MOHAWK INDUSTRIES 2000 ANNUAL REPORT

Take a closer look

FINANCIAL HIGHLIGHTS

IN THOUSANDS, EXCEPT PER SHARE AMOUNTS	1998	1999	2000
Net Sales	$2,744,620	3,083,264	3,255,846
Gross Profit	$ 681,287	776,859	822,849
Operating income before nonrecurring items	$ 249,096	294,797	317,115
Net earnings before nonrecurring items	$ 130,494	157,239	166,852
Earnings per share before nonrecurring items	$ 2.13	2.61	3.08

* Before nonrecurring items

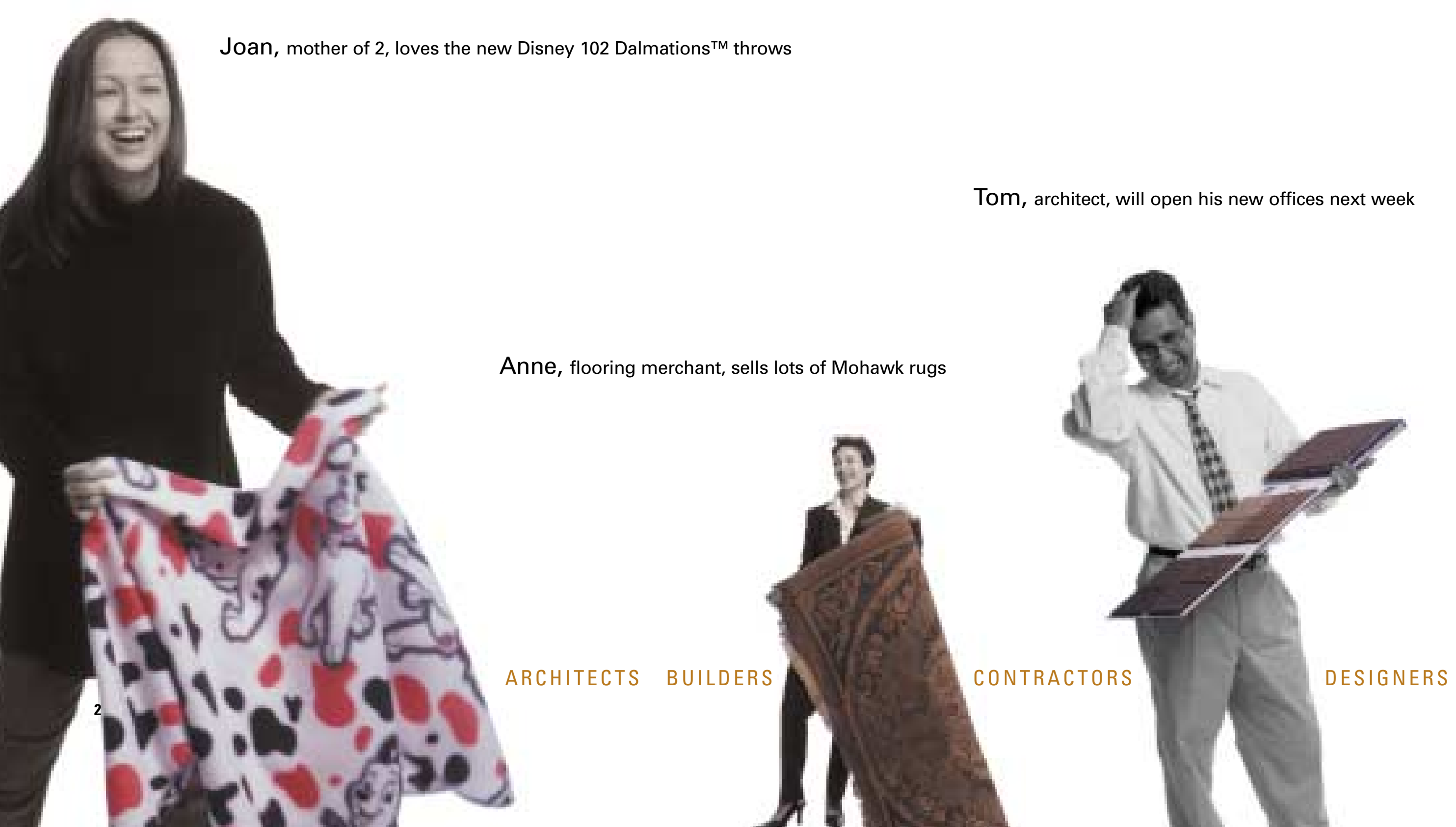
Mohawk Industries is one of the leading carpet and rug manufacturers in the world. We also make a variety of home products and distribute hard surface flooring. Our family of popular and prestigious brands targets all price points and end use markets.

In our business, details are critical. What may seem like small stuff to many can be the difference between solid performance and mediocrity. By managing the details of our business, we've sharpened our focus on the big picture – delivering value. We're the industry's low-cost producer – and we've outpaced industry growth for the past decade. We know how to manage the details – we know how to grow.

To discover what's behind our success, take a closer look at...

WE HELP CUSTOMERS SUCCEED. It's one of our top priorities. Large or small, residential or commercial, when it comes to supporting them, no detail is too small. **FLOORING DEALERS AND SPECIALTY RETAILERS** We've enhanced marketing and advertising programs and provided merchandising assistance so our flooring dealers and specialty retailers can increase their margins and satisfy consumer needs. Our Color Center Boutique is now in 2,000 retail stores, updated with new products, merchandising, displays and additional mill support for 2001. We've also expanded Floorscapes, our co-branded store program, to more than 200 dealers.

HOME CENTERS AND MASS MERCHANTS We've restructured our sales teams and merged marketing, design and administrative functions to make it easier for our large retailers to do business with Mohawk. We've also created new sub-brands for these national accounts to differentiate their offerings at the point of sale. Our efforts have been successful: in the past two years, The Home Depot, Sears Roebuck & Co., Target and ShopKo have named Mohawk Vendor of the Year. **HOME FASHION STORES AND CATALOGS** We scrutinize the furniture market, analyzing new fabrics in order to coordinate rug and carpet colors and patterns with



hot-selling upholstery and wall and window treatments. **ARCHITECTS, BUILDERS, CONTRACTORS AND DESIGNERS** For commercial customers, we've introduced Mohawk Team Services installation service to offer single-source accountability for carpet installation. We've also initiated the Asheville Design Council for continuing round-table discussions about upcoming trends. **CONSUMERS** We keep our finger on the pulse of home decorating trends so we can continually develop the products that consumers will want to coordinate with their home fashions.

Jenny, interior designer, specifies tile for the sunroom floor

our customers…

FLOORING DEALERS SPECIALTY RETAILERS MASS MERCHANTS HOME OWNERS

our products...

OPTIONS TO SATISFY ANY STYLE OR BUDGET We have the flooring and home products that consumers demand. And, we have high service standards. No wonder Mohawk and Karastan are names that customers and consumers value.

In residential carpet, we offer four highly recognizable mass-market sub-brands: World, Aladdin, Horizon and Galaxy. These sub-brands are offered under the Mohawk umbrella brand. Over time, the sub-brands will become collections and Mohawk will be our primary consumer brand.

We are continually adding new products to these carpet lines. During 2000, we enhanced the Aladdin line with a new, earth-friendly collection called Enviro-Tech. The 17 new carpets are made from post-consumer recycled plastic bottles and are extremely durable and stain resistant. We also introduced Innovations by Mohawk, a 26-product collection designed with casual looks, natural colors and superior performance.

Last year, Karastan launched new lines of carpet and rugs that received the best response ever to color and design. The addition of more than 15 broadloom products and more than 12 new area rugs further solidified Karastan's position in the premium carpet and rug markets. Karastan remains the largest manufacturer of wool carpet and rugs in the United States. In 2000, we introduced the Sonoma and Antalya rug lines, which feature larger scale, more open patterns in a simpler and cleaner design. These have been enthusiastically received.

Clockwise From Top Left: Carpets for the home and office. Home Products for the bed, living room and kitchen. Mats and Rugs from bathmats to Karastan. Hard Surfaces from hardwoods and ceramics to laminates.


Mohawk, Sentimental Thought berber carpet


Williamsburg, William and Mary, Matelassé bedspread


Newmark Prima reversible rug


Hillsboro hardwood flooring, Karastan Antalya rug, Jubilee woven throw

We also expanded Karastan's innovative sisal wool rug collection with the variegated Heather Moresque line. This line features the natural color variations of sisal, sea grass and hemp in an easy-to-live-with wool rug. On the heels of Karastan's highly successful tea wash Samovar collection, we've introduced the Mahira collection of sun wash rugs. The Mahira collection is designed to replicate true antique rugs, with muted colors, such as those found in the vegetable dyed yarns of the past. The sun wash over the rug imparts a soft Chablis-like tone.

IMPROVED SERVICE On the commercial side, we revamped our product line, rationalizing raw material yarn options and reducing the number of yarn components. We took these steps to improve our yarn stock positions for faster turnaround and better reliability on production lead times.

In response to the growth of Mohawk Modular carpet tile among corporate end users, we introduced a new carpet tile that has a urethane cushion backing. This Eco-Flex backing system offers greater ergonomic comfort and improves acoustics in office environments.

FLOORING THAT LASTS – TASTEFULLY In hard flooring surfaces, our biggest stories of 2000 were the agreement to distribute Congoleum vinyl flooring products, the launch of wood products nationally and geographic expansion of our ceramic tile distribution. Congoleum is one of the top three vinyl suppliers in a $2 billion industry. Our combined distribution and product strengths provide great opportunities to grow this business. Adding Congoleum vinyl to our ceramic tile, laminate and wood flooring has enabled Mohawk to become a total flooring supplier.

Home products continue to be a growing business for Mohawk. In 2000, we introduced printed area rugs, sizes 5'x7' and larger, that have been enthusiastically received. These rugs feature a high-quality nylon base and an advanced spectrographic printing process. Their colors are exact matches with coordinating bedspreads, throws and pillows. These are being sold by mass merchants and in specialty and department stores at a variety of price points.

Large decorative pillows are an example of what happens when we at Mohawk conceive of the logical extensions of our business. We're now producing many pillow variations, but all have a common thread – Great designs. We combine domestic manufacturing with selected niche importing to offer a comprehensive selection of decorative pillows.

Our exceptional product designs continue to receive some of the industry's most coveted awards. For instance, at the end of 2000, Durkan's Edgewater and Petit Point carpets took Best of Product and Best of Installation honors, respectively, at Solutia's DOC 2000 awards.

As Mohawk grows, customers and consumers can count on one thing: continuous product innovation. We constantly ask ourselves: what do people want… and what do we have the capabilities to make? Figuring it out is all in the details.

Left: By adding Congoleum vinyl flooring products, we now have hard surface flooring for every taste.

TAKE A PEEK AT OUR LATEST BRANDS Through acquisitions and alliances, Mohawk has added a variety of powerful brands to complement our own well-known names.

The Ralph Lauren licensing agreement continues to provide a huge opportunity for Mohawk. It's a name that connects with consumers as it crosses the fashion, home furnishings and floorcovering categories. To present Mohawk's Ralph Lauren carpet and rug line effectively, we built a store-within-a-store boutique. This boutique shows consumers how our products coordinate with other Ralph Lauren products, such as paint, furniture fabric and wallcoverings. Lifestyle photos and impeccable display components stimulate consumers' ideas and help them visualize

our opportunities...

ALADDIN ALEXANDER SMITH AMERICAN RUG CRAFTSMAN AMERICAN WEAVERS BIGELOW COMMERCIAL CONGOLEUM GALAXY HARBINGER HELIOS HORIZON INSIGNIA JOE BOXER KARASTAN KARASTAN CONTRACT MARTHA STEWART NEWMARK RUG RALPH LAUREN TOMMY HILFIGER WARNER BROTHERS WORLD WUNDAWEVE their carpet and rug choices. During 2000, we rolled out more than 50 of these boutiques in retail locations around the country, and they have contributed positively to sales.

To help our retailers sell the Ralph Lauren line, Mohawk provided on-site sales training. We prepared for this by sending our own sales representatives to the Ralph Lauren home products and fashion headquarters in New York. There, they learned how the products connect with consumers. By sharing what we've learned about the essence of Ralph Lauren, we can help retailers elevate this product category.

The introduction of our stunning Ralph Lauren rug line during the first quarter of 2001 received a phenomenal response. We expect healthy sales from the Ralph Lauren carpet and rug products.

During 2000, we augmented our Mohawk Home division with the acquisition of Crown Crafts' woven division. This acquisition gave us the largest jacquard weaving capacity in the woven products industry and makes us a leader in the woven throw, bedspread and coverlet markets. It also gives us the ability to expand into other product lines in the medium- to high-end of the market and provides opportunities to leverage manufacturing synergies and broaden our distribution. One new distribution channel we gained with the acquisition is the giftshop business, which offers tremendous potential for our home products.

CROWN CRAFTS CUSTOMWEAVE DISNEY DURKAN COMMERCIAL
MOHAWK COMMERCIAL CARPET MOHAWK MODULAR

Anna, our future and the reason we are here

ACQUIRING A TASTE FOR PREMIUM BRANDS Another important opportunity from the acquisition is the licensing agreements Crown Crafts had established. This book of business includes Warner Brothers, with its hot-selling Harry Potter products, and Disney, which is successfully marketing 102 Dalmatians products. In addition, the acquisition gave us the chance to secure a licensing agreement with the Colonial Williamsburg catalog for bedspreads and coverlets featuring colonial patterns. These licensing agreements and our other highly successful relationships with Joe Boxer and Martha Stewart should contribute substantially to the growth of Mohawk Home.

Mohawk's 1999 acquisition of Durkan Patterned Carpets, Inc., has strengthened our hospitality product offerings and increased our capabilities. We have spread Durkan's state-of-the-art printing technology across our divisions and product lines with extremely positive results. Demand for Durkan printed carpet continues to increase in both the hospitality and commercial markets where distinctive styling and custom product variations are common requirements.

Image Industries was another outstanding acquisition opportunity for Mohawk. Acquired during 1999, Image provided us the technology to recycle post-consumer plastic bottles into polyester fiber for carpet. Last year, we completed the integration of the Image product lines into Mohawk's brands. We divided their manufacturing by product category and added new equipment for more efficient and economical dyeing of the polyester carpet. The Image acquisition has enabled Mohawk to use polyester fiber in a variety of products and to create new lines.

These acquisitions and alliances offer more avenues to extend the Mohawk name and keep it constantly in consumers' minds. Aligning other highly respected brands with Mohawk is another key detail in building our brand strength.

Clockwise From Top Left: Ralph Lauren broadloom carpets and hand woven rugs. Karastan, Sonoma, Sausalito Gold.


our responsibilities.

Mohawk Commercial, feather grid, made with 50% recycled Infinity nylon yarn

GOOD STEWARDSHIP IS GOOD BUSINESS – and it's the right thing to do. That's why we're serious about our responsibilities to the environment, to the communities in which we operate and to the diverse group of people who make Mohawk successful. In many ways, we make a visible difference every day.

Combining environmental and community responsibilities, we are participating in a program with the Aluminum Association of America to turn aluminum cans into cash for Habitat for Humanity. Mohawk is one of two U.S. companies chosen to participate in this pilot recycling program. Our goal: recycle enough cans to build a new house each year.

By recycling and reducing waste, we contribute to a healthier environment. Mohawk is the world's largest recycler of post-consumer plastic bottles. One hundred percent of our polyester carpet is made from these recycled plastic bottles. We bring in approximately 3 billion bottles each year and turn them into fiber for our carpets and stuffing for our pillows. That's one-third of all plastic bottles collected in this country.

CREATING COMMUNITY WITH PRODUCTS THAT BRING PEOPLE TOGETHER

We transform plastic bottles into beautiful carpet

American Weavers table linens

Recycling plastic bottles saves the Company money in raw material costs. And, it decreases the amount of waste in the nation's landfills. Recycled plastic bottles also make a terrific carpet that has great stain resistant properties and durability.

Carpet is not the only use we've found for recycled plastic bottles. They're also contributing to our growing felt carpet padding business. Approximately 15 percent of our padding's recycled content comes from these bottles. In addition, much of Mohawk's manufacturing waste is recycled into carpet padding. The result: our pads have raised the environmental bar as they've raised quality standards for the industry and increased Mohawk's share of that market.

At the end of 2000, Mohawk introduced another environmentally responsible product: rubber doormats made from recycled car tires. We built a new plant in which ugly tire waste is transformed into a fashion product that's available in more than two-dozen patterns and colors at major national retailers. The introduction of these mats earned the Company a nomination as Wal-Mart's Environmental Vendor of the Year.

Our Fashion and Performance Division launched the Mohawk Infinity nylon program through a partnership with Honeywell Corporation. We're offering commercial carpet made from nylon fiber that contains 50 percent recycled nylon material to address the growing need for recycled and recyclable products in the contract market.

We take our commitment to improving lives beyond environmental initiatives. Mohawk's Fashion and Performance Division has introduced an innovative program that benefits the Susan G. Komen Breast Cancer Foundation. The Specify for a Cure™ program contributes money to the Komen Foundation for Durkan Commercial or Karastan Contract carpet sold. By registering projects online and designating one of these carpets, specifiers have the opportunity to help Mohawk change lives and affect change for millions of women.

Mohawk has championed many causes through the years. Our long-term support of organizations such as the American Cancer Society, City of Hope, United Way and American Heart Association has helped to fund medical research and prevention efforts and the operation of local charitable organizations. Last year, Mohawk employees spearheaded Make a Difference Day events in our communities. They helped to repair and clean homes of less fortunate families and became "buddies" to at-risk children in local school systems. Mohawk employees continue to be active volunteers in community schools, providing tutoring after school and helping with summer educational activities.

Mohawk remains firmly committed to attracting a diverse employee pool and to providing advancement opportunities for our many qualified female and minority employees. Our Company takes seriously its role as an equal opportunity employer. We're proud of our diverse group of employees who create such a diverse product line.

Through these and hundreds of other activities, Mohawk has become known as a Company that cares. Environmental stewardship, corporate donations and employee volunteerism have made a positive impact on thousands of lives.

DAVID L. KOLB
Chairman

JEFFREY S. LORBERBAUM
President and Chief Executive Officer

TO OUR FELLOW STOCKHOLDERS: We've completed another record year and exceeded the industry growth rate – allowing us to again increase our market share. When you look closely at our growth, you'll see it's due to the evolution of Mohawk's long-standing strategies: to expand internally, to remain a low-cost producer and to take advantage of acquisition opportunities.

Mohawk is no longer solely a carpet and rug manufacturer. The Company has become a total flooring supplier, providing a broad range of hard and soft surface products in anticipation of customer and marketplace trends. While we continue to dominate the area rug market, we've also expanded into a variety of sought-after home products, leveraging our plant operations, information technology, distribution system and sales force to achieve maximum efficiency and cost reduction.

Mohawk today looks very different from the Company that went public in 1992. But one thing has not changed – our commitment to delivering value – to customers and stockholders. It's one of our key differentiators and it's reflected in Mohawk's 2000 financial performance.

We were pleased that our net sales increased six percent last year to $3.3 billion, even when the rest of the industry experienced a much lower growth rate of less than one percent. This contributed to an increase in diluted earnings per share up to $3.08 – up 18 percent from 1999 – before the pre-tax charge of $7.0 million ($.08 per share) related to a litigation settlement. Our gross profit improved slightly from 25.2 percent of net sales in 1999, to 25.3 percent of net sales in 2000, even though we experienced significant material cost increases. While we continued our stock repurchase program, buying approximately 4.7 million shares during the year, our debt to total capitalization ratio improved from 46.3 percent at the end of 1999, to 43.9 percent at the end of 2000 - demonstrating the strength of our cash flow, despite a softening economy.

As we have indicated, we believe Mohawk's stock continues to trade at an attractive valuation and is a strong long-term investment. We supported this view during much of 2000 and 1999, when the Board of Directors authorized repurchases of up to 15 million shares of outstanding common stock. We will continue our repurchase program to support our stock because we believe Mohawk stock will deliver significant long-term value.

TRACKING THE TRENDS Though it was record-breaking, Mohawk's financial performance last year was affected by a number of economic factors. Carpet is a leading indicator of the U.S. economy's strength and our industry is one of the first to reflect a downturn in the economy. The good news is that we are on the front end of the economic cycle when it turns upward. Unlike the previous two years, where the industry grew at four to six percent, growth was only about one percent during 2000. The major culprits stifling the economy were higher interest rates and oil prices, coupled with uncertainty in the stock market.

These are factors we can't control. But, there are certain factors we can control in this economic environment. The infrastructure we have in place enables us to be more profitable than many companies. We are already the industry's low-cost producer and will continue to carefully manage our costs as we have done in the past.

In terms of pricing, we have been unable to pass on oil-related price increases as quickly as we've been affected. Admittedly, that has had an impact on our margins even though we've raised carpet prices. With oil prices affecting a significant percentage of our manufacturing costs, we may need further price increases in the year ahead. Long-term, we expect oil prices to moderate and with them, a return to more normal raw materials and energy costs and improved margins.

To spur our growth, we've moved more aggressively into hard surface flooring. The hard surface industry is about half the size of the carpet and rug industry, but some product groups are experiencing annual growth of roughly 10 percent. These include ceramic tile, laminates and wood. We've taken a deliberate approach in rolling-out ceramic tile and laminate flooring over the past few years and we've benefited from this approach. We've gained increased understanding of the marketplace and the distribution required to be successful. In 2000, we added wood and vinyl products to our offerings and began expansion of our ceramic tile distribution nationwide.

BUILDING OUR FUTURE A key piece of our hard surface flooring strategy is our agreement to distribute Congoleum vinyl products, beginning at the end of 2000. This relationship gives us a much stronger position in the hard surface portion of the floorcovering industry and allows us to cost-effectively establish a dedicated hard surfaces sales force.

Acquiring the wovens division of Crown Crafts allows Mohawk to strengthen its position in the home products marketplace. This acquisition supports growth of our existing product lines and gives us the ability to expand into new product lines. The acquisition also opens up new distribution channels and important licensing relationships.

In addition to the licensing opportunities we gained through Crown Crafts, we launched our licensing relationship with Ralph Lauren. We introduced the Ralph Lauren carpet boutique, which presents premium merchandise under the most widely known home products designer brand.

EXPANDING OUR SERVICES At Mohawk, we never lose sight of our customers and their needs. During 2000, we restructured our business to provide better service. We now have three product groups: Residential Flooring; Fashion and Performance Flooring (serving the commercial and hospitality markets and Karastan customers); and Mohawk Home, which consists of area rugs (other than Karastan), throws, bath rugs, bedspreads, pillows, table linens and accent mats.

We've also realigned our information systems to make it easier for our sales force to manage accounts and provide information to customers. Real-time data allows our sales representatives to achieve their sales goals and improve customer service.

Targeted marketing and advertising programs to build the Mohawk brand continue to drive consumers to our dealers and retailers. We offer dealers and retailers the chance to participate in national advertising buys at competitive rates through our co-op ad programs.

In Mohawk's commercial business, we've strengthened relationships with end users and the flooring contractor community. By providing faster turnaround and better service, we are demonstrating the high value of our products.

MAINTAINING SUCCESSFUL STRATEGIES To strengthen Mohawk's value as an investment, we'll stick with the strategies that have been successful. Our goal is to be a growth company that employs low-cost manufacturing techniques and delivers a high level of quality and service.

We will maintain our growth by providing dealers and retailers with the products as well as the merchandising and marketing support they need to grow their businesses. We'll expand our product categories in synergistic areas, such as hard surfaces and home products. We'll also look at acquisitions that will add value to our present businesses. We'll invest in systems and people to enhance our ability to meet customer needs. Our strong cash flow allows us to continually improve facilities and increase the efficiency of our infrastructure. It also allows us to repurchase Mohawk stock, adding value for shareholders, as we've done in the past year.

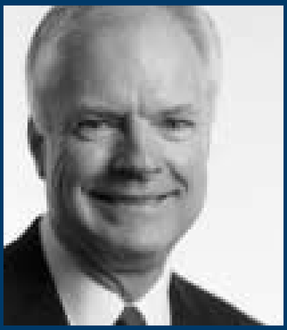
These strategies have earned Mohawk admiration and recognition within the industry and the financial community. Recently, the Company was included in the Fortune 500, the Forbes 500 and the Forbes Platinum 400 list of best performing companies. Fortune also cited Mohawk as having the 39th fastest growing profit within its 500 companies and labeled us one of the most respected companies in the United States. Industry Week included Mohawk in its list of the World's 100 Best-Managed Companies.

Clearly, our strategies work. We will continue to enhance and refine the details as we move forward under new leadership.

The time for leadership change has come. This is the last stockholders letter that will be signed by both of us. We have worked together for many years and expect a simple and seamless transition as Jeff assumes CEO responsibilities. A close look at five years of record performance shows where we've come from – and points to where Mohawk can go in the future.

David L. Kolb Chairman

Jeffrey S. Lorberbaum President and Chief Executive Officer



UP CLOSE: DAVE KOLB'S ACHIEVEMENTS I've had the privilege of working with Dave Kolb for more than six years. During that time, I've observed a true visionary - and a man with a firm grasp of the minute details of this business.

Beginning in 2001, Dave will step down as CEO, but will remain Chairman of the Board. Therefore, I think this annual report is an appropriate place to reflect on his leadership of Mohawk as a public Company for the past eight years.

When Dave became CEO, Mohawk was a $300 million company with a fairly limited range of carpet products. Today, the Company has evolved into one of the largest, most profitable floorcovering and home product manufacturers in the world – with $3.3 billion in net sales. That's a 27 percent average annual growth rate since 1988.

Earnings per share grew at a 33 percent average annual rate, while gross profit increased from 21.1 percent to 25.3 percent of net sales during this time. Mohawk's market share increased approximately 10-fold.

Contributing to this growth were some very important acquisitions that he initiated. These include: Aladdin Mills, Inc.; American Rug Craftsmen, Inc.; American Weavers, LLC; Crown Crafts woven division; Diamond Rug & Carpet Mills; Durkan Patterned Carpets, Inc.; Galaxy Carpet Mills, Inc.; Horizon Industries, Inc.; Image Industries; Karastan Bigelow; Newmark & James, Inc.; and World Carpets, Inc.

Under Dave's leadership, Mohawk became a public Company, moved to the New York Stock Exchange and into the Fortune 500, and received numerous awards and recognition for management excellence.

As I take on the role of CEO, I appreciate more than ever the great strides Mohawk has made with Dave in that position. His decisions have proven sound - borne out by the Company's growth. I look forward to advancing this successful tradition.

So, on behalf of the Mohawk employees, customers and our Board, I want to extend our heartfelt "thanks" to Dave. We will miss his daily guidance, but will continue to rely on his counsel.

Jeffrey S. Lorberbaum President and Chief Executive Officer February 15, 2001

BOARD OF DIRECTORS

DAVID L. KOLB (4)
Chairman
Mohawk Industries, Inc.

JEFFREY S. LORBERBAUM (5)
President and
Chief Executive Officer
Mohawk Industries, Inc.

LEO BENATAR† (2)
Associated Consultant,
A.T. Kearney, and former
Chairman, Engraph, Inc.,
a subsidiary of Sonoco Products
Company (an international
manufacturer of industrial and
consumer packaging products)

BRUCE C. BRUCKMANN* (3)
Managing Director
Bruckmann, Rosser,
Sherrill & Co., Inc.
(a venture capital firm)

LARRY W. MCCURDY* (6)
Former President
Dana Corporation's
Automotive Aftermarket Group
(a worldwide manufacturer
of motor vehicle parts)

ROBERT N. POKELWALDT*† (7)
Former Chairman and
Chief Executive Officer
York Executive Corporation
(a manufacturer of air conditioning
and cooling systems)

S.H. "JACK" SHARPE (1)
Executive Vice President
Mohawk Residential Business

* Audit Committee
† Compensation Committee

SENIOR EXECUTIVES

JEFFREY S. LORBERBAUM (4)
President and
Chief Executive Officer
Mohawk Industries, Inc.

JOHN D. SWIFT (1)
Vice President–
Finance and
Chief Financial Officer

HERBERT M. THORNTON (3)
President–
Fashion and Performance Division

WILLIAM B. KILBRIDE (8)
President–
Home Products Division

DAVID E. POLLEY (7)
President–
Residential Division

JOE W. YARBROUGH, JR. (6)
Vice President–
Carpet Manufacturing

J. MURRAY DAVID (5)
Vice President–
Yarn Manufacturing

REID BATSEL (2)
Corporate MIS Director

AT OR FOR THE YEARS ENDED DECEMBER 31,

(In thousands, except per share data)	2000	1999	1998	1997	1996
STATEMENT OF EARNINGS DATA:					
Net sales	$ 3,255,846	3,083,264	2,744,620	2,429,085	2,239,471
Cost of sales	2,432,997	2,306,405	2,063,333	1,869,221	1,726,765
Gross profit	822,849	776,859	681,287	559,864	512,706
Selling, general and administrative expenses	505,734	482,062	432,191	383,523	367,251
Restructuring costs (a)	–	–	–	–	700
Carrying value reduction of property, plant and equipment and other assets (b)	–	–	2,900	5,500	3,060
Class action legal settlement (c)	7,000	–	–	–	–
Compensation expense for stock option exercises (d)	–	–	–	2,600	–
Operating income	310,115	294,797	246,196	168,241	141,695
Interest expense	38,044	32,632	31,023	36,474	39,772
Acquisition costs – World Merger (e)	–	–	17,700	–	–
Other expense, net	4,442	2,266	2,667	338	4,586
	42,486	34,898	51,390	36,812	44,358
Earnings before income taxes	267,629	259,899	194,806	131,429	97,337
Income taxes	105,030	102,660	79,552	51,866	40,395
Net earnings	$ 162,599	157,239	115,254	79,563	56,942
Basic earnings per share (f)	$ 3.02	2.63	1.91	1.33	0.96
Weighted-average common shares outstanding (f)	53,769	59,730	60,393	59,962	59,310
Diluted earnings per share (f)	$ 3.00	2.61	1.89	1.32	0.95
Weighted-average common and dilutive potential common shares outstanding (f)	54,255	60,349	61,134	60,453	59,899
BALANCE SHEET DATA:					
Working capital	$ 427,192	560,057	438,474	389,378	390,889
Total assets	1,792,641	1,682,873	1,405,486	1,233,361	1,226,959
Short-term note payable	–	–	–	–	21,200
Long-term debt (including current portion)	589,828	596,065	377,089	402,854	486,952
Stockholders' equity	754,360	692,546	611,059	493,841	409,616

(a) During 1996, the Company recorded pre-tax restructuring costs of $0.7 million, related to certain mill closings whose operations have been consolidated into other Mohawk facilities.

(b) 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. During 1998, the Company recorded a charge of $2.9 million for the write-down of assets to be disposed of relating to the acquisition of World.

(c) The Company recorded a one-time charge of $7.0 million in 2000, reflecting the settlement of two antitrust class action price-fixing lawsuits.

(d) A charge of $2.6 million was recorded in 1997 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 $17.7 million in 1998 for transaction expenses related to the World Merger.

(f) 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.

GENERAL

During the three-year period ended December 31, 2000, the Company continued to experience significant growth both internally and through acquisitions.

The Company completed its acquisitions of Newmark & James, Inc. ("Newmark") and American Weavers LLC ("American Weavers") on June 30, 1998 and August 10, 1998, respectively. Both of these acquisitions were accounted for using the purchase method of accounting. On November 12, 1998, the Company acquired all of the outstanding capital stock of World Carpets, Inc. ("World") in exchange for approximately 4.9 million shares of the Company's common stock valued at $149.5 million, based on the closing stock price on the day the agreement was executed. The acquisition of World was accounted for using the pooling-of-interests method of accounting.

On January 29, 1999, the Company acquired certain assets of Image Industries, Inc. ("Image") for approximately $192 million, including acquisition costs and the assumption of $30 million of tax-exempt debt, and on March 9, 1999, the Company acquired all of the outstanding capital stock of Durkan Patterned Carpets, Inc. ("Durkan") for approximately 3.1 million shares of the Company's common stock valued at $116.5 million based on the closing stock price the day the letter of intent was executed. The Image acquisition was accounted for using the purchase method of accounting, and the Durkan acquisition was accounted for using the pooling-of-interests method of accounting.

On November 14, 2000, the Company acquired certain assets of Crown Crafts, Inc. ("Crown Crafts"). Under the agreement, the Company paid approximately $37 million in cash for substantially all of the fixed assets and inventory of the division. The acquisition was accounted for using the purchase method of accounting.

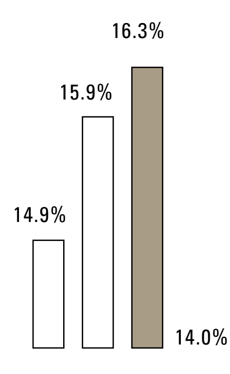
These acquisitions have created opportunities to enhance Mohawk's operations by (i) broadening price points, (ii) increasing vertical integration efforts, (iii) expanding distribution capabilities and (iv) facilitating entry into niche businesses, such as rugs, decorative throws, bedspreads and coverlets.

Effective November 1, 2000, the Company entered into an agreement with Congoleum Corporation, Inc., to become a national distributor of their vinyl products. This gave the Company access to a complete line of soft and hard floor covering products to supply to customers throughout the United States. In conjunction with this program and the other hard surface floor covering initiatives being undertaken by the Company, the Company anticipates significant start up costs with the roll out of these product lines into all sales regions during 2001.

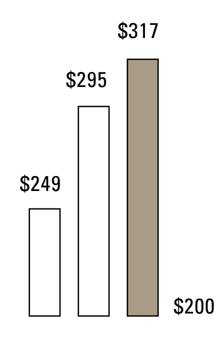
In 1999, Staff Accounting Bulletin 101 ("SAB 101") "Revenue Recognition" was issued requiring that revenue be recognized when certain criteria are met. In addition, the Emerging Issues Task Force ("EITF") reached a consensus on issue EITF 00-10 in September 2000, "Accounting for Shipping and Handling Fees and Costs". The Company has analyzed the implications of both SAB 101 and EITF 00-10 and believes that these pronouncements did not have a material impact on the Company's consolidated financial statements.

As the Company looks forward at this time, it sees the impact of a slowing economy. In May 2000, industry unit shipments turned negative when compared to the prior year and have remained negative for each subsequent month through December 2000. Raw material prices rose over the last twelve months but appear to have peaked while natural gas and utility costs continue to increase. On the positive side the Company has announced a price increase for selected residential carpet, effective March 2001. The hard surface product expansion is progressing very favorably with customers but significant sampling and personnel costs will be incurred during the first half of 2001 without the offsetting growth in margins. The Company is encouraged by its customer acceptance of its programs and brand recognition

EARNINGS AFTER CAPITAL CHARGE



OPERATING INCOME* IN MILLIONS



* Before nonrecurring items

efforts. In addition, the Company is pleased by the Federal Reserve's recent move to lower interest rates and congressional consideration of potential tax reductions. These impacts are expected to have a long-term favorable impact on the economy.

RESULTS OF OPERATIONS

Year Ended December 31, 2000 as Compared with Year Ended December 31, 1999

Net sales for the year ended December 31, 2000 were $3,255.8 million, reflecting an increase of $172.6 million, or approximately 5.6%, over the $3,083.3 million reported in the year ended December 31, 1999. The Company believes that the 2000 net sales increase was attributable primarily to internal growth.

Quarterly net sales and the percentage changes in net sales by quarter for 2000 versus 1999 were as follows (dollars in thousands):

	2000	1999	Change
First quarter	$ 765,083	707,167	8.2%
Second quarter	852,808	790,617	7.9
Third quarter	838,514	809,933	3.5
Fourth quarter	799,441	775,547	3.1
Total year	$3,255,846	3,083,264	5.6%

Gross profit for 2000 was $822.9 million (25.3% of net sales) and represented an increase over the gross profit of $776.9 million (25.2% of net sales) for 1999. Gross profit dollars for the current year were impacted by favorable product mix and the change in depreciable lives of fixed assets as of the beginning of the year and offset by higher material and fuel costs.

Selling, general and administrative expenses for 2000 were $505.7 million (15.5% of net sales) compared to $482.1 million (15.6% of net sales) for 1999.

In the third quarter of 2000, the Company reached an agreement in principle to settle two antitrust class actions. The Company will contribute $13.5 million to a settlement fund to resolve these claims. The court approved the settlement on February 5, 2001. During the third quarter, the Company recorded a charge of $7 million in connection with the settlement.

Interest expense for the current year was $38.0 million compared to $32.6 million in 1999. The primary factors contributing to the increase were higher debt levels, attributable to the stock repurchase program and capital expenditures, and an increase in the weighted average borrowing rate compared to 1999.

In the current year, income tax expense was $105.0 million or 39.2% of earnings before income taxes. In 1999, income tax expense was $102.7 million, representing 39.5% of earnings before income taxes.

Year Ended December 31, 1999 as Compared with Year Ended December 31, 1998

Net sales for the year ended December 31, 1999 were $3,083.3 million, reflecting an increase of $338.6 million, or approximately 12.3%, over the $2,744.6 million reported in the year ended December 31, 1998. All major product categories achieved sales increases in 1999 as compared to 1998. The Company believes that the 1999 net sales increase was attributable to internal growth and the acquisition of Image.

Quarterly net sales and the percentage changes in net sales by quarter for 1999 versus 1998 were as follows (dollars in thousands):

	1999	1998	Change
First quarter	$ 707,167	589,473	20.0%
Second quarter	790,617	689,488	14.7
Third quarter	809,933	718,772	12.7
Fourth quarter	775,547	746,887	3.8
Total Year	$3,083,264	2,744,620	12.3%

The Company's fiscal calendar reflected differences for the 1999 first quarter, with four more shipping days, when compared to 1998 and four fewer shipping days when the fourth quarter of 1999 is compared to 1998.

Gross profit for 1999 was $776.9 million (25.2% of net sales) and represented an increase over the gross profit of $681.3 million (24.8% of net sales) for 1998. Gross profit dollars for 1999 were impacted favorably by better absorption of fixed costs through higher production volume.

Selling, general and administrative expenses for 1999 were $482.1 million (15.6% of net sales) compared to $432.2 million (15.7% of net sales) for 1998.

Interest expense for 1999 was $32.6 million compared to $31.0 million in 1998. The primary factor contributing to the increase was an increase in debt levels, which was attributable to acquisitions, the stock repurchase program and capital expenditures, which was offset by a decrease in the Company's weighted average interest rate in 1999.

In 1999, income tax expense was $102.7 million, or 39.5% of earnings before income taxes. In 1998, income tax expense was $79.6 million, representing 40.8% of earnings before income taxes. The primary reason for the decrease in the 1999 effective income tax rate was that certain costs included in the non-recurring pre-tax charge of $17.7 million related to the World acquisition recorded in 1998 were not deductible for income tax purposes.

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 $337.8 million at the beginning of 2000 to $356.1 million at December 31, 2000. The $18.3 million increase was attributable to strong sales growth. Inventories increased from $494.8 million at the beginning of 2000 to $574.6 million at December 31, 2000, due primarily to the need for a higher level of inventory to meet the increased sales volume, the expansion of hard surface product lines to meet anticipated sales requirements and the addition of Crown Crafts inventory.

Capital expenditures totaled $73.5 million during 2000, and the Company spent an additional $37 million related to the purchase of certain assets of Crown Crafts. The capital expenditures made during 2000 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 $235.9 million for acquisitions, have totaled $538 million over the past three years. Capital spending during 2001 is expected to range from $96 million to $111 million, the majority of which will be used to purchase equipment to increase production capacity and productivity.

The Company's credit agreement provides 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% and has a termination date of January 28, 2004. At December 31, 2000, the Company had credit availability of $450 million under its revolving credit line and $70 million under various short-term uncommitted credit lines. At December 31, 2000, a total of approximately $267 million was unused under these lines. The credit agreement contains customary financial and other covenants. 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.

During 1999, the Company's Board of Directors authorized the repurchase of up to 10 million shares of its outstanding common shares. During the quarter ended July 1, 2000, the Board of Directors authorized an additional repurchase of 5 million outstanding shares bringing the total authorized repurchase to 15 million shares. For the year ended December 31, 2000, a total of approximately 4.7 million shares of the Company's common stock was purchased at an aggregate cost of approximately $106.7 million. Since the inception of the program, a total of approximately 8.7 million shares has been repurchased at an aggregate cost of approximately $192.6 million. All of this repurchase has been financed through the Company's operations and revolving line of credit.

During October 2000, the Company entered into a one-year asset securitization agreement enabling the Company to sell up to $205 million of an undivided interest in a defined pool of trade accounts receivable. The agreement may be extended in one-year terms. The net proceeds from this borrowing were used to reduce borrowings under the revolving credit facility. At December 31, 2000, a total of appoximately $191 million was outstanding under the asset securitization agreement.

On January 3, 2001, the Company entered into a five-year interest rate swap, which converted approximately $100 million of its variable rate debt to a fixed rate. Under the agreement, payments are made based on a fixed rate of 5.82% and received on a LIBOR based variable rate. Differentials received or paid under the agreement will be recognized as interest expense.

IMPACT OF INFLATION

Inflation affects the Company's manufacturing costs and operating expenses. The carpet industry has experienced significant inflation in the prices of raw materials and fuel-related costs, beginning in the third quarter of 1999. For the period from 1998, through the second quarter of 1999, the carpet industry has experienced moderate inflation in the prices of raw materials and fuel-related costs. The Company has generally passed along nylon fiber price increases to its customers although additional costs resulting from recent significant inflationary pressures may not be fully recoverable through such price increases in the near-term.

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.

CERTAIN FACTORS AFFECTING THE COMPANY'S PERFORMANCE

In addition to the other information provided in Mohawk's Annual Report on Form 10-K, the following risk factors should be considered when evaluating an investment in shares of Mohawk common stock.

A failure by Mohawk to complete acquisitions and successfully integrate acquired operations could materially and adversely affect its business.
Management intends to pursue acquisitions of complementary businesses as part of its business and growth strategies. Although management regularly evaluates acquisition opportunities, it cannot offer assurance that it will be able to:
- successfully identify suitable acquisition candidates;
- obtain sufficient financing on acceptable terms to fund acquisitions;
- complete acquisitions;
- integrate acquired operations into Mohawk's existing operations; or
- profitably manage acquired businesses.

Acquired operations may not achieve levels of sales, operating income or productivity comparable to those of Mohawk's existing operations, or otherwise perform as expected. Acquisitions may also involve a number of special risks, some or all of which could have a material adverse effect on Mohawk's business, results of operations and financial condition, including, among others:
- possible adverse effects on Mohawk's operating results;
- diversion of Mohawk management's attention and its resources; and
- dependence on retaining and training acquired key personnel.

The carpet industry is cyclical and a downturn in the overall economy could lessen the demand for Mohawk's products and impair growth and profitability.
The carpet industry is cyclical and is influenced by a number of general economic factors. Prevailing interest rates, consumer confidence, spending for durable goods, disposable income, turnover in housing and the condition of the residential and commercial construction industries (including the number of new housing starts and the level of new commercial construction) all have an impact on Mohawk's growth and profitability. In addition, sales of Mohawk's principal products are related to construction and renovation of commercial and residential buildings. Any adverse cycle could lessen the overall demand for Mohawk's products and could, in turn, impair Mohawk's growth and profitability.

The carpet business is seasonal and this seasonality causes Mohawk's results of operations to fluctuate on a quarterly basis.
Mohawk is a calendar year end company and its results of operations for the first quarter tend to be the weakest. Mohawk's second, third and fourth quarters typically produce higher net sales and operating income. These results are primarily due to consumer residential spending patterns and more carpet being installed in the spring and summer months.

Mohawk's business is competitive and a failure by Mohawk to compete effectively could have a material and adverse impact on Mohawk's results of operations.
Mohawk operates in a highly competitive industry. Mohawk and other manufacturers in the carpet industry compete on the basis of price, style, quality and service. Some of Mohawk's competitors may have greater financial resources at their disposal. If competitors substantially increase production and marketing of competing products, then Mohawk

might be required to lower its prices or spend more on product development, marketing and sales, which could adversely affect Mohawk's profitability.

An increase in the cost of raw materials could negatively impact Mohawk's profitability.
The cost of raw materials has a significant impact on the profitability of Mohawk. In particular, Mohawk's business requires it to purchase large volumes of nylon fiber and polypropylene resin, which is used to manufacture fiber. The cost of these raw materials is related to oil prices. Mohawk does not have any long-term supply contracts for any of these products. While Mohawk generally attempts to match cost increases with price increases, large increases in the cost of such raw materials could adversely affect its business, results of operations and financial condition if it is unable to pass these costs through to its customers.

Mohawk may be responsible for environmental cleanup, which could negatively impact profitability.
Various federal, state and local environmental laws govern the use of Mohawk's facilities. Such laws govern:
- discharges to air and water;
- handling and disposal of solid and hazardous substances and waste; and
- remediation of contamination from releases of hazardous substances in Mohawk's facilities and off-site disposal locations.

Mohawk's operations are also governed by the laws relating to workplace safety and worker health, which, among other things, establish asbestos and noise standards and regulate the use of hazardous chemicals in the workplace. Mohawk has taken and will continue to take steps to comply with these laws. Based upon current available information, Mohawk believes that complying with environmental and safety and health requirements will not require material capital expenditures in the foreseeable future. However, Mohawk cannot provide assurance that complying with these environmental or health and safety laws and requirements will not adversely affect its business, results of operations and financial condition. Future laws, ordinances or regulations could give rise to additional compliance or remediation costs, which could have a material adverse effect on its business, results of operations and financial condition.

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," "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 management's 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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risk-sensitive instruments do not subject the Company to material market risk exposures other than as described below. The Company estimates that a 1.0% increase in the Company's cost of borrowed funds could have yielded a $4.8 million adverse pre-tax effect on 2000 earnings. The Company manages exposure to interest rate risk using interest rate swaps to fix portions of variable rate debt.

(In thousands, except per share data)	2000	1999	1998
		YEARS ENDED DECEMBER 31,	
Net sales	$ 3,255,846	3,083,264	2,744,620
Cost of sales	2,432,997	2,306,405	2,063,333
Gross profit	822,849	776,859	681,287
Selling, general and administrative expenses	505,734	482,062	432,191
Carrying value reduction of property, plant and equipment and other assets	–	–	2,900
Class action legal settlement	7,000	–	–
Operating income	310,115	294,797	246,196
Other expense:			
Interest expense	38,044	32,632	31,023
Acquisition costs – World Merger	–	–	17,700
Other expense, net	4,442	2,266	2,667
	42,486	34,898	51,390
Earnings before income taxes	267,629	259,899	194,806
Income taxes	105,030	102,660	79,552
Net earnings	$ 162,599	157,239	115,254
Basic earnings per share	$ 3.02	2.63	1.91
Weighted-average common shares outstanding	53,769	59,730	60,393
Diluted earnings per share	$ 3.00	2.61	1.89
Weighted-average common and dilutive potential common shares outstanding	54,255	60,349	61,134

See accompanying notes to consolidated financial statements.

(In thousands, except per share data)	December 31, 2000	1999
ASSETS		
Current assets:		
Receivables	$ 356,072	337,824
Inventories	574,595	494,774
Prepaid expenses	26,973	25,184
Deferred income taxes	66,474	76,628
Total current assets	1,024,114	934,410
Property, plant and equipment, net	650,053	624,814
Other assets	118,474	123,649
	$ 1,792,641	1,682,873
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 224,391	33,961
Accounts payable and accrued expenses	372,531	340,392
Total current liabilities	596,922	374,353
Deferred income taxes	75,808	53,783
Long-term debt, less current portion	365,437	562,104
Other long-term liabilities	114	87
Total liabilities	1,038,281	990,327
Stockholders' equity:		
Preferred stock, $.01 par value; 60 shares authorized; no shares issued	–	–
Common stock, $.01 par value; 150,000 shares authorized; 60,838 and 60,657 shares issued in 2000 and 1999, respectively	608	607
Additional paid-in capital	183,303	179,993
Retained earnings	758,531	595,932
	942,442	776,532
Less treasury stock at cost; 8,538 and 3,952 shares in 2000 and 1999, respectively	188,082	83,986
Total stockholders' equity	754,360	692,546
Commitments and contingencies (Note 12)		
	$ 1,792,641	1,682,873

See accompanying notes to consolidated financial statements.

	Common stock		Additional			Total
(In thousands)	Shares	Amount	paid-in capital	Retained earnings	Treasury stock	stockholders' equity
Balances at December 31, 1997	60,217	$ 603	167,388	325,850	–	493,841
Stock options exercised	316	3	4,414	–	–	4,417
Dividends paid	–	–	–	(24)	–	(24)
Tax benefit from exercise of stock options	–	–	243	–	–	243
Adjustments to conform fiscal year end of World	–	–	–	(2,672)	–	(2,672)
Net earnings	–	–	–	115,254	–	115,254
Balances at December 31, 1998	60,533	606	172,045	438,408	–	611,059
Stock options exercised	124	1	1,390	–	–	1,391
Purchase of treasury stock	–	–	–	–	(85,936)	(85,936)
Grant to employee profit sharing plan	–	–	–	–	1,950	1,950
Tax benefit from exercise of stock options	–	–	836	–	–	836
Durkan pooling adjustment	–	–	5,722	–	–	5,722
Adjustments to conform fiscal year end of Durkan	–	–	–	285	–	285
Net earnings	–	–	–	157,239	–	157,239
Balances at December 31, 1999	60,657	607	179,993	595,932	(83,986)	692,546
Stock options exercised	181	1	2,396	–	–	2,397
Purchase of treasury stock	–	–	–	–	(106,689)	(106,689)
Grant to employee profit sharing plan	–	–	–	–	2,593	2,593
Tax benefit from exercise of stock options	–	–	914	–	–	914
Net earnings	–	–	–	162,599	–	162,599
Balances at December 31, 2000	60,838	$ 608	183,303	758,531	(188,082)	754,360

See accompanying notes to consolidated financial statements.

(In thousands)	YEARS ENDED DECEMBER 31, 2000	1999	1998
Cash flows from operating activities:			
Net earnings	$ 162,599	157,239	115,254
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	82,346	105,297	72,591
Deferred income taxes	32,179	(1,302)	(14,194)
Provision for doubtful accounts	15,717	15,804	13,173
Loss on sale of property, plant and equipment	205	2,516	2,121
Carrying value reduction of property, plant and equipment and other assets	–	–	2,900
Changes in assets and liabilities, net of effects of acquisitions:			
Receivables	(33,965)	2,904	(36,523)
Inventories	(70,209)	(32,437)	(31,083)
Accounts payable and accrued expenses	31,177	(57,274)	57,295
Other assets and prepaid expenses	(3,257)	(16,086)	(7,653)
Other liabilities	27	(5,293)	(1,673)
Net cash provided by operating activities	216,819	171,368	172,208
Cash flows from investing activities:			
Additions to property, plant and equipment	(73,475)	(145,621)	(83,180)
Acquisitions	(36,844)	(162,463)	(36,574)
Net cash used in investing activities	(110,319)	(308,084)	(119,754)
Cash flows from financing activities:			
Net change in revolving line of credit	(168,595)	255,530	83,658
Proceeds from asset securitization	191,104	–	–
Payments on term loans	(32,226)	(32,229)	(38,554)
Redemption of acquisition indebtedness	–	(20,917)	(102,201)
Proceeds (redemption) from Industrial Revenue Bonds and other, net of payments	3,480	(7,779)	11,329
Change in outstanding checks in excess of cash	522	15,479	(6,486)
Dividends paid	–	–	(24)
Acquisition of treasury stock	(104,096)	(83,986)	–
Common stock transactions	3,311	8,234	1,988
Net cash (used in) provided by financing activities	(106,500)	134,332	(50,290)
Net change in cash	–	(2,384)	2,164
Cash, beginning of year	–	2,384	220
Cash, end of year	$ –	–	2,384

See accompanying notes to consolidated financial statements.

Note 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. On November 12, 1998, the Company acquired all of the outstanding capital stock of World Carpets, Inc. ("World") in exchange for 4,900 shares of the Company's common stock ("World Merger"). On November 12, 1998, the Securities and Exchange Commission declared effective a shelf registration statement to register for resale 4,900 shares of Company common stock issued in connection with the World Merger. The historical consolidated financial statements have been restated to give retroactive effect to the World Merger. The World Merger is being accounted for as a pooling-of-interests in the accompanying consolidated financial statements.

On March 9, 1999, the Company acquired all of the outstanding capital stock of Durkan Patterned Carpets, Inc. ("Durkan") for 3,150 shares of the Company's common stock ("Durkan Merger"). On April 28, 1999, a shelf registration statement was filed with the Securities and Exchange Commission to register for resale 3,150 shares of the Company's common stock in connection with the Durkan Merger. The historical consolidated financial statements have been restated to give retroactive effect to the Durkan Merger. The Durkan Merger is being accounted for as a pooling-of-interests in the accompanying consolidated financial statements.

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 principally a broadloom carpet and rug manufacturer and sells carpet, rugs and other floorcovering materials throughout the United States principally for residential 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 which is generally when the legal title passes to the customer. 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, which are 35 years for buildings and improvements, 15 years for extrusion equipment, 10 years for tufting equipment and 7 years for other equipment and furniture and fixtures.

(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")

The Company applies the provisions of Financial Accounting Standards Board ("FASB") FAS No. 128, Earnings per Share, which requires companies to present 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 stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

Dilutive common stock options are included in the diluted EPS calculation using the treasury stock method. 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, 2000 and 1999 was $590,786 and $605,332, compared to a carrying amount of $589,828 and $596,065, respectively.

The Company uses interest rate swaps to manage exposure that arises in the normal course of business. The Company does not use derivatives for speculative purposes.

(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 primarily on a straight-line basis over 40 years. Amortization charged to earnings was $3,184 in 2000, $2,808 in 1999 and $2,437 in 1998.

(j) Impairment of Long-Lived Assets

The Company accounts for long-lived assets in accordance with the provisions of FAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. 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 New Accounting Pronouncement

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 was 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 implementation of FAS No. 131 did not have a material effect on the Company's consolidated financial statements.

In 1999, Staff Accounting Bulletin 101 ("SAB 101") "Revenue Recognition" was issued requiring that revenue be recognized when certain criteria are met. In addition, the Emerging Issues Task Force ("EITF") reached a consensus on issue EITF 00-10 in September 2000, "Accounting for Shipping and Handling Fees and Costs". The Company has analyzed the implications of both SAB 101 and EITF 00-10 and believes that these pronouncements did not have a material impact on the Company's consolidated financial statements.

December 31, 2000, 1999 and 1998 (In thousands, except per share data)

Note 2 | ACQUISITIONS

The Company completed its acquisitions of Newmark & James, Inc. and American Weavers, LLC on June 30, 1998 and August 10, 1998, respectively. Both of these acquisitions have been accounted for under the purchase method of accounting and their results are included in the Company's 1998 consolidated statement of earnings from the respective dates of acquisition.

On November 12, 1998, the Company acquired all of the outstanding capital stock of World in exchange for 4,900 shares of the Company's common stock. The acquisition of World has been accounted for under the pooling-of-interests basis of accounting and, accordingly, the Company's historical consolidated financial statements have been restated to include the accounts and results of operations of World. The Company incurred before-tax, nonrecurring charges aggregating $20,600 in 1998 related to the World Merger, of which $17,700 of the charge was recorded as nonoperating expense and $2,900 of the charge was recorded as a write-down of World computer equipment that was disposed of.

On January 29, 1999, the Company acquired certain fixed assets of Image Industries, Inc. ("Image") for approximately $192,000, including acquisition costs and the assumption of $30,000 of tax-exempt debt. 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 estimated fair values were $205,366 for assets acquired and $42,903 for liabilities assumed.

On March 9, 1999, the Company acquired all of the outstanding capital stock of Durkan for approximately 3,100 shares of the Company's common stock valued at $116,500 based on the closing price the day the letter of intent was executed. The Durkan acquisition has been accounted for under the pooling-of-interests method of accounting and, accordingly, the Company's historical consolidated financial statements have been restated to include the accounts and results of operations of Durkan.

On November 14, 2000, the Company acquired certain fixed assets and inventory of Crown Crafts, Inc. using the purchase method of accounting and, accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed based on estimated fair values at the date of acquisition. The estimated fair values were $37,284 for assets acquired and $440 for liabilities assumed.

Note 3 | RECEIVABLES

Receivables are as follows:

	2000	1999
Customers, trade	$ 433,042	405,477
Other	4,125	2,826
	437,167	408,303
Less allowance for discounts, returns, claims and doubtful accounts	81,095	70,479
Net receivables	$ 356,072	337,824

Note 4 | INVENTORIES

The components of inventories are as follows:

	2000	1999
Finished goods	$ 295,447	254,179
Work in process	73,658	65,456
Raw materials	205,490	175,139
Total inventories	$ 574,595	494,774

Note 5 | PROPERTY, PLANT AND EQUIPMENT

Following is a summary of property, plant and equipment:

	2000	1999
Land	$ 23,870	21,767
Buildings and improvements	266,094	236,119
Machinery and equipment	876,417	791,839
Furniture and fixtures	33,657	33,436
Leasehold improvements	5,727	4,854
Construction in progress	32,435	51,645
	1,238,200	1,139,660
Less accumulated depreciation and amortization	588,147	514,846
Net property, plant and equipment	$ 650,053	624,814

December 31, 2000, 1999 and 1998 (In thousands, except per share data)

Property, plant and equipment includes capitalized interest of $3,097, $3,213 and $1,661 in 2000, 1999 and 1998, respectively.

Effective January 1, 2000, the Company changed the estimated useful lives on certain property, plant and equipment. The impact of the change on net earnings for fiscal 2000, was approximately $14,600, or $0.27 per share.

During 1998, the Company recorded a charge of $2,900 related to a write-down of computer equipment acquired in the World acquisition and disposed of in 1999.

Note 6 | OTHER ASSETS

The components of other assets are summarized below:

	2000	1999
Goodwill, net of accumulated amortization of $16,355 and $13,171, respectively	$ 112,376	113,560
Other assets	6,098	10,089
Total other assets	$ 118,474	123,649

Note 7 | LONG-TERM DEBT

The Company's credit agreement provides 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% and has a termination date of January 28, 2004. At December 31, 2000, the Company had credit availability of $450,000 under its revolving credit line and $70,000 under various short-term uncommitted credit lines. At December 31, 2000, a total of $266,969 was unused under these lines. The credit agreement contains customary financial and other covenants. 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.

On October 25, 2000, the Company entered into a one-year asset securitization agreement enabling the Company to sell up to $205,000 of an undivided interest in a defined pool of trade accounts receivable. The agreement may be extended in one-year terms. The net proceeds were used to reduce borrowings under the revolving credit facility. Interest rates under the facility vary with the commercial paper rates for the Blue Ridge Asset Funding Corporation plus an applicable margin. The interest rate under this facility generally averages slightly lower than the rates under the Company's revolving line of credit.

On January 3, 2001, the Company entered into a five-year interest rate swap, which converted approximately $100,000 of its variable rate debt to a fixed rate. Under the agreement, payments are made based on a fixed rate of 5.82% and received on a LIBOR based variable rate. Differentials received or paid under the agreement will be recognized as interest expense.

Long-term debt consists of the following:

	2000	1999
Revolving line of credit, due January 28, 2004	$ 215,857	384,452
Asset securitization, due October 24, 2001	191,104	–
8.46% senior notes, payable in annual principal installments beginning in 1998, due September 16, 2004, interest payable quarterly.	57,143	71,429
7.14%-7.23% senior notes, payable in annual principal installments beginning in 1997, due September 1, 2005, interest payable semiannually	47,222	56,666
8.48% term loans, payable in annual principal installments, due October 26, 2002, interest payable quarterly	11,429	17,143
7.58% senior notes, payable in annual principal installments beginning in 1997, due July 30, 2003, interest payable semiannually	4,286	5,714
6% term note, payable in annual principal and interest installments beginning in 1998, due July 23, 2004	5,343	6,679
Industrial Revenue Bonds and other	57,444	53,982
Total long-term debt	589,828	596,065
Less current portion	224,391	33,961
Long-term debt, excluding current portion	$ 365,437	562,104

December 31, 2000, 1999 and 1998 (In thousands, except per share data)

The aggregate maturities of long-term debt as of December 31, 2000 are as follows:

2001	$ 224,391
2002	33,375
2003	27,427
2004	241,014
2005	9,448
Thereafter	54,173
	$ 589,828

Note 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are as follows:

	2000	1999
Outstanding checks in excess of cash	$ 42,895	42,373
Accounts payable, trade	165,108	159,812
Accrued expenses	101,576	83,253
Accrued compensation	62,952	54,954
Total accounts payable and accrued expenses	$ 372,531	340,392

Note 9 STOCK OPTIONS, STOCK COMPENSATION AND TREASURY STOCK

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 2000, options to purchase 105 and 79 shares, respectively, were granted under these plans. Options granted under each of these plans expire 10 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 nonemployee directors to receive in lieu of cash for their annual retainers. During 2000, a total of 4 shares were awarded to the nonemployee 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. During 2000, 6 shares were awarded under an executive incentive plan.

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

	2000	1999	1998
Options outstanding at beginning of year	2,043	1,387	1,568
Options granted	184	809	174
Options exercised	(181)	(124)	(316)
Options canceled	(178)	(29)	(39)
Options outstanding at end of year	1,868	2,043	1,387
Options exercisable at end of year	931	873	686
Option prices per share:			
Options granted during the year	$20.13 – 26.26	19.69 – 35.13	17.23 – 32.31
Options exercised during the year	$ 5.67 – 19.70	5.67 – 19.17	5.67 – 19.38
Options canceled during the year	$ 6.67 – 35.14	9.33 – 35.13	5.67 – 31.94
Options outstanding at end of year	$ 5.61 – 35.13	5.61 – 35.13	5.61 – 32.31

As allowed under FAS No. 123, the Company accounts for stock options granted as prescribed under Accounting Principles Board Opinion No. 25, which recognizes compensation cost based upon the intrinsic value of the award. Accordingly, no compensation expense has been recognized in the consolidated statement of earnings for any stock options granted in 2000, 1999 and 1998.

December 31, 2000, 1999 and 1998 (In thousands, except per share data)

The following table represents pro forma net income and pro forma earnings per share had the Company elected to account for stock option grants using the fair value based method.

	2000	1999	1998
Net earnings			
As reported	$162,599	157,239	115,254
Pro forma	160,313	155,282	114,411
Net earnings per common share (basic)			
As reported	$ 3.02	2.63	1.91
Pro forma	2.98	2.60	1.89
Net earnings per common share (diluted)			
As reported	$ 3.00	2.61	1.89
Pro forma	2.95	2.57	1.87

This pro forma impact only takes into account options granted since January 1, 1996 and is likely to increase in future years as additional options are granted and amortized ratably over the vesting period. The average fair value of options granted during 2000, 1999 and 1998 was $13.00, $15.28 and $17.24, respectively. This fair value was estimated using the Black-Scholes option pricing model based on a weighted-average market price at grant date of $22.69 in 2000, $26.48 in 1999 and $30.44 in 1998 and the following weighted-average assumptions:

	2000	1999	1998
Dividend yield	–	–	–
Risk-free interest rate	5.1%	6.4%	4.7%
Volatility	48.1%	46.7%	48.9%
Expected life (years)	7	7	7

Summarized information about stock options outstanding and exercisable at December 31, 2000, is as follows:

	Outstanding			Exercisable	
Exercise price range	Number of Shares	Average Life (1)	Average Price (2)	Number of Shares	Average Price (2)
Under $ 11.00	576	4.57	$ 10.40	494	$ 10.25
$ 12.00 to 17.00	286	3.70	16.53	268	16.49
$ 17.01 to 19.69	537	8.91	20.39	67	19.72
$ 19.94 to 31.94	209	8.03	30.15	53	31.07
$ 32.00 to 36.00	260	8.11	34.91	49	34.74
Total	1,868			931	

(1) Weighted average contractual life remaining in years.
(2) Weighted average exercise price.

During 1999, the Company's Board of Directors authorized the repurchase of up to 10,000 shares of its outstanding common shares. During the quarter ended July 1, 2000, the Board of Directors authorized an additional repurchase of 5,000 outstanding shares bringing the total authorized repurchase to 15,000 shares. For the year ended December 31, 2000, a total of 4,713 shares of the Company's common stock was purchased at an aggregate cost of $106,689. Since the inception of the program, a total of approximately 8,745 shares has been purchased at an aggregate cost of $192,624. All of this repurchase has been financed through the Company's operations and revolving line of credit.

Note 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. Effective January 1, 2000, the Company amended the Plan to match an additional $0.25 for every $1.00 of employee contribution in excess of 4% of the employee's salary up to a maximum of 6%. Employee and employer contributions to the Plan were $16,926 and $6,055 in 2000, $14,873 and $5,080 in 1999, and $12,345 and $4,213 in 1998, respectively. The Company also made a discretionary contribution to the Plan of approximately $2,500 and $2,100 in 2000 and 1999, respectively.

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The World Carpet Savings Retirement Plan (the "World Plan"), a defined contribution 401(k) plan covering substantially all World employees, was merged into the Plan on March 1, 1999. Employees were eligible to participate after completion of one year of service. Under the terms of the World Plan, World would match employee contributions up to a maximum of 2% of the employee's salary and employees vested in the contributions based on years of credited service. For the years ended December 31, 1999 and 1998, the Company contributed approximately $142 and $703, respectively, to the World Plan.

Durkan maintained a 401(k) retirement savings plan (the" Durkan Plan") open to substantially all Durkan employees. Durkan contributed $0.50 for every $1.00 of employee contributions up to a maximum of 6% of eligible wages. For the years ended December 31, 2000, 1999 and 1998, Durkan contributed approximately $262, $343 and $328, respectively, to the Durkan Plan. The Durkan Plan was merged into the Plan effective January 1, 2001.

Note 11 | INCOME TAXES

Income tax expense attributable to earnings before income taxes for the years ended December 31, 2000, 1999 and 1998 consists of the following:

	Current	Deferred	Total
2000:			
U.S. federal	$ 64,444	28,466	92,910
State and local	8,407	3,713	12,120
	$ 72,851	32,179	105,030
1999:			
U.S. federal	$ 92,736	(1,928)	90,808
State and local	12,104	(252)	11,852
	$104,840	(2,180)	102,660
1998:			
U.S. federal	$ 75,985	(11,485)	64,500
State and local	17,761	(2,709)	15,052
	$ 93,746	(14,194)	79,552

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

	2000	1999	1998
Computed "expected" tax expense	$ 93,670	90,965	68,182
State and local income taxes, net of federal income tax benefit	7,878	7,704	9,784
Amortization of goodwill	700	684	746
Other, net	2,782	3,307	840
	$ 105,030	102,660	79,552

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2000 and 1999 are presented below:

	2000	1999
Deferred tax assets:		
Accounts receivable	$ 10,751	21,621
Inventories	11,533	15,533
Accrued expenses	46,372	41,366
Gross deferred tax assets	68,656	78,520
Deferred tax liabilities:		
Plant and equipment	(65,420)	(47,138)
Prepaid expenses	(2,182)	(1,892)
Other	(10,388)	(6,645)
Gross deferred tax liabilities	(77,990)	(55,675)
Net deferred tax (liability) asset	$ (9,334)	22,845

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Based upon the level of historical and projected taxable income over periods in which the deferred tax assets are deductible, the Company's management believes it is more likely than not the Company will realize the benefits of these deductible differences at December 31, 2000.

Note 12 | COMMITMENTS AND CONTINGENCIES

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

Future minimum lease payments under non-cancelable capital and operating leases (with initial or remaining lease terms in excess of one year) at December 31, 2000 are:

	Capital Leases	Operating Leases	Total Future Payments
2001	$ 1,199	35,224	36,423
2002	1,223	28,518	29,741
2003	913	22,631	23,544
2004	63	16,576	16,639
2005	–	11,162	11,162
Thereafter	–	20,620	20,620
Total payments	$ 3,398	134,731	138,129
Less amount representing interest	324		
Present value of capitalized lease payments with a weighted interest rate of 7.76 %	$ 3,074		

The Company assumed several capitalized leases from recent acquisitions for machinery and equipment, at a cost of $7,480, $8,899 and $8,899 for the periods ended December 31, 2000, 1999 and 1998, respectively. The amortization of these capital leases is included in depreciation expense. Accumulated amortization was $3,312, $3,619 and $2,547 in 2000, 1999 and 1998, respectively.

Rental expense under operating leases was $36,392, $28,407 and $27,347 in 2000, 1999 and 1998, respectively.

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 granted the plaintiffs' motion to certify the class. In October 1998, two plaintiffs, on behalf of an alleged class of purchasers of nylon carpet products, filed a complaint in the United States District Court for the Northern District of Georgia against the Company and two of its subsidiaries, as well as certain competitors. The complaint alleges that the Company acted in concert with other carpet manufacturers to restrain competition in the sale of certain nylon carpet products. The Company has filed an answer, denied the allegations in the complaint and set forth its defenses.

On August 11, 2000, the Company presented to the Court the terms of an agreement in principle to settle these two cases. Under the terms of the settlement agreement, the Company will contribute $13,500 to a settlement fund to resolve price-fixing claims brought by a class of purchasers of polypropylene carpet and a proposed settlement class of purchasers of nylon carpet. The Company recorded a charge of $7,000 in the third quarter of 2000, in connection with the lawsuit. The Company denies all liability and wrongdoing and has agreed to settle these claims in order to avoid the costs of further litigation. The court dismissed all claims against the Company and granted final approval to the settlement on February 5, 2001.

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 polypropylene carpet in the State of California and seek damages for alleged violations of California antitrust and unfair competition laws. In February 1999, a similar complaint was filed in the Superior

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Court of the State of California, City and County of San Francisco, on behalf of a purported class based on indirect purchasers of nylon carpet in the State of California and alleges violations of California antitrust and unfair competition laws. The complaints described above do not specify any specific amount of damages but do request injunctive relief and treble damages plus reimbursement for fees and costs. The Company believes it has meritorious defenses and intends to vigorously defend against these actions.

Note 13 | CONSOLIDATED STATEMENTS OF CASH FLOWS INFORMATION

Supplemental disclosures of cash flow information are as follows:

	2000	1999	1998
Net cash paid during the year for:			
Interest	$ 39,866	37,740	30,852
Income taxes	$ 74,592	120,371	75,640

Note 14 | QUARTERLY FINANCIAL DATA (UNAUDITED)

The supplemental quarterly financial data are as follows:

	QUARTERS ENDED			
	April 1, 2000	July 1, 2000	September 30, 2000	December 31, 2000
Net sales	$ 765,083	852,808	838,514	799,441
Gross profit	190,563	215,882	214,220	202,184
Net earnings	33,997	47,203	42,137	39,262
Basic earnings per share	0.61	0.88	0.79	0.75
Diluted earnings per share	0.61	0.87	0.79	0.74

	QUARTERS ENDED			
	April 3, 1999	July 3, 1999	October 2, 1999	December 31, 1999
Net sales	$ 707,167	790,617	809,933	775,547
Gross profit	178,329	200,911	203,246	194,373
Net earnings	27,892	44,093	45,079	40,175
Basic earnings per share	0.46	0.73	0.74	0.70
Diluted earnings per share	0.46	0.72	0.74	0.70

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of Mohawk Industries, Inc. and subsidiaries as of December 31, 2000 and 1999, 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, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Atlanta, Georgia
February 2, 2001

MANAGEMENT'S REPORT

The management of Mohawk Industries, Inc. is responsible for the integrity and objectivity of the consolidated financial statements. The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America. Some of the amounts included in these consolidated financial statements are estimates based upon management's best judgement of current conditions and circumstances. Management is also responsible for preparing other financial information included in the annual report.

The Company's management depends on the Company's internal control to assure itself of the reliability of the financial statements. The internal controls are designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and transactions executed in accordance with management's authorizations and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Periodic reviews of internal controls are made by management and the internal audit function, and corrective action is taken if needed.

The Audit Committee of the Board of Directors, consisting of outside directors, provides oversight of financial reporting. The Company's internal audit function and independent auditors meet with the Audit Committee to discuss financial reporting and internal control issues and have full and free access to the Audit Committee.

The consolidated financial statements have been audited by the Company's independent auditors and their report is presented above. The independent auditors are approved each year by the Audit Committee and the Board of Directors.

David L. Kolb	John D. Swift
Chairman	Chief Financial Officer

CORPORATE HEADQUARTERS

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

INDEPENDENT AUDITORS

KPMG LLP
Atlanta, GA

CORPORATE COUNSEL

Alston & Bird LLP
Atlanta, GA

TRANSFER AGENT AND REGISTRAR

First Union National Bank
Corporate Trust Client Services
1525 West W.T. Harris Blvd.
Charlotte, North Carolina 28288-1153
(704) 590-7382

PUBLICATIONS

The Company's Annual Report, Proxy Statement, Form 10-K and 10-Q reports are available without charge and can be ordered via our stockholder communications service at 1-800-625-7721 or via the Internet at www.mohawkind.com. Written requests should be sent to:

Christi Scarbro
Mohawk Industries, Inc.
P.O. Box 12069
160 South Industrial Boulevard
Calhoun, Georgia 30703

PRODUCT INQUIRIES

For more information about Mohawk's products, call toll-free: 1-800-622-6227

INVESTOR / ANALYST CONTACT

For additional information about Mohawk, please contact:

John D. Swift
Chief Financial Officer
Mohawk Industries, Inc.
P.O.Box 12069
160 South Industrial Boulevard
Calhoun, Georgia 30703
(706) 624-2247

ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Mohawk Industries, Inc. will be held at the Company's headquarters on South Industrial Boulevard in Calhoun, Georgia, on Thursday, May 17, 2001 at 10:00 a.m. For directions and a map, call Christi Scarbro at (706) 624-2246.

COMMON STOCK PRICE RANGE

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

MOHAWK COMMON STOCK

2000	High	Low
First Quarter	$ 26.00	18.94
Second Quarter	26.25	20.50
Third Quarter	27.81	21.13
Fourth Quarter	29.13	19.06

1999	High	Low
First Quarter	$ 42.00	25.94
Second Quarter	38.56	28.19
Third Quarter	30.44	18.38
Fourth Quarter	26.81	19.69

COMMON STOCKHOLDERS OF RECORD

As of February 28, 2001, there were 396 common stockholders of record.

ENVIRONMENTAL AWARENESS

Mohawk supports environmental awareness by encouraging recycling, waste management and energy conservation in its business practices and operating procedures.

Mohawk Industries, Inc. is an equal opportunity employer.

Printed on recycled paper.

Design: Lucid Partners, Inc./Atlanta **Photography:** Jerry Burns Photography **Printing:** Color Graphics, Inc./Atlanta

Mohawk Industries, Inc. 2000 Annual Report

MOHAWK INDUSTRIES, INC. P.O. BOX 12069 160 SOUTH INDUSTRIAL BOULEVARD CALHOUN, GEORGIA 30703 706-629-7721

TO FIND OUT MORE ABOUT OUR BRANDS, MARKETS, AND PRODUCTS, GO TO WWW.MOHAWKIND.COM