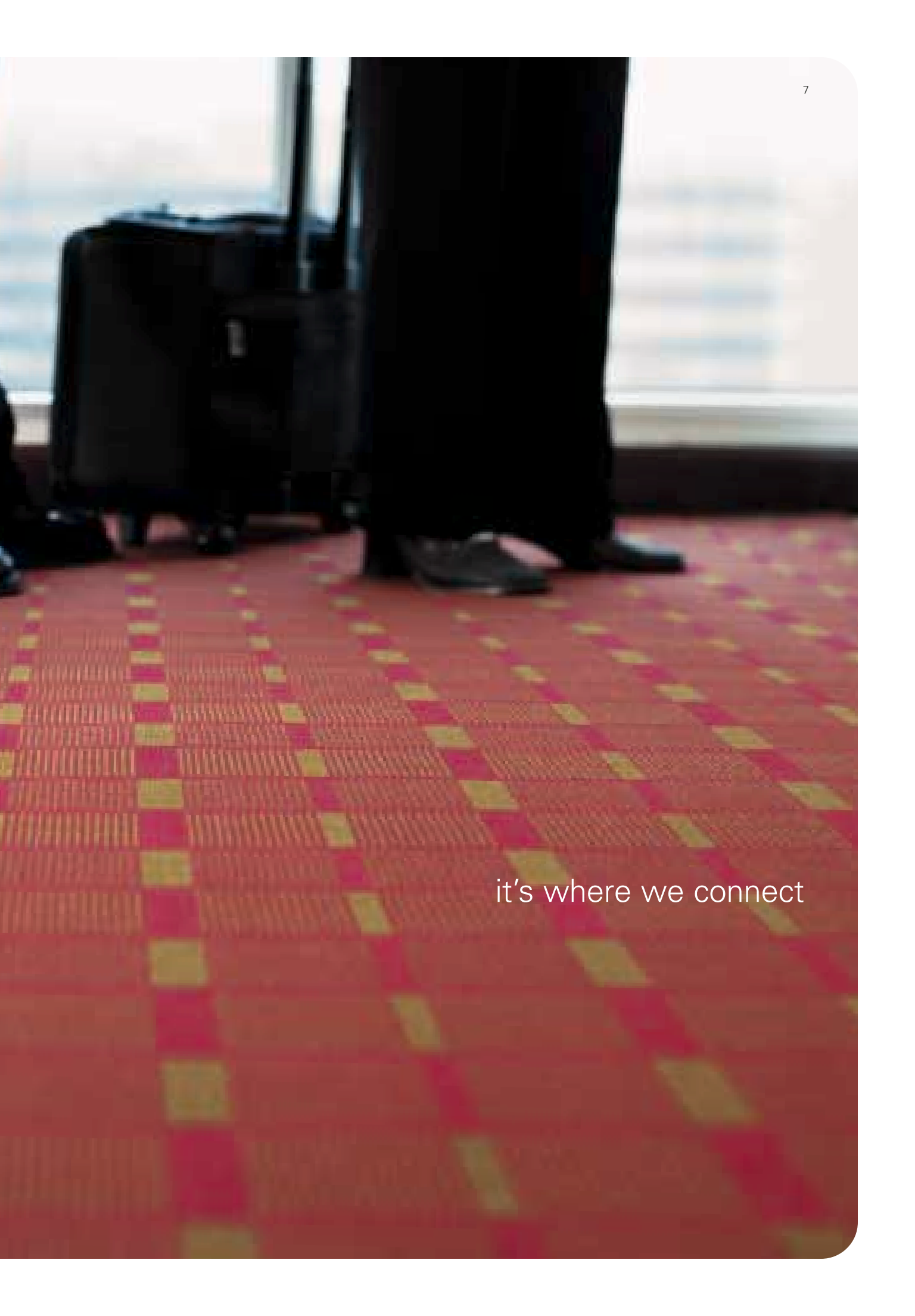
it's where we're at home





*The United States supplies nearly 45% of the world's carpet. > Mohawk gets around. Whether it's sourcing home products from Asia, weaving Karastan rugs in North Carolina or supplying the majority of the woven nylon carpet sold to the U.S. airline industry, Mohawk is there – there to connect our customers to the right product for their specific needs.*



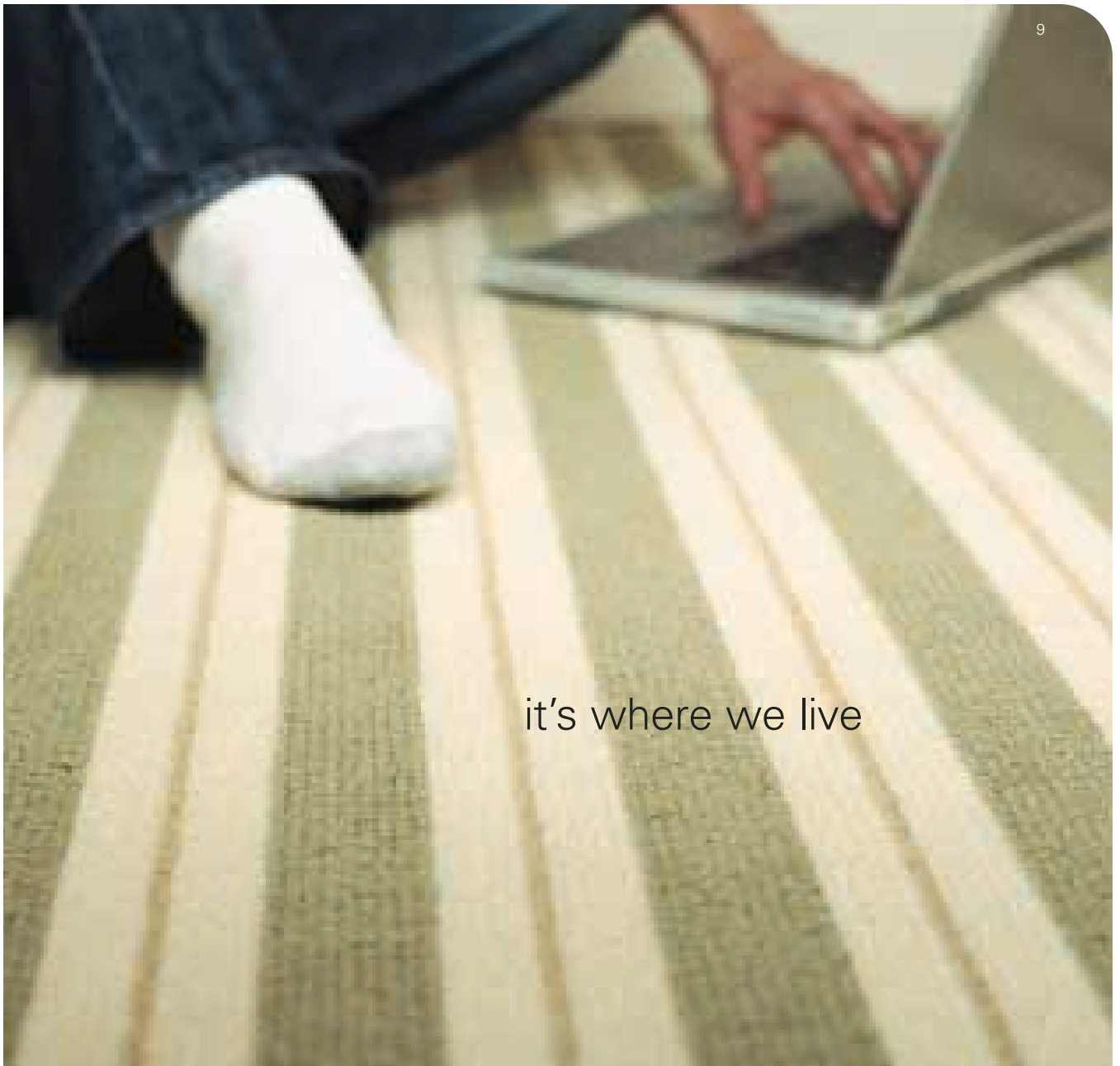


it's where we connect

## it's where we go

*In 2003, commercial carpet accounted for approximately one third of U.S. carpet sales.* > At Mohawk, our commercial carpet goes everywhere – the office, the store, the school, the hotel, the casino and just about every other business facility and public institution imaginable. Our sales force understands the requirements of each environment as well as the need for distinctive style. And, we have the brands, the product mix and the price point to go with any commercial project.





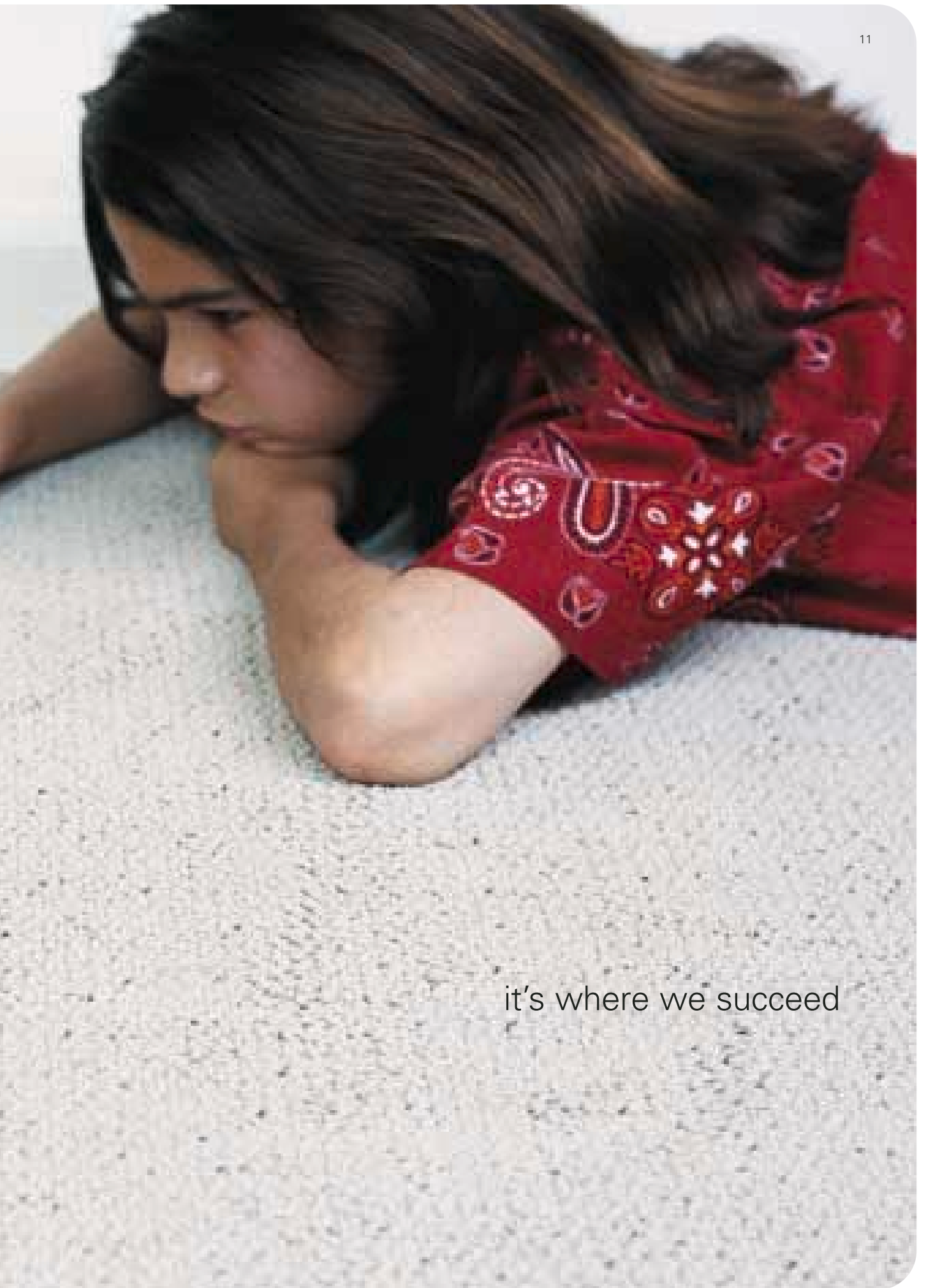
it's where we live

*In 2003, residential carpet accounted for approximately two thirds of U.S. carpet sales. ▶ The majority of Mohawk's carpet business is residential, and most of that business is replacement carpet. That means we don't depend on new home starts to drive sales – just a worn-out carpet or simply a new look.*



*78 million Americans, ages 36-54, want better and different flooring. They control 56% of all floor space in existing homes and they represent 55% of all new-home customers. Within three years, they will control 65% of all discretionary income. **What does it all add up to?** >*

We make what consumers want. We help our customers market more products to build their bottom line. In short, we build long-term value for consumers, customers and investors.



it's where we succeed



it's more than strategy. it's working.

**A Letter to Our Stockholders** If you look back at Mohawk's annual reports for the past ten years, you'll see that they are very consistent. We have not deviated from our basic strategy since we were a small company with only \$300 million in annual sales volume. Our long-term plan has led to steady growth each year. Today, Mohawk is at \$5 billion in annual sales and there's plenty of opportunity ahead. When you think about it, it's easy to understand where we've been and where we're going – because our plan is working. > 2003 was a good example. We made tremendous progress, even though we began the year with significant challenges. These included high raw material costs, weakness in the economy and declining consumer confidence. However, sales improved and we were able to offset our raw material cost increase by raising prices and improving manufacturing efficiencies. > We enhanced our product offerings and distribution capabilities as we broadened our customer base and our sales force. And, we continued to expand in hard surface businesses to the point where they now account for 30% of Mohawk's total revenues. > Mohawk's 2003 financial results demonstrate the success of our efforts. Net earnings in 2003 were \$310 million (9% above last year) or \$4.62 diluted earnings per share (5% above last year) compared to \$284 million in net earnings or diluted earnings per share of \$4.39 in 2002. Net sales grew 11% to \$5.0 billion this year from \$4.5 billion in 2002. We have maintained a strong balance sheet with a debt-to-capitalization ratio of 31% and an investment grade credit rating.

**DAL-TILE SUCCESS**

The 2002 Dal-Tile acquisition exceeded all our expectations during the past year, growing 18% in the final quarter. We enhanced our residential sales in tile and stone while improving our product line, service, style and distribution. Through the Mohawk, Dal-Tile and American Olean brands, we now offer leading-edge products nationally to satisfy the needs of the marketplace. We are taking full advantage of Dal-Tile's expertise to merchandise and market all three brands. > Our tile manufacturing capacity increased by 15% in 2003 with the opening of the new plant in Muskogee, Oklahoma. At 660,000 square feet, this facility is one of the world's largest and most modern.

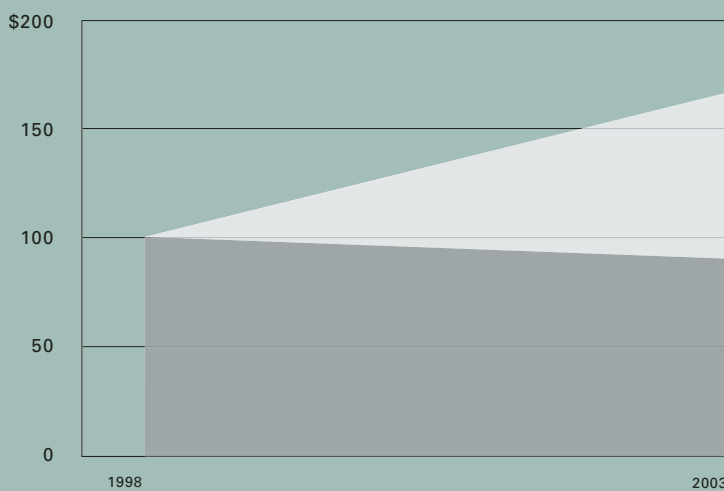
**ACQUISITIONS CONTINUED TO BE A BIG STORY IN 2003**

Our acquisition of Lees Carpet was a tremendous addition to our commercial carpet business. Lees is a major supplier to the healthcare and education markets, and is highly respected for its top-quality, value-added products. The Lees' management team and employees bring to Mohawk a strong customer commitment, a mindset for innovation and years of industry knowledge. Having Lees as part of our team gives Mohawk a leading share in the commercial carpet market. We will benefit greatly from Lees' solid, long-term customer relationships and from their products, such as modular carpet and six-foot rolls, which broaden our commercial offerings. > As our commercial business took steps to leverage Lees' strengths, we also concentrated on other important actions.

**Comparison of 5-Year Cumulative Total Return for  
MHK Common Stock and S&P 500 Stock Index**

— Mohawk Industries  
— S&P 500 Stock Index

**Value of \$100 invested in 1998**





Our focused commercial marketing and branding efforts continued with much success. We worked hard to improve our service and increase our specified business with large end users. As the economy strengthens, we are expecting a better year for our commercial business in 2004.

Through Dal-Tile, we also acquired a stone distribution company, making us the largest stone flooring and counter top distributor in the U.S. Stone is a rapidly growing market, with 15% growth per year. We are moving swiftly into this market. > Mohawk's third acquisition in 2003 was a bath rug business which became part of our Mohawk Home division.

#### **MOHAWK HOME STRATEGY**

We take great pride in Mohawk Home's ability to offer major retailers coordinated rug and textile products at highly competitive prices. Four years ago, Mohawk Home began developing relationships with offshore manufacturers in an effort to produce products in the right economic environment. These actions have paid off. Today, we have world class manufacturing partners in several countries. Our partners adhere to our strict quality standards and utilize automated systems that enable us to effectively track shipments. This means we can continue offering unique products to our retailers with the service, attention to detail and value they've come to expect from Mohawk Home.

#### **RESIDENTIAL CARPET REMAINS OUR FOUNDATION**

As we grow in all flooring product areas, we remain committed to residential carpet, which is Mohawk's foundation. We have introduced the next generation of Floorscapes merchandising and marketing system for our residential flooring dealers. Along with a new look, Floorscapes now integrates carpet with hard surfaces, providing our customers with a total merchandising solution. > Our new Color Center Elite system offers a new level of merchandising for the dealer's entire store. We've also introduced Floorz by Mohawk, a merchandising system aimed at larger format retailers that have a heavier inventory commitment. We use our knowledge to assist our customers in the other retail channels, helping them to improve their merchandising and marketing initiatives to provide more value to their customers. These and a number of other dealer initiatives are intended to increase our customers' sales and profitability – a top priority for Mohawk. > During 2003, we increased our focus on the new construction market and assembled a

separate sales force to assist builders of single and multi-family housing. We plan to enhance our position in this business as we continue to fulfill remodeling needs.

#### **WE'VE GOT PRODUCTS FOR ALL MARKETS**

At Mohawk, we have the floor covering products to satisfy customers' and consumers' needs in all categories including leading brands such as Karastan, Ralph Lauren, Mohawk and Dal-Tile. And, we can do it efficiently and cost-effectively, thanks to the latest technology, sophisticated systems and our unmatched distribution system. We're also expanding the products that go beneath the floor. We increased manufacturing and distribution of carpet padding with the opening of a new padding plant. We have extended our world wide sourcing activities to supplement our hard surface offerings. As always, our goal is to offer customers a higher level of service – giving them all the products they need to be successful.

#### **WE REMAIN ON TRACK**

While there are always new products and initiatives at Mohawk, the strategy behind these is anything but new. We remain focused on long-term growth that includes organic expansion and acquisitions. Through new product development and systems improvement, we're growing internally at a rate that outpaces the floor covering industry. > We continue to evaluate acquisition opportunities, such as Lees and Dal-Tile, that enhance our customer base, distribution and product depth. In fact, we view Dal-Tile as a template for moving into new product categories. > Mohawk's management has a long tenure in the floor covering industry and we understand the intricacies of the business, along with customer and consumer expectations. With the direction of this management team and our Board of Directors, we will continue to exceed these expectations. > At the close of another successful year, I want to thank our Directors, management and all 33,000 Mohawk employees for their dedication and individual efforts. I also want to thank our customers, vendors and investors for supporting this company over the years. Together, we'll continue to succeed by sticking to our plan. It's not complex, but it's working.



Jeffrey S. Lorberbaum, President and CEO



Our sales have grown from \$278 million to

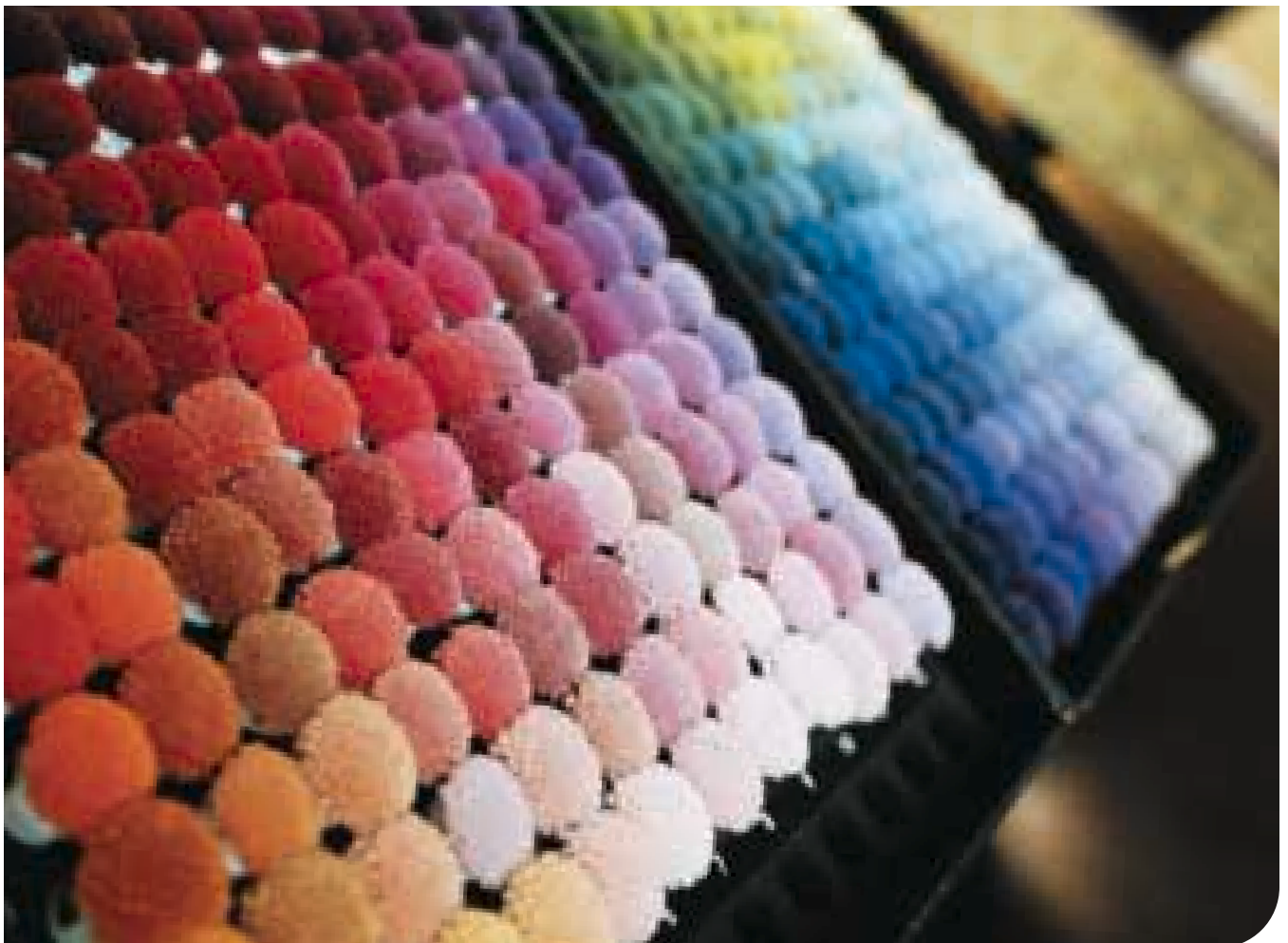
**\$5,005** million between 1991 and 2003.

**TALK ABOUT GROWTH SPURTS** 16 major acquisitions since 1991 helped us increase our share of the \$20 billion flooring market. Mohawk has become an expert at finding complementary businesses and quickly integrating them into our systems, distribution and product offerings. Most are accretive within a year. Our latest acquisition, Lees Carpet, gives Mohawk roughly a quarter of the commercial market.

# 50,000

decorating options.

**WE'VE GOT IT COVERED** We've kept our finger on the consumers' pulse and outpaced demand with innovation. The result? The world's most extensive floor covering product lines – literally something for every taste and budget. Plus, products that complement each other, like hardwoods and rugs ... carpet and vinyl ... stone countertops and tile backsplashes.





# 300

More than

distribution locations.

**GOING OUR WAY** Mohawk's extensive distribution system is second to none and we keep improving it. Whether the products are hard or soft, we move them faster and farther, thanks to continually upgraded technology and skilled logistics experts. We are constantly refining our distribution system to provide timely, safe and cost-efficient delivery.

Over **700** million sq. ft. of ceramic tile sold last year.

**MAKING HARD LOOK EASY** Hard surfaces now contribute 30 percent of Mohawk's revenue. And, thanks to Dal-Tile, we have become a world leader in ceramic tile production. With a combined growth rate of more than three times that of soft surfaces in 2002, hard surfaces represent a huge opportunity for Mohawk to extend itself.



What do all the numbers mean?

# Steady Growth

It's what we do best.

The Mohawk story is really about delivering results. We've built a dynamic company that never loses sight of what's most important – satisfied customers which yield steady growth that yields good returns for our investors. We factor in the market numbers... demand trends... customer needs... consumer preferences... and our own considerable skills in making and distributing floor covering. Then, we figure out how to do things better. We're constantly improving our operations to drive out costs, boost efficiency and produce more. And, we're always looking for those acquisitions that can help us grow in the right areas. It all adds up to long-term success – and a company that is about much more than a floor.



## Board of Directors



**David L. Kolb**  
Chairman of the Board



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



**S.H. "Jack" Sharpe**  
Executive  
Vice President  
Mohawk Residential  
Business



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



**Phyllis O. Bonanno**\*  
President and Chief  
Executive Officer of  
International Trade  
Solutions, Inc.



**Larry W. McCurdy** \* †  
Former Chairman,  
President and  
Chief Executive Officer  
of Echlin, Inc.  
(a worldwide  
manufacturer of  
motor vehicle parts)



**Robert N. Pokelwaldt** \* †  
Former Chairman and  
Chief Executive Officer  
York International  
Corporation  
(a manufacturer of air  
conditioning and cooling  
systems)



**W. Christopher Wellborn**  
President  
Dal-Tile Division



**John F. Fiedler** //  
Former Chairman and  
Chief Executive Officer  
Borg-Warner  
Automotive Inc.  
(a manufacturer of  
automotive parts)



**Leo Benatar** † //  
Principal of Benatar  
and Associates and  
former Chairman,  
Engraph, Inc., a  
subsidiary of Sonoco  
Products Company  
(an international  
manufacturer of  
industrial and consumer  
packaging products)

## Officers



**John D. Swift**  
Vice President  
Finance and  
Chief Financial Officer



**H. Monte Thornton**  
President  
Carpet Group



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



**J. Murray David**  
Vice President  
Yarn Manufacturing



**Joe W. Yarbrough, Jr.**  
Vice President  
Operations



**W. Christopher Wellborn**  
President  
Dal-Tile Division



**William B. Kilbride**  
President  
Mohawk Home



**Jerry L. Melton**  
Vice President  
Human Resources

\* Audit Committee

† Compensation  
Committee

// Nominating and Corporate  
Governance Committee

A man and a woman are standing on the steps of a house entrance, smiling and holding a large roll of dark grey carpet. The man is on the left, wearing a light blue polo shirt and dark trousers. The woman is on the right, wearing a black t-shirt and blue jeans. The house has grey horizontal siding and a dark wooden door. Two decorative light fixtures are mounted on the wall on either side of the door. The text "it's a great beginning." is overlaid on the carpet roll.

it's a great beginning.

Mohawk Industries, Inc. P.O. Box 12069 160 South Industrial Blvd. Calhoun, GA 30703 706-629-7721 [www.mohawkind.com](http://www.mohawkind.com)