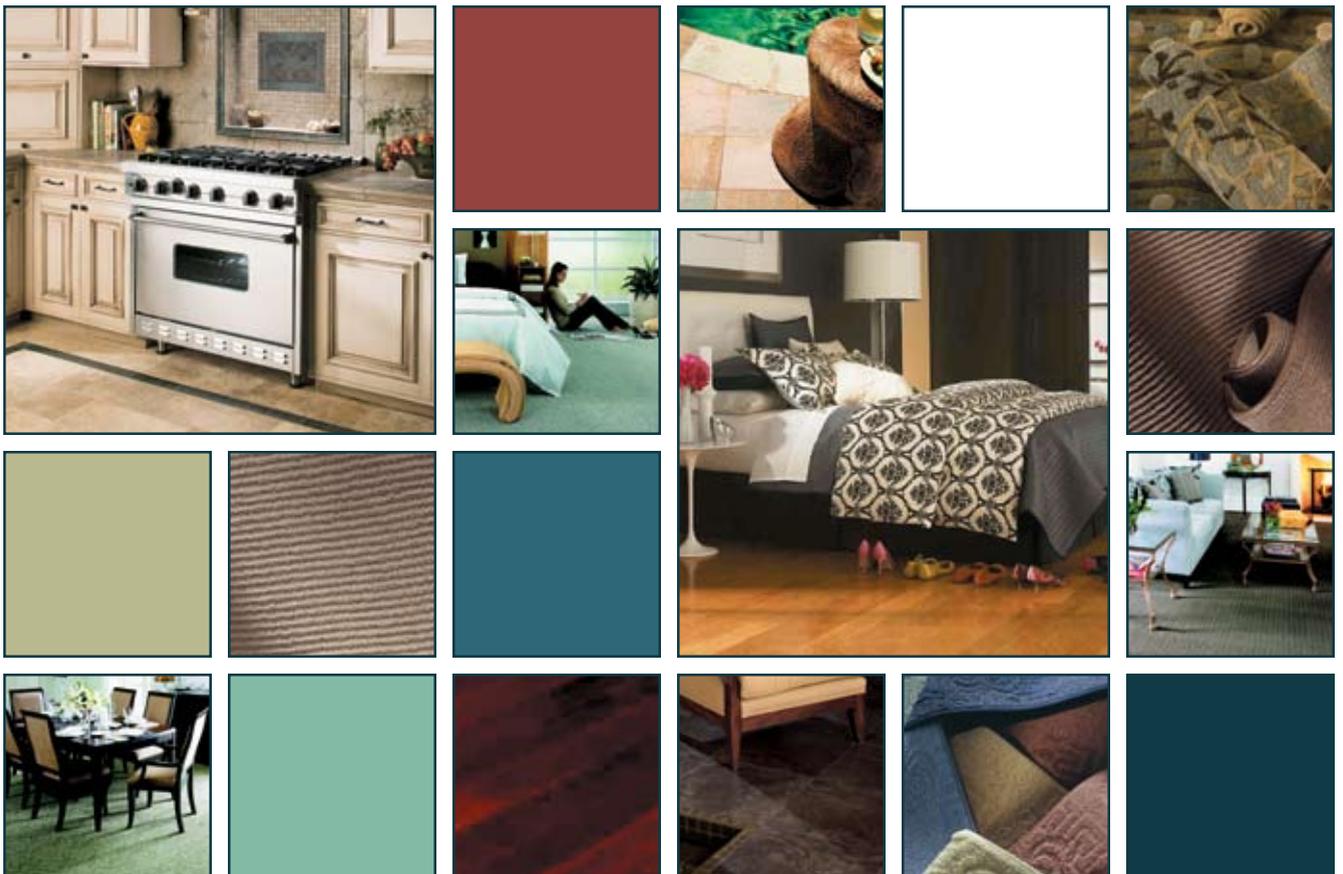




# Mohawk Industries

The Total Flooring Company

Mohawk Industries, Inc. 2007 Annual Report



## Company Profile

From its beginning as a carpet and rug manufacturer, Mohawk Industries has evolved into one of the world's leading flooring companies. Its full line of flooring products includes tufted and woven carpet, rugs, ceramic tile, laminate, stone, wood, resilient and carpet cushion. Mohawk is headquartered in Calhoun, Georgia. Its shares trade on the New York Stock Exchange under the ticker symbol "MHK."

## Financial Highlights

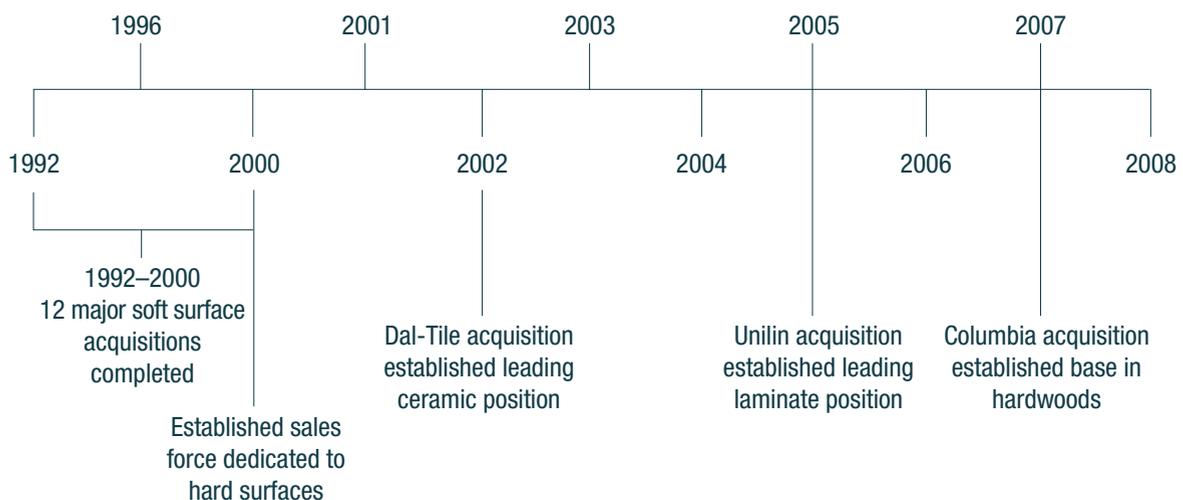
	At or for the Years Ended December 31,		
	2007	2006	2005
<i>(In thousands, except per share data)</i>			
<b>Statement of earnings data:</b>			
Net sales	\$7,586,018	7,905,842	6,620,099
Gross profit	2,114,784	2,231,311	1,768,246
Operating income	750,106	839,060	672,384
Net earnings <sup>(a)</sup>	\$ 706,814	455,833	387,138
Basic earnings per share <sup>(a)</sup>	\$ 10.37	6.74	5.78
Diluted earnings per share <sup>(a)</sup>	\$ 10.32	6.70	5.72
<b>Balance sheet data:</b>			
Receivables, net	\$ 821,113	910,021	874,654
Inventories	1,276,568	1,225,874	1,215,427
Total current assets	2,449,720	2,412,726	2,414,989
Property, plant and equipment, net	1,975,721	1,888,088	1,810,728
Goodwill and intangibles	3,969,208	3,879,733	3,796,060
Total assets <sup>(a)</sup>	\$8,680,050	8,212,209	8,066,025
Accounts payable and accrued expenses	\$ 951,061	1,053,444	1,024,093
Total current liabilities	1,211,500	1,629,578	1,137,902
Long-term debt (including current portion)	2,281,834	2,783,681	3,308,370
Stockholders' equity	4,707,357	3,715,263	3,058,238
Total liabilities and stockholders' equity	\$8,680,050	8,212,209	8,066,025
<b>Cash flow data:</b>			
Net cash provided by operating activities	\$ 875,077	782,045	561,544
Depreciation and amortization	306,437	274,952	150,657
Capital expenditures	\$ 163,076	165,769	247,306
Acquisitions	147,097	70,907	2,613,529
Working capital	\$1,238,220	783,148	1,277,087
Changes in debt	(534,201)	(602,659)	2,334,009

The year 2007 consolidated financial statements and management's discussion and analysis of financial condition and results of operations are provided in the Company's 2008 Proxy Statement under Appendix A.

<sup>(a)</sup> During the fourth quarter of 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. The impact of the tax benefit on earnings per share was \$3.97 basic and \$3.96 diluted.

# We've built it.

Today, a floor isn't just a part of a space for living or working. It's a choice that reflects personal taste and practical considerations. We know a lot about flooring. In fact, we've been a driving force in changing the way consumers view their flooring choices. From the Company's origins, we carpeted much of America and made Mohawk one of the most trusted names in carpets. During the past 15 years, floor covering options have evolved to provide wide-ranging choices in design, materials and functionality. Mohawk's highly effective acquisition strategy has ensured that the Company's product line has expanded to encompass all major flooring categories. Today, we are the largest player in the \$24 billion North American flooring industry and have expanded our market share in Europe, offering our customers a portfolio of products that span virtually every category, style and price point. Mohawk is The Total Flooring Company.

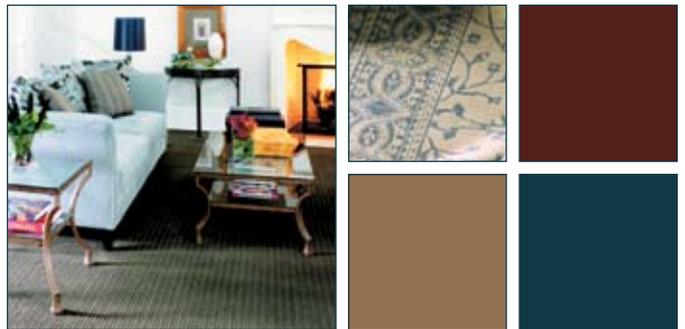
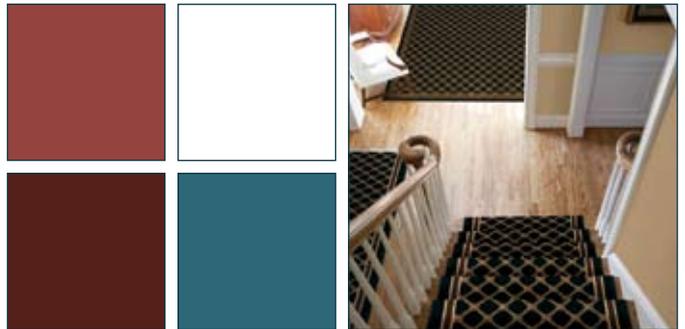


# Carpet

*that makes the room*



Whatever the look, whatever the need, Mohawk carpets and rugs bring warmth, style, beauty and functionality to every room and space. For the home, our Aladdin, Horizon, WundaWeve, and Karastan collections offer fashionable colors, innovative styles and patterns and reliable wearability. Our commercial products cover miles of floors in corporate, retail, hospitality, education and healthcare spaces with leading brands including Bigelow, Lees, Karastan and Durkan Hospitality. And, as the industry's largest supplier of rugs, our products range from luxurious Karastan area rugs to practical and fashionable Mohawk Home bath rugs.



# Ceramic & Stone

that offer  
*versatility*

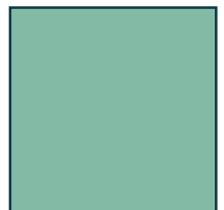
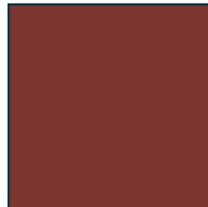
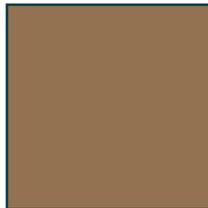
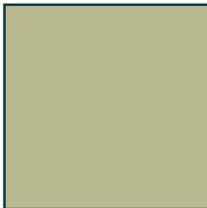
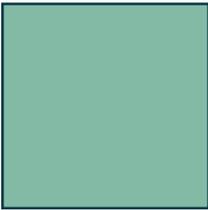
With ceramic and natural stone, Mohawk not only covers the floor, but also virtually every other surface – walls, countertops, even ceilings. Our Dal-Tile, American Olean and Mohawk brands are among the premium brands of tile and natural stone in the industry and offer a comprehensive product portfolio. An extensive combination of colors, textures, shapes, sizes and patterns create opportunities for one-of-a-kind designs for any space – from a classic Mediterranean villa to a sleek, contemporary loft.



# Laminate

*that delivers*

In the 1980s, engineering and innovation met to create an entirely new category of flooring – laminate. Since then, our Unilin division has been at the forefront of continuing innovation that has made its Quick-Step brand the standard setting name in both the North American and European markets. Carefully mirroring natural wood and tile patterns, Quick-Step and our other laminate brands offer unique looks, easy installation and simple maintenance.





# Hardwood

that shines with *natural beauty*

Hardwoods build not only floors, but also character and value. For centuries, hardwood floors have graced first-class quality homes. Today, our Mohawk, Columbia and Century brand hardwood flooring provides an incredible array of stylish options, from traditional oak to exotic Brazilian cherry, each of which combines meticulous craftsmanship with premium-selected woods. We also cover the full spectrum of products with engineered, solid or long strip wood planks in a variety of finishes.

# To Our Shareholders:

During the past decade, Mohawk has pursued a purposeful diversification strategy that has extended our business across the floor covering industry into new categories, distribution channels, customer segments and geographies. The resulting balanced business model has produced a strong and diversified company with the ability to manage successfully through cyclical industry downturns. In spite of very difficult industry conditions during 2007, Mohawk was still able to deliver a solid financial performance and move forward on important strategic initiatives.

The U.S. flooring industry was impacted in 2007 by an economy slowed by tightening credit markets, low consumer confidence, declining new home construction and falling prices for existing homes. Continued high-energy prices and raw material costs placed additional pressures on the flooring industry. As a result, all flooring categories, both hard and soft surface, experienced low demand in the new construction and residential replacement segments of the market.

Mohawk's well-balanced portfolio of businesses allowed us to focus our resources on pockets of opportunity in this challenging climate. For example, our acquisition of Unilin two years ago provided us with a strong and growing presence in Europe. Though it represents only 20 percent of overall sales, this presence and a strong European economy partially offset weaknesses in the North American market. Our performance also was aided by solid demand in the U.S. commercial market and, within the residential replacement market, reasonably strong demand for multi-family and premium products.

Despite the challenges facing the flooring industry, Mohawk recorded net sales for fiscal year 2007 of \$7.6 billion. Although net sales declined from \$7.9 billion in 2006, earnings in 2007 were strong at \$706.8 million, or \$10.32 per share, compared to \$455.8 million, or \$6.70 per share, in 2006.

“We define success during these periods as the ability to deliver sound financial results, while maintaining the level of investment required to keep our brands competitive.”

Jeffrey S. Lorberbaum  
Chairman, President and Chief Executive Officer



## Managing a Challenging Environment

Throughout 2007, each of our business segments implemented proactive measures to improve our results in a challenging market. These businesses also strived to maintain a proper balance between reducing SG&A, manufacturing and distribution costs, and investing to maintain competitive market strengths and capitalize on growth opportunities. The Mohawk segment, for instance, closed three manufacturing facilities and exited the flat weaving selling channel. At the same time, the Mohawk segment accelerated new product introductions and focused resources in better-performing areas, such as the higher-end residential replacement, multi-family and commercial market selling channels.

Many of these same dynamics were at play in our Dal-Tile segment. Demand in the commercial and higher-end residential channels helped to offset a weaker residential market. Dal-Tile continues to grow by focusing on premium products and the creation of new product lines, such as outdoor living products.

“Our ability to fund expansion reflects the healthy level of cash that our businesses generate.”



*Our acquisition of Columbia in 2007 has expanded Mohawk's capabilities in hardwood flooring*

During the year, we also invested in Dal-Tile's sales capabilities by opening additional product galleries, remodeling existing ones and realigning its sales structure to better serve customers. On the cost side, Dal-Tile closed one ceramic manufacturing facility and decreased its mix of sourced products.

Though not immune from the weak residential market in the U.S., our Unilin segment remains a very strong performer, and our Quick-Step brand continues to solidify its position as a premium brand in the category. We are expanding the Thomasville facility to increase manufacturing capacity by 100 million square feet of laminate per year to reduce our need to import products and in anticipation of continued growth in the U.S. market. In Europe, the Unilin business includes the flooring products category and the roofing systems and other wood products category, each of which showed positive sales increases during the year.

## Focusing on Long-Term Objectives

Though the current U.S. economic climate is challenging, it is by no means the first downturn Mohawk has experienced. Indeed, periodic downturns are part of the cyclical nature of many established industries. Successful companies must manage through such conditions with a focus on both short- and long-term goals. We define success during these periods as the ability to deliver sound financial results while maintaining the level of investment required to keep our brands competitive and to further the Company's long-term strategic objectives.

Our acquisition of four pre-finished hardwood flooring plants and the Columbia and Century hardwood brands in 2007 is another significant step in the long-term strategic plan to build a total flooring company. As a result of this \$147 million purchase, Mohawk is now vertically integrated in each of the carpet, tile, laminate and hardwood categories in the U.S. We also are now the second-largest producer in the pre-finished wood category, which has seen significant growth. Integration of the Columbia business, the results of which are reported as part of the Unilin segment, is well under way.



*Higher-end residential replacement has been one of the better performing areas of the market for our Mohawk segment.*

Our expectation is that Columbia will realize significant operational improvements as a part of Mohawk, as has been the case with our past acquisitions. We intend to invest in the Columbia manufacturing facilities to realize new efficiencies and to elevate quality standards. Some of these efficiencies will reflect greater asset utilization as we begin producing Mohawk-branded hardwood in these plants rather than sourcing through third parties. Columbia will also gain wider distribution through Mohawk's extensive retail relationships, vast distribution and logistics network, and expansion into new channels of distribution.

At Mohawk, growth is a continuous process, never a completed task. In this spirit, we continue to look for other opportunities – both through acquisition and internal growth – that will profitably broaden our manufacturing, distribution and marketing capabilities, our product portfolio and our geographic reach. During the past year, for instance, Unilin has increased its presence in Eastern Europe and Russia, where expanding economies are driving increased consumer demand for new and innovative flooring products. This expansion is in line with our increasingly global view of Mohawk's future.

Our ability to fund expansion reflects the healthy level of cash that our businesses generate. For the year, we had cash flow from operations of \$875 million, we reduced our debt by \$534 million, and we maintained a strong balance sheet. At year-end, our debt-to-capitalization ratio was 33 percent, down from 55 percent just over two years ago at the time of the Unilin acquisition.

### Capitalizing on The Total Flooring Company

As we enter 2008, we still face challenges in the U.S. residential market and in the cost of raw materials and energy. As we weather this downturn, we continue our intense focus on cost containment and on opportunities in areas of the market that show strength.

Mohawk is successfully positioned to withstand the volatility of current economic conditions without sacrificing long-term strategic objectives. We will build upon our strengths as we further expand our industry leadership position in North America and seek new geographic markets where we can replicate our success. We have built the total flooring company, but we are far from finished using it to create many more opportunities and rewards for our shareholders, our customers and our employees.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey S. Lorberbaum'.

Jeffrey S. Lorberbaum

Chairman, President and Chief Executive Officer

April 7, 2008

## Operating Highlights



### Mohawk

- Introduced two new backing systems (Unibond U2 and Encycle) for carpet and carpet tile – that are impervious to moisture and provide greater flexibility, ease of installation, reduced weight and complete closed-loop recyclability.
- Expanded sales force for multi-family selling channel.
- Ranked 19th in *Training Magazine's* “Top 125” for training and learning development programs among Fortune 500 companies.
- Began operations at Greenworks Center in Eton.



### Dal-Tile

- Opened two new sales galleries in major markets and opened two new stone centers.
- Remodeled 16 existing service centers, relocated and remodeled 17 others, and opened two new ones.
- Closed high-cost manufacturing plant.
- Introduced porcelain and stone tile collection for exterior use.
- Expanded position in both retail replacement and home center channels.



### Unilin

- Launched consumer advertising campaign to reinforce Quick-Step as premium laminate brand in Eastern Europe.
- Leveraged patent portfolio by entering into new licensing agreements.
- Began expansion of U.S. manufacturing plants.
- Expanded product offerings with acquisition of four pre-finished hardwood flooring plants and the Columbia brand name.
- Realized efficiencies and improvements in consolidating Columbia wood plants into Unilin operations.

# Every taste

From a room-sized rug in a first apartment to a bathroom renovation project to thousands of square feet of hardwood flooring in a dream home, most consumers will choose several types of floor covering during their lives.

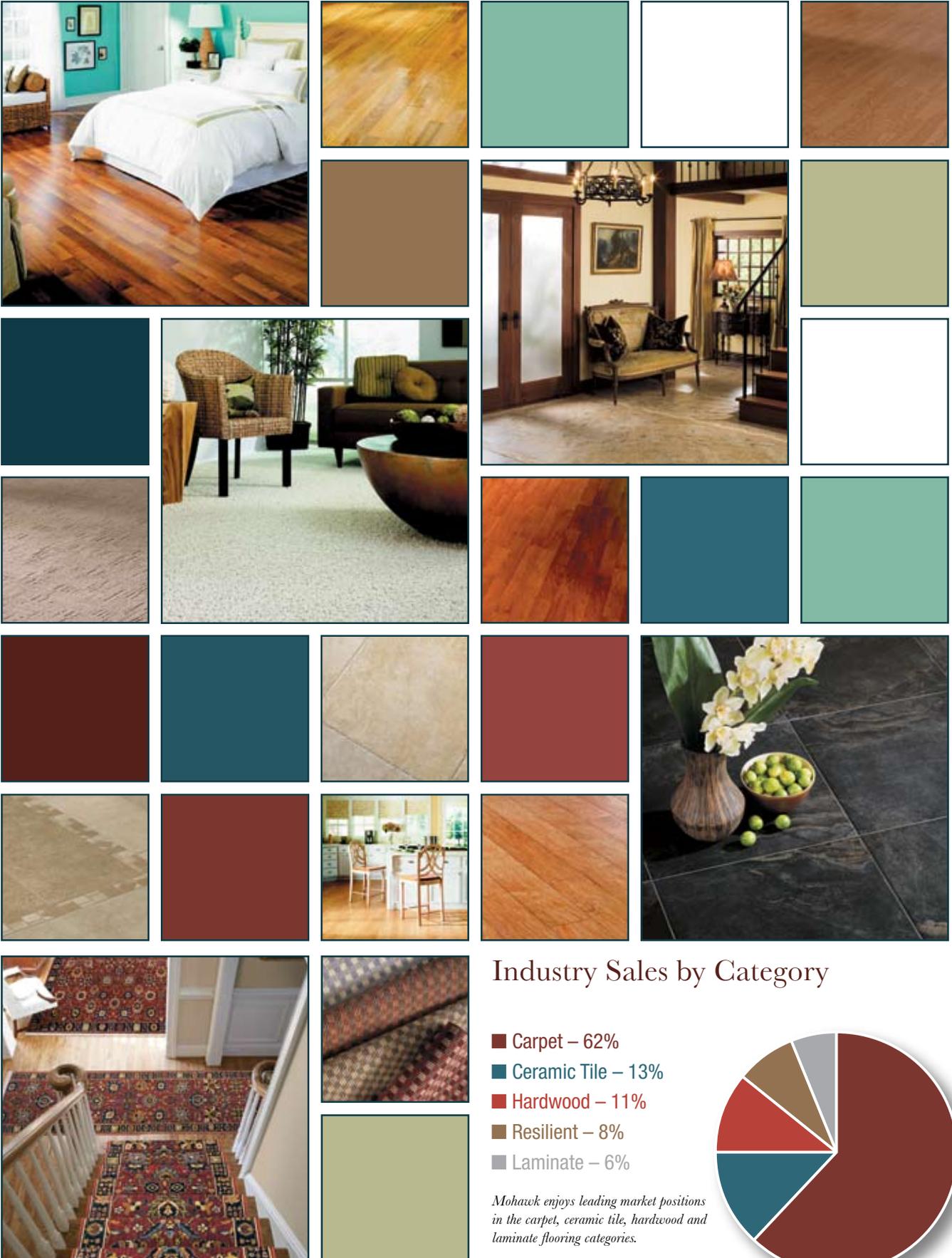
Mohawk's strong position in every product category and at every price point gives consumers one family of brands that can satisfy all of these needs. Indeed, expanding our product lines to meet changing consumer preferences has long been at the forefront of our corporate strategy. Building on a well-established position in soft surface flooring products, we have balanced our portfolio with hard surface flooring and other home fashion products such as stone countertops, wall tiles, and even specialty construction products and furniture components in our Unilin business segment. Today, ceramic, laminate and hardwood flooring combine to comprise nearly half of our sales.

Mohawk has far more than a simple presence in hard surface categories. In fact, in the North American market, we occupy the number one or two position in each of the broadloom carpet; ceramic tile, stone, laminate and hardwood flooring; stone countertops; and area rugs categories. Our most recent acquisitions have been in the laminate and hardwood flooring categories, which are among the fastest-growing flooring categories.

The Company also has depth and breadth within all major flooring categories. The Company's carpet portfolio, for instance, encompasses tufted, woven, printed and modular tile products. Depth comes in the form of vertical integration for the manufacturing and marketing of carpet, rugs, tile, laminate and hardwood flooring.

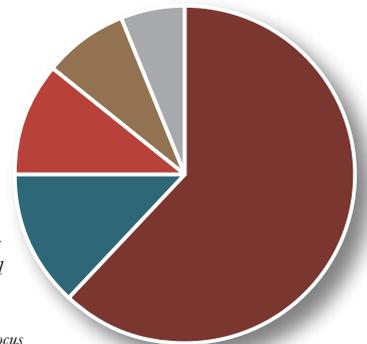
We anticipate that our balanced portfolio will serve us well as we capitalize on favorable, long-term building trends. Although the current predictions for the U.S. housing industry envision continued weak short-term demand, we believe that home ownership remains an important aspiration for most North American consumers and that demand for new homes will grow as baby boomers seek second homes, echo boomers move into prime household forming years and overall U.S. population growth continues.

When demand does increase, we should continue to benefit from the changes in housing preferences over the past generation, such as a greater number of bathrooms per residence, increasing consumer preference for more fully realized outdoor living areas and more square footage per home. Multi-family units, which have been a strong category of the flooring market in the wake of the housing downturn, also are larger than ever. In 2005, 43 percent of multi-family units were 1,200 square feet or larger compared to just 20 percent of such units in 1990. With flooring products to suit every taste, Mohawk is an excellent candidate to cover every new square foot of flooring in the future.



### Industry Sales by Category

- Carpet – 62%
- Ceramic Tile – 13%
- Hardwood – 11%
- Resilient – 8%
- Laminate – 6%



*Mohawk enjoys leading market positions in the carpet, ceramic tile, hardwood and laminate flooring categories.*

Source: *Floor Covering Weekly* and *Floor Focus*

# Every budget

All floors are not created equal because consumer tastes differ, as do consumer budgets. Mohawk's comprehensive product portfolio provides consumers with many options, whether their budget is modest, average or "sky's the limit."

Economic cycles reinforce the value of a diversified product line. While products at higher price points typically are less impacted by economic downturns, a large variety of products offers consumers seeking value-oriented options an array of choices to meet their budgets and their sense of fashion.

An extensive selection of products at a broad range of price points is a key competitive advantage so that we can meet the needs of consumers at both the low and high ends of the market. In addition, we have the flexibility to direct more resources toward those brands and price points that are experiencing greater demand. New product introduction can be accelerated or more marketing support directed to a given segment of the market.

Beyond the benefit of managing through economic cycles, we offer many different product collections to appeal to a

range of end-users. Our brands help to differentiate our products and, to some extent, to define varying price points. In residential broadloom carpet, for instance, we have three major collections: Aladdin, known for its value and durability; Horizon, a collection that emphasizes a wide color selection; and WundaWeve, a luxury brand that promotes contemporary style. Our residential offerings also include several fashion brands such as Karastan, Ralph Lauren and Helios.

Similar brand differentiation also exists in other categories. Unilin's Quick-Step is a top-tier brand in the laminate category and is highly respected in the industry for its technological and product innovation. Unilin also manufactures private label brands that can be tailored to meet a retailer's specific needs.

## Scale Advantage

Mohawk's extensive product and brand portfolio is made possible in large part due to backward and forward integration of manufacturing, distribution and marketing operations. These comprehensive capabilities bring an exceptional level of asset leverage, scale economy and operational flexibility to our businesses, which, in turn, make Mohawk products even more formidable competitors in the marketplace.



## Durable Value



*The Aladdin Carpet Collection blends value and functionality. It is especially suited to meet the needs of active households.*

## Affordable Style



*With a color to satisfy nearly every desire, The Horizon Carpet collection offers bold and unique styling options.*

## Affordable Luxury



*The WundaWeve Carpet collection provides an exceptionally luxurious carpet choice with a stylish look and comfortable feel.*

## Pure Luxury



*The Karastan brand is synonymous with fine craftsmanship and unique design.*

# Every need

Updating a tired living room with new carpet. Installing hardwoods throughout a new home. Tiling every bathroom in a hotel. Laying acres of carpet in an airport terminal. Whatever the need, Mohawk has the products and serves the distribution channels necessary to transform need into reality.

Our ability to meet the majority of flooring needs creates an enviable customer base for Mohawk. We have over 30,000 individual customers that include specialty flooring retail stores, home improvement centers, mass merchandisers, commercial dealers, commercial end-users and contractors.

Through these customers, our products are sold into three primary end-use markets – residential replacement, new construction and commercial. This diverse customer base adds another dimension of balance to our business model with the different cyclicity of each of these markets.

Our participation in the commercial market, which has enjoyed relatively strong demand over the past two years, has provided a substantial counter to weaknesses in residential replacement and new housing construction. The commercial market itself is further diversified among sub-markets that include corporate, education, hospitality, healthcare, retail and public venues, such as airports and food service areas.

Within the Mohawk segment, our commercial business is built around four leading brands – Bigelow, Lees, Karastan and Durkan Hospitality. The Lees brand specializes in modular carpet. Modular tiles have been one of the fastest-growing segments in the commercial market in recent years and an area of new product focus for us.

This past year we introduced a revolutionary, “green” carpet tile, Encycle, which is a finalist in the best new product category for the 2007 American Business Awards and which helped Mohawk receive its second Evergreen Award from the U.S. General Services Administration National Furniture Center in 2007.

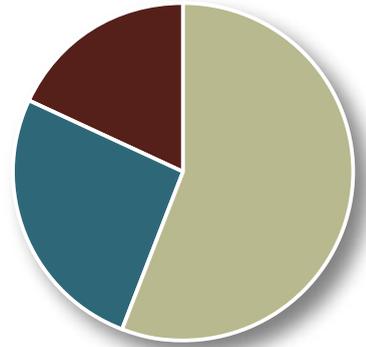
The commercial market is especially significant in our Dal-Tile segment, where commercial customers comprise over one-third of segment revenues. A key component of Dal-Tile’s strategy has been to expand services to national commercial accounts, allowing for incremental growth with existing customers.

Realizing that our sales are only as strong as our customers’ sales, Mohawk has a long tradition of providing strong marketing support to customers. Three levels of merchandising programs are available to specialty flooring retailers, which represent approximately two-thirds of flooring industry sales. Dal-Tile and its American Olean brand also have opened design galleries in recent years that provide retailers, contractors and their customers an environment in which to view the brands’ entire product lines in one space.

“Through these customers, our products are sold into three primary end-use markets – residential replacement, new construction and commercial. This diverse customer base adds another dimension of balance to our business model with the different cyclicalities of each of these markets.”

### Industry Revenue by End-Use

- Residential Replacement – 56%
- Commercial – 26%
- New Residential Construction – 18%



Residential Replacement



*New carpet represents an efficient way to update the look of any residential interior space.*

Commercial



*The Mohawk and Dal-Tile segments enjoy significant market share in the commercial flooring market.*

New Residential Construction



*Our presence in multiple flooring product categories positions us well in the new construction segment of the market.*

# Every place

For the past 15 years, Mohawk has pursued a focused and successful strategy of building the total flooring company in North America. Going forward, our vision is increasingly a global one.

The opportunity to enter the laminate category in North America with a strong, innovative management team and historically integrated manufacturing was the reason behind our 2005 acquisition of Unilin, headquartered in Belgium. Geographic diversification, however, has proved to be another benefit of this purchase. Mohawk's European presence has positively impacted the Company's sales volume, and currency exchange rates favoring the euro have also benefited total sales figures.

Laminate flooring enjoys substantially higher market penetration in Europe – approximately 11 percent of the flooring market – than in the United States, where penetration was 6 percent as recently as 2006. In both markets, Unilin's Quick-Step is one of the leading laminate brands and enjoys premium product positioning. The brand is recognized as the innovation and product leader with a strong patent portfolio, which serves as a source of additional revenue from licenses.

In Europe, Unilin's business operations include the flooring products category and the roofing systems and other wood products category. Within the flooring products category, Unilin manufactures laminate flooring, hardwood flooring and MDF (medium-density fiberboard), which is used as the core of laminate. Our roofing systems and other wood

products operations include production of roofing systems and chipboard, flax board, and melamine-covered board, much of which is used in specialty construction and ready-to-assemble furniture. Combined, these businesses operate 12 production facilities in Belgium, France and the Netherlands.

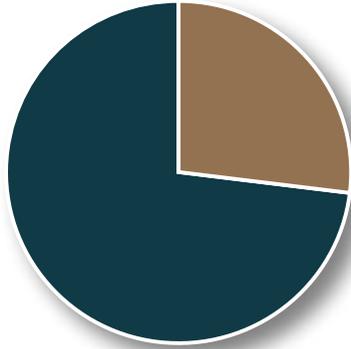
Unilin's European presence is especially beneficial as Mohawk considers more international opportunities. With expanding economies in Eastern Europe, Asia and Latin America, the opportunity to leverage our industry expertise in other geographies is an attractive one. In China and Russia, for example, laminate markets were forecast to grow at a compound average rate of 11 percent and 21 percent, respectively, from 2004 through 2009. Already, Unilin is capitalizing on this growth in Eastern Europe and Russia by adding sales personnel and opening a warehouse facility in Poland to enhance market penetration and support growth. Unilin is exploring opportunities for further expansion in these regions.

Though global expansion is a long-term prospect, there is clearly a lot more of the world for Mohawk to "cover." The total flooring company that we have built in North America is positioned ideally to reach farther than it ever has before.

## Unilin Sales by Geography

(U.S./Non-U.S.)

- U.S. – 27%
- Non-U.S. – 73%

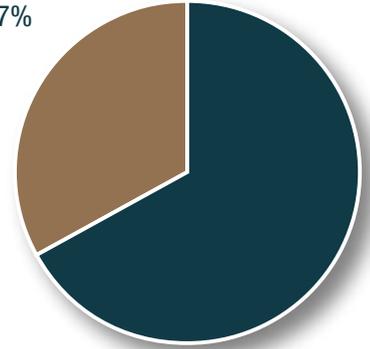


*Unilin's participation in a strong European economy positively impacted sales volume.*

## Unilin Sales by Product

(Flooring Products/Roofing Systems/Other Wood Products)

- Flooring Products – 67%
- Roofing Systems/  
Other Wood  
Products – 33%



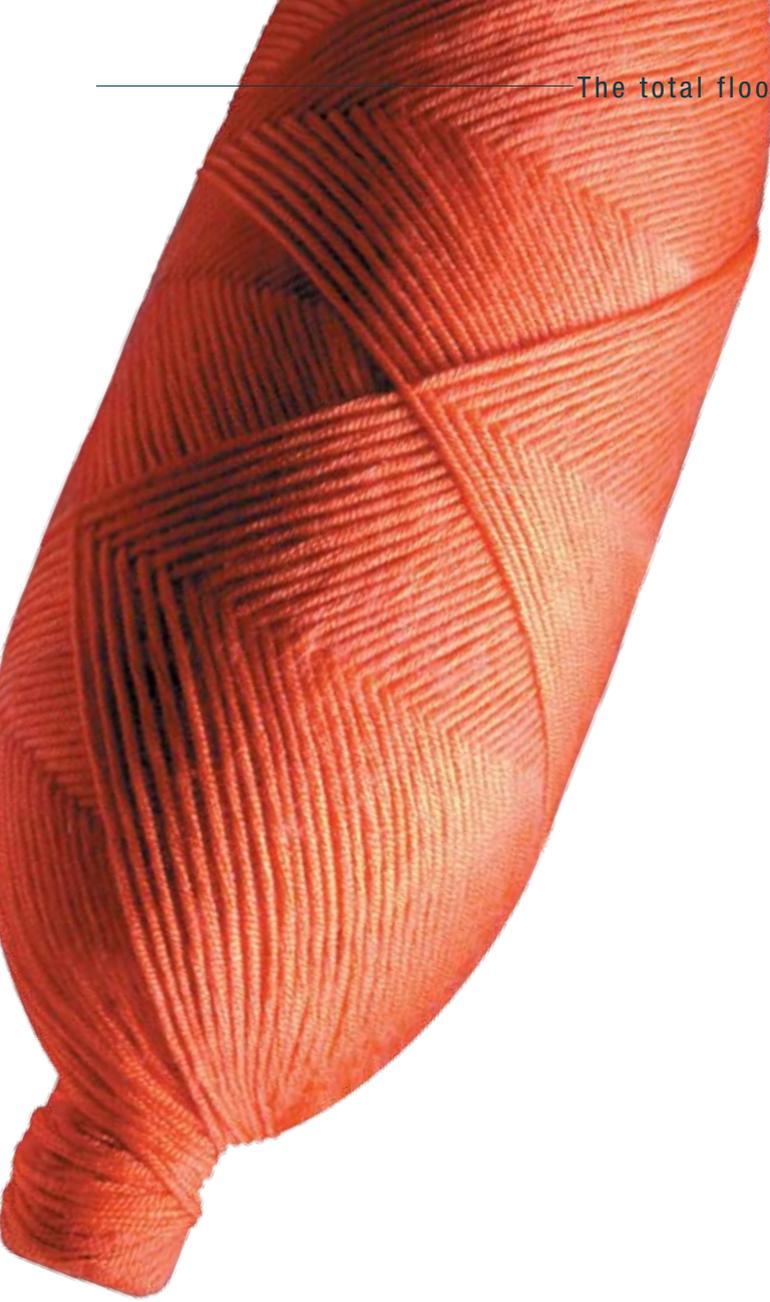
*In many areas of the world, laminate enjoys higher market penetration than in the United States.*



*In Europe, Unilin manufactures a variety of MDF boards for applications beyond flooring.*



*Unilin's European operations include the production of roofing systems.*



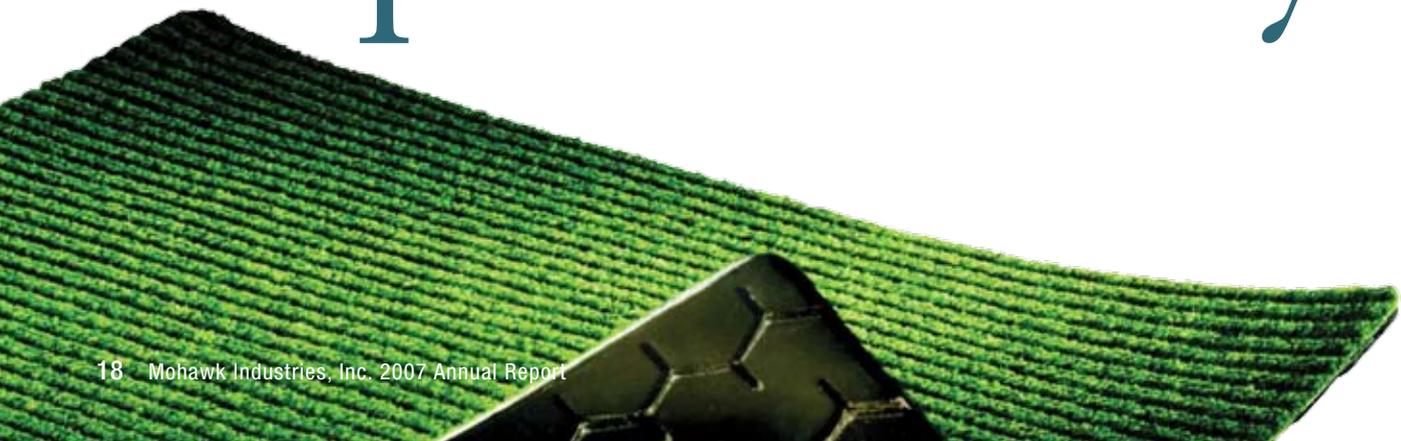
Since 1999, Mohawk has recycled billions of plastic bottles into quality carpeting. This is just one example of how we realized long ago that what works for the environment, works for our business.

Today, our plastic bottle recycling initiative is joined by a long list of environmentally-friendly projects, collectively known as Greenworks, that is transforming the way we plan and implement our business strategies in order to reduce, reuse, renew and recycle. In 2007 and for the second time, the U.S. General Services Administration National Furniture Center recognized Mohawk for its sustainability programs with an Evergreen Award for environmental stewardship.

#### Green Manufacturing

Do more with less – this is the perfect phrase to explain how we align manufacturing operations with environmental stewardship. Consider the number of carpet samples we generate annually. By using fully accurate digital simulation, the Mohawk segment's SMART book samples use 63 percent less virgin raw materials than traditional sample books. Each SMART book conserves enough energy to power up to four U.S. households for an entire year. We also are proud of our record in water conservation. Over the last 12 years we have lowered our water usage by 50 percent per yard of manufactured carpet. By managing our own

# Our *total* responsibility





*Cushion, carpet fiber, carpet and laminate products contain pre- and post-consumer content.*

wastewater, we create natural wetland habitats for wildlife and plant life adjacent to many of our facilities. Throughout the manufacturing process, our goal is zero-waste – from yarn to shrink-wrap to cardboard to sawdust – many materials left over find new life in another product or process.

### Green Products

Our ultimate goal is for every space to have a bit of “green” as part of its décor. As we design new products, we seek to take fewer resources out of the environment, create less waste and strive to ensure that these products can eventually be recycled. Already, many of our carpet backing systems, padding,

cushion, carpet fiber, carpet and laminate products contain pre- and post-consumer content. We also are redesigning engineering systems to find the most environmentally friendly construction processes. Indeed, third parties certify hundreds of our products as meeting a variety of environmental quality standards.

### Recycling

Today, Mohawk continues to do its part to keep plastic bottles out of our nation’s landfills, and we have expanded our recycling efforts beyond those bottles to include recycling carpet itself. Our newest effort, Greenworks Center, is devoted to reducing the amount of carpet waste sent to landfills in North America. This center is unique in the industry because it can recycle all major types of synthetic carpet fiber and recover about 90 percent of all materials into useable products, the highest recovery rate in the industry. An equally important program is ReCover, which helps carpet customers recycle their old carpet instead of having to send it to the landfill. As we are finding with so many of our sustainability initiatives, ReCover is good for consumers, good for Mohawk and good for the environment. To learn more about our entire Greenworks program, we encourage you to visit [www.mohawkgreenworks.com](http://www.mohawkgreenworks.com).

## Three Shades of Green

*Mohawk SmartStrand® with DuPont™ Sorona® brings sustainability to flooring through an exclusive process in which carpet fiber is made with Bio-PDO™, which is produced from corn sugar. In addition to being a renewable resource, less energy is required to produce Sorona® fiber and fewer greenhouse gases are emitted during the process.*



**SmartStrand**  
with DuPont™ Sorona® renewably sourced polymer\*

*Encycle is the first and only carpet tile backing system that can be recycled back into itself without the need to separate the pile fiber from the backing. It uses no PVC, 28 percent less virgin raw materials and has a total of 35 percent recycled content.*



*everSTRAND™ is a carpet fiber containing 100 percent post-consumer recycled content using PET (polyethylene terephthalate) that is extruded from recycled plastic bottles. In fact, one out of every four plastic bottles recycled in North America eventually ends up as Mohawk carpet.*

**MOHAWK**  
**greenworks**™

## Board of Directors and Officers

### Directors

**Jeffrey S. Lorberbaum**  
Chairman of the Board, President  
and Chief Executive Officer

**Phyllis O. Bonanno** <sup>(c)</sup>  
President and Chief Executive Officer of  
International Trade Solutions, Inc.

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

**Frans De Cock**  
President  
Unilin

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

**David L. Kolb** <sup>(b)(c)</sup>  
Former Chairman and  
Chief Executive Officer  
Mohawk Industries, Inc.

**Larry W. McCurdy** <sup>(a)(c)</sup>  
Former Chairman,  
President and Chief Executive  
Officer of Echlin, Inc. (a worldwide  
manufacturer of motor vehicle parts)

**Joseph A. Onorato** <sup>(a)</sup>  
Former Chief Financial Officer  
of Echlin, Inc.

**Robert N. Pokelwaldt** <sup>(a)(b)</sup>  
Former Chairman and Chief Executive Officer  
of York International Corporation (a manufac-  
turer of air conditioning and cooling systems)

**W. Christopher Wellborn**  
Chief Operating Officer

<sup>(a)</sup> Audit Committee

<sup>(b)</sup> Compensation Committee

<sup>(c)</sup> Nominating and Corporate Governance Committee

### Officers

**Jeffrey S. Lorberbaum**  
Chairman of the Board, President and  
Chief Executive Officer

**W. Christopher Wellborn**  
Chief Operating Officer

**Frank H. Boykin**  
Vice President – Finance and  
Chief Financial Officer

**Harold G. Turk**  
President  
Dal-Tile

**Frans De Cock**  
President  
Unilin

**H. Monte Thornton**  
President  
Mohawk Flooring

**James T. Lucke**  
Vice President, General Counsel  
and Assistant Secretary

**Thomas J. Kanuk**  
Vice President, Corporate Controller  
and Principal Accounting Officer

## Shareholder Information

### Corporate Headquarters

P.O. Box 12069  
160 South Industrial Boulevard  
Calhoun, Georgia 30703  
(706) 629-7721

### Independent Auditor

KPMG LLP  
Atlanta, Georgia

### Corporate Counsel

Alston & Bird LLP  
Atlanta, Georgia

### Transfer Agent and Registrar

American Stock Transfer  
and Trust Company  
Corporate Trust Client Services  
1525 West W.T. Harris Blvd., 3C3  
Charlotte, North Carolina 28262-8522  
(704) 590-7390

### Publications

The Company's Annual Report, Proxy Statement, Form 8-K, 10-K and 10-Q reports are available without charge and can be ordered via our stockholder communications service at (800) 625-7721 or via the Internet at [www.mohawkind.com](http://www.mohawkind.com) under investor relations. Written requests should be sent to Deby Forbus at the Company's headquarters address above.

### Product Inquiries

For more information about Mohawk's products, call toll-free: (800) 622-6227 or visit our Web site at [www.mohawk-flooring.com](http://www.mohawk-flooring.com).

### Investor/Analyst Contact

For additional information about Mohawk, please contact Frank H. Boykin at (706) 624-2695 or at the Company's headquarters address above.

### Annual Meeting Of Shareholders

The Annual Meeting of Shareholders of Mohawk Industries, Inc., will be held at the Company's headquarters on South Industrial Boulevard in Calhoun, Georgia, on Wednesday, May 14, 2008, at 10:00 a.m. For directions and a map, call Deby Forbus at (706) 624-2246.

### Common Stock Price Range

Mohawk's common stock is traded on the New York Stock Exchange under the symbol MHK. The table below sets forth the high and low sales prices per share of the common stock as reported by the exchange, for each fiscal period indicated.

#### Mohawk Common Stock

2006	High	Low
First Quarter	\$ 90.88	\$80.05
Second Quarter	81.50	69.47
Third Quarter	77.18	62.80
Fourth Quarter	79.64	70.00
2007	High	Low
First Quarter	\$ 94.35	\$75.15
Second Quarter	108.00	81.28
Third Quarter	103.73	80.32
Fourth Quarter	87.44	73.40

### Environmental Commitment

Mohawk addresses environmental issues through the application of recycling, waste management and energy conservation in its business practices and operating procedures.

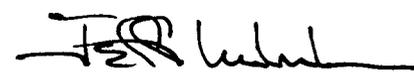
Portions of this annual report printed on recycled paper.

### Equal Opportunity

Mohawk is an Equal Opportunity/Affirmative Action employer committed to attracting a diverse pool of applicants.

### NYSE Affirmation Certifications

As Chief Executive Officer of Mohawk Industries, Inc., and as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, I hereby certify that as of the date hereof I am not aware of any violation by the Company of NYSE's Corporate Governance listing standards.



Jeffrey S. Lorberbaum  
Chairman, President and  
Chief Executive Officer

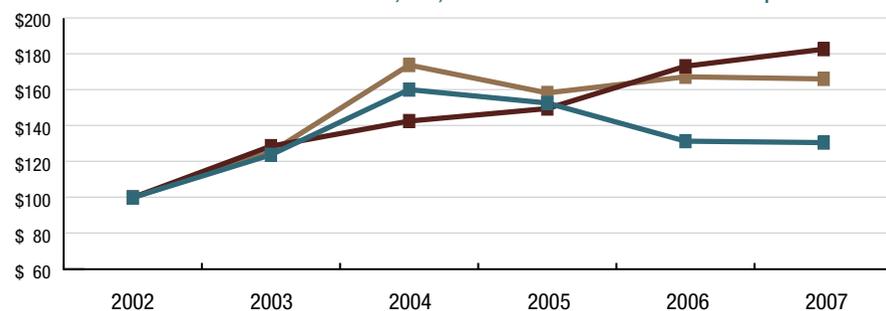
The Company has filed the certifications of its Chief Executive Officer and Chief Financial Officer required by Section 302 of Sarbanes-Oxley Act of 2002 as an exhibit to the Company's Form 10-K for the fiscal year ended December 31, 2007.

## Stock Performance Graph

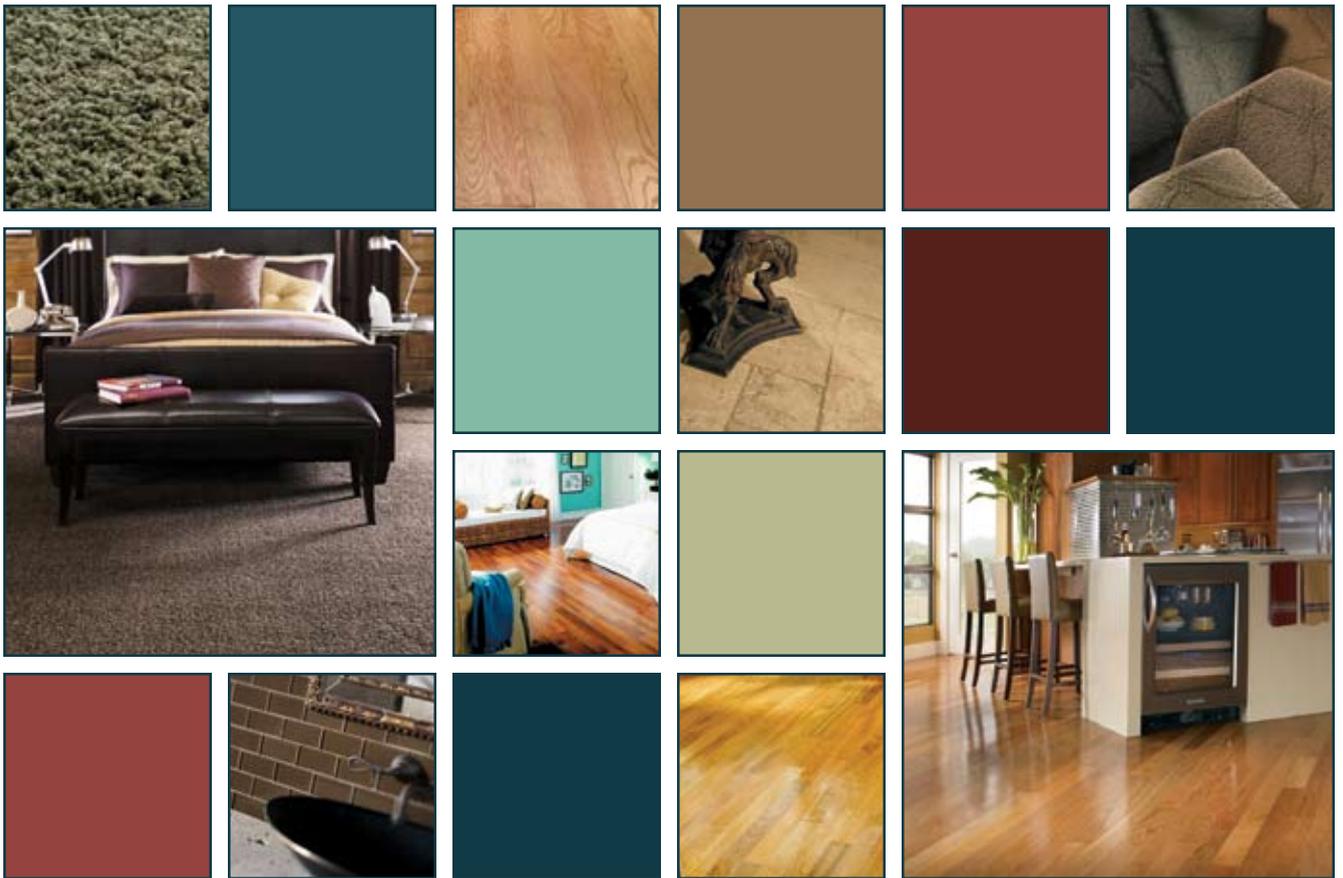
The following is a line graph comparing the yearly percentage change in the Company's cumulative total stockholder returns to those of the Standard & Poor's 500 Index and a group of peer issuers beginning on December 31, 2002 and ending on December 31, 2007.

The peer group includes the following companies: The Black & Decker Corporation, Congoleum Corporation, Dixie Group, Inc., Interface, Inc., Leggett & Platt, Inc., MASCO Corporation and The Stanley Works. The Black & Decker Corporation and The Stanley Works are included in the peer group because these companies respond to economic changes similarly to the Company. Total return values were calculated based on cumulative total return, assuming the value of the investment in the Company's Common Stock and in each index on December 31, 2002 was \$100 and that all dividends were reinvested. The Company is not included in the peer group because management believes that, by excluding the Company, investors will have a more accurate view of the Company's performance relative to the peer companies.

Comparison of Total Cumulative Returns  
Between Mohawk Industries, Inc., the S&P 500 Index and a Peer Group



	2002	2003	2004	2005	2006	2007
■ MOHAWK INDUSTRIES INC	100.00	123.86	160.23	152.73	131.45	130.65
■ S&P 500 Index - Total Return	100.00	128.68	142.67	149.65	173.28	182.81
■ Peer Group Only	100.00	125.34	173.94	158.37	167.37	166.19



Mohawk Industries, Inc. P.O. Box 12069, 160 South Industrial Boulevard, Calhoun, Georgia 30703 [www.mohawkind.com](http://www.mohawkind.com)

