FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
SEC Accession No. 0000931763-01-501210

(HTML Version on secdatabase.com)

FILER

MOHAWK INDUSTRIES INC
CIK:**851968**| IRS No.: **521604305** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-13697** | Film No.: **1696688**
SIC: **2273** Carpets & rugs

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2001

OR

[_] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number
01-19826

MOHAWK INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	52-1604305
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P. O. Box 12069, 160 S. Industrial Blvd., Calhoun, Georgia	30701
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (706) 629-7721

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 [_]

The number of shares outstanding of the issuer's classes of capital stock as of August 3, 2001, the latest practicable date, is as follows: 52,401,233 shares of Common Stock, $.01 par value.

MOHAWK INDUSTRIES, INC.

INDEX

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS
(In thousands)
(Unaudited)

	June 30, 2001	December 31, 2000
Current assets:		
Receivables	$ 392,552	358,809
Inventories	619,177	574,595
Prepaid expenses	17,873	26,973
Deferred income taxes	66,474	66,474
Total current assets	1,096,076	1,026,851
Property, plant and equipment, at cost	1,262,172	1,238,200
Less accumulated depreciation and amortization	626,614	588,147
Net property, plant and equipment	635,558	650,053
Other assets	116,788	118,474
Total assets	$ 1,848,422	1,795,378

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	June 30, 2001	December 31, 2000
Current liabilities:		
Current portion of long-term debt	$ 236,348	224,391
Accounts payable and accrued expenses	392,560	375,268
Total current liabilities	628,908	599,659
Deferred income taxes	75,808	75,808
Long-term debt, less current portion	319,456	365,437
Other long-term liabilities	781	114
Total liabilities	1,024,953	1,041,018

Stockholders' equity:		
Preferred stock, $.01 par value; 60 shares authorized; no shares issued	-	-
Common stock, $.01 par value; 150,000 shares authorized; 61,029 and 60,838 shares issued in 2001 and 2000, respectively	610	608
Additional paid-in capital	187,369	183,303
Retained earnings	832,203	758,531
Accumulated other comprehensive loss	(617)	-
	1,019,565	942,442
Less treasury stock at cost; 8,796 shares in 2001 and 8,538 shares in 2000	196,096	188,082
Total stockholders' equity	823,469	754,360
Total liabilities and stockholders' equity	$ 1,848,422	1,795,378

</TABLE>

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended	
	June 30, 2001	July 1, 2000
<S>	<C>	<C>
Net sales	$ 828,348	852,808
Cost of sales	611,628	636,926
Gross profit	216,720	215,882
Selling, general and administrative expenses	133,159	126,971
Operating income	83,561	88,911
Other expense:		
Interest expense, net	8,232	9,674
Other expense, net	1,574	1,215
	9,806	10,889
Earnings before income taxes	73,755	78,022
Income taxes	27,289	30,819
Net earnings	$ 46,466	47,203
Basic earnings per share	$ 0.89	0.88
Weighted-average common shares outstanding	52,266	53,836
Diluted earnings per share	$ 0.88	0.87
Weighted-average common and dilutive potential		

common shares outstanding	52,882	54,336

</TABLE>

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)
(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended	
	June 30, 2001	July 1, 2000
<S>	<C>	<C>
Net sales	$ 1,572,031	1,617,891
Cost of sales	1,177,286	1,211,446
Gross profit	394,745	406,445
Selling, general and administrative expenses	257,579	251,828
Operating income	137,166	154,617
Other expense:		
Interest expense, net	17,184	18,414
Other expense, net	3,043	1,988
	20,227	20,402
Earnings before income taxes	116,939	134,215
Income taxes	43,267	53,015
Net earnings	$ 73,672	81,200
Basic earnings per share	$ 1.41	1.48
Weighted-average common shares outstanding	52,314	54,723
Diluted earnings per share	$ 1.39	1.47
Weighted-average common and dilutive potential common shares outstanding	52,926	55,217

</TABLE>

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended	
	June 30, 2001	July 1, 2000
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	$ 73,672	81,200
Adjustments to reconcile net earnings to net		

cash provided by operating activities:		
Depreciation and amortization	42,019	41,819
Provision for doubtful accounts	3,680	8,447
Loss on sale of property, plant and equipment	1,054	63
Changes in operating assets and liabilities:		
Receivables	(37,423)	(66,846)
Inventories	(44,582)	(81,879)
Accounts payable and accrued expenses	28,994	85,844
Other assets and prepaid expenses	8,855	12,554
Other liabilities	667	305
Net cash provided by operating activities	76,936	81,507
Cash flows from investing activities:		
Additions to property, plant and equipment, net	(26,647)	(34,842)
Net cash used in investing activities	(26,647)	(34,842)
Cash flows from financing activities:		
Net change in revolving line of credit	(45,408)	15,498
Net change in asset securitization	12,002	-
Net (redemption) proceeds of IRBs and other	(618)	1,933
Change in outstanding checks in excess of cash	(12,319)	18,136
Acquisition of treasury stock	(8,014)	(83,438)
Common stock transactions	4,068	1,206
Net cash used in financing activities	(50,289)	(46,665)
Net change in cash	-	-
Cash, beginning of period	-	-
Cash, end of period	$ -	-
Net cash paid during the period for:		
Interest	$ 18,634	18,805
Income taxes	$ 32,322	37,086

</TABLE>

See accompanying notes to condensed consolidated financial statements.

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In thousands)
(Unaudited)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2000 Annual Report filed on Form 10-K, as filed with the Securities and Exchange Commission, which includes consolidated financial statements for the fiscal year ended December 31, 2000.

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

The Company's basic earnings per share are computed by dividing net earnings by the weighted-average common shares outstanding, and diluted earnings per share are computed by dividing net earnings by the weighted-average common and dilutive potential common shares outstanding. Dilutive common stock options are included in the diluted earnings per share calculation using the treasury stock method.

2. Receivables

<TABLE>

(In thousands)

<CAPTION>
Receivables are as follows:

	June 30, 2001	December 31, 2000
<S>	<C>	<C>
Customers, trade	$ 464,019	433,042
Other	1,749	4,125
	465,768	437,167
Less allowance for discounts, returns, claims and doubtful accounts	73,216	78,358
Net receivables	$ 392,552	358,809

3. Inventories

The components of inventories are as follows:
<CAPTION>

	June 30, 2001	December 31, 2000
<S>	<C>	<C>
Finished goods	$ 319,990	295,447
Work in process	84,245	73,658
Raw materials	214,942	205,490
Total inventories	$ 619,177	574,595

4. Other assets

Other assets are as follows:
<CAPTION>

	June 30, 2001	December 31, 2000
<S>	<C>	<C>
Goodwill, net of accumulated amortization of $17,959 and $16,355, respectively	$ 110,772	112,376
Other assets	6,016	6,098
Total other assets	$ 116,788	118,474

</TABLE>

5. Accounts payable and accrued expenses

Accounts payable and accrued expenses are as follows:

<TABLE>
<CAPTION>

	June 30, 2001	December 31, 2000
<S>	<C>	<C>
Outstanding checks in excess of cash	$ 30,576	42,895
Accounts payable, trade	185,708	165,108
Accrued expenses	109,002	104,313
Accrued compensation	67,274	62,952
Total accounts payable and accrued expenses	$ 392,560	375,268

</TABLE>

6. Comprehensive income

Comprehensive Income is as follows:

<TABLE>
<CAPTION>

	Three Month Ended		Six Month Ended	
	June 30, 2001	July 1, 2000	June 30, 2001	July 1, 2000

(In thousands)

<S> <C> <C> <C> <C>

Net earnings	$ 46,466	47,203	73,672	81,200
Other comprehensive income (loss):				
Unrealized gain (loss) on derivative instruments, net of income taxes	781	-	(617)	-
Comprehensive income	$ 47,247	47,203	73,055	81,200

</TABLE>

7. Commitments and contingencies

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

In December 1995, the Company and four other carpet manufacturers were added as defendants in a purported class action lawsuit, In re Carpet Antitrust Litigation, pending in the United States District Court for the Northern District of Georgia, Rome Division. The amended complaint alleges price-fixing regarding polypropylene products in violation of Section One of the Sherman Act. In September 1997, the Court granted the plaintiffs' motion to certify the class. In October 1998, two plaintiffs, on behalf of an alleged class of purchasers of nylon carpet products, filed a complaint in the United States District Court for the Northern District of Georgia against the Company and two of its subsidiaries, as well as certain competitors. The complaint alleges that the Company acted in concert with other carpet manufacturers to restrain competition in the sale of certain nylon carpet products. The Company filed an answer, denied the allegations in the complaint and set forth its defenses.

On August 11, 2000, the Company presented to the Court the terms of an agreement in principle to settle these two cases. On February 5, 2001, the Court dismissed all claims against the Company and granted final approval to the settlement. Under the terms of the settlement agreement, the Company contributed $13.5 million at the beginning of the second quarter of 2001 to a settlement fund to resolve price-fixing claims brought by a class of purchasers of polypropylene carpet and a proposed settlement class of purchasers of nylon carpet. The Company recorded a charge of $7 million in the third quarter of 2000, in connection with the lawsuit. The Company denies all liability and wrongdoing and has agreed to settle these claims in order to avoid the costs of further litigation.

The Company is a party to two consolidated lawsuits captioned Gaehwiler v. Sunrise Carpet Industries, Inc. et al. and Patco Enterprises, Inc. v. Sunrise Carpet Industries, Inc. et al., both of which were filed in the Superior Court of the State of California, City and County of San Francisco, in 1996. Both complaints were brought on behalf of a purported class of indirect purchasers of polypropylene carpet in the State of California and seek damages for alleged violations of California antitrust and unfair competition laws. In February 1999, a similar complaint was filed in the Superior Court of the State of California, City and County of San Francisco, on behalf of a purported class based on indirect purchasers of nylon carpet in the State of California and alleges violations of California antitrust and unfair competition laws. The complaints described above do not specify any specific amount of damages but do request injunctive relief and treble damages plus reimbursement for fees and costs. The Company believes it has meritorious defenses and intends to vigorously defend against these actions.

8. Recent Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142.

The Company is required to adopt the provisions of SFAS No. 141 immediately, and SFAS No. 142 effective January 1, 2002. Furthermore, any goodwill determined to have an indefinite useful life that was acquired in a purchase business combination completed after June 30, 2001 will not be amortized. Goodwill acquired in business combinations completed before July 1, 2001 will discontinue being amortized after December 31, 2001.

The Company is currently evaluating its existing goodwill that was acquired in prior purchase business combinations for impairment and believes such evaluation will not result in an adjustment that is material to the consolidated financial statements.

As of the date of adoption, the Company expects to have unamortized goodwill in the amount of $109,161. Amortization expense related to goodwill was $3,184 and $1,605 for the year ended December 31, 2000 and the six months ended June 30, 2001, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Quarter Ended June 30, 2001 as Compared with Quarter Ended July 1, 2000

Net sales for the quarter ended June 30, 2001 were $828.4 million, reflecting a decrease of $24.5 million, or approximately 2.9%, over the $852.8 million reported in the quarter ended July 1, 2000. The Company believes that the decrease was attributable to the cyclical downturn in the overall economy, which led to declining industry shipments.

Gross profit for the second quarter of the current year was $216.7 million (26.2% of net sales) and represented a $0.8 million increase over the gross profit of $215.9 million (25.3% of net sales) for the prior year's quarter. Gross profit as a percentage of net sales, was favorably impacted by increased manufacturing efficiencies and cost reductions.

Selling, general and administrative expenses for the current quarter were $133.2 million (16.1% of net sales) compared to $127 million (14.9% of net sales) for the prior year's second quarter. The increased percentage was primarily due to costs of rolling out the hardsurface product lines.

Interest expense for the current quarter was $8.2 million compared to $9.7 million in the second quarter of 2000. The decrease was due to a reduction in debt levels and a decrease in the weighted average borrowing rate compared to the second quarter of 2000.

Income tax expense was $27.3 million, or 37.0% of earnings before income taxes in the current quarter compared to $30.8 million, or 39.5% of earnings before income taxes for the prior year's second quarter. The reduction in the effective income tax rate was primarily due to tax planning strategies.

Six months Ended June 30, 2001 as Compared with Six Months Ended July 1, 2000

Net sales for the first six months ended June 30, 2001 were $1,572 million, reflecting a decrease of $46 million, or approximately 2.8%, over the $1,618 million reported in the six month period ended July 1, 2000. The Company believes that the decrease was attributable to the cyclical downturn in the overall economy, which led to declining industry shipments.

Gross profit for the first six months of the current year was $394.7 million (25.1% of net sales) and represented a $11.7 million decrease over the gross profit of $406.4 million (25.1% of net sales) for the first six months of 2000.

Selling, general and administrative expenses for the current period were $257.6 million (16.4% of net sales) compared to $251.8 million (15.6% of net sales) for the prior year's first six months. The increased percentage was primarily due to costs of rolling out the hardsurface product lines.

Interest expense for the current period was $17.2 million compared to $18.4 million in the prior year's first six months. The decrease was due to a reduction in debt levels, and a decrease in the weighted average borrowing rate compared to the first six months of 2000.

Income tax expense was $43.3 million, or 37.0% of earnings before income taxes in the current period compared to $53 million, or 39.5% of earnings before income taxes for the prior year's first six months. The reduction in the effective income tax rate was primarily due to tax planning strategies.

Liquidity and Capital Resources

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

The level of accounts receivable increased from $358.8 million at the beginning of 2001 to $392.6 million at June 30, 2001. The $33.7 million increase was attributable to seasonal fluctuation. Inventories increased from $574.6 million at the beginning of 2001 to $619.2 million at June 30, 2001, due primarily to the need for a higher level of inventory to meet seasonal sales demand and the rollout of the hardsurface products, Ralph Lauren and Crown Crafts product lines.

Capital expenditures totaled $26.6 million for the first six months of 2001, and were incurred primarily to modernize and expand manufacturing facilities and equipment. The Company's capital projects are primarily focused on increasing capacity, improving productivity and reducing costs. Capital spending for the remainder of 2001 is expected to range from $50.1 million to $60.1 million, the majority of which will be used to purchase equipment to increase production capacity and productivity.

The Company's Board of Directors has authorized the repurchase of up to 15 million shares of its outstanding common stock. For the quarter ended June 30, 2001, a total of approximately 94 thousand shares of the Company's common stock was purchased at an aggregate cost of approximately $3.2 million. Since the inception of the program, a total of approximately 9.0 million shares have been repurchased at an aggregate cost of approximately $200.8 million. All of these repurchases have been financed through the Company's operations and banking arrangements.

Impact of Inflation

Inflation affects the Company's manufacturing costs and operating expenses. The carpet industry has experienced significant inflation in the prices of raw materials and fuel-related costs, beginning in the third quarter of 1999, but such cost pressures have lessened during the last half of 2000 and the first half of 2001. The Company has generally passed along nylon fiber price increases to its customers although additional costs resulting from recent significant inflationary pressures may not be fully recoverable through such price increases in the near-term.

Seasonality

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

Certain factors affecting the Company's performance

In addition to the other information provided in this Form 10-Q, the following risk factors should be considered when evaluating an investment in shares of Mohawk common stock.

<u>A failure by Mohawk to complete acquisitions and successfully integrate acquired operations could materially and adversely affect its business.</u>

Management intends to pursue acquisitions of complementary businesses as part of its business and growth strategies. Although management regularly evaluates acquisition opportunities, it cannot offer assurance that it will be able to:

- successfully identify suitable acquisition candidates;
- obtain sufficient financing on acceptable terms to fund acquisitions;
- complete acquisitions;
- integrate acquired operations into Mohawk's existing operations; or

- profitably manage acquired businesses.

Acquired operations may not achieve levels of sales, operating income or productivity comparable to those of Mohawk's existing operations, or otherwise perform as expected. Acquisitions may also involve a number of special risks, some or all of which could have a material adverse effect on Mohawk's business, results of operations and financial condition, including, among others:

- possible adverse effects on Mohawk's operating results;
- diversion of Mohawk management's attention and its resources; and
- dependence on retaining and training acquired key personnel.

The carpet industry is cyclical and a downturn in the overall economy could lessen the demand for Mohawk's products and impair growth and profitability.

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

The carpet business is seasonal and this seasonality causes Mohawk's results of operations to fluctuate on a quarterly basis.

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

Mohawk's business is competitive and a failure by Mohawk to compete effectively could have a material and adverse impact on Mohawk's results of operations.

Mohawk operates in a highly competitive industry. Mohawk and other manufacturers in the carpet industry compete on the basis of price, style, quality and service. Some of Mohawk's competitors may have greater financial resources at their disposal. If competitors substantially increase production and marketing of competing products, then Mohawk might be required to lower its prices or spend more on product development, marketing and sales, which could adversely affect Mohawk's profitability.

An increase in the cost of raw materials could negatively impact Mohawk's profitability.

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

Mohawk may be responsible for environmental cleanup, which could negatively impact profitability.

Various federal, state and local environmental laws govern the use of Mohawk's facilities. Such laws govern:

- discharges to air and water;
- handling and disposal of solid and hazardous substances and waste; and
- remediation of contamination from releases of hazardous substances in Mohawk's facilities and off-site disposal locations.

Mohawk's operations are also governed by the laws relating to workplace safety and worker health, which, among other things, establish asbestos and noise standards and regulate the use of hazardous chemicals in the workplace. Mohawk has taken and will continue to take steps to comply with these laws. Based upon current

available information, Mohawk believes that complying with environmental and safety and health requirements will not require material capital expenditures in the foreseeable future. However, Mohawk cannot provide assurance that complying with these environmental or health and safety laws and requirements will not adversely affect its business, results of operations and financial condition. Future laws, ordinances or regulations could give rise to additional compliance or remediation costs, which could have a material adverse effect on its business, results of operations and financial condition.

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In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142.

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As of the date of adoption, the Company expects to have unamortized goodwill in the amount of $109,161. Amortization expense related to goodwill was $3,184 and $1,605 for the year ended December 31, 2000 and the six months ended June 30, 2001, respectively.

Forward-Looking Information

Certain of the matters discussed in the preceding pages, particularly regarding anticipating future financial performance, business prospects, growth and operating strategies, proposed acquisitions, new products and similar matters, and those preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "estimates" or similar expressions constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended. For those statements, Mohawk claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks and uncertainties. The following important factors, in addition to those discussed elsewhere in this document, affect the future results of Mohawk and could cause those results to differ materially from those expressed in the forward-looking statements: materially adverse changes in economic conditions generally in the carpet, rug and floorcovering markets served by Mohawk; competition from other carpet, rug and floorcovering manufacturers; raw material prices; timing and level of capital expenditures; the successful integration of acquisitions, including the challenges inherent in diverting Mohawk management's attention and resources from other strategic matters and from operational matters for an extended period of time; the successful introduction of new products; the successful rationalization of existing operations; and other risks identified from time to time in the Company's SEC reports and public announcements. Any forward-looking statements represent Mohawk's estimates only as of the date of this report and should not be relied upon as representing Mohawk's estimates as of any subsequent date. While Mohawk may elect to update forward-looking statements at some point in the future, Mohawk specifically disclaims any obligation to do so, even if Mohawk's estimates change.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

To reduce the risk of interest rate fluctuations, the Company engages in the use of interest rate swap agreements. At June 30, 2001, the Company held one interest rate swap agreement under which the Company pays a fixed percent of interest times the notional principal amount and receives in return an amount equal to a specified variable rate of interest times the same notional principal amount. The fixed interest rate per the agreement is 5.82%, which expires January 2, 2006. The average rate as of June 30, 2001 was 5.1%. This agreement is considered highly effective as of June 30, 2001. The cumulative fair value of the agreement as of June 30, 2001 was a liability of $979 thousand, which was recorded in long-term liabilities with the offset to other comprehensive income, net of applicable income taxes.

PART II. OTHER INFORMATION

Item 1. Legal Procedings

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

In December 1995, the Company and four other carpet manufacturers were added as defendants in a purported class action lawsuit, In re Carpet Antitrust Litigation, pending in the United States District Court for the Northern

District of Georgia, Rome Division. The amended complaint alleges price-fixing regarding polypropylene products in violation of Section One of the Sherman Act. In September 1997, the Court granted the plaintiffs' motion to certify the class. In October 1998, two plaintiffs, on behalf of an alleged class of purchasers of nylon carpet products, filed a complaint in the United States District Court for the Northern District of Georgia against the Company and two of its subsidiaries, as well as certain competitors. The complaint alleges that the Company acted in concert with other carpet manufacturers to restrain competition in the sale of certain nylon carpet products. The Company filed an answer, denied the allegations in the complaint and set forth its defenses.

On August 11, 2000, the Company presented to the Court the terms of an agreement in principle to settle these two cases. On February 5, 2001, the Court dismissed all claims against the Company and granted final approval to the settlement. Under the terms of the settlement agreement, the Company contributed $13.5 million at the beginning of the second quarter of 2001 to a settlement fund to resolve price-fixing claims brought by a class of purchasers of polypropylene carpet and a proposed settlement class of purchasers of nylon carpet. The Company recorded a charge of $7 million in the third quarter of 2000, in connection with the lawsuit. The Company denies all liability and wrongdoing and has agreed to settle these claims in order to avoid the costs of further litigation.

The Company is a party to two consolidated lawsuits captioned Gaehwiler v. Sunrise Carpet Industries, Inc. et al. and Patco Enterprises, Inc. v. Sunrise Carpet Industries, Inc. et al., both of which were filed in the Superior Court of the State of California, City and County of San Francisco, in 1996. Both complaints were brought on behalf of a purported class of indirect purchasers of polypropylene carpet in the State of California and seek damages for alleged violations of California antitrust and unfair competition laws. In February 1999, a similar complaint was filed in the Superior Court of the State of California, City and County of San Francisco, on behalf of a purported class based on indirect purchasers of nylon carpet in the State of California and alleges violations of California antitrust and unfair competition laws. The complaints described above do not specify any specific amount of damages but do request injunctive relief and treble damages plus reimbursement for fees and costs. The Company believes it has meritorious defenses and intends to vigorously defend against these actions.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

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

The Annual Meeting of Stockholders was held on May 17, 2001, at which time stockholders were asked to elect a class of directors to serve a three-year term beginning in 2001.

Leo Benatar and David L. Kolb were elected Class III directors of the Company for a term expiring in 2004. Mr. Benatar was elected by stockholders owning 50,074,214 shares of common stock, with stockholders owning 278,757 shares withholding authority. With respect to Mr. Benatar's election there were no broker nonvotes. Mr. Kolb was elected by stockholders owning 50,075,994 shares of common stock, with stockholders owning 276,977 shares withholding authority. With respect to Mr. Kolb's election there were no broker nonvotes. Messrs Jeffrey S. Lorberbaum, Robert N. Pokelwaldt, Bruce C. Bruckmann, Larry W. McCurdy and Sylvestor H. Sharpe continued their terms of office as directors.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

No.	Description
11	Statement re: Computation of Per Share Earnings

(b) Reports on Form 8-K

Current Report on Form 8-K: First quarter 2001 earnings announcement, dated April 16, 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOHAWK INDUSTRIES, INC.

Dated: August 3, 2001 By: /s/ Jeffrey S. Lorberbaum

JEFFREY S. LORBERBAUM, President and Chief Executive Officer (principal executive officer)

Dated: August 3, 2001 By: /s/ John D. Swift

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

EXHIBIT INDEX

No.	Description
(a)	Exhibits
11	Statement re: Computation of Per Share Earnings

EXHIBIT 11

MOHAWK INDUSTRIES, INC. AND SUBSIDIARIES
STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS
(In thousands, except per share data)
(Unaudited)

Note: Earnings per share are presented in accordance with Regulation S-K Item 601 (b) and FAS No. 128.

	Three Months Ended	
	June 30, 2001	July 1, 2000
Net earnings	$ 46,466	47,203
Weighted-average common and dilutive potential common shares outstanding:		
Weighted-average common shares outstanding	52,266	53,836
Add weighted-average dilutive potential common shares - options to purchase common shares, net	616	500
Weighted-average common and dilutive potential common shares outstanding	52,882	54,336
Basic earnings per share	$ 0.89	0.88
Diluted earnings per share	$ 0.88	0.87

	Six Months Ended	
	June 30, 2001	July 1, 2000
Net earnings	$ 73,672	81,200
Weighted-average common and dilutive potential common shares outstanding:		
Weighted-average common shares outstanding	52,314	54,723
Add weighted-average dilutive potential common shares - options to purchase common shares, net	612	494
Weighted-average common and dilutive potential common shares outstanding	52,926	55,217
Basic earnings per share	$ 1.41	1.48
Diluted earnings per share	$ 1.39	1.47