SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

COLLINS & AIKMAN CORP

CIK:**846815**| IRS No.: **133489233** | State of Incorp.:**DE** | Fiscal Year End: **1228**
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SIC: **2273** Carpets & rugs

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 26, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-10218

Collins & Aikman Corporation
(Exact name of registrant as specified in its charter)

Delaware	13-3489233
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

701 McCullough Drive
Charlotte, North Carolina 28262
(Address of principal executive offices)

Registrant's telephone number, including area code: (704) 547-8500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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

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

The aggregate market value of voting stock held by non-affiliates of the Registrant was $35,174,217 as of March 25, 1999.

As of March 25, 1999, the number of outstanding shares of the Registrant's common stock, $.01 par value, was 61,932,264 shares.

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Proxy Statement for 1999 Annual Meeting of Stockholders to be filed within 120 days of December 26, 1998 -- Items 10, 11, 12 and 13.*

* Only the portions of this document expressly described in the items listed are incorporated by reference herein.

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COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

FORM 10-K ANNUAL REPORT INDEX

PART I

Item 1. Business

Development

Collins & Aikman Corporation (the "Company") is a global supplier of automotive interior systems, including textile and plastic trim, acoustics and convertible top systems. The Company (formerly Collins & Aikman Holdings Corporation) is a Delaware corporation which was formed on September 21, 1988. As of December 26, 1998, Blackstone Capital Partners, L.P. ("Blackstone Partners") and Wasserstein Perella Partners, L.P. ("WP Partners") and their respective affiliates collectively own approximately 87% of the Common Stock of the Company. The Company conducts all of its operating activities through its wholly-owned Collins & Aikman Products Co. ("C&A Products") subsidiary. Predecessors of C&A Products have been in operation for more than a century.

On February 10, 1999, the Company announced a comprehensive plan (the "Reorganization") to reorganize its global automotive carpet, acoustics, plastics and accessory floormats businesses into two divisions: North America Automotive Interior Systems, to be headquartered in the Detroit metro area, and Europe Automotive Interior Systems, to be headquartered in Germany. The Reorganization is designed to enable the Company to more effectively respond to the automotive manufacturers' demand for interior trim systems and more sophisticated components. In addition, automotive manufacturers are reducing the number of suppliers and awarding business to suppliers with comprehensive design and engineering capabilities. The Reorganization will allow the Company to increase customer service on a global basis and maintain local expertise to provide specialized sales, marketing, development, design, engineering and program management services capable of delivering interior systems and individual components.

As part of the Reorganization, the Company has also established the Specialty Automotive Products division, which includes the Company's automotive fabrics and Dura Convertible Systems businesses. These products are not typically sold in conjunction with the Company's other interior trim offerings.

While the Company expects the Reorganization to be substantially complete by the end of fiscal 1999, certain elements of the plan are expected to take up to 24 months to fully implement. The one-time pre-tax costs associated with the Reorganization are estimated to be between $14 million and $18 million, including a restructuring charge estimated to be between $8 million and $9 million, which the Company will recognize in the first quarter of fiscal 1999. The Company estimates that approximately 500 employees will be affected by the Reorganization, some of whom will be offered other positions within the Company.

During 1998, the Company, having divested the remainder of its significant non-automotive operations, completed several strategic corporate development projects, primarily to increase the Company's presence outside the United

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States, all as discussed below.

On August 26, 1998, the Company acquired from a third party the remaining 50% interest in Industrias Enjema, S.A. de C.V. ("Enjema"), 50% of which was already owned by JPS Automotive L.P. ("JPS Automotive"), a wholly-owned subsidiary of the Company. The total purchase price for the acquisition was approximately $1.0 million. Enjema, a carpet systems manufacturer located in Mexico, is operated as part of the Company's North America Automotive Interior Systems division. In September 1998, JPS Automotive distributed its 50% ownership interest in Enjema to the Company. The Company plans to merge Enjema into its subsidiary, Collins & Aikman de Mexico, S.A. de C.V., in fiscal 1999.

On June 30, 1998, the Company acquired for approximately $4.7 million, Pepers Beheer B.V., an automotive accessory floormat manufacturer located in the Netherlands, which has been renamed Collins & Aikman Automotive Floormats Europe, B.V. ("C&A Floormats Europe"). Under the terms of the purchase agreement, the Company is required to make additional contingent payments to the sellers in amounts of up to approximately $3.6 million if C&A Floormats Europe meets certain operating goals in fiscal 1998 and fiscal 1999. The Company currently expects to pay into escrow approximately $0.5 million during 1999 for operating goals met in fiscal 1998. This amount will be paid to the sellers in 2000 provided the Company has no claims for indemnification against the sellers as of the date of release of the funds. C&A Floormats Europe is operated as part of the Company's Europe Automotive Interior Systems division. The Company anticipates that the acquisition will allow it to better serve its existing European customers, such as Volvo and Ford, as well as the existing customers of C&A Floormats Europe, including Volkswagen, Audi and Renault.

On March 13, 1998, the Company completed the sale of its Imperial Wallcoverings, Inc. subsidiary ("Wallcoverings") to an affiliate of Blackstone Partners for a sales price of $71.9 million and an option for 6.7% of the common stock of the purchaser (which includes Wallcoverings and the former wallcovering and vinyl units of Borden, Inc.) outstanding as of the closing date. The proceeds were used to repay long-term debt. In connection with the sale, the Company recorded a loss of

approximately $21.1 million, net of an estimated income tax benefit, in the third quarter of 1997 to adjust the recorded value to the expected proceeds. Accordingly, no gain or loss was recognized at the sale date.

The Company entered into a joint venture agreement to manufacture plastic trim products in the United Kingdom with Kigass Automotive Group ("Kigass") in October 1997 in which the Company and Kigass each owned 50% of the joint venture. The Company acquired Kigass on February 2, 1998. The purchase price for the acquisition was approximately $25.2 million. Kigass has been renamed Collins & Aikman Plastics (UK) Limited ("C&A Plastics UK"). C&A Plastics UK manufactures automotive interior plastic trim products in the United Kingdom and is operated as part of the Company's Europe Automotive Interior Systems division. Under the terms of the purchase agreement, the Company assumed effective control of C&A Plastics UK on January 1, 1998. C&A Plastics UK's customers include Nissan, Opel and Rover.

In 1996, the Company acquired Collins & Aikman Plastics, Inc., formerly known as Manchester Plastics ("C&A Plastics"), JPS Automotive L.P. ("JPS Automotive") and the automotive supply operations (primarily acoustical products) of Perstorp A.B. ("Perstorp") in North America, the United Kingdom and Spain. The Company also entered into a joint venture including Perstorp's acoustics operations in Sweden, Belgium and France (the "Collins & Aikman/Perstorp Joint Venture) in December 1996. The Company and Perstorp each owned 50% of the joint venture. The Company also acquired certain of Perstorp's German operations (the "German Operations") in August 1997 and the remaining interest in the Collins & Aikman/Perstorp Joint Venture in December 1997. The Company entered into an automotive fabrics joint venture with Courtaulds Textiles (Holdings) Limited ("Courtaulds") in December 1997. These acquisitions and joint venture, together with the acquisitions in 1998 discussed above, significantly increased the Company's content per build through growth in existing product lines and the addition of complementary product offerings.

General

The Company is a global supplier of automotive interior systems, including textile and plastic trim, acoustics and convertible top systems, with 1998 net sales of approximately $1.8 billion. The Company operates through three divisions: North America Automotive Interior Systems, Europe Automotive Interior Systems and Specialty Automotive Products. The Company's North America Automotive Interior Systems and Europe Automotive Interior Systems divisions compete in five principal product lines -- molded floor carpet, acoustical products, luggage compartment trim, accessory floormats, and plastic-based

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interior trim systems. The Company's Specialty Automotive Products division competes in automotive fabrics and convertible top systems.

The Company's North America Automotive Interior Systems and Europe Automotive Interior Systems divisions sell principally to automotive original equipment manufacturers ("OEMs"). The Specialty Automotive Products division sells automotive fabrics to other automotive suppliers, including suppliers with which the Company competes in certain product lines. Convertible top systems, also marketed through the Specialty Automotive Products division, are sold directly to OEMs. The majority of customers for all three divisions are located in the North American and European markets.

Approximately 20% of the Company's sales for 1998 were attributable to products utilized in vehicles built outside of North America, compared to approximately 10% in 1997. The change in sales mix is attributable to the Company's acquisitions in the United Kingdom, Germany, Sweden, France, Belgium and the Netherlands. The Company's North American content per build was approximately $89 in 1998 and 1997 and $68 in 1996. The Company's content per build in Europe increased to approximately $17 in 1998, compared to approximately $8 in 1997. This increase is primarily due to higher European sales resulting from the Company's 1997 and 1998 acquisitions.

The Company is dependent on certain significant customers. In 1998, 1997 and 1996, direct and indirect sales to each of General Motors Corporation, Ford Motor Company and DaimlerChrysler A.G. accounted for 10% or more of the Company's net sales.

Automotive industry demand historically has been influenced by both cyclical factors and long-term trends in the driving age population and disposable income.

Annual new car and light truck sales historically have been cyclical. In the most recent cycle, North American light vehicle sales declined from an average of 15.4 million units per year in 1986-1988 to a low of 12.3 million units in 1991. For the last five years, North American light vehicle sales have averaged 15.2 million units. For the last five years, European light vehicle sales averaged 15.7 million units, from a low of 14.1 million in 1994 to a high of 17.8 million in 1998.

Although the Company's operations are not subject to significant seasonal influences, the Company has historically experienced sales declines during the OEMs' scheduled summer shut-downs usually occurring in the third quarter of the year.

Products

The Company's North America Automotive Interior Systems and Europe Automotive Interior Systems divisions include the following product groups: molded floor carpet, acoustical products, luggage compartment trim, accessory floormats and plastic-based interior trim systems. The Specialty Automotive Products division includes automotive fabrics and convertible top systems. The Company also produces certain other automotive and non-automotive products. The Company's automotive products are used primarily in automobiles and light trucks.

Molded Floor Carpet. Molded floor carpets include polyethylene, barrier-backed and molded urethane underlay carpet. In 1998, 1997 and 1996, the Company's net sales of molded floor carpets were $417.0 million, $384.7 million and $234.7 million, respectively.

Acoustical Products. The Company entered the acoustical product market with its December 1996 acquisition of Perstorp's North American, United Kingdom and Spanish automotive supply operations and a joint venture interest in Perstorp's operations in Sweden, Belgium and France. The Company acquired certain of Perstorp's German automotive supply operations in August 1997 and acquired full ownership of the operations in Sweden, Belgium and France in December 1997. Products include interior dash insulators, damping materials and engine compartment NVH (noise, vibration and harshness) systems. Acoustical products can be combined with molded floor carpets to provide complete interior floor systems. In 1998 and 1997, the Company's net sales of acoustical products were $225.1 million and $167.8 million, respectively.

Luggage Compartment Trim. Luggage compartment trim includes one-piece molded trunk systems and assemblies, wheelhouse covers and center pan mats, seatbacks, tireboard covers and other trunk trim products. In 1998, 1997 and 1996, the Company's net sales of luggage compartment trim were $95.9 million, $101.0 million and $56.8 million, respectively.

Accessory Floormats. Accessory automotive floormats include rubber-backed,

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carpeted floormats typically installed to preserve the quality of original floor carpets. In 1998, 1997 and 1996, the Company's net sales of accessory floormats were $157.2 million, $139.3 million and $114.5 million, respectively. The Company did not have floormat operations in Europe prior to its acquisition of C&A Floormats Europe in June 1998. The Company also produces residential and commercial floormats.

Plastic-based Interior Trim Systems. The Company manufactures automotive door panels, headrests, floor console systems and instrument panel components. At the beginning of 1998, the Company acquired C&A Plastics UK, which increased the Company's capacity to provide plastic-based trim and systems in Europe. The Company's net sales of plastic-based interior trim systems in 1998, 1997 and 1996 were $417.5 million, $294.6 million and $176.4 million, respectively.

Automotive Fabrics. The Company's automotive fabrics operations produce a wide variety of automotive seat fabric ("bodycloth"), including flat-wovens, velvets and knits, and headliner fabric. The Company also laminates foam to bodycloth. In 1998, 1997 and 1996, the Company had net sales of automotive fabrics of $267.2 million, $319.0 million and $246.1 million, respectively. The Company also manufactures certain other products, including velvet furniture fabrics, casket liners and woven fabrics for various commercial and industrial markets.

Convertible Top Systems. The Company designs and manufactures convertible top systems through for vehicles built in North America and Europe. In October 1993, the Company began shipping its "Top-in-a-Box" system, in which it designs and manufactures all aspects of a convertible top, including the framework, trim set, backlight and power actuating system. The Company's net sales of convertible top systems in 1998, 1997 and 1996 were $104.3 million, $88.8 million and $105.1 million, respectively.

For further discussion on the Company's operating segments, including each segment's revenues from external customers, operating income and total assets, see Note 21 to the Consolidated Financial Statements.

Competition

The automotive supply business is highly competitive. The Company has competitors in respect of each of its automotive products, some of which have substantially greater financial and other resources than the Company. The Company's competitors in molded plastic components include subsidiaries of certain U.S. automotive and light vehicle manufacturers.

The Company principally competes for new business at the design stage of new models and upon the redesign of existing models. The Company is vulnerable to a decrease in demand associated with vehicle build in North America and Europe, a failure to obtain purchase orders for new or redesigned models, pricing pressure from the major automotive companies and a shift in consumer taste away from products that the Company manufactures.

Working Capital

The Company's working capital consists of investments in accounts receivable and inventory and balances of accounts payable which are typical for automotive suppliers. Accounts receivable are primarily concentrated with large companies such as General Motors, Ford, DaimlerChrysler and Toyota, whom have historically paid within terms. Inventories are typically built for specific customer purchase orders and delivered on a just-in-time ("JIT") basis. The Company maintains normal terms and conditions with its vendors.

Facilities

At December 26, 1998, the Company had 65 manufacturing, warehouse and other facilities located in the U.S., Canada, Mexico, the United Kingdom, Spain, Austria, Germany, Sweden, Belgium, France, the Netherlands and Japan aggregating approximately 10.4 million square feet. Approximately 84% of the total square footage of these facilities is owned and the remainder is leased. Many facilities are strategically located to provide JIT inventory delivery to the Company's customers. Capacity at any plant depends, among other things, on the product being produced, the processes and equipment used and tooling. This varies periodically, depending on demand and shifts in production between plants. The Company currently estimates that its plants generally operate at between 50% and 100% of capacity. Due to increasing demand for accessory floormats and resulting capacity issues in 1997, additional capacity was added to the Company's Tennessee plant during 1998 which alleviated the situation. The Company's capacity utilization is generally in line with its past experience in similar economic situations, and the Company believes that its

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facilities are sufficient to meet existing needs.

Foreign and Domestic Operations and Export Sales

The Company's revenues, operating profit and identifiable assets for the last three fiscal years attributable to the Company's geographic areas and export sales from the United States to foreign countries are disclosed in Note 21 to the Consolidated Financial Statements.

Raw Materials

Raw materials and other supplies used in the Company's continuing operations are normally available from a variety of competing suppliers. With respect to most materials, the loss of a single or even a few suppliers would not have a material adverse effect on the Company. For a discussion of raw material price trends, see "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Liquidity and Capital Resources".

Environmental Matters

See "ITEM 3. LEGAL PROCEEDINGS -- Environmental Matters" and "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Environmental Matters".

Employees

As of December 26, 1998, the Company's continuing operations employed approximately 15,900 persons on a full-time or full-time equivalent basis. Approximately 5,400 of such employees are represented by labor unions. Approximately 2,200 employees are represented by collective bargaining agreements that expire during 1999. Management believes that the Company's relations with its employees and with the unions that represent certain of them are generally good. The Reorganization is expected to affect approximately 500 employees, some of whom will be offered other positions within the Company.

Year 2000 Issues

For a discussion of the impact of Year 2000 compliance issues, see "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Impact of Year 2000 Compliance."

Item 2. Properties

For information concerning the principal physical properties of the Company and its operating divisions, see "ITEM 1. BUSINESS".

Item 3. Legal Proceedings

Except as described below, the Company and its subsidiaries are not a party to any material pending legal proceedings, other than ordinary routine litigation incidental to their businesses.

Environmental Matters

The Company is subject to Federal, state and local environmental laws and regulations that (i) affect ongoing operations and may increase capital costs and operating expenses and (ii) impose liability for the costs of investigation and remediation and otherwise related to on-site and off-site contamination. The Company's management believes that it has obtained, and is in material compliance with, all material environmental permits and approvals necessary to conduct its various businesses. Environmental compliance costs for continuing businesses currently are accounted for as normal operating expenses or capital expenditures of such business units. In the opinion of management, based on the facts presently known to it, such environmental compliance costs will not have a material adverse effect on the Company's consolidated financial condition or future results of operations.

The Company is legally or contractually responsible or alleged to be responsible for the investigation and remediation of contamination at various sites. It also has received notices that it is a potentially responsible party ("PRP") in a number of proceedings. The Company may be named as a PRP at other

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sites in the future, including with respect to divested and acquired businesses. The Company is currently engaged in investigation or remediation at certain sites. In estimating the total cost of investigation and remediation, the Company has considered, among other things, the Company's prior experience in remediating contaminated sites, remediation efforts by other parties, data released by the United States Environmental Protection Agency, the professional judgment of the Company's environmental experts, outside environmental specialists and other experts, and the likelihood that other parties which have been named as PRPs will have the financial resources to fulfill their obligations at sites where they and the Company may be jointly and severally liable. Under the theory of joint and several liability, the Company could be liable for the full costs of investigation and remediation even if additional parties are found to be responsible under the applicable laws. It is difficult to estimate the total cost of investigation and remediation due to various factors including incomplete information regarding particular sites and other PRPs, uncertainty regarding the extent of environmental problems and the Company's share, if any, of liability for such problems, the selection of alternative compliance approaches, the complexity of environmental laws and regulations and changes in cleanup standards and techniques. When it has been possible to provide reasonable estimates of the Company's liability with respect to environmental sites, provisions have been made in accordance with generally accepted accounting principles. As of December 26, 1998, excluding sites at which the Company's participation is anticipated to be de minimis or otherwise insignificant or where the Company is being indemnified by a third party for the liability, there are 24 sites where the Company is participating in the investigation or remediation of the site, either directly or through financial contribution, and 8 additional sites where the Company is alleged to be responsible for costs of investigation or remediation. As of December 26, 1998, the Company's estimate of its liability for the 32 sites is approximately $24.6 million. As of December 26, 1998, the Company has established reserves of approximately $41.8 million for the estimated future costs related to all its known environmental sites. In the opinion of management, based on the facts presently known to it, the environmental costs and contingencies will not have a material adverse effect on the Company's consolidated financial condition or future results of operations. However, there can be no assurance that the Company has identified or properly assessed all potential environmental liability arising from the activities or properties of the Company, its present and former subsidiaries and their corporate predecessors.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock has been traded on the New York Stock Exchange under the symbol "CKC" since July 7, 1994. At March 24, 1999, there were 133 holders of record. The following table lists the high and low sales prices for the Common Stock for the full quarterly periods during the two most recent fiscal years.

<TABLE>
<CAPTION>

	Fiscal 1998		Fiscal 1997	
	High	Low	High	Low
First Quarter	9 11/16	7 11/16	10 1/2	6
Second Quarter	9 1/2	6 13/16	12 1/8	8 5/8
Third Quarter	7 1/2	6 3/16	11 11/16	10
Fourth Quarter	7 7/16	4 15/16	11 3/16	7 15/16

</TABLE>

On March 1, 1999, the Company paid a special dividend of approximately $6.2 million, representing $0.10 per share on all outstanding shares of Common Stock held by stockholders of record at the close of business on February 22, 1999. No other dividend or similar distribution with respect to the Common Stock has been paid by the Company since its incorporation in 1988. Any payment of future dividends and the amounts thereof will be dependent upon the Company's earnings, financial requirements and other factors deemed relevant by the Company's Board of Directors. Certain restrictive covenants contained in the agreements governing the Company's credit facilities and subordinated notes limit the Company's ability to make dividend and other payments. See "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

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OPERATIONS -- Liquidity and Capital Resources" and Note 11 to the Consolidated Financial Statements.

Item 6. Selected Financial Data

<TABLE>
<CAPTION>

	Fiscal Year Ended				
	December 26, 1998	December 27, 1997	December 28, 1996 (1)	January 27, 1996	January 28, 1995
	(in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:					
Net sales	$1,825,469	$1,629,332	$ 1,053,821	$ 902,017	$ 906,997
Gross margin	248,225	233,160	188,475	161,925	172,487
Selling, general and administrative expenses	142,724	119,381	82,699	65,996	68,304
Goodwill amortization	7,023	6,669	3,872	270	--
Impairment of long-lived assets (2)	--	22,600	--	--	--
Operating income	98,478	84,510	101,904	95,659	104,183
Interest expense, net (3)	82,004	77,581	39,850	22,150	44,440
Loss on sale of receivables (4)	6,066	4,700	4,533	6,246	6,124
Income from continuing operations before income taxes	5,193	2,907	57,408	67,263	51,361
Income tax expense (benefit)	5,284	12,998	24,442	(139,959)	10,031
Income (loss) from continuing operations	(91)	(10,091)	32,966	207,222	41,330
Income (loss) from discontinued operations, including disposals, net of income taxes	--	166,047	14,468	(781)	34,416
Income (loss) before extraordinary items	(91)	155,956	47,434	206,441	75,746
Net income (loss)	(3,815)	155,235	40,824	206,441	(30,782)
Income (loss) from continuing operations:					
Per basic share	--	(0.15)	0.48	2.96	(1.06)
Per diluted share	--	(0.15)	0.47	2.91	(1.06)
Balance Sheet Data (at period end):					
Total assets	$1,382,211	$1,302,392	$ 1,530,289	$ 991,361	$ 578,900
Long-term debt, including current portion	866,049	772,934	1,175,594	759,966	557,039
Common stockholders' deficit	(79,771)	(66,850)	(194,578)	(227,852)	(412,622)
Other Data (from Continuing Operations):					
Capital expenditures	$ 95,847	$ 56,521	$ 35,000	$ 53,156	$ 56,193
Depreciation and leasehold amortization	52,608	42,712	24,457	24,146	24,648
EBITDA (5)	167,547	165,950	134,299	124,086	128,831

</TABLE>

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(1) 1996 was a 48-week year.

(2) In 1997, C&A Plastics wrote down fixed assets by $5.1 million and reduced goodwill by $17.5 million to reflect impairments in the carrying values of certain assets and goodwill associated with two of its manufacturing facilities. See Notes to Consolidated Financial Statements.

(3) Excludes amounts allocated to discontinued operations totaling $12.5 million, $26.7 million, $26.5 million and $31.2 million in 1997, 1996, 1995 and 1994, respectively. No amounts were allocated to discontinued operations in 1998.

(4) Excludes amounts allocated to discontinued operations totaling $0.6 million, $2.2 million, $2.4 million and $1.5 million in 1997, 1996, 1995 and 1994, respectively. No amounts were allocated to discontinued operations in 1998.

(5) EBITDA represents earnings before deductions for net interest expense, loss on sale of receivables, income taxes, depreciation, amortization, other income and expense, and the non-cash portion of non-recurring charges. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Recent Developments

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Dividend

On March 1, 1999, the Company paid a special dividend of approximately $6.2 million, representing $0.10 per share on all outstanding shares of Common Stock held by stockholders of record as of the close of business on February 22, 1999. The dividend reduced the amount authorized by the Company's Board of Directors for the Company's 1999 share repurchase program from $25 million to approximately $19 million.

Reorganization

On February 10, 1999, the Company announced the Reorganization, a comprehensive plan to reorganize the Company's global automotive carpet, acoustics, plastics and accessory floormats businesses into two divisions: North America Automotive Interior Systems, to be headquartered in the Detroit metro area, and Europe Automotive Interior Systems, to be headquartered in Germany. The Reorganization is designed to enable the Company to more effectively respond to the automotive manufacturers' demand for interior trim systems and more sophisticated components. In addition, automotive manufacturers are reducing the number of suppliers and awarding business to suppliers with comprehensive design and engineering capabilities. The Reorganization will allow the Company to increase customer service on a global basis and maintain local expertise to provide specialized sales, marketing, development, design, engineering and program management services capable of delivering interior systems and individual components.

As part of the Reorganization, the Company also established the Specialty Automotive Products division, which includes the Company's automotive fabrics and Dura Convertible Systems businesses. These products are not typically sold in conjunction with the Company's other interior trim offerings.

While the Company expects the Reorganization to be substantially complete by the end of fiscal 1999, certain elements of the plan are expected to take up to 24 months to fully implement. The one-time pre-tax costs associated with the Reorganization are estimated to be between $14 million and $18 million, including a restructuring charge estimated to be between $8 million and $9 million, which the Company will recognize in the first quarter of fiscal 1999. The Company estimates that approximately 500 employees will be affected by the Reorganization, some of whom will be offered other positions within the Company.

Acquisitions

On February 2, 1998, the Company acquired the remaining interest in C&A Plastics UK, with operations in the United Kingdom. The purchase price for the acquisition was approximately $25.2 million. Under the terms of the purchase agreement, the Company assumed effective control of C&A Plastics UK on January 1, 1998. C&A Plastics UK is operated as part of the Company's Europe Automotive Interior Systems division.

On June 30, 1998, the Company acquired C&A Floormats Europe, an automotive accessory floormat manufacturer located in the Netherlands for approximately $4.7 million. C&A Floormats Europe is operated as part of the Company's Europe Automotive Interior Systems division.

On August 26, 1998, the Company acquired the remaining interest in Enjema, 50% of which was already owned by JPS Automotive. The total purchase price for the acquisition was approximately $1.0 million. Enjema, a carpet systems manufacturer located in Mexico, is operated as part of the Company's North America Automotive Interior Systems division. In September 1998, JPS Automotive distributed its 50% ownership interest in Enjema to the Company. The Company plans to merge Enjema into its subsidiary, Collins & Aikman de Mexico, S.A. de C.V., in fiscal 1999.

Discontinued Operations

On March 13, 1998, the Company completed its sale of Wallcoverings to an affiliate of Blackstone Partners for a sales price of $71.9 million and an option for 6.7% of the common stock of the purchaser (which includes Wallcoverings and the former wallcovering and vinyl units of Borden, Inc.) outstanding as of the closing date. The proceeds were used to repay long-term debt. In connection with the sale, the Company recorded a loss of approximately $21.1 million, net of an estimated income tax benefit, in the third quarter of 1997 to adjust the recorded value to the expected proceeds. Accordingly, no gain or loss was recognized at the sale date.

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General

The Company is a global supplier of automotive interior systems, including textile and plastic trim, acoustics and convertible top systems. The Company's net sales in fiscal 1998 were $1,825.5 million compared to $1,629.3 million in fiscal 1997. During 1996, the Company changed its fiscal year end to the last Saturday in December. Fiscal 1996 was a 48-week period which ended on December 28, 1996. All prior years refer to the fiscal year of the Company which ended on the last Saturday of January of the following year. Capitalized terms that are used in this discussion and not defined herein have the meanings assigned to such terms in the Notes to Consolidated Financial Statements.

The automotive supply industry in which the Company competes is cyclical and is influenced by the level of North American and European vehicle production. Management believes the long-term trends in the design and manufacture of automotive products include increased use of plastic components, increased sourcing of interior systems and increased reliance of automotive manufacturers on fewer suppliers, utilizing primarily those suppliers who can provide comprehensive engineering and design capabilities. The Company anticipates the reduction in the supply chain could result in integration whereby the complete interior of an automobile is co-designed and developed by suppliers who will also manufacture, deliver and potentially install interior systems. As a result of these trends, the Company has undertaken the Reorganization, a comprehensive plan designed to allow the Company to better serve its customers through the creation of two divisions, North America Automotive Interior Systems and Europe Automotive Interior Systems, to produce interior systems products, including molded floor carpet, luggage compartment trim, acoustical products, accessory floormats and plastic-based interior trim systems. As part of the Reorganization, the Company also established the Specialty Automotive Products division, which manufactures products that are not typically sold in conjunction with other interior trim offerings.

Results of Operations

1998 Compared to 1997

The Divisions

The Company operates three divisions, with seven primary product lines. Certain prior year product line sales data have been reclassified to conform with reporting of the Company's three divisions created in the Reorganization. For additional information regarding the Company's divisions, see Note 21 to the Consolidated Financial Statements.

North America Automotive Interior Systems

Net Sales: Net sales for the North America Automotive Interior Systems division increased 1.1% to $1,065.5 million in 1998, up $11.9 million from 1997. This increase is due in part to the acquisition of Enjema, which generated sales of $8.3 million. A strike at General Motors during the second and third quarters of 1998 negatively impacted sales by $37.1 million. Strikes at DaimlerChrysler and General Motors in the second quarter of 1997 negatively impacted sales by $10.7 million. Sales for the division's product lines are discussed below:

Molded Floor Carpet: Molded floor carpet sales for the division increased 6.8% to $376.2 million in 1998, up $24.1 million from 1997. The sales increase was due to higher sales to the Dodge Durango, General Motors Alero/Grand Am and Toyota Sienna. Sales also increased due to the acquisition of Enjema, which generated molded floor carpet sales of $6.3 million in 1998. These increases were offset by decreased sales to General Motors as a result of the strike.

Acoustical Products: Acoustical products sales for the division increased 7.6% to $105.0 million in 1998, up $7.4 million from 1997. The increase is due to increased sales to Ford for the F-350 truck and to Mercedes for the M-Class sport utility vehicle. These increases were offset by decreased sales to the Ford Contour/Mystique and Explorer.

Luggage Compartment Trim: Luggage compartment trim sales for the division decreased 26.9% to $72.0 million in 1998, down $26.4 million from 1997. Sales increased $2.0 million due to the Enjema acquisition and increased sales to the Dodge Durango and Chysler LH. These increases were offset by decreased sales to the discontinued Ford Thunderbird, Honda Accord and Nissan Sentra.

Accessory Floormats: Accessory floormats sales for the division increased 5.8% to $147.4 million, up $8.1 million from 1997. The sales increase is due to increased sales to the General Motors C/K Truck series, including the Suburban and Tahoe, the Ford Explorer, Honda Accord and Toyota Sienna, offset by decreased sales to the General Motors Park Avenue, Chrysler Ram truck, Nissan Maxima and Toyota Corolla. The General Motors strike also negatively impacted sales of accessory floormats in 1998.

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Plastic-based Interior Trim Systems: Plastic-based interior trim systems sales for the division increased 1.6% to $299.0 million in 1998, up $4.7 million from 1997. The increase in sales was driven by increased sales of instrument panels to the Cadillac S5S, door trim panels to the General Motors Alero and C/K Truck series, and climate control systems to the Chrysler L.H. These increases were offset by decreased sales to several General Motors models due to the strike.

Other: The North America Automotive Interior Systems division had sales of other automotive and non-automotive products of $65.9 million and $71.5 million in 1998 and 1997, respectively.

Operating Income: Operating income for the division increased 86.0% to $74.5 million in 1998, up from $40.1 million in 1997. During the third quarter of 1997, the division incurred charges of approximately $57.9 million principally related to C&A Plastics. These charges, which primarily related to manufacturing inefficiencies experienced by C&A Plastics in connection with product launches and record volume for its products, included asset impairments, reductions in goodwill, provisions for certain programs operating at a loss, inventory adjustments, certain previously deferred costs and other provisions. Of the $57.9 million in charges, $34.0 million is included in cost of goods sold, $22.6 million is included in impairment of long-lived assets and $1.3 million is included in selling costs. In 1998, the division's operating income was negatively impacted by the General Motors strike. The division experienced sales volume losses to General Motors during the strike and also incurred a number of cost increases as the division resumed production following the strike. Many of General Motors' post-strike plant start-ups were erratic, causing the division certain manufacturing inefficiencies and cost overruns, especially at C&A Plastics. The division also experienced delays in achieving planned cost reductions due to these strike-related factors. Manufacturing inefficiencies associated with the closure of the division's Salisbury, North Carolina, carpet manufacturing operations, which were relocated to the division's Parker plant in Greenville, South Carolina and relocation of certain manufacturing operations from the Parker plant to the division's Albemarle, North Carolina plant, also contributed to the decrease. The division's floormat operations also incurred a $2.0 million unfavorable inventory adjustment. In addition, the division incurred increased expenditures at C&A Plastics in 1998 in connection with improvement programs and increased costs relating to systems upgrades and Year 2000 compliance efforts. As a percentage of sales, operating margin for the division increased to 7.0% in 1998 from 3.8% in 1997.

Europe Automotive Interior Systems

Net Sales: Net sales for the Europe Automotive Interior Systems division increased 180.6% to $338.0 million in 1998, up $217.6 million from 1997. The increase is primarily due to the acquisitions of the German Operations, the remaining interest in the Collins & Aikman/Perstorp Joint Venture, C&A Plastics UK and C&A Floormats Europe. These entities generated combined incremental sales of $213.1 million in 1998. Sales for the division's product lines are discussed below:

Molded Floor Carpet: Molded floor carpet sales for the division increased 25.0% to $40.8 million in 1998, up $8.1 million from 1997. Sales increased to Rover, Ford and Toyota in the United Kingdom, offset by decreased sales to Chrysler in Austria.

Acoustical Products: Acoustical products sales for the division increased 71.2% to $120.1 million in 1998, up $49.9 million from 1997. This increase is due to the August 1997 acquisition of the German Operations and the acquisition of the remaining interest in the Collins & Aikman/Perstorp Joint Venture in December 1997.

Luggage Compartment Trim: Luggage compartment trim sales for the division increased to $23.9 million, up from $2.6 million in 1997. The increase is primarily due to the acquisition of the remaining interest in the Collins & Aikman/ Perstorp Joint Venture in December 1997.

Accessory Floormats: C&A Floormats Europe, acquired by the Company in June 1998, generated accessory floormat sales of $9.8 million in 1998. The Company did not have accessory floormats operations in Europe prior to the acquisition of C&A Floormats Europe.

Plastic-based Interior Trim Systems: The Company's acquisitions of Perstorp's remaining interest in the operations constituting the former Collins & Aikman/Perstorp Joint Venture in December 1997 and C&A Plastics UK in January 1998 generated sales of plastic-based interior trim systems of $118.5 million

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in 1998. The Company's operations in Spain generated sales of plastic-based interior systems of $0.2 million in 1998, compared to $0.3 million in 1997.

Other: The Europe Automotive Interior Systems division had sales of other automotive and non-automotive products of $24.9 million and $15.1 million in 1998 and 1997, respectively.

Operating Income: Operating income for the division increased 107.6% to $9.2 million in 1998, up $4.8 million from 1997. The increase is primarily due to the acquisitions of the German Operations, the remaining interest in the Collins & Aikman/

Perstorp Joint Venture, C&A Plastics UK and C&A Floormats Europe. These entities generated combined incremental operating income of $4.1 million in 1998. As a percentage of sales, operating margin decreased to 2.7% in 1998 from 3.6% in 1997, primarily due to costs associated with systems upgrades and Year 2000 compliance efforts incurred in 1998.

Specialty Automotive Products:

Net Sales: Net sales for the Specialty Automotive Products division decreased 7.3% to $422.0 million in 1998, down $33.4 million from 1997. The sales decrease was primarily due to lower automotive fabric sales as discussed below. In addition, the General Motors strike in the second and third quarters in 1998 negatively impacted the division's sales by $7.0 million. The strikes at DaimlerChrysler and General Motors during the second and third quarters of 1997 negatively impacted sales by $6.7 million. Sales for the division's product lines are discussed below:

Automotive Fabrics: Automotive fabrics sales decreased 16.2% to $267.2 million in 1998, down $51.8 million from 1997. Sales were adversely impacted by an increased demand for leather seating applications, which management expects to continue for the forseeable future, program run-outs, an unfavorable mix on several models and a decrease in build on several key vehicles. Sales increases to Chrysler for the Caravan/Voyager, General Motors for the Supreme/Intrigue and Ford Windstar were offset by decreased sales to several General Motors models, including the Grand Am and C/K Truck series.

Convertible Top Systems: Convertible top systems sales increased 17.5% to $104.3 million in 1998, up $15.5 million from 1997. The sales increase was driven by higher sales to the Ford Mustang, General Motors Corvette and the Chrysler Sebring.

Other: The Specialty Automotive Products division had sales of other automotive and non-automotive products of $50.4 million and $47.5 million in 1998 and 1997, respectively.

Operating Income: Operating income for the division decreased 62.7% to $14.2 million in 1998, down $23.9 million from 1997. The Company's automotive fabrics operations experienced unfavorable manufacturing variances resulting from lower volume, program run-outs and an unfavorable product mix and also incurred charges related to idle equipment. In addition, the division incurred costs associated with systems upgrades and Year 2000 compliance efforts. As a percentage of sales, operating margin decreased to 3.4% in 1998 from 8.4% in 1997.

The Company as a Whole

Net Sales: The Company's net sales increased 12.0% to $1,825.5 million in 1998, up $196.1 million from 1997, resulting primarily from the factors discussed above.

Gross Margin: Gross margin for the Company was 13.6% in 1998, down from 14.3% in 1997. During the third quarter of 1997, the Company incurred charges of approximately $57.9 million principally related to C&A Plastics. These charges, which primarily related to manufacturing inefficiencies experienced by C&A Plastics in connection with product launches and record volume for its products, included asset impairments, reductions in goodwill, provisions for certain programs operating at a loss, inventory adjustments, certain previously deferred costs and other provisions. Of the $57.9 million in charges, $34.0 million is included in cost of goods sold, $22.6 million is discussed below as impairment of long-lived assets and $1.3 million was included in selling costs. Adjusted for certain of the charges taken by C&A Plastics, gross margin was 15.2% in 1997. The decrease in gross margin is due in part to the 1998 General Motors strike. The Company experienced sales volume losses to General Motors during the strike and also incurred a number of cost increases as the Company resumed production following the strike. Many of General Motors' post-strike

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plant start-ups were erratic, causing the Company certain manufacturing inefficiencies and cost overruns, especially at C&A Plastics. The Company also experienced delays in achieving planned cost reductions due to these strike-related factors. In addition, manufacturing inefficiencies associated with the closure of the Company's Salisbury, North Carolina carpet manufacturing operations, which were relocated to the Company's Parker plant in Greenville, South Carolina, and relocation of certain manufacturing operations from the Parker plant to the Company's Albemarle, North Carolina plant also contributed to the decrease. The Company's automotive fabrics operations experienced unfavorable manufacturing variances resulting from lower volume, program run-outs and an unfavorable product mix and also incurred charges related to idle equipment.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased 18.8% in 1998 to $149.7 million, up from $126.1 million in 1997. The increase is primarily attributable to the Company's recent acquisitions of C&A Plastics UK, the German Operations, Perstorp's remaining interest in the operations constituting the former Collins & Aikman/Perstorp Joint Venture, C&A Floormats Europe and Enjema. These operations had combined incremental selling, general and administrative expenses of $20.6 million. The remaining increase is due to costs associated with systems

upgrades, Year 2000 compliance efforts and increased expenditures at C&A Plastics in connection with improvement programs. As a percentage of sales, selling, general and administrative expenses increased to 8.2% in 1998 from 7.7% in 1997. The increase as a percentage of sales is primarily due to lower sales volumes in automotive fabrics.

Impairment of Long Lived Assets: As previously discussed, during the third quarter of 1997, C&A Plastics wrote down fixed assets by $5.1 million to net realizable value and reduced its goodwill by $17.5 million, as a result of an evaluation of the recoverability of the long lived assets of C&A Plastics that was conducted in connection with the determination of the charges discussed above.

Interest Expense: Interest expense allocated to continuing operations, net of interest income of $3.7 million and $5.7 million in 1998 and 1997, respectively, increased $4.4 million to $82.0 million in 1998 from $77.6 million in 1997. The increase is due to a higher outstanding debt balance in 1998. Total net interest expense, including amounts allocated to discontinued operations, was $90.1 million in 1997. No amounts were allocated to discontinued operations in 1998.

Loss on the Sale of Receivables: The Company sells on a continuous basis, through its Carcorp subsidiary, interests in a pool of accounts receivable. In connection with the receivables sales, a loss of $6.1 million was recognized in 1998, compared to a loss of $4.7 million in 1997. The increase in the loss on the sale of receivables is due to an increase in sales. In addition, C&A Plastics was added as a seller under the Receivables Facility (as hereinafter defined) during June 1997. Total loss on the sale of receivables, including amounts allocated to discontinued operations, was $5.3 million in 1997.

Other (Income) Expense: The Company recognized foreign currency transaction losses of $4.8 million in 1998, compared to $1.9 million in 1997. These losses incurred in 1998 was primarily due to the strengthening of the U.S. dollar against the Canadian dollar. Other expense in 1998 also includes the loss from the Company's joint venture with Courtaulds of $0.1 million. Other income in 1997 also includes income from the Collins & Aikman/Perstorp Joint Venture of $0.9 million and a $1.7 million gain on the sale of the Borg Textiles division in the third quarter of 1997.

Income Taxes: The Company recognized a provision for income taxes of $5.3 million in 1998, compared to $13.0 million in 1997. The Company's effective tax rate in 1998 was 102%, compared to 447% in 1997. The decrease in the Company's tax expense and effective rate is due primarily to lower non-deductible goodwill in 1998 compared to 1997, which included the $17.5 million of goodwill written off by C&A Plastics.

Discontinued Operations: No income from discontinued operations has been reflected in 1998, as the operations of Wallcoverings prior to its sale were charged to the Company's discontinued operations reserves. The Company's income from discontinued operations of $4.3 million in 1997 includes the operations of the Company's Mastercraft Group and Floorcoverings subsidiary ("Floorcoverings") and JPS Automotive's Air Restraint and Technical Products Division ("Airbag"). Losses incurred by Wallcoverings from April 29, 1996 to the date of sale have been charged to the Company's existing discontinued operations reserves.

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As previously discussed, Wallcoverings was sold on March 13, 1998. The Company recorded a loss of $21.1 million, net of income tax benefits, in September 1997, to adjust the recorded value of Wallcoverings to the expected proceeds. Accordingly, no gain or loss resulted from the sale of Wallcoverings.

The sale of Floorcoverings for approximately $195.6 million was completed in February 1997 and resulted in a gain of $85.3 million, net of income taxes of $53.4 million. The sale of the Mastercraft Group was completed in July 1997 for approximately $309.5 million, resulting in a gain on the sale of discontinued operations of $97.5 million, net of income taxes of $65.0 million. The Company sold Airbag for approximately $56 million. No gain or loss was recorded on the sale since the sales price approximated the acquisition fair value and book value of Airbag.

Extraordinary Loss: In 1998, the Company recognized an extraordinary loss consisting of a non-cash extraordinary charge of $3.6 million, net of income taxes of $2.4 million, relating to the refinancing of the Company's bank facilities and a charge of $0.1 million, net of income taxes of $90 thousand, recognized in connection with the repurchase of $2.6 million principal amount of JPS Automotive 11 1/8% Senior Notes due 2001 (the "JPS Automotive Senior Notes") on the market at prices in excess of carrying values. In 1997, the Company recognized a loss of $0.7 million, net of income taxes of $0.4 million, in connection with the purchase by JPS Automotive of $19.4 million principal amount of JPS Automotive Senior Notes on the open market at prices in excess of carrying values.

Net Income (Loss): The combined effect of the foregoing resulted in a net loss of $3.8 million, compared to net income of $155.2 million in 1997.

1997 Compared to 1996

As a result of the Company's decision to change its year-end, fiscal 1996 was a 48-week period as compared to fiscal 1997 which was a 52-week period. Therefore, sales in all product lines and the associated costs and expenses were impacted by reporting a shorter period in 1996. Additional significant increases in sales and associated costs and expenses resulted from the Company's 1996 acquisitions. Certain prior years' product line sales data has been reclassified to conform with reporting of the Company's three divisions created in the Reorganization. A discussion of the results of operations for the Company follows:

The Divisions

North America Automotive Interior Systems

Net Sales: Net sales for the North America Automotive Interior Systems division increased 65.7% to $1,053.5 million in 1997, up $417.9 million from 1996. This increase is primarily due to the December 1996 acquisitions of JPS Automotive and Perstorp's automotive supply operations in North America, which together generated revenues of $215.1 million. Sales for the division's product lines are discussed below:

Molded Carpet: Molded carpet sales for the division increased 61.2% to $352.1 million in 1997, up $133.7 million from 1996 sales, primarily as a result of the JPS Automotive acquisition. Sales were also positively impacted by increased sales to the Dodge Dakota and Durango and Toyota T100. These increases were partially offset by decreased sales to the Buick Century/Oldsmobile Ciera, Chrysler Minivan and Ford Mustang.

Acoustical Products: The division's acoustical products operations, which were acquired in December 1996 from Perstorp, contributed $97.6 million in net sales during 1997, compared to $2.9 million in 1996.

Luggage Compartment Trim: Luggage compartment trim sales for the division increased 79.5% to $98.4 million, up $43.6 million from 1996 primarily due to the acquisition of JPS Automotive. Overall, average sales prices increased due to the acquisition of JPS Automotive. Sales increases also resulted from higher Toyota Camry volumes and the full year impact of the Buick Park Avenue and Subaru Legacy Wagon, both of which started production in mid-1996. Sales also increased to the Dodge Dakota and Durango.

Accessory Floormats: Accessory floormat sales for the division increased 21.6% to $139.3 million in 1997, up $24.8 million over 1996. The overall increase is attributable to increased sales to General Motors' minivans, the Oldsmobile Cutlass, Buick Regal, Pontiac Grand Prix, Toyota Camry, Nissan Maxima and Sentra and new export programs, offset by decreased sales to the Honda Accord and Civic and Mitsubishi Galant.

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Plastic-based Interior Trim Systems: Plastic-based interior trim systems sales for the division increased 66.9% to $294.3 million, up $117.9 million from 1996. This increase in sales relates primarily to the launch during the latter part of 1996 of new programs for which C&A Plastics is the supplier as well as the negative impact of a General Motors strike on C&A Plastics' sales for the first quarter of 1996. New programs increasing 1997 sales included the Cadillac Concours/ Deville, Buick Century and Regal, Chevrolet Malibu and the Ford Econoline. These increases were partially offset by decreases to the Chevrolet Corsica/Beretta.

Other: The North America Automotive Interior Systems division had sales of other automotive and non-automotive products of $71.6 million and $68.7 million in 1997 and 1996, respectively.

Operating Income: Operating income for the division decreased 34.3% to $40.1 million in 1997, down $20.9 million from 1996. During the third quarter of 1997, the division incurred charges of approximately $57.9 million principally related to C&A Plastics. These charges, which primarily related to manufacturing inefficiencies experienced by C&A Plastics in connection with product launches and record volume for its products, included asset impairments, reductions in goodwill, provisions for certain programs operating at a loss, inventory adjustments, certain previously deferred costs and other provisions. Of the $57.9 million in charges, $34.0 million is included in cost of goods sold, $22.6 million is included in impairment of long-lived assets and $1.3 million is included in selling costs. As a percentage of sales, operating margin decreased to 3.8% in 1997 from 9.6% in 1996.

Europe Automotive Interior Systems

Net Sales: Net sales for the Europe Automotive Interior Systems division increased 308.5% to $120.5 million in 1997, up $91.0 million from 1996. This increase is primarily due to the acquisition of Perstorp's automotive supply operations in the

United Kingdom and Spain and the German Operations, which generated combined revenues of $90.9 million in 1997. Sales for the division's product lines are discussed below:

Molded Floor Carpet: Molded floor carpet sales for the division increased 100.5% to $32.6 million in 1997, up $16.3 million from 1996. The increase is due to the acquisition of Perstorp's automotive supply operations in the United Kingdom and Spain in December 1996.

Acoustical Products: Acoustical product sales were $70.2 million in 1997, compared to $2.1 million in 1996. The Company acquired its acoustical products operations in the United Kingdom and Spain in December 1996 and the German Operations in August 1997.

Luggage Compartment Trim: Luggage compartment trim sales at the Company's carpet operations in the United Kingdom increased 31.2% to $2.6 million in 1997, up $0.6 million from 1996. These operations were acquired in May 1996.

Plastic-based Interior Trim Systems: The Company's operations in Spain generated $0.3 million of sales of plastic-based interior trim systems in 1997.

Other: The Europe Automotive Interior Systems division had sales of other automotive and non-automotive products of $15.1 million and $9.1 million in 1997 and 1996, respectively.

Operating Income: Operating income for the division increased to $4.5 million in 1997, up from $1.1 million in 1996. The increase is primarily due to the acquisitions discussed above. As a percentage of sales, operating margin was 3.7% and 3.6% in 1997 and 1996, respectively.

Specialty Automotive Products

Net Sales: Net sales for the Specialty Automotive Products division increased 17.1% to $455.3 million in 1997, up $66.6 million in 1996. This increase is primarily due to the December 1997 acquisition of JPS Automotive, which generated sales of $87.4 million in 1997. Sales for the division's product lines are discussed below:

Automotive Fabrics: Automotive fabrics sales increased 29.6% to $319.0 million in 1997, up 72.9 million from 1996. An increase in sales resulting from the acquisition of JPS Automotive was offset by reduced sales for the Chrysler LH and Minivans and the Ford Contour/Mercury Mystique and Ford

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Convertible Top Systems: Convertible top systems sales decreased 15.5% to $88.8 million, down $16.3 million from 1996, principally due to decreased production of the Chrysler Sebring and the Ford Mustang convertibles.

Other: The Specialty Automotive Products division also had sales of other automotive and non-automotive products of $47.5 million and $37.5 million in 1997 and 1996, respectively.

Operating Income: Operating income for the division decreased 3.7% to $38.1 million in 1997, down $1.5 million from 1996. This decrease is primarily due to the decrease in sales of high margin convertible top systems. As a percentage of sales, operating margin decreased to 8.4% in 1997, down from 10.2% in 1996.

The Company as a Whole

Net Sales: The Company's net sales increased 54.6% to $1,629.3 million in 1997, up $575.5 million from 1996, primarily due to the factors discussed above. In addition, sales to General Motors and Chrysler during 1997 were negatively impacted by United Auto Workers' strikes in the second quarter of 1997. The decrease in net sales attributable to these strikes is estimated at $17.4 million. Sales to General Motors during 1996 were negatively impacted by the United Auto Workers' strike in March 1996 and the Canadian Auto Workers' strike in October 1996. The decrease in net sales attributed to these strikes is estimated at $33.5 million.

Gross Margin: For 1997, gross margin was 14.3%, down from 17.9% in 1996. During the third quarter of 1997, the Company incurred charges of approximately $57.9 million principally related to C&A Plastics. These charges, which primarily related to manufacturing inefficiencies experienced by C&A Plastics in connection with product launches and record volume for its products, included asset impairments, reductions in goodwill, provisions for certain programs operating at a loss, inventory adjustments, certain previously deferred costs and other provisions. Of the $57.9 million of charges, $34.0 million is included in cost of goods sold, $22.6 million is discussed below as impairment of long lived assets and $1.3 million relates to selling costs. Adjusted for certain of the charges taken by C&A Plastics, gross margin was 15.2%. The decrease in gross margin is attributable primarily to lower margins in products sold by JPS Automotive and Perstorp's automotive supply

operations in North America, the United Kingdom and Spain, the decrease in sales of higher margin convertible top systems and manufacturing inefficiencies and product launch costs at C&A Plastics and the Company's North American floormat operations.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased 45.6% to $126.1 million, up $39.5 million from 1996. This increase is primarily due to the acquisitions of JPS Automotive and Perstorp's automotive supply operations in North America, the United Kingdom and Spain in December 1996. As a percentage of sales, selling, general and administrative expenses decreased to 7.7% in 1997 from 8.2% in 1996.

Impairment of Long Lived Assets: As previously discussed, during the third quarter of 1997, C&A Plastics wrote down fixed assets by $5.1 million to net realizable value and reduced its goodwill by $17.5 million, as a result of an evaluation of the recoverability of the long lived assets of C&A Plastics that was conducted in connection with the determination of the charges discussed above.

Interest Expense: Interest expense allocated to continuing operations, net of interest income of $5.7 million in 1997 and $4.0 million in 1996, increased $37.7 million to $77.6 million in 1997 from $39.9 million in 1996. The overall increase in interest expense was due to a higher amount of overall outstanding indebtedness, primarily related to the JPS Automotive acquisition and the acquisition of Perstorp's automotive supply operations in North America, the United Kingdom and Spain, as well as higher interest rates associated with the $400 million principal amount of 11 1/2% Senior Subordinated Notes due 2006 (the "Subordinated Notes") issued by C&A Products in June 1996. The Subordinated Notes are guaranteed by the Company. Total net interest expense, including amounts allocated to discontinued operations, was $90.1 million in 1997 and $66.6 million in 1996.

Loss on Sale of Receivables: The Company sells on a continuous basis, though its Carcorp subsidiary, interests in a pool of accounts receivable. In connection with the receivable sales, a loss of $4.7 million, net of amounts allocated to discontinued operations, was incurred in 1997 compared to a loss of $4.5 million, net of amounts allocated to discontinued operations, in 1996.

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Total loss on sale of receivables, including amounts allocated to discontinued operations, was $5.3 million in 1997 and $6.7 million in 1996.

Other (Income) Expense: In 1997, the Company recognized a gain of $1.7 million related to the sale of the Borg Textiles Division of its principal Canadian subsidiary, and income of $0.9 million related to its investment in the Collins & Aikman/ Perstorp Joint Venture. These gains were offset by a $1.9 million loss on foreign currency transactions. The Company recognized a $0.1 million loss on foreign currency transactions in 1996. The loss in 1997 is primarily due to fluctuations in the Canadian dollar.

Income Taxes: In 1997, the Company recognized a $13.0 million tax provision compared to a $24.4 million provision in 1996. The Company's effective tax rate in 1997 was 447%, compared to 42% in 1996. The higher tax rate in 1997 is primarily due to the inclusion in the income tax calculation of nondeductible goodwill including the $17.5 million of goodwill written off by C&A Plastics.

Discontinued Operations: The Company's income from discontinued operations was $4.3 million in 1997 compared to $14.5 million in 1996. The decrease results primarily from the sale of Floorcoverings in February 1997 and the sale of the Mastercraft Group in July 1997.

The sale of Floorcoverings for approximately $195.6 million was completed in February 1997 and resulted in a gain of $85.3 million net of income taxes of $53.4 million. The sale of the Mastercraft Group was completed in July 1997 for approximately $309.5 million, resulting in a gain on the sale of discontinued operations of $97.5 million, net of income taxes of $65.0 million. In connection with the agreement to sell Wallcoverings, the Company recorded a loss of $21.1 million, net of income tax benefits, during the third quarter of 1997 to adjust the recorded value to the expected proceeds.

Extraordinary Loss: In 1997, the Company recognized a loss of $0.7 million, net of income taxes of $0.4 million, in connection with the purchase by JPS Automotive of $19.4 million principal amount of JPS Automotive Senior Notes on the open market at prices in excess of carrying values. In 1996, the Company recognized a non-cash extraordinary charge of $6.6 million, net of income taxes of $4.7 million, related to the refinancing of its bank facilities. The refinancing was done in conjunction with the Company's offering of the Subordinated Notes.

Net Income: The combined effect of the foregoing resulted in net income of $155.2 million in 1997 compared to net income of $40.8 million in 1996.

Liquidity and Capital Resources

The Company and its subsidiaries had cash and cash equivalents totaling $23.8 million and $24.0 million at December 26, 1998 and December 27, 1997, respectively. The Company had a total of $91.8 million of borrowing availability under its credit arrangements as of December 26, 1998. Availability as of December 26, 1998 under the revolving credit facility has been reduced by outstanding letters of credit of $22.1 million. The total was comprised of $84.0 million under the Company's revolving credit facility (including $2.6 million available to the Canadian Borrowers, as hereinafter defined), approximately $7.7 million under bank demand lines of credit in Canada and Austria, and $0.1 million available under the Receivables Facility.

On May 28, 1998, the Company entered into new credit facilities consisting of: (i) a senior secured term loan facility in the amount of $100 million payable in quarterly installments until final maturity on December 31, 2003 (the "Term Loan A Facility"); (ii) a senior secured term loan facility in the principal amount of $125 million payable in quarterly installments until final maturity on June 30, 2005 (the "Term Loan B Facility" and, together with the Term Loan A Facility, the "Term Loan Facilities"); and (iii) a senior secured revolving credit facility in an aggregate principal amount of up to $250 million terminating on December 31, 2003, of which $60 million (or the equivalent thereof in Canadian dollars) is available to two of the Company's Canadian subsidiaries (the "Canadian Borrowers"), and of which up to $50 million is available as a letter of credit facility (the "Revolving Credit Facility" and together with the Term Loan facilities, the "Credit Agreement Facilities"). In addition, the Credit Agreement Facilities include a provision for a Tranche C credit facility (the "Tranche C Facility") of up to $150 million in loan borrowings having amortization and interest rate terms to be agreed upon between the Company and the applicable lenders who may supply commitments at such time as the Tranche C Facility may be utilized. The Credit Agreement Facilities (including the Tranche C Facility, if utilized) replace and refinance the Company's previously outstanding bank credit facilities, including the facilities entered into in June 1994 and December 1995 and amended and restated in June 1996 and those entered into in connection with the acquisition of JPS Automotive in December 1996 (collectively, the "Replaced

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Facilities").

On March 13, 1998, the Company sold Wallcoverings for $71.9 million and an option for 6.7% of the common stock of the purchaser outstanding as of the closing date. The proceeds were used to repay long-term debt.

At December 26, 1998, the Company had outstanding $100.0 million under the Term Loan A Facility, $125.0 million under the Term Loan B Facility, and $143.9 million under the Revolving Credit Facility (including $57.4 million borrowed by the Canadian Borrowers).

The Credit Agreement Facilities, which are guaranteed by the Company and its U.S. subsidiaries (subject to certain exceptions), contain restrictive covenants including maintenance of interest coverage and leverage ratios and various other restrictive covenants which are customary for such facilities and are generally similar to the covenants and ratios contained in the Replaced Facilities. The interest coverage and leverage ratios were waived for the third and fourth quarters of 1998 due to the General Motors strike and decreased sales of automotive fabrics. Effective March 8, 1999, the Company, in view of the decreased sales of automotive fabrics and the General Motors strike, obtained an amendment to the Credit Agreement Facilities primarily in order to modify the covenants relating to interest coverage and leverage ratios. The amendment resulted generally in an increase in the interest rates charged under the Credit Agreement Facilities. At December 26, 1998, the Company's effective borrowing rate under the amended Credit Agreement Facilities would have increased by 0.59% per annum. In addition, under the Credit Agreement Facilities, C&A Products is generally prohibited from paying dividends or making other distributions to the Company except to the extent necessary to allow the Company to (w) pay taxes and ordinary expenses, (x) make permitted repurchases of shares or options, (y) make permitted investments in finance, foreign, or acquired subsidiaries and (z) pay permitted dividends. The Company is permitted to pay dividends and repurchase shares of the Company (i) in any fiscal year in an aggregate amount up to $12 million and (ii) if certain financial ratios are satisfied, for the period from April 28, 1996 through the last day of the Company's most recently ended fiscal quarter, in an aggregate amount equal to 50% of the Company's cumulative consolidated net income for that period and, in addition, is permitted to pay dividends and repurchase shares in amounts representing net proceeds from the sale of Wallcoverings. The Company's obligations under the Credit Agreement Facilities are secured by a pledge of the stock of C&A Products and its significant subsidiaries. These restrictions on dividends and distributions are generally similar to those contained in the Replaced Facilities.

On June 10, 1996, C&A Products issued $400 million principal amount of Subordinated Notes, which mature in 2006. The Subordinated Notes are guaranteed by the Company. The indenture governing the Subordinated Notes generally prohibits the Company, C&A Products and any Restricted Subsidiary (as defined) from making certain payments and investments (generally, dividends and distributions on their capital stock; repurchases or redemptions of their capital stock; repayment prior to maturity of debt subordinated to the Subordinated Notes; and investments (other than permitted investments)) ("Restricted Payments") if (i) there is a default under the Subordinated Notes or (ii) after giving pro forma effect to the Restricted Payment, C&A Products could not incur at least $1.00 of additional indebtedness under the indenture's general test for the incurrence of indebtedness, which is a specified ratio (currently 2.25 to 1) of cash flow to interest expense or (iii) the aggregate of all such Restricted Payments from the issue date exceeds a specified threshold (based, generally, on 50% of cumulative consolidated net income since the quarter in which the issue date occurred plus 100% of the net proceeds of capital contributions to C&A Products from stock issuances by the Company). These prohibitions are subject to a number of significant exceptions, including dividends to stockholders of the Company or stock repurchases not exceeding $10 million in any fiscal year or $20 million in the aggregate until the maturity of the Subordinated Notes, dividends to stockholders of the Company of the net available proceeds from the sale of Wallcoverings and dividends to the Company to permit it to pay its operating and administrative expenses. The Subordinated Notes indenture also contains other restrictive covenants (including, among others, limitations on the incurrence of indebtedness, asset dispositions and transactions with affiliates) which are customary for such securities. These covenants are also subject to a number of significant exceptions. The Company does not currently meet the Subordinated Notes indenture's general test for the incurrence of indebtedness, and does not expect to meet such test during 1999. However, the Company expects all its borrowing needs for the foreseeable future to be allowed under exceptions for permitted indebtedness in the indenture.

The indenture governing the JPS Automotive Senior Notes generally prohibits JPS Automotive from making certain restricted payments and investments (generally, dividends and distributions on its equity interests; purchases or redemptions of its equity interests; purchases of any indebtedness

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subordinated to the JPS Automotive Senior Notes; and investments other than as permitted) ("JPS Automotive Restricted Payments") unless (i) there is no default under the JPS Automotive Senior Notes indenture; (ii) after giving pro forma effect to the JPS Automotive Restricted Payment, JPS Automotive would be permitted to incur at least $1.00 of additional indebtedness under the indenture's general test for the incurrence of indebtedness, which is a specified ratio (currently 2.5 to 1.0) of cashflow to interest expense, and (iii) the aggregate of all JPS Automotive Restricted Payments from the issue date is less than a specified threshold (based, generally, on 50% of JPS Automotive's cumulative consolidated net income since the issue date plus 100% of the aggregate net cash proceeds of the issuance by JPS Automotive of certain equity and convertible debt securities and cash contributions to JPS Automotive) (the "JPS Automotive Restricted Payments Tests"). These conditions were satisfied immediately following the closing of the JPS Automotive Acquisition and as of December 26, 1998. The JPS Automotive Restricted Payments Tests are subject to a number of significant exceptions. The indenture governing the JPS Automotive Senior Notes also contains other restrictive covenants (including, among others, limitations on the incurrence of indebtedness and issuance of preferred stock, asset dispositions and transactions with affiliates including the Company and C&A Products) which are customary for such securities. These covenants are also subject to a number of significant exceptions. During the second and fourth quarters of 1998, $2.0 million and $0.6 million, respectively, principal amount of JPS Automotive Senior Notes were repurchased by JPS Automotive on the open market and retired. As of December 26, 1998, JPS Automotive had approximately $88.2 million of indebtedness outstanding (including a premium of $2.2 million) related to the JPS Automotive Senior Notes. The Company is operating JPS Automotive as a restricted subsidiary under the Credit Agreement Facilities and the indenture governing the Subordinated Notes.

On March 31, 1995, C&A Products entered, through the Trust formed by Carcorp, into a receivables facility (the "Receivables Facility"), comprised of (i) term certificates, which were issued on March 31, 1995 in an aggregate face amount of $110 million and have a term of five years and (ii) variable funding certificates, which represent revolving commitments of up to an aggregate of $75 million and have a term of five years. Carcorp purchases on a revolving basis and transfers to the Trust virtually all trade receivables generated by C&A Products and certain of its subsidiaries (the "Sellers") in the United States and Canada. The certificates represent the right to receive payments generated by the receivables held by the Trust.

Availability under the variable funding certificates at any time depends primarily on the amount of receivables generated by the Sellers from sales to the automotive industry, the rate of collection on those receivables and other characteristics of those receivables which affect their eligibility (such as the bankruptcy or downgrading below investment grade of the obligor, delinquency and excessive concentration). Based on these criteria, at December 26, 1998 the maximum amount available under the variable funding certificates was $64.6 million, of which $0.1 million was unutilized.

The proceeds received by Carcorp from collections on receivables, after the payment of expenses and amounts due on the certificates, are used to purchase new receivables from the Sellers. Collections on receivables are required to remain in the Trust if at any time the Trust does not contain sufficient eligible receivables to support the outstanding certificates. The Receivables Facility contains certain other restrictions on Carcorp (including maintenance of $25 million net worth) and on the Sellers (including limitations on liens on receivables, modifications of the terms of receivables, and changes in credit and collection practices) customary for facilities of this type. The commitments under the Receivables Facility are subject to termination prior to their term upon the occurrence of certain events, including payment defaults, breach of covenants, bankruptcy, insufficient eligible receivables to support the outstanding certificates, default by C&A Products in servicing the receivables and, in the case of the variable funding certificates, failure of the receivables to satisfy certain performance criteria. The scheduled amortization of the Receivables Facility begins December 25, 1999. The Company is currently reviewing proposals to replace this facility.

During 1998, the Company repaid indebtedness totaling approximately $46.9 million of its subsidiaries operating in Sweden, Belgium and France constituting the former operations of the Collins & Aikman/Perstorp Joint Venture. The repayments were funded through borrowings by the Canadian Borrowers under the Revolving Credit Facility and by cash generated from operations.

The Company has a master equipment lease agreement for a maximum of $50 million of machinery and equipment. At December 26, 1998, the Company had $20.0 million of potential availability under this master lease for future machinery and equipment requirements of the Company subject to the lessor's approval. In

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the year ended December 26, 1998, the Company made lease payments relating to continuing operations of approximately $5.4 million for machinery and equipment sold and leased back under this master lease. The Company expects lease payments for continuing operations under this master lease to be approximately $5.8 million during fiscal 1999.

The Company's principal sources of funds are cash generated from continuing operating activities, borrowings under the Credit Agreement Facilities and the sale of receivables under the Receivables Facility. Net cash provided by the continuing operating activities of the Company was $13.4 million for 1998.

The Company's principal uses of funds from operating activities and borrowings for the next several years are expected to fund interest and principal payments on its indebtedness, net working capital increases and capital expenditures. At December 26, 1998, the Company had total outstanding indebtedness of $866.0 million (excluding approximately $22.1 million of outstanding letters of credit) at an average interest rate of 9.5% per annum. Of the total outstanding indebtedness, $768.9 million relates to the Credit Agreement Facilities and the Subordinated Notes.

The Company's Board of Directors authorized the expenditure of up to $25 million in 1999 to repurchase shares of the Company's Common Stock at management's discretion. This amount was reduced by the approximately $6.2 million special dividend paid on March 1, 1999. The Company believes it has sufficient liquidity under its existing credit arrangements to effect the repurchase program. The Company spent approximately $25.0 million to repurchase shares during fiscal 1998 and approximately $19.7 million to repurchase shares during fiscal 1997.

Indebtedness under the Term Loan A Facility and U.S. dollar-denominated indebtedness under the Revolving Credit Facility as amended March 8, 1999 bears interest at a per annum rate equal to the Company's choice of (i) The Chase Manhattan Bank's ("Chase's") Alternate Base Rate (which is the highest of Chase's announced prime rate, the Federal Funds Rate plus .5% and Chase's base certificate of deposit rate plus 1%) plus a margin (the "ABR/Canadian Prime Rate Margin") ranging from .25% to 1.25% or (ii) the offered rates for Eurodollar deposits ("LIBOR") of one, two, three, six, nine or twelve months, as selected by the Company, plus a margin (the "LIBOR/BA Margin") ranging from 1.25% to 2.25%. Margins, which are subject to adjustment based on changes in the Company's ratio of funded debt to EBITDA (i.e., earnings before interest, taxes, depreciation, amortization and other non-cash charges) were 1.75% in the case of the LIBOR/BA Margin and .75% in the case of the ABR/Canadian Prime Rate Margin on December 26, 1998, prior to the March 8, 1999 amendment. Had the terms of the March 8, 1999 amendment been applied at December 26, 1998, the LIBOR/BA Margin would have been 2.25% and the ABR/Canadian Prime Rate Margin would have been 1.25%. Canadian-dollar denominated indebtedness incurred by the Canadian Borrowers under the Revolving Credit Facility bears interest at a per annum rate equal to the Canadian Borrowers' choice of (i) the Canadian Prime Rate (which is the greater of Chase's prime rate for Canadian dollar-denominated loans in Canada and the Canadian dollar-denominated one month bankers' acceptance rate plus 1.00%) plus the ABR/Canadian Prime Rate Margin or (ii) the bill of exchange rate ("Bankers' Acceptance" or "BA") denominated in Canadian dollars for one, two, three or six months plus the LIBOR/BA Margin. Indebtedness under the Term Loan B Facility as amended March 8, 1999 bears interest at a per annum rate equal to the Company's choice of (i) Chase's Alternate Base Rate (as described above) plus a margin ranging from 1.25% to 1.75% (the "Tranche B ABR Margin") or

(ii) LIBOR of one, two, three, or six months, as selected by the Company, plus a margin ranging from 2.25% to 2.75% (the "Tranche B LIBOR Margin"). The Tranche B ABR Margin and the Tranche B LIBOR Margin, were 1% and 2%, respectively, at December 26, 1998. Had the terms of the March 8, 1999 amendment been applied at December 26, 1998, the Tranche B ABR Margin would have been 1.75% and the Tranche B LIBOR Margin would have been 2.75%. The weighted average rate of interest on the Credit Agreement Facilities at December 26, 1998 was 7.3%. The weighted average interest rate on the sold interests under the Receivables Facility at December 26, 1998 was 6.0%. Under the Receivables Facility, the term certificates bear interest at an average rate equal to one month LIBOR plus .34% annum and the variable funding certificates bear interest, at Carcorp's option, at LIBOR plus .40% per annum or a prime rate. The Subordinated Notes bear interest at 11.5% per annum. The JPS Automotive Senior Notes bear interest at a rate of 11.125% per annum. Cash interest paid was $86.6 million and $93.0 million for the fiscal years ended December 26, 1998 and December 27, 1997, respectively.

Due to the variable interest rates under the Credit Agreement Facilities and the Receivables Facility, the Company is sensitive to changes in interest rates. Accordingly, during April 1997, the Company entered into a two year

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interest rate swap agreement in which the Company effectively exchanged $27.0 million of 11 1/2% fixed rate debt for floating rate debt at six month LIBOR plus a 4.72% margin. In connection with this swap agreement, the Company also limited its interest rate exposure on $27.0 million of notional principal amount by entering into an 8.50% cap on LIBOR. Based upon amounts outstanding at December 26, 1998, a .5% increase in each of LIBOR and Canadian bankers' acceptance rates (5.6% and 5.1%, respectively, at December 26, 1998) would impact interest costs by approximately $1.8 million annually on the Credit Agreement Facilities and $0.6 million annually on the Receivables Facility. During April 1997, the Company entered into an agreement to limit its foreign currency exposure related to $45.0 million of US dollar denominated borrowings of a Canadian subsidiary. The agreement swapped LIBOR based interest rates for the Canadian bankers' acceptance rates and fixed the exchange rate for the principal balance upon maturation. This agreement was terminated on June 1, 1998 as a result of repayment of the then-outstanding Canadian term loan. The Canadian term loan balance was repaid in conjunction with the refinancing and replacement of the Replaced Facilities.

The current maturities of long-term debt primarily consist of the current portion of the Credit Agreement Facilities, vendor financing, an industrial revenue bond and other miscellaneous debt. The maturities of long-term debt of the Company's continuing operations during 1999, 2000, 2001, 2002, and 2003, are $19.9 million, $24.1 million, $113.4 million, $28.9 million and $24.4 million, respectively. The JPS Automotive Senior Notes will mature in 2001. In addition, the Credit Agreement Facilities provide for mandatory prepayments of the Term Loan A and Term Loan B Facilities with certain excess cash flow of the Company, net cash proceeds of certain asset sales or other dispositions by the Company, net cash proceeds of certain sale/leaseback transactions and net cash proceeds of certain issuances of debt obligations. The indenture governing the Subordinated Notes provides that in the event of certain asset dispositions, C&A Products must apply net proceeds (to the extent not reinvested in the business) first to repay Senior Indebtedness (as defined, which includes the Credit Agreement Facilities) and then, to the extent of remaining net proceeds, to make an offer to purchase outstanding Subordinated Notes at 100% of their principal amount plus accrued interest. C&A Products must also make an offer to purchase outstanding Subordinated Notes at 101% of their principal amount plus accrued interest if a Change in Control (as defined) of the Company occurs. In addition, the indenture governing the JPS Automotive Senior Notes requires JPS Automotive to apply the net proceeds from the sale of assets of JPS Automotive to offer to purchase JPS Automotive Senior Notes, to the extent not applied within 270 days of such asset sale to an investment in capital expenditures or other long term tangible assets of JPS Automotive, to permanently reduce senior indebtedness of JPS Automotive or to purchase JPS Automotive Senior Notes in the open market. The Company caused JPS Automotive to make such an offer to purchase JPS Automotive Senior Notes in connection with the sale of Airbag in July 1997.

The Company makes capital expenditures on a recurring basis for replacements and improvements. As of December 26, 1998, the Company's continuing operations had approximately $19.1 million in outstanding capital expenditure commitments. The Company currently anticipates that its capital expenditures for continuing operations for fiscal 1999 will be in the range of $80 million to $90 million, a portion of which may be financed through leasing. The Company's capital expenditures in future years will depend upon demand for the Company's products and changes in technology.

The Company is sensitive to price movements in its raw material supply base. During fiscal 1998, prices for most of the Company's primary raw materials remained constant with price levels at December 27, 1997. The prices of certain types of yarn utilized in fabric manufacturing declined during 1998, resulting in cost savings of approximately $5.3 million through December 26, 1998. In addition, the price of polyethylene has declined slightly in both North America and Europe. While the Company may not be able to pass on future raw material price increases to its customers, it believes that a significant

portion of the increased cost can be offset by continued results of its value engineering/value analysis and cost improvement programs and by continued reductions in the cost of nonconformance.

After Wallcoverings was classified as a discontinued operation in April 1996, Wallcoverings continued to experience sales declines. From April 1996 through October 1997, the Company expended approximately $67.1 million to fund operations, working capital and capital expenditures and to replace receivables previously sold to Carcorp. Of these amounts, $21.0 million represents repayments of intercompany amounts owed to Wallcoverings. From November 1, 1997 through its disposition in March 1998, the Company expended approximately $19.9 million principally to fund Wallcoverings' operations, working capital and capital expenditure requirements. Of this amount, approximately $13.9 million was added to the base purchase price of $58 million provided in the sales

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agreement and was paid by the purchaser as part of the final purchase price.

The Company has significant obligations relating to postretirement, casualty, environmental, lease and other liabilities of discontinued operations. In connection with the sale and acquisition of certain businesses, the Company has indemnified the purchasers and sellers for certain environmental liabilities, lease obligations and other matters. In addition, the Company is contingently liable with respect to certain lease and other obligations assumed by certain purchasers and may be required to honor such obligations if such purchasers are unable or unwilling to do so. Management currently anticipates that the net cash requirements of its discontinued operations will be approximately $26 million in fiscal 1999. However, because the requirements of the Company's discontinued operations are largely a function of contingencies, it is possible that the actual net cash requirements of the Company's discontinued operations could differ materially from management's estimates. Management believes that the Company's cash needs relating to discontinued operations can be provided by operating activities from continuing operations and by borrowings under its credit facilities.

Tax Matters

At December 26, 1998, the Company had outstanding net operating loss carryforwards ("NOLs") of approximately $219.2 million for Federal income tax purposes. Substantially all of these NOLs expire over the period from 2008 to 2018. The Company also has unused Federal tax credits of approximately $13.3 million, $1.1 million of which expire during the period 1999 to 2006.

Approximately $19.8 million of the Company's NOLs and $1.1 million of the Company's unused Federal tax credits may be used only against the income and apportioned tax liability of the specific corporate entity that generated such losses or credits or its successors. Future sales of common stock by the Company or its principal shareholders, or changes in the composition of its principal shareholders, could constitute a "change in control" that would result in annual limitations on the Company's use of its NOLs and unused tax credits. Management cannot predict whether such a "change in control" will occur. If such a "change in control" were to occur, the resulting annual limitations on the use of NOLs and tax credits would depend on the value of the equity of the Company and the amount of "built-in gain" or "built-in loss" in the Company's assets at the time of the "change in control", which cannot be known at this time.

Management has reviewed the Company's operating results for recent years as well as the outlook for its continuing businesses in concluding it is more likely than not that the net deferred tax assets of $81.6 million at December 26, 1998 will be realized. A major goal of the Reorganization is to lower the overall cost structure of the Company and thereby increase profitability. These factors along with the timing of the reversal of its temporary differences and the expiration dates of its NOLs were also considered in reaching this conclusion. The Company's ability to generate future taxable income is dependent on numerous factors, including general economic conditions, the state of the automotive industry and other factors beyond management's control. Therefore, there can be no assurance that the Company will meet its expectation of future taxable income.

The valuation allowance at December 26, 1998 provides for certain deferred tax assets that in management's assessment may not be realized due to tax limitations on the use of such amounts or that relate to tax attributes that are subject to uncertainty due to the long-term nature of their realization.

Environmental Matters

The Company is subject to Federal, state and local environmental laws and regulations that (i) affect ongoing operations and may increase capital costs and operating expenses and (ii) impose liability for the costs of investigation and remediation and otherwise relate to on-site and off-site contamination. The Company's management believes that it has obtained, and is in material compliance with, all material environmental permits and approvals necessary to conduct its various businesses. Environmental compliance costs for continuing businesses currently are accounted for as normal operating

expenses or capital expenditures of such business units. In the opinion of management, based on the facts presently known to it, such environmental compliance costs will not have a material adverse effect on the Company's consolidated financial condition or future results of operations.

The Company is legally or contractually responsible or alleged to be responsible for the investigation and remediation of contamination at various

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sites. It also has received notices that it is a potentially responsible party ("PRP") in a number of proceedings. The Company may be named as a PRP at other sites in the future, including with respect to divested and acquired businesses. The Company is currently engaged in investigation or remediation at certain sites. In estimating the total cost of investigation and remediation, the Company has considered, among other things, the Company's prior experience in remediating contaminated sites, remediation efforts by other parties, data released by the United States Environmental Protection Agency, the professional judgment of the Company's environmental experts, outside environmental specialists and other experts, and the likelihood that other parties which have been named as PRPs will have the financial resources to fulfill their obligations at sites where they and the Company may be jointly and severally liable. Under the theory of joint and several liability, the Company could be liable for the full costs of investigation and remediation even if additional parties are found to be responsible under the applicable laws. It is difficult to estimate the total cost of investigation and remediation due to various factors including incomplete information regarding particular sites and other PRPs, uncertainty regarding the extent of environmental problems and the Company's share, if any, of liability for such problems, the selection of alternative compliance approaches, the complexity of environmental laws and regulations and changes in cleanup standards and techniques. When it has been possible to provide reasonable estimates of the Company's liability with respect to environmental sites, provisions have been made in accordance with generally accepted accounting principles. As of December 26, 1998, excluding sites at which the Company's participation is anticipated to be de minimis or otherwise insignificant or where the Company is being indemnified by a third party for the liability, there are 24 sites where the Company is participating in the investigation or remediation of the site, either directly or through financial contribution, and 8 additional sites where the Company is alleged to be responsible for costs of investigation or remediation. As of December 26, 1998, the Company's estimate of its liability for these 32 sites, is approximately $24.6 million. As of December 26, 1998, the Company has established reserves of approximately $41.8 million for the estimated future costs related to all its known environmental sites. In the opinion of management, based on the facts presently known to it, the environmental costs and contingencies will not have a material adverse effect on the Company's consolidated financial condition or future results of operations. However, there can be no assurance that the Company has identified or properly assessed all potential environmental liability arising from the activities or properties of the Company, its present and former subsidiaries and their corporate predecessors.

Impact of Year 2000 Compliance

The Company has developed a comprehensive plan intended to address Year 2000 issues (the "Year 2000 Plan"). The Year 2000 Plan includes the acceleration of the Company's Business Systems Integration Plan (the "BSIP Plan"), initiated in connection with the Company's 1996 acquisitions to create common manufacturing, financial reporting and cost control information systems throughout the Company as a whole. The BSIP Plan, which affects essentially all the Company's locations worldwide, involves new installations of hardware and software at acquired operations and upgrades to hardware and software at pre-existing locations.

As part of the Year 2000 Plan, the Company has selected a team of managers and outside consultants to identify, evaluate and implement a time-table aimed at bringing all of the Company's critical business systems and applications into Year 2000 compliance prior to December 31, 1999. The Year 2000 Plan addresses the Company's information technology and non-information technology and categorizes them into the following areas which are vulnerable to Year 2000 risk: (i) business computer systems, including financial, human resources, purchasing, manufacturing and sales and marketing systems; (ii) manufacturing, warehousing and servicing equipment, including shop floor controls; (iii) technical infrastructure, including local area networks, mainframes and communication systems; (iv) end-user computing, including personal computers; (v) suppliers, agents and service providers, including systems which interface with customers; (vi) environmental operations, including fire, security, emission and waste controls and elevators; and (vii) dedicated research and development facilities, including CAD/CAE/CAM systems and product testing systems.

The Company has evaluated the state of readiness of each area vulnerable to Year 2000 risk using the following definitions:

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Inventory	--	Systems are being surveyed and documented regarding compliance

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Remediation	--	Strategies are being implemented to modify or replace affected hardware and software
Testing	--	Systems are being tested by Company employees or third party consultants
Complete	--	Systems are Year 2000 compliant

</TABLE>

Currently, the Company estimates that a majority of its locations are progressing through the Remediation or Testing phases for each area of Year 2000 risk.

The Company intends for all of its systems in North America and Europe to become Year 2000 compliant during 1999. The Company is in the process of finalizing formal contingency plans for each location. These contingency plans include, among other things, the following: (i) establishing back-up production capacities within the Company to shift the manufacturing of similar products between plants if a plant should be unable to complete its scheduled production requirements; (ii) carrying extra inventory of raw materials and finished goods to cover production requirements if critical suppliers indicate that they will not be Year 2000 compliant in a timely manner; and (iii) maintaining offline documentation of production schedules, releases and inventory levels. The Company has not yet quantified the costs associated with these contingency plans.

The Company currently anticipates that the total cost of the Year 2000 Plan, including approximately $14 million of costs associated with the BSIP Plan but excluding costs associated with contingency plans, will be approximately $23 million. Included in this estimate is approximately $4 million of salaries and other payroll costs of Company employees to the extent that they have devoted a portion of their time to the project. Approximately $12 million of these costs have been incurred through December 26, 1998, including approximately $3 million of salaries and other payroll costs. The Company has been expensing and capitalizing the costs to complete the Year 2000 Plan in accordance with appropriate accounting policies. The Company is funding the expenditures related to the Year 2000 Plan with cash flows from operations. The Company's current cost estimate of $23 million is higher than its previous estimates primarily due to increased use of external consultants and increased allocation of internal resources to assist with implementing the BSIP Plan at the Company's European locations.

Due to the general uncertainty inherent in the Year 2000 process at this stage, it is difficult for the Company to determine a reasonable likely Year 2000 worst case scenario. One possible scenario would be the failure of the Company's key suppliers to become compliant. To mitigate the risk of this, the Company is in the process of assessing responses to questionnaires previously issued to its suppliers and visiting certain of these suppliers to assess their Year 2000 readiness. This process is expected to continue over the next several months. As discussed above, the Company is incorporating the responses received from the suppliers in formulating contingency plans. Due to the number of suppliers that the Company deals with, the Company is unable to make a meaningful estimate of the revenue that would be lost in the event such a scenario was realized.

The Company's Year 2000 efforts are ongoing and its overall plan, as well as the consideration of contingency plans, will continue to evolve as new information becomes available. The Company currently anticipates that, with the modifications discussed above, the Year 2000 issue should not pose significant operational problems for the Company. However, if such modifications are not made, or are not completed timely, or if contingency plans fail, the Year 2000 issue could have a material adverse impact on the operations of the Company. Success of the Year 2000 plan may to some extent depend on the availability of outside consultants as well as establishing reliable telecommunication links with the Company's operations in Europe and Mexico. Further, there is no guarantee that the systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems.

The cost of the Company's Year 2000 Plan and the dates by which the Company believes it will be Year 2000 compliant are based on management's current best estimates, which were derived based on numerous assumptions of future events, some of which are beyond the control of the Company, including the continued availability of certain resources, third party modification plans and other factors. There can be no guarantee, however, that these estimates will be achieved, and actual results could differ materially from those anticipated.

Safe Harbor Statement

This Form 10-K contains statements which, to the extent they are not historical fact, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of

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1934 (the "Safe Harbor Acts"). All forward-looking statements involve risks and uncertainties. The forward-looking statements in this Form 10-K are intended to be subject to the safe harbor protection provided by the Safe Harbor Acts.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this Form 10-K include industry-based factors such as possible declines in the North American and European automobile and light truck build, labor strikes at the Company's major customers, changes in consumer preferences, dependence on significant automotive customers, the level of competition in the automotive supply industry, pricing pressure from automotive customers and Year 2000 compliance issues, as well as factors more specific to the Company such as the substantial leverage of the Company and its subsidiaries, limitations imposed by the Company's debt facilities and changes made in connection with the integration of operations acquired by the Company. The Company's divisions may also be affected by changes in the popularity of particular car models or the loss of programs on particular car models. For a discussion of certain of these and other important factors which may affect the Company's operations, products and markets, see "ITEM 1. BUSINESS" and the above discussion in this "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and also see the Company's other filings with the Securities and Exchange Commission.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Risk Management

The Company is exposed to market risk from changes in interest rates and foreign exchange rates. To modify the risk from these interest rate and foreign currency exchange rate fluctuations, the Company enters into various hedging transactions that have been authorized pursuant to policies and procedures. The Company does not use derivative financial instruments for trading purposes.

Interest Rate Exposure

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's long-term debt obligations. The interest rate exposure for the Company's variable rate debt obligations is currently indexed to LIBOR, for U.S.-denominated debt, or the Canadian bankers' acceptance rate, for Canadian-denominated debt, of one, two, three or six months, as selected by the Company. The Company uses interest rate swaps and other interest rate protection agreements to modify its exposure to interest rate movements and to reduce borrowing rates.

The table below provides information about the Company's derivative financial instruments and other financial instruments that are sensitive to changes in interest rates, including debt obligations and interest rate protection agreements. For debt obligations, the table presents principal cash flows and related weighted average interest rates by expected maturity dates. For interest rate protection agreements, the table presents notional amounts and weighted average interest rates by expected (contractual) maturity dates. Weighted average variable interest rates are based on implied LIBOR and Canadian bankers' acceptance forward rates in the yield curve at the reporting date. The information is presented in U.S. dollar equivalents, which is the Company's reporting currency. The instrument's actual cash flows are denominated in both U.S. dollar ($US) and Canadian dollar ($CAD), as indicated in parentheses (dollar amounts in thousands).

<TABLE>
<CAPTION>

	Expected Maturity Date					
	1999	2000	2001	2002	2003	Thereafter
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Debt:						
Fixed rate ($US)			$ 86,043			$ 400,000
Average interest rate			11.1%			11.5%
Variable rate ($US)	$ 18,000	$ 22,750	$ 24,000	$ 27,750	$ 23,375	$ 195,625
Average interest rate	7.4%	7.6%	7.7%	7.7%	7.7%	7.9%
Variable rate ($CAD)						$ 57,378
Average interest rate						7.5%
Interest Rate Derivatives:						
Fixed to variable swap ($US)	$ 27,000					
Average pay rate	9.9%					

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Average receive rate	11.5%
Interest rate cap on LIBOR	
Notional amount ($US)	$ 27,000
Average strike price	8.5%

<CAPTION>

	Total	Fair Value December 26, 1998
<S>	<C>	<C>
Debt:		
Fixed rate ($US)	$486,043	$507,584
Average interest rate		
Variable rate ($US)	$311,500	$311,500
Average interest rate		
Variable rate ($CAD)	$ 57,378	$ 57,378
Average interest rate		
Interest Rate Derivatives:		
Fixed to variable swap ($US)		$ 202
Average pay rate		
Average receive rate		
Interest rate cap on LIBOR		
Notional amount ($US)		
Average strike price		--

</TABLE>

Currency Rate Exposure

The Company is subject to currency rate exposure primarily related to foreign currency purchase and sale transactions and intercompany and third party loans. The primary purpose of the Company's foreign currency hedging activities is to protect against the volatility associated with these foreign currency exposures. The Company primarily utilizes forward exchange contracts and purchased options with durations of generally less than 12 months.

On January 1, 1999, eleven of the fifteen member countries of the European Union (the "Participating Countries") established fixed conversion rates between their existing sovereign currencies and the Euro. The Participating Countries have agreed to adopt the Euro as their common currency on that date. The conversion did not have a material adverse effect on the Company's consolidated financial position or results of operations.

At December 26, 1998, the Company had outstanding the following foreign currency forward and option contract amounts (amounts in thousands, except average contract rate):

<TABLE>
<CAPTION>

Currency Sold	Currency Received	Contract Amount(1)	Weighted Average Contract Rate(2)	Unrealized Gain
<S>	<C>	<C>	<C>	<C>
Foreign currency forward contracts:(3)				
Austrian schilling	British pound	$ 4,450	19.71	$--
Belgian franc	British pound	2,632	57.23	--
Belgian franc	Swedish krona	10,569	4.35	6
British pound	German mark	11,540	0.36	26
British pound	Italian lire	2,271	0.0004	24
British pound	Spanish peseta	5,099	0.004	--
Canadian dollar	U.S. dollar	65,902	1.55	--
Dutch guilder	British pound	3,431	3.15	--
German mark	British pound	13,784	2.79	--
Spanish peseta	German mark	876	85.16	--
Spanish peseta	Swedish krona	299	19.01	--
Swedish krona	British pound	27,324	13.43	--
Foreign currency options:				
Canadian dollar	U.S. dollar	$71,400	1.55	$--

</TABLE>

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(1) Contract amount is presented in U.S. dollar equivalents based upon the year-end exchange rates.

(2) Weighted average contract rates represent the rates of exchange, stated in

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the currency sold, as reflected in the underlying contract.

(3) All forward contracts mature in 1999.

The above table does not fully reflect the net foreign exchange rate exposure of the Company because it does not include the intercompany funding arrangements denominated in foreign currencies and the foreign currency-denominated cash flows from anticipated sales and purchases. Management believes that the foreign currency exposure relating to these items would substantially offset the exposures listed in the table above.

Item 8. Financial Statements and Supplementary Data

See the Consolidated Financial Statements of Collins & Aikman Corporation and subsidiaries included herein and listed on the Index to Financial Statements set forth in Item 14 (a) of this Form 10-K report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required by Item 401 of Regulation S-K regarding executive officers and directors is incorporated herein by reference to that portion of the Registrant's definitive Proxy Statement to be used in connection with its 1999 Annual Meeting of Stockholders, which will be filed in final form with the Commission not later than 120 days after December 26, 1998 (the "Proxy Statement"), captioned "Executive Officers of the Company" and "Election of Directors -- Information as to Nominees and Other Directors". Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Company's knowledge, in the Proxy Statement.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to that portion of the Proxy Statement captioned "Executive Compensation".

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this Item is incorporated herein by reference to those portions of the Proxy Statement captioned "Voting Securities and Principal Stockholders", "Security Ownership of Management" and "Election of Directors -- Information as to Nominees and Other Directors".

Item 13. Certain Relationships and Related Transactions

The information required by this Item is incorporated herein by reference to that portion of the Proxy Statement captioned "Compensation Committee Interlocks and Insider Participation".

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) (1) Financial Statements:

<TABLE>
<CAPTION>

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</TABLE>

(a) (2) Financial Schedules:

The following financial statement schedules of Collins & Aikman Corporation for the fiscal years ended December 26, 1998, December 27, 1997 and December 28, 1996 are filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of Collins & Aikman Corporation.

<TABLE>
<CAPTION>

<S>	Page Number <C>
Report of Independent Public Accountants on Schedules	S-1
Schedule I -- Condensed Financial Information of the Registrant	S-2
Schedule II -- Valuation and Qualifying Accounts	S-5

</TABLE>

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are omitted because they are not required, are inapplicable, or the information is included in the Consolidated Financial Statements or Notes thereto.

(a) (3) Exhibits:

Please note that in the following description of exhibits, the title of any document entered into, or filing made, prior to July 7, 1994 reflects the name of the entity a party thereto or filing, as the case may be, at such time. Accordingly, documents and filings described below may refer to Collins & Aikman Holdings Corporation, Collins & Aikman Group, Inc. or Wickes Companies, Inc., if such documents and filings were made prior to July 7, 1994.

<TABLE>
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Exhibit Number <S>	Description <C>
3.1	Restated Certificate of Incorporation of Collins & Aikman Corporation is hereby incorporated by reference to Exhibit 4.1 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended July 30, 1994.
3.2	By-laws of Collins & Aikman Corporation, as amended, are hereby incorporated by reference to Exhibit 3.2 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended January 27, 1996.
3.3	Certificate of Elimination of Cumulative Exchangeable Redeemable Preferred Stock of Collins & Aikman Corporation is hereby incorporated by reference to Exhibit 3.3 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended October 28, 1995.
4.1	Specimen Stock Certificate for the Common Stock is hereby incorporated by reference to Exhibit 4.3 of Amendment No. 3 to Collins & Aikman Holdings Corporation's Registration Statement on Form S-2 (Registration No. 33-53179) filed June 21, 1994.
4.2	Indenture, dated as of June 1, 1996, between Collins & Aikman Products Co., Collins & Aikman Corporation and First Union National Bank of North Carolina, as Trustee, is hereby incorporated by reference to Exhibit 4.2 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended April 27, 1996.
4.3	First Supplemental Indenture dated as of June 1, 1996, between Collins & Aikman Products Co., Collins & Aikman Corporation and First Union National Bank of North Carolina, as Trustee, is hereby incorporated by reference to Exhibit 4.3 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended April 27, 1996.

</TABLE>

<TABLE>
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Exhibit Number	Description
<S>	<C>

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4.4	Credit Agreement, dated as of May 28, 1998, among Collins & Aikman Products Co., as Borrower, Collins & Aikman Canada, Inc. and Collins & Aikman Plastics, Ltd., as Canadian Borrowers, Collins & Aikman Corporation, as Guarantor, the lenders named therein, Bank of America N.T.S.A., as Documentation Agent, The Chase Manhattan Bank, as Administrative Agent, and The Chase Manhattan Bank of Canada, as Canadian Administrative Agent, is hereby incorporated by reference to Exhibit 4.4 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended June 27, 1998.
4.5	Waiver dated as of October 27, 1998 under the Credit Agreement dated as of May 28, 1998, among Collins & Aikman Products Co., Collins & Aikman Canada, Inc. and Collins & Aikman Plastics, Ltd., as Canadian Borrowers, Collins & Aikman Corporation, as Guarantor, the Lender Parties thereto, Bank of America, N.T.S.A., as Documentation Agent, The Chase Manhattan Bank, as Administrative Agent, and The Chase Manhattan Bank of Canada, as Canadian Administrative Agent is hereby incorporated by reference to Exhibit 4.5 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended September 26, 1998.
4.6	Waiver dated as of December 22, 1998 under the Credit Agreement dated as of May 28, 1998, among Collins & Aikman Products Co., Collins & Aikman Canada, Inc. and Collins & Aikman Corporation, as Guarantor, the Lender Parties thereto, Bank of America, N.T.S.A., as Documentation Agent, The Chase Manhattan Bank, as Administrative Agent, and The Chase Manhattan Bank of Canada, as Canadian Administrative Agent.
4.7	Amendment and Waiver dated as of March 8, 1999, among Collins & Aikman Products Co., Collins & Aikman Canada, Inc., Collins & Aikman Plastics Ltd., Collins & Aikman Corporation, as Guarantor, the Lender Parties thereto, Bank of America N.T.S.A., as Documentation Agent, The Chase Manhattan Bank, as Administrative Agent, and The Chase Manhattan Bank of Canada, as Canadian Administrative Agent.
4.8	Indenture dated as of June 28, 1994, between JPS Automotive Products Corp., as Issuer, JPS Automotive L.P., as Guarantor and Shawmut Bank Connecticut, N.A., as Trustee, is hereby incorporated by reference to Exhibit 4.2 of JPS Automotive Corp.'s Registration Statement on Form S-1, Registration No. 33-75510.
4.9	First Supplemental Indenture, dated as of October 5, 1994, between JPS Automotive Products Corp. and JPS Automotive L.P., as Co-Obligors, and Shawmut Bank Connecticut, N.A., as Trustee is hereby incorporated by reference to Exhibit 4.48A of JPS Automotive L.P.'s and JPS Automotive Products Corp.'s Report on Form 10-Q for the fiscal quarter ended October 2, 1994.
	Collins & Aikman Corporation agrees to furnish to the Commission upon request in accordance with Item 601 (b)(4) (iii) (A) of Regulation S-K copies of instruments defining the rights of holders of long-term debt of Collins & Aikman Corporation or any of its subsidiaries, which debt does not exceed 10% of the total assets of Collins & Aikman Corporation and its subsidiaries on a consolidated basis.
10.1	Amended and Restated Stockholders Agreement dated as of June 29, 1994 among the Company, Collins & Aikman Group, Inc., Blackstone Capital Partners L.P. and Wasserstein Perella Partners, L.P. is hereby incorporated by reference to Exhibit 10.1 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended January 28, 1995.
10.2	Employment Agreement dated as of July 18, 1990 between Wickes Companies, Inc. and an executive officer is hereby incorporated by reference to Exhibit 10.3 of Wickes Companies, Inc.'s Report on Form 10-K for the fiscal year ended January 26, 1991.*
10.3	Employment Agreement dated as of July 22, 1992 between Collins & Aikman Corporation and an executive officer is hereby incorporated by reference to Exhibit 10.7 of Collins & Aikman Holdings Corporation's Report on Form 10-K for the fiscal year ended January 30, 1993.*
10.4	First Amendment to Employment Agreement dated as of February 24, 1994 between Collins & Aikman Corporation and an executive officer is hereby incorporated by reference to Exhibit 10.7 of Collins & Aikman Holdings Corporation's Registration Statement on Form S-2 (Registration No. 33-53179) filed April 19, 1994.*
10.5	Second Amendment, dated as of October 3, 1996, to the Employment Agreement, dated as of July 22, 1992, as amended, between Collins & Aikman Products Co. and an executive officer is hereby incorporated by reference to Exhibit 10.26 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended October 26, 1996.*
10.6	Third Amendment dated as of August 1, 1997, to the Employment Agreement dated as of July 22, 1992, as amended, between the Corporation and an executive officer is hereby incorporated by reference to Exhibit 10.35 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended September 27, 1997.*
10.7	Letter Agreement dated March 23, 1999 with an executive officer.*
10.8	Amended and Restated Employment Agreement dated as of January 20, 1999 between Collins & Aikman Products Co. and an executive officer.*

</TABLE>

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* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14 (c) of this report.

<TABLE>
<CAPTION>

Exhibit Number	Description
<S>	<C>
10.9	Employment Agreement dated as of January 20, 1999 between Collins & Aikman Products Co. and an executive officer.*
10.10	Collins & Aikman Corporation 1998 Executive Incentive Compensation Plan.*
10.11	Collins & Aikman Corporation Supplemental Retirement Income Plan is hereby incorporated by reference to Exhibit 10.23 of Amendment No. 5 to Collins & Aikman Holdings Corporation's Registration Statement on Form S-2 (Registration No. 33-53179) filed July 6, 1994.*
10.12	Amendment to Collins & Aikman Corporation Supplemental Retirement Income Plan.*
10.13	1993 Employee Stock Option Plan, as amended and restated, is hereby incorporated by reference to

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	Exhibit 10.13 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended April 29, 1995.*
10.14	1994 Employee Stock Option Plan, as amended through February 7, 1997, is hereby incorporated by reference to Exhibit 10.12 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended March 29, 1997.*
10.15	1994 Directors Stock Option Plan as amended and restated.*
10.16	Excess Benefit Plan of Collins & Aikman Corporation is hereby incorporated by reference to Exhibit 10.25 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended January 28, 1995.*
10.17	Change in control agreement dated March 17, 1998 between Collins & Aikman Corporation and an executive officer is hereby incorporated by reference to Exhibit 10.17 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended December 27, 1997.*
10.18	Change in control agreement dated March 17, 1998 between Collins & Aikman Corporation and an executive officer is hereby incorporated by reference to Exhibit 10.18 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended December 27, 1997.*
10.19	Change in control agreement dated March 17, 1998 between Collins & Aikman Corporation and an executive officer is hereby incorporated by reference to Exhibit 10.19 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended December 27, 1997.*
10.20	Change in control agreement dated March 17, 1998 between Collins & Aikman Corporation and an executive officer is hereby incorporated by reference to Exhibit 10.20 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended December 27, 1997.*
10.21	Change in control agreement dated March 17, 1998 between Collins & Aikman Corporation and an executive officer is hereby incorporated by reference to Exhibit 10.22 of Collins & Aikman Corporation's report on Form 10-Q for the fiscal quarter ended March 28, 1998.*
10.22	Lease, executed as of the 1st day of June 1987, between Dura Corporation and Dura Acquisition Corp. is hereby incorporated by reference to Exhibit 10.24 of Amendment No. 5 to Collins & Aikman Holdings Corporation's Registration Statement on Form S-2 (Registration No. 33-53179) filed July 6, 1994.
10.23	Amended and Restated Receivables Sale Agreement dated as of March 30, 1995 among Collins & Aikman Products Co., Ack-Ti-Lining, Inc., WCA Canada Inc., Imperial Wallcoverings, Inc., The Akro Corporation, Dura Convertible Systems Inc., each of the other subsidiaries of Collins & Aikman Products Co. from time to time parties thereto and Carcorp, Inc. is hereby incorporated by reference to Exhibit 10.18 of Collins & Aikman Corporation's Report on Form 10-K to the fiscal year ended January 28, 1995.
10.24	Servicing Agreement, dated as of March 30, 1995, among Carcorp, Inc., Collins & Aikman Products Co., as Master Servicer, each of the subsidiaries of Collins & Aikman Products Co. from time to time parties thereto and Chemical Bank, as Trustee is hereby incorporated by reference to Exhibit 10.19 of Collins & Aikman Corporation's Report on Form 10-K to the fiscal year ended January 28, 1995.
10.25	Pooling Agreement, dated as of March 30, 1995, among Carcorp, Inc., Collins & Aikman Products Co., as Master Servicer and Chemical Bank, as Trustee, is hereby incorporated by reference to Exhibit 10.20 of Collins & Aikman Corporation's Report on Form 10-K to the fiscal year ended January 28, 1995.
10.26	Series 1995-1 Supplement, dated as of March 30, 1995, among Carcorp, Inc., Collins & Aikman Products Co., as Master Servicer and Chemical Bank, as Trustee, is hereby incorporated by reference to Exhibit 10.21 of Collins & Aikman Corporation's Report on Form 10-K to the fiscal year ended January 28, 1995.
10.27	Series 1995-2 Supplement, dated as of March 30, 1995, among Carcorp, Inc., Collins & Aikman Products Co., as Master Servicer, the Initial Purchasers parties thereto, Societe Generale, as Agent for the Purchasers and Chemical Bank, as Trustee is hereby incorporated by reference to Exhibit 10.22 of Collins & Aikman Corporation's Report on Form 10-K to the fiscal year ended January 28, 1995.

</TABLE>

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* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 14 (c) of this report.

<TABLE>
<CAPTION>

Exhibit Number	Description
<S>	<C>
10.28	Amendment No. 1, dated September 5, 1995, among Carcorp, Inc., as Company, Collins & Aikman Products Co., as Master Servicer, and Chemical Bank, as Trustee, to the Pooling Agreement, dated as of March 30, 1995, among the Company, the Master Servicer and Trustee is hereby incorporated by reference to Exhibit 10.2 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended July 29, 1995.
10.29	Amendment No. 2, dated October 25, 1995, among Carcorp, Inc., as Company, Collins & Aikman Products Co., as Master Servicer, and Chemical Bank, as Trustee, to the Pooling Agreement, dated as of March 30, 1995, among the Company, the Master Servicer and the Trustee is hereby incorporated by reference to Exhibit 10.2 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended October 28, 1995.
10.30	Amendment No. 1, dated February 29, 1996, to the Series 1995-1 Supplement, dated as of March 30, 1995, among Carcorp, Inc., Collins & Aikman Products Co., as Master Servicer, and Chemical Bank, as Trustee, is hereby incorporated by reference to Exhibit 10.20 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended January 27, 1996.
10.31	Amendment No. 1, dated February 29, 1996, to the Series 1995-2 Supplement, dated as of March 30, 1995, among Carcorp, Inc., Collins & Aikman Products Co., as Master Servicer, Societe Generale, as agent, and Chemical Bank, as Trustee, is hereby incorporated by reference to Exhibit 10.21 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended January 27, 1996.

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10.32	Master Equipment Lease Agreement dated as of September 30, 1994, between NationsBanc Leasing Corporation of North Carolina and Collins & Aikman Products Co. is hereby incorporated by reference to Exhibit 10.27 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended October 29, 1994.
10.33	Equity Purchase Agreement by and among JPSGP, Inc., Foamex - JPS Automotive L.P. and Collins & Aikman Products Co. dated August 28, 1996 is hereby incorporated by reference to Exhibit 2.1 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended July 27, 1996.
10.34	Amendment No. 1 to Equity Purchase Agreement by and among JPSGP, Inc., Foamex - JPS Automotive L.P., Foamex International Inc. and Collins & Aikman Products Co. dated as of December 11, 1996 is hereby incorporated by reference to Exhibit 2.2 of Collins & Aikman Corporation's Current Report on Form 8-K dated December 10, 1996.
10.35	Equity Purchase Agreement by and among Seiren U.S.A. Corporation, Seiren Automotive Textile Corporation, Seiren Co., Ltd. and Collins & Aikman Products Co. dated December 11, 1996, is hereby incorporated by reference to Exhibit 2.3 of Collins & Aikman Corporation's Current Report on Form 8-K dated December 10, 1996.
10.36	Acquisition Agreement between Perstorp A.B. and Collins & Aikman Products Co. dated December 11, 1996 is hereby incorporated by reference to Exhibit 2.4 of Collins & Aikman Corporation's Current Report on Form 8-K dated December 10, 1996.
10.37	Agreement among Perstorp A.B., Perstorp GmbH, Perstorp Biotec A.B. and Collins & Aikman Products Co. dated December 11, 1996 is hereby incorporated by reference to Exhibit 2.5 of Collins & Aikman Corporation's current report on Form 8-K dated December 10, 1996.
10.38	Settlement and Amendment Agreement dated as of December 16, 1997 by and among Collins & Aikman Products Co., Perstorp A.B., Perstorp GmbH, Collins & Aikman Holding A.B., Collins & Aikman Automotive Systems GmbH, Collins & Aikman Automotive Systems N.V., Collins & Aikman Automotive Systems A.B. and Perstorp Components GmbH and related Letter Amendment Agreement is hereby incorporated by reference to Exhibit 10.38 of Collins & Aikman Corporation's Report or Form 10-Q for the fiscal quarter ended September 26, 1998.
10.39	Acquisition Agreement dated as of December 9, 1996 among Collins & Aikman Products Co., Collins & Aikman Floor Coverings Group, Inc., Collins & Aikman Floor Coverings, Inc., CAF Holdings, Inc., and CAF Acquisition Corp. is hereby incorporated by reference to Exhibit 2.7 of Collins & Aikman Corporation's Current Report on Form 8-K dated December 10, 1996.
10.40	Mastercraft Group Acquisition Agreement dated as of April 25, 1997 among Collins & Aikman Products Co., Joan Fabrics Corporation and MC Group Acquisition Company L.L.C., is hereby incorporated by reference to Exhibit 2.1 of Collins & Aikman Corporation's Report on Form 10-Q for the fiscal quarter ended March 29, 1997.
10.41	Asset Purchase Agreement dated as of June 30, 1997 by and between JPS Automotive L.P. and Safety Components International, Inc. is hereby incorporated by reference to Exhibit 2.1 of JPS Automotive L.P.'s and JPS Automotive Products Corp.'s Current Report on Form 8-K dated July 24, 1997.
10.42	Closing Agreement dated July 24, 1997 between JPS Automotive L.P., Safety Components International, Inc. and Safety Components Fabric Technologies, Inc. is hereby incorporated by reference to Exhibit 2.2 of JPS Automotive L.P.'s and JPS Automotive Products Corp.'s Current Report on Form 8-K dated July 24, 1997.

</TABLE>

<TABLE>
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Exhibit Number	Description
<S>	<C>
10.43	Amended and Restated Acquisition Agreement dated as of November 4, 1997 and amended and restated as of March 9, 1998, among Collins & Aikman Products Co., Imperial Wallcoverings Inc. and BDPI Holdings Corporation is hereby incorporated by reference to Exhibit 2.4 of Collins & Aikman Corporation's Report on Form 10-K for the fiscal year ended December 27, 1997.
21	Subsidiaries of the Registrant.
23	Consent of Arthur Andersen LLP.
27	Financial Data Schedule.
99	Voting Agreement between Blackstone Capital Partners L.P. and Wasserstein Perella Partners, L.P. is hereby incorporated by reference to Exhibit 99 of Amendment No. 4 to Collins & Aikman Holdings Corporation's Registration Statement on Form S-2 (Registration No. 33-53179) filed June 27, 1994.

</TABLE>

(b) Reports on Form 8-K

During the last quarter of the fiscal year for which this report on Form 10-K was filed, the Company filed no reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 26th day of March, 1999.

COLLINS & AIKMAN CORPORATION

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By:

David A. Stockman
Co-Chairman of the Board of Directors

By: /s/ Bruce R. Barnes

Bruce R. Barnes
Co-Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
---------------------------------- David A. Stockman	Co-Chairman of the Board of Directors	March 26, 1999
/s/ BRUCE R. BARNES ---------------------------------- Bruce R. Barnes	Co-Chairman of the Board of Directors	March 26, 1999
/s/ THOMAS E. HANNAH ---------------------------------- Thomas E. Hannah	Director and Chief Executive Officer (Principal Executive Officer)	March 26, 1999
/s/ J. MICHAEL STEPP ---------------------------------- J. Michael Stepp	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 26, 1999
/s/ ROBERT C. CLARK ---------------------------------- Robert C. Clark	Director	March 26, 1999
/s/ GEORGE L. MAJOROS, JR. ---------------------------------- George L. Majoros, Jr.	Director	March 26, 1999
/s/ JAMES J. MOSSMAN ---------------------------------- James J. Mossman	Director	March 26, 1999
/s/ WARREN B. RUDMAN ---------------------------------- Warren B. Rudman	Director	March 26, 1999
/s/ STEPHEN A. SCHWARZMAN ---------------------------------- Stephen A. Schwarzman	Director	March 26, 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of Collins & Aikman Corporation:

We have audited the accompanying consolidated balance sheets of Collins & Aikman Corporation (a Delaware Corporation) and subsidiaries as of December 26, 1998, and December 27, 1997, and the related consolidated statements of operations, cash flows, and common stockholders' deficit for each of the three fiscal years in the period ended December 26, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Collins & Aikman Corporation and subsidiaries as of December 26, 1998, and December 27, 1997, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 26, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Charlotte, North Carolina,
February 22, 1999 (except with respect to the matters discussed in Note 11, as to which the date is March 19, 1999).

COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 26, 1998	December 27, 1997	December 28, 1996
	(52 Weeks)	(52 Weeks)	(48 Weeks)
<S>	<C>	<C>	<C>
Net sales	$1,825,469	$1,629,332	$1,053,821
Cost of goods sold	1,577,244	1,396,172	865,346
Selling, general and administrative expenses	149,747	126,050	86,571
Impairment of long lived assets	--	22,600	--
	1,726,991	1,544,822	951,917
Operating income	98,478	84,510	101,904
Interest expense, net of interest income of $3,725, $5,685, and $3,987	82,004	77,581	39,850
Loss on sale of receivables	6,066	4,700	4,533
Other (income) expense	5,215	(678)	113
Income from continuing operations before income taxes	5,193	2,907	57,408
Income tax expense	5,284	12,998	24,442
Income (loss) from continuing operations	(91)	(10,091)	32,966
Income from discontinued operations, net of income taxes of $2,835 and $9,317	--	4,306	14,468
Gain on sale of discontinued operations, net of income taxes of $85,358	--	161,741	--
Income (loss) before extraordinary loss	(91)	155,956	47,434
Extraordinary loss, net of income taxes of $2,482, $443, and $4,709	(3,724)	(721)	(6,610)
Net income (loss)	$ (3,815)	$ 155,235	$ 40,824
Net income (loss) per basic common share:			
Continuing operations	$ --	$ (0.15)	$ 0.48
Discontinued operations	--	0.06	0.21
Gain on sale of discontinued operations	--	2.44	--
Extraordinary item	(0.06)	(0.01)	(0.10)
Net income (loss)	$ (0.06)	$ 2.34	$ 0.59
Net income (loss) per diluted common share:			
Continuing operations	$ --	$ (0.15)	$ 0.47

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Discontinued operations	--	0.06	0.21
Gain on sale of discontinued operations	--	2.44	--
Extraordinary item	(0.06)	(0.01)	(0.10)
Net income (loss)	$ (0.06)	$ 2.34	$ 0.58
Average common shares outstanding:			
Basic	64,348	66,337	68,997
Diluted	64,348	66,337	69,887

</TABLE>

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)

<TABLE>
<CAPTION>

<S>	December 26, 1998 <C>	December 27, 1997 <C>
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 23,755	$ 24,004
Accounts and other receivables, net of allowances of $7,228 and $9,275	237,645	198,125
Inventories	152,840	142,042
Net assets of discontinued operations	--	53,004
Other	96,156	92,116
Total current assets	510,396	509,291
Property, plant and equipment, net	447,121	388,087
Deferred tax assets	70,632	59,293
Goodwill, net	264,138	263,007
Other assets	89,924	82,714
	$1,382,211	$1,302,392
LIABILITIES AND COMMON STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Short-term borrowings	$ 10,954	$ 11,057
Current maturities of long-term debt	19,942	20,558
Accounts payable	169,808	135,468
Accrued expenses	143,302	148,201
Total current liabilities	344,006	315,284
Long-term debt	846,107	752,376
Other, including postretirement benefit obligation	271,869	301,582
Commitments and contingencies		
Common stock (150,000 shares authorized, 70,521 shares issued and 62,182 shares outstanding at December 26, 1998, and 150,000 shares authorized, 70,521 shares issued and 65,851 shares outstanding at December 27, 1997)	705	705
Other paid-in capital	585,401	585,890
Accumulated deficit	(580,666)	(576,851)
Accumulated other comprehensive loss	(23,427)	(39,823)
Treasury stock, at cost (8,339 shares at December 26, 1998, and 4,670 shares at December 27, 1997)	(61,784)	(36,771)
Total common stockholders' deficit	(79,771)	(66,850)
	$1,382,211	$1,302,392

</TABLE>

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

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COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

<TABLE>
<CAPTION>

<S>	Fiscal Year Ended December 26, 1998 (52 Weeks) <C>	December 27, 1997 (52 Weeks) <C>	December 28, 1996 (48 Weeks) <C>
OPERATING ACTIVITIES			
Income (loss) from continuing operations	$ (91)	$ (10,091)	$ 32,966
Adjustments to derive cash flow from continuing operating activities:			
Impairment of long lived assets	--	22,600	--
Deferred income tax expense (benefit)	(7,233)	4,252	12,228
Depreciation and leasehold amortization	52,608	42,712	24,457
Goodwill amortization	7,023	6,669	3,872
Amortization of other assets	7,443	9,459	4,066
(Increase) decrease in accounts and other receivables	(5,980)	35,819	(22,333)
Increase in inventories	(4,841)	(8,078)	(1,006)
Increase (decrease) in interest payable	(2,629)	(520)	7,784
Increase (decrease) in accounts payable	10,031	(4,126)	(8,734)
Other, net	(42,963)	185	3,811
Net cash provided by continuing operating activities	13,368	98,881	57,111
Cash used in Wallcoverings, Floorcoverings, Airbag and the Mastercraft Group discontinued operations	(15,052)	(4,719)	(2,631)
Cash used in other discontinued operations	(14,043)	(12,252)	(6,160)
Net cash used in discontinued operations	(29,095)	(16,971)	(8,791)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(98,991)	(71,775)	(78,454)
Sales of property, plant and equipment	7,953	5,879	4,119
Acquisitions of businesses, net of cash acquired	(25,257)	3,447	(225,256)
Net proceeds from disposition of discontinued operations	71,200	562,100	--
Other, net	2,711	(92,534)	(10,198)
Net cash provided by (used in) investing activities	(42,384)	407,117	(309,789)
FINANCING ACTIVITIES			
Issuance of long-term debt	226,969	12,235	453,475
Proceeds from (reduction of) participating interests in accounts receivable, net of redemptions	(7,500)	(13,000)	7,000
Repayment and defeasance of long-term debt	(267,807)	(261,416)	(286,406)
Net borrowings (repayments) on revolving credit facilities	136,717	(194,000)	127,804
Purchases of treasury stock	(25,013)	(19,715)	(9,594)
Other, net	(5,504)	(3,441)	(17,473)
Net cash provided by (used in) financing activities	57,862	(479,337)	274,806
Increase (decrease) in cash and cash equivalents	(249)	9,690	13,337
Cash and cash equivalents at beginning of year	24,004	14,314	977
Cash and cash equivalents at end of year	$ 23,755	$ 24,004	$ 14,314

</TABLE>

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' DEFICIT

(in thousands)

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<TABLE>
<CAPTION>

	Current Year Comprehensive Income	Total	Accumulated Deficit
<S>	<C>	<C>	<C>
Balance at January 27, 1996		$ (227,852)	$ (770,139)
Comprehensive income:			
Net income	$ 40,824	40,824	40,824
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	2,921	2,921	--
Pension equity adjustment	(1,075)	(1,075)	--
	$ 42,670		
Compensation expense adjustment		60	--
Purchase of treasury stock (1,420 shares)		(9,594)	--
Exercise of stock options (69 shares)		138	--
Balance at December 28, 1996		(194,578)	(729,315)
Comprehensive income:			
Net income	$155,235	155,235	155,235
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	(8,325)	(8,325)	--
Pension equity adjustment	(535)	(535)	--
	$146,375		
Compensation expense adjustment		683	--
Purchase of treasury stock (2,245 shares)		(19,715)	--
Exercise of stock options (373 shares)		385	(2,771)
Balance at December 27, 1997		(66,850)	(576,851)
Comprehensive income:			
Net loss	$ (3,815)	(3,815)	(3,815)
Other comprehensive income, net of tax:			
Foreign currency translation adjustments	7,569	7,569	--
Pension equity adjustment	8,827	8,827	--
	$ 12,581		
Compensation expense adjustment		(489)	--
Purchase of treasury stock (3,669 shares)		(25,013)	--
Balance at December 26, 1998		$ (79,771)	$ (580,666)

<CAPTION>

	Accumulated Other Comprehensive Loss	Common Stock	Other Paid-in Capital	Treasury Stock
<S>	<C>	<C>	<C>	<C>
Balance at January 27, 1996	$ (32,809)	$705	$585,469	$ (11,078)
Comprehensive income:				
Net income	--	--	--	--
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	2,921	--	--	--
Pension equity adjustment	(1,075)	--	--	--
Compensation expense adjustment	--	--	60	--
Purchase of treasury stock (1,420 shares)	--	--	--	(9,594)
Exercise of stock options (69 shares)	--	--	(322)	460
Balance at December 28, 1996	(30,963)	705	585,207	(20,212)
Comprehensive income:				
Net income	--	--	--	--
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(8,325)	--	--	--
Pension equity adjustment	(535)	--	--	--
Compensation expense adjustment	--	--	683	--

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Purchase of treasury stock (2,245 shares)	--	--	--	(19,715)
Exercise of stock options (373 shares)	--	--	--	3,156
Balance at December 27, 1997	(39,823)	705	585,890	(36,771)
Comprehensive income:				
Net loss	--	--	--	--
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	7,569	--	--	--
Pension equity adjustment	8,827	--	--	--
Compensation expense adjustment	--	--	(489)	--
Purchase of treasury stock (3,669 shares)	--	--	--	(25,013)
Balance at December 26, 1998	$ (23,427)	$705	$585,401	$ (61,784)

</TABLE>

The Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

COLLINS & AIKMAN CORPORATON AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

Collins & Aikman Corporation (the "Company") (formerly Collins & Aikman Holdings Corporation) is a Delaware corporation. As of December 26, 1998, Blackstone Capital Partners L.P. ("Blackstone Partners") and Wasserstein Perella Partners L.P. ("WP Partners") and their respective affiliates collectively own approximately 87% of the common stock of the Company.

The Company conducts all of its operating activities through its wholly-owned Collins & Aikman Products Co. ("C&A Products") subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation -- The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany items have been eliminated in consolidation. Certain prior year items have been reclassified to conform with the fiscal 1998 presentation.

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year -- Fiscal 1998 and fiscal 1997 were both 52-week years which ended on December 26, 1998 and December 27, 1997, respectively. During fiscal 1996, the Company changed its fiscal year to end on the last Saturday of December. Fiscal 1996 was a 48-week year which ended on December 28, 1996.

Earnings Per Share -- Basic earnings per share is based on income available to common shareholders divided by the weighted average number of common shares outstanding. Diluted earnings per share is based on income available to common shareholders divided by the sum of the weighted average number of common shares outstanding and all diluted potential common shares. Diluted potential common shares include shares issued upon the assumed exercise of employee stock options less the number of treasury shares assumed to be purchased from the proceeds, including applicable compensation expense. See Note 25.

Cash and Cash Equivalents -- Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

Accounts and Other Receivables -- Accounts and other receivables consist primarily of the Company's trade receivables and the retained interest in the Receivables Facility. See Note 12. The Company has provided an allowance against uncollectible accounts. In June 1996, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which was amended by SFAS No. 127, "Amendment to SFAS No. 125." SFAS No. 125, as amended, establishes standards of

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accounting for transfers of assets in which the transferor has some continuing involvement with the assets transferred or with the transferee. It also clarifies the accounting for arrangements whereby assets are set aside for the extinguishment of a liability. The Company adopted the provisions of SFAS No. 125 on December 29, 1996. The Company's Receivables Facility complies with the provisions of SFAS No. 125, and, accordingly, adoption of this statement did not have a material impact on the Company's consolidated financial position or results of operations.

Inventories -- Inventories are valued at the lower of cost or market, but not in excess of net realizable value. Cost is determined on the first-in, first-out basis.

Insurance Deposits and Reserves -- Other current assets as of December 26, 1998 and December 27, 1997 included $1.2 million, which were on deposit with an insurer to cover a portion of the self-insured portion of the Company's workers' compensation, automotive and general liability insurance. The Company's reserves for these claims were determined based upon actuarial analyses and aggregated $18.4 million and $25.8 million at December 26, 1998 and December 27, 1997, respectively. Of these reserves, $6.3 million and $4.7 million were classified in current liabilities at December 26, 1998 and December 27, 1997, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

Property, Plant and Equipment -- Property, plant and equipment are stated at cost. Provisions for depreciation are primarily computed on a straight-line basis over the estimated useful lives of the assets, presently ranging from 3 to 40 years. Leasehold improvements are amortized over the lesser of the lease term or the estimated useful lives of the improvements.

Long Lived Assets -- SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles, and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. SFAS No. 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and that certain long-lived assets and identifiable intangibles to be disposed of be reported at the lower of carrying amount or fair value less cost to sell. During the third quarter of fiscal 1997, Collins & Aikman Plastics, Inc. ("C&A Plastics"), a wholly-owned subsidiary of the Company, incurred charges of $31.3 million for provisions for certain programs operating at a loss, inventory adjustments, certain previously deferred costs and other provisions. These charges primarily related to manufacturing inefficiencies experienced by C&A Plastics related to product launches and record volume for its products. In addition, the recoverability of C&A Plastics' assets and goodwill was evaluated and the Company determined that the carrying values of certain assets and the goodwill allocated to two of its manufacturing facilities were impaired. Accordingly, at that time the Company wrote down fixed assets by $5.1 million and the carrying value of goodwill was reduced by $17.5 million. The adjustments were determined based on management's estimate of the future cash flows generated by the assets and their values.

Goodwill -- Goodwill, representing the excess of purchase price over the fair value of net assets of the acquired entities, is being amortized on a straight-line basis over a period of forty years. Amortization of goodwill applicable to continuing operations for fiscal years 1998 and 1997 was $7.0 million and $6.7 million, respectively. Accumulated amortization at December 26, 1998 and December 27, 1997 was $17.9 million, and $10.9 million, respectively. The carrying value of goodwill at an enterprise level is reviewed periodically based on the non-discounted cash flows and pretax income of the entities acquired over the remaining amortization periods. At December 26, 1998, the Company believes the recorded value of goodwill in the amount of $264.1 million is fully recoverable. See Note 3.

Derivative Financial Instruments -- The Company utilizes derivative financial instruments to manage risks associated with foreign exchange rate and interest rate market volatility. Gains and losses on hedges of existing assets or liabilities are included in the carrying amounts of those assets or liabilities and are ultimately recognized in income as part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. Gains and losses on derivative contracts that do not qualify as hedges are recognized

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currently in other income (expense). The Company does not hold or issue derivative financial instruments for trading purposes. See Note 6.

To the extent that a qualifying hedge is terminated or ceases to be effective as a hedge, any deferred gains and losses up to that point continue to be deferred and are included in the basis of the underlying transaction. To the extent that the anticipated transactions are no longer likely to occur, the related hedges are closed with gains or losses charged to earnings on a current basis.

Foreign Currency -- Foreign currency activity is reported in accordance with SFAS No. 52, "Foreign Currency Translation". SFAS No. 52 generally provides that the assets and liabilities of foreign operations be translated at the current exchange rates as of the end of the accounting period and that revenues and expenses be translated using average exchange rates. The resulting translation adjustments arising from foreign currency translations are accumulated as a component of other comprehensive income.

Gains and losses resulting from foreign currency transactions are recognized in other income (expense). The Company recognized losses from foreign currency transactions of $4.8 million, $1.9 million and $0.1 million in fiscal 1998, 1997 and 1996, respectively. Recorded balances that are denominated in a currency other than the functional currency are adjusted to reflect the exchange rate at the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (Continued)

Environmental -- The Company records its best estimate when it believes it is probable that an environmental liability has been incurred and the amount of loss can be reasonably estimated. The Company also considers estimates of certain reasonably possible environmental liabilities in determining the aggregate amount of environmental reserves.

Accruals for environmental liabilities are generally included in the consolidated balance sheet as other non-current liabilities at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. Accruals for insurance or other third party recoveries for environmental liabilities are recorded when it is probable that the claim will be realized.

In October 1996, the American Institute of Certified Public Accountants issued Statement of Position No. ("SOP") 96-1, "Environmental Remediation Liabilities". SOP 96-1 provides authoritative guidance on specific accounting issues related to the recognition, measurement, display and disclosure of environmental remediation liabilities. SOP 96-1 addresses only those actions undertaken in response to a threat of litigation or assertion of a claim. It does not address accounting for pollution control costs with respect to current operations or for costs of future site restoration or closure required upon cessation of operations. The Company adopted the provisions of SOP 96-1 on December 29, 1996. Adoption of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

Newly Issued Accounting Standards -- In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133 is effective for fiscal years beginning after June 15, 1999. A company may also implement SFAS No. 133 as of the beginning of any fiscal quarter after issuance. SFAS No. 133 cannot be applied retroactively. The Company is currently analyzing the impact of adopting SFAS No. 133. The adoption of SFAS No. 133 could increase volatility in earnings and other comprehensive income.

In March 1998, the American Institute of Certified Public Accountants ("AICPA") issued SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". SOP 98-1 provides guidance on the accounting for the costs of computer software developed or obtained for

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internal use. SOP 98-1 is effective for financial statements for fiscal years beginning after December 15, 1998 and should be applied to internal-use computer software costs incurred in those fiscal years for all projects, including those projects in progress upon initial application. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial position or results of operations.

In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-up Activities". SOP 98-5 provides guidance on the financial reporting of start-up costs and organization costs and requires that all nongovernmental entities expense the costs of start-up activities as these costs are incurred instead of being capitalized and amortized. SOP 98-5 is effective for financial statements for fiscal years beginning after December 15, 1998. The Company adopted SOP 98-5 on December 27, 1998. The initial impact of adopting SOP 98-5 resulted in a charge of approximately $9.0 million, net of income taxes, which will be reflected as a cumulative effect of a change in accounting principle.

3. ACQUISITIONS AND JOINT VENTURES

On August 26, 1998, the Company acquired from a third party the remaining 50% interest in Industrias Enjema, S.A. de C.V. ("Enjema"), 50% of which was already owned by the Company's JPS Automotive L.P. subsidiary ("JPS Automotive"). The total purchase price for the acquisition was approximately $1.0 million. Enjema is a carpet systems manufacturer located in Mexico. In September 1998, JPS Automotive distributed its 50% ownership interest in Enjema to the Company.

On June 30, 1998, the Company acquired for approximately $4.7 million Pepers Beheer B.V., an automotive accessory floormat manufacturer located in the Netherlands, which has been renamed Collins & Aikman Automotive Floormats Europe, B.V. ("C&A Floormats Europe"). Under the terms of the purchase agreement, the Company is required to make additional

3. ACQUISITIONS AND JOINT VENTURES -- (Continued)

contingent payments to the sellers in amounts of up to approximately $3.6 million if C&A Floormats Europe meets certain operating goals in fiscal 1998 and fiscal 1999. The Company currently expects to pay into escrow approximately $0.5 million during 1999 for operating goals met in fiscal 1998, which the sellers will receive in 2000 if the Company has no claims against the escrowed funds prior to such release.

On December 4, 1997, the Company entered into a joint venture with Courtaulds Textiles (Holdings) Limited ("Courtaulds") to manufacture automotive interior fabrics in the United Kingdom. The Company and Courtaulds each own 50% of the joint venture. The Company's investment in the joint venture of $5.8 million at December 26, 1998 and $5.9 million at December 27, 1997 has been included in other assets in the accompanying consolidated balance sheets.

The Company entered into a joint venture agreement to manufacture plastic trim products in the United Kingdom with Kigass Automotive Group ("Kigass") in October 1997 in which the Company and Kigass each owned 50% of the joint venture. The Company acquired Kigass on February 2, 1998. The purchase price for the acquisition was approximately $25.2 million. Kigass has been renamed Collins & Aikman Plastics (UK) Limited ("C&A Plastics UK"). Under the terms of the purchase agreement, the Company assumed effective control of C&A Plastics UK on January 1, 1998. C&A Plastics UK's customers include Nissan, Opel and Rover. Goodwill resulting from the acquisition was $15.0 million.

On August 31, 1997, the Company purchased certain automotive acoustics assets in Germany and assumed certain liabilities from Perstorp AB ("Perstorp") for approximately $13.6 million.

On December 11, 1996, the Company acquired Perstorp's automotive supply operations (primarily acoustical products) in North America, the United Kingdom and Spain (collectively referred to as "Perstorp Components") for $108 million. In addition, in December 1996, the Company and Perstorp entered into a joint venture agreement (the "Collins & Aikman/Perstorp Joint Venture") relating to Perstorp's automotive supply operations (primarily acoustical and plastic components) in Sweden, Belgium and France. During 1997, the Company finalized the purchase price for the Perstorp Components acquisition with the seller. In settlement of disputed claims by the Company against Perstorp arising from the December 1996 and August 1997 acquisitions, Perstorp transferred its 50% interest in the Collins & Aikman/Perstorp Joint Venture to the Company on December 16, 1997. Goodwill resulting from these 1996 and 1997 acquisitions is

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approximately $14.5 million.

On December 11, 1996, the Company also acquired JPS Automotive for $220 million, consisting of approximately $195 million of indebtedness of JPS Automotive and approximately $25 million of cash. The Company also acquired the minority interest in a JPS Automotive subsidiary for $10 million. During 1997, the Company finalized the purchase price and received approximately $11.2 million from the seller as a reduction of the purchase price. The purchase price allocation related to the JPS Automotive acquisition established goodwill of approximately $105.9 million and certain reserves related to management's plans to rationalize certain acquired manufacturing facilities. See Note 16.

On May 1, 1996, the Company acquired the business of BTR Fatati Limited ("Fatati"), a manufacturer and supplier of molded floor carpets and luggage compartment trim for the European automotive market.

The results of operations of the acquired companies are included in the Company's consolidated statements of operations for the periods in which they were owned by the Company.

The acquisitions were accounted for under the purchase method of accounting. The excess of the purchase price for each acquisition over the estimated fair value of the tangible and identifiable intangible net assets acquired is being amortized over a period of forty years on a straight line basis. In determining the amortization period of goodwill assigned to these automotive industry acquisitions, management assessed the impact of these acquisitions on the Company's ability to strategically position itself with the long term trends in the design and manufacture of automotive products. The trends that management has identified are the increased use of plastic components, the increased sourcing of interior systems and automotive manufacturers' movement to fewer suppliers and to suppliers with engineering and design capabilities. The Company anticipates the reduction in the supply chain will result in integration whereby the complete interior of an automobile will be co-designed and developed with fewer suppliers who will manufacture and deliver required components. The Company anticipates these capabilities will be essential to its long term strategic positioning as a key supplier within the automotive industry and with its customers.

4. PRO FORMA INFORMATION

Set forth below are unaudited pro forma consolidated results from continuing operations assuming (i) the fiscal 1997 acquisition of Perstorp's interest in the Collins & Aikman/Perstorp Joint Venture (see Note 3) had occurred as of the beginning of fiscal 1997 and 1996, (ii) the 1996 acquisitions of JPS Automotive and Perstorp Components had occurred as of the beginning of fiscal 1996, and (iii) the issuance of the Subordinated Notes, the application of the net proceeds to pay down indebtedness and the amendments to the Replaced Facilities (as defined in Note 11) had occurred as of the beginning of fiscal 1996 (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Fiscal Year Ended	
	December 27, 1997 (52 Weeks)	December 28, 1996 (48 Weeks)
<S>	<C>	<C>
Net sales	$ 1,768,944	$ 1,539,741
Operating income	89,478	126,870
Interest expense, net	80,624	72,406
Loss on the sale of receivables	4,700	4,533
Income (loss) from continuing operations	(8,201)	29,952
Income (loss) from continuing operations:		
Per basic common share	$ (0.12)	$ 0.43
Per diluted common share	(0.12)	0.43
Average shares outstanding:		
Basic	66,337	68,997
Diluted	66,337	69,887

</TABLE>

After giving effect to the adjustments above, net income (loss) for fiscal 1997 and 1996 on a pro forma basis would have been $157.1 million and $42.4 million, respectively.

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Set forth below are unaudited pro forma consolidated results from continuing operations assuming (i) the fiscal 1996 acquisitions of JPS Automotive and Perstorp Components (see Note 3) had occurred as of the beginning of fiscal 1996 and 1995, (ii) the issuance of the Subordinated Notes, the application of the net proceeds to pay down indebtedness and the amendments to the Replaced Facilities (as defined in Note 11) had occurred as of the beginning of fiscal 1996 and 1995 and (iii) the fiscal 1995 acquisitions of C&A Plastics and Amco had occurred as of the beginning of fiscal 1995 (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Fiscal Year Ended	
	December 28, 1996	January 27, 1996
	(48 Weeks)	(52 Weeks)
<S>	<C>	<C>
Net sales	$ 1,414,828	$ 1,554,114
Operating income	123,635	136,547
Interest expense, net	69,088	73,786
Loss on the sale of receivables	4,533	6,246
Income from continuing operations	29,819	196,457
Income from continuing operations:		
Per basic common share	$ 0.43	$ 2.81
Per diluted common share	0.43	2.76
Average shares outstanding:		
Basic	68,997	70,015
Diluted	69,887	71,181

</TABLE>

After giving effect to the adjustments above, net income for fiscal 1996 and 1995 on a pro forma basis would have been $42.1 million and $189.3 million, respectively. The extraordinary loss in fiscal 1996 would have been eliminated because the pro forma adjustments assume that the transaction that created the extraordinary loss would have occurred at the beginning of the year.

5. CHANGE IN FISCAL YEAR

During fiscal 1996, the Company changed its fiscal year-end to the last Saturday in December. As a result of this change, fiscal 1996 was a 48-week period. The following information presents comparative data for the 48 and 47-week periods ended December 28, 1996 and December 23, 1995 (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Period Ended	
	December 28, 1996	December 23, 1995 (Unaudited)
	(48 Weeks)	(47 Weeks)
<S>	<C>	<C>
Net sales	$ 1,053,821	$ 815,811
Operating income	101,904	88,767
Income from continuing operations	32,966	55,180
Income from discontinued operations	14,468	20,440
Extraordinary loss	(6,610)	--
Net income	40,824	75,620
Net income (loss) per basic share:		
Continuing operations	$ 0.48	$ 0.79
Discontinued operations	0.21	0.29
Extraordinary loss	(0.10)	--
Net income	$ 0.59	$ 1.08
Net income (loss) per diluted share:		
Continuing operations	$ 0.47	$ 0.77
Discontinued operations	0.21	0.29
Extraordinary loss	(0.10)	--
Net income	$ 0.58	$ 1.06

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</TABLE>

6. INTEREST RATE AND FOREIGN CURRENCY PROTECTION PROGRAMS

During April 1997, the Company entered into a two year interest rate swap agreement in which the Company effectively exchanged $27 million of 11 1/2% fixed rate debt for floating rate debt at six month LIBOR plus a 4.72% margin. In connection with this swap agreement, the Company also limited its interest rate exposure by entering into an 8.50% cap on LIBOR on $27 million of notional principal amount. Payments to be received, if any, as a result of these agreements are accrued as an adjustment to interest expense.

The effect of the above interest rate protection agreements and similar agreements which expired in prior years on the operating results of the Company was to decrease interest expense by $0.3 million in fiscal 1998 and $0.1 million in fiscal 1997 and to increase interest expense by $0.7 million in fiscal 1996.

The primary purpose of the Company's foreign currency hedging activities is to protect against the volatility associated with intercompany funding arrangements, third party loans and foreign currency purchase and sale transactions. Corporate policy prescribes the range of allowable hedging activity. The Company primarily utilizes forward exchange contracts and purchased options with durations of generally less than 12 months. The Company has in place forward exchange contracts denominated in multiple currencies which will mature during fiscal 1999. These contracts, which aggregated a U.S. dollar equivalent of $148.2 million at December 26, 1998, are to manage the currency volatility associated with purchase transactions. The fair value of these contracts approximated the contract value at December 26, 1998.

During 1998, the Company purchased option contracts with a notional amount of $71.4 million, giving the Company the right to purchase U.S. dollars for use by its Canadian operations. These contracts expire periodically throughout 1999. The premium associated with these contracts of approximately $1.2 million is being amortized over the contracts' terms.

During April 1997, the Company entered into an agreement to limit its foreign currency exposure related to $45 million of U.S. dollar denominated borrowings of a Canadian subsidiary. The agreement swapped LIBOR based interest rates

6. INTEREST RATE AND FOREIGN CURRENCY PROTECTION PROGRAMS -- (Continued)

for the Canadian equivalent as well as fixed the exchange rate for the principal balance upon maturation. During fiscal 1997, this agreement resulted in reductions of interest expense and other expenses of approximately $1.7 million. This agreement was terminated on June 1, 1998 as a result of the repayment of the Canadian term loan. The term loan balance was repaid in conjunction with the refinancing and replacement of the Company's credit facilities. See Note 11 for additional information on the new credit facility.

7. INVENTORIES

Inventory balances are summarized below (in thousands):

<TABLE>
<CAPTION>

	December 26, 1998	December 27, 1997
Raw materials	$ 79,285	$ 72,862
Work in process	32,408	31,066
Finished goods	41,147	38,114
	$152,840	$142,042

</TABLE>

8. OTHER CURRENT ASSETS

Other current asset balances are summarized below (in thousands):

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	December 26, 1998	December 27, 1997
Deferred tax assets	$ 30,027	$ 33,345
Prepaid tooling and molds	36,722	32,460
Other	29,407	26,311
	$ 96,156	$ 92,116

9. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, are summarized below (in thousands):

	December 26, 1998	December 27, 1997
Land and improvements	$ 25,260	$ 24,177
Buildings	146,577	129,507
Machinery and equipment	481,532	414,136
Leasehold improvements	1,171	1,830
Construction in progress	53,673	30,589
	708,213	600,239
Less accumulated depreciation and amortization	(261,092)	(212,152)
	$ 447,121	$ 388,087

Depreciation and leasehold amortization of property, plant and equipment applicable to continuing operations was $52.6 million, $42.7 million, and $24.5 million for fiscal 1998, 1997 and 1996, respectively.

10. ACCRUED EXPENSES

Accrued expenses are summarized below (in thousands):

	December 26, 1998	December 27, 1997
Payroll and employee benefits	$ 46,733	$ 40,181
Interest	12,636	15,495
Other	83,933	92,525
	$ 143,302	$ 148,201

11. LONG-TERM DEBT

Long-term debt is summarized below (in thousands):

	December 26, 1998	December 27, 1997

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<S> <C> <C>

Bank Credit Facilities:		
Revolving Credit Facility, including $57.4 million by the Canadian Borrowers at December 26, 1998	$ 143,878	$ 10,000
Term Loan A Facility	100,000	17,566
Term Loan B Facility	125,000	167,380
Delayed Draw Term Loan	--	23,845
Public Indebtedness:		
11 1/2% Senior Subordinated Notes	400,000	400,000
JPS Automotive 11 1/8% Senior Notes, including premiums of $2.2 million and $3.2 million, respectively	88,247	91,843
Other	8,924	62,300
Total debt	866,049	772,934
Less current maturities	(19,942)	(20,558)
	$ 846,107	$ 752,376

</TABLE>

Bank Credit Facilities

On May 28, 1998, the Company entered into new credit facilities consisting of: (i) a senior secured term loan facility in the amount of $100 million payable in quarterly installments until final maturity on December 31, 2003 (the "Term Loan A Facility"); (ii) a senior secured term loan facility in the principal amount of $125 million payable in quarterly installments until final maturity on June 30, 2005 (the "Term Loan B Facility" and, together with the Term Loan A Facility, the "Term Loan Facilities"); and (iii) a senior secured revolving credit facility in an aggregate principal amount of up to $250 million terminating on December 31, 2003, of which $60 million (or the equivalent thereof in Canadian dollars) is available to two of the Company's Canadian subsidiaries (the "Canadian Borrowers"), and of which up to $50 million is available as a letter of credit facility (the "Revolving Credit Facility" and together with the Term Loan Facilities, the "Credit Agreement Facilities"). In addition, the Credit Agreement Facilities include a provision for a Tranche C credit facility (the "Tranche C Facility") of up to $150 million in loan borrowings having amortization and interest rate terms to be agreed upon between the Company and the applicable lenders who may supply commitments at such time as the Tranche C Facility may be utilized. The Credit Agreement Facilities (including the Tranche C Facility, if utilized) replace and refinance the Company's previously outstanding bank credit facilities, including the facilities entered into in June 1994 and December 1995 and amended and restated in June 1996 and the Delayed Draw Term Loan Facility entered into by the Company in connection with the acquisition of JPS Automotive in December 1996 (collectively, the "Replaced Facilities"). In conjunction with the refinancing, the Company wrote off deferred financing charges relating to the previous bank facilities of $3.6 million, net of income taxes of $2.4 million.

11. LONG-TERM DEBT -- (Continued)

In June 1996, the Company amended and restated the Replaced Facilities in connection with the sale of $400 million in Senior Subordinated Notes (discussed below). The amendment resulted in the use of proceeds from such sale to repay various outstanding amounts under the Replaced Facilities. In connection with such amendment and repayment, the Company recognized a non-cash extraordinary charge of $6.6 million, net of income taxes of $4.7 million.

In December 1996, in connection with the acquisition of JPS Automotive, the Company amended the Replaced Facilities to allow for the existence of the JPS Automotive 11 1/8% Senior Notes ("JPS Automotive Senior Notes") and to allow the Company to retain proceeds from the sale of the Company's Floorcoverings subsidiary ("Floorcoverings"). Additionally, in December 1996, the Company entered into a $200 million Delayed Draw Term Loan Facility to finance the purchase of JPS Automotive Senior Notes. The Delayed Draw Term Loan Facility was repaid in conjunction with the refinancing and replacement of the Company's credit facilities in May 1998.

The Credit Agreement Facilities, which are guaranteed by the Company and its U.S. subsidiaries (subject to certain exceptions), contain restrictive covenants including maintenance of interest coverage and leverage ratios and various other restrictive covenants which are customary for such facilities and are generally similar to the covenants and ratios contained in the Replaced Facilities. The interest coverage and leverage ratios were waived for the third and fourth quarters of 1998 due to the General Motors strike and decreased

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sales of automotive fabrics. Effective March 8, 1999, the Company, in view of the decreased sales of automotive fabrics and the General Motors strike, obtained an amendment to the Credit Agreement Facilities primarily in order to modify the covenants relating to interest coverage and leverage ratios. The amendment resulted generally in an increase in the interest rates charged under the Credit Agreement Facilities. At December 26, 1998, the Company's effective borrowing rate under the amended Credit Agreement Facilities would have increased by 0.59% per annum. In addition, under the Credit Agreement Facilities, C&A Products is generally prohibited from paying dividends or making other distributions to the Company except to the extent necessary to allow the Company to (w) pay taxes and ordinary expenses, (x) make permitted repurchases of shares or options, (y) make permitted investments in finance, foreign, or acquired subsidiaries and (z) pay permitted dividends. The Company is permitted to pay dividends and repurchase shares of the Company (i) in any fiscal year in an aggregate amount up to $12 million and (ii) if certain financial ratios are satisfied, for the period from April 28, 1996 through the last day of the Company's most recently ended fiscal quarter, in an aggregate amount equal to 50% of the Company cumulative consolidated net income for that period and, in addition, is permitted to pay dividends and repurchase shares in amounts representing net proceeds from the sale of the Company's Imperial Wallcoverings, Inc. subsidiary ("Wallcoverings"). The Company's obligations under the Credit Agreement Facilities are secured by a pledge of the stock of C&A Products and its significant subsidiaries. These restrictions on dividends and distributions are generally similar to those contained in the Replaced Facilities.

Indebtedness under the Term Loan A Facility and U.S. dollar-denominated indebtedness under the Revolving Credit Facility as amended March 8, 1999 bears interest at a per annum rate equal to the Company's choice of (i) The Chase Manhattan Bank's ("Chase's") Alternate Base Rate (which is the highest of Chase's announced prime rate, the Federal Funds Rate plus .5% and Chase's base certificate of deposit rate plus 1%) plus a margin (the "ABR/Canadian Prime Rate Margin") ranging from .25% to 1.25% or (ii) the offered rates for Eurodollar deposits ("LIBOR") of one, two, three, six, nine or twelve months, as selected by the Company, plus a margin (the "LIBOR/BA Margin") ranging from 1.25% to 2.25%. Margins, which are subject to adjustment based on changes in the Company's ratio of funded debt to EBITDA (i.e., earnings before interest, taxes, depreciation, amortization and other non-cash charges) were 1.75% in the case of the LIBOR/BA Margin and .75% in the case of the ABR/Canadian Prime Rate Margin on December 26, 1998, prior to the March 8, 1999 amendment. Had the terms of the March 8, 1999 amendment been applied at December 26, 1998, the LIBOR/BA Margin would have been 2.25% and the ABR/Canadian Prime Rate Margin would have been 1.25%. Canadian-dollar denominated indebtedness incurred by the Canadian Borrowers under the Revolving Credit Facility bears interest at a per annum rate equal to the Canadian Borrowers' choice of (i) the Canadian Prime Rate (which is the greater of Chase's prime rate for Canadian dollar-denominated loans in Canada and the Canadian dollar-denominated one month bankers' acceptance rate plus 1.00%) plus the ABR/Canadian Prime Rate Margin or (ii) the bill of exchange rate ("Bankers' Acceptance" or "BA") denominated in Canadian dollars for one, two, three or six months plus the LIBOR/BA Margin. Indebtedness under the Term Loan B Facility as amended March 8, 1999 bears interest at a per annum rate equal to the Company's choice of (i) Chase's Alternate Base Rate (as described above) plus a margin ranging from 1.25% to 1.75% (the "Tranche B ABR Margin") or

11. LONG-TERM DEBT -- (Continued)

(ii) LIBOR of one, two, three, or six months, as selected by the Company, plus a margin ranging from 2.25% to 2.75% (the "Tranche B LIBOR Margin"). The Tranche B ABR Margin and the Tranche B LIBOR Margin, were 1% and 2%, respectively, at December 26, 1998. Had the terms of the March 8, 1999 amendment been applied at December 26, 1998, the Tranche B ABR Margin would have been 1.75% and the Tranche B LIBOR Margin would have been 2.75%. The weighted average rate of interest on the Credit Agreement Facilities at December 26, 1998 was 7.3%.

Public Indebtedness

In June 1996, the Company's wholly-owned subsidiary, C&A Products, issued at face value $400 million principal amount of 11 1/2% Senior Subordinated Notes due 2006 (the "Subordinated Notes"), which are guaranteed by the Company. The Company used approximately $356.8 million of the total net proceeds of $387.0 million to repay $348.2 million principal amount of outstanding bank borrowings plus accrued interest on such borrowings and related fees and expenses and used the remainder for general corporate purposes. The indenture

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governing the Subordinated Notes generally prohibits the Company, C&A Products and any Restricted Subsidiary (as defined) from making certain payments and investments unless a certain financial test is satisfied and the aggregate amount of such payments and investments since the issue date is less than a specified amount. The prohibition is subject to a number of significant exceptions, including dividends to stockholders of the Company or stock repurchases not exceeding $10 million in any fiscal year or $20 million in the aggregate, dividends to stockholders of the Company or stock repurchases in the amount of the net proceeds from the sale of Wallcoverings and dividends to the Company to permit it to pay its operating and administrative expenses. The Subordinated Notes indenture also contains other restrictive covenants (including, among others, limitations on the incurrence of indebtedness, asset dispositions and transactions with affiliates) which are customary for such securities. These covenants are also subject to a number of significant exceptions.

On the JPS Automotive acquisition date, $180 million principal amount of JPS Automotive 11 1/8% Senior Notes due 2001 (the "JPS Automotive Senior Notes") were outstanding. Of this amount, $68 million had been purchased by the Company in the open market and were subsequently contributed to or repurchased by JPS Automotive. The remaining $112 million face value of JPS Automotive Senior Notes were recorded at a market value of $117.2 million on the date of the acquisition. Holders of the JPS Automotive Senior Notes had the right to put their notes to JPS Automotive at a price of 101% of their principal amount plus accrued interest as a result of the JPS Automotive acquisition. Approximately $3.9 million principal amount of JPS Automotive Senior Notes were so put to JPS Automotive and then repurchased by JPS Automotive on March 10, 1997. In addition, JPS Automotive repurchased $23 thousand of JPS Automotive Senior Notes in conjunction with an offer to purchase as a result of the 1997 sale of its airbag and industrial fabric operation ("Airbag"). See Note 15. In addition, during 1998 and 1997, JPS Automotive purchased $2.6 million and $19.4 million, respectively of JPS Automotive Senior Notes in the open market. These notes were subsequently retired. The indenture governing the JPS Automotive Senior Notes generally prohibits JPS Automotive from making certain payments and investments (generally, dividends and distributions on its equity interests; purchases or redemptions of its equity interests; purchases of any indebtedness subordinated to the JPS Automotive Senior Notes; and investments other than as permitted) unless a certain financial test is satisfied and the aggregate amount of such payments and investments since the issue date is less than a specified amount (the "JPS Automotive Restricted Payments Tests"). These conditions were satisfied immediately following the closing of the JPS Automotive Acquisition and as of December 26, 1998. The JPS Automotive Restricted Payments Tests are subject to a number of significant exceptions. The indenture governing the JPS Automotive Senior Notes also contains other restrictive covenants (including, among others, limitations on the incurrence of indebtedness and preferred stock, asset dispositions and transactions with affiliates including the Company and C&A Products) which are customary for such securities. These covenants are also subject to a number of significant exceptions.

11. LONG-TERM DEBT -- (Continued)

At December 26, 1998, the scheduled annual maturities of long-term debt are as follows (in thousands):

<TABLE>
<CAPTION>

Fiscal Year Ending	
December 1999	$ 19,942
December 2000	24,110
December 2001	113,430
December 2002	28,933
December 2003	24,351
Later Years	655,283
	$ 866,049

</TABLE>

Total interest paid by the Company on all indebtedness was $86.6 million, $93.0 million, and $60.0 million for fiscal 1998, 1997 and 1996, respectively.

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12. RECEIVABLES FACILITY

On March 31, 1995, C&A Products entered, through a trust formed by Carcorp, Inc., ("Carcorp"), a wholly-owned, bankruptcy remote subsidiary of C&A Products, into a receivables facility (the "Receivables Facility"), comprised of (i) term certificates, which were issued on March 31, 1995 in an aggregate face amount of $110 million having a term of five years and (ii) variable funding certificates, which represent revolving commitments of up to an aggregate of $75 million having a term of five years. Carcorp purchases on a revolving basis and transfers to the trust virtually all trade receivables generated by C&A Products and certain of its subsidiaries (the "Sellers") in the United States and Canada. The certificates represent the right to receive payments generated by the receivables held by the trust.

As a result of the Company's divestiture of its non-automotive businesses (see Note 15), the trust was required to redeem certain of the outstanding term certificates. As of December 26, 1998, and December 27, 1997, $50 million of the term certificates remained outstanding. Availability under the variable funding certificates at any time depends primarily on the amount of receivables generated by the Sellers from sales to the automotive industry, the rate of collection on those receivables and other characteristics of those receivables that affect their eligibility (such as bankruptcy or downgrading below investment grade of the obligor, delinquency and excessive concentration). Based on these criteria, at December 26, 1998 the maximum amount available under the variable funding certificates was $64.6 million, of which $0.1 million was unutilized.

The weighted average interest rate on the sold interests under the Receivables Facility at December 26, 1998 was 6.0%. Under the Receivables Facility, the term certificates bear interest at an average rate equal to one month LIBOR plus .34% annum and the variable funding certificates bear interest, at Carcorp's option, at LIBOR plus .40% per annum or a prime rate.

The proceeds received by Carcorp from collections on receivables, after the payment of expenses and amounts due on the certificates, are used to purchase new receivables from the Sellers. Collections on receivables are required to remain in the trust if at any time the trust does not contain sufficient eligible receivables to support the outstanding certificates. The Receivables Facility contains certain other restrictions on Carcorp (including maintenance of $25 million net worth) and on the Sellers (including limitations on liens on receivables, modifications of the terms of receivables, and change in credit and collection practices) customary for facilities of this type. The commitments under the Receivables Facility are subject to termination prior to their term upon the occurrence of certain events, including payment defaults, breach of covenants, bankruptcy, insufficient eligible receivables to support the outstanding certificates, default by C&A Products in servicing the receivables and in the case of variable funding certificates, failure of the receivables to satisfy certain performance criteria. The scheduled amortization of the Receivables Facility begins December 25, 1999. The Company is currently reviewing proposals to replace this facility.

In connection with the receivables sales, losses of $6.1 million, $4.7 million, and $4.5 million were incurred for continuing operations in fiscal 1998, 1997, and 1996 respectively.

12. RECEIVABLES FACILITY -- (Continued)

As of December 26, 1998 and December 27, 1997, Carcorp's total receivables pool was $202.4 million and $193.4 million, respectively. As of December 26, 1998 and December 27, 1997, the holders of term certificates and variable funding certificates collectively had invested $114.5 million and $122.0 million, respectively, to purchase an undivided senior interest (net of settlements in transit) in the trust's receivables pool and, accordingly, such receivables were not reflected in the Company's accounts and other receivables balances as of those dates.

13. LEASE COMMITMENTS

The Company is the lessee under various long-term operating leases for land and buildings for periods up to forty years. The majority of these leases contain renewal provisions. In addition, the Company leases transportation, operating and administrative equipment for periods ranging from one to ten years.

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The Company maintains a master equipment lease arrangement with a bank. The Company made lease payments under this arrangement related to continuing operations of approximately $5.4 million, $5.6 million and $4.0 million for fiscal 1998, 1997, and 1996, respectively. The Company has a purchase option on the equipment at the end of the lease term based on the fair market value of the equipment and has additional options to cause the sale of some or all of the equipment or to purchase some or all of the equipment at prices determined under the agreement. The Company has classified the leases as operating. The Company may sell and lease back additional equipment in the future under the same master lease agreement, subject to the lessor's approval.

At December 26, 1998, future minimum lease payments under operating leases for continuing operations are as follows (in thousands):

<TABLE>
<CAPTION>

Fiscal Year Ending	
December 1999	$ 17,911
December 2000	16,671
December 2001	13,447
December 2002	11,314
December 2003	8,697
Later Years	5,561
	$ 73,601

</TABLE>

Rental expense of continuing operations under operating leases was $17.3 million, $15.4 million, and $15.2 million for fiscal 1998, 1997 and 1996, respectively. Obligations under capital leases are not significant.

14. EMPLOYEE BENEFIT PLANS

Defined Pension and Postretirement Benefit Plans

Subsidiaries of the Company have defined benefit pension plans covering substantially all employees who meet eligibility requirements. Plan benefits are generally based on years of service and employees' compensation during their years of employment. Funding of retirement costs for these plans complies with the minimum funding requirements specified by the Employee Retirement Income Security Act. Assets of the pension plans are invested primarily in equity and fixed income securities.

Subsidiaries of the Company have also provided postretirement life and health coverage for certain retirees under plans currently in effect. Many of the subsidiaries' domestic and Canadian employees may be eligible for coverage if they reach retirement age while still employed by the Company. Most of these plans are contributory. In general, future increases in costs are fully passed on to the retiree. However, future increases in costs for the Canadian divisions and limited domestic operations are shared between the Company and the retiree.

14. EMPLOYEE BENEFIT PLANS -- (Continued)

The following tables provide a reconciliation of the projected benefit obligation, a reconciliation of plan assets, the funded status of the plans, and amounts recognized in the Company's consolidated balance sheets at December 26, 1998 and December 27, 1997 (in thousands):

<TABLE>
<CAPTION>

	Pension Benefits		Postretirement Benefits	
	Fiscal Year Ended		Fiscal Year Ended	
	December 26, 1998	December 27, 1997	December 26, 1998	December 27, 1997

Change in benefit obligation:				
Benefit obligation at beginning of year	$ 158,605	$ 161,584	$ 77,500	$ 83,168
Service cost	8,713	7,295	1,611	1,328
Interest cost	10,709	9,640	4,589	4,428
Amendments	1,719	2,108	(60)	--
Actuarial loss (gain)	12,592	7,929	(3,925)	1,522
Employee contributions	--	--	995	1,066
Acquisitions	--	5,239	--	--
Discontinued operations, including effect of disposition	(7,960)	(20,109)	(9,729)	(7,678)
Benefits paid	(16,175)	(13,726)	(5,026)	(6,334)
Currency adjustment	(2,050)	(1,355)	--	--
Benefit obligation at end of year	$ 166,153	$ 158,605	$ 65,955	$ 77,500
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 136,126	$ 141,095	$ --	$ --
Actual return on plan assets	17,504	17,691	--	--
Employer contributions	16,368	13,879	4,031	5,268
Employee contributions	--	--	995	1,066
Discontinued operations, including effect of disposition	(8,073)	(21,500)	--	--
Benefits paid	(16,175)	(13,726)	(5,026)	(6,334)
Currency adjustment	(1,529)	(1,313)	--	--
Fair value of plan assets at end of year	$ 144,221	$ 136,126	$ --	$ --
Reconciliation of funded status to net amount recognized:				
Funded status	$ (21,932)	$ (22,479)	$ (65,955)	$ (77,500)
Unrecognized net loss (gain)	22,995	20,216	(10,306)	(7,366)
Unrecognized prior service cost (gain)	1,324	(1,576)	(11,066)	(15,468)
Net amount recognized	$ 2,387	$ (3,839)	$ (87,327)	$ (100,334)
Amounts recognized in the consolidated balance sheet consist of:				
Prepaid benefit cost	$ 18,666	$ 7,250	$ --	$ --
Accrued benefit liability	(21,473)	(23,358)	(87,327)	(100,334)
Intangible asset	2,146	971	--	--
Accumulated other comprehensive loss	3,048	11,298	--	--
Net amount recognized	$ 2,387	$ (3,839)	$ (87,327)	$ (100,334)

</TABLE>

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $34.7 million, $32.5 million, and $12.1 million, respectively, as of December 26, 1998 and $107.6 million, $102.8 million and $82.3 million respectively, as of December 27, 1997.

14. EMPLOYEE BENEFIT PLANS -- (Continued)

The net periodic benefit cost of continuing operations for fiscal 1998, 1997, and 1996 includes the following components (in thousands):

<TABLE>
<CAPTION>

	Pension Benefits		
	Fiscal Year Ended		
	December 26, 1998	December 27, 1997	December 28, 1996
	(52 Weeks)	(52 Weeks)	(48 Weeks)
<S>	<C>	<C>	<C>
Components of net periodic benefit cost:			
Service cost	$ 8,713	$ 7,295	$ 4,043
Interest cost	10,709	9,640	6,905
Expected return on plan assets	(11,805)	(9,701)	(6,390)
Amortization of prior service cost (gain)	426	(377)	(248)
Recognized net actuarial loss (gain)	699	525	345
Net periodic benefit cost	$ 8,742	$ 7,382	$ 4,655

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	Postretirement Benefits		
	Fiscal Year Ended		
	December 26, 1998	December 27, 1997	December 28, 1996
	(52 Weeks)	(52 Weeks)	(48 Weeks)
Components of net periodic benefit cost:			
Service cost	$ 1,611	$ 1,328	$ 769
Interest cost	4,589	4,428	1,756
Expected return on plan assets	--	--	--
Amortization of prior service cost (gain)...	(1,511)	(1,492)	(13)
Recognized net actuarial loss (gain)	(775)	(854)	(921)
Net periodic benefit cost	$ 3,914	$ 3,410	$ 1,591

Weighted average assumptions are summarized as follows.

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Discount rate	6.6%	7.0%	6.7%	7.0%
Expected return on plan assets	9.0%	9.0%	N/A	N/A
Rate of compensation increase .	4.5%	4.5%	N/A	N/A

For measurement purposes, health care costs for domestic plans were assumed to increase 8% in 1999 grading down gradually to a constant level of 6% annual increase. Health care costs for Canadian plans were assumed to increase approximately 11% during 1999 grading down gradually to a constant level of aproximately 5.5% annual increase.

Assumed health care cost trend rates have a significant effect on the amounts reported for postretirement benefits. A one-percentage-point change in assumed health care cost trend rates would have the following effects (in thousands):

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total of service and interest cost components ..	$ 322	$ (276)
Effect on postretirement benefit obligation	2,661	(2,294)

Defined Contribution Plans

Subsidiaries of the Company sponsor defined contribution plans covering employees who meet eligibility requirements. Subsidiary contributions are based on formulas or are at the Company's discretion as specified in the plan documents. Contributions relating to continuing operations were $3.5 million, $3.5 million, and $2.8 million in fiscal 1998, 1997, and 1996, respectively.

15. DISCONTINUED OPERATIONS

On March 13, 1998, the Company completed the sale of Wallcoverings to an affiliate of Blackstone Partners for a sales price of $71.9 million and an option for 6.7% of the common stock of the purchaser (which includes Wallcoverings and the former wallcovering and vinyl units of Borden, Inc.) outstanding as of the closing date. The proceeds were used to repay long-term debt. In connection with the sale, the Company recorded a loss of approximately $21.1 million, net of an estimated income tax benefit in the third quarter of 1997 to adjust the recorded value to the expected proceeds. Accordingly, no gain or loss was recognized at the sale date. Losses incurred by Wallcoverings from April 29, 1996, (the date of Wallcoverings' discontinuance) to the date of

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sale were charged to the Company's existing discontinued operations reserves. The Wallcoverings operating losses were in excess of management's forecasted expectations as of the date of discontinuance but within previously established accruals.

15. DISCONTINUED OPERATIONS -- (Continued)

On July 24, 1997, JPS Automotive completed the sale of its Air Restraint and Technical Products Division, an airbag and industrial fabric business ("Airbag"), to Safety Components International, Inc. for a purchase price of approximately $56 million. No gain or loss was recorded on the sale since the sales price approximated the acquisition fair value and book value of Airbag.

On July 16, 1997, the Company completed its sale of the Mastercraft Group for a purchase price of approximately $309.5 million. A portion of the net proceeds from the sale was used to reduce the Company's long-term debt. The sale resulted in a net after-tax gain of $97.5 million.

On February 6, 1997, the Company completed the sale of its Floorcoverings subsidiary for $195.6 million and the net proceeds were used to pay down debt incurred to finance the Company's automotive strategy. The sale resulted in a net after-tax gain of $85.3 million.

The Company has accounted for the financial results and net assets of the Mastercraft Group, Floorcoverings, Airbag and Wallcoverings as discontinued operations. Information about the Company's discontinued operations is below (in thousands):

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 26, 1998 (52 Weeks)	December 27, 1997 (52 Weeks)	December 28, 1996 (48 Weeks)
<S>	<C>	<C>	<C>
Net sales(a)	$ --	$ 200,350	$ 443,338
Net income	--	4,306	14,468
Identifiable assets	--	53,004	263,523
Capital expenditures	3,144	15,254	43,454

</TABLE>

(a) Amount is not included in consolidated totals.

Net interest expense of discontinued operations (including amounts attributable to discontinued operations) was $12.5 million and $26.7 million in fiscal 1997 and 1996, respectively. Interest expense of $12.6 million and $26.5 million during fiscal 1997, and 1996, respectively, was allocated to discontinued operations based upon the ratio of net book value of discontinued operations (including reserves for loss on disposal) to consolidated invested capital. No interest expense was allocated to discontinued operations for the year ended December 26, 1998. In addition, a portion of the loss on sale of receivables has been allocated to discontinued operations based on the ratio of (x) receivables included in the trust's receivable pool related to Floorcoverings and the Mastercraft Group to (y) the total trust's receivables pool. For fiscal 1997 and 1996, amounts allocated to discontinued operations for the loss on sale of receivables totaled $0.6 million and $2.2 million, respectively. No allocation of loss on sale of receivables was made to discontinued operations in the year ended December 26, 1998.

In connection with the retained lease liabilities of certain discontinued operations, the Company has future minimum lease payments and future sublease rental receipts at December 26, 1998 as follows (in thousands):

<TABLE>
<CAPTION>

Fiscal Years Ending	Minimum Lease Payments	Sublease Rental Receipts
<S>	<C>	<C>

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December 1999	$ 2,603	$ 1,868
December 2000	2,562	2,120
December 2001	2,141	2,239
December 2002	1,918	2,117
December 2003	1,767	1,876
Later years	8,825	10,406
	$ 19,816	$ 20,626

</TABLE>

16. FACILITY CLOSING COSTS

In connection with the acquisition of JPS Automotive, the Company eliminated certain redundant sales and administrative functions and closed one manufacturing facility in 1997, a second facility in January 1998, and a third facility in June 1998. The Company is currently in the process of relocating certain manufacturing processes from a JPS Automotive facility to an existing C&A Products facility.

These actions affected approximately 640 employees. Total costs accrued for the shutdown of facilities and severance and other personnel costs were $2.7 million and $7.7 million, respectively.

The components of the reserves for the relocation and facility closures, which are expected to be completed during the second quarter of fiscal 1999, are as follows (in thousands):

<TABLE>
<CAPTION>

<S>	Original Reserve <C>	Changes in Reserve <C>	Remaining Reserve December 26, 1998 <C>
Anticipated expenditures to close and dispose of idled facilities	$ 2,746	$ (2,327)	$ 419
Anticipated severance benefits	7,655	(6,134)	1,521
	$ 10,401	$ (8,461)	$ 1,940

</TABLE>

17. COMMON STOCKHOLDERS' DEFICIT

Dividend

On February 10, 1999, the Company declared a special dividend of approximately $6.2 million, representing $0.10 per share on all outstanding shares of common stock held by stockholders of record as of the close of business on February 22, 1999. The dividend was paid on March 1, 1999. The dividend reduced the amount authorized by the Company's Board of Directors for the Company's 1999 share repurchase program from $25 million to approximately $19 million.

Accumulated Other Comprehensive Loss

The accumulated balances and activity for each component of Accumulated Other Comprehensive Loss are as follows (in thousands):

<TABLE>
<CAPTION>

<S>	Foreign Currency Translation Adjustments <C>	Pension Equity Adjustment <C>	Accumulated Other Comprehensive Loss <C>
Balance at January 27, 1996	$ (23,719)	$ (9,090)	$ (32,809)
Change in balance	2,921	(1,075)	1,846
Balance at December 28, 1996	(20,798)	(10,165)	(30,963)
Change in balance	(8,325)	(535)	(8,860)

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Balance at December 27, 1997	(29,123)	(10,700)	(39,823)
Change in balance	7,569	8,827	16,396
Balance at December 26, 1998	$ (21,554)	$ (1,873)	$ (23,427)

</TABLE>

The income tax benefit for the pension equity adjustment was $1.2 million for fiscal 1998. No income taxes have been provided for the foreign currency translation adjustments.

Stock Option Plans

The 1994 Employee Stock Option Plan ("1994 Plan") was adopted as a successor to the 1993 Employee Stock Option Plan to facilitate awards to certain key employees and to consultants. The 1994 Plan authorizes the issuance of up to 2,980,534 shares of common stock and provides that no options may be granted after 10 years from the effective date of this plan. Options vest, in each case, as specified by the Company's compensation committee, generally over three years after issuance. At December 26, 1998, options representing 1,528,511 shares of common stock were available for grants.

17. COMMON STOCKHOLDERS' DEFICIT -- (Continued)

Effective February 23, 1995, the Company adopted the 1994 Directors Stock Option Plan which provides for the issuance of options to acquire a maximum of 600,000 shares of common stock to directors who are not part of management and are not affiliated with a major stockholder. As of December 26, 1998, 100,000 options had been granted.

On January 14, 1997, the Company adopted the 1997 United Kingdom Scheme, which provides for the issuance of options to key employees under the 1994 Plan. As of December 26, 1998, 24,974 options had been granted.

Stock option activity under the plans is as follows:

<TABLE>
<CAPTION>

	December 26, 1998		December 27, 1997		December 28, 1996	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding beginning of year	2,732,195	$ 5.86	3,287,106	$ 5.25	3,298,036	$ 5.12
Awarded	480,000	8.65	584,000	8.33	145,000	6.71
Cancelled	(71,000)	8.56	(83,127)	6.46	(19,492)	4.10
Exercised	--	--	(373,570)	4.70	(69,022)	3.99
Surrendered	--	--	(682,214)	5.57	(67,416)	3.99
Outstanding at end of year	3,141,195	$ 6.23	2,732,195	$ 5.86	3,287,106	$ 5.25

</TABLE>

At December 26, 1998, December 27, 1997 and December 28, 1996, 2,129,095, 1,858,685, and 2,709,094, respectively, of the outstanding options were exercisable at a weighted average price of $5.22, $4.78, and $4.74, respectively.

Of the total options outstanding at December 26, 1998, 1,508,324 have an exercise price in the range of $3.99 and $4.43 with a weighted average exercise price of $4.00 and a weighted average contractual life of 5 years. These options are currently exercisable. The remaining 1,632,871 of total options outstanding at December 26, 1998 have an exercise price in the range of $6.00 and $11.75 with a weighted average exercise price of $8.28 and a weighted average contractual life of 8 years; 620,771 of these options are currently exercisable at a weighted average exercise price of $8.18. Upon a change of control, as defined, all of the above options become fully vested and exercisable.

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SFAS No. 123, "Accounting for Stock-Based Compensation", encourages companies to adopt the fair value method for compensation expense recognition related to employee stock options. Existing accounting requirements of Accounting Principles Board Opinion No. 25 ("APB No. 25") use the intrinsic value method in determining compensation expense which represents the excess of the market price of the stock over the exercise price on the measurement date. The Company has elected to continue to utilize the accounting provisions of APB No. 25 for stock options, and is required to provide pro forma disclosures of what net income and earnings per share would have been had the Company adopted the fair value method for recognition purposes. The following information is presented as if the Company had adopted SFAS No. 123 and restated its results (in thousands, except per share amounts):

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 26, 1998 (52 weeks)	December 27, 1997 (52 weeks)	December 28, 1996 (48 weeks)
<S>	<C>	<C>	<C>
Net income (loss):			
As reported	$ (3,815)	$ 155,235	$ 40,824
Pro forma	(5,017)	154,525	40,261
Basic EPS:			
As reported	$ (0.06)	$ 2.34	$ 0.59
Pro forma	(0.08)	2.33	0.58
Diluted EPS:			
As reported	$ (0.06)	$ 2.34	$ 0.58
Pro forma	(0.07)	2.33	0.58

</TABLE>

17. COMMON STOCKHOLDERS' DEFICIT -- (Continued)

For the above information, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in fiscal 1998, 1997 and 1996: expected volatility of 40%, expected lives of 10 years which equals the lives of the grants, the risk free interest rate ranged from 5.46% to 7.82% and a zero expected dividend rate. The weighted average grant-date fair value of an option granted during fiscal 1998, 1997 and 1996 was $5.43, $5.41 and $4.32, respectively.

Because the SFAS No. 123 method of accounting has not been applied to options granted prior to January 28, 1995, the above pro forma amounts may not be representative of the compensation costs to be expected in future years.

18. INCOME TAXES

The provisions for income taxes applicable to continuing operations for fiscal 1998, 1997 and 1996 are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 26, 1998 (52 Weeks)	December 27, 1997 (52 Weeks)	December 28, 1996 (48 Weeks)
<S>	<C>	<C>	<C>
Current			
Federal	$ --	$ --	$ 250
State	2,900	2,600	2,006
Foreign	9,617	6,146	9,958
	12,517	8,746	12,214
Deferred			
Federal	(7,097)	4,833	9,871
State	(1,075)	882	1,811
Foreign	939	(1,463)	546

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	(7,233)	4,252	12,228
Income tax expense	$ 5,284	$ 12,998	$ 24,442

</TABLE>

Domestic and foreign components of income from continuing operations before income taxes are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 26, 1998 (52 Weeks)	December 27, 1997 (52 Weeks)	December 28, 1996 (48 Weeks)
Domestic	$ (26,900)	$ (4,545)	$ 25,905
Foreign	32,093	7,452	31,503
	$ 5,193	$ 2,907	$ 57,408

</TABLE>

18. INCOME TAXES -- (Continued)

A reconciliation between income taxes computed at the statutory U.S. Federal rate of 35% and the provisions for income taxes applicable to continuing operations is as follows (in thousands):

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 26, 1998 (52 Weeks)	December 27, 1997 (52 Weeks)	December 28, 1996 (48 Weeks)
Amount at statutory Federal rate	$ 1,818	$ 1,017	$ 20,093
State taxes, net of Federal income tax	1,187	2,263	2,481
Tax differential on foreign earnings	134	123	(698)
Foreign losses with no tax benefit	379	1,436	176
Foreign dividend income	--	--	410
Amortization and write-down of goodwill	1,470	7,770	1,243
Other	296	389	737
Income tax expense	$ 5,284	$ 12,998	$ 24,442

</TABLE>

Deferred income taxes are provided for the temporary differences between the financial reporting and tax basis of the Company's assets and liabilities. The components of the net deferred tax assets as of December 26, 1998 and December 27, 1997 were as follows (in thousands):

<TABLE>
<CAPTION>

	December 26, 1998	December 27, 1997
Deferred tax assets:		
Employee benefits, including postretirement benefits	$ 31,695	$ 35,041
Net operating loss carryforwards	79,902	46,793
Investment tax credit carryforwards	1,130	2,200
Alternative minimum tax credits	12,190	12,650
Other liabilities and reserves	74,386	81,018

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Valuation allowance	(44,320)	(45,583)
Total deferred tax assets	154,983	132,119
Deferred tax liabilities:		
Property, plant and equipment	(66,153)	(50,245)
Undistributed earnings of foreign subsidiaries	(7,226)	(7,226)
Total deferred tax liabilities	(73,379)	(57,471)
Net deferred tax asset	$ 81,604	$ 74,648

</TABLE>

The valuation allowance at December 26, 1998 and December 27, 1997 provides for certain deferred tax assets that in management's assessment may not be realized due to tax limitations on the use of such amounts or that relate to tax attributes that are subject to uncertainty due to the long-term nature of their realization. During fiscal 1998 the valuation allowance decreased $1.3 million from fiscal 1997. This decrease resulted primarily from the expiration of tax credits. During fiscal 1997, the valuation allowance decreased $2.5 million from fiscal 1996.

18. INCOME TAXES -- (Continued)

The above amounts have been classified in the consolidated balance sheets as follows (in thousands):

<TABLE>
<CAPTION>

<S>	December 26, 1998 <C>	December 27, 1997 <C>
Deferred tax assets (liabilities):		
Current domestic and foreign, included in other current assets	$ 30,027	$ 33,345
Current foreign, included in accrued expenses	--	(395)
Noncurrent domestic and foreign	70,632	59,293
Noncurrent foreign, included in other noncurrent liabilities	(19,055)	(17,595)
	$ 81,604	$ 74,648

</TABLE>

Management has reviewed the Company's operating results for recent years as well as the outlook for its continuing operations in concluding that it is more likely than not that the net deferred tax assets of $81.6 million at December 26, 1998 will be realized. The Company announced a reorganization on February 10, 1999 (see Note 21) to better align itself in the marketplace. A major goal of this reorganization is to lower the overall cost structure of the Company and thereby increase profitability. These factors along with the timing of the reversal of its temporary differences and the expiration date of its NOLs were also considered in reaching this conclusion. The Company's ability to generate future taxable income is dependent on numerous factors, including general economic conditions, the state of the automotive industry and other factors beyond management's control. Therefore, there can be no assurance that the Company will meet its expectation of future taxable income.

Deferred income taxes and withholding taxes have been provided on earnings of the Company's foreign subsidiaries to the extent it is anticipated that the earnings will be remitted in the future as dividends. Deferred income taxes and withholding taxes have not been provided on the remaining undistributed earnings of foreign subsidiaries as such amounts are deemed to be permanently reinvested. The cumulative undistributed earnings on which the Company has not provided deferred income taxes and withholding taxes are not significant.

At December 26, 1998, the Company had the following tax attributes carryforwards available for U.S. Federal income tax purposes (in thousands):

<TABLE>
<CAPTION>

	Amount	Expiration Dates

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<S>	<C>	<C>
Net operating losses -- regular tax		
Preacquisition, subject to limitations ...	$ 19,812	2000-2009
Postacquisition, unrestricted	199,397	2008-2018
	$ 219,209	
Net operating losses -- alternative minimum tax		
Preacquisition, subject to limitations ...	$ 16,248	2000-2009
Postacquisition, unrestricted	159,735	2008-2018
	$ 175,983	
Investment tax and other credits		
Preacquisition, subject to limitations ...	$ 1,130	1999-2006
Alternative minimum tax credits	$ 12,190	

</TABLE>

Approximately $19.8 million of the Company's NOLs and $1.1 million of the Company's unused U.S. Federal tax credits may be used only against the income and apportioned tax liability of the specific corporate entity that generated such losses or credits or its successors. Future sales of common stock by the Company or its principal stockholders, or changes in the composition of its principal stockholders, could constitute a "change in control" that would result in annual limitations on the Company's use of its NOLs and unused tax credits. Management cannot predict whether such a "change in control" will occur. If such a "change in control" were to occur, the resulting annual limitations on the use of NOLs and tax

18. INCOME TAXES -- (Continued)

credits would depend on the value of the equity of the Company and the amount of "built-in gain" or "built-in loss" in the Company's assets at the time of the "change in control", which cannot be known at this time.

Income taxes paid (refunds received) were ($6.0) million, $40.4 million, and $10.4 million for fiscal 1998, 1997 and 1996, respectively.

19. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's continuing operations' financial instruments are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	December 26, 1998		December 27, 1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Long-term investments	$ 3,332	$ 3,332	$ 3,125	$ 3,125
Long-term debt	866,049	885,386	772,934	829,234

</TABLE>

The following methods and assumptions were used to estimate these fair values:

Long-Term Investments -- Fair value approximates carrying value.

Long-Term Debt -- The fair value of the Subordinated Notes and JPS Automotive Senior Notes is based upon quoted market price. The fair value of the other long-term debt of the Company approximates the carrying value.

Carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts and other receivables, accounts payable and accrued expenses approximate fair value due to the short-term nature of these instruments.

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Fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

20. RELATED PARTY TRANSACTIONS

On March 13, 1998, the Company completed the sale of Wallcoverings to an affiliate of Blackstone Partners. See Note 15.

During fiscal 1998, the Company incurred fees and expenses of $0.1 million for services performed by Blackstone Partners or its affiliates for the 1996 acquisitions of JPS Automotive and Perstorp Components and the 1997 acquisition of the remaining interest in the Collins & Aikman/Perstorp Joint Venture. During fiscal 1997, the Company incurred fees and expenses for services performed by Blackstone Partners and WP Partners, or their respective affiliates, in connection with the dispositions of Floorcoverings and Mastercraft Group of approximately $2.6 million and $4.0 million, respectively. The Company also incurred fees and expenses for services performed by WP Partners, or their respective affiliates, in connection with the disposition of Wallcoverings of approximately $0.7 million in 1997. During fiscal 1996, the Company incurred fees and expenses for services performed by Blackstone Partners and WP Partners, or their respective affiliates, in connection with the 1996 acquisitions of JPS Automotive and Perstorp Components and the Collins & Aikman/Perstorp Joint Venture of approximately $2.7 million, $1.2 million and $0.8 million, respectively. In addition, Wasserstein Perella Securities, Inc., ("WP Securities") an affiliate of WP Partners, acted as the lead underwriter in the Subordinated Notes offering in June 1996 and was paid fees of approximately $5.4 million by C&A Products in connection therewith.

Under the Amended and Restated Stockholders' Agreement among the Company, C&A Products, Blackstone Partners and WP Partners, the Company pays Blackstone Partners and WP Partners, or their respective affiliates, each an annual monitoring fee of $1.0 million, which is payable in quarterly installments.

21. INFORMATION ABOUT THE COMPANY'S OPERATIONS

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". SFAS No. 131 requires that a public business enterprise report financial and descriptive information about its reportable operating segments. Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance. SFAS No. 131 also requires that a public business enterprise report descriptive information about the way that the operating segments were determined and the products and services provided by the operating segments. SFAS No. 131 is effective for financial statements for years beginning after December 15, 1997.

On February 10, 1999, the Company announced a comprehensive plan (the "Reorganization") to reorganize its global automotive carpet, acoustics, plastics and accessory floormats businesses into two divisions: North America Automotive Interior Systems, to be headquartered in the Detroit metro area, and Europe Automotive Interior Systems, to be headquartered in Germany. As part of the Reorganization, the Company has also established the Specialty Automotive Products division, which includes the Company's automotive fabrics and Dura Convertible Systems businesses. The Company's reportable segments reflect these newly established divisions. Financial data for all periods has been presented on this basis. North America Automotive Interior Systems and Europe Automotive Interior Systems include the following product groups: molded floor carpet, luggage compartment trim, acoustical products, accessory floormats and plastic-based interior systems. The Specialty Automotive Products division includes automotive fabrics and convertible top systems. The three divisions also produce other automotive and non-automotive products.

The accounting policies of the divisions are the same as those described in the Summary of Significant Accounting Policies (See Note 2). The Company evaluates performance based on profit or loss from operations before interest expense, foreign exchange gains and losses, loss on sale of receivables, other income and expense, and income taxes.

Information about the Company's divisions is presented below (in thousands).

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<TABLE>
<CAPTION>

	Fiscal Year Ended December 26, 1998	
	North America Automotive Interior Systems	Europe Automotive Interior Systems
<S>	<C>	<C>
External revenues	$ 1,065,461	$ 338,030
Inter-segment revenues	163,432	26,287
Depreciation and amortization	34,348	16,832
Operating income	74,485	9,242
Total assets	788,054	260,023
Capital expenditures	53,550	12,440

	Fiscal Year Ended December 27, 1997	
	North America Automotive Interior Systems	Europe Automotive Interior Systems
External revenues	$ 1,053,546	$ 120,456
Inter-segment revenues	65,869	2,938
Depreciation and amortization	37,260	6,000
Impairment of long-lived assets (Note 2)	22,600	--
Operating income	40,055	4,451
Total assets	740,463	183,378
Capital expenditures	35,327	3,488

<CAPTION>

	Fiscal Year Ended December 26, 1998		
	Specialty Automotive Products	Other (a)	Total
<S>	<C>	<C>	<C>
External revenues	$ 421,978	$ --	$ 1,825,469
Inter-segment revenues	29,516	--	219,235
Depreciation and amortization	14,871	1,023	67,074
Operating income	14,206	545	98,478
Total assets	267,129	67,005	1,382,211
Capital expenditures	20,537	12,464	98,991

	Specialty Automotive Products	Other (a)	Total
External revenues	$ 455,330	$ --	$ 1,629,332
Inter-segment revenues	23,798	--	92,605
Depreciation and amortization	14,628	952	58,840
Impairment of long-lived assets (Note 2)	--	--	22,600
Operating income	38,074	1,930	84,510
Total assets	271,396	107,155	1,302,392
Capital expenditures	15,733	17,227	71,775

</TABLE>

21. INFORMATION ABOUT THE COMPANY'S OPERATIONS -- (Continued)

<TABLE>
<CAPTION>

	Fiscal Year Ended December 28, 1996				
	North America Automotive Interior Systems	Europe Automotive Interior Systems	Specialty Automotive Products	Other (a)	Total
<S>	<C>	<C>	<C>	<C>	<C>
External revenues	$ 635,648	$ 29,490	$388,683	$ --	$1,053,821
Inter-segment revenues	38,404	--	25,729	--	64,133
Depreciation and amortization	18,933	1,124	11,893	445	32,395
Operating income	60,998	1,069	39,531	306	101,904

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Total assets	747,261	98,722	236,832	447,474	1,530,289
Capital expenditures	21,197	2,526	10,354	44,377	78,454

</TABLE>

(a) Other includes the Company's discontinued operations (see Note 15) and non-operating units.

Sales for the Company's primary product groups are as follows (in thousands):

<TABLE>
<CAPTION>

	Fiscal Year Ended		
	December 26, 1998	December 27, 1997	December 28, 1996
	(52 Weeks)	(52 Weeks)	(48 Weeks)
<S>	<C>	<C>	<C>
Molded floor carpet	$ 416,971	$ 384,714	$ 234,666
Luggage compartment trim	95,897	101,034	56,820
Acoustical products	225,130	167,758	5,033
Accessory floormats	157,209	139,292	114,524
Plastic-based interior trim systems	417,534	294,555	176,345
Automotive fabrics	267,185	318,979	246,114
Convertible top systems	104,348	88,801	105,051
Other	141,195	134,199	115,268
Total	$1,825,469	$ 1,629,332	$ 1,053,821

</TABLE>

The Company performs periodic credit evaluations of its customers' financial condition and, although the Company does not generally require collateral, it does require cash payments in advance when the assessment of credit risk associated with a customer is substantially higher than normal. Receivables generally are due within 45 days, and credit losses have consistently been within management's expectations and are provided for in the consolidated financial statements.

Direct and indirect sales to significant customers in excess of ten percent of consolidated net sales from continuing operations are as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
General Motors Corporation	31.2%	37.1%	34.0%
Ford Motor Company	19.9%	14.2%	15.4%
DaimlerChrysler A.G.	18.3%	17.4%	21.1%

</TABLE>

21. INFORMATION ABOUT THE COMPANY'S OPERATIONS -- (Continued)

Information about the Company's continuing operations in different geographic areas for fiscal 1998, 1997 and 1996 is presented below (in thousands).

<TABLE>
<CAPTION>

	Fiscal Year Ended December 26, 1998		Fiscal Year Ended December 27, 1997		Fiscal Year Ended December 26, 1996	
	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets
	(52 Weeks)		(52 Weeks)		(48 Weeks)	
<S>	<C>	<C>	<C>	<C>	<C>	<C>

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United States	$1,047,862	$ 452,281	$ 1,089,114	$ 436,466	$ 716,710	$ 457,382
Canada	356,361	186,711	348,056	182,649	233,334	170,643
Mexico	83,216	17,234	71,706	16,044	74,287	21,804
United Kingdom	143,716	61,449	84,956	34,063	19,849	34,249
Other (a)	194,314	83,508	35,500	64,586	9,641	25,188
Consolidated	$1,825,469	$ 801,183	$ 1,629,332	$ 733,808	$1,053,821	$ 709,266

</TABLE>

(a) Other includes Sweden, Spain, Belgium, Germany, Austria, France, and the Netherlands and, for long-lived assets, the Company's discontinued operations (See Note 15).

Intersegment sales between geographic areas are not material. For fiscal years 1998, 1997 and 1996, export sales from the United States to foreign countries were $104.9 million, $136.7 million and $69.9 million, respectively.

As of December 26, 1998, the Company's continuing operations employed approximately 15,900 persons on a full-time or full-time equivalent basis. Approximately 5,400 of such employees are represented by labor unions. Approximately 2,200 employees are represented by collective bargaining agreements that expire during fiscal 1999.

22. COMMITMENTS AND CONTINGENCIES

Environmental

The Company is legally or contractually responsible or alleged to be responsible for the investigation and remediation of contamination at various sites. It also has received notices that it is a potentially responsible party ("PRP") in a number of proceedings. The Company may be named as a PRP at other sites in the future, including with respect to divested and acquired businesses. The Company is currently engaged in investigation or remediation at certain sites. In estimating the total cost of investigation and remediation, the Company has considered, among other things, the Company's prior experience in remediating contaminated sites, remediation efforts by other parties, data released by the EPA, the professional judgment of the Company's environmental experts, outside environmental specialists and other experts, and the likelihood that other parties which have been named as PRPs will have the financial resources to fulfill their obligations at sites where they and the Company may be jointly and severally liable. Under the theory of joint and several liability, the Company could be liable for the full costs of investigation and remediation even if additional parties are found to be responsible under the applicable laws. It is difficult to estimate the total cost of investigation and remediation due to various factors including incomplete information regarding particular sites and other PRPs, uncertainty regarding the extent of environmental problems and the Company's share, if any, of liability for such problems, the selection of alternative compliance approaches, the complexity of environmental laws and regulations and changes in cleanup standards and techniques. When it has been possible to provide reasonable estimates of the Company's liability with respect to environmental sites, provisions have been made in accordance with generally accepted accounting principles. The Company records its best estimate when it believes it is probable that an environmental liability has been incurred and the amount of loss can be reasonably estimated. The Company also considers estimates of certain reasonably possible environmental liabilities in determining the aggregate amount of environmental reserves. In its assessment the Company makes its best estimate of the liability based upon information available to the Company at that time, including the professional judgment of the Company's environmental experts, outside environmental specialists and other experts. As of December 26, 1998, excluding sites at which the Company's participation is anticipated to be de minimis or otherwise insignificant or where the Company is being indemnified by a third party for the liability, there are 24 sites where the Company is participating in the investigation or remediation of the site either directly or through financial contribution, and 8 additional sites where the Company is alleged to be responsible for

22. COMMITMENTS AND CONTINGENCIES -- (Continued)

costs of investigation or remediation. As of December 26, 1998, the Company's estimate of its liability for these 32 sites is approximately $24.6 million. As of December 26, 1998, the Company has established reserves of approximately $41.8 million for the estimated future costs related to all its known

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environmental sites. In the opinion of management, based on the facts presently known to it, the environmental costs and contingencies will not have a material adverse effect on the Company's consolidated financial condition or future results of operations. However, there can be no assurance that the Company has identified or properly assessed all potential environmental liability arising from the activities or properties of the Company, its present and former subsidiaries and their corporate predecessors.

The Company is subject to Federal, state and local environmental laws and regulations that (i) affect ongoing operations and may increase capital costs and operating expenses and (ii) impose liability for the costs of investigation and remediation and otherwise related to on-site and off-site contamination. The Company's management believes that it has obtained, and is in material compliance with, all material environmental permits and approvals necessary to conduct its various businesses. Environmental compliance costs for continuing businesses currently are accounted for as normal operating expenses or capital expenditures of such business units. In the opinion of management, based on the facts presently known to it, such environmental compliance costs will not have a material adverse effect on the Company's consolidated financial condition or future results of operations.

Litigation

The Company and its subsidiaries have lawsuits and claims pending against them and have certain guarantees outstanding which were made in the ordinary course of business.

The ultimate outcome of the legal proceedings to which the Company is a party will not, in the opinion of the Company's management based on the facts presently known to it, have a material adverse effect on the Company's consolidated financial condition or future results of operations.

Other Commitments

As of December 26, 1998, the Company's continuing operations had approximately $19.1 million in outstanding capital expenditure commitments. The majority of the leased properties of the Company's previously divested businesses have been assigned to third parties. Although releases have been obtained from the lessors of certain properties, C&A Products remains contingently liable under most of the leases. C&A Products' future liability for these leases, in management's opinion, based on the facts presently known to it, will not have a material adverse effect on the Company's consolidated financial condition or future results of operations.

23. QUARTERLY FINANCIAL DATA (UNAUDITED): (in thousands, except per share amounts)

The quarterly data below is based on the Company's fiscal periods.

<TABLE>
<CAPTION>

	Fiscal 1998			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<S>	<C>	<C>	<C>	<C>
Net sales	$ 478,140	$ 463,335	$ 377,928	$ 506,066
Gross margin	78,732	63,815	38,577	67,101
Income (loss) from continuing operations	8,678	(482)	(8,354)	67
Income (loss) before extraordinary loss .	8,678	(482)	(8,354)	67
Net income (loss)	8,678	(4,161)	(8,354)	22
Basic and diluted earnings per share	0.13	(0.06)	(0.13)	--
Common stock prices				
High	9 11/16	9 1/2	7 1/2	7 7/16
Low	7 11/16	6 13/16	6 3/16	4 15/16

</TABLE>

23. QUARTERLY FINANCIAL DATA (UNAUDITED): (in thousands, except per share amounts) -- (Continued)

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	Fiscal 1997			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	$ 415,560	$ 416,018	$ 368,008	$ 429,746
Gross margin	70,367	72,237	17,226(a)	73,330
Income (loss) from continuing operations	11,265	11,600	(42,002)(a)	9,046
Income before extraordinary loss	97,478	15,481	33,951	9,046
Net income	97,478	14,760	33,951	9,046
Basic earnings per share	1.45	0.22	0.51	0.14
Diluted earnings per share	1.43	0.22	0.50	0.14
Common stock prices				
High	10 1/2	12 1/8	11 11/16	11 3/16
Low	6	8 5/8	10	7 15/16

(a) In the third quarter of 1997, the Company incurred charges of $57.9 million primarily related to C&A Plastics for asset impairments, reductions in goodwill, provisions for certain programs operating at a loss, inventory adjustments and other provisions. Of the $57.9 million in charges, $34.0 million is included in cost of goods sold, $22.6 million as impairment of long-lived assets and $1.3 million relates to selling costs.

The Company's operations are not subject to significant seasonal influences.

24. SIGNIFICANT SUBSIDIARY

The Company conducts all of its operating activities through its wholly-owned subsidiary, C&A Products. The following represents summarized consolidated financial information of C&A Products and its subsidiaries (in thousands):

	December 26, 1998	December 27, 1997	December 28, 1996
Current assets	$ 510,303	$ 508,864	$ 728,586
Noncurrent assets	871,815	792,199	800,594
Current liabilities	343,807	315,268	339,519
Noncurrent liabilities	1,115,394	1,051,376	1,382,754
Net sales	1,825,469	1,629,332	1,053,821
Gross margin	248,225	233,160	188,475
Income (loss) from continuing operations	300	(10,338)	32,768
Income before extraordinary item	300	155,709	47,236
Net income (loss)	(3,424)	154,988	40,626

Separate financial statements of C&A Products are not presented because they would not be material to the holders of any debt securities of C&A Products that may be issued, there being no material differences between the financial statements of C&A Products and the Company. The absence of separate financial statements of C&A Products is also based upon the fact that any debt of C&A Products issued, and the assumption that any debt to be issued, under the Registration Statement on Form S-3 filed by the Company and C&A Products (Registration No. 33-62665) is or will be fully and unconditionally guaranteed by the Company.

25. EARNINGS PER SHARE

The Company adopted SFAS No. 128, "Earnings Per Share," in December 1997. Basic earnings per common share were computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the year. Diluted earnings per common share were determined assuming the exercise of the stock options issued under the Company's stock option plans (see Note 17). The following table reconciles the number of common shares used in the calculation of basic and diluted earnings per share from continuing operations (in thousands, except per share amounts):

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25. EARNINGS PER SHARE -- (Continued)

	Fiscal Year Ended December 26, 1998 (52 weeks) Loss	Shares	Per-Share Amount	Fiscal Year Ended December 27, 1997 (52 weeks) Loss	Shares	Per-Share Amount
Basic earnings per share	$ (91)	63,348	$ --	$ (10,091)	66,337	$ (0.15)
Effect of stock option plans ..	--	--	--	--	--	--
Diluted earnings per share	$ (91)	63,348	$ --	$ (10,091)	66,337	$ (0.15)

	Fiscal Year Ended December 28, 1996 (48 weeks) Income	Shares	Per-Share Amount
Basic earnings per share	$ 32,966	68,997	$ 0.48
Effect of stock option plans ..	--	890	(0.01)
Diluted earnings per share	$ 32,966	69,887	$ 0.47

The Company has restated earnings per share for fiscal year 1996 to conform to SFAS No. 128. The effect of this accounting change on previously reported earnings per share data for income from continuing operations is as follows:

	Fiscal Year Ended December 28, 1996
Per share amounts:	
Primary earnings per share as previously reported .	$ 0.47
Effect of SFAS No. 128	0.01
Basic earnings per share	$ 0.48

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON SCHEDULES

To Collins & Aikman Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated financial statements of Collins & Aikman Corporation and subsidiaries included in this Form 10-K, and have issued our report thereon dated February 22, 1999 (except with respect to the matters discussed in Note 11 to those financial statements, as to which the date is March 19, 1999). Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedules listed in Item 14 of this Form 10-K are the responsibility of the Company's management and are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state in all material respects the financial data

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required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Charlotte, North Carolina,
February 22, 1999.

COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEETS

(in thousands)

	December 26, 1998	December 27, 1997
ASSETS		
Current Assets:		
Cash	$ 81	$ 415
Other	12	12
Total current assets	93	427
Other assets	--	902
	$ 93	$ 1,329
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities	$ 199	$ 16
Share of accumulated losses in excess of investments in subsidiaries	77,083	65,581
Other noncurrent liabilities	2,582	2,582
Common stock	705	705
Other stockholders' deficit	(80,476)	(67,555)
Total stockholders' deficit	(79,771)	(66,850)
	$ 93	$ 1,329

The Notes to the Condensed Financial Statements are an integral part of these condensed financial statements.

COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF OPERATIONS

(in thousands)

	Fiscal Year Ended		
	December 26, 1998 (52 Weeks)	December 27, 1997 (52 Weeks)	December 28, 1996 (48 Weeks)
Other expenses	$ (608)	$ (589)	$ (592)
Interest income	217	836	790

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Income (loss) from operations before equity in income (loss) of subsidiary ...	(391)	247	198
Equity in income (loss) of subsidiary	(3,424)	154,988	40,626
Net income (loss)	$ (3,815)	$155,235	$40,824

</TABLE>

The Notes to the Condensed Financial Statements are an integral part of these condensed financial statements.

COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF CASH FLOWS

(in thousands)

<TABLE>
<CAPTION>

<S>	December 26, 1998 (52 Weeks) <C>	December 27, 1997 (52 Weeks) <C>	December 28, 1996 (48 Weeks) <C>
OPERATING ACTIVITIES			
Net cash provided by (used in) operating activities	$ (334)	$ (332)	$ 122
FINANCING ACTIVITIES			
Purchases of treasury stock	(25,013)	(19,715)	(9,594)
Proceeds from exercise of stock options	--	385	138
Intercompany transfers (to) from subsidiary	(5,987)	(2,094)	6,104
Dividends received from subsidiary	31,000	21,424	3,000
Net cash used in financing activities	--	--	(352)
Net decrease in cash	(334)	(332)	(230)
Cash at beginning of year	415	747	977
Cash at end of year	$ 81	$ 415	$ 747

</TABLE>

Notes to Condensed Financial Statements

1. Presentation:

These condensed financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information presented not misleading. For disclosures regarding commitments and contingencies, see Notes 13, 15 and 22 to Consolidated Financial Statements.

2. See Notes to Consolidated Financial Statements for additional disclosures.

COLLINS & AIKMAN CORPORATION AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

For the Fiscal Years Ended December 26, 1998, December 27, 1997 and December 28, 1996
(in thousands)

<TABLE>
<CAPTION>

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Description	Balance at Beginning of Year	Additions Resulting from Acquisitions	Charge to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Fiscal Year Ended December 26, 1998						
Allowance for doubtful accounts	$ 9,275	$ 247	$3,751	$ 482(a)	$ (6,527)(c)	$ 7,228
Restructuring reserves	$ 7,676	$ --	$ --	$ --	$ (5,736)(d)	$ 1,940
Fiscal Year Ended December 27, 1997						
Allowance for doubtful accounts	$10,380	$ --	$ 604	$ 96(a)	$ (1,805)(b)	$ 9,275
Restructuring reserves	$ 9,694	$ --	$ --	$1,200	$ (3,218)(d)	$ 7,676
Fiscal Year Ended December 28, 1996						
Allowance for doubtful accounts	$ 3,381	$6,461	$ 899	$ 37(a)	$ (398)(b)	$10,380
Restructuring reserves	$ 919	$ --	$ --	$9,200	$ (425)(d)	$ 9,694

</TABLE>

(a) Reclassifications and collection of accounts previously written off.

(b) Reclassifications to discontinued operations and other accounts and uncollectible amounts written off.

(c) Reclassifications to other accounts, uncollectible amounts written off, and the elimination of amounts included in the allowance due from Enjema which was considered as a component of the Company's purchase cost for the remaining 50% interest in Enjema.

(d) Spending against the established reserves. See Note 16 to the Consolidated Financial Statements.

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WAIVER

WAIVER, dated as of December 22, 1998 (this "Waiver"), under the Credit Agreement, dated as of May 28, 1998 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among COLLINS & AIKMAN PRODUCTS CO., a Delaware corporation (the "Company"), COLLINS & AIKMAN CANADA INC., a Canadian corporation ("Collins & Aikman Canada"), COLLINS & AIKMAN PLASTICS, LTD., a Canadian corporation ("Collins & Aikman Plastics", and collectively with Collins & Aikman Canada, the "Canadian Borrowers"), COLLINS & AIKMAN CORPORATION, a Delaware corporation ("Holdings"), the financial institutions parties thereto (the "Lenders"), BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, as documentation agent (in such capacity, the "Documentation Agent") and THE CHASE MANHATTAN BANK, as administrative agent (in such capacity, the "Administrative Agent") and THE CHASE MANHATTAN BANK OF CANADA, as Canadian administrative agent (in such capacity, the "Canadian Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Company, the Canadian Borrowers and Holdings have requested the Lenders to waive certain covenants in the Credit Agreement as set forth herein; and

WHEREAS, the Lenders are willing to waive such covenants in the Credit Agreement on and subject to the terms and conditions thereof;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties agree as follows:

SECTION 1. Definitions. Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as therein defined.

SECTION 2. Waiver of Section 6.14 (Interest Coverage Ratio). Section 6.14 of the Credit Agreement is hereby waived for the period of four fiscal quarters ending December 26, 1998; provided that such waiver is effective only if the Interest Coverage Ratio for such period is at least 1.75 to 1.00.

SECTION 3. Waiver of Section 6.16 (Leverage Ratio). Section 6.16 of the Credit Agreement is hereby waived in respect of the last day of the fiscal quarter ending December 26, 1998; provided that such waiver is effective only if the Leverage Ratio on such day is no greater than 5.65 to 1.00.

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SECTION 4. Representations and Warranties. Holdings, the Company and the Canadian Borrowers hereby represent and warrant to the Administrative Agent, the Canadian

Administrative Agent and each Lender that after giving effect to the waivers contained herein, Holdings and the Borrower hereby confirm, reaffirm and restate the representations and warranties set forth in Article III of the Credit Agreement as if made on and as of the Waiver Effective Date, except as they may specifically relate to an earlier date; provided that such representations and warranties shall be and hereby are amended so that all references to the Agreement therein shall be deemed a reference to (i) the Credit Agreement, (ii) this Waiver and (iii) the Credit Agreement as amended by this Waiver.

SECTION 5. Conditions Precedent. This Waiver shall become effective as of the date hereof (the "Waiver Effective Date") when each of the conditions precedent set forth below shall have been fulfilled:

(a) Waiver. The Administrative Agent shall have received this Waiver, executed and delivered by a duly authorized officer of each of the Company, the Canadian Borrowers, Holdings and the Required Lenders.

(b) No Default or Event of Default. On and as of the Waiver Effective Date and after giving effect to this Waiver and the transactions contemplated hereby, no Default or Event of Default shall have occurred and be continuing.

(c) Representations and Warranties. The representations and warranties made by the Company and the Canadian Borrowers in the Credit Agreement and herein after giving effect to this Waiver and the transactions contemplated hereby shall be true and correct in all material respects on and as of the Waiver Effective Date as if made on such date, except where such representations and warranties relate to an earlier date in which case such representations and warranties shall be true and correct as of such earlier date.

(d) Acknowledgement and Consent. The Administrative Agent shall have received from each of Holdings, the Company, the Canadian Borrowers and the other Guarantors with respect to each Loan Document to which it is a party a duly executed Acknowledgment and Consent, substantially in the form of Exhibit A hereto.

SECTION 6. Continuing Effect of Credit Agreement. This Waiver shall not constitute an amendment or waiver of any provision of the Credit Agreement not expressly referred to herein and shall not be construed as an amendment, waiver or consent to any action on the part of any party hereto that would require an amendment, waiver or consent of the Administrative Agent or the Lenders except as expressly stated herein. Except as expressly waived hereby, the provisions of

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the Credit Agreement are and shall remain in full force and effect.

SECTION 7. Expenses. The Company and the Canadian Borrowers agree to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with (a) the negotiation, preparation, execution and delivery of this Waiver and any other documents prepared in connection herewith, and consummation of the transactions contemplated hereby and thereby, including the fees and expenses of Simpson

Thacher & Bartlett, counsel to the Administrative Agent, and (b) the enforcement or preservation of any rights under this Waiver and any other such documents.

SECTION 8. GOVERNING LAW. THIS WAIVER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 9. Counterparts. This Waiver may be executed in any number of counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all counterparts taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Waiver to be duly executed and delivered by their respective duly authorized officers as of the day and year first above written.

COLLINS & AIKMAN PRODUCTS CO.

By: /s/ J. Michael Stepp

Title: Executive Vice President & CFO

COLLINS & AIKMAN CANADA INC.

By: /s/ J. Michael Stepp

Title: Vice President & CFO

COLLINS & AIKMAN PLASTICS, LTD.

By: /s/ J. Michael Stepp

Title: Executive Vice President

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COLLINS & AIKMAN CORPORATION

By: /s/ J. Michael Stepp

Title: Executive Vice President & CFO

THE CHASE MANHATTAN BANK, as
Administrative Agent, Collateral Agent
and as a Lender

By: /s/ Rosemary Bradley

Title: Vice President

THE CHASE MANHATTAN BANK OF CANADA, as
Canadian Administrative Agent and as a
Lender

By: /s/ Christine Chan

Title: Vice President

By: /s/ Francois Poirier

Title: Vice President

BANK OF AMERICA CANADA, as
a lender

By: /s/ Richard Hall

Name: Richard Hall

Title: Vice President

THE BANK OF NEW YORK

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By: /s/ Ann Marie Hughes

Title: Vice President

BANK AUSTRIA CREDITANSTALT CORPORATE FINANCE, INC.

By:

Name:
Title:

By:

Name:
Title:

THE BANK OF NOVA SCOTIA

By: /s/ William E. Zarrett

Title: Senior Relationship Manager

BANK OF SCOTLAND

By:

Name:
Title:

BANK OF TOKYO - MITSUBISHI TRUST COMPANY

By:

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Name:
Title:

BRANCH BANKING AND TRUST COMPANY

By:

Name:
Title:

CIBC INC.

By: /s/ CYD Petre

Title: Executive Director
CIBC Oppenheimer Corp.,
As AGENT

COMERICA BANK

By: /s/ Robert M. Ramirez

Title: Account Officer

COMPAGNIE FINANCIERE DE
CIC ET DE L'UNION EUROPEENNE

By: /s/ Anthony Rock

Title: Vice President

By: Sean Mounier

Title: First Vice President

COOPERATIEVE CENTRALE
RAIFFEISEN-BOERENLENBANK

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B.A., "RABOBANK NEDERLAND," NEW YORK BRANCH

By:

Name:
Title:

By:

Name:
Title:

CREDIT AGRICOLE INDUSUEZ

By: /s/ David Bouhl, F.V.P.

Title: Head of Corp. Banking Chicago

By: /s/ Dean Balice

Title: Sen. Vice Pres. & Branch Manager

CREDIT LYONNAIS ATLANTA AGENCY

By: /s/ Larry D. Middlebrooks

Title: Vice President

CRESCENT/MACH I PARTNERS, L.P.

By: TCW Asset Management Company
its Investment Manager

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By:

Name:
Title:

CYPRESSTREE SENIOR FLOATING RATE FUND

By: CypressTree Investment Management
Company, Inc., as Portfolio Manager

By:

Name:
Title:

KZH-CYPRESSTREE-1 LLC

By: /s/ Virginia Conway

Title: Authorized Agent

DRESDNER BANK, A.G. NEW YORK AND GRAND
CAYMAN BRANCH

By: /s/ Christopher E. Sarisky

Title: Assistant Vice President

By: /s/ Brigette Sacin

Title: Assistant Treasurer

ERSTE BANK DER OESTERREICHISCHEN
SPARKASSEN AG

By: /s/ Rima Terradista

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Title: Vice President

By: /s/ John S. Runnion

Title: First Vice President

FIRST NATIONAL BANK OF CHICAGO

By: /s/ James F. Gable

Title: Customer Service Officer

FIRST UNION NATIONAL BANK

By:

Name:
Title:

THE FUJI BANK, LIMITED, NEW YORK BRANCH

By:

Name:
Title:

GM CASH MANAGEMENT

By:

Name:
Title:

INDOSUEZ CAPITAL FUNDING IV L.P.

By: Indosuez Capital, as Portfolio

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Advisor

By: /s/ Francoise Berthelot

Title: Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By: /s/ Takuya Houjo

Title: Senior Vice President

KZH III LLC

By: /s/ Virginia Conway

Title: Authorized Agent

THE LONG-TERM CREDIT BANK OF JAPAN
LIMITED, NEW YORK BRANCH

By:

Name:
Title:

MERRILL LYNCH PRIME RATE PORTFOLIO

By:

Name:
Title:

MERRILL LYNCH SENIOR FLOATING RATE

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Please Consider the Environment Before Printing This Document

By:

Name:
Title:

THE MITSUBISHI TRUST AND BANKING CORPORATION

By: /s/ Beatrice E. Kossodo

Title: Senior Vice President

MORGAN STANLEY SENIOR FUNDING. INC.

By: /s/ Christopher A. Puci

Title: Vice President

NATEXIS BANQUE BFCE

By:

Name:
Title:

By:

Name:
Title:

NATIONSBANK, N.A.

By: /s/ David H. Dinkins

Title: Vice President

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NEW YORK LIFE INSURANCE COMPANY

By:

Name:
Title:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

By: New York Life Insurance Company

By:

Name:
Title:

OASIS COLLATERALIZED HIGH INCOME PORTFOLIO

By:

Name:
Title:

OCTAGON LOAN TRUST

By: Octagon Credit Investors, as Manager

By:

Name:
Title:

SENIOR DEBT PORTFOLIO

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By: Boston Management and Research, as
Investment Advisor

By: /s/ Payson F. Swaffield

Title: Vice President

SOCIETE GENERALE

By: /s/ Ralph Saheb

Title: Vice Pres. & Southwest
Operations Manager

STB DELAWARE FUNDING TRUST I

By: /s/ Donald C. Hargadon

Title: Assistant Vice President

SUNTRUST BANK, ATLANTA

By: /s/ Bradley J. Staples

Title: Vice President

By: /s/ Kelley E. Brunson

Title: Banking Officer

TORONTO DOMINION (TEXAS), INC.

By:

Name:
Title:

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THE TORONTO-DOMINION BANK

By:

Name:
Title:

THE TRAVELERS INSURANCE COMPANY

By: /s/ A.W. Carnduff

Title: 2nd Vice President

VAN KAMPEN CLO II, LIMITED

By: Van Kampen Management, Inc., as
Collateral Manager

By: /s/ Jeffrey W. Manlet

Title: Senior Vice Pres. & Director

WACHOVIA BANK, N.A.

By: /s/ Suzanne Morrison

Title: Vice President

EXHIBIT A TO
WAIVER

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ACKNOWLEDGEMENT AND CONSENT

Each of the undersigned Persons hereby:

(a) acknowledges and consents to the execution, delivery and performance of the Waiver, dated as of December __, 1998 (the "Waiver") to the Credit Agreement dated as of May 28, 1998 (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Collins & Aikman Products Co. (the "Company"), Collins & Aikman Canada Inc. ("Collins & Aikman Canada"), Collins & Aikman Plastics, Ltd. ("Collins & Aikman Plastics", and collectively with Collins & Aikman Canada, the "Canadian Borrowers") Collins & Aikman Corporation ("Holdings"), the several banks and other institutions from time to time parties to the Credit Agreement (the "Lenders"), Bank of America National Trust & Savings Association, as documentation agent (in such capacity, the "Documentation Agent") and The Chase Manhattan Bank, as administrative agent (in such capacity, the "Administrative Agent") and The Chase Manhattan Bank of Canada, as Canadian administrative agent (in such capacity, the "Canadian Administrative Agent"); and

(b) agrees that such execution, delivery and performance shall not in any way affect such Person's obligations under any Loan Document (as defined in the Credit Agreement) to which such Person is a party, which obligations on the date hereof remain absolute and unconditional and are not subject to any defense, set-off or counterclaim;

Dated: December 22, 1998

COLLINS & AIKMAN PRODUCTS CO.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. &
Chief Financial Officer

COLLINS & AIKMAN CANADA INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Vice Pres. &
Chief Financial Officer

COLLINS & AIKMAN PLASTICS, LTD.

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Please Consider the Environment Before Printing This Document

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Executive Vice President

COLLINS & AIKMAN CORPORATION

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

THE AKRO CORPORATION

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

DURA CONVERTIBLE SYSTEMS, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

WICKES ASSET MANAGEMENT, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Vice President

COLLINS & AIKMAN INTERNATIONAL
CORPORATION

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By: /s/ A. Dennis Mahedy

Name: A. Dennis Mahedy
Title: Vice Pres. & Treasurer

WICKES REALTY, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Vice President

AMCO CONVERTIBLE FABRICS, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

COLLINS & AIKMAN PLASTICS, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

HUGHES PLASTICS, INCORPORATED

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

COLLINS & AIKMAN EUROPE, INC.

By: /s/ J. Michael Stepp

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Please Consider the Environment Before Printing This Document

----
Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

PACJ, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

COLLINS & AIKMAN CARPET & ACOUSTICS (TN), INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

COLLINS & AIKMAN CARPET & ACOUSTICS (MI), INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. & CFO

COLLINS & AIKMAN AUTOMOTIVE INTERNATIONAL, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Vice President

COLLINS & AIKMAN ASSET SERVICES, INC.

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By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Vice President

CW MANAGEMENT CORPORATION

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Vice President

HOPKINS SERVICES, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Vice President

SAF SERVICES CORPORATION

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Vice President

COLLINS & AIKMAN (GIBRALTAR) LIMITED

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: Exec. Vice Pres. &
Chief Financial Officer

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AMENDMENT AND WAIVER

AMENDMENT AND WAIVER, dated as of March 8, 1999 (this "Amendment and Waiver"), under the Credit Agreement, dated as of May 28, 1998 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among COLLINS & AIKMAN PRODUCTS CO., a Delaware corporation (the "Company"), COLLINS & AIKMAN CANADA INC., a Canadian corporation ("Collins & Aikman Canada"), COLLINS & AIKMAN PLASTICS, LTD., a Canadian corporation ("Collins & Aikman Plastics", and collectively with Collins & Aikman Canada, the "Canadian Borrowers"), COLLINS & AIKMAN CORPORATION, a Delaware corporation ("Holdings"), the financial institutions parties thereto (the "Lenders"), BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, as documentation agent (in such capacity, the "Documentation Agent") and THE CHASE MANHATTAN BANK, as administrative agent (in such capacity, the "Administrative Agent") and THE CHASE MANHATTAN BANK OF CANADA, as Canadian administrative agent (in such capacity, the "Canadian Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Company, the Canadian Borrowers and Holdings have requested that the Lenders amend and waive certain provisions contained in the Credit Agreement as set forth herein;

WHEREAS, the Lenders are willing to consent to the requested amendments and waivers on and subject to the terms and conditions contained herein;

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties agree as follows:

1. Definitions. Unless otherwise defined herein, terms defined in the Credit Agreement are used herein as therein defined.

2. Amendment of Section 1.1 (Definitions). (a) Section 1.1 of the Credit Agreement is hereby amended by deleting the definitions of "Applicable Margin" and "Dividend Condition" and replacing them with the following, respectively:

"Applicable Margin" means (a) for Revolving Loans, Swingline Loans and Tranche A Term Loans (i) for any date on or after the Closing Date to but excluding the first day after delivery of the financial statements of Holdings for the fiscal quarter of Holdings ending September 26, 1998, with respect to Eurodollar Loans and B/As, 1-3/4% and with respect to ABR Loans and Canadian Prime Rate Loans, 3/4 of 1%, and

(ii) for any date on or after the first day after delivery of the financial statements referred to in the immediately preceding clause (i) above, with respect to any Eurodollar Loans, B/As, ABR Loans or Canadian Prime Rate Loans, as the case may be, the applicable margin set forth on Schedule 1.01(A) opposite the Applicable Level, in each case as of the last day of Holdings' fiscal quarter most recently ended as of such date and (b) for Tranche B Term Loans (i) for any day prior to the effective date of the Amendment and Waiver dated as of March 8, 1999 to this Agreement, with respect to Eurodollar Loans, 2%, and with respect to ABR Loans, 1%, and (ii) thereafter, with respect to any Eurodollar Loans or ABR Loans, the applicable margin set forth on Schedule 1.01(A) opposite the Applicable Level, in each case as at the last day of Holdings' fiscal quarter most recently ended as of such date; provided that, notwithstanding the foregoing for Tranche C Term Loans, the Applicable Margin shall be set forth in the Tranche C Term Loan Supplement.

"Dividend Condition" shall mean that the Applicable Level is at least Level III.

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(b) Section 1.1 of the Credit Agreement is hereby amended by adding the following definition in proper alphabetical order:

"Term Loans" shall mean the collective reference to the Tranche A Term Loans, the Tranche B Term Loans and, if made, the Tranche C Term Loans.

(c) Section 1.1 of the Credit Agreement is hereby amended by adding the following at the end of the definition of "EBITDA":

In addition, EBITDA calculated in accordance with the preceding sentence for the Company's 1998 fiscal year shall be adjusted (other than for purposes of determining the Applicable Margin) as follows to take into account the effect of the United Auto Workers' strike against General Motors Corporation in the summer of 1998: increased by $5,950,000 for the second fiscal quarter; increased by $15,700,000 for the third fiscal quarter; and reduced by $2,900,000 for the fourth fiscal quarter.

3. Amendment to Section 2.05 (Fees). Section 2.05(a) of the Credit Agreement is hereby amended by deleting each reference to the phrase "Level I" and substituting therefor each such time the phrase "Level II".

4. Amendment of Section 2.12 (Prepayment). Section 2.12 of the Credit Agreement is hereby amended by adding to clause (iii) of the second sentence of paragraph (l) the phrase "or Tranche C Lender" immediately after the phrase "by such Tranche B Lender".

5. Amendment to Article V (Affirmative Covenants). Article V of the Credit Agreement is amended by adding the following new Section 5.16.

SECTION 5.16 Business of Waterstone Insurance, Inc. Cause Waterstone Insurance, Inc. to be engaged solely in the business of insurance activities for Holdings and its Subsidiaries.

6. Amendment of Section 6.05 (Priority of Loan Payments). Section 6.05 of the Credit Agreement is hereby amended by deleting paragraph (a) therefrom and substituting therefor the following:

(a) Until the Commitments have been terminated and the Obligations have been paid in full, directly or indirectly, make any payment, retirement, repurchase or redemption on account of the principal of any Permitted Subordinated Indebtdness or directly or indirectly prepay any Permitted Subordinated Indebtedness prior to the regularly scheduled maturity date of such Permitted Subordinated Indebtedness (in each case except as permitted by clause (vii) of Section 6.05 (b)) or make any payment or prepayment of any Permitted Subordinated Indebtedness which would violate the terms of this Agreement or of such Permitted Subordinated Indebtedness.

7. Amendment of Section 6.14 (Interest Coverage Ratio). Section 6.14 of the Credit Agreement is hereby amended by deleting the table therein in its entirety and substituting in lieu thereof the following table:

<TABLE>
<CAPTION>

Quarter Ending:	Ratio:
<S>	<C>
January 1999 - June 2000	1.75 to 1.0
July 2000 - December 2000	2.00 to 1.0
January 2001 - December 2001	2.25 to 1.0
January 2002 and thereafter	2.75 to 1.0

</TABLE>

8. Amendment of Section 6.16 (Leverage Ratio). Section 6.16 of the Credit Agreement is hereby amended by deleting the table therein in its entirety and substituting in lieu thereof the following table:

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<TABLE>
<CAPTION>

Quarter Ending:	Ratio:
January 1999 - June 1999	5.50 to 1.0
July 1999 - December 1999	5.25 to 1.0
January 2000 - June 2000	5.00 to 1.0
July 2000 - December 2000	4.50 to 1.0
January 2001 - December 2001	4.00 to 1.0
January 2002 and thereafter	3.75 to 1.0

</TABLE>

9. Amendment of Schedules 1.01 (A) and (B). Schedules 1.01(A) and 1.01(B) to the Credit Agreement are hereby amended by deleting such Schedules and substituting therefor Schedules 1.01(A) and 1.01(B) attached to this Amendment and Waiver.

10. Waiver. The Lenders hereby agree that (a) Waterstone Insurance, Inc. ("Waterstone"), a wholly-owned captive insurance subsidiary of the Borrower, shall not be required to become a Guarantor under the Credit Agreement as long as doing so would violate applicable law, regulation or regulatory policy and (b) the pledge of the capital stock of Waterstone pursuant to the Pledge Agreement shall be subject to such restrictions as are imposed by applicable law, regulation or regulatory policy.

11. Representations and Warranties. Holdings, the Company and the Canadian Borrowers hereby represent and warrant to the Administrative Agent, the Canadian Administrative Agent and each Lender that after giving effect to the amendments and waivers contained herein, Holdings and the Borrower hereby confirm, reaffirm and restate the representations and warranties set forth in Article III of the Credit Agreement as if made on and as of the Effective Date, except as they may specifically relate to an earlier date; provided that such representations and warranties shall be and hereby are amended so that all references to the Agreement therein shall be deemed a reference to (i) the Credit Agreement, (ii) this Amendment and Waiver and (iii) the Credit Agreement as amended and waived by this Amendment and Waiver.

12. Conditions Precedent. This Amendment and Waiver shall become effective as of the date hereof when each of the conditions precedent set forth below shall have been fulfilled (the date such conditions are fulfilled, the "Effective Date"), provided that any increase in the Applicable Margin shall be effective as of the Effective Date:

(a) Amendment and Waiver. The Administrative Agent shall have received this Amendment and Waiver, executed and delivered by a duly authorized officer of each of the Company, the Canadian Borrowers, Holdings and the Required Lenders.

(b) No Default or Event of Default. On and as of the Effective Date and after giving effect to this Amendment and Waiver and the transactions contemplated hereby, no Default or Event of Default shall have occurred and be continuing.

(c) Representations and Warranties. The representations and warranties made by the Company and the Canadian Borrowers in the Credit Agreement and herein after giving effect to this Amendment and Waiver and the transactions contemplated hereby shall be true and correct in all material respects on and as of the Effective Date as if made on such date, except where such representations and warranties relate to an earlier date in which case such representations and warranties shall be true and correct as of such earlier date.

(d) Acknowledgment and Consent. The Administrative Agent shall have received from each of Holdings, the Company, the Canadian Borrowers and the other Guarantors with respect to each Loan Document to which it is a party a duly executed Acknowledgment and Consent, substantially in the form of Exhibit A hereto.

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(e) Amendment Fee. The Borrower shall have paid to the Administrative Agent, for the account of each Lender which returns an executed copy of this Amendment and Waiver to the Administrative Agent on or prior to the Effective Date, an amendment fee equal to .125% of the sum of such Lender's Revolving Credit Commitment and outstanding Term Loans.

13. Continuing Effect of Credit Agreement. This Amendment and Waiver shall not constitute an amendment or waiver of any provision of the Credit Agreement not expressly referred to herein and shall not be construed as an amendment, waiver or consent to any action on the part of any party hereto that would require an amendment, waiver or consent of the Administrative Agent or the Lenders except as expressly stated herein. Except as expressly waived hereby, the provisions of the Credit Agreement are and shall remain in full force and effect.

14. Expenses. The Company and the Canadian Borrowers agree to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with (a) the negotiation, preparation, execution and delivery of this Amendment and Waiver and any other documents prepared in connection herewith, and consummation of the transactions contemplated hereby and thereby, including the fees and expenses of Simpson Thacher & Bartlett, counsel to the Administrative Agent, and (b) the enforcement or preservation of any rights under this Amendment and Waiver and any other such documents.

15. GOVERNING LAW. THIS AMENDMENT AND WAIVER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

16. Counterparts. This Amendment and Waiver may be executed in any number of counterparts by the parties hereto, each of which counterparts when so executed shall be an original, but all counterparts taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment and Waiver to be duly executed and delivered by their respective duly authorized officers as of the day and year first above written.

COLLINS & AIKMAN PRODUCTS CO.

By /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: E.V.P. & C.F.O.

COLLINS & AIKMAN CANADA INC.

By /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: V.P. & C.F.O.

COLLINS & AIKMAN PLASTICS, LTD.

By /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: E.V.P.

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COLLINS & AIKMAN CORPORATION

By /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: E.V.P. & C.F.O.

THE CHASE MANHATTAN BANK, as Administrative Agent, Collateral Agent and as a Lender

By /s/ James B. Treger

Name: James B. Treger
Title: Vice President

THE CHASE MANHATTAN BANK OF CANADA, as Canadian Administrative Agent and as a Lender

By /s/ Christine Chan

Name: Christine Chan
Title: Vice President

By /s/ Charles D. Ritchie

Name: Charles D. Ritchie
Title: Vice President

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as Documentation Agent and as a Lender

By /s/ David H. Dinkins

Name: David H. Dinkins
Title: Vice President

THE BANK OF NEW YORK

By /s/ Ann Marie Hughes

Name: Ann Marie Hughes
Title: Vice President

BANK AUSTRIA CREDITANSTALT CORPORATE FINANCE, INC.

By: /s/ Robert M. Biringer

Name: Robert M. Biringer
Title: EVP

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By: /s/ William E. McCollum, Jr.

Name: William E. McCollum, Jr.
Title: Sr. Associate

THE BANK OF NOVA SCOTIA

By: /s/ William E. Zarrett

Name: William E. Zarrett
Title: Senior Relationship Manager

BANK OF SCOTLAND

By /s/ Annie Chin Tat

Name: Annie Chin Tat
Title: Senior Vice President

BANK OF TOKYO - MITSUBISHI TRUST COMPANY

By

Name:
Title:

BRANCH BANKING AND TRUST COMPANY

By /s/ Thatcher L. Townsend

Name: Thatcher L. Townsend III
Title: Senior Vice President

CIBC INC.

By /s/ Cyd Petre

Name: Cyd Petre
Title: Executive Director
CIBC Oppenheimer Corp,
As AGENT

COMERICA BANK

By /s/ Robert M. Ramirez

Name: Robert M. Ramirez
Title: Account Officer

COMPAGNIE FINANCIERE DE
CIC ET DE L'UNION EUROPEENNE

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By /s/ Anthony Rock

Name: Anthony Rock
Title: Vice President

By /s/ Sean Mounier

Name: Sean Mounier
Title: First Vice President

COOPERATIEVE CENTRALE
RAIFFEISEN-BOERENLENBANK
B.A., "RABOBANK NEDERLAND," NEW YORK
BRANCH

By /s/ Hans F. Breukhoven

Name: Hans F. Breukhoven
Title: Vice President

By

Name:
Title:

CREDIT AGRICOLE INDUSUEZ

By /s/ David Bouhl

Name: David Bouhl
Title: F.V.P., Head of Corporate
Banking, Chicago

By /s/ Katherine L. Abbott

Name: Katherine L. Abbott
Title: First Vice President

CREDIT LYONNAIS ATLANTA AGENCY

By /s/ David M. Cawrse

Name: David M. Cawrse
Title: First Vice President

CRESCENT/MACH I PARTNERS, L.P.

By: TCW Asset Management Company
----
its Investment Manager

By /s/ Justin L. Driscoll

Name: Justin L. Driscoll
Title: Senior Vice President

CYPRESSTREE SENIOR FLOATING RATE FUND

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By: CypressTree Investment Management

Company, Inc., as Portfolio Manager

By /s/ Catherine C. McDermott

Name: Catherine C. McDermott
Title: Principal

KZH-CYPRESSTREE-1 LLC

By /s/ V. Conway

Name: Virginia Conway
Title: Authorized Agent

DRESDNER BANK, A.G. NEW YORK AND
GRAND CAYMAN BRANCH

By /s/ John W. Sweeney

Name: John W. Sweeney
Title: Assistant Vice President

By /s/ Beverly G. Cason

Name: Beverly G. Cason
Title: Vice President

ERSTE BANK DER OESTERREICHISCHEN
SPARKASSEN AG

By /s/ Rima Terradista

Name: Rima Terradista
Title: Vice President

By /s/ John S. Runnion

Name: John S. Runnion
Title: First Vice President

FIRST NATIONAL BANK OF CHICAGO

By /s/ Gary C. Wilson

Name: Gary C. Wilson
Title: First Vice President

FIRST UNION NATIONAL BANK

By /s/ Frederick E. Blumer

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Name: Frederick E. Blumer
Title: AVP

THE FUJI BANK, LIMITED, NEW YORK BRANCH

By /s/ Teiji Teramoto

Name: Teiji Teramoto
Title: Vice President and Manager

GM CASH MANAGEMENT

By

Name:
Title:

INDOSUEZ CAPITAL FUNDING IV L.P.

By: Indosuez Capital, as Portfolio

Advisor

By /s/ Melissa Marco

Name: Melissa Marco
Title: Vice President

THE INDUSTRIAL BANK OF JAPAN, LIMITED

By /s/ Takuya Honjo

Name: Takuya Honjo
Title: Senior Vice President

KZH III LLC

By /s/ V. Conway

Name: Virginia Conway
Title: Authorized Agent

THE LONG-TERM CREDIT BANK OF JAPAN
LIMITED, NEW YORK BRANCH

By /s/ Koji Sasayama

Name: Koji Sasayama
Title: Deputy General Manager

MERRILL LYNCH PRIME RATE PORTFOLIO
By: Merrill Lynch Asset Management,

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L.P., as Investment Adviser

By /s/ Paul Travers

Name: Paul Travers
Title: Authorized Signatory

MERRILL LYNCH SENIOR FLOATING RATE

By

Name:
Title:

THE MITSUBISHI TRUST AND BANKING CORPORATION

By /s/ Toshihiro Hayashi

Name: Toshihiro Hayashi
Title: Senior Vice President

MORGAN STANLEY SENIOR FUNDING. INC.

By

Name:
Title:

NATEXIS BANQUE BFCE

By /s/ Jordan Sadler

Name: Jordan Sadler
Title: Associate

By /s/ Frank H. Madden, Jr.

Name: Frank H. Madden, Jr.
Title: Vice President and Group Manager

NATIONSBANK, N.A.

By /s/ David H. Dinkins

Name: David H. Dinkins
Title: Vice President

NEW YORK LIFE INSURANCE COMPANY

By /s/ Steven M. Benevento

Name: Steven M. Benevento
Title: Director

NEW YORK LIFE INSURANCE AND ANNUITY

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CORPORATION

By: New York Life Insurance Company

By /s/ Steven M. Benevento

Name: Steven M. Benevento
Title: Director

OASIS COLLATERALIZED HIGH INCOME PORTFOLIO

By /s/ Andrew Ian Wignall

Name: Andrew Ian Wignall
Title: Director

OCTAGON LOAN TRUST

By: Octagon Credit Investors, as Manager

By /s/ Richard W. Stewart

Name: Richard W. Stewart
Title: Managing Director

SENIOR DEBT PORTFOLIO

By: Boston Management and Research, as

Investment Advisor

By /s/ Scott H. Page

Name: Scott H. Page
Title: Vice President

SOCIETE GENERALE

By /s/ Robert N. Delph

Name: Robert N. Delph
Title: Director

STB DELAWARE FUNDING TRUST I

By /s/ Donald C. Hargadon

Name: Donald C. Hargadon
Title: Assistant Vice President

SUNTRUST BANK, ATLANTA

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By /s/ Bradley J. Staples

Name: Bradley J. Staples
Title: Vice President

By /s/ Kelley E. Brunson

Name: Kelley E. Brunson
Title: Banking Officer

TORONTO DOMINION (TEXAS), INC.

By /s/ Lynn Chasin

Name: Lynn Chasin
Title: Vice President

THE TORONTO-DOMINION BANK

By /s/ Lynn Chasin

Name: Lynn Chasin
Title: Dir: Cr. Admin.

THE TRAVELERS INSURANCE COMPANY

By /s/ A. W. Carnduff

Name: A. W. Carnduff
Title: 2nd Vice President

VAN KAMPEN CLO II, LIMITED

By: Van Kampen Management Inc., as

Collateral Manager

By /s/ Jeffrey W. Mallett

Name: Jeffrey W. Mallet
Title: Senior Vice President and
Director

WACHOVIA BANK, N.A.

By /s/ Suzanne Morrison

Name: Suzanne Morrison
Title: Vice President

EXHIBIT A TO
AMENDMENT AND WAIVER

ACKNOWLEDGMENT AND CONSENT

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Each of the undersigned Persons hereby:

(a) acknowledges and consents to the execution, delivery and performance of the Amendment and Waiver, dated as of March 8, 1999 (the "Amendment and Waiver") to the Credit Agreement dated as of May 28, 1998 (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Collins & Aikman Products Co. (the "Company"), Collins & Aikman Canada Inc. ("Collins & Aikman Canada"), Collins & Aikman Plastics, Ltd. ("Collins & Aikman Plastics", and collectively with Collins & Aikman Canada, the "Canadian Borrowers") Collins & Aikman Corporation ("Holdings"), the several banks and other institutions from time to time parties to the Credit Agreement (the "Lenders"), Bank of America National Trust & Savings Association, as documentation agent (in such capacity, the "Documentation Agent") and The Chase Manhattan Bank, as administrative agent (in such capacity, the "Administrative Agent") and The Chase Manhattan Bank of Canada, as Canadian administrative agent (in such capacity, the "Canadian Administrative Agent"); and

(b) agrees that such execution, delivery and performance shall not in any way affect such Person's obligations under any Loan Document (as defined in the Credit Agreement) to which such Person is a party, which obligations on the date hereof remain absolute and unconditional and are not subject to any defense, set-off or counterclaim;

Dated: March 8, 1999

COLLINS & AIKMAN PRODUCTS CO.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

COLLINS & AIKMAN CANADA INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: VP & CFO

COLLINS & AIKMAN PLASTICS, LTD.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP

COLLINS & AIKMAN CORPORATION

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

THE AKRO CORPORATION

By: /s/ J. Michael Stepp

Name: J. Michael Stepp

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Title: EVP & CFO

DURA CONVERTIBLE SYSTEMS, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

WICKES ASSET MANAGEMENT, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: VP

COLLINS & AIKMAN INTERNATIONAL CORPORATION

By: /s/ A. Dennis Mahedy

Name: A. Dennis Mahedy
Title: V.P. & Treasurer

WICKES REALTY, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: V.P.

AMCO CONVERTIBLE FABRICS, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

COLLINS & AIKMAN PLASTICS, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

COLLINS & AIKMAN EUROPE, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

PACJ, INC.

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By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

COLLINS & AIKMAN CARPET & ACOUSTICS (TN), INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

COLLINS & AIKMAN CARPET & ACOUSTICS (MI), INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

COLLINS & AIKMAN AUTOMOTIVE INTERNATIONAL, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: V.P.

COLLINS & AIKMAN ASSET SERVICES, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: V.P.

CW MANAGEMENT CORPORATION

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: V.P.

HOPKINS SERVICES, INC.

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: V.P.

SAF SERVICES CORPORATION

By: /s/ J. Michael Stepp

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----
Name: J. Michael Stepp
Title: V.P.

COLLINS & AIKMAN (GIBRALTAR) LIMITED

By: /s/ J. Michael Stepp

Name: J. Michael Stepp
Title: EVP & CFO

Schedule 1.01(A)
to Credit Agreement

Applicable Margin

<TABLE>
<CAPTION>

Ratios	Revolving Loans, Swingline Loans and Tranche A Term Loans: Eurodollar and Bankers Acceptances Rate Loan Margin	Revolving Loans, Swingline Loans and Tranche A Term Loans: ABR and Canadian Prime Rate Loan Margin	Tranche B Term Loans: Eurollar Rate Loan Margin	Tranche B Term Loans: ABR Loan Margin
<S>	<C>	<C>	<C>	<C>
Leverage Ratio greater than 4.50:1.00 ("Level I")	2.25%	1.25%	2.75%	1.75%
Leverage Ratio less than or equal to 4.50:1.00 and greater than 4.00:1.00 ("Level II")	1.75%	0.75%	2.50%	1.50%
Leverage Ratio less than or equal to 4.00:1.00 but greater than 3.50 to 1.00 ("Level III")	1.50%	0.50%	2.25%	1.25%
Leverage Ratio less than or equal to 3.50:1.00 ("Level IV")	1.25%	0.25%	2.25%	1.25%

</TABLE>

Schedule 1.01(B)
to Credit Agreement

Applicable Excess Cash Flow Prepayment Percentage

<TABLE>
<CAPTION>

Applicable Level determined in accordance with Schedule 1.01(A)	Excess Cash Flow Prepayment Percentage
<S>	<C>
Level I	50%

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Level II	50%
Level III	25%
Level IV	25%

</TABLE>

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March 23, 1999

Mr. David A. Stockman
Co-Chairman of the Board of Directors
Collins & Aikman Corporation
c/o The Blackstone Group L.P.
345 Park Avenue, 31st Floor
New York, NY 10154

Dr. Bruce R. Barnes
Co-Chairman of the Board of Directors
Collins & Aikman Corporation
c/o Wasserstein Perella & Co.
31 West 52nd Street, 27th Floor
New York, NY 10019

Gentlemen:

In consideration for my services in connection with the reorganization, the Company will provide the following benefits to me:

- During 1999, I will participate in the Company's annual Executive Incentive Compensation Plan (the "EIC Plan") and a special Reorganization Bonus Plan. The amount of bonus paid under the Reorganization Bonus Plan will depend upon the achievement of targets under the reorganization plan for the Company presented to the Board of Directors on February 10, 1999. If I retire from the Company prior to December 31, 1999, I will be entitled to receive a pro rata bonus under the EIC Plan (based on the number of months during which I was actually employed over 12) and a bonus under the Reorganization Bonus Plan based on the extent to which the reorganization plan targets have been achieved as of the date of my retirement.

- The period during which I may exercise any vested and outstanding options granted to me under the Collins & Aikman Corporation 1993 Employee Stock Option Plan and the Collins & Aikman 1994 Employee Stock Option Plan will be extended until the earlier of (i) the original expiration date of said options or (ii) two (2) years after the date of my termination of employment with the Company.

The foregoing paragraphs of this letter agreement shall become binding upon the Company on the earlier to occur of (i) March 31, 2000 and (ii) an involuntary termination of my employment by the Company without Cause (as defined in the Agreement dated July 22, 1992, as amended, referred to below). Prior to such time the foregoing paragraphs shall be of no force or effect.

This letter agreement, the Change of Control agreement dated March 17, 1998 and the Agreement dated July 22, 1992 as amended between me and Collins & Aikman Products Co. constitute the entire

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agreement and understanding between me and the Company and its affiliates with respect to the subject matter hereof and supercede all prior agreements and understandings between me and the Company and its affiliates with respect to the subject matter hereof. This letter agreement may not be amended except in a writing entered into between us.

If this letter accurately evidences our mutual agreement regarding these matters, please so indicate by signing and returning to me the enclosed copy of this letter.

Very truly yours,

/s/ Thomas E. Hannah
Thomas E. Hannah

ACCEPTED:

/s/ David A. Stockman	/s/ Bruce R. Barnes
------------------------------	------------------------------
David A. Stockman	Bruce R. Barnes
---------------	---------------
Date	Date

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AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of January 20, 1999, by and between COLLINS & AIKMAN PRODUCTS CO., a Delaware corporation (the "Company"), and MICHAEL WESTON ("Employee").

W I T N E S S E T H

WHEREAS, Employee is currently employed by the Company pursuant to that certain Employment Agreement between the Company and Employee dated March 3, 1997 (the "Employment Agreement"); and

WHEREAS, the Company and Employee desire to amend and restate the Employment Agreement in its entirety effective as of the date hereof;

NOW, THEREFORE, in consideration of Employee's continued employment and the mutual agreements contained herein, the parties agree that the Employment Agreement is amended and restated in its entirety effective as of the date hereof to read as follows:

1. Term of Employment. The Company hereby agrees to employ Employee, and Employee hereby accepts employment, for a period of two (2) years, commencing April 1, 1999 and ending March 31, 2001, subject to the terms and conditions of this Agreement.

2. Position of Employment. During the term of this Agreement, Employee shall be employed in the position of President - Collins & Aikman European Interior Systems Group and shall perform such services for the Company and its subsidiaries as may be assigned to him from time to time by the Board of Directors of the Company. The initial location of Employee's employment hereunder has not been finalized as of the date hereof but is anticipated to be in Germany. Employee shall devote his full time and attention to the affairs of the Company and his duties in such position.

3. Compensation.

(a) Base Salary. The Company shall pay to Employee base salary at an annual rate of not less than $330,000 during the term of his employment hereunder. Such amount shall be reviewed annually by the Board of Directors of the Company or an appropriate committee thereof (the Company's Board of Directors or such committee being referred to herein as the "Compensation Board") and may be increased in the sole discretion of the Compensation Board.

(b) Bonus Plans. During the term of Employee's employment hereunder, Employee shall be eligible to participate in the Company's annual Executive

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Incentive Compensation Plan (the "EIC Plan") in accordance with the applicable provisions of the EIC Plan. The standard bonus for Employee under the EIC Plan shall be fifty percent (50%) of Employee's base salary.

However, in no event shall Employee receive a cash bonus of less than $165,000 for Employee's participation in the EIC Plan during 1999.

(c) Stock Options. Employee shall be eligible to participate in the Collins & Aikman Corporation 1994 Employee Stock Option Plan (the "Option Plan") and shall be granted the option to purchase up to 100,000 shares of the Common Stock of Collins & Aikman Corporation, in accordance with the applicable terms and conditions of the Option Plan and an Option Agreement between Collins & Aikman Corporation and Employee to be entered into, dated and effective as of the date of this Agreement. The option price for all such shares shall be the closing price of Collins & Aikman Corporation shares on the New York Stock Exchange as of the date hereof. Subject to the terms and conditions of the Option Plan and the Option Agreement, the option of Employee to purchase up to the 100,000 shares shall vest as follows:

Vesting Date	Total Number of Shares Vested	Percentage Vested
One year from date of grant	50,000	50%
Two years from date of grant	100,000	100%

4. Benefits and Perquisites.

(a) General. Employee shall be entitled to such fringe benefits and perquisites, and to participate in such pension, profit sharing and benefit plans as are generally made available to executives of the Company during the term hereof, including major medical, extended medical and disability insurance, supplemental retirement income plan, group term life insurance and appropriate annual holidays, sick days and vacation time of four weeks per year.

(b) Company Automobile. The Company shall furnish to Employee the use of an automobile that is comparable to automobiles furnished to other executives of Employee's level based in Europe, as mutually agreed upon by Employee and the President and Chief Executive Officer of the Company, and shall reimburse

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Employee for normal gasoline and maintenance charges, subject to proper allocation of personal use for income tax purposes.

(c) Club Dues and Initiation Fee. The Company shall pay the monthly dues and a reasonable initiation fee for membership at a country club in Europe of Employee's choice, provided such club has been approved by the President and Chief Executive Officer of the Company. The Company shall not be liable for any other charges, fees or assessments payable by Employee to such club. Until Employee joins a club in Europe for which approval has been granted, the Company shall continue pay the monthly dues of the country club of which Employee is currently a member, but shall not be liable for any other charges, fees or assessments payable by Employee to such club.

(d) Expatriate Policy Benefits. During the term of Employee's employment hereunder, Employee shall receive benefits in accordance with the Company's standard expatriate policy, which has previously been disclosed and explained to Employee.

5. Reimbursement of Expenses. The Company shall reimburse Employee for all reasonable travel, entertainment and other reasonable business expenses reasonably incurred by Employee in connection with the performance of his duties hereunder, provided that Employee furnishes to the Company adequate records or other evidence respecting such expenditures.

6. Termination of Employment. Employee's employment under this Agreement may be terminated:

(a) by the Company upon Employee's death (which shall be referred to as a "Death Termination") or Inability (as defined below) (which shall be referred to as an "Inability Termination");

(b) by the Company for Cause, which means (i) fraud or misappropriation with respect to the business of the Company or intentional material damage to the property or business of the Company, (ii) willful failure by Employee to perform his duties and responsibilities and to carry out his authority, (iii) willful malfeasance or misfeasance or breach of fiduciary duty or representation to the Company or its stockholders, (iv) willful failure to act in accordance with any specific lawful instructions of a majority of the Board of Directors of the Company, or (v) conviction of Employee of a felony (which shall be referred to as a "For Cause Termination");

(c) by the Company for any reason other than a For Cause Termination, Death Termination or Inability Termination (which shall be referred to as a "No Cause Termination");

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(d) by Employee for any reason other than a "Constructive Termination" (as defined below) at any time (which shall be referred to as a "Voluntary Termination"); or

(e) by Employee upon the occurrence of one or more of the following: (i) a material reduction in Employee's total compensation and benefits package, or (ii) an adverse change (in the judgment of Employee) in Employee's responsibilities, position (including status, office, title, reporting relationships or working conditions), authority or duties (which shall be referred to as a "Constructive Termination").

"Inability" means Employee's physical or mental disability for any consecutive six-month period (measured from the first date on which Employee is absent from work due to such disability to the same date in the sixth succeeding calendar month, or, if there is no such date or such date is not a business day, the next succeeding business day).

7. Benefits Upon Termination.

(a) Termination as a Result of Death Termination or Inability Termination. If Employee's employment under this Agreement is terminated prior to the expiration of the term of this Agreement as a result of a Death Termination or an Inability Termination, the Company shall pay Employee or, if applicable, Employee's estate or legal representative, (i) Employee's unpaid base salary under Paragraph 3(a) accrued to the date on which his employment terminates

(the "Termination Date") and (ii) twelve (12) months of Employee's base salary based on the rate of base salary in effect immediately preceding the Termination Date.

(b) Termination as a Result of Voluntary Termination or For Cause Termination. If Employee's employment under this Agreement is terminated prior to the expiration of the term of this Agreement as a result of a Voluntary Termination or a For Cause Termination, the Company shall pay Employee (i) his unpaid base salary under Paragraph 3(a) accrued to the Termination Date, (ii) any accrued but unused vacation and (iii) all benefits earned by Employee under any employee benefit plans and programs sponsored by the Company in which Employee participates.

(c) Termination as a Result of No Cause Termination or Constructive Termination. If Employee's employment under this Agreement is terminated prior to the expiration of the term of this Agreement as a result of a No Cause Termination or a Constructive Termination, the Company shall pay to Employee the following benefits:

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(i) Employee's unpaid base salary accrued to the Termination Date and any accrued but unused vacation;

(ii) base salary for the greater of (A) twelve (12) months or (B) the remaining term of this Agreement, based on the rate of base salary in effect immediately preceding the Termination Date; and

(iii) reimbursement of all reasonable expenses incurred by Employee in relocating to the United States.

In addition, all outstanding stock options granted to Employee under the Option Plan will immediately vest upon a No Cause Termination or a Constructive Termination prior to the expiration of the term of this Agreement and will continue to be fully exercisable until the earlier of ninety (90) days after the Termination Date or the original expiration date of said options. The Company shall also cause Employee to receive all benefits earned by Employee under all employee benefit plans and programs sponsored by the Company in which Employee participates.

The amount due to Employee pursuant to 7(a)(ii) or 7(c)(iii) above shall be paid, at the sole discretion of the Compensation Board at the Termination Date, either in a lump sum or on a periodic basis in accordance with the Company's normal pay practice.

8. Representations and Covenants of Employee.

(a) Conduct. Employee will at all times refrain from taking any action or making any statements, written or oral, which are intended to and do disparage the goodwill or reputation of the Company or any of its subsidiaries or affiliates or any directors or officers thereof or which could adversely affect the morale of employees of the Company or its subsidiaries.

(b) Performance of Duties. In consideration of the payments to be made hereunder, Employee agrees that during the term of his employment under this Agreement, he shall devote his entire business time and attention to the performance of his duties hereunder, serve the Company diligently and to the best of his abilities. Employee further agrees not compete with the Company or its subsidiaries in any way whatsoever within Europe or the United States during the term of employment under this Agreement and after the Termination Date during the period of base salary continuation under Paragraph 7(c)(ii) (irrespective of whether such base salary continuation is paid in a lump sum or on a periodic basis). Without limiting the generality of the foregoing, Employee shall not, during any such applicable period of time, directly or indirectly (whether for compensation or otherwise), alone or as an agent, principal, partner, officer, employee, trustee, director, shareholder or in any other

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capacity, own, manage, operate, join, control or participate in the ownership, management, operation or control of, or furnish any capital to, or be connected in any manner with or provide any services as a consultant for any business which competes with the business of the Company, its parent company or their subsidiaries or affiliates as it may be conducted from time to time; provided, however, that notwithstanding the foregoing, nothing contained in the Agreement shall be deemed to preclude Employee from owning not more than 5% of the publicly traded securities of any entity which is in competition with the business of the Company, its parent company or their subsidiaries or affiliates.

(c) Company Information. Employee agrees that so long as he is employed by the Company and following any termination of his employment Employee will keep confidential all confidential information and trade secrets of the Company and any of its subsidiaries or affiliates and will not disclose such information to any person without the prior approval of the Board of Directors of the Company or use such information for any purpose other than in the course of fulfilling his duties of employment with the Company pursuant to this Agreement. It is understood that for purposes of this Agreement the term "confidential information" is to be construed broadly to include all material nonpublic or proprietary information.

9. Continued Employment at End of Term. It is the Company's intention to find a key role for Employee in the United States at the end of the two (2) year term of this Agreement. However, if at the end of such two (2) year term the Company does not offer Employee a comparable position in the United States, Employee shall be entitled to the following benefits:

(i) twelve (12) months of base salary based on the rate of base salary in effect immediately preceding the Termination Date;

(ii) one (1) year's standard bonus for Employee under the EIC Plan;

(iii) reimbursement of all reasonable expenses incurred by Employee in relocating to the United States; and

(iv) an extension of the period to exercise all vested stock options granted under the Option Plan until the earlier of (A) the second anniversary of the Termination Date or (B) the original expiration date of said options.

10. Release. In consideration of the compensation continuance available in certain events pursuant to this Agreement, Employee unconditionally releases and covenants not to sue the Company and its subsidiaries and affiliates and directors, officers, employees and stockholders thereof, from any and all claims, liabilities and obligations of any nature pertaining to termination of

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employment other than those explicitly provided for by this Agreement including, without limitation, any claims arising out of alleged legal restrictions on the Company's rights to terminate its employees, such as any implied contract of employment or termination contrary to public policy.

11. Governing Law. The validity, interpretation and performance of this Agreement shall be governed by the laws of North Carolina, regardless of the laws that might be applied under applicable principles of conflicts of laws.

12. Entire Agreement and Survivorship. This Agreement and that certain Change in Control Agreement between Employee and Collins & Aikman Corporation dated March 17, 1998 constitute the entire agreement and understanding between the parties hereto with respect to the matters referred to herein and therein and supersede all prior agreements and understandings between the parties hereto with respect to the matters referred to herein and therein. The representations, warranties and covenants of Employee contained in all parts of Paragraph 8, and the release contained in Paragraph 10 shall survive expiration, or termination of this Agreement by either party.

13. Notice. Any written notice required to be given by one party to the other party hereunder shall be deemed effective if mailed by certified or registered mail:

To the Company:	Collins & Aikman Products Co. 701 McCullough Drive Charlotte, North Carolina 26262 Attention: Harold R. Sunday
To Employee:	Michael Weston 620 Hazelwood Birmingham, Michigan 48009

or such other address as may be stated in notice given under this Paragraph 13.

14. Severability. The invalidity, illegality or enforceability of any provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement or such provision in any other jurisdiction, it being the intent of the parties hereto that all rights and obligations of the parties hereto under this Agreement shall be enforceable to the fullest extent permitted by law.

15. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their personal representatives, and, in the case of the Company, its successors and assigns, and Paragraph 10 shall also inure to the benefit of the other persons

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and entities identified therein; provided, however, that Employee shall not, without the prior written consent of the Company, transfer, assign, convey, pledge or encumber this Agreement or any interest under this Agreement. Employee understands that the assignment of this Agreement or any benefits hereof or obligations hereunder by the Company to any of its subsidiaries or affiliates or to any purchaser of all or a substantial portion of the assets of the Company or of any affiliated company then employing Employee, and the employment of Employee by such subsidiary or affiliate or by any such purchaser or by any successor of the Company in a merger or consolidation, shall not be deemed a termination of Employee's employment for purposes of Paragraphs 6 and 7 or otherwise.

16. Amendment. This Agreement may be amended or canceled only by an instrument in writing duly executed and delivered by each party to this Agreement.

17. Headings. Headings contained in this Agreement are for or convenience only and shall not limit this Agreement or affect the interpretation thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

/s/ D. Michael Weston

Michael Weston

COLLINS & AIKMAN PRODUCTS CO.

By: /s/ Thomas E. Hannah

Thomas E. Hannah
President and Chief Executive Officer

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of January 20, 1999, by and between COLLINS & AIKMAN PRODUCTS CO., a Delaware corporation (the "Company"), and DENNIS E. HILLER ("Employee").

W I T N E S S E T H

WHEREAS, Employee is currently employed by the Company; and

WHEREAS, the Company wishes to retain Employee's services by providing Employee the compensation and benefits set forth in this Agreement.

NOW, THEREFORE, in consideration of Employee's continued employment and the mutual agreements contained herein, the parties agree as follows:

1. Term of Employment. The Company hereby agrees to employ Employee, and Employee hereby accepts employment, for a period of three (3) years, commencing January 20, 1999 and ending January 19, 2002, subject to the terms and conditions of this Agreement.

2. Position of Employment. During the term of this Agreement, Employee shall be employed in the position of President - Collins & Aikman North American Interior Systems Group based initially in Troy, Michigan, and shall perform such services for the Company and its subsidiaries as may be assigned to him from time to time by the Board of Directors of the Company. Employee shall devote his full time and attention to the affairs of the Company and his duties in such position.

3. Compensation.

(a) Base Salary. The Company shall pay to Employee base salary at an annual rate of not less than $400,000 during the term of his employment hereunder. Such amount shall be reviewed annually by the Board of Directors of the Company or an appropriate committee thereof (the Company's Board of Directors or such committee being referred to herein as the "Compensation Board") and may be increased in the sole discretion of the Compensation Board.

(b) Bonus Plans. During the term of Employee's employment hereunder, Employee shall be eligible to participate in the Company's annual Executive Incentive Compensation Plan (the "EIC Plan") in accordance with the applicable provisions of the EIC Plan. The standard bonus for Employee under the EIC Plan initially shall be fifty percent (50%) of Employee's base salary and shall be reviewed by the Compensation Board from time-to-time during the term of Employee's employment hereunder. In no event shall Employee receive a cash bonus of less than $200,000 for Employee's participation in the EIC Plan during 1999.

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(c) Stock Options. Employee shall be eligible to participate in the Collins & Aikman Corporation 1994 Employee Stock Option Plan (the "Option Plan") and shall be granted the

option to purchase up to 100,000 shares of the Common Stock of Collins & Aikman Corporation, in accordance with the applicable terms and conditions of the Option Plan and an Option Agreement between Collins & Aikman Corporation and Employee to be entered into, dated and effective as of the date of this Agreement. The option price for all such shares shall be the closing price of Collins & Aikman Corporation shares on the New York Stock Exchange as of January 20, 1999. Subject to the terms and conditions of the Option Plan and the Option Agreement, the option of Employee to purchase up to the 100,000 shares shall vest as follows:

<TABLE>
<CAPTION>

Vesting Date	Total Number of Shares Vested	Percentage Vested
<S>	<C>	<C>
January 19, 2000	33,334	33-1/3%
January 19, 2001	66,667	66-2/3%
January 19, 2002	100,000	100%

</TABLE>

4. Benefits and Perquisites.

(a) General. Employee shall be entitled to such fringe benefits and perquisites, and to participate in such pension, profit sharing and benefit plans as are generally made available to executives of the Company during the term hereof, including major medical, extended medical and disability insurance, supplemental retirement income plan, group term life insurance and appropriate annual holidays, sick days and vacation time of four weeks per year. Included in such benefits to Employee, the Company shall furnish the use of an automobile subject to applicable Company policies and practice and shall reimburse Employee for normal gasoline and maintenance charges, subject to proper allocation of personal use for income tax purposes. The Company also shall pay the monthly dues and a reasonable initiation fee for membership at a country club in the Troy, Michigan area of Employee's choice. The Company shall not be liable for any other charges or fees payable by Employee to such club.

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(b) Relocation Expenses. The Company shall reimburse Employee for the reasonable expenses incurred by Employee in connection with the relocation of Employee and his family from Davidson, North Carolina to Troy, Michigan, in accordance with the relocation policy of the Company; provided, however, the Company shall also pay Employee:

(i) the positive difference (if any) between (A) the appraised fair market value of Employee's residence in Davidson, North Carolina as determined by two (2) independent appraisers selected by the Company and (B) the selling price of Employee's said residence; and

(ii) a one-time relocation allowance of $135,000, payable in a lump sum payment upon completion of the relocation of Employee and his family to Troy, Michigan. In addition to the payment of the relocation allowance as provided in this Paragraph 4(b)(ii), the Company shall pay Employee an additional amount such that after all applicable federal, state and local income, employment and other taxes on Employee's relocation allowance and on any additional amount payable in accordance with this sentence, Employee has received the entire $135,000 relocation allowance on an after-tax basis.

5. Reimbursement of Expenses. The Company shall reimburse Employee for all reasonable travel, entertainment and other reasonable business expenses reasonably incurred by Employee in connection with the performance of his duties hereunder, provided that Employee furnishes to the Company adequate records or other evidence respecting such expenditures.

6. Termination of Employment. Employee's employment under this Agreement may be terminated:

(a) by the Company for Cause, which means: (i) fraud or misappropriation with respect to the business of the Company or intentional material damage to the property or business of the Company, (ii) willful failure by Employee to perform his duties and responsibilities and to carry out his authority, (iii) willful malfeasance or misfeasance or breach of fiduciary duty or representation to the Company or its stockholders, (iv) willful failure to act in accordance with any specific lawful instructions of a majority of the Board of Directors of the Company, or (v) conviction of Employee of a felony (which shall be referred to as a "For Cause Termination");

(b) by the Company for any reason other than a For Cause Termination (which shall be referred to as a "No Cause Termination");

(c) by Employee for any reason other than a "Constructive Termination" (as defined below) at any time (which shall be referred to as a "Voluntary

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Termination"); or

(d) by Employee upon the occurrence of one or more of the following: (i) a material reduction in Employee's total compensation and benefits package, or (ii) an adverse change (in the judgment of Employee) in Employee's responsibilities, position (including status, office, title, reporting relationships or working conditions), authority or duties (which shall be referred to as a "Constructive Termination").

7. Benefits Upon Termination.

(a) Termination as a Result of Voluntary Termination or For Cause Termination. If Employee's employment under this Agreement is terminated prior to the expiration of the term of this Agreement as a result of a Voluntary Termination or a For Cause Termination, the Company shall pay Employee (i) his unpaid base salary under Paragraph 3(a) accrued to the date on which his employment terminates (the "Termination Date"), (ii) any accrued but unused vacation and (iii) all benefits earned by Employee under any employee benefit plans and programs sponsored by the Company in which Employee participates.

(b) Termination as a Result of No Cause Termination or Constructive Termination. If Employee's employment under this Agreement is terminated prior to the expiration of the term of this Agreement as a result of a No Cause Termination or a Constructive Termination, the Company shall pay to Employee the following benefits:

(i) Employee's unpaid base salary accrued to the Termination Date and any accrued but unused vacation;

(ii) a pro rata bonus under the EIC Plan for the current fiscal year (based on the number of months of such fiscal year preceding the Termination Date over twelve (12)); and

(ii) Employee's base salary for the greater of (A) twenty-four (24) months or (B) the remaining term of this Agreement, based on the rate of base salary in effect immediately preceding the Termination Date.

The amount due to Employee pursuant to 7(b)(iii) above shall be paid, at the sole discretion of the Compensation Board, either in a lump sum or on a periodic basis in accordance with the Company's normal pay practice.

In addition, all outstanding stock options granted to Employee under the Option Plan will immediately vest upon a No Cause Termination or a Constructive Termination prior to the expiration of the term of this Agreement and will continue to be fully exercisable until the earlier of ninety (90) days after the Termination Date or the original expiration date of said options. The Company

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shall also cause Employee to receive all benefits earned by Employee under all employee benefit plans and programs sponsored by the Company in which Employee participates.

8. Representations and Covenants of Employee.

(a) Conduct. Employee will at all times refrain from taking any action or making any statements, written or oral, which are intended to and do disparage the goodwill or reputation of the Company or any of its subsidiaries or affiliates or any directors or officers thereof or which could adversely affect the morale of employees of the Company or its subsidiaries.

(b) Performance of Duties. In consideration of the payments to be made hereunder, Employee agrees that during the term of his employment under this Agreement, he shall devote his entire business time and attention to the performance of his duties hereunder and serve the Company diligently and to the best of his abilities.

(c) Company Information. Employee agrees that so long as he is employed by the Company and following any termination of his employment Employee will keep confidential all confidential information and trade secrets of the Company and any of its subsidiaries or affiliates and will not disclose such information to any person without the prior approval of the Board of Directors of the Company or use such information for any purpose other than in the course of fulfilling his duties of employment with the Company pursuant to this Agreement. It is understood that for purposes of this Agreement the term "confidential information" is to be construed broadly to include all material nonpublic or proprietary information.

9. Release. In consideration of the compensation continuance available in certain events pursuant to this Agreement, Employee unconditionally releases and covenants not to sue

the Company and its subsidiaries and affiliates and directors, officers, employees and stockholders thereof, from any and all claims, liabilities and obligations of any nature pertaining to termination of employment other than those explicitly provided for by this Agreement including, without limitation, any claims arising out of alleged legal restrictions on the Company's rights to terminate its employees, such as any implied contract of employment or termination contrary to public policy.

10. Governing Law. The validity, interpretation and performance of this Agreement shall be governed by the laws of Michigan, regardless of the laws that might be applied under applicable principles of conflicts of laws.

11. Entire Agreement and Survivorship. This Agreement and that certain

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Change in Control Agreement between Employee and Collins & Aikman Corporation dated March 17, 1998 constitute the entire agreement and understanding between the parties hereto with respect to the matters referred to herein and therein and supersede all prior agreements and understandings between the parties hereto with respect to the matters referred to herein and therein. The representations, warranties and covenants of Employee contained in all parts of Paragraph 8, and the release contained in Paragraph 9 shall survive the expiration or termination of this Agreement by either party.

12. Notice. Any written notice required to be given by one party to the other party hereunder shall be deemed effective if mailed by certified or registered mail:

To the Company:	Collins & Aikman Products Co. 701 McCullough Drive Charlotte, North Carolina 26262 Attention: Harold R. Sunday
To Employee:	Dennis E. Hiller 19327 River Falls Drive Davidson, North Carolina 28036

or such other address as may be stated in notice given under this Paragraph 12.

13. Severability. The invalidity, illegality or enforceability of any provision of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement or such provision in any other jurisdiction, it being the intent of the parties hereto that all rights and obligations of the parties hereto under this Agreement shall be enforceable to the fullest extent permitted by law.

14. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their personal representatives, and, in the case of the Company, its successors and assigns, and Paragraph 9 shall also inure to the benefit of the other persons and entities identified therein; provided, however, that Employee shall not, without the prior written consent of the Company, transfer, assign, convey, pledge or encumber this Agreement or any

interest under this Agreement. Employee understands that the assignment of this Agreement or any benefits hereof or obligations hereunder by the Company to any of its subsidiaries or affiliates or to any purchaser of all or a substantial portion of the assets of the Company or of any affiliated company then employing Employee, and the employment of Employee by such subsidiary or affiliate or by any such purchaser or by any successor of the Company in a merger or

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consolidation, shall not be deemed a termination of Employee's employment for purposes of Paragraphs 6 and 7 or otherwise.

15. Amendment. This Agreement may be amended or canceled only by an instrument in writing duly executed and delivered by each party to this Agreement.

16. Tax Withholding. The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

17. Headings. Headings contained in this Agreement are for or convenience only and shall not limit this Agreement or affect the interpretation thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

/s/ Dennis E. Hiller

Dennis E. Hiller

COLLINS & AIKMAN PRODUCTS CO.

By: /s/ Thomas E. Hannah

Thomas E. Hannah
President and Chief Executive Officer

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[GRAPHIC OMITTED]

Collins & Aikman Products Co.
1998 EXECUTIVE INCENTIVE COMPENSATION PLAN

ARTICLE 1. Introduction: Plan Summary and Objectives

1.1 Plan Summary. The Collins & Aikman Products Co. (the "Company") 1998 Executive Incentive Compensation Plan (the "Plan") establishes the annual (fiscal year) bonus program for key employees ("Participants") who are in a position to have an impact on the attainment of the goals of the Company, and the Company's operating divisions. The Plan provides for substantial awards to Participants whose unit meets or exceeds the specified performance goal.

The bonuses of Participants in the 1998 Plan will be based primarily on one financial measure: Earnings Before Interest and Taxes ("EBIT") of the Participant's unit. Threshold, Target and Maximum performance goals will be established for this financial measure. These goals shall be associated, respectively, with lowest, expected and maximum bonus levels for each measure.

Awards are determined by assigning each Participant a "Target Bonus" or expected bonus level that is equal to a specified percent of base salary. The bonus actually paid to the Participant will be based on the extent to which the performance of his or her unit meets or exceeds the predetermined goals, and on the Participant's performance relative to other Plan Participants. The maximum bonus payable shall be equal to 200% of the Target Bonus.

1.2 Plan Objectives. The Plan objectives are:

a. to motivate key employees to achieve and exceed the specified financial objectives,

b. to maintain management's focus on the importance of earnings,

c. to encourage management to balance the longer term needs of the business with shorter term requirements, and

d. to attract and retain the quality and quantity of key employees required to successfully manage the Company's operations.

ARTICLE 2. Plan Definitions

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2.1 "Base Salary" means the annual base rate of pay, exclusive of bonuses, long term incentive awards, benefits, car allowances, awards under this Plan and any other non-salary items, as in effect for a Participant on the last day of the fiscal year ending in the Plan Year for which an incentive award is made.

2.2 "Board" means the Board of Directors of the Company.

2.3 "Cause" means

a. fraud, misappropriation or gross misconduct with respect to any business of the Company or an affiliate of the Company or intentional material damage to any property or business, or the reputation, of the Company or an affiliate of the Company,

b. willful failure by a Participant to perform his/her duties and responsibilities and to carry out his/her authority,

c. willful malfeasance or misfeasance or breach of duty or representation to the Company or an affiliate of the Company,

d. willful failure to act in accordance with any specific lawful instructions of a majority of the Board of Directors of the Company, or breach of any written agreement between Participant and the Company or an affiliate of the Company, or

e. conviction of a Participant of a felony.

2.4 "Committee" shall mean the Compensation Committee of the Board of Directors of the Company or any parent company, whose members are determined and appointed by the Board or by the Board of Directors of any parent company in their sole discretion.

2.5 "Company" shall mean Collins & Aikman Products Co.

2.6 "Division" means an operating division of the Company for which EBIT performance goals are established and approved by the Committee and the President and CEO.

2.7 "Earnings Before Interest and Taxes" ("EBIT") means earnings before interest and taxes (including imputed interest and taxes) as determined by the Company in accordance with generally accepted accounting principles.

2.8 "Effective Date" means December 28, 1997.

2.9 "Maximum Performance Goal" means the highest level of performance specified for the EBIT financial measure. Performance at (and above) this level is

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associated with the maximum level of bonus payouts for each measure.

2.10 "Participant" means a key executive or staff person designated as being eligible for an award under the Plan.

2.11 "Plan Year" means the 1998 fiscal year ending December 26, 1998.

2.12 "Target Bonus" means a specified percentage of a Participant's Base Salary as determined pursuant to the provisions of the Plan.

2.13 "Target Performance Goal" is the expected level of performance established for the

EBIT financial performance measure based on the Company's and, where applicable, Division's budget and other considerations. This level of performance is associated with the Target Bonus level of bonus payouts.

2.14 "Threshold Performance Goal" is the lowest acceptable level of performance specified for the EBIT financial performance measure. This level of performance is associated with the lowest level of bonus payouts.

ARTICLE 3. Eligible Executives

3.1 Eligible Executives. Key executives and staff of the Company and Divisions are eligible to be named Participants in the Plan for the Plan Year. Generally, only those executives and staff whose potential contributions are deemed to be important to the success of the Company or Division in achieving its objectives will be designated as Participants. The designation of eligible executives shall be the responsibility of the Sr. Vice President - Human Resources and President and CEO of the Company. See Article 5 regarding Participant selection.

ARTICLE 4. Setting Performance Goals

4.1 Budgets and Performance Goals

The annual budget of the Company shall form the initial basis for setting financial performance goals.

Threshold, Target and Maximum EBIT Performance Goals will be established for the Company and each Division. Threshold and Maximum goals may or may not be pre-determined based on a fixed percent of the Target goal.

The final determination of goals shall be subject to the approval of the

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Committee, in their sole discretion.

4.2 Performance Goal Setting Process

a. Performance Goal Recommendations: Upon finalization of the Company's budget, the President and CEO shall submit recommended Threshold, Target and Maximum EBIT Performance Goals and any interim goals.

b. Performance Goal Approval: Final approval of the performance goals shall be the responsibility of the Committee. It is contemplated that such goals, once set, will not change for any reason during the fiscal year. The Committee may, in its sole discretion, alter or amend these goals if deemed necessary or appropriate.

ARTICLE 5. Selecting Plan Participants; Assigning Target Bonuses

5.1 Participant Selection.

The President and CEO and each Division head (as appropriate) shall recommend as a Plan Participant any executive or key employee whose potential contributions to his/her unit's performance are considered important to the success of their unit. Such recommendations are subject to the Plan and the final approval of the Sr. Vice President - Human Resources and President and CEO.

a. Eligible Group. The group of eligible employees shall include, but not be limited to, senior executives and their direct reports at the Company staff level, Division heads and senior management of the Divisions and their direct reports. Key employees below these levels may be included.

b. Approval. No employee shall become a participant in the Plan, nor shall Plan participation be discussed with an employee, until approval is received in writing from the Sr. Vice President Human Resources.

5.2 Assignment of Target Bonuses

a. Target Bonus Guidelines The Sr. Vice President - Human Resources and the President and CEO have the responsibility to assign and recommend a Target Bonus for each Participant. The recommended Target Bonus, will take into account the Participant's: a) position relative to those of other Participants, b) anticipated contribution to the organization's performance and c) external competitive bonus rates for similar positions in similar industries.

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b. Target Bonus Changes. From time to time, due primarily to changes in position, it may be necessary to modify an assigned Target Bonus. The Sr. Vice President - Human Resources and President and CEO shall have the authority to make such modifications subject to the terms of this Plan.

5.3 Communication of Performance Goals, Participant Eligibility and Target Bonuses

The Sr. Vice President - Human Resources has the responsibility to communicate to the head of the Operating Unit his or her unit's performance goals, Participant eligibility and Participant Target Bonus, provided: a) the necessary approvals have been obtained before any communication takes place, b) any communication regarding the Target Bonus, written or otherwise, is fully consistent with this Plan, c) it is clear that the recommendation for program participation and bonus eligibility is not a guarantee of payment or amount.

ARTICLE 6. Granting Participant Bonuses

6.1 Introduction

Bonuses based on EBIT performance will be paid only if the Participant's unit (i.e., Division or Company, as appropriate) hits its EBIT Threshold. It is not necessary for the Company to achieve its EBIT threshold for a Division to receive a bonus based on EBIT.

All bonuses are subject to the final approval of the Committee.

6.2 EBIT Bonus Calculation. When the EBIT bonus is determined, it is calculated as a percent of the Target Bonus per the following schedule:

<TABLE>
<CAPTION>

Company/Division EBIT Performance Level Achieved:	Threshold	Target	Maximum
<S>	<C>	<C>	<C>
Payout as a % of Target Bonus	50%	100%	200%

</TABLE>

In addition, the Committee may establish interim EBIT performance levels. Straight line interpolation is used between Threshold and Target; and between Target and Maximum.

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6.3 Bonus Recommendations, Approvals and Distribution

a. Bonus Recommendations. The President & CEO shall, as soon as possible following the determination of year-end results, submit to the Committee a list of recommendations for all Plan Participants for actual bonus awards. Where a recommended award is different than a calculated award, the variance should be noted.

In arriving at the recommended awards, the Sr. Vice President - Human Resources shall work with each Division head in considering the Participants' Target Bonus levels, the calculated awards based on actual EBIT performance, and the Participants' relative contributions to the unit's performance. The Division head has, therefore, the discretion to modify individual calculated awards to account for different performance levels. If one individual's award is modified upward, however, other awards must be adjusted such that the net change of all modifications is $0. In other words, the sum of all awards calculated must stay the same regardless of any changes in individual awards.

Subject to the other provisions hereof, in no event shall a Participant who is eligible for a calculated award have his/her award reduced below 75% of the award as calculated. Recommendations for Company staff shall normally be based entirely on the actual performance of the Company as a whole.

b. Final Approval. The Committee shall have final approval of Company and Division operating results to be used in bonus calculations and the timing, and amount of all bonus payments.

c. Bonus Distribution. Final approval by the Committee shall authorize the President and CEO to make bonus grants as approved. The Sr. Vice President - Human Resources shall effect the payment of the bonus as soon as is administratively practicable once the bonuses are approved.

ARTICLE 7. Plan Administration

7.1 Administrative Responsibilities

a. Overall Plan administration shall be the responsibility of the Committee who shall have absolute and final discretion regarding interpretation of Plan and sole authority to make all decisions with respect to Plan.

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b. The Committee shall have the authority to, at their discretion, approve all performance goals, actual performance results, recommended bonuses, Plan interpretations and modifications and to take any and all other actions at any time they deem necessary or appropriate for the administration of the Plan.

c. Responsibility for plan implementation and operation has been delegated by the Committee to the President and CEO and the Sr. Vice President - Human Resources who shall have the responsibility for:

1. approving Participant rosters and Participant Target Bonuses,

2. ensuring that performance goals are submitted, reviewed and approved on a timely basis;

3. ensuring that year-end results and recommended bonuses for all eligible Participants are submitted, reviewed and approved on a timely basis; and

4. maintaining appropriate records with respect to performance goals, eligible Participants, Target Bonuses, actual awards, all necessary written approvals and other records as appropriate.

7.2 Award Payments

a. Payment of awards shall be made on or before March 1 of the year immediately following the year for which the performance goals have been set.

b. In the event of a change of assignment or transfer that would result in a change of Target Bonus during the course of the year, the participant's bonus calculation shall be determined by mutual agreement with the Division head, the President and CEO and the Sr. Vice President - Human Resources.

c. If a person is not on the payroll at the end of the fiscal year, a bonus will not be paid regardless of length of service or reason for termination except as noted herein. Exceptions may be made by the Sr. Vice President - Human Resources and the President and CEO in their sole discretion for terminations prior to the end of the fiscal year due to death, total and permanent disability (as defined by the applicable disability plan(s)), and Early or Normal Retirement (as defined by the applicable retirement plan(s)). An exception may also be made for employees on approved leaves of absence. A pro rata bonus

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based on the executive's contributions to his/her objectives may be payable under these circumstances. In the event of the death of a Participant, the Participant's beneficiaries shall be entitled to the awards, if any, to which the Participant would have otherwise been entitled.

An additional exception may be made in the event of the sale of a unit. In such cases, the Committee may, in its sole discretion, award discretionary bonuses based on performance to date. The sale of a unit does not necessarily entitle a Plan participant to a bonus under this Plan.

d. A former Plan Participant who is not on the payroll when awards are distributed (approximately March 1) but who was on the payroll at the end of the fiscal year, shall generally be entitled to a bonus, subject to the terms of this Plan.

e. An employee discharged for Cause, as defined above, shall forfeit any and all rights to a bonus under this Plan, even if the employee is on the payroll at the end of the fiscal year.

f. Notwithstanding anything to the contrary set forth in the Plan, any amounts payable as a bonus under the Plan which would cause a Plan participant=s compensation for the purposes of Section 162(m) of the Internal Revenue Code to exceed $1 million shall be deferred in the amount of any such excess (the ADeferred Bonus Amount@). Any such Deferred Bonus Amount shall not be payable to a Plan participant until after March 15, 1999, after which date such Deferred Bonus Amount shall be paid as soon as practicable.

7.3 General Provisions

a. The Plan is intended to constitute an "unfunded" plan for the incentive compensation of a select group of key management employees of the Company and its Divisions.

b. Neither the Plan nor any action taken under the Plan shall be construed as:

1) giving any employee any right to be retained in the employ of the Company, or Division.

2) affecting the right of the above-mentioned entities to terminate the employment of any individual at any time for any reason; or

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3) interfering with the rights created under any separate written employment or severance agreement.

c. Should the provisions of a Participant's employment contract not be consistent with the provisions of the Plan, the provisions of the employment contract shall control.

d. The Committee may alter, amend or terminate the Plan at any time or from time to time.

e. Neither the Board nor the Committee, nor the Company nor any Division, nor any officers, directors or employees shall have any liability to any Participant (or his/her beneficiaries) under the Plan or otherwise on account of any action taken, or not taken, in good faith by any of the foregoing persons with respect to the business or operations of such entities notwithstanding the fact that any such action or inaction in any way whatsoever may adversely affect the value of any awards, rights or benefits of a Participant (or his/her beneficiaries) under the Plan. Unless the Participant specifies otherwise in writing to the Committee, beneficiaries, for the purposes of this Plan, shall mean the beneficiaries identified by the Participant for his/her qualified pension or retirement plan(s).

f. The Plan and all actions taken pursuant to the Plan shall be governed by, and construed in accordance with, the internal laws of the State of New York.

g. The invalidity or unenforceability of any one or more provisions of the Plan shall not affect the validity or enforceability of any other provisions of the Plan, which shall remain in full force and effect.

h. Correspondence regarding this Plan should be sent to the Sr. Vice President - Human Resources, Collins & Aikman Products Co., Post Office Box 32665, Charlotte, NC 28232.

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COLLINS & AIKMAN
SUPPLEMENTAL RETIREMENT INCOME PLAN

SECOND AMENDMENT

Statement of Purpose

Collins & Aikman Products Co. (formerly known as "Collins & Aikman Corporation") (the "Company") sponsors the Collins & Aikman Supplemental Retirement Income Plan (the "Plan"). The provisions of the Plan are currently set forth in an Instrument of the Company dated August 25, 1983, as amended by the Company on January 27, 1987. By this Second Amendment, the Company is amending the Plan to (i) change the vesting provisions under the Plan and (ii) meet other current needs.

NOW, THEREFORE, the Plan, as set forth in said Instrument is hereby further amended effective as of January 1, 1998 as follows:

1. Paragraph 2 of Article II of the Plan is amended to read as follows:

"2. "Company" means Collins & Aikman Products Co., a Delaware corporation, or any successor company thereafter."

2. Paragraph 5 of Article II of the Plan is amended to read as follows:

"5. "Retirement" means a Participating Employee's termination of employment with the Company after (i) attaining age 55 and completing 10 Years of Service or (ii) attaining age 62."

3. The following new paragraph 7 is added to the end of Article II of the Plan:

"7. "Benefit Commencement Date" means the first day of the month next following the later of the date a Participating Employee (i) attains age 62 or (ii) terminates employment with the Company."

4. Article IV of the Plan is renamed "VESTING & BENEFITS."

5. Paragraph 1 of Article IV of the Plan is amended to read as follows:

"1. If a Participating Employee is continuously employed by the Company from the date of his entry into the Plan until his Retirement, he will become entitled to receive a supplemental retirement income benefit determined under paragraph 2 of this Article IV. Such Participating Employee's benefit will commence to be paid pursuant to paragraph 5 of this Article IV upon his Benefit Commencement Date. In the event of the termination of employment of a Participating Employee for any reason other than Retirement or in the event of a Participating Employee's death prior

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to his Benefit Commencement Date, no benefit will be payable to the Participating Employee under this Plan."

6. The first sentence of the Paragraph 2 of Article IV of the Plan is amended to read as follows:

"Commencing upon his Benefit Commencement Date, the Company will pay a Participating Employer a supplemental retirement income for his services rendered prior to Retirement if his other sources of retirement income from the Company and its other benefit plans are less than the minimum guaranteed level under this Plan."

7. Paragraph 2(ii) of Article IV of the Plan is amended to read as follows:

"(ii) The pension equivalent of Company-provided benefits payable to the Participating Employee under the Company's qualified pension plan, qualified profit sharing plan, non-qualified benefit restoration plan and the pension equivalent of the lump sum distributions made to certain highly compensated employees in 1990 and 1991 in lieu of profit sharing contributions for 1989 and 1990. For purposes of this computation only, any benefits or amounts described in the immediately preceding sentence that are not payable as an annual benefit for the Participating Employee's lifetime commencing as of the Participant's Benefit Commencement Date shall be converted into such an annual benefit commencing as of such date using the 1971 Group Annuity Table and interest at 7.5%."

8. Paragraph 3 of Article IV of the Plan is amended to read as follows:

"3. [reserved]"

9. Paragraph 5 of Article IV of the Plan is amended by deleting the phrase "the first day of the month following Retirement" and by substituting in lieu thereof the phrase "the Participating Employee's Benefit Commencement Date".

10. Except as expressly or by necessary implication amended hereby, the Plan shall continue in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Second Amendment to be executed as of the 25th day of August, 1998.

COLLINS & AIKMAN PRODUCTS CO.

By: /s/ Greg Tinnell

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Greg Tinnell,
Vice President, Compensation and Benefits

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Collins & Aikman Corporation

1994 Directors Stock Option Plan
Amended and Restated as of March 23, 1999

I. Purposes of the Plan

The purposes of this 1994 Directors Stock Option Plan (the "Plan") are to enable Collins & Aikman Corporation (the "Company") to attract, retain and motivate the directors who are important to the success and growth of the business of the Company and to create a long-term mutuality of interest between the directors and the stockholders of the Company by granting the directors options to purchase Common Stock (as defined herein). This document shall supersede all other material describing this Plan, including, but not limited to, prior drafts hereof and any documents incorporating the terms and provisions of any such prior drafts.

II. Definitions

In addition to the terms defined elsewhere herein, for purposes of this Plan, the following terms will have the following meanings when used herein with initial capital letters:

A. "Act" means the Securities Exchange Act of 1934, as amended, and all rules and regulations promulgated thereunder.

B. "Board" means the Board of Directors of the Company.

C. "Code" means the Internal Revenue Code of 1986, as amended (or any successor statute).

D. "Committee" means the Board or a duly appointed committee of the Board to which the Board has delegated its power and functions hereunder.

E. "Common Stock" means the common stock of the Company, par value $.01 per share, any Common Stock into which the Common Stock may be converted and any Common Stock resulting from any reclassification of the Common Stock.

F. "Company" means Collins & Aikman Corporation, a Delaware corporation.

G. "Eligible Director" means a director of the Company who is not an active employee of the Company or any subsidiary of the Company and who is not affiliated with a Principal Stockholder (as hereinafter defined) and was not an active employee of the Company or any subsidiary of the Company or affiliated with a Principal Stockholder at the time of such director=s

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most recent election to the Board of Directors of the Company. A "Principal Stockholder" means (i) any entity which, directly or indirectly, beneficially owns or controls 5% or more of the combined voting power of the then outstanding voting securities of the Company (or any subsidiary) entitled to vote generally in the election of directors or (ii) any entity controlling, controlled by or under common control (within the meaning of Rule 405 of the Securities Act) with any such entity. For purposes hereof, a person shall be "affiliated with" a Principal Stockholder

if such person is a general partner, limited partner, director, officer or employee of such Principal Stockholder or any affiliate of such Principal Stockholder (other than the Company or any subsidiary of the Company) or is otherwise an AAffiliate@ of such Principal Stockholder as defined in Rule 405 under the Securities Act.

H. "Fair Market Value" shall mean, for purposes of this Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date, the last sales prices reported for the Common Stock on the applicable date, (i) as reported by the principal national securities exchange in the United States on which it is then traded, or (ii) if not traded on any such national securities exchange, as quoted on an automated quotation system sponsored by the National Association of Securities Dealers, or if the sale of the Common Stock shall not have been reported or quoted on such date, on the first day prior thereto on which the Common Stock was reported or quoted.

I. "Option" means the right to purchase one Share at a prescribed purchase price on the terms specified in the Plan.

J. "Participant" means an Eligible Director who is granted Options under the Plan which Options have not expired.

K. "Person" means any individual or entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person as the context may require.

L. "Related Person" means (a) any corporation that is defined as a subsidiary corporation in Section 424(f) of the Code or (b) any corporation that is defined as a parent corporation in Section 424(e) of the Code. An entity shall be deemed a Related Person only for such periods as the requisite ownership relationship is maintained.

M. "Securities Act" means the Securities Act of 1933, as amended, and all rules and regulations promulgated thereunder.

N. "Share" means a share of Common Stock.

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O. "Termination of Directorship" with respect to an individual means that individual is no longer acting as a director of the Company.

III. Effective Date

The Plan shall become effective as of November 1, 1994 (the "Effective Date"), subject to its approval by the majority of the Common Stock (at the time of approval) within one year after the Plan is adopted by the Board. Grants of Options under the Plan will be made after the Effective Date of the Plan pursuant to Article VI(B) of this Plan, provided that, if the Plan is not approved by the majority of the Common Stock (at the time of approval), all Options which have been granted pursuant to the terms of the Plan shall be null and void. No Options may be exercised prior to the approval of the Plan by the majority of the Common Stock (at the time of approval).

IV. Administration

A. Duties of the Committee. The Plan shall be administered by the Committee. The Committee shall have full authority to interpret the Plan and to decide any questions and settle all

controversies and disputes that may arise in connection with the Plan; to establish, amend and rescind rules for carrying out the Plan; to administer the Plan, subject to its provisions; to prescribe the form or forms of instruments evidencing Options and any other instruments required under the Plan and to change such forms from time to time; and to make all other determinations and to take all such steps in connection with the Plan and the Options as the Committee, in its sole discretion, deems necessary or desirable. The Committee shall not be bound to any standards of uniformity or similarity of action, interpretation or conduct in the discharge of its duties hereunder, regardless of the apparent similarity of the matters coming before it. Any determination, action or conclusion of the Committee shall be final, conclusive and binding on all parties.

B. Advisors. The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any advice or opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company.

C. Indemnification. To the maximum extent permitted by applicable law, no officer of the Company or member or former member of the Committee or of the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it. To the maximum extent

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permitted by applicable law and the Restated Certificate of Incorporation or By-Laws of the Company, each officer and member or former member of the Committee or of the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Company) or liability (including any sum paid in settlement of a claim with the approval of the Company), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the officers, members or former members may have as directors or officers under applicable law or under the Restated Certificate of Incorporation or By-Laws of the Company.

D. Meetings of the Committee. The Committee shall adopt such rules and regulations as it shall deem appropriate concerning the holding of its meetings and the transaction of its business. All determinations by the Committee shall be made by the affirmative vote of a majority of its members. Any such determination may be made at a meeting duly called and held at which a majority of the members of the Committee are in attendance in person or through telephonic communication. Any determination set forth in writing and signed by all the members of the Committee shall be as fully effective as if it had been made by a majority vote of the members at a meeting duly called and held.

E. Determinations. Each determination, interpretation or other action made or taken pursuant to the provisions of this Plan by the Committee shall be final, conclusive and binding for all purposes and upon all persons, including, without limitation, the Participants, the Company, directors, officers and other employees of the Company, and the respective heirs, executors, administrators, personal representatives and other successors in interest of each of the foregoing.

F. Disinterested Directors. Notwithstanding the foregoing, the Committee may not take any action which would cause any Eligible Director to cease to be a "disinterested person" for purposes of Rule 16b-3 promulgated under the Act, as then in effect or any successor provisions ("Rule 16b-3"), with regard to any stock option or other equity plan of the Company.

V. Shares; Adjustment Upon Certain Events

A. Shares to be Delivered; Fractional Shares. Shares to be issued under the Plan shall be made available, at the sole discretion of the Board, either from authorized but unissued Shares or from issued Shares reacquired by Company and held in treasury. No fractional Shares will be issued or transferred upon the exercise of any Option nor will any compensation be paid with regard to fractional shares.

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B. Number of Shares. Subject to adjustment as provided in this Article V, the maximum aggregate number of Shares that may be issued under the Plan shall be 600,000. Where Options are for any reason cancelled, or expire or terminate unexercised, the Shares covered by such Options shall again be available for the grant of Options, within the limits provided by the preceding sentence.

C. Adjustments; Recapitalization, etc. The existence of this Plan and the Options granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Common Stock, the dissolution or liquidation of the Company or any sale or transfer of all or part of its assets or business, or any other corporate act or proceeding, in which case the provisions of this Article V(C) shall govern outstanding Options:

1. The Shares with respect to which Options may be granted are Shares of Common Stock as presently constituted, but, if and whenever the Company shall effect a subdivision, recapitalization or consolidation of Shares or the payment of a stock dividend on Shares without receipt of consideration, the aggregate number and kind of shares of capital stock issuable under this Plan shall be proportionately adjusted, and each holder of a then outstanding Option shall have the right to purchase under such Option, in lieu of the number of Shares as to which the Option was then exercisable but on the same terms and conditions of exercise set forth in such Option, the number and kind of shares of capital stock which he or she would have owned after such sub-division, recapitalization, consolidation or dividend if immediately prior thereto he had been the holder of record of the number of Shares as to which such Option was then exercisable.

2. If the Company merges or consolidates with one or more corporations and the Company shall be the surviving corporation, thereafter upon exercise of an Option theretofore granted, the Participant shall be entitled to purchase under such Option in lieu of the number of Shares as to which such Option shall then be exercisable, but on the same terms and conditions of exercise set forth in such Option, the number and kind of shares of capital stock or other property to which the Participant would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, the Participant had been the holder of record of the number of Shares as to which such Option was then exercisable.

3. If the Company shall not be the surviving corporation in any merger or consolidation, or if the Company is to be dissolved or liquidated, then, unless the surviving corporation assumes the Options or substitutes new Options which are determined by the Board in its sole discretion to be substantially similar in nature and equivalent in terms and value for Options then outstanding, upon the effective date of such merger, consolidation, liquidation or dissolution, any unexercised Options shall

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expire without additional compensation to the holder thereof; provided, that, the Committee shall deliver notice to each Participant at least 20 days prior to the date of consummation of such merger, consolidation,

dissolution or liquidation which would result in the expiration of the Options and during the period from the date on which such notice of termination is delivered to the consummation of the merger, consolidation, dissolution or liquidation, each Participant shall have the right to exercise in full effective as of such consummation all the Options that are then outstanding (without regard to limitations on exercise otherwise contained in the Options other than the requirements of Article III) but contingent on occurrence of the merger, consolidation, dissolution or liquidation, and, provided that, if the contemplated transaction does not take place within a ninety (90) day period after giving such notice for any reason whatsoever, the notice, accelerated vesting and exercise shall be null and void and if and when appropriate new notice shall be given as aforesaid. Notwithstanding the foregoing, the Options held by persons subject to Section 16(b) of the Act that would not have vested under the Plan except pursuant to Article VI(F) prior to the effective date of such merger, consolidation, liquidation or dissolution shall not expire on such date but shall expire thirty (30) days after they would have otherwise vested under the Plan and shall after the effective date of such merger, consolidation, liquidation or dissolution represent only the right to receive the number and kind of shares of capital stock or other property to which the Participant would have been entitled if immediately prior to the effective date of such merger, consolidation, liquidation or dissolution the Participant had been the holder of record of the number of Shares as to which such Option was then exercisable.

4. If as a result of any adjustment made pursuant to the preceding paragraphs of this Article V(C), any Participant shall become entitled upon exercise of an Option to receive any shares of capital stock other than Common Stock, then the number and kind of shares of capital stock so receivable thereafter shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock set forth in this Article V(C).

5. Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to Options theretofore granted or the purchase price per Share.

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VI. Awards and Terms of Options

A. Grant. Without further action by the Board or the stockholders of the Company, each Eligible Director on each Annual Date of Grant (as hereinafter defined) shall be automatically granted options to purchase 10,000 shares, subject to the terms of the Plan, provided that no such Option shall be granted if on the date of grant the Company has liquidated, dissolved or merged or consolidated with another entity in such a manner that it is not the surviving entity (unless the Plan has been assumed by such surviving entity with regard to future grants).

B. Date of Grant. Annual Grants shall be made initially on the date on which this Plan is approved by the Board (the "Initial Grant Date") and on each anniversary of the Effective Date thereafter (the Initial Grant Date and each anniversary of the Effective Date thereafter being referred to as an "Annual Date of Grant"); provided that if such date in any year is a date on which the New York Stock Exchange is not open for trading, the grant shall be made on the first day thereafter on which the New York Stock Exchange is open for trading. Notwithstanding the foregoing, in the event no Fair Market Value can be determined pursuant to the provisions hereof, no Annual Grant shall be made for such fiscal year.

C. Option Agreement. Options shall be evidenced by Option agreements in substantially the form annexed hereto as Exhibit A as modified from time to time.

D. Option Terms:

1. Exercise Price. The purchase price per share ("Purchase Price") deliverable upon the exercise of an Option shall be 100% of the Fair Market Value of such Share at the time of the grant of the Option, or the par value of the Share, whichever is the greater.

2. Period of Exercisability. Except as otherwise provided herein, each Option granted under this Plan shall be exercisable on or after the later of (a) six (6) months and one day after the date of grant or (b) approval of this Plan by the stockholders in accordance with Article III hereof.

3. Procedure for Exercise. A Participant electing to exercise one or more Options shall give written notice to the Secretary of the Company of such election and of the number of Options he or she has elected to exercise. Shares purchased pursuant to the exercise of Options shall be paid for at the time of exercise in cash or by delivery of unencumbered Shares owned by the Participant for at least six months (or such longer period as required by applicable accounting standards to avoid a charge to

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earnings) or a combination thereof.

E. Expiration. Except as otherwise provided herein, if not previously exercised each Option shall expire upon the tenth anniversary of the date of the grant thereof.

F. Acceleration of Exercisability.

All Options granted and not previously exercisable shall become fully exercisable immediately upon the later of a Change of Control (as defined herein) or approval of the Plan by the stockholders in accordance with Article III. Article (V)(C) shall also apply to the extent, if any, it is applicable. For this purpose, a "Change of Control" shall be deemed to have occurred upon:

(a) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or (14)(d)(1) of the Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of more than 80% of the combined voting power of the then outstanding voting securities of Company entitled to vote generally in the election of directors, including, but not limited to, by merger, consolidation or similar corporate transaction or by purchase; excluding, however, the following: (x) any acquisition by the Company, a Related Person, Wasserstein Perella Partners, L.P., Blackstone Capital Partners L.P. or an affiliate of any of the foregoing, or (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or a Related Person; or

(b) the approval of the stockholders of the Company of (i) a complete liquidation or dissolution of the Company or (ii) the sale or other disposition of more than 80% of the gross assets of the Company and Related Persons on a consolidated basis (determined under

generally accepted accounting principles in accordance with prior practice); excluding, however, such a sale or other disposition to a corporation with respect to which, following such sale or other disposition, (x) more than 20% of the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors will be then beneficially owned, directly or indirectly, by the individuals and entities who were the beneficial owners of the outstanding Shares immediately prior to such sale or other disposition, (y) no Person (other than the Company, Related Persons, and any employee benefit plan (or related trust) of the Company or Related Persons or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the outstanding Shares) will beneficially own, directly or indirectly, 20% or more of the combined voting power of the

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then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) individuals who were members of the incumbent board immediately prior to the sale or other disposition will constitute at least a majority of the members of the board of directors of such corporation.

VII. Effect of Termination of Directorship

A. Death, Disability or Otherwise Ceasing to be a Director. Except as otherwise provided herein, upon Termination of Directorship, on account of disability, death, resignation, failure to stand for reelection or failure to be reelected or otherwise, all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Directorship shall remain exercisable by the Participant or, in the case of death, by the Participant's estate or by the person given authority to exercise such Options by his or her will or by operation of law, until the expiration of the Option in accordance with the terms of the Plan and grant.

B. Cancellation of Options. No Options that were not exercisable during the period such person serves as a director shall thereafter become exercisable upon a Termination of Directorship for any reason or no reason whatsoever, and such options shall terminate and become null and void upon a Termination of Directorship.

VIII. Nontransferability of Options

Except as provided in the following sentence, no Option shall be transferable by the Participant otherwise than by will or under applicable laws of descent and distribution and during the lifetime of the Participant may be exercised only by the Participant or his or her guardian or legal representative. An Option shall also be transferable under a domestic relations order that is a "qualified domestic relations order", as defined in section 414(p) of the Code, but may thereafter not be further transferred except as provided in the prior sentence (with the alternate payee under such order being substituted for "Participant"). In addition, except as provided above, no Option shall be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and no Option shall be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate any Option, or in the event of any levy upon any Option by reason of any execution, attachment or similar process contrary to the provisions hereof, such Option shall immediately terminate and become null and void.

IX. Rights as a Stockholder

A Participant (or a permitted transferee of an Option) shall have no rights

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as a stockholder with respect to any Shares covered by such Participant's Option until such Participant (or permitted transferee) shall have become the holder of record of such Shares, and no adjustments shall be made for dividends in cash or other property or distributions or other rights in respect to any such Shares, except as otherwise specifically provided in this Plan.

X. Termination, Amendment and Modification

The Plan shall terminate at the close of business on the seventh anniversary of the Effective Date (the "Termination Date"), unless terminated sooner as hereinafter provided, and no Option shall be granted under the Plan on or after that date. The termination of the Plan shall not terminate any outstanding Options that by their terms continue beyond the Termination Date. The Committee at any time or from time to time may amend this Plan to effect (i) amendments necessary or desirable in order that this Plan and the Options shall conform to all applicable laws and regulations, and (ii) any other amendments

deemed appropriate, provided that no such amendment may be made if either the authority to make such amendment or the amendment would cause the Eligible Directors to cease to be "disinterested persons" with regard to this Plan or any other stock option or other equity plan of the Company for purposes of Rule 16b-3 and further provided that the provisions of the Plan relating to the amount, price and timing of, and eligibility for, awards shall not be amended more than once every six (6) months except to comport with changes in the Code and the Employee Retirement Income Security Act of 1974, as amended, or the rules thereunder. Notwithstanding the foregoing, the Committee may not effect any amendment that would require the approval of the stockholders of the Company under Rule 16b-3 unless such approval is obtained. In no event, unless no longer required as a condition of compliance with the requirements of Rule 16b-3, shall the Committee without the approval of stockholders normally entitled to vote for the election of directors of the Company:

1. increase the number of Shares available for grants under this Plan;

2. reduce the minimum exercise price at which any option may be exercised;

3. change the requirements as to eligibility for participation under this Plan;

4. change the number of Options to be granted or the date on which such Options are to be granted; or

5. materially increase the benefits accruing to Participants hereunder.

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This Plan may be amended or terminated at any time by the stockholders of the Company.

This Plan and any Options granted hereunder shall terminate and be void if this Plan does not receive the approval of the stockholders of the Company that may be required under Rule 16b-3, no later than the next annual meeting of stockholders of the Company. Except as otherwise required by law, no termination, amendment or modification of this Plan may, without the consent of the Participant or the permitted transferee of his Option, alter or impair the rights and obligations arising under any then outstanding Option.

XI. Use of Proceeds

The proceeds of the sale of Shares subject to Options under the Plan are to be added to the general funds of the Company and used for its general corporate purposes as the Board shall determine.

XII. General Provisions

A. Right to Terminate Directorship. This Plan shall not impose any obligations on the Company to retain any Participant as a director nor shall it impose any obligation on the part of any Participant to remain as a director of the Company.

B. Trusts, etc. Nothing contained in the Plan and no action taken pursuant to the Plan (including, without limitation, the grant of any Option thereunder) shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and any Participant or the executor, administrator or other personal representative or designated beneficiary of such Participant, or any other

persons. Any reserves that may be established by the Company in connection with the Plan shall continue to be part of the general funds of the Company, and no individual or entity other than the Company shall have any interest in such funds until paid to a Participant. If and to the extent that any Participant or such Participant's executor, administrator or other personal representative, as the case may be, acquires a right to receive any payment from the Company pursuant to the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

C. Notices. Any notice to the Company required by or in respect of this Plan will be addressed to the Company at 701 McCullough Drive, Charlotte, North Carolina 28262, Attention: Vice President, Human Resources, or such other place

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of business as shall become the Company's principal executive offices from time to time, or sent to the Company by facsimile to (704) 548-2081, Attention: Vice President, Human Resources or to such other facsimile number as the Company shall notify each Participant. Each Participant shall be responsible for furnishing the Committee with the current and proper address for the mailing to such Participant of notices and the delivery to such Participant of agreements, Shares and payments. Any such notice to the Participant will, if the Company has received notice that the Participant is then deceased, be given to the Participant's personal representative if such representative has previously informed the Company of his or her status and address (and has provided such reasonable substantiating information as the Company may request) by written notice under this Section. Any notice required by or in respect of this Plan will be deemed to have been duly given when delivered in person or when dispatched by telegram or, in the case of notice to the Company, by facsimile as described above, or one business day after having been dispatched by a nationally recognized overnight courier service or three business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid. The Company assumes no responsibility or obligation to deliver any item mailed to such address that is returned as undeliverable to the addressee and any further mailings will be suspended until the Participant furnishes the proper address.

D. Severability of Provisions. If any provisions of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provisions had not been included.

E. Payment to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipt thereof shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Company and their employees, agents and representatives with respect thereto.

F. Headings and Captions. The headings and captions herein are provided for reference and convenience only. They shall not be considered part of the Plan and shall not be employed in the construction of the Plan.

G. Controlling Law. The Plan shall be construed and enforced according to the laws of the State of Delaware.

H. Section 16(b) of the Act. All elections and transactions under the Plan by persons subject to Section 16 of the Act involving shares of Common Stock are intended to comply with all exemptive conditions under Rule 16b-3. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Act, as it may

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deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

XIII. Issuance of Stock Certificates; Legends; Payment of Expenses

A. Stock Certificates. Upon any exercise of an Option and payment of the exercise price as provided in such Option, a certificate or certificates for the Shares as to which such Option has been exercised shall be issued by the Company in the name of the person or persons exercising such Option and shall be delivered to or upon the order of such person or persons, subject, however, in the case of Options exercised pursuant to Section V(C)3 hereof, to the merger, consolidation, dissolution or liquidation triggering the rights under that Section.

B. Legends. Certificates for Shares issued upon exercise of an Option shall bear such legend or legends as the Committee, in its sole discretion, determines to be necessary or appropriate to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of any agreements between the Company and the Participant with respect to such Shares.

C. Payment of Expenses. The Company shall pay all issue or transfer taxes with respect to the issuance or transfer of Shares, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance or transfer and with the administration of the Plan.

XIV. Listing of Shares and Related Matters

If at any time the Board or the Committee shall determine in its sole discretion that the listing, registration or qualification of the Shares covered by the Plan upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the grant of Options or the award or sale of Shares under the Plan, no Option grant shall be effective and no Shares will be delivered, as the case may be, unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.

XV. Withholding Taxes

The Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock, payment by the Participant of any Federal, state or local taxes required by law to be withheld.

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Exhibit A

COLLINS & AIKMAN CORPORATION
OPTION AGREEMENT
PURSUANT TO THE
1994 DIRECTORS STOCK OPTION PLAN

[Eligible Director]

Dear:

Preliminary Statement

As a director of Collins & Aikman Corporation (the "Company") on the Annual Date of Grant and pursuant to the terms of the Collins & Aikman Corporation 1994 Directors Stock Option Plan, annexed hereto as Exhibit 1 (the "Plan"), you, as an Eligible Director (as defined in the Plan), have been automatically granted a nonqualified stock option (the "Option") to purchase the number of shares of the Company's common stock, par value $.01 per share (the "Common Stock"), set forth below.

The terms of the grant are as follows:

1. Tax Matters. No part of the Option granted hereby is intended to qualify as an "incentive stock option" under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. Grant of Option. Subject in all respects to the Plan and the terms and conditions set forth herein and therein including, without limitation, the provisions requiring shareholder approval, you are hereby granted an Option to purchase from the Company up to 10,000 Shares (as defined in the Plan), at a price per Share of $_________ (the "Option Price").

3. Vesting. The Option may be exercised by you, in whole or in part, at any time or from time to time on or after the later of (a) six (6) months and one (1) day after the date of grant or (b) approval of the Plan by the stockholders of the Company and prior to the expiration of the Option as provided herein and in the Plan. Upon the occurrence of a Change of Control (as defined in the Plan), the Option shall immediately become exercisable with respect to all Shares subject thereto, regardless of whether the Option has vested with respect to such Shares upon the later of such Change of Control and approval of the Plan by the stockholders of the Company.

4. Termination. Unless terminated as provided below or otherwise pursuant to the Plan, the Option shall expire on the tenth anniversary of this grant.

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5. Restriction on Transfer of Option. Except as provided in the Plan with regard to a "qualified domestic relations order", as defined in Section 414(p) of the Internal Revenue Code, the Option granted hereby is not transferable otherwise than by will or under the applicable laws of descent and distribution and during your lifetime may be exercised only by you or your guardian or legal representative. In addition, the Option shall not be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and the Option shall not be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate the

Option, or in the event of any levy upon the Option by reason of any execution, attachment or similar process contrary to the provisions hereof, the Option shall immediately become null and void.

6. Rights as a Shareholder. You shall have no rights as a shareholder with respect to any Shares covered by the Option until you shall have become the holder of record of the Shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such Shares, except as otherwise specifically provided for in the Plan.

7. Provisions of Plan Control. This grant is subject to all the terms, conditions and provisions of the Plan and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. Any capitalized term used but not defined herein shall have the meaning ascribed to such term in the Plan. The annexed copy of the Plan is incorporated herein by reference. If and to the extent that this grant conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this grant shall be deemed to be modified accordingly.

8. Notices. Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person or, in the case of notice to the Company, by facsimile to the facsimile number set forth below, or when dispatched by Telegram, or one business day after having been dispatched by a nationally recognized courier service or three business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, to the appropriate party at the address (or, in the case of notice to the Company, facsimile number) set forth below (or such other address as the party shall from time to time specify in accordance with Article XII(D) of the Plan.):

If to the Company, to:

Collins & Aikman Corporation
701 McCullough Drive
Charlotte, North Carolina 28262

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Attention: Vice President, Human Resources
Facsimile number: (704) 548-2081

If to you, to:

the address indicated on the signature page at the end of this grant.

Sincerely,

COLLINS & AIKMAN CORPORATION

By:

Authorized Officer Accepted:

[PARTICIPANT]
Address:

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Exhibit 21

SUBSIDIARIES OF COLLINS & AIKMAN CORPORATION

<TABLE>
<CAPTION>

Company	Jurisdiction
Collins & Aikman Products Co.	Delaware
The Akro Corporation	Delaware
Carcorp, Inc.	Delaware
Cepco, Incorporated	Delaware
Collins & Aikman Asset Services, Inc.	Delaware
CW Management Corporation(1)	Delaware
Hopkins Services, Inc.(2)	Minnesota
SAF Services Corporation(3)	Delaware
Collins & Aikman Automotive International, Inc.	Delaware
Collins & Aikman Carpet & Acoustics (MI), Inc.	Delaware
Collins & Aikman Carpet & Acoustics (TN), Inc.	Tennessee
Collins & Aikman Export Corporation	U.S. Virgin Isles
Collins & Aikman Holdings Canada Inc.	Canada
Collins & Aikman Canada Inc.	Canada
C & A Canada International Holdings Limited(4)	Canada
Collins & Aikman Luxembourg, S.A.	Luxembourg
Imperial Wallcoverings (Canada) Inc.	Canada
Collins & Aikman International Corporation	Delaware
Collins & Aikman Europe, Inc.	Delaware
Collins & Aikman (Gibraltar) Limited	Gibraltar/Delaware
Collins & Aikman Europe S.A.(5)	Luxembourg
C&A (Gibraltar)	Gibraltar
C&A (Gibraltar) No. 2	Gibraltar
Collins & Aikman Automotive Holding GmbH	Germany

</TABLE>

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(1) 10% owned by Willis Corroon Corporation of North Carolina

(2) 10% owned by by O'Brien & Gere of North America, Inc.

(3) 10% owned by Unicare, Inc.

(4) 50% owned by Collins & Aikman Plastics, Ltd.

(5) 29% owned by Collins & Aikman Luxembourg, S.A.

<TABLE>

Collins & Aikman Automotive Systems GmbH	Germany
Dura Convertible Systems GmbH	Germany
Collins & Aikman Automotive Systems N.V.(6)	Belgium
Collins & Aikman Automotive Systems S.L.(7)	Spain
Collins & Aikman Europe B.V.	Netherlands
Collins & Aikman Automotive Floormats Europe B.V.	Netherlands
Collins & Aikman Holding AB	Sweden
Collins & Aikman Automotive Systems AB	Sweden
Collins & Aikman Products GmbH	Austria
Collins & Aikman Holdings Limited	United Kingdom
Collins & Aikman Automotive Systems Limited	United Kingdom
Collins & Aikman Automotive Carpet Products (UK) Limited	United Kingdom
Collins & Aikman Plastics (UK) Limited	United Kingdom
Abex Plastic Products Limited	United Kingdom
Manchester Kigass International Limited	United Kingdom
Premier Springs & Pressings Limited	United Kingdom

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Collins & Aikman Holdings, S.A. de C.V.(8)	Mexico
Amco de Mexico, S.A. de C.V.	Mexico
Collins & Aikman de Mexico, S.A. de C.V.(9)	Mexico
Collins & Aikman Carpet & Acoustics, S.A. de C.V.(10)	Mexico
Dura Convertible Systems de Mexico, S.A. de C.V.(11)	Mexico
Industrias Enjema, S.A. de C.V.(12)	Mexico
Servitop, S.A. de C.V.(13)	Mexico
Servitrim, S.A. de C.V.(14)	Mexico
Collins & Aikman Plastics, Inc.	Delaware
Collins & Aikman Plastics, Ltd.	Canada
Collins & Aikman Properties, Inc.	Delaware

</TABLE>

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(6) Ten shares owned by Collins & Aikman Automotive Systems AB

(7) One share owned by J. Michael Stepp

(8) One share owned by Habinus Trading Company

(9) One share owned by The Akro Corporation

(10) 20% owned by Pablo Sidaoui Dib and Alberto Sidaoui Dib

(11) One share owned by Dura Convertible Systems, Inc.

(12) One share owned by Collins & Aikman International Corporation

(13) One share owned by Amco de Mexico, S.A. de C.V.

(14) One share owned by Dura Convertible Systems de Mexico, S.A. de C.V.

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Dura Convertible Systems, Inc.	Delaware
Amco Convertible Fabrics, Inc.	Delaware
Gamble Development Company	Minnesota
Grefab, Inc.	New York
JPS Automotive L.P.(15)	Delaware
Cramerton Automotive Products, Inc.	Delaware
JPS Automotive Products Corp.	Delaware
Ole's, Inc.	California
PACJ, Inc.	Delaware
Simmons Universal Corporation	Delaware
Waterstone Insurance, Inc.	Vermont
Wickes Asset Management, Inc.	Delaware
Wickes Manufacturing Company	Delaware
Wickes Realty, Inc.	Delaware

</TABLE>

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(15) General partner interest owned by PACJ, Inc.

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Exhibit 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K into the Company's previously filed Registration Statements File No. 33-53323, No. 33-53324, No. 33-60997 and No. 333-34569.

ARTHUR ANDERSEN LLP

Charlotte, North Carolina,
March 25, 1999.

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This schedule contains summary financial information extracted from the Company's consolidated balance sheet and consolidated statements of operations for the year ended December 26, 1998 and such is qualified in its entirety by reference to such financial statements.
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