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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[MARK ONE]

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
FOR THE TRANSITION PERIOD FROM COMMISSION FILE NUMBER
TO 01-19826

MOHAWK INDUSTRIES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 52-1604305
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER
INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

P. O. BOX 12069, 160 S. INDUSTRIAL BLVD., CALHOUN, GEORGIA 30701
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (706) 629-7721

Securities Registered Pursuant to Section 12(b) of the Act: Common Stock, \$.01
par value
Securities Registered Pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is not contained herein, and will not be contained, to the
best of Registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to the
Form 10-K. [X]

The aggregate market value of the Common Stock of the Registrant held by non-
affiliates of the Registrant (22,159,639 shares) on March 10, 1998 was
\$585,845,456. The aggregate market value was computed by reference to the
closing price of the Common Stock on such date.

Number of shares of Common Stock outstanding as of March 10, 1998: 52,256,747
shares of Common Stock, \$.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Definitive Proxy Statement for the 1998 Annual Meeting of
Stockholders--Part III

PART I

ITEM 1. BUSINESS

GENERAL

Mohawk Industries, Inc. ("Mohawk" or the "Company", a term which includes the
Company and its subsidiaries, including its primary operating subsidiaries,
Mohawk Carpet Corporation ("Mohawk Carpet") and Aladdin Manufacturing
Corporation ("Aladdin Manufacturing", formerly known as Mohawk Manufacturing
Corporation)) is a leading producer of woven and tufted broadloom carpet and

rugs for residential and commercial applications. The Company is the second largest carpet and rug manufacturer in the United States, with 1997 net sales of approximately \$1.9 billion. The Company designs, manufactures and markets carpet and rugs in a broad range of colors, textures and patterns. The Company is widely recognized through its premier brand names, some of which are "Mohawk," "Alexander Smith," "Horizon," "Mohawk Commercial," "Harbinger," "Helios," "American Rug Craftsmen," "Karastan," "Bigelow," "Aladdin" and "Galaxy," and markets its products primarily through carpet retailers, home centers, mass merchandisers, department stores, commercial dealers and commercial end users. Mohawk's operations are vertically integrated from the extrusion of resin into fiber, to the conversion of fiber into yarn and to the manufacture and shipment of finished carpet and rugs.

#### HISTORY

The Company was organized in Delaware in 1988 to acquire Aladdin Manufacturing from its predecessor owner, Mohasco Corporation, in a leveraged buyout transaction. The Company completed its initial public offering of Common Stock in April 1992, raising approximately \$42.5 million in proceeds, which were used to retire indebtedness and redeem preferred stock outstanding at that time. Mohawk acquired Horizon Industries, Inc. ("Horizon") in October 1992 for cash of approximately \$63.9 million and 4,009,500 shares of Common Stock valued at approximately \$22.5 million. Mohawk purchased American Rug Craftsmen, Inc. ("American Rug") in April 1993 for approximately \$32.0 million in cash and Karastan Bigelow in July 1993 for approximately \$155.5 million, which was substantially all cash. In May 1993, the Company completed an offering of 4,725,000 shares of Common Stock. Of the total number of shares, 3,600,000 shares were sold by the Company and 1,125,000 shares were sold by selling stockholders. The net proceeds to the Company were approximately \$46.0 million. On February 25, 1994, Mohawk acquired all of the common stock of Aladdin Mills, Inc. ("Aladdin") in exchange for approximately 20,343,000 shares of Common Stock, valued at \$386.5 million, based upon the closing stock price at the date the agreement was executed. On January 13, 1995, Mohawk acquired all of the capital stock of Galaxy Carpet Mills, Inc. ("Galaxy") for \$42.2 million in cash.

On July 23, 1997, the Company acquired certain assets of Diamond Rug & Carpet Mills, Inc. ("Diamond") and other assets owned by Diamond's principal shareholders for approximately \$36.0 million, which consisted of \$19.6 million in cash at closing, \$7.0 million in cash over the six-month period following closing and a \$9.4 million note payable in seven annual installments of principal plus interest at 6%. The acquisition was accomplished through a plan of reorganization filed by Diamond under Chapter 11 of the United States Bankruptcy Code.

On October 23, 1997, the Board of Directors of the Company declared a 3-for-2 stock split that was paid as a 50% stock dividend on December 4, 1997, to holders of record on November 4, 1997. All share information presented herein gives effect to this stock split.

#### INDUSTRY

According to the most recent figures available from the United States Department of Commerce, worldwide carpet and rug sales volume of American manufacturers and their domestic divisions was 1.6 billion square yards in 1996. This volume represents a market in excess of approximately \$10.1 billion at the "mill level", which management believes, based on standard industry mark-ups, translates into approximately \$16.2 billion to \$18.2 billion at the retail level. Based upon data obtained from recent industry publications, the worldwide carpet and rug sales volume of American manufacturers in 1997 was approximately 1.6 billion square yards and \$10.0 billion. The overall level of

sales in the carpet industry is influenced by a number of factors, including consumer confidence in spending for durable goods, interest rates, turnover in housing, the condition of the residential and commercial construction industries and the overall strength of the economy.

Broadloom carpet (defined as carpet over six feet by nine feet in size) represented 82% of the volume shipped by the industry in 1996. Tufted broadloom carpet (a category that refers to the manner of construction in addition to size) represented 96% of the broadloom industry volume shipped in 1996. The broadloom carpet industry has two primary markets, residential and commercial, with the residential market making up approximately 75% of industry volume

shipped and the commercial market comprising approximately 25% in 1996. An estimated 56% of industry shipments is made in response to replacement demand, which usually involves exact yardage (or "cut order") shipments that typically provide higher profit margins than sales of carpet sold in full rolls. Because the replacement business generally involves higher quality carpet cut to order by the manufacturer, rather than the dealer, this business tends to be more profitable for manufacturers than the new construction business.

#### PRODUCTS AND MARKETS

The Company designs, manufactures and markets hundreds of styles of carpet, rugs and mats in a broad range of colors, textures and patterns. Mohawk positions its products in all price ranges and emphasizes quality, style, performance and service. The Company is widely recognized through its premier brand names, "Mohawk," "Alexander Smith," "Horizon," "Mohawk Commercial," "Karastan Contract," "Bigelow Commercial," "Harbinger," "Helios," "American Rug Craftsmen," "Karastan," "Bigelow," "Aladdin," "Townhouse," "Ciboney," "Modesto," "Hamilton," "New Visions" and "Galaxy," and markets its products primarily through carpet retailers, home centers, mass merchandisers, department stores, commercial dealers, and commercial end users. Some products are also marketed through private labeling programs.

Mohawk markets certain of its products outside the United States, but does not consider sales of such products to be material.

#### Residential Broadloom Market

The residential market is the largest segment of the industry and represents a significant portion of the Company's sales. The Company currently markets approximately 370 residential products to more than 25,000 customers which include independent retailers, department stores, mass merchandisers, buying groups, and building and tenant improvement contractors.

The Company has positioned its premier residential brand names across all price ranges with the Company product retail prices ranging from below \$3 to above \$80 per square yard. "Mohawk," "Alexander Smith," "Horizon," "Galaxy," "New Visions," "Karastan" and "Bigelow" are positioned to sell primarily in the medium-to-high retail price range in the residential broadloom market and these lines are also sold under private labels. These lines have substantial brand name recognition among carpet dealers and retailers with the "Karastan," "Mohawk," and "Bigelow" brands having the highest consumer recognition in the industry. "Karastan" is the leader in the exclusive high end market. The "Aladdin," "Townhouse," "Ciboney," "Modesto" and "Hamilton" brand names compete in the low-to-medium retail price range.

Based on a recent industry survey, the Company is considered a leader within the industry of U.S. carpet manufacturers providing marketing support. Through dealer programs like Karastan Gallery, Mohawk Brand Excellence, New Visions, Hamilton, Ciboney and Mohawk Carpet Color Center, the Company offers intensive marketing and advertising support. These programs offer varying degrees of support to dealers in such areas of sales and management training, display racks, exclusive promotions and assistance in certain administrative functions such as computer systems, accounting and insurance.

The Company generally markets its residential products through its Aladdin, Galaxy and Mohawk sales forces. Although these sales forces have maintained their separate identities, they report to common management on a regional basis. All of the regional vice presidents report to one senior vice president of sales. Each region has responsibility

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for sales, distribution and inventory management in its region, all of which is coordinated by the senior vice president of sales at a national level. The inventory management on a regional level is accomplished by a hub-and-spoke distribution network. In this system, Company trucks generally deliver carpet from mill sites to regional warehouses. From there, it is shipped to local distribution warehouses, then to retailers. The Company believes that the current structure of the residential sales group has contributed to a more efficient and profitable organization.

#### Commercial Market

The commercial market is divided into several segments: educational

institutions, corporate office space, hospitality facilities, retail space and health care facilities. In addition, Mohawk produces and sells carpet for the export market, the federal government and other niche businesses. Different purchase decision makers and decision-making processes exist for each segment. For example, in the corporate office segment, decisions are usually made by architects or specifiers, whose responsibility is to manage the project budget and coordinate interior design. In the institutional segment, by comparison, decisions are often made by purchasing agents employed by the end user who have longstanding relationships with carpet manufacturers. The commercial market is generally a more complex market in which to sell than the residential market. The Company's participation in the commercial market allows it to offset partially the cyclical nature of its residential business.

In the commercial market, the Company markets its products under the brand names "Mohawk Commercial," "Harbinger," "Aladdin," "Karastan Contract" and "Bigelow Commercial." The marketing strategy of the Mohawk Commercial, Karastan Contract and Bigelow Commercial brands is to leverage the brands' traditional sales strength in the educational institution segment of the market to the office, hospitality, retail and health care segments. These brands are comprised of specialized products for these segments that emphasize product quality and specification rather than just price.

The Harbinger brand is a specialized line of commercial carpet generally specified by architects and designers for end users in the hospitality, corporate, health care and institutional market sectors. Harbinger products are largely custom designed and colored and are marketed through its sales organization of commercial carpet sales specialists. The Harbinger brand is considered to be an industry leader in product quality, styling and innovation for the high-end commercial market. Harbinger products were the first to introduce "graphics" tufting technology to the industry and have maintained their product development leadership by employing tufting and dyeing technologies that produce intricate multicolored patterns.

The Aladdin brand is marketed primarily to the "mainstreet" segment of the commercial market. The "mainstreet" segment is generally comprised of the low-to-medium price range styles and is distributed primarily through retail dealers for smaller installations.

Woven commercial products accounted for a significant portion of the Company's net sales of commercial product in 1997, including the Mohawk Commercial brand's exclusive woven interlock products, which are manufactured by a unique weaving process that increases performance, wear and durability. The Company's ability to make woven carpet under the Mohawk Commercial, Karastan Contract and Bigelow Commercial brand names in large volume for commercial applications differentiates it from other manufacturers, most of which produce tufted carpet almost exclusively. Woven carpet and specifically the Company's woven interlock products sell at higher prices than tufted carpet and generally produce higher profit margins. Management believes that the Company is the largest producer of woven carpet in the United States and that the Company has several carpet weaving machines and processes that no other manufacturer has, thereby allowing the Company to create carpet to meet specifications that its competitors cannot duplicate.

#### Residential Rug Market

The machine-made rug market is currently the fastest growing segment of the U. S. carpet and rug industry with an annual growth rate estimated to be approximately 7% in 1997. Much of this growth has occurred at the low-to-medium retail price ranges. The distribution channels for the rug market primarily include department stores, mass merchants, floorcovering stores, catalog stores, home centers and furniture stores.

The Company's product lines include a broad array of rugs. The Karastan brand name rugs represent the higher retail price ranges with one of the most valued brand names in the industry and are distributed through specialty stores, along with department and furniture stores. These are higher quality woven wool rugs manufactured primarily on Axminster looms.

The Company emphasizes the fast growing lower retail price ranges through its American Rug Craftsmen brand name. The rugs sold under this brand are primarily woven polypropylene area rugs, tufted border rugs and decorative mats, which are made from purchased matting material that is cut, serged and screen printed by

the Company. These products are distributed primarily through mass merchants and home centers.

The Company also sells to the bath mat and washable bath rug segments of the rug market through its Aladdin brand name. These are tufted nylon products which are distributed through department stores and mass merchants.

#### ADVERTISING AND PROMOTION

The Company promotes its products in the form of co-operative advertising, point-of-sale displays and marketing literature provided to assist in marketing various carpet styles. Mohawk also continues to rely on the substantial brand name identification of its "Mohawk," "Alexander Smith," "Horizon," "Mohawk Commercial," "Harbinger," "Helios," "Karastan," "Bigelow," "Aladdin," "American Rug Craftsmen" and "Galaxy" lines. The cost of producing display samples, a significant promotional expense, is partially offset by sales of samples and support from raw materials suppliers.

In 1997, the Carpet and Rug Institute approved a four-year national industry advertising campaign with a \$25 million annual budget. Funding for the program will be raised from contributions from individual manufacturers in the carpet industry, including suppliers of fiber, backing, latex and finished carpet and rugs. Mohawk is a participant in the campaign. The purpose of the program is to advance consumer confidence, satisfaction and preference of carpet as the floorcovering of choice.

#### MANUFACTURING AND OPERATIONS

The Company's manufacturing operations are vertically integrated and include the extrusion of resin into polypropylene and nylon fiber, yarn processing, tufting, weaving, dyeing, coating and finishing. Capital expenditures are primarily focused on increasing capacity, improving productivity and reducing costs. Mohawk incurred \$212.2 million in capital expenditures over the past three years, including acquisitions. These expenditures increased manufacturing efficiency and capacity, while improving overall cost competitiveness.

#### RAW MATERIALS AND SUPPLIERS

The principal raw materials the Company uses are nylon staple fibers; nylon filament fibers; raw wool; polypropylene filament fibers; polyester staple fibers; olefin resins; synthetic backing materials, polyurethane and latex; and various dyes and chemicals. Mohawk obtains all of its major raw materials from independent sources and all of its externally purchased nylon fibers from four major suppliers: E.I. du Pont de Nemours and Company, Monsanto Company, BASF Corporation and AlliedSignal, Inc. Most of the fibers the Company uses in carpet production are treated with stain-resistant chemicals. The Company has not experienced significant shortages of raw materials in recent years. The Company believes that the loss of any one supplier would not have a material effect on the Company and that an alternative supply arrangement could be made in a relatively short period of time.

#### COMPETITION

All of the markets in which the Company does business are highly competitive, with approximately 100 companies engaged in the manufacture and sale of carpet in the United States. Carpet manufacturers also face competition from the hard surface floorcovering industry. Based on industry publications, the top twenty North American carpet and rug manufacturers (including their American and foreign divisions) in 1996 had worldwide sales in excess of \$10

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billion, and the top twenty manufacturers in 1990 had sales in excess of \$6 billion. Mohawk, with 1997 net sales of approximately \$1.9 billion, is the second largest producer of carpet and rugs (in terms of sales volume).

Certain of the Company's competitors have greater financial and other resources than the Company. In particular, the industry has one large competitor, Shaw Industries, Inc. ("Shaw"), who in 1997 held the largest share of the domestic wholesale market based on sales. Shaw's size could permit significant raw material purchasing power and certain other manufacturing cost advantages compared with the rest of the industry.

The principal methods of competition within the industry are price, style,

quality and service. In both the residential and commercial markets, price competition and market coverage are particularly important because there is relatively little perceived differentiation among competing product lines. Mohawk's recent investments in modernized, advanced manufacturing and data processing equipment, the extensive diversity of equipment in which it has invested and its marketing strategy contribute to its ability to compete primarily on the basis of performance, quality, style and service, rather than just price.

#### TRADEMARKS

Mohawk uses several trademarks that it considers important in the marketing of its products, including "Mohawk (R)," "Tommy Mohawk (R)," "Mohawk Color Center (R)," "Alexander Smith (R)," "Horizon (R)," "Mohawk Commercial," "Harbinger (R)," "Helios (R)," "Commercial Horizons (R)," "Karastan (R)," "Bigelow (R)," "Aladdin," "American Rug Craftsmen," "Townhouse," "Ciboney (R)," "Hamilton (R)" and "Galaxy (R)."

#### SALES TERMS AND MAJOR CUSTOMERS

The Company's sales terms are the same as those generally available throughout the industry. The Company generally permits its customers to return broadloom carpet purchased from it within 30 days from the date of sale if the customer is not satisfied with the quality of the carpet. This return policy is consistent with the Company's emphasis on quality, style and performance and promotes customer satisfaction without generating enough returns to affect materially the Company's operating results or financial position.

During 1997, no single customer accounted for more than 4.5% of Mohawk's total net sales. The Company believes the loss of one or a few major customers would not have a material adverse effect on the Company's business.

#### BACKLOG

Backlog of orders is generally insignificant in the carpet manufacturing business because most residential orders are filled within several days and commercial backlogs reflect the terms of the relevant contracts, which generally require delivery within four to six weeks.

#### EMPLOYEES

As of December 31, 1997, the Company employed approximately 12,600 persons. Approximately 270 Mohawk employees are members of the Union of Needletrades, Industrial and Textile Employees, AFL-CIO, CLC with which the Company is party to a collective bargaining agreement. Other than with respect to these employees, the Company is not a party to any collective bargaining agreements. Additionally, the Company has not experienced any strikes or work stoppages. The Company believes that its relations with its employees are good.

#### ENVIRONMENTAL MATTERS

The Company's operations must meet federal, state and local regulations governing the discharge of materials into the environment. All of the plants operated by the Company were built or have been upgraded to meet current environmental standards. The Company believes it is in material compliance with all applicable regulations. The

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Company estimates that any expenses incurred in maintaining compliance with these regulations will not materially affect earnings.

#### CYCLICAL NATURE OF INDUSTRY; CURRENT ECONOMIC CONDITIONS

The carpet industry is a cyclical business, influenced by a number of general economic factors, including consumer confidence and spending for durable goods, disposable income, interest rates, turnover in housing and the condition of the residential and commercial construction industries (including the number of new housing starts and the level of commercial construction). During economic downturns, the carpet industry can be expected to experience a general decline in sales and profitability.

#### ITEM 2. PROPERTIES

The Company owns a 47,500 square foot headquarters office in Calhoun, Georgia on an eight acre site. The following table lists the principal manufacturing and distribution facilities owned by the Company:

LOCATION	PRIMARY PRODUCTS OR PURPOSES	APPROX. ENCLOSED AREA IN SQUARE FOOTAGE
Dalton, GA.....	Carpet and rug manufacturing and warehousing.	1,762,000
Chatsworth, GA.....	Carpet manufacturing, warehousing and offices	787,300
Dublin, GA.....	Carpet manufacturing, warehousing and offices	831,000
Lyerly, GA.....	Carpet manufacturing and warehousing.....	635,000
Eden, NC.....	Carpet and rug manufacturing.....	784,200
Calhoun, GA.....	Carpet manufacturing and distribution center.	792,000
Eton, GA.....	Carpet manufacturing.....	567,500
Landrum, SC.....	Weaving and finishing of carpet.....	350,000
Dalton, GA(1).....	Carpet dyeing.....	259,000
Calhoun, GA.....	Carpet dyeing.....	65,000
Dalton, GA.....	Sample storage and distribution.....	123,000
Chatsworth, GA.....	Carpet distribution.....	957,000
Eden, NC.....	Carpet and rug distribution.....	194,000
Summerville, GA.....	Sample manufacturing and distribution.....	235,000
Sugar Valley, GA.....	Rug manufacturing, warehousing and offices...	472,500
Calhoun Falls, SC.....	Yarn manufacturing.....	425,000
Bennettsville, SC.....	Yarn manufacturing.....	412,000
Dalton, GA.....	Yarn manufacturing.....	105,400
Laurel Hill, NC.....	Yarn manufacturing.....	203,000
Fort Oglethorpe, GA...	Yarn manufacturing.....	194,000
Dalton, GA.....	Yarn manufacturing.....	231,000
Chatsworth, GA.....	Yarn manufacturing.....	147,400
Calhoun, GA.....	Yarn manufacturing.....	121,000
Calhoun, GA.....	Yarn manufacturing.....	113,800
Belton, SC (1).....	Yarn manufacturing.....	106,000
South Pittsburg, TN...	Yarn manufacturing.....	102,000
Chatsworth, GA.....	Yarn manufacturing.....	100,000
Dalton, GA.....	Warehouse.....	81,000
Greenville, NC.....	Wool processing.....	103,000
Greenville, NC.....	Wool processing.....	59,000
Philadelphia, PA.....	Wool processing.....	50,000

(1) Operations have been discontinued and these facilities are held for sale.

The following table lists the Company's material leased office, manufacturing and warehouse facilities:

LOCATION	PRIMARY PRODUCTS OR PURPOSES	APPROX. ENCLOSED AREA IN SQUARE FOOTAGE	LEASE TERM THROUGH (1)
Calhoun, GA.....	Carpet manufacturing (2).....	241,000	Dec. 2003
Calhoun, GA.....	Carpet manufacturing (2).....	195,000	Aug. 2004
Calhoun, GA.....	Carpet manufacturing.....	65,000	Mar. 2003
Calhoun, GA.....	Carpet manufacturing and administrative offices	62,000	Jul. 2000
Calhoun, GA.....	Sample manufacturing and distribution.....	150,000	June 1998
Calhoun, GA.....	Mat manufacturing and warehouse.....	164,400	June 2004
Calhoun, GA.....	Rug manufacturing and warehouse.....	78,000	May 2002
Philadelphia, PA.....	Warehouse.....	53,100	Dec. 2000
Columbus, OH.....	Distribution warehouse.....	90,000	Aug. 2004
Miami, FL.....	Distribution warehouse.....	109,000	Aug. 2001
Pompton Plains, NJ...	Distribution warehouse.....	98,100	June 2004
Glen Burnie, MD.....	Distribution warehouse.....	187,000	June 2004
Grand Prairie, TX....	Distribution warehouse.....	208,000	June 2004

Fullerton, CA.....	Distribution warehouse.....	57,000	Jul. 2001
Romeoville, IL.....	Distribution warehouse.....	108,000	Oct. 2000
Kent, WA.....	Distribution warehouse.....	107,200	Jan. 2003
San Diego, CA.....	Distribution warehouse.....	63,000	Apr. 2010
La Mirada, CA.....	Distribution warehouse.....	220,000	Aug. 2001
Hayward, CA.....	Distribution warehouse.....	102,500	Aug. 2001
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- (1) Include renewal options exercisable by the Company.
- (2) Includes a number of separately leased adjoining or adjacent buildings with varying lease terms. The expiration date shown in the table is the earliest expiration date of the respective group of leases.

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

### ITEM 3. LEGAL PROCEEDINGS

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

In June 1994, the Company and several other carpet manufacturers received subpoenas to produce documents from a grand jury of the United States District Court in Atlanta. The subpoenas were requested by the Antitrust Division of the U. S. Department of Justice in connection with an investigation of the industry. In October 1997, the Company was notified by the U. S. Department of Justice that such investigation by the grand jury had been closed.

In December 1995, the Company and four other carpet manufacturers were added as defendants in a purported class action lawsuit, In re Carpet Antitrust Litigation, pending in the United States District Court for the Northern District of Georgia, Rome Division. The amended complaint alleges price fixing regarding polypropylene products in violation of Section One of the Sherman Act. In September 1997, the Court determined that the plaintiffs met their burden of establishing the requirements for class certification and granted the plaintiffs' motion to certify the class. The Company is a party to two consolidated lawsuits captioned Gaehwiler v. Sunrise Carpet Industries, Inc. et. al. and Patco Enterprises, Inc. v. Sunrise Carpet Industries, Inc. et. al.; both of which were filed in the Superior Court of the State of California, City and County of San Francisco in 1996. Both complaints were brought on behalf of a

purported class of indirect purchasers of carpet in the State of California and seek damages for alleged violations of California antitrust and unfair competition laws. The Company believes both of these lawsuits are without merit and intends to vigorously defend against them. The complaints filed do not specify any amount of damages but do request for any unlawful conduct to be enjoined and treble damages plus reimbursement for fees and costs.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders of the Company during the fourth quarter ended December 31, 1997.

## PART II

### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### MARKET FOR THE COMMON STOCK

On December 16, 1997, the Common Stock began trading on the New York Stock Exchange ("NYSE") under the symbol "MHK." From the time of the Company's initial public offering in April 1992 until December 15, 1997, the Common Stock was listed on the Nasdaq National Market ("NNM") under the symbol "MOHK." The table below sets forth the high and low sales prices per share of the Common Stock as reported on either the NNM or the NYSE Composite Tape, as applicable,

for each fiscal period indicated.

MOHAWK COMMON STOCK		
	HIGH	LOW
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1996		
-----		
First Quarter.....	\$11.00	8.33
Second Quarter.....	12.25	8.83
Third Quarter.....	17.42	10.92
Fourth Quarter.....	18.58	13.75
1997		
-----		
First Quarter.....	\$18.67	13.92
Second Quarter.....	17.33	12.92
Third Quarter.....	18.29	14.58
Fourth Quarter.....	22.00	17.75
1998		
-----		
First Quarter (through March 10, 1998)...	\$28.50	20.50

As of March 10, 1998, there were 416 holders of record of Common Stock. Mohawk has not paid or declared any cash dividends on shares of its Common Stock since completing its initial public offering. The Company's policy is to retain all net earnings for the development of its business, and it does not anticipate paying cash dividends on the Common Stock in the foreseeable future. The payment of future cash dividends will be at the sole discretion of the Board of Directors and will depend upon the Company's profitability, financial condition, cash requirements, future prospects and other factors deemed relevant by the Board of Directors. The payment of cash dividends is limited by certain covenants in various of the Company's loan agreements.

Item 6. Selected Financial Data

The following table sets forth the selected financial data of the Company for the periods indicated, derived from the consolidated financial statements of the Company. On April 30, 1993, the Company acquired all of the common stock of American Rug. On July 30, 1993, the Company purchased the net assets of Karastan Bigelow. The operating results of American Rug and Karastan Bigelow are included in the Company's 1993 consolidated statement of earnings from their respective acquisition dates. The acquisitions of American Rug and Karastan Bigelow were recorded using the purchase method of accounting. On February 25, 1994, the Company exchanged 20,343,336 shares of Common Stock for all of the outstanding shares of Aladdin common stock in a transaction recorded using the pooling-of-interests basis of accounting. All financial data were restated to include the accounts and results of operations of Aladdin. On January 13, 1995, the Company acquired all of the outstanding capital stock of Galaxy. The operating results of Galaxy are included in the 1995 consolidated statement of earnings from the date of its acquisition. On July 23, 1997, the Company acquired certain assets of Diamond Rug & Carpet Mills, Inc. and other assets owned by Diamond's principal shareholders. The acquisitions of Galaxy and Diamond were recorded using the purchase method of accounting. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements and notes thereto included elsewhere herein.

At or for the Years ended December 31,				
1997	1996	1995	1994	1993
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(In thousands, except per share data)

Statement of earnings data:

Net sales.....	\$ 1,901,352	1,779,389	1,648,517	1,437,540	1,188,186
Cost of sales (a).....	1,464,697	1,372,022	1,281,887	1,107,890	917,824
Gross profit.....	436,655	407,367	366,630	329,650	270,362
Selling, general and administrative expenses.....	286,996	284,194	282,451	231,184	185,135
Restructuring costs (b).....	-	700	8,439	-	2,363
Carrying value reduction of property, plant and equipment and other assets (c).....	5,500	3,060	23,711	-	-
Compensation expense for stock option exercises (d).....	2,600	-	4,000	-	-
Operating income.....	141,559	119,413	48,029	98,466	82,864
Interest expense.....	26,457	31,486	34,998	27,112	18,029
Acquisition costs - Aladdin Merger (e).....	-	-	-	10,201	-
Other expense, net.....	2,656	5,202	2,570	2,987	2,659
Gain on insurance claim (a).....	-	-	-	-	(4,746)
Earnings before income taxes.....	29,113	36,688	37,568	40,300	15,942
Income taxes (f).....	112,446	82,725	10,461	58,166	66,922
Net earnings.....	\$ 68,030	49,050	6,412	33,007	39,523
Basic earnings per share (g).....	\$ 1.31	0.96	0.13	0.68	0.84
Weighted-average common shares outstanding (g).....	51,912	51,260	49,185	48,668	47,114
Diluted earnings per share (g).....	\$ 1.30	0.95	0.13	0.66	0.80
Weighted-average common and dilutive potential common shares outstanding (g).....	52,403	51,849	50,435	50,061	49,664
Balance sheet data:					
Working capital.....	\$ 310,149	311,698	244,800	292,163	198,735
Total assets.....	960,955	954,349	903,152	854,779	776,424
Short-term note payable.....	-	21,200	50,000	-	-
Long-term debt (including current portion).....	293,197	366,380	353,037	399,377	328,469
Stockholders' equity.....	405,915	333,199	274,903	264,018	229,992

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- (a) Certain of the Company's facilities suffered damage during the March 1993 blizzard, and the Company finalized settlement of the insurance claim during the first quarter of 1994. The Company recorded reductions of \$6.0 million in cost of sales in each of the years 1993 and 1994 for reimbursements of business interruption costs and \$4.7 million in other income in 1993 related to gains on fixed asset replacements.
- (b) During 1995 and 1996, the Company recorded pre-tax restructuring costs of \$8.4 million and \$0.7 million, respectively, related to certain mill closings whose operations have been consolidated into other Mohawk facilities. During 1993, the Company recorded pre-tax restructuring costs of \$2.4 million related to the closing of a woven carpet manufacturing operation and the relocation and consolidation of this operation with a facility acquired in the purchase of Karastan Bigelow.
- (c) During 1995, the Company adopted FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," as of January 1, 1995. A charge of \$23.7 million was recorded for the reduction of the carrying value of property, plant and equipment at certain mills. During 1996, the Company recorded a charge of \$3.1 million arising from the write-down of property, plant and equipment to be disposed of related to the closing of a manufacturing facility in 1996 and a revision in the estimate of fair value of certain property, plant and equipment based on current market conditions related to mill closings in 1995. During 1997, the Company recorded a charge of \$5.5 million arising from a revision in the estimated fair value of certain property, plant and equipment held for sale based on current appraisals and other market information related to a mill closing in 1995.
- (d) Charges of \$4.0 million and \$2.6 million were recorded in 1995 and 1997, respectively, for income tax reimbursements to be made to certain executives related to the exercise of stock options granted in 1988 and 1989 in connection with the Company's 1988 leveraged buyout.
- (e) The Company recorded a one-time charge of \$10.2 million in 1994 for transaction expenses related to the Aladdin Merger that were incurred during the first quarter of 1994.
- (f) During 1994, the Company reduced income tax expense by \$2.0 million to reflect a reduction in its effective tax rate and certain other changes in the Company's federal and state income tax status.
- (g) The Board of Directors declared a 3-for-2 stock split on October 23, 1997, which was paid on December 4, 1997 to holders of record on November 4,

1997. Earnings per share and weighted-average common share data have been restated to reflect the split.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

During the three-year period ended December 31, 1997, the Company continued to experience significant growth both internally and through acquisitions. In January 1995, the Company acquired all of the issued and outstanding capital stock of Galaxy for \$42.2 million in cash, including acquisition costs. On July 23, 1997, the Company acquired certain assets of Diamond and other assets owned by Diamond's principal shareholders for \$36.0 million, including acquisition costs, which consisted of \$19.6 million in cash, at closing, \$7.0 million in cash over the six-month period following closing and a \$9.4 million note payable in seven annual installments of principal plus interest at 6%. Both the Galaxy and the Diamond business combinations were accounted for using the purchase method of accounting.

These acquisitions have created other opportunities to enhance Mohawk's operations by (i) broadening price points, (ii) increasing vertical integration efforts, (iii) expanding distribution capabilities and (iv) facilitating entry into niche businesses, such as rugs.

The Company has considered the impact of the year 2000 issues on its computer systems and applications and has developed a remediation plan. The Company believes the plan is sufficient to make its computer systems and applications year 2000 compliant. This will not have a material impact on the operations or the financial condition of the Company.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1997 AS COMPARED WITH YEAR ENDED DECEMBER 31, 1996

Net sales for the year ended December 31, 1997 were \$1,901.4 million, reflecting an increase of \$122.0 million, or approximately 7%, over the \$1,779.4 million reported in the year ended December 31, 1996. All major product categories achieved sales increases in 1997 as compared to 1996. These sales increases were attributable to an improvement in the Company's market share which the Company believes primarily resulted from competitive changes in the retail segment of the industry, strong customer acceptance of new product introductions, expansion of residential warehousing operations, and further refinement of the sales organization to achieve better regional customer focus.

Quarterly net sales and the percentage changes in net sales by quarter for 1997 versus 1996 were as follows (dollars in thousands):

	1997	1996	CHANGE
	-----	-----	-----
First Quarter....	\$ 409,289	380,478	7.6%
Second Quarter...	475,127	470,867	0.9
Third Quarter....	500,818	466,539	7.3
Fourth Quarter...	516,118	461,505	11.8
	-----	-----	----
Total Year.....	\$1,901,352	1,779,389	6.9%
	=====	=====	=====

Gross profit for 1997 was \$436.7 million (23.0% of net sales) and represented an increase over the gross profit of \$407.4 million (22.9% of net sales) for 1996. Gross profit dollars for the current year were impacted favorably by manufacturing improvements from restructuring and consolidating the residential operations, higher production levels resulting in better absorption of fixed costs and a reduction in certain raw material prices.

Selling, general and administrative expenses for 1997 were \$287.0 million (15.1% of net sales) compared to \$284.2 million (16.0% of net sales) for 1996.

Selling, general and administrative expenses as a percentage of net sales decreased primarily due to lower administrative, bad debt and sample expenses.

During the fourth quarter of 1997, the Company revised its estimate of the fair value of certain property, plant and equipment held for sale. The revision resulted in a \$5.5 million write-down to the carrying value of those assets. The revision was based upon current appraisals and other market information. In addition, a \$2.6 million charge was recorded for additional income tax reimbursements to be made to certain executives for the exercise of stock options. The income tax reimbursements were recorded in connection with stock options granted in 1988 and 1989 related to the Company's 1988 leveraged buyout. The after-tax effect of these charges was \$4.9 million, or \$0.09 per diluted share.

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During 1996, the Company recorded nonrecurring charges of (i) \$3.1 million which included \$0.9 million, primarily to reduce the carrying value of certain assets, related to the decision to close a spinning mill in Belton, South Carolina and \$2.2 million primarily arising from a revision in the estimate of the fair value of certain land and buildings that were recently sold and (ii) \$0.7 million related to restructuring costs for the Belton spinning mill closing. The after-tax effect of these charges was \$2.2 million, or \$0.04 per diluted share.

Interest expense for the current year was \$26.5 million compared to \$31.5 million in 1996. The primary factor contributing to the decrease was a significant reduction in debt levels.

In the current year, income tax expense was \$44.4 million, or 39.5% of earnings before income taxes. In 1996, income tax expense was \$33.7 million, representing 40.7% of earnings before income taxes.

YEAR ENDED DECEMBER 31, 1996 AS COMPARED WITH YEAR ENDED DECEMBER 31, 1995

Net sales for the year ended December 31, 1996 were \$1,779.4 million, reflecting an increase of \$130.9 million, or approximately 8%, over the \$1,648.5 million reported in the year ended December 31, 1995. This sales increase was attributable to an improvement in the Company's market share which the Company believes primarily resulted from competitive changes in the retail segment of the industry, Mohawk's realignment of its residential sales forces under a regional structure, and Mohawk's strong product lines. The Company experienced a significant increase in unit shipments as a result of these factors with average net selling prices remaining flat as compared to 1995.

Quarterly net sales and the percentage changes in net sales by quarter for 1996 versus 1995 were as follows (dollars in thousands):

	1996	1995	CHANGE
	-----	-----	-----
First Quarter....	\$ 380,478	378,761	0.5%
Second Quarter...	470,867	429,241	9.7
Third Quarter....	466,539	425,594	9.6
Fourth Quarter...	461,505	414,921	11.2
	-----	-----	----
Total Year.....	\$1,779,389	1,648,517	7.9%
	=====	=====	=====

Gross profit for 1996 was \$407.4 million (22.9% of net sales) and represented an increase over the gross profit of \$366.6 million (22.2% of net sales) for 1995. Gross profit dollars for 1996 were impacted favorably by manufacturing improvements from restructuring and consolidating the residential operations, higher production levels resulting in better absorption of fixed costs, a reduction in certain raw material prices and manufacturing improvements in other divisions. The manufacturing consolidations included the closing of five residential manufacturing facilities during 1995 as well as the realignment of the remaining residential mills to better utilize the strengths of each mill.

Selling, general and administrative expenses for 1996 were \$284.2 million

(16.0% of net sales) compared to \$282.5 million (17.1% of net sales) for 1995. Selling, general and administrative expenses as a percentage of net sales decreased primarily due to better control of discretionary spending and better leveraging of costs on strong sales growth.

During 1996, the Company recorded nonrecurring charges of (i) \$3.1 million which included \$0.9 million, primarily to reduce the carrying value of certain assets, related to the decision to close a spinning mill in Belton, South Carolina and \$2.2 million primarily arising from a revision in the estimate of the fair value of certain land and buildings that were sold in 1996 and (ii) \$0.7 million related to restructuring costs for the Belton spinning mill closing. The after-tax effect of these charges was \$2.2 million, or \$0.04 per diluted share.

The Company recorded restructuring costs of \$8.4 million during 1995 related to certain mill closings whose operations were consolidated into other Mohawk facilities. The after-tax effect of these costs was \$5.2 million or \$0.10 per diluted share.

During 1995, the Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (FAS No. 121) as of January 1, 1995. An impairment loss of \$23.7 million was recorded for the write-down of property, plant and equipment at certain mills. The after-tax effect of the impairment loss was \$14.5 million, or \$0.29 per diluted share.

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A one-time charge of \$4.0 million was recorded during 1995 for income tax reimbursements to be made to certain executives for the exercise of stock options. The income tax reimbursements were recorded in connection with stock options granted in 1988 and 1989 related to the Company's 1988 leveraged buyout. The agreements allowed the Company to receive an income tax benefit on its tax return for the tax effect of the taxable compensation provided to the individuals upon exercise of these options. Such income tax benefit resulted in a direct increase in stockholders' equity. The after-tax effect of the charge was \$2.5 million, or \$0.05 per diluted share.

Interest expense for 1996 was \$31.5 million compared to \$35.0 million in 1995. The primary factors contributing to the decrease were a reduction in debt levels and lower interest rates on the Company's revolving credit agreement.

In 1996, income tax expense was \$33.7 million, or 40.7% of earnings before income taxes. In 1995, income tax expense was \$4.0 million, representing 38.7% of earnings before income taxes. The primary reason for the lower effective tax rate in 1995 was certain nonrecurring deductions that were treated as permanent differences in 1995.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's primary capital requirements are for working capital, capital expenditures and acquisitions. The Company's capital needs are met through a combination of internally-generated funds, bank credit lines and credit terms from suppliers.

The level of accounts receivable increased from \$215.6 million at the beginning of 1997 to \$238.6 million at December 31, 1997. The \$23.0 million increase is attributable to strong sales growth. Inventories decreased from \$302.8 million at the beginning of 1997 to \$291.3 million at December 31, 1997, due primarily to better management of inventory levels through improved production processes.

Capital expenditures totaled \$67.7 million during 1997, which includes \$36.0 million for the Diamond acquisition. The capital expenditures made during 1997 were incurred primarily to modernize and expand manufacturing facilities and equipment. The Company's capital projects are primarily focused on increasing capacity, improving productivity and reducing costs. Capital expenditures for Mohawk, including the \$78.2 million for acquisitions and \$21.2 million of equipment used for the extrusion of polypropylene yarn that was acquired in a noncash transaction in 1996, have totaled \$212.2 million over the past three years. Capital spending during 1998 is expected to range from \$65 million to \$70 million, the majority of which will be used to purchase equipment to increase production capacity and productivity.

On April 15, 1997, the Company amended and restated its revolving credit agreement to provide for an interest rate of either (i) LIBOR plus 0.2% to 0.5%, depending upon the Company's performance measured against specific coverage ratios, or (ii) the prime rate less 1.0%. Additionally, the termination date of the credit agreement was extended to May 15, 2002.

#### IMPACT OF INFLATION

Inflation affects the Company's manufacturing costs and operating expenses. The carpet industry has experienced moderate inflation in the prices of raw materials and outside processing for the last three years. The Company has generally passed along nylon fiber price increases to its customers.

#### SEASONALITY

The carpet business is seasonal, with the Company's second, third and fourth quarters typically producing higher net sales and operating income. By comparison, results for the first quarter tend to be the weakest. This seasonality is primarily attributable to consumer residential spending patterns and higher installation levels during the spring and summer months.

#### FORWARD-LOOKING INFORMATION

Certain of the matters discussed in the preceding pages, particularly regarding anticipating future financial performance, business prospects, growth and operating strategies, proposed acquisitions, new products and similar matters, and those preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates,"

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"intends," "estimates," or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks and uncertainties. The following important factors, in addition to those discussed elsewhere in this document, affect the future results of Mohawk and could cause those results to differ materially from those expressed in the forward-looking statements: materially adverse changes in economic conditions generally in the carpet, rug and floorcovering markets served by Mohawk; competition from other carpet, rug and floorcovering manufacturers, raw material prices, timing and level of capital expenditures, the successful integration of acquisitions including the challenges inherent in diverting Mohawk's management attention and resources from other strategic matters and from operational matters for an extended period of time, the successful introduction of new products, the successful rationalization of existing operations, and other risks identified from time to time in the Company's SEC reports and public announcements.

#### ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

##### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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#### INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of Mohawk Industries, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in Item 14(a)2. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mohawk Industries, Inc. and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

KPMG PEAT MARWICK LLP

Atlanta, Georgia  
February 6, 1998

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets  
December 31, 1997 and 1996

(In thousands, except per share data)

	1997	1996
	-----	-----
ASSETS		
Current assets:		
Receivables . . . . .	\$ 238,579	215,594
Inventories . . . . .	291,306	302,767
Prepaid expenses . . . . .	15,192	18,298
Deferred income taxes . . . . .	28,192	18,186
	-----	-----
Total current assets . . . . .	573,269	554,845
Property, plant and equipment, net . . . . .	319,818	324,698
Other assets . . . . .	67,868	74,806
	-----	-----
	\$ 960,955	954,349
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and note payable . . . . .	\$ 35,959	41,832
Accounts payable and accrued expenses . . . . .	227,161	201,315
	-----	-----
Total current liabilities . . . . .	263,120	243,147
Deferred income taxes . . . . .	28,391	27,530
Long-term debt, less current portion . . . . .	257,238	345,748
Other long-term liabilities . . . . .	6,291	4,725
	-----	-----
Total liabilities . . . . .	555,040	621,150
	-----	-----
Stockholders' equity:		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued . . . . .	-	-
Common stock, \$.01 par value; 75,000 shares authorized; 52,167 and 51,707 shares issued in 1997 and 1996, respectively . . . . .	522	517
Additional paid-in capital . . . . .	136,069	131,388
Retained earnings . . . . .	269,324	201,294

Total stockholders' equity . . . . .	405,915	333,199
Commitments and contingencies (Note 10) . . . . .		
	\$ 960,955	954,349

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings  
Years Ended December 31, 1997, 1996 and 1995

(In thousands, except per share data)

	1997	1996	1995
Net sales . . . . .	\$ 1,901,352	1,779,389	1,648,517
Cost of sales . . . . .	1,464,697	1,372,022	1,281,887
Gross profit . . . . .	436,655	407,367	366,630
Selling, general and administrative expenses . . . . .	286,996	284,194	282,451
Restructuring costs . . . . .	-	700	8,439
Carrying value reduction of property, plant and equipment and other assets . . . . .	5,500	3,060	23,711
Compensation expense for stock option exercises . . . . .	2,600	-	4,000
Operating income . . . . .	141,559	119,413	48,029
Other expense:			
Interest expense . . . . .	26,457	31,486	34,998
Other expense, net . . . . .	2,656	5,202	2,570
Earnings before income taxes . . . . .	112,446	82,725	10,461
Income taxes . . . . .	44,416	33,675	4,049
Net earnings . . . . .	\$ 68,030	49,050	6,412
Basic earnings per share . . . . .	\$ 1.31	0.96	0.13
Weighted-average common shares outstanding . . . . .	51,912	51,260	49,185
Diluted earnings per share . . . . .	\$ 1.30	0.95	0.13
Weighted-average common and dilutive potential common shares outstanding . . . . .	52,403	51,849	50,435

See accompanying notes to consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity  
Years Ended December 31, 1997, 1996 and 1995

(In thousands)

	Common stock		Additional paid-in capital	Retained earnings	Treasury stock	Stock options	Total stockholders' equity
	Shares	Amount					
Balances at December 31, 1994.....	51,456	\$515	118,478	145,832	(164)	(643)	264,018
Stock options exercised.....	135	1	742	-	49	-	792
Tax benefit from exercise of stock options.....	-	-	3,355	-	-	-	3,355
Amortization of deferred compensation.....	-	-	-	-	-	326	326
Net earnings.....	-	-	-	6,412	-	-	6,412
Balances at December 31, 1995.....	51,591	516	122,575	152,244	(115)	(317)	274,903
Stock options exercised.....	116	1	1,207	-	115	-	1,323
Tax benefit from exercise of stock options.....	-	-	7,606	-	-	-	7,606
Amortization of deferred compensation.....	-	-	-	-	-	317	317
Net earnings.....	-	-	-	49,050	-	-	49,050
Balances at December 31, 1996.....	51,707	517	131,388	201,294	-	-	333,199
Stock options exercised.....	460	5	3,631	-	-	-	3,636
Tax benefit from exercise of stock options.....	-	-	1,050	-	-	-	1,050
Net earnings.....	-	-	-	68,030	-	-	68,030
Balances at December 31, 1997.....	52,167	\$522	136,069	269,324	-	-	405,915

See accompanying notes to consolidated financial statements.

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
Years Ended December 31, 1997, 1996 and 1995

(In thousands)

	1997	1996	1995
Cash flows from operating activities:			
Net earnings.....	\$68,030	49,050	6,412
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization.....	59,288	55,156	52,560
Deferred income taxes.....	(6,938)	460	(10,335)
Provision for doubtful accounts.....	8,434	13,213	9,649
Loss on sale of property, plant and equipment.....	266	1,254	105
Carrying value reduction of property, plant and equipment and other assets.....	5,500	3,060	23,711
Compensation expense for stock option exercises.....	2,600	-	4,000
Changes in assets and liabilities, net of effects of acquisitions:			
Receivables.....	(31,419)	(57,059)	21,091
Inventories.....	23,434	(3,576)	(5,512)
Accounts payable and accrued expenses.....	31,320	5,327	13,097
Other assets and prepaid expenses.....	3,574	(6,423)	(2,183)
Other liabilities.....	(2,571)	4,868	(1,678)
Net cash provided by operating activities.....	161,518	65,330	110,917
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment and other assets.....	983	3,247	6,460
Additions to property, plant and equipment.....	(31,736)	(42,085)	(38,961)
Acquisitions.....	(36,000)	-	(42,232)
Net cash used in investing activities.....	(66,753)	(38,838)	(74,733)
Cash flows from financing activities:			
Net change in revolving line of credit.....	(74,000)	(22,903)	2,241
Payment of note payable.....	(21,200)	-	-
Payments on term loans.....	(20,337)	(13,754)	(5,081)
Redemption of Galaxy indebtedness.....	-	-	(44,487)
Proceeds from new loan.....	9,350	-	-
Proceeds from Industrial Revenue Bonds and other, net of payments.....	11,593	-	-
Change in outstanding checks in excess of cash.....	(4,857)	919	6,671
Common stock transactions.....	4,686	9,246	4,472
Net cash used in financing activities.....	(94,765)	(26,492)	(36,184)
Net change in cash.....	-	-	-
Cash, beginning of year.....	-	-	-
Cash, end of year.....	\$ -	-	-

See accompanying notes to consolidated financial statements.

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 1997, 1996 and 1995

(In thousands, except per share data)

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

(b) Accounts Receivable and Revenue Recognition

The Company is a broadloom carpet and rug manufacturer and sells carpet and rugs throughout the United States for residential and commercial use. The Company grants credit to customers, most of whom are retail carpet dealers, under credit terms that are customary in the industry.

Revenues are recognized when goods are shipped. The Company provides allowances for expected cash discounts, returns, claims and doubtful accounts based upon historical bad debt and claims experience and periodic evaluations of the aging of the accounts receivable.

(c) Inventories

Inventories are stated at the lower of cost or market (net realizable value). Cost is determined using the last-in, first-out (LIFO) method, which matches current costs with current revenues, for substantially all inventories and the first-in, first-out (FIFO) method for the remaining inventories.

(d) Property, Plant and Equipment

Property, plant and equipment is stated at cost, including interest on funds borrowed to finance the acquisition or construction of major capital additions. Depreciation is calculated on a straight-line basis over the estimated remaining useful lives of the respective assets.

(e) Income Taxes

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

(f) Earnings per Share ("EPS")

In 1997, the Financial Accounting Standards Board ("FASB") issued FAS No. 128, Earnings per Share, which supersedes APB No. 15, Earnings per Share.

This statement, which the Company was required to adopt in the fourth quarter of 1997, requires companies to replace the presentation of primary EPS and fully diluted EPS with basic EPS and diluted EPS. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

stock or resulted in the issuance of common stock that then shared in the earnings of the company. The implementation of FAS No. 128 did not have a material effect on the Company's consolidated financial statements for the periods presented.

The Company's weighted-average common and dilutive potential common shares outstanding have been adjusted for the 3-for-2 stock split approved by the Board of Directors on October 23, 1997 and paid on December 4, 1997 to holders of record on November 4, 1997. Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method. Dilutive potential common shares outstanding for the fourth quarter of 1995 (1,368 potential shares) are excluded from the diluted EPS computation for 1995 as the effect on loss per share for such quarter would have been antidilutive. Common stock options that were not included in the diluted EPS computation because the options' exercise price was greater than the average market price of the common shares for the periods presented are immaterial.

(g) Financial Instruments

The Company's financial instruments consist primarily of cash, accounts receivable, accounts payable, notes payable and long-term debt. The carrying amount of cash, accounts receivable, accounts payable and notes payable approximates their fair value because of the short-term maturity of such instruments. Interest rates that are currently available to the Company for issuance of long-term debt with similar terms and remaining maturities are used to estimate the fair value of the Company's long-term debt. The estimated fair value of the Company's long-term debt at December 31, 1997 and 1996 was \$304,307 and \$371,736, compared to a carrying amount of \$293,197 and \$366,380, respectively.

(h) Fiscal Year

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

(i) Goodwill

Goodwill arises in connection with business combinations accounted for as purchases. Goodwill is amortized on a straight-line basis over 40 years. Amortization charged to earnings was \$1,488 in 1997 and \$1,481 in 1996 and 1995.

(j) Impairment of Long-Lived Assets

In 1995, the Company adopted FAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, as of January 1, 1995. Under FAS No. 121, the Company evaluates impairment of long-lived assets on a business unit basis, rather than on an aggregate entity basis, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets is based on the fair value of the asset.

(k) Effect of Accounting Pronouncement Not Yet Adopted

In 1997, the FASB issued FAS No. 131, Disclosures about Segments of an Enterprise and Related Information, which supersedes FAS No. 14, Financial Reporting for Segments of a Business Enterprise. This statement, which the Company is required to adopt in fiscal year 1998, requires public companies to

report certain financial and descriptive information about their reportable operating segments, including related disclosures about products and services, geographic areas and major customers. The Company does not believe the implementation of FAS No. 131 will have a material effect on its consolidated financial statements.

(1) Reclassifications

Certain prior period financial statement balances have been reclassified to conform with the current period's presentation.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(2) Acquisitions

On January 13, 1995, the Company acquired all of the issued and outstanding capital stock of Galaxy Carpet Mills, Inc. ("Galaxy") for \$42,232 in cash, including acquisition costs. Galaxy was a manufacturer and distributor of broadloom carpet, primarily for the residential market. The acquisition was accounted for using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of acquisition. The fair values allocated were \$112,583 for the assets acquired and \$70,351 for the liabilities assumed. Galaxy's results of operations are included in the Company's 1995 consolidated statement of earnings from the date of acquisition.

On July 23, 1997, the Company acquired certain assets of Diamond Rug & Carpet Mills, Inc. ("Diamond") and other assets owned by Diamond's principal shareholders for approximately \$36,000, including acquisition costs, which consisted of \$19,600 in cash, at closing, \$7,000 in cash over the six-month period following closing and a \$9,350 note payable in seven annual installments of principal plus interest at 6%. The acquisition was accomplished through a plan of reorganization filed by Diamond under Chapter 11 of the United States Bankruptcy Code.

(3) Receivables

Receivables are as follows:

	1997	1996
	-----	-----
Customers, trade.....	\$273,636	247,485
Other.....	956	2,095
	-----	-----
	274,592	249,580
Less allowance for discounts, returns, claims and doubtful accounts.....	36,013	33,986
	-----	-----
Net receivables.....	\$238,579	215,594
	=====	=====

(4) Inventories

The components of inventories are as follows:

	1997	1996
	-----	-----
Finished goods.....	\$154,059	150,890
Work in process.....	44,579	45,485
Raw materials.....	92,668	106,392
	-----	-----
Total inventories.....	\$291,306	302,767
	=====	=====

(5) Property, Plant and Equipment

Following is a summary of property, plant and equipment:

	1997	1996
	-----	-----
Land	\$ 8,661	7,678
Buildings and improvements	118,346	118,224
Machinery and equipment	414,973	370,938
Furniture and fixtures	18,590	20,236
Leasehold improvements	3,256	2,573
Construction in progress	16,938	10,312
	-----	-----
	580,764	529,961
Less accumulated depreciation and amortization	260,946	205,263
	-----	-----
Net property, plant and equipment	\$319,818	324,698
	=====	=====

Property, plant and equipment includes capitalized interest of \$799, \$1,180 and \$2,169 in 1997, 1996 and 1995, respectively.

During 1997, the Company recorded a charge of \$5,500 arising from a revision in the estimated fair value of certain property, plant and equipment held for sale based on current appraisals and other market information related to a mill closing in 1995. The after-tax effect of the charge for the year was \$3,328, or \$0.06 diluted earnings per share.

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#### MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

##### Notes to Consolidated Financial Statements - (Continued)

During 1996, the Company recorded a charge of \$3,060 arising from (a) the write-down of property, plant and equipment to be disposed of related to the closing of a manufacturing facility in 1996 and (b) a revision in the estimate of fair value of certain property, plant and equipment based on current market conditions related to mill closings in 1995. The after-tax effect of the charge for the year was \$1,815, or \$0.04 diluted earnings per share.

In connection with the adoption of FAS No. 121 in 1995, the Company recorded impairment losses of \$21,000 for the write-down of property, plant and equipment to be held and used at certain mills and \$2,711 for the write-down of property, plant and equipment to be disposed of related to these mill closings. The after-tax effect of these impairment losses for the year was \$14,535, or \$0.29 diluted earnings per share. The Company primarily used a discounted cash flow analysis to estimate the fair value of these assets.

#### (6) Other Assets

The components of other assets are summarized below:

	1997	1996
	-----	-----
Goodwill, net of accumulated amortization of \$7,077 and \$5,589, respectively.....	\$ 52,191	53,679
Other assets.....	15,677	21,127
	-----	-----
Total other assets.....	\$ 67,868	74,806
	=====	=====

#### (7) Note Payable and Long-Term Debt

In June 1996, the Company acquired certain equipment, primarily used for the extrusion of polypropylene yarn, valued at \$21,200 in exchange for a promissory note due in April 1997. The promissory note paid interest at a variable rate that ranged from 0.25% to 0.875% above LIBOR. The note was paid in full in January 1997.

On April 15, 1997, the Company amended and restated its credit agreement to provide for an interest rate of either (i) LIBOR plus 0.2% to 0.5%, depending upon the Company's performance measured against certain financial ratios, or (ii) the prime rate less 1.0%. Additionally, the termination date of the credit agreement was extended to May 15, 2002. At December 31, 1997, the Company had credit availability of \$250,000 under its revolving credit line of which

\$201,200 was unused. The credit agreement contains customary financial and other covenants and restricts cumulative dividend payments to \$10,000 as adjusted based on the Company's performance and dividend payments. The Company must pay an annual facility fee ranging from .0015 to .0025 of the total credit commitment, depending upon the Company's performance measured against specific coverage ratios, under the revolving credit line.

The capital stock of each of the Company's subsidiaries has been pledged as collateral under the credit agreement, the term loans and the senior notes.

Long-term debt consists of the following:

	1997	1996
	-----	-----
Revolving line of credit, due May 15, 2002.....	\$ 48,800	122,800
8.46% senior notes, payable in annual principal installments beginning in 1998, due September 16, 2004, interest payable quarterly.....	100,000	100,000
7.14%-7.23% senior notes, payable in annual principal installments beginning in 1997, due September 1, 2005, interest payable semiannually.....	75,556	85,000
8.48% term loans, payable in annual principal installments beginning in 1996, due October 26, 2002, interest payable quarterly.....	28,571	34,286
9.5% senior notes, payable in annual principal installments, due April 1, 1998, interest payable semiannually.....	3,750	7,500
7.58% senior notes, payable in annual principal installments beginning in 1997, due July 30, 2003, interest payable semiannually.....	8,571	10,000

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MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

6% term note, payable in annual principal and interest installments beginning in 1998, due July 23, 2004.....	9,350	-
Industrial Revenue Bonds and other.....	18,599	6,794
	-----	-----
Total long-term debt.....	293,197	366,380
Less current portion.....	35,959	20,632
	-----	-----
Long-term debt, excluding current portion.....	\$257,238	345,748
	=====	=====

The aggregate maturities of long-term debt as of December 31, 1997 are as follows:

1998.....	\$ 35,959
1999.....	32,209
2000.....	32,209
2001.....	32,209
2002.....	81,009
Thereafter.....	79,602
	-----
	\$293,197
	=====

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are as follows:

	1997	1996
	-----	-----
Outstanding checks in excess of cash.....	\$ 26,943	31,800
Accounts payable, trade.....	102,621	86,527
Accrued expenses.....	60,667	49,628
Accrued compensation.....	36,930	33,360
	-----	-----
Total accounts payable and accrued expenses.....	\$227,161	201,315
	=====	=====

(9) Stock Options and Stock Compensation

Under the Company's 1992 and 1993 stock option plans, options may be

granted to directors and key employees through 2002 and 2003 to purchase a maximum of 2,250 and 675 shares of common stock, respectively. During 1997, options to purchase 43 and 22 shares, respectively, were granted under these plans. Options granted under each of these plans expire ten years from the date of grant and become exercisable at such dates and at prices as determined by the Compensation Committee of the Company's Board of Directors.

During 1996, the Company adopted the 1997 Non-Employee Director Stock Compensation Plan. The plan provides for awards of common stock of the Company for non-employee directors to receive in lieu of cash for their annual retainers. During 1997, a total of 5 shares were awarded to the non-employee directors under the plan.

During 1997, the Board of Directors adopted the 1997 Long-Term Incentive Plan whereby the Company reserved 2,550 shares of common stock for issuance in connection with options and awards. As of December 31, 1997, no options or awards were granted under the plan.

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

	1997	1996	1995
Options outstanding at beginning of year.....	2,142	3,839	4,838
Options granted.....	65	621	155
Options exercised.....	(460)	(2,069)	(951)
Options canceled.....	(179)	(249)	(203)
Options outstanding at end of year.....	1,568	2,142	3,839
Options exercisable at end of year.....	742	655	2,367

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

Option prices per share:			
Options granted during the year . . . . .	\$5.67 - 19.38	9.94 - 11.33	9.33 - 12.17
Options exercised during the year . . . . .	\$ .02 - 19.17	.01 - 14.50	.01 - 6.67
Options canceled during the year . . . . .	\$5.67 - 19.17	5.67 - 19.17	5.67 - 19.17
Options outstanding at end of year . . . . .	\$5.61 - 19.38	.03 - 19.17	.01 - 19.17

Charges of \$2,600 and \$4,000 were recorded in the fourth quarter of 1997 and 1995, respectively, for income tax reimbursements to be made to certain executives for the exercise of stock options. The income tax reimbursements were recorded in connection with stock options granted in 1988 and 1989 related to the Company's 1988 leveraged buyout. The agreements allowed the Company to receive an income tax benefit on its tax return for the tax effect of the taxable compensation provided to the individuals upon the exercise of these options. Such income tax benefit resulted in a direct increase in stockholders' equity of \$7,606 in 1996 primarily from the exercise of these options.

In 1995, the FASB issued FAS No. 123, Accounting for Stock-Based Compensation, which establishes a new method of accounting for stock-based compensation arrangements with an entity's employees. The new method is a fair value based method rather than the intrinsic value based method prescribed by APB No. 25, Accounting for Stock Issued to Employees. FAS No. 123 allows entities to retain the current approach set forth in APB No. 25 for recognizing stock-based compensation expense in the basic financial statements. Entities electing to apply the provisions of APB No. 25 are required to make pro forma disclosures of net earnings and earnings per share as if the fair value based method had been used. The Company continues to apply the provisions of APB No. 25 for purposes of measuring compensation cost in adopting FAS No. 123. The disclosure requirements of FAS No. 123 were effective for 1996 and 1997, but the

effect of the pro forma disclosures on the Company's results of operations for the years presented is immaterial.

(10) Employee Benefit Plans

The Company has a 401(k) retirement savings plan (the "Plan") open to substantially all of its employees who have completed one year of eligible service. The Company contributes \$0.50 for every \$1.00 of employee contributions up to a maximum of 4% of the employee's salary. Employee and employer contributions to the Plan were \$9,334 and \$3,075 in 1997, \$6,499 and \$2,132 in 1996 and \$7,105 and \$2,245 in 1995, respectively.

A portion of the employees who were not eligible to participate in the Plan participated in a defined contribution profit sharing plan through June 1997. After June 1997, the employee balances in the profit sharing plan were rolled over into the 401(k) retirement savings plan. Contributions were discretionary and the Company expensed \$991, \$2,130 and \$1,875 for the years ended December 31, 1997, 1996 and 1995, respectively.

(11) Restructuring Costs

During the fourth quarter of 1996, the Company decided to close a spinning mill in Belton, South Carolina, the operations of which are being consolidated into other Mohawk facilities. For the year ended December 31, 1996, the Company recorded restructuring costs of \$700 related to employee termination benefits, environmental clean-up and other costs associated with the mill closing. The after-tax effect of the restructuring costs for the year was \$415, or \$0.01 diluted earnings per share. Additionally, in 1996 the Company made payments of \$1,125 and reclassified \$5,266 to other liability or reserve accounts in connection with mill closings in 1996 and prior years.

During 1995, the Company closed five residential manufacturing facilities, the operations of which are being consolidated into other Mohawk facilities. During the year ended December 31, 1995, the Company recorded restructuring costs of \$8,439 related to employee termination benefits, environmental clean-up and other costs associated with the mill closings. The amount of termination benefits accrued and charged to expense was \$2,250 for the year ended December 31, 1995. The benefits accrued were for 945 employees, who were principally involved in manufacturing operations. The amount of actual termination benefits paid and charged against the liability as of December 31, 1995 was \$2,186, covering approximately 930 employees. The after-tax effect of the restructuring costs for the year was \$5,173, or \$0.10 diluted earnings per share. Additionally, in 1995 the Company made payments of \$2,308 and reclassified \$7,372 to other liability or reserve accounts in connection with mill closings in 1995 and prior years.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(12) Income Taxes

Income tax expense attributable to earnings before income taxes for the years ended December 31, 1997, 1996 and 1995 consists of the following:

	Current	Deferred	Total
	-----	-----	-----
1997:			
U.S. federal.....	\$ 42,848	(5,298)	37,550
State and local.....	8,506	(1,640)	6,866
	-----	-----	-----
	\$ 51,354	(6,938)	44,416
	=====	=====	=====
1996:			
U.S. federal.....	\$ 31,113	(1,142)	29,971
State and local.....	2,102	1,602	3,704
	-----	-----	-----
	\$ 33,215	460	33,675
	=====	=====	=====
1995:			

U.S. federal.....	\$ 11,422	(8,311)	3,111
State and local.....	2,962	(2,024)	938
		-----	-----
	\$ 14,384	(10,335)	4,049
	=====	=====	=====

Income tax expense attributable to earnings before income taxes differs from the amounts computed by applying the U.S. federal income tax rate of 35% to earnings before income taxes as follows:

	1997	1996	1995
	-----	-----	-----
Computed "expected" tax expense.....	\$ 39,356	28,954	3,661
State and local income taxes, net of federal income tax benefit.....	4,463	1,868	610
Stock offering.....	-	-	(987)
Amortization of goodwill.....	472	519	524
Other, net.....	125	2,334	241
	-----	-----	-----
	\$ 44,416	33,675	4,049
	=====	=====	=====

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1997 and 1996 are presented below:

	1997	1996
	-----	-----
Deferred tax assets:		
Accounts receivable.....	\$ 15,643	11,789
Accrued expenses.....	12,795	7,885
Purchased net operating loss carryforwards.....	3,968	5,712
Other.....	726	1,315
	-----	-----
Gross deferred tax assets.....	33,132	26,701
	-----	-----
Deferred tax liabilities:		
Plant and equipment.....	(28,468)	(28,963)
Inventories.....	(363)	(2,224)
Other.....	(4,500)	(4,858)
	-----	-----
Gross deferred tax liabilities.....	(33,331)	(36,045)
	-----	-----
Net deferred tax liability.....	\$ (199)	(9,344)
	=====	=====

At December 31, 1997, as a result of the Galaxy acquisition, the Company had net operating loss carryforwards for income tax purposes of \$10,046. These net operating loss carryforwards are available to offset future taxable income, if any, and expire in 2009. Utilization of the net operating loss carryforwards is subject to certain limitations under the Internal Revenue Code.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(13) Commitments and Contingencies

The Company is obligated under various operating leases for office and manufacturing space, machinery and equipment.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) at December 31, 1997 are:

Years Ending December 31,	
1998 . . . . .	\$ 18,939
1999 . . . . .	13,069
2000 . . . . .	11,674

2001 . . . . .	7,909
2002 . . . . .	5,200
Thereafter . . . . .	5,450
Total minimum lease payments . . . . .	\$ 62,241

Rental expense under operating leases was \$19,823, \$17,240 and \$18,249 in 1997, 1996 and 1995, respectively.

In June 1994, the Company and several other carpet manufacturers received subpoenas to produce documents from a grand jury of the United States District Court in Atlanta. The subpoenas were requested by the Antitrust Division of the U.S. Department of Justice in connection with an investigation of the industry. In October 1997, the Company was notified by the U.S. Department of Justice that such investigation by the grand jury has been closed.

In December 1995, the Company and four other carpet manufacturers were added as defendants in a purported class action lawsuit, In re Carpet Antitrust Litigation, pending in the United States District Court for the Northern District of Georgia, Rome Division. The amended complaint alleges price fixing regarding polypropylene products in violation of Section One of the Sherman Act. In September 1997, the Court determined that the plaintiffs met their burden of establishing the requirements for class certification and granted the plaintiffs' motion to certify the class. The Company is a party to two consolidated lawsuits captioned Gaehwiler v. Sunrise Carpet Industries, Inc. et. al. and Patco Enterprises, Inc. v. Sunrise Carpet Industries, Inc. et. al.; both of which were filed in the Superior Court of the State of California, City and County of San Francisco in 1996. Both complaints were brought on behalf of a purported class of indirect purchasers of carpet in the State of California and seek damages for alleged violations of California antitrust and unfair competition laws. The Company believes both of these lawsuits are without merit and intends to vigorously defend against them. The complaints filed do not specify any amount of damages but do request for any unlawful conduct to be enjoined and treble damages plus reimbursement for fees and costs.

(14) Consolidated Statements of Cash Flows Information

Supplemental disclosures of cash flow information are as follows:

	1997	1996	1995
	-----	-----	-----
Net cash paid during the year for:			
Interest . . . . .	\$ 27,639	32,268	36,309
	=====	=====	=====
Income taxes . . . . .	\$ 51,412	23,049	3,058
	=====	=====	=====

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements - (Continued)

(15) Quarterly Financial Data (Unaudited)

The supplemental quarterly financial data are as follows:

	Quarters Ended			
	March 29, 1997	June 28, 1997	Sept. 27, 1997	Dec. 31, 1997
	-----	-----	-----	-----
Net sales.....	\$409,289	475,127	500,818	516,118
Gross profit.....	89,747	111,008	116,480	119,420
Net earnings.....	8,547	19,307	20,853	19,323
Basic earnings per share.....	0.17	0.37	0.40	0.37
Diluted earnings per share.....	0.16	0.37	0.40	0.37

	Quarters Ended			
	March 30, 1996	June 29, 1996	Sept. 28, 1996	Dec. 31, 1996
Net sales.....	\$380,478	470,867	466,539	461,505
Gross profit.....	82,424	112,580	104,290	108,073
Net earnings.....	5,338	16,395	14,800	12,517
Basic earnings per share.....	0.11	0.32	0.29	0.24
Diluted earnings per share.....	0.10	0.32	0.28	0.24

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders under the following headings: "Election of Directors-- Director, Director Nominee and Executive Officer Information"; "--Nominees for Director"; "--Continuing Directors"; and "--Executive Officers."

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders under the following headings: "Executive Compensation and Other Information--Summary of Cash and Certain Other Compensation"; "-- Option Grants"; "--Option Exercises and Holdings"; "--Pension Plans"; "-- Employment and Consulting Contracts"; and "Election of Directors--Meetings and Committees of the Board of Directors."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders under the following heading: "Executive Compensation and Other Information--Principal Stockholders of the Company."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference to information contained in the Company's Proxy Statement for the 1998 Annual Meeting of Stockholders under the following heading: "Executive Compensation and Other Information--Certain Relationships and Related Transactions."

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. CONSOLIDATED FINANCIAL STATEMENTS

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

2. CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

Schedule I-Condensed Financial Information of Registrant.....	42
Schedule II-Consolidated Valuation and Qualifying Accounts.....	45

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

### 3. EXHIBITS

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

MOHAWK EXHIBIT NUMBER -----	DESCRIPTION -----
*2.1	Amended and Restated Agreement and Plan of Merger, including exhibits thereto, by and among Mohawk, Horizon Acquisition Corp. and Horizon dated as of July 29, 1992 and amended as of September 29, 1992. (Incorporated herein by reference to Exhibit 2 in Mohawk's Registration Statement on Form S-4, Registration No. 33-52542.)
*2.2	Stock Purchase Agreement dated as of March 8, 1993 among Mohawk, John C. Thornton, William Robert Fowler, Dave M. Reynolds and American Rug Craftsmen, Inc. (Incorporated herein by reference to Exhibit 5 in Mohawk's Current Report on Form 8-K dated March 8, 1993.)
*2.3	Asset Purchase Agreement dated as of June 3, 1993 between Fieldcrest Cannon, Inc. and Mohawk (Incorporated herein by reference to Exhibit 5 in Mohawk's Current Report on Form 8-K dated June 3, 1993.)
*2.4	Agreement and Plan of Merger dated as of December 3, 1993 and amended as of January 17, 1994 among Mohawk, AMI Acquisition Corp., Aladdin and certain Shareholders of Aladdin. (Incorporated herein by reference to Exhibit 2(i)(a) in Mohawk's Registration Statement on Form S-4, Registration No. 33-74220.)
*2.5	Stock Purchase Agreement by and among Mohawk, Galaxy and the Stockholder of Galaxy dated December 1, 1994. (Incorporated herein by reference to Exhibit 2 in Mohawk's Current Report on Form 8-K dated January 13, 1995.)
*3.1	Restated Certificate of Incorporation of Mohawk.
*3.2	Amended and Restated Bylaws of Mohawk.
*4.1	See Article 4 of the Restated Certificate of Incorporation of Mohawk. (Incorporated herein by reference to Exhibit 3.1 in Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
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*4.2	See Articles 2, 6, and 9 of the Amended and Restated Bylaws of Mohawk. (Incorporated herein by reference to Exhibit 3.2 in Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
*10.1	Leases dated February 25, 1993 between Mohawk and Forsyth/Airport Partners & Petula Associates, Ltd. concerning Greensboro, North Carolina offices. (Incorporated herein by reference to Exhibit 10.9 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
*10.2	Lease dated April 18, 1984 between Horizon and William Norris Little, James D. Miller, Jr., and Dean Cassidy d/b/a Cassidy & Associates concerning Dyenamics Plant at South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.3 of Horizon's Annual Report on Form 10-K for the fiscal year ended September 28, 1985 (SEC File No. 0-11492).)
*10.3	Lease dated August 1, 1985 between Horizon and Kay D. Owens concerning Coater I and General Administration Offices and Plant at South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.3 of Horizon's Annual Report on Form 10-K for the fiscal year ended September 28, 1985 (SEC File

No. 0-11492).)

- \*10.4 Lease dated April 1, 1988 between Horizon and Kay D. Owens concerning the addition between the Tufting and Coater Buildings on South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.24 in Mohawk's Registration Statement on Form S-1, Registration No. 33-53932.)
  - \*10.5 Lease dated March 22, 1978 between Horizon and John Wayne Hall and James S. Owens concerning the Printing Plant at South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.9 of Registration Statement No. 2-84128 and to Exhibit 10.13 of Registration Statement No. 2-87625.)
  - \*10.6 Lease dated December 12, 1983 between Horizon and James S. Owens concerning the expanded Tufting Plant at South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.12.1 of Horizon's Annual Report on Form 10-K for the fiscal year ended October 1, 1983 (SEC File No. 0-11492).)
  - \*10.7 Lease dated June 1, 1991 between Horizon and Don R. Owens concerning the Maintenance Plant at South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.27 in the Registrant's Form S-1 Registration No. 33-53932.)
  - \*10.8 Lease dated September 1, 1991 between Horizon and Don R. Owens concerning the Roll Storage Plant at South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.28 in Mohawk's Registration Statement on Form S-1, Registration No. 33-53932.)
  - \*10.9 Lease dated June 1, 1992 between Horizon and Don R. Owens concerning the Roll Storage Plant at South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.29 in Mohawk's Registration Statement on Form S-1, Registration No. 33-53932.)
  - \*10.10 Lease dated October 1, 1992 between Horizon and Don R. Owens concerning two additions to the Maintenance Plant at South Industrial Boulevard in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.30 in Mohawk's Registration Statement on Form S-1, Registration No. 33-53932.)
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- \*10.11 Lease dated August 15, 1989 between Joan Jones Webb and assigns and Aladdin related to a finished goods distribution warehouse in Miami, Florida. (Incorporated herein by reference to Exhibit 10.27 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
  - \*10.12 Lease dated October 15, 1990 between NBD Trust Company of Illinois and Aladdin related to a finished goods distribution warehouse in Romeoville, Illinois. (Incorporated herein by reference to Exhibit 10.28 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
  - \*10.13 Lease dated June 21, 1994 between Ventura County Employees' Retirement Association and Aladdin related to a finished goods distribution warehouse in Fullerton, California. (Incorporated herein by reference to Exhibit 10.28 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
  - \*10.14 Lease dated October 3, 1994 between Almoda and Aladdin related to a finished goods distribution warehouse in Columbus, Ohio. (Incorporated herein by reference to Exhibit 10.29 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
  - \*10.15 Lease dated March 31, 1994 between Alfred Sanzari and Aladdin related to a finished goods distribution warehouse in Elmwood Park, New Jersey. (Incorporated herein by reference to Exhibit 10.30 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)

- \*10.16 Lease dated May 1, 1994 between Columbware Associates and Aladdin related to a finished goods distribution warehouse in Jessup, Maryland. (Incorporated herein by reference to Exhibit 10.31 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- \*10.17 Lease dated January 7, 1994, as amended January 18, 1994, between Principal Mutual Life Insurance Company and Aladdin related to a finished goods distribution warehouse in Grand Prairie, Texas. (Incorporated herein by reference to Exhibit 10.32 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- \*10.18 Lease dated November 21, 1994 between Roundup Co. and Aladdin related to a finished goods distribution warehouse in Kent, Washington. (Incorporated herein by reference to Exhibit 10.33 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- \*10.19 Lease dated October 17, 1994 between Ventura County Employees' Retirement Association and Aladdin related to a finished goods distribution warehouse in Kent, Washington. (Incorporated herein by reference to Exhibit 10.34 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- \*10.20 Lease dated March 1, 1994 between Design Leasing and Holding Company, Inc. and American Rug Craftsmen, Inc. related to a manufacturing facility and warehouse in Calhoun, Georgia. (Incorporated herein by reference to Exhibit 10.35 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- \*10.21 Consolidated Amended and Restated Note Agreement dated as of September 3, 1993 for \$70 million of senior notes, including \$20 million uncommitted shelf facility, among Mohawk, Mohawk Carpet and The Prudential Insurance Company of America. (Incorporated herein by reference to Exhibit 10.2 in Mohawk's quarterly report on Form 10-Q for the quarter ended October 2, 1993.)
- \*10.22 Letter dated February 24, 1994 amending the Consolidated, Amended and Restated Note Agreement dated September 3, 1993 among Mohawk, Mohawk Carpet and The Prudential Insurance Company

of America. (Incorporated herein by reference to Exhibit 10.2 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)

- \*10.23 Letter dated as of September 16, 1994 of the Second Modification to the Consolidated, Amended and Restated Note Agreement dated September 3, 1993 among Mohawk, Mohawk Carpet Corporation and The Prudential Insurance Company of America. (Incorporated herein by reference to Exhibit 10.2 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended October 1, 1994.)
- \*10.24 Letter dated as of July 19, 1995 of the Third Modification to the Consolidated, Amended and Restated Note Agreement dated as of September 3, 1993 among Mohawk, Mohawk Carpet Corporation and The Prudential Insurance Company of America. (Incorporated herein by reference to Exhibit 10.6 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
- \*10.25 Letter dated as of September 29, 1995 of the Fourth Modification to the Consolidated, Amended and Restated Note Agreement dated as of September 3, 1993 among Mohawk, Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation) and The Prudential Insurance Company of America. (Incorporated herein by reference to Exhibit 10.10 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
- \*10.26 Letter dated as of March 12, 1996 of the Fifth Modification to the Consolidated, Amended and Restated Note Agreement dated September 3, 1993 among Mohawk, Mohawk Manufacturing Corporation (f/k/a

Mohawk Carpet Corporation) and The Prudential Insurance Company of America. (Incorporated herein by reference to Exhibit 10.26 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)

- \*10.27 Second Amended and Restated Credit Agreement dated as of January 13, 1995 among Mohawk Carpet, Mohawk, Wachovia Bank of Georgia, N.A. and First Union National Bank of Georgia. (Incorporated herein by reference to Exhibit 10.3 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
  - \*10.28 Third Amended and Restated Credit Agreement dated as of April 15, 1997 among Mohawk Aladdin Manufacturing Corporation, Wachovia Bank of Georgia, N.A. and First Union National Bank of Georgia. (Incorporated herein by reference to Exhibit 10 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended March 29, 1997.)
  - \*10.29 First Amendatory Agreement dated as of June 23, 1995 to the Second Amended and Restated Credit Agreement dated as of January 13, 1995 among Mohawk Carpet Corporation, Mohawk, Wachovia Bank of Georgia, N.A. and First Union National Bank of Georgia. (Incorporated herein by reference to Exhibit 10.1 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended July 1, 1995.)
  - \*10.30 Second Amendatory Agreement and Waiver dated as of July 19, 1995 to the Second Amended and Restated Credit Agreement dated as of January 13, 1995 among Mohawk Carpet Corporation, Mohawk, Wachovia Bank of Georgia, N.A. and First Union National Bank of Georgia. (Incorporated herein by reference to Exhibit 10.1 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
  - \*10.31 Third Amendatory Agreement dated as of September 28, 1995 to the Second Amended and Restated Credit Agreement dated as of January 13, 1995 among Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), Mohawk, Wachovia Bank of Georgia, N.A. and First Union National Bank of Georgia. (Incorporated herein by reference to Exhibit 10.2 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
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- \*10.32 Fourth Amendatory Agreement dated as of December 22, 1995 to the Second Amended and Restated Credit Agreement dated as of January 13, 1995 among Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), Mohawk, Wachovia Bank of Georgia, N.A. and First Union National Bank of Georgia. (Incorporated herein by reference to Exhibit 10.31 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
  - \*10.33 Fifth Amendatory Agreement dated as of December 31, 1995 to the Second Amended and Restated Credit Agreement dated as of January 13, 1995 among Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), Mohawk, Wachovia Bank of Georgia, N.A. and First Union National Bank of Georgia. (Incorporated herein by reference to Exhibit 10.32 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
  - \*10.34 Sixth Amendatory Agreement dated as of December 31, 1996 to the Second Amended and Restated Credit Agreement dated as of January 13, 1995 among Aladdin Manufacturing Corporation (f/k/a Mohawk Manufacturing Corporation and prior to that known as Mohawk Carpet Corporation), Mohawk, Wachovia Bank of Georgia, N.A. and First Union National Bank of Georgia.
  - \*10.35 Note Purchase Agreement dated as of August 15, 1993 for 9.5% Senior Notes due April 1, 1998 among Mohawk Carpet, Mohawk, Horizon, American Rug Craftsmen, Burton Carpets & Rugs, Inc. and The Harbinger Company, Inc., and Alexander Hamilton Life Insurance Company of America, Connecticut Mutual Life Insurance Company, The Franklin Life Insurance Company and Principal Mutual Life Insurance Company. (Incorporated herein by reference to Exhibit 10.5 of Mohawk's Annual Report on Form 10-K for the fiscal year ended

December 31, 1993.)

- \*10.36 First Amendment and Waiver Agreement dated as of February 25, 1994 of the Note Purchase Agreement dated as of August 15, 1993 for 9.5% Senior Notes due April 1, 1998 among Mohawk Carpet, Mohawk, American Rug Craftsmen, Inc., Burton Carpets & Rugs, Inc., Aladdin, Mohawk Marketing, Inc., Alexander Hamilton Life Insurance Company of America, Connecticut Mutual Life Insurance Company, Principal Mutual Life Insurance Company and The Franklin Life Insurance Company. (Incorporated herein by reference to Exhibit 10.6 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- \*10.37 Second and Third Amendment Agreements dated as of September 16, 1994 of the Note Purchase Agreement dated as of August 15, 1993 for 9.5% Senior Notes due April 1, 1998 among the Company, Mohawk Carpet Corporation, American Rug Craftsmen, Aladdin, Mohawk Marketing, Inc., Alexander Hamilton Life Insurance Company of America, Connecticut Mutual Life Insurance Company, The Franklin Life Insurance Company and Principal Mutual Life Insurance Company. (Incorporated herein by reference to Exhibit 10.3 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended October 1, 1994.)
- \*10.38 Fourth Amendment and Waiver Agreement dated as of July 19, 1995 of the Note Purchase Agreement dated as of August 15, 1993 for 9.5% Senior Notes due April 1, 1998 among Mohawk Carpet Corporation, Mohawk, Aladdin Mills, Inc., Mohawk Marketing, Inc., Galaxy Carpet Mills, Inc., Mohawk Mills, Inc., Mohawk Manufacturing Corporation, Alexander Hamilton Life Insurance Company of America, Connecticut Mutual Life Insurance Company, The Franklin Life Insurance Company and Principal Mutual Life Insurance Company. (Incorporated herein by reference to Exhibit 10.3 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
- \*10.39 Fifth Amendment Agreement dated as of September 29, 1995 of the Note Purchase Agreement dated as of August 15, 1993 for 9.5% Senior Notes due April 1, 1998 among Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), Mohawk, Aladdin Mills, Inc., Mohawk Marketing, Inc., Galaxy Carpet Mills, Inc., Mohawk Mills, Inc., Mohawk Carpet Corporation, Alexander Hamilton Life Insurance Company of America, Connecticut Mutual Life Insurance Company and Principal Mutual Life Insurance Company. (Incorporated herein by reference to Exhibit 10.7 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
- \*10.40 Sixth Amendment Agreements dated as of March 12, 1996 of the Note Purchase Agreement dated as of August 15, 1993 for 9.5% Senior Notes due April 1, 1998 among the Company, Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), Aladdin, Mohawk Marketing, Inc., Galaxy Carpet Mills, Inc., Mohawk Mills, Inc., Mohawk Carpet Corporation, Alexander Hamilton Life Insurance Company of America, Connecticut Mutual Life Insurance Company, The Franklin Life Insurance Company and Principal Mutual Life Insurance Company. (Incorporated herein by reference to Exhibit 10.38 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- \*10.41 Note Purchase Agreement dated as of August 15, 1993 for \$85 million of Senior Notes due September 1, 2005 among Mohawk Carpet, Mohawk, Horizon, American Rug Craftsmen, Burton Carpets & Rugs, Inc. and The Harbinger Company, Inc., and John Hancock Mutual Life Insurance Company, John Hancock Variable Life Insurance Company, John Hancock Life Insurance Company of America, Principal Mutual Life Insurance Company, Principal National Life Insurance Company, UNUM Life Insurance Company of America and The Franklin Life Insurance Company. (Incorporated herein by reference to Exhibit 10.7 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)

- \*10.42 First Amendment and Waiver Agreement dated as of February 25, 1994 of the Note Purchase Agreement dated as of August 15, 1993 for \$85 million Senior Notes due September 1, 2005 among Mohawk Carpet, Mohawk, American Rug Craftsmen, Inc., Burton Carpets & Rugs, Inc., Aladdin, Mohawk Marketing, Inc., John Hancock Mutual Life Insurance Company, John Hancock Variable Life Insurance Company, John Hancock Life Insurance Company of America, Principal Mutual Life Insurance Company, Principal National Life Insurance Company, UNUM Life Insurance Company and The Franklin Life Insurance Company. (Incorporated herein by reference to Exhibit 10.8 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- \*10.43 Second and Third Amendment Agreements dated as of September 16, 1994 of the Note Purchase Agreement dated as of August 15, 1993 for \$85 million Senior Notes due September 1, 2005 among the Company, Mohawk Carpet Corporation, American Rug Craftsmen, Aladdin, Mohawk Marketing, Inc., John Hancock Mutual Life Insurance Company, John Hancock Variable Life Insurance Company, John Hancock Life Insurance Company of America, Principal Mutual Life Insurance Company, Principal National Life Insurance Company, UNUM Life Insurance Company and The Franklin Life Insurance Company. (Incorporated herein by reference to Exhibit 10.4 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended October 1, 1994.)
- \*10.44 Fourth Amendment and Waiver Agreement dated as of July 19, 1995 of the Note Purchase Agreement dated as of August 15, 1993 for \$85 million of Senior Notes due September 1, 2005 among Mohawk Carpet Corporation, Mohawk, Aladdin Mills, Inc., Mohawk Marketing, Inc., Galaxy Carpet Mills, Inc., Mohawk Mills, Inc., Mohawk Manufacturing Corporation, John Hancock Mutual Life Insurance Company, John Hancock Variable Life Insurance Company, John Hancock Life Insurance Company of America, Principal Mutual Life Insurance Company, UNUM Life Insurance Company of America and The Franklin Life Insurance Company. (Incorporated herein by reference to Exhibit 10.4 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
- \*10.45 Fifth Amendment Agreement dated as of September 29, 1995 of the Note Purchase Agreement dated as of August 15, 1993 for \$85 million of Senior Notes due September 1, 2005 among Mohawk  
 Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), Mohawk, Aladdin Mills, Inc., Mohawk Marketing, Inc., Galaxy Carpet Mills, Inc., Mohawk Mills, Inc., Mohawk Carpet Corporation, John Hancock Mutual Life Insurance Company, John Hancock Variable Life Insurance Company, John Hancock Life Insurance Company of America, Principal Mutual Life Insurance Company, UNUM Life Insurance Company of America and American General Life Insurance Company. (Incorporated herein by reference to Exhibit 10.8 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
- \*10.46 Sixth Amendment Agreement dated as of March 12, 1996 of the Note Purchase Agreement dated as of August 15, 1993 for \$85 million Senior Notes due September 1, 2005 among the Company, Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), Aladdin, Mohawk Marketing, Inc., Galaxy Carpet Mills, Inc., Mohawk Mills, Inc., Mohawk Carpet Corporation, John Hancock Mutual Life Insurance Company, John Hancock Variable Life Insurance Company, John Hancock Life Insurance Company of America, Principal Mutual Life Insurance Company, Principal National Life Insurance Company, UNUM Life Insurance Company and The Franklin Life Insurance Company. (Incorporated herein by reference to Exhibit 10.44 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- \*10.47 Note Purchase Agreement dated as of September 16, 1994 for \$100 million of Senior Notes due September 16, 2004 among the Company, Mohawk Carpet Corporation, American Rug Craftsmen, Aladdin, Mohawk Marketing, Inc., The Prudential Insurance Company of America,

Principal Mutual Life Insurance Company, John Hancock Mutual Life Insurance Company, Connecticut Mutual Life Insurance Company, Alexander Hamilton Life Insurance Company of America and The Franklin Life Insurance Company. (Incorporated herein by reference to Exhibit 4.1 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended October 1, 1994.)

- \*10.48 Letter dated as of July 19, 1995 of the First Modification to the Note Purchase Agreement dated as of September 16, 1994 for \$100 million of Senior Notes due September 16, 2004 among Mohawk, Mohawk Carpet Corporation, The Prudential Insurance Company of America, Principal Mutual Life Insurance Company, John Hancock Mutual Life Insurance Company, Connecticut Mutual Life Insurance Company, Alexander Hamilton Life Insurance Company of America and The Franklin Life Insurance Company. (Incorporated herein by reference to Exhibit 10.5 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
  - \*10.49 Letter dated as of September 29, 1995 of the Second Modification to the Note Purchase Agreement dated as of September 16, 1994 for \$100 million of Senior Notes due September 16, 2004 among Mohawk, Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), The Prudential Insurance Company of America, Principal Mutual Life Insurance Company, John Hancock Mutual Life Insurance Company, Connecticut Mutual Life Insurance Company, Alexander Hamilton Life Insurance Company of America and American General Insurance Company. (Incorporated herein by reference to Exhibit 10.9 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.)
  - \*10.50 Letter dated as of March 12, 1996 of the Third Modification to the Note Purchase Agreement dated as of September 16, 1994 for \$100 million of Senior Notes due September 16, 2004 among Mohawk, Mohawk Manufacturing Corporation (f/k/a Mohawk Carpet Corporation), The Prudential Insurance Company of America, Principal Mutual Life Insurance Company, John Hancock Mutual Life Insurance Company, Connecticut Mutual Life Insurance Company, Alexander Hamilton Life Insurance Company of America and American General Insurance Company. (Incorporated herein by reference to Exhibit 10.48 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
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- \*10.51 Second Amended and Restated Intercreditor Agreement among the Collateral Agent, First UnionNational Bank of Georgia, Wachovia Bank of Georgia, N.A., The Prudential Insurance Company of America, John Hancock Mutual Life Insurance Company, John Hancock Variable Life Insurance Company, John Hancock Life Insurance Company of America, Principal Mutual Life Insurance Company, Principal National Life Insurance Company, UNUM Life Insurance Company, The Franklin Life Insurance Company, Alexander Hamilton Life Insurance Company of America and Connecticut Mutual Life Insurance Company, and the related Amended and Restated Security Agreements dated as of September 16, 1994 between the Collateral Agent for the benefit of the parties to that Intercreditor Agreement and the Company and Mohawk Carpet Corporation. (Incorporated herein by reference to Exhibit 10.5 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended October 1, 1994.)
  - \*10.52 Registration Rights Agreement by and among Mohawk, Citicorp Investments, Inc., ML-Lee Acquisition Fund, L.P. and Certain Management Investors. (Incorporated herein by reference to Exhibit 10.14 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
  - \*10.53 Voting Agreement, Consent of Stockholders and Amendment to 1992 Registration Rights Agreement dated December 3, 1993 by and among Aladdin, Mohawk, Citicorp Investments, Inc., ML-Lee Acquisition Fund, L.P., David L. Kolb, Donald G. Mercer, Frank A. Procopio and John D. Swift. (Incorporated herein by reference to Exhibit 10(b) of Mohawk's Registration Statement on Form S-4, Registration No. 33-74220.)

- \*10.54 Registration Rights Agreement by and among Mohawk and the former shareholders of Aladdin. (Incorporated herein by reference to Exhibit 10.32 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- \*10.55 Waiver Agreement between Alan S. Lorberbaum and Mohawk dated as of March 23, 1994 to the Registration Rights Agreement dated as of February 25, 1994 between Mohawk and those other persons who are signatories thereto. (Incorporated herein by reference to Exhibit 10.3 of Mohawk's Quarterly Report on Form 10-Q for the quarter ended July 2, 1994.)

Exhibits Related to Executive Compensation Plans, Contracts and other Arrangements:

- \*10.56 Mohawk Carpet Corporation Retirement Savings Plan, as amended. (Incorporated herein by reference to Exhibit 10.1 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- \*10.57 Mohawk Carpet Corporation Supplemental Executive Retirement Plan, as amended. (Incorporated herein by reference to Exhibit 10.2 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- \*10.58 Mohawk Industries, Inc. Employee Stock Purchase Plan together with forms of related Management Investment Agreement, Non-Qualified Stock Option Agreement, and amendments thereto. (Incorporated herein by reference to Exhibit 10.3 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- \*10.59 Stock Purchase Agreement dated as of December 30, 1988 between Mohawk and Mohasco as supplemented by Supplement to Stock Purchase Agreement dated December 30, 1988. (Incorporated herein by reference to Exhibit 10.4 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- \*10.60 Securities Purchase and Holders Agreement dated as of December 31, 1988, as amended and restated March 30, 1989, together with amendments thereto and forms of related Non-Qualified Stock Option Agreement and amendments thereto. (Incorporated herein by reference to Exhibit 10.5 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- \*10.61 Investment Agreement dated as of March 31, 1989 among Mohawk, Mohawk Carpet, Citicorp Capital Investors Ltd., Citicorp Venture Capital Ltd. and ML-Lee Acquisition Fund, L.P. (Incorporated herein by reference to Exhibit 10.6 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- \*10.62 Equity Securities Agreement dated March 31, 1989 among Mohawk, ML-Lee Acquisition Fund, L.P. and Citicorp Venture Capital Ltd. (Incorporated herein by reference to Exhibit 10.7 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- \*10.63 Securities Holders Agreement among Mohawk and Certain Management Investors dated as of March 6, 1992. (Incorporated herein by reference to Exhibit 10.40 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- \*10.64 Mohawk Industries, Inc. 1992 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.8 of Mohawk's Registration Statement on Form S-1, Registration No. 33-45418.)
- \*10.65 Amendment dated July 22, 1993 to the Mohawk Industries, Inc. 1992 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.2 in Mohawk's quarterly report on Form 10-Q for the quarter ended July 3, 1993.)
- \*10.66 Mohawk Industries, Inc. 1992 Mohawk-Horizon Stock Option Plan. (Incorporated herein by reference to Exhibit 10.15 of Mohawk's Registration Statement on Form S-1, Registration Number 33-53932.)

- \*10.67 Amendment dated July 22, 1993 to the Mohawk Industries, Inc. 1992 Mohawk-Horizon Stock Option Plan. (Incorporated herein by reference to Exhibit 10.1 of Mohawk's quarterly report on Form 10-Q for the quarter ended July 3, 1993.)
- \*10.68 Mohawk Industries, Inc. 1993 Stock Option Plan. (Incorporated herein by reference to Exhibit 10.39 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- \*10.69 Form of Promissory Note between Mohawk and each of the following; David L. Kolb, John D. Swift and Frank A. Procopio. (Incorporated herein by reference to Exhibit 10.75 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- \*10.70 The Mohawk Industries, Inc. Executive Deferred Compensation Plan. (Incorporated herein by reference to Exhibit 10.65 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- \*10.71 The Mohawk Industries, Inc. Management Deferred Compensation Plan. (Incorporated herein by reference to Exhibit 10.66 of Mohawk's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- \*10.72 1997 Non-Employee Director Stock Compensation Plan.
- \*10.73 1997 Long-Term Incentive Plan.
- 10.74 Amendment No. 1 to 1997 Non-Employee Director Stock Compensation Plan.
- 11 Statement re: Computation of Per Share Earnings.

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- 21 Subsidiaries of the Registrant.
- 23.1 Independent Auditors' Consent - KPMG Peat Marwick LLP.
- 27 Financial Data Schedule.

\* Indicates exhibit incorporated by reference.

(b) REPORTS ON FORM 8-K.

- 1. Current Report on Form 8-K dated October 23, 1997.
- 2. Current Report on Form 8-K dated February 5, 1998.

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SIGNATURES

PURSUANT TO THE REQUIREMENTS OF SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED.

Mohawk Industries, Inc.

Dated: March 14, 1998

By: /s/ David L. Kolb  
 -----  
 David L. Kolb,  
 Chairman of the Board and Chief Executive  
 Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES AND ON THE DATES INDICATED.

Dated: March 14, 1998

/s/ David L. Kolb

-----  
David L. Kolb,  
Chairman of the Board and Chief Executive  
Officer  
(principal executive officer)

Dated: March 14, 1998

/s/ John D. Swift

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John D. Swift,  
Chief Financial Officer, Vice President-Finance  
and Assistant Secretary  
(principal financial and accounting officer)

Dated: March 14, 1998

/s/ Leo Benatar

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Leo Benatar,  
Director

Dated: March 14, 1998

/s/ Bruce C. Bruckmann

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Bruce C. Bruckmann,  
Director

Dated: March 14, 1998

/s/ Alan S. Lorberbaum

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Alan S. Lorberbaum,  
Director

Dated: March 14, 1998

/s/ Jeffrey S. Lorberbaum

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Jeffrey S. Lorberbaum,  
Director

Dated: March 14, 1998

/s/ Larry W. McCurdy

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Larry W. McCurdy,  
Director

Dated: March 14, 1998

/s/ Robert N. Pokelwaldt

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Robert N. Pokelwaldt,  
Director

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SCHEDULE I

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES  
Condensed Financial Information Of Registrant  
Mohawk Industries, Inc.

Balance Sheets

December 31, 1997 and 1996

(In thousands, except per share data)

ASSETS	1997	1996
	-----	-----
Current assets - intercompany receivable. . . . .	\$ 38,765	34,079
Investment in subsidiaries. . . . .	367,150	299,120
	-----	-----

	\$ 405,915	333,199
	=====	=====
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value; 60 shares authorized; no shares issued . . .	\$ -	-
Common stock, \$.01 par value; 75,000 shares authorized; 52,167 and 51,707 shares issued in 1997 and 1996, respectively . . . . .	522	517
Additional paid-in capital . . . . .	136,069	131,388
Retained earnings . . . . .	269,324	201,294
	-----	-----
	\$ 405,915	333,199
	=====	=====

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SCHEDULE I  
(continued)

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES  
Condensed Financial Information Of Registrant  
Mohawk Industries, Inc.

Statements of Earnings

Years Ended December 31, 1997, 1996 and 1995

(In thousands)

	1997	1996	1995
	-----	-----	-----
Equity in earnings of subsidiaries.....	\$ 68,030	49,050	6,412
Net earnings.....	\$ 68,030	49,050	6,412
	=====	=====	=====

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SCHEDULE I  
(continued)

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES  
Condensed Financial Information Of Registrant  
Mohawk Industries, Inc.

Statements of Cash Flows

Years Ended December 31, 1997, 1996 and 1995

(In thousands)

	1997	1996	1995
	-----	-----	-----
Cash flows from operating activities:			
Net earnings.....	\$ 68,030	49,050	6,412
Adjustments to reconcile net earnings to net cash used in operating activities:			
Equity in earnings of subsidiaries.....	(68,030)	(49,050)	(6,412)
Increase in intercompany receivable.....	(4,686)	(9,246)	(4,473)
	-----	-----	-----
Net cash used in operating activities.....	(4,686)	(9,246)	(4,473)
	-----	-----	-----

Cash flows from financing activities:			
Stock options exercised.....	3,636	1,323	792
Tax benefit from exercise of stock options.....	1,050	7,606	3,355
Other.....	-	317	326
	-----	-----	-----
Net cash provided by financing activities.....	4,686	9,246	4,473
	-----	-----	-----
Net change in cash.....	-	-	-
Cash, beginning of year.....	-	-	-
	-----	-----	-----
Cash, end of year.....	\$ -	-	-
	=====	=====	=====

SCHEDULE II

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES  
Consolidated Valuation and Qualifying Accounts  
Years Ended December 31, 1997, 1996 and 1995  
(In thousands)

Description -----	Balance at beginning of year -----	Additions -----		Deductions (2) -----	Balance at end of year -----
		Charged to costs and expenses -----	Charged to other accounts (1) -----		
Year ended December 31, 1995:					
Allowance for doubtful accounts - trade . .	\$ 7,606	9,649	3,196	2,495	17,956
Provision for cash discounts . . . . .	4,001	48,304	442	48,250	4,497
Provision for claims and allowances . . . .	11,009	95,498	1,953	98,768	9,692
	-----	-----	-----	-----	-----
Total . . . . .	\$ 22,616	153,451	5,591	149,513	32,145
	=====	=====	=====	=====	=====
Year ended December 31, 1996:					
Allowance for doubtful accounts - trade . .	\$ 17,956	13,213	-	15,466	15,703
Provision for cash discounts . . . . .	4,497	48,577	-	48,146	4,928
Provision for claims and allowances . . . .	9,692	109,399	-	105,736	13,355
	-----	-----	-----	-----	-----
Total . . . . .	\$ 32,145	171,189	-	169,348	33,986
	=====	=====	=====	=====	=====
Year ended December 31, 1997:					
Allowance for doubtful accounts - trade . .	\$ 15,703	8,434	-	7,069	17,068
Provision for cash discounts . . . . .	4,928	51,023	-	49,443	6,508
Provision for claims and allowances . . . .	13,355	119,232	-	120,150	12,437
	-----	-----	-----	-----	-----
Total . . . . .	\$ 33,986	178,689	-	176,662	36,013
	=====	=====	=====	=====	=====

(1) Purchase price allocated to valuation accounts in connection with acquisitions.

(2) Represents charge offs, net of recoveries, to the reserves.

EXHIBIT INDEX

MOHAWK EXHIBIT NUMBER -----	DESCRIPTION -----
10.74	Amendment No. 1 to 1997 Non-Employee Director Stock Compensation Plan.
11	Statement re: Computation of Per Share Earnings.
21	Subsidiaries of the Registrant.

23.1 Independent Auditors' Consent - KPMG Peat Marwick LLP.

27 Financial Data Schedule.

MOHAWK INDUSTRIES, INC.  
1997 NON-EMPLOYEE DIRECTOR STOCK COMPENSATION PLAN  
(Amended and Restated as of October 23, 1997)

ARTICLE 1  
PURPOSE OF THE PLAN

1.1 Background and Purpose. Mohawk Industries, Inc. maintains the 1997 Non-  
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Employee Director Stock Compensation Plan (the "Plan") to promote the long-term growth of Mohawk Industries, Inc. by providing a vehicle for Non-Employee Directors to increase their proprietary interest in the Corporation and to attract and retain highly qualified and capable Non-Employee Directors. The Plan is hereby amended and restated in order to add a feature whereby Non-Employee Directors may elect to defer their Annual Retainer into a phantom stock account the performance and value of which shall be measured by reference to the performance of the Corporation's common stock from time to time. The deferred compensation feature of the Plan will be effective for Annual Retainer payable in 1998 or thereafter.

1.2 Status of Plan. Article 7 of the Plan is intended to be a nonqualified,  
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unfunded plan of deferred compensation under the Internal Revenue Code of 1986, as amended.

ARTICLE 2  
DEFINITIONS

2.1 Defined Terms. Unless the context clearly indicates otherwise, the  
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following terms shall have the following meanings:  
"Annual Retainer" means the annual cash retainer fee (excluding any meeting fees) payable by the Corporation to a Non-Employee Director for services as a director (and, if applicable, as the chairman of a committee of the Board) of the Corporation, as such amount may be changed from time to time.  
  
"Beneficiary" means any person or persons designated by a Participant, in accordance with procedures established by the Plan Administrator, to receive benefits hereunder in the event of the Participant's death. If any Participant shall fail to designate a Beneficiary or shall designate a Beneficiary who shall fail to survive the Participant, the Beneficiary shall be the Participant's surviving spouse, or, if none, the Participant's surviving descendants (who shall take per stirpes), and if there are no surviving descendants, the Beneficiary shall be the Participant's estate.  
  
"Board" means the Board of Directors of the Corporation.  
  
"Business Day" shall mean a day on which the Nasdaq National Market or any national securities exchange or over-the-counter market on which the Shares are traded is open for business.

"Cash Election Form" means a form, substantially in the form attached hereto as Exhibit A, pursuant to which a Non-Employee Director elects to receive his Annual Retainer for a particular calendar year in the form of cash, as provided in Section 6.2.

"Change of Control" means and includes each of the following:

(1) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of 25% or more of the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that  
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for purposes of this subsection (1), the following acquisitions shall not constitute a Change of Control: (i) any acquisition by a Person who is on the Effective Date the beneficial owner of 25% or more of the Outstanding Company Voting Securities, (ii) any acquisition directly from the Corporation, (iii) any

acquisition by the Corporation, (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation, or (v) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (3) of this definition; or  
(2) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to

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the Effective Date whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation (a "Business Combination"), in each case, unless, following such Business

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Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, and (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination.

"Committee" means the Compensation Committee of the Board.

"Common Stock" means the \$0.01 par value common stock of the Corporation.

"Corporation" means Mohawk Industries, Inc.

"Deferral Election Form" means a form, substantially in the form attached hereto as Exhibit B, pursuant to which a Non-Employee Director elects to defer his or her Annual Retainer under the Plan.

"Election Date" means the date established by the Plan as the date by which a Participant must submit to the Plan Administrator (i) a valid Shares Election Form in order to receive Shares in lieu of Annual Retainer for a calendar year, (ii) a valid Cash Election Form to receive cash in a subsequent year, or (iii) a valid Deferral Election Form to defer Annual Retainer pursuant to Article 7. For each calendar year, the Election Date is December 31 of the preceding calendar year; provided, however, that the Election Date for a newly eligible Participant shall be the 30th day following the date on which such individual becomes a Non-Employee Director.

"Fair Market Value per Share" as of a particular date means the closing sales price of one share of Common Stock on such date as reported on the Nasdaq National Market or any national securities exchange or over-the-counter market on which the Shares are then traded or, in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported.

"Non-Employee Director" means a director of the Corporation who is not an employee of the Corporation or any subsidiary of the Corporation.

"Participant" means any Non-Employee Director who is participating in the Plan.

"Phantom Stock" means a hypothetical unit of value equal to the Fair Market Value of one share of Common Stock. The concept of Phantom Stock is for bookkeeping purposes only.

"Plan" means the Mohawk Industries, Inc. 1997 Non-Employee Director Stock Compensation Plan, as amended and restated.

"Plan Administrator" means the Committee or the agent(s), if any, appointed by the Committee pursuant to Section 3.2 to assist in the administration of the Plan.

"Shares" means shares of Common Stock.

"Shares Election Form" means a form, substantially in the form attached hereto as Exhibit C, pursuant to which a Non-Employee Director elects to receive Shares in lieu of all (but not less than all) of such Non-Employee Director's Annual Retainer, as provided in Section 6.1.

"Stock Account" means the account established by the Corporation for each Participant for Annual Retainer deferred pursuant to Article 7 of the Plan, the performance and value of which shall be

measured by reference to the Fair Market Value of the Common Stock from time to time. The maintenance of individual Stock Accounts is for bookkeeping purposes only.

"Termination of Service" occurs when a Participant ceases to serve as a Non-Employee Director for any reason.

ARTICLE 3  
ADMINISTRATION OF THE PLAN

3.1 Administrator of the Plan. The Plan shall be administered by the  
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Committee.

3.2 Authority of Committee. The Committee shall have full power and  
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authority to: (i) interpret and construe the Plan and adopt such rules and regulations as it shall deem necessary and advisable to implement and administer the Plan, and (ii) designate persons other than members of the Committee or the Board to carry out its responsibilities, subject to such limitations, restrictions and conditions as it may prescribe, such determinations to be made in accordance with the Committee's best business judgment as to the best interests of the Corporation and its stockholders and in accordance with the purposes of the Plan. The Committee may delegate administrative duties under the Plan to one or more agents as it shall deem necessary or advisable, such agents to be referred to herein as the Plan Administrator.

3.3 Effect of Committee Determinations. No member of the Committee or the  
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Board or the Plan Administrator shall be personally liable for any action or determination made in good faith with respect to the Plan or as to any settlement of any dispute between a Non-Employee Director and the Corporation. Any decision or action taken by the Committee or the Board with respect to the administration or interpretation of the Plan shall be conclusive and binding upon all persons.

ARTICLE 4  
ELIGIBILITY

4.1 Eligibility. All active Non-Employee Directors of the Corporation shall  
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be eligible to participate in the Plan.

ARTICLE 5  
SHARES SUBJECT TO THE PLAN

5.1 Shares Subject to the Plan. Subject to adjustment as provided in the  
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Plan, the maximum number of Shares which may be granted under Article 6 or

distributed pursuant to Article 7 under the Plan is 25,000 Shares. The Shares distributable under the Plan must be previously issued and repurchased Shares and may not be original issue Shares.

ARTICLE 6  
ELECTIVE RECEIPT OF SHARES

Each Non-Employee Director shall be granted Shares subject to the following terms and conditions:

6.1 Election to Receive Shares. On the first Business Day of each fiscal  
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quarter of each year, Shares shall be granted to each Non-Employee Director who either (i) on or before the Election Date for such year, filed with the Plan Administrator a written irrevocable Shares Election Form, indicating such Non-Employee Director's election to receive Shares in lieu of all (but not less than all) of his or her Annual Retainer payable with respect to such year, or (ii) filed a Shares Election Form for any prior year and did not file a Cash Election Form (as described in Section 6.2 below) with respect to the current year.

6.2 Subsequent Elections to Receive Cash. Once a Non-Employee Director files  
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a Shares Election Form or a Deferral Election Form for any year, that election will carry forward into subsequent years unless, on or before the Election Date for any subsequent year, the Non-Employee Director files a Cash Election Form for such subsequent year. A Cash Election Form shall be valid for one year only. A new Cash Election Form will be required to be filed for any year in which the Non-Employee Director desires to receive his or her Annual Retainer in cash. Once a Non-Employee Director files a Shares Election Form or a Deferral Election Form for any year, then thereafter for any year for which a Cash Election Form is not timely filed, the election will automatically revert to the last-filed Shares Election Form or Deferral Election Form, as the case may be.

6.3 Number of Shares. The number of Shares to be granted pursuant to this  
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Article 6 on each quarterly grant date shall be the number of whole Shares equal to (i) one quarter ( 1/4) of the Annual Retainer amount which the Non-Employee Director has elected to be payable in Shares, divided by (ii) the Fair Market Value per Share on the date the Shares are awarded. In determining the number of Shares to be granted, any fraction of a share will be disregarded and the remaining amount of such quarterly installment of the Annual Retainer shall be paid in cash.

ARTICLE 7  
ELECTION TO DEFER ANNUAL RETAINER

7.1 Election to Defer. A Non-Employee Director may elect to defer his or her  
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Annual Retainer under the Plan by delivering a properly completed and signed Deferral Election Form to the Plan Administrator on or before the Election Date. The Non-Employee Director's deferral will be effective as of the first day of the calendar year beginning after the Plan Administrator receives the Non-Employee Director's Deferral Election Form, or, in the case of a newly eligible Participant, on the first day of the calendar month beginning after the Plan Administrator receives such Non-Employee Director's Deferral Election Form.

7.2 Termination or Continuation of Deferral Election Form.  
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(a) Voluntary Termination. A Participant may terminate his or her Deferral  
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Election Form at any time. Such termination will be effective on the first day of the calendar year after the Participant notifies the Plan Administrator of the Participant's termination of the Deferral Election Form. Any Annual Retainer deferred prior to the termination of the Deferral Election Form shall remain deferred in accordance with the original Deferral Election Form and the Plan. The Participant may deliver a new Deferral Election Form and thereby defer the receipt of any future Annual Retainer, effective as of the first day of the following calendar year or the first day of any subsequent calendar year.

(b) Continuation of Deferral Election Form. If the Participant fails to  
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terminate an effective Deferral Election Form prior to the commencement of the

new calendar year, the Participant's Deferral Election Form in effect during the previous calendar year shall continue in effect during the new calendar year.

(c) Automatic Termination of Deferral Election Form. A Participant's

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Deferral Election Form will automatically terminate at the earlier of (i) the Participant's Termination of Service, or (ii) the termination of the Plan.

7.3 Stock Account. For bookkeeping purposes, the Annual Retainer which a

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Non-Employee Director elects to defer pursuant to the Plan shall be transferred to and held in an individual Stock Account in the name of such Participant. Amounts to be deferred shall be credited to the Participant's Stock Account as of the date such Annual Retainer is otherwise payable. Amounts deferred into a Stock Account are recorded as units of Phantom Stock, and fractions thereof, with one unit equating to a single share of Common Stock. Thus, the value of one unit of Phantom Stock shall equal the Fair Market Value of a single share of Common Stock. The use of units is merely a bookkeeping convenience; the units are not actual shares of Common Stock. As described below in Section 7.5, a Participant may elect to have some or all of the value of his or her Stock Account distributed in actual shares of Common Stock. The maximum number of Phantom Stock units that may be allocated by deferral of Annual Retainer to Stock Accounts under the Plan is 25,000. To the extent required for bookkeeping purposes, a Participant's Stock Account will be subdivided to reflect deferred Annual Retainer on a year-by-year basis. For example, a 1998 Stock Sub-Account, a 1999 Stock Sub-Account, and so on.

7.4 Credits to the Stock Account.

(a) Initial Crediting of Stock Account. If a Participant elects to defer

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Annual Retainer into his or her Stock Account, such account shall be credited, as of the date described in Section 7.1, with that number of units of Phantom Stock, and fractions thereof, obtained by dividing the dollar amount to be deferred into the Stock Account by the Fair Market Value of the Common Stock as of such date.

(b) Dividend Equivalents. Effective as of the payment date for each cash

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dividend on the Common Stock, the Stock Account of each Participant who had a balance in his or her Stock Account on the record date for such dividend shall be credited with a number of units of Phantom Stock, and fractions thereof, obtained by dividing (i) the aggregate dollar amount of such cash dividend payable in respect of such Participant's Stock Account (determined by multiplying the dollar value of the dividend paid upon a single share of Common Stock by the number of units of Phantom Stock credited to the Participant's Stock Account on the record date for such dividend); by (ii) the Fair Market Value of the Common Stock on the business day immediately preceding the payment date for such cash dividend.

(c) Stock Dividends. Effective as of the payment date for each stock

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dividend on the Common Stock, additional units of Phantom Stock shall be credited to the Stock Account of each Participant who had a balance in his or her Stock Account on the record date for such dividend. The number of units that shall be credited to the Stock Account of such a Participant shall equal the number of shares of Common Stock, and fractions thereof, which the Participant would have received as stock dividends had he or she been the owner on the record date for such stock dividend

of the number of shares of Common Stock equal to the number of units credited to his or her Stock Account on such record date.

(d) Allocation of Dividends. To the extent required for bookkeeping

-----  
purposes, the allocation of additional units of Phantom Stock attributable to cash dividends or stock dividends will be made to the Stock Sub-Account holding existing units to which the cash dividend or stock dividend relates. For example, a Participant's 1998 Stock Sub-Account will be credited with dividends attributable to units held in the 1998 Stock Sub-Account. A Participant's 1999 Stock Sub-Account will be credited with dividends attributable to units held in the 1999 Stock Sub-Account, and so on.

(e) Recapitalization. If, as a result of a recapitalization of the

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Corporation, the outstanding shares of Common Stock shall be changed into a greater number or smaller number of shares, the number of units of Phantom Stock credited to a Participant's Stock Account shall be appropriately adjusted on the same basis.

#### 7.5 Distributions.

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(a) Distributions. Distributions from the Stock Account shall be made either in cash or shares of Common Stock, as indicated by the Participant at least six months prior to the scheduled distribution. Any fractional units shall be paid in cash. The number of units to be distributed from a Participant's Stock Account shall be valued by multiplying the number of such units of Phantom Stock by the Fair Market Value of the Common Stock as of the business day immediately preceding the date such distribution is to occur. The shares of Common Stock distributable to Non-Employee Directors under the Plan must be previously issued and repurchased shares and may not be original issue shares.

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(b) Timing. Distributions from a Participant's Stock Account shall commence on the date the Participant selects on the initial Deferral Election Form. Any date selected by the Participant must be at least two calendar years following the date of the initial Deferral Election Form and will apply to all amounts (including future deferrals) held in the Stock Account. In no event, however, shall a Participant's Account commence to be distributed later than the first regular business day of the fourth month following the Participant's death. If the Participant fails to designate a payment commencement date in the Participant's initial Deferral Election Form or within six months of such initial Deferral Election Form, the Participant's Stock Account shall commence to be distributed no later than the first regular business day of the fourth month following the Participant's Termination of Service.

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(c) Optional Forms of Payment. Distributions from Participant Stock Accounts (either in cash or in Common Stock) may be paid to the Participant either in a lump sum or in a number of approximately equal annual installments designated by the Participant on the Participant's initial Deferral Election Form. Such annual installments may be for 5 years, 10 years or 15 years. The method of payment (e.g., in lump sum or installments) elected on the Participant's initial Deferral Election Form will apply to all amounts (including future deferrals) held in the Stock Account. If a Participant elects to receive a distribution of his or her Stock Account in cash installments, the Plan Administrator may purchase an annuity from an insurance company which annuity will pay the Participant the desired annual installments. If the Plan Administrator purchases an annuity contract, the Non-Employee Director will have no further rights to receive payments from the Corporation or the Plan with respect to the amounts subject to the annuity. If the Plan Administrator does not

purchase an annuity contract, the value of the Stock Account remaining unpaid shall continue to receive allocations of dividends as provided in Section 7.4. If the Participant fails to designate a payment method in his or her initial Deferral Election Form or within six months of such initial Deferral Election Form, the Participant's Stock Account shall be distributed in a lump sum.

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(d) Irrevocable Elections. The payment commencement date and payment form elected or deemed elected on the Participant's initial Deferral Election Form shall become irrevocable and may not be modified six months after the execution of such initial Deferral Election Form. A Participant's election of payment commencement date and payment form shall be uniform for all years' Annual Retainer deferred under the Plan.

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(e) Acceleration of Payment. If a Participant elects an installment distribution and the value of such annual installment payment elected by the Participant would result in a combined distribution of cash and Common Stock (valued at its Fair Market Value on the initial commencement date) of less than \$3,000, the Plan Administrator shall accelerate payment of the Participant's benefits over a lesser number of whole years (but in increments of 5 or 10 years) so that the annual amount distributed is at least \$3,000. If payment of the Participant's benefits over a 5 year period will not provide annual

distributions of at least \$3,000, the Participant's Stock Account shall be paid in a lump sum.

(f) Payment to Beneficiary. Upon the Participant's death, all unpaid amounts

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held in the Participant's Stock Account shall be paid to the Participant's Beneficiary in the same benefit payment form the Participant elected on the Deferral Election Form and in accordance with the payment distribution rules set forth in the Plan. Such payment will be commence to be paid on the first business day of the fourth month following the Participant's death.

(g) Payment to Minors and Incapacitated Persons. In the event that any

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amount is payable to a minor or to any person who, in the judgment of the Plan Administrator, is incapable of making proper disposition thereof, such payment shall be made for the benefit of such minor or such person in any of the following ways as the Plan Administrator, in its sole discretion, shall determine:

(i) By payment to the legal representative of such minor or such person;

(ii) By payment directly to such minor or such person;

(iii) By payment in discharge of bills incurred by or for the benefit of such minor or such person. The Plan Administrator shall make such payments without the necessary intervention of any guardian or like fiduciary, and without any obligation to require bond or to see to the further application of such payment. Any payment so made shall be in complete discharge of the Plan's obligation to the Participant and his or her Beneficiaries.

7.6 Change of Control. Notwithstanding any other provisions in the Plan, in

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the event there is a Change of Control, (i) any Participant whose service is terminated on account of such Change of Control shall receive an immediate lump sum payment of the Participant's Stock Account balance, and (ii) any Participant who has commenced receiving installment distributions from the Plan (other than from an annuity contract purchased from an insurance company) shall immediately receive a lump sum payment in an amount equal to the unpaid balance of the Participant's Stock Account. A Participant's service shall be considered to have "terminated on account of such Change of Control"

only if the Participant's service on the Board is terminated without cause during the 24-month period following the Change of Control.

7.7 Financial Hardship. The Committee may, in its sole discretion,

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accelerate the making of payment to a Participant of an amount reasonably necessary to handle a severe financial hardship of a sudden and unexpected nature due to causes not within the control of the Participant. Such payment may be made even if the Participant has not incurred a Termination of Service. All financial hardship distributions shall be made in cash in a lump sum. Such payments will be made on a first-in, first-out basis so that the oldest Annual Retainer deferred under the Plan shall be deemed distributed first in a financial hardship.

7.8 Application for Benefits. The Plan Administrator may require a

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Participant or Beneficiary to complete and file certain forms as a condition precedent to receiving the payment of benefits. The Plan Administrator may rely upon all such information given to it, including the Participant's current mailing address. It is the responsibility of all persons interested in receiving a distribution pursuant to the Plan to keep the Plan Administrator informed of their current mailing addresses.

7.9 Designation of Beneficiary. Each Participant from time to time may

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designate any person or persons (who may be designated contingently or successively and who may be an entity other than a natural person) as his or her Beneficiary or Beneficiaries to whom the Participant's Stock Account is to be paid if the Participant dies before receipt of all such benefits. Each Beneficiary designation shall be on the form prescribed by the Plan Administrator and will be effective only when filed with the Plan Administrator during the Participant's lifetime. Each Beneficiary designation filed with the Plan Administrator will cancel all Beneficiary designations previously filed

with the Plan Administrator. The revocation of a Beneficiary designation, no matter how effected, shall not require the consent of any designated Beneficiary.

7.10 Responsibility for Investment Choices. Each Participant is solely

responsible for any decision to defer Annual Retainer into his or her Stock Account and accepts all investment risks entailed by such decision, including the risk of loss and a decrease in the value of the amounts he or she elects to defer into his or her Stock Account.

7.11 Funding. Deferred benefits under this Article 7 shall be paid from the

general assets of the Corporation or as otherwise directed by the Corporation. To the extent that any Participant acquires the right to receive payments under the Plan (from whatever source), such right shall be no greater than that of an unsecured general creditor of the Corporation. Participants and their Beneficiaries shall not have any preference or security interest in the assets of the Corporation other than as a general unsecured creditor.

ARTICLE 8  
AMENDMENT AND TERMINATION

8.1 Amendment, Suspension or Termination. The Board may amend, suspend or

terminate the Plan, at any time and from time to time, without notice, to any extent deemed advisable; provided, however, that (i), the Board may condition any amendment or modification on the approval of stockholders of the Corporation if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations, and (ii) no such amendment

or termination shall (without the written consent of the Participant, if living, and if not, the Participant's Beneficiary) adversely affect any benefit under the Plan which has accrued with respect to the Participant or Beneficiary as of the date of such amendment or termination regardless of whether such benefit is in pay status.

ARTICLE 9  
MISCELLANEOUS

9.1 Right to Service. Except as provided in the Plan, no Non-Employee

Director shall have any claim or right to be granted Shares under the Plan. Neither the Plan nor any action pursuant thereto shall be construed as giving any Non-Employee Director a right to be retained in the service of the Corporation. The adoption of this Plan shall not affect any other compensation, retirement or other benefit plan or program in effect for the Corporation.

9.2 Validity. In the event that any provision of the Plan is held to be

invalid, void or unenforceable, the same shall not affect, in any respect whatsoever, the validity of any other provision of the Plan.

9.3 Inurement of Rights and Obligations. The rights and obligations under

the Plan and any related agreements shall inure to the benefit of, and shall be binding upon the Corporation, its successors and assigns, and the Non-Employee Directors and their beneficiaries.

9.4 Headings. Headings are provided herein for convenience only and are not

to serve as a basis for interpretation or construction of the Plan.

9.5 Governing Law. The Plan shall be construed, governed and enforced in

accordance with the law of Georgia, except as such laws are preempted by applicable federal law.

9.6 Spendthrift Clause. None of the benefits, payments, proceeds or

distribution under the Plan shall be subject to the claim of any creditor of any Participant or Beneficiary, or to any legal process by any creditor of such Participant or Beneficiary, and none of them shall have any right to alienate,

commute, anticipate or assign any of the benefits, payments, proceeds or distributions under the Plan except to the extent expressly provided herein to the contrary.

9.7 Merger. The Plan shall not be automatically terminated by the

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Corporation's acquisition by, merger into, or sale of substantially all of its assets to any other organization, but the Plan shall be continued thereafter by such successor organization. All rights to amend, modify, suspend or terminate the Plan shall be transferred to the successor organization, effective as of the date of the combination or sale.

9.8 Release. Any payment to Participant or Beneficiary, or to their legal

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representatives, in accordance with the provisions of the Plan, shall to the extent thereof be in full satisfaction of all claims hereunder against the Plan Administrator and the Corporation, either of whom may require such Participant, Beneficiary, or legal representative, as a condition precedent to such payment, to execute a receipt and release therefor in such form as shall be determined by the Plan Administrator or the Corporation, as the case may be.

## MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES

Statement Re: Computation Of Per Share Earnings  
(In thousands, except per share data)

NOTE: Earnings per share presented in the first table is in accordance with Regulation S-K, Item 601(b)(11), while earnings per share on the Company's consolidated statements of earnings presented in the second table is in accordance with FAS No. 128. Dilutive potential common shares outstanding for the fourth quarter of 1995 (1,368 potential shares) are excluded from the diluted earnings per share computation on the Company's consolidated statement of earnings for 1995 as the effect on loss per share for such quarter would have been antidilutive. All share and per share amounts reflect a 3-for-2 stock split.

	Years Ended December 31,		
	1997	1996	1995
Regulation S-K:			
Net earnings.....	\$ 68,030	49,050	6,412
Weighted-average common and dilutive potential common shares outstanding:			
Weighted-average common shares outstanding.....	51,912	51,260	49,185
Add weighted-average dilutive potential common shares - options to purchase common shares, net.....	491	589	1,592
Weighted-average common and dilutive potential common shares outstanding.....	52,403	51,849	50,777
Basic earnings			
per share.....	\$ 1.31	0.96	0.13
Diluted earnings per share.....	\$ 1.30	0.95	0.13
FAS No. 128 :			
Net earnings.....	\$ 68,030	49,050	6,412
Weighted-average common and dilutive potential common shares outstanding:			
Weighted-average common shares outstanding.....	51,912	51,260	49,185
Add weighted-average dilutive potential common shares - options to purchase common shares, net.....	491	589	1,250
Weighted-average common and dilutive potential common shares outstanding.....	52,403	51,849	50,435
Basic earnings per share.....	\$ 1.31	0.96	0.13
Diluted earnings per share.....	\$ 1.30	0.95	0.13

SUBSIDIARIES OF THE REGISTRANT

Mohawk Carpet Corporation.....Delaware  
Aladdin Manufacturing Corporation.....Delaware

INDEPENDENT AUDITORS' CONSENT

The Board of Directors  
Mohawk Industries, Inc.:

We consent to incorporation by reference in the registration statements (No. 33-52070, No. 33-52544, No. 33-67282, No. 33-87998 and No. 333-23577) on Form S-8 of Mohawk Industries, Inc. and subsidiaries of our report dated February 6, 1998, relating to the consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1997, and related schedules, which report appears in the December 31, 1997, annual report on Form 10-K of Mohawk Industries, Inc.

KPMG PEAT MARWICK LLP

Atlanta, Georgia  
March 12, 1998

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM MOHAWK INDUSTRIES, INC.'S ANNUAL REPORT TO STOCKHOLDERS FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997.

</LEGEND>

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<NET-INCOME>	68,030
<EPS-BASIC>	1.31<F2>
<EPS-DILUTED>	1.30<F2>
<FN>	

<F1> COMPRISES NONRECURRING CHARGES OF \$5,500 FOR CARRYING VALUE REDUCTION OF ASSETS HELD FOR SALE PURSUANT TO FAS NO. 121 AND \$2,600 FOR COMPENSATION EXPENSE RELATED TO STOCK OPTION EXERCISES.

<F2> REFLECTS A 3-FOR-2 STOCK SPLIT.

</FN>