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

FORM 8-K

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

Date of Report (Date of earliest event reported): March 20, 2002

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

Delaware	01-19826	52-1604305
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

160 South Industrial Blvd., Calhoun, Georgia 30701
(Address, including zip code, of principal executive offices)

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

Item 2. Other Events

Pursuant to that certain Agreement and Plan of Merger by and among Mohawk Industries, Inc. ("Mohawk"), Maverick Merger Sub, Inc. and Dal-Tile International Inc. ("Dal-Tile") dated as of November 19, 2001, as amended (the "Agreement"), on March 20, 2002, Mohawk acquired all the outstanding stock of Dal-Tile for a purchase price of approximately $1,545 million, consisting of 12.9 million shares of Mohawk's common stock, options to purchase approximately 2.1 million shares of the Company's common stock and $720 million in cash. The number of shares of, and options to purchase, Mohawk common stock was determined based on the exchange ratio of .2213, as calculated pursuant to the Agreement. The Company's common stock and options were valued at $825 million based on the measurement date stock price. The transaction is being accounted for using the purchase method of accounting.

The cash portion of the purchase price was financed by borrowings under Mohawk's existing credit facilities and $600 million of borrowings under a 364-day term loan facility among Mohawk, Wachovia Investors, Inc., Goldman Sachs Credit Partners L.P. and SunTrust Bank

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

A. Financial Statements of Dal-Tile International Inc. for December 28, 2001.

B. Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

C. Exhibits

23.1 Independent Auditors Consent - Ernst & Young LLP.

99.1 Financial Statements of Dal-Tile International Inc. for December 28, 2001.

99.2 Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

SIGNATURE

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 hereunto duly authorized.

Mohawk Industries, Inc.

Date: March 20, 2002

By: /s/ Frank H. Boykin

Frank H. Boykin
VP & Corporate Controller

INDEX TO EXHIBITS

Exhibit	
23.1	Independent Auditors Consent - Ernst & Young LLP.
99.1	Financial Statements of Dal-Tile International Inc. for the period ended December 28, 2001.
99.2	Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the inclusion in Mohawk Industries, Inc. Form 8-K, dated March 20, 2002, of our report dated February 22, 2002 on the Dal-Tile International, Inc. and subsidiaries consolidated financial statements as of December 28, 2001 and for each of the three years then ended.

/s/ Ernst & Young LLP

Dallas, Texas
March 20, 2002

Exhibit 99.1

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Dal-Tile International Inc.

We have audited the accompanying consolidated balance sheets of Dal-Tile International Inc. as of December 28, 2001 and December 29, 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 28, 2001. 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.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dal-Tile International Inc. at December 28, 2001 and December 29, 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 28, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Dallas, Texas
February 22, 2002

DAL-TILE INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 28, 2001	December 29, 2000
Assets		
Current Assets:		
Cash	$ 4,206	1,477
Trade accounts receivable, net of allowance of $4,171 in 2001 and $4,982 in 2000	112,629	104,352
Inventories	149,679	140,246
Prepaid expenses	4,664	5,702
Other current assets	16,545	25,222
Total current assets	287,723	276,999
Property, plant and equipment, at cost:		
Land	11,437	11,553
Leasehold improvements	15,676	13,134
Buildings	87,887	81,808
Machinery and equipment	233,128	214,783
Construction in progress	12,265	22,754
	360,393	344,032
Accumulated depreciation	131,085	119,343
	229,308	224,689
Goodwill, net of accumulated amortization		

of $80,984 in 2001 and $76,202 in 2000	133,638	138,260
Tradename and other assets, net of accumulated amortization of $13,966 in 2001 and $9,373 in 2000	27,753	30,572
Total assets	$678,422	670,520
Liabilities and Stockholders' Equity		
Current Liabilities:		
Trade accounts payable	$ 32,302	32,766
Accrued expenses	69,491	66,848
Current portion of long-term debt	17,217	55,761
Other current liabilities	2,218	5,321
Total current liabilities	121,228	160,696
Long-term debt	219,900	276,017
Other long-term liabilities	18,593	17,968
Deferred income taxes	28,847	3,531
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, $ .01 par value, 11,100,000 shares authorized; no shares issued and outstanding at December 28, 2001 or December 29, 2000	--	--
Common stock, $.01 par value, 200,000,000 shares authorized; issued and outstanding shares - 56,088,083 at December 28, 2001 and 55,252,695 at December 29, 2000	561	553
Additional paid-in capital	461,905	453,144
Accumulated deficit	(95,003)	(172,338)
Accumulated other comprehensive loss ...	(77,609)	(69,051)
Total stockholders' equity	289,854	212,308
Total liabilities and stockholders' equity	$678,422	670,520

See accompanying notes.

DAL-TILE INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Fiscal Year Ended		
	December 28, 2001	December 29, 2000	December 31, 1999
Net sales	$1,036,795	959,445	857,480
Cost of goods sold	546,345	497,933	440,514
	490,450	461,512	416,966
Operating expense:			
Transportation	79,607	76,130	67,376
Selling, general and administrative	256,110	242,807	229,505
Amortization of goodwill and tradename	5,512	5,512	5,607
Total operating expense	341,229	324,449	302,488
Operating income	149,221	137,063	114,478
Interest expense	21,490	30,102	37,125
Interest income	42	104	126
Foreign transaction/translation (expense)			

income	(232)	(82)	137
Minority interest	(803)	(18)	--
Other income	2,137	87	518
Other expense	(581)	(431)	(405)
Total other (expense) income	521	(444)	250
Income before income taxes and extraordinary item	128,294	106,621	77,729
Income tax provision	49,393	5,864	3,966
Income before extraordinary item	78,901	100,757	73,763
Extraordinary item-loss on early extinguishment of debt, net of tax	1,566	--	--
Net income	$ 77,335	100,757	73,763
Basic Earnings Per Share			
Income before extraordinary item per common share	$ 1.42	1.83	1.36
Extraordinary item per common share	(0.03)	--	--
Net income per common share	$ 1.39	1.83	1.36
Weighted average common shares	55,808	54,918	54,103
Diluted Earnings Per Share			
Income before extraordinary item per common share	$ 1.36	1.82	1.35
Extraordinary item per common share	(0.03)	--	--
Net income per common share	$ 1.33	1.82	1.35
Weighted average common shares assuming dilution	58,341	55,396	54,539

See accompanying notes.

DAL-TILE INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In Thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 1999	53,552	$535	436,182	(346,858)	(74,400)	15,459
Stock option compensation	--	--	255	--	--	255
Exercise of stock options and other	1,117	12	11,301	--	--	11,313
Comprehensive income:						
Net income	--	--	--	73,763	--	73,763
Currency translation adjustment	--	--	--	--	154	154
Total comprehensive income	--	--	--	--	--	73,917
Balance at December 31, 1999	54,669	547	447,738	(273,095)	(74,246)	100,944
Exercise of stock options and other	584	6	5,406	--	--	5,412
Comprehensive income:						
Net income	--	--	--	100,757	--	100,757
Unrealized gain on hedge instrument, net of tax	--	--	--	--	5,282	5,282
Currency translation adjustment	--	--	--	--	(87)	(87)
Total comprehensive income	--	--	--	--	--	105,952
Balance at December 29, 2000	55,253	553	453,144	(172,338)	(69,051)	212,308
Exercise of stock options and other	835	8	8,761	--	--	8,769
Comprehensive income:						
Net income	--	--	--	77,335	--	77,335
Unrealized loss on hedge instrument, net						

of tax	--	--	--	--	(8,366)	(8,366)
Currency translation adjustment	--	--	--	--	(192)	(192)
Total comprehensive income	--	--	--	--	--	68,777
Balance at December 28, 2001	56,088	$561	461,905	(95,003)	(77,609)	289,854

The Company had authorized and unissued during the three years ended December 28, 2001 11,100,000 shares of preferred stock $0.01 par value.

See accompanying notes.

DAL-TILE INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Year Ended		
	December 28, 2001	December 29, 2000	December 31, 1999
Operating Activities			
Net income	$ 77,335	100,757	73,763
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	29,409	26,782	26,889
Extraordinary loss	1,566	--	--
Tax benefit of stock option exercises	1,997	--	693
Provision for losses on accounts receivable	2,544	2,126	2,199
Other	(693)	138	153
Deferred income tax provisions (benefit)	18,912	553	(1,717)
Changes in operating assets and liabilities:			
Trade accounts receivable	(10,484)	(11,706)	(3,673)
Inventories	(9,151)	(276)	(1,388)
Other assets	10,579	(3,063)	3,474
Trade accounts payable and accrued expense	1,927	(5,353)	14,594
Accrued interest payable	1,083	1,436	94
Other liabilities	(4,652)	(1,167)	(10,444)
Net cash provided by operating activities	120,372	110,227	104,637
Investing Activities			
Expenditures for property, plant and equipment, net	(27,207)	(37,180)	(25,129)
Financing Activities			
Borrowings under long-term debt	360,250	241,900	255,600
Repayment of long-term debt	(454,910)	(320,796)	(345,359)
Debt issuance costs	(2,668)	--	--
Net proceeds from issuance of common stock	6,772	6,184	9,771
Net cash used in financing activities	(90,556)	(72,712)	(79,988)
Effect of exchange rate on cash	120	(51)	127
Net increase (decrease) in cash	2,729	284	(353)
Cash at beginning of period	1,477	1,193	1,546
Cash at end of period	$ 4,206	1,477	1,193

See accompanying notes.

DAL-TILE INTERNATIONAL INC.

NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS DECEMBER 28, 2001

1. Organization

Dal-Tile International Inc. (the "Company"), a holding company, owns the outstanding capital stock of its sole direct subsidiary, Dal-Tile Group Inc. (the "Group"), and conducts its operations through the Group. The Group also conducts substantially all of its operations through its subsidiaries. Dal-Tile International Inc., as a stand-alone holding company, has no operations.

The Group is a multinational manufacturing and distribution company operating in the United States, Mexico and Canada. The Group offers a full range of glazed and unglazed ceramic tile products and accessories, as well as natural stone products. The Group's products are sold principally through its extensive network of Company-operated sales centers. The Group also distributes products through independent distributors and sells to home center retailers and flooring dealers.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements reflect the consolidation of all accounts of the Company, including a majority owned joint venture with Emilceramica S.p.A. Significant intercompany transactions and balances have been eliminated in consolidation. The Company has a 49.99 percent interest in Recumbrimientos Interceramic S.A. de C.V. ("RISA"), a Mexican joint venture with Interceramic, a leading Mexican manufacturer. As of December 30, 2000, the Company began accounting for this investment under the equity method as opposed to the cost method. Such change had an immaterial effect on the results of operations and financial condition of the Company. At December 28, 2001 the Company's investment in RISA was $10,115,000 which approximates its interest in RISA equity.

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Valuation of Accounts Receivable

The Company values its accounts receivable at fair value and maintains reserves based on a calculation of historical trends of bad debt expense and credit memos issued, and by review of accounts receivable aging. The Company determines accounts receivable write-offs based on age and the discretion of the credit department. Costs incurred for the fiscal years 2001, 2000 and 1999 amounted to approximately $2,544,000, $2,126,000 and $2,199,000, respectively.

Inventories

U.S. finished products inventories are valued at the lower of cost (last-in, first-out ("LIFO")) or market, while U.S. raw materials and goods-in-process inventories are valued at the lower of cost (first-in, first-out ("FIFO")) or market. Mexican and Canadian inventories are valued at the lower of cost (FIFO) or market.

Depreciation

Depreciation for financial reporting purposes is determined using the straight-line method. Estimated useful lives are as follows:

	Years
Leasehold improvements	Life of lease
Buildings	20 - 30
Machinery and equipment	3 - 15

Impairment of Long-lived Assets

The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

Goodwill, which represents the excess cost over the fair value of net assets acquired, is amortized along with tradename on a straight-line basis over the expected period to be benefited of 40 years and 25 years, respectively. The Company assesses the recoverability of goodwill and tradename by determining whether the amortization of the balances over their remaining lives can be recovered through undiscounted future operating cash flows of the acquired operations. Recoverability is reviewed when events or changes in circumstances indicate that the carrying amount may exceed such cash flows.

Revenue Recognition

The Company recognizes revenue from product sales upon shipment including amounts billed to customers for shipping and handling.

Transportation

The Company records shipping and handling costs on a separate transportation line item under operating expense.

Other Income (Expense)

The Company records minority interest in other income (expense) for the minority portion of the joint venture between the Company and Emilceramica, S.p.A. Minority interest was approximately $803,000 and $18,000 in the fiscal years 2001 and 2000. In fiscal 2001, the Company recorded income of approximately $1,533,000 from the RISA joint venture.

Advertising Expense

Advertising and promotion expenses are charged to income during the period in which they are incurred. Advertising and promotion expenses incurred for the fiscal years 2001, 2000 and 1999 amounted to approximately $20,613,000, $17,326,000 and $17,231,000, respectively.

Stock Options

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair market value of the underlying common stock at the date of grant. The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations in accounting for its employee stock options. Under APB 25, no compensation expense is recognized if the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant.

Retirement Plans

The Company maintains a defined contribution 401(k) plan for eligible employees in the U.S. A participant may contribute up to 15 percent of total annual compensation (annual base pay for union participants) to the plan. Contributions by the Company to the plan are made at the discretion of its Board of Directors. Currently, the Company matches 50 percent of any participant's contribution to the plan up to 6 percent of the employee's total annual compensation. The Company recorded matching contributions of approximately $3,025,000, $2,176,000 and $3,007,000 for fiscal years 2001, 2000 and 1999, respectively. Dal-Tile Mexico maintains a defined benefit plan for eligible employees with funding policies based on local statutes. Dal-Tile Mexico recorded pension expenses of approximately $196,000, $164,000 and $133,000 for fiscal years 2001, 2000 and 1999, respectively.

Foreign Currency Translation

The Company's Mexican operations use the U.S. dollar as their functional currency. Translation gains or losses are reflected in other income (expense) in the consolidated statements of operations. Gains and losses resulting from foreign currency transactions are reflected currently in other income (expense) in the consolidated statements of operations. The cumulative foreign currency translation adjustment as of December 28, 2001 was approximately $74,525,000.

Financial Instruments

The carrying amounts of cash, trade accounts receivable and trade accounts payable approximate fair value because of the short maturity of those instruments. The carrying amount of the Company's long-term debt approximates its fair value, which the Company estimates based on incremental rates of comparable borrowing arrangements.

Concentrations of Credit Risk

The Company is engaged in the manufacturing and distribution of glazed and unglazed ceramic tile products and accessories in the United States and Mexico and the distribution of such manufactured products in Canada. The Company grants credit to customers, substantially all of whom are dependent upon the construction economic sector. The Company continuously evaluates its customers' financial condition and periodically requires third party payments to be issued on behalf of the customer and the Company. In addition, the Company frequently obtains liens on property to secure accounts receivable.

Derivative Financial Instruments

The Company engages in activities that expose it to various market risks, including the effects of changes in foreign currency exchange rates, interest rates and natural gas prices. These financial exposures are managed as an integral part of the Company's risk management program, which seeks to reduce the potentially adverse effects that the volatility of the markets may have on operating results. The Company does not regularly engage in speculative transactions, nor does it regularly hold or issue financial instruments for trading purposes. The Company maintains a foreign currency risk management strategy that uses derivative instruments to protect its interests from unanticipated fluctuations in earnings and cash flows caused by volatility in currency exchange rates. The Company maintains an interest rate risk management strategy that uses derivative instruments, currently interest rate swaps, to minimize significant, unanticipated earnings fluctuations caused by volatility in interest rates. In addition, the Company maintains a natural gas pricing strategy to minimize significant fluctuations in earnings caused by the volatility of gas prices.

DAL-TILE INTERNATIONAL INC.

The Company formally documents all hedging instruments and hedging items, as well as its risk management objective and strategy for undertaking various hedge items. This process includes linking all derivatives that are designated as fair value and cash flow hedges to specific assets or liabilities on the balance sheet or to forecasted transactions. The Company also formally assesses, both at inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items. When it is determined that a derivative is not highly effective, the derivative expires, or is sold, terminated, or exercised, or the derivative is discontinued because it is unlikely that a forecasted transaction will occur, the Company discontinues hedge accounting, if appropriate, for that specific hedge instrument.

Reclassification

Certain prior year amounts have been reclassified to conform to the 2001 presentation. Amounts reclassified included advertising costs of approximately $4,292,000 in 2000 and $3,340,000 in 1999 reclassified to net sales from selling, general and administration costs and freight recovered from customers of approximately $11,581,000 in 2000 and $10,252,000 in 1999 reclassified to net sales from transportation expenses.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statement No. 141, "Business Combinations" ("SFAS 141") and Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under the new standards, SFAS 141 eliminates the pooling of interest method of accounting for business combinations. SFAS 142 requires that goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. In October 2001, the Financial Accounting Standards Board issued Statement No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets" ("SFAS 144"). This statement establishes new rules for determining impairment of certain other long-lived assets, including intangible assets subject to amortization, property and equipment and long-term prepaid assets. These new standards are all effective for fiscal years beginning after December 15, 2001. The Company will adopt these statements on December 29, 2001 for the 2002 fiscal year. At the present time, the Company has no foreseeable business combinations and management believes that SFAS 141 will have no material impact on the Company. The effect of adopting SFAS 142 will be to reduce amortization expense on an annual basis by approximately $5,500,000 and increase net income by approximately $5,200,000 for fiscal 2002 compared to fiscal 2001. Management believes that impairment of existing goodwill and intangible assets as of December 28, 2001 is unlikely, and the adoption of SFAS 144 will not have a significant effect on the operating results or financial position of the Company.

At the April 2001 meeting of the Emerging Issues Task Force ("EITF"), a consensus was reached on issue EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products". The consensus created a presumption that all consideration paid by a vendor to a reseller should be classified as a reduction of revenue in the vendor's income statement unless certain criteria are met. The Company adopted the provisions of EITF 00-25 as of December 28, 2001. The effect of implementing EITF 00-25 was to reclassify cooperative advertising expense from selling, general and administrative expense to net sales for the fiscal years 2001, 2000 and 1999.

Net Income Per Share

Computations of basic and diluted earnings per share are presented in the table below.

	Fiscal Year Ended December 28, 2001	December 29, 2000	December 31, 1999
	(In Thousands, except per share data)		
Basic Earnings Per Share			
Income before extraordinary item	$78,901	100,757	73,763
Extraordinary item, net of tax..........	1,566	--	--
Net income.............................	$77,335	100,757	73,763
Weighted average common shares..........	55,808	54,918	54,103
Income before extraordinary item per common share.........................	$ 1.42	1.83	1.36
Extraordinary item, net of tax per common share	(0.03)	--	--
Net income per common share............	$ 1.39	1.83	1.36
Diluted Earnings Per Share			
Income before extraordinary item........	$78,901	100,757	73,763
Extraordinary item, net of tax..........	1,566	--	--
Net income.............................	$77,335	100,757	73,763
Weighted average common shares..........	55,808	54,918	54,103
Effect of dilutive stock options........	2,533	478	436
Weighted average common shares assuming dilution............................	58,341	55,396	54,539
Income before extraordinary item per common share.....................	$ 1.36	1.82	1.35
Extraordinary item, net of tax per common share	(0.03)	--	--
Net income per common share............	$ 1.33	1.82	1.35

During fiscal year 2001, all options had exercise prices that were lower than the average market price.

Options to purchase 3,000,000 shares of common stock were outstanding during fiscal year 2000, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares during the year.

Options to purchase 2,472,000 shares of common stock were outstanding during fiscal year 1999, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares during the year.

3. Inventories

Inventories consist of the following:

	December 28, 2001	December 29, 2000
	(In Thousands)	

Finished products in U.S.	$125,414	117,272
Finished products in Mexico	6,190	5,671
Finished products in Canada	2,146	2,500
Goods-in-process	5,588	5,204
Raw materials	10,341	9,599
Total inventories	$149,679	140,246

If U.S. finished products inventories were shown at current costs (approximating the FIFO method) rather than at LIFO values, inventories would have been approximately $2,300,000 lower and $1,700,000 lower than reported at December 28, 2001 and December 29, 2000, respectively.

During fiscal year 2001, no inventory quantities were reduced. Therefore, net income was not affected.

During fiscal year 2000, inventory quantities in four LIFO pools were reduced. This reduction resulted in the liquidation of LIFO inventory quantities carried at higher costs prevailing in prior years as compared with the fiscal year 2000 costs, the effect of which decreased net income by approximately $757,000, or $0.01 per share (basic and diluted).

During fiscal year 1999, inventory quantities in six LIFO pools were reduced. This reduction resulted in the liquidation of LIFO inventory quantities carried at higher costs prevailing in prior years as compared with the fiscal year 1999 costs, the effect of which decreased net income by approximately $1,713,000, or $0.03 per share (basic and diluted).

4. Long-Term Debt

Long-term debt consists of the following:

	December 28, 2001	December 29, 2000
	(In Thousands)	
Asset securitization loan due October 26, 2004 (secured by accounts receivable)	$ 75,000	--
Term A Loan, interest due quarterly at LIBOR plus 1.625% or Prime plus .625% (approximately 5.4% at December 28, 2001), principal due in variable quarterly installments through October 31, 2006 (1)	125,000	115,000
Term B Loan	--	122,000
Revolving line of credit, interest due quarterly at blended LIBOR rates plus 1.625% or Prime plus .625% (approximately 5.4% at December 28, 2001), principal due October 26, 2006 (1)	33,800	86,700
Other, principally borrowings to fund capital additions	3,317	8,078
	237,117	331,778
Less current portion	17,217	55,761
	$219,900	276,017

(1) Substantially all of the Company's assets other than accounts receivable are pledged on the debt.

On October 26, 2001, the Company completed a $400,000,000 refinancing of its credit facility (the "Amended and Restated Credit Facility"). The transaction includes a $325,000,000 five-year credit facility, comprised of a $125,000,000

Term A Loan, a $200,000,000 revolving credit facility and a $75,000,000 facility secured by accounts receivable. Proceeds from the refinancing were used to prepay the Term B Loan in full and pay related transaction fees and expenses. The Company is required to make quarterly amortization payments on the Term A Loan starting in the first quarter of 2002 with final maturity on October 31, 2006. Full year amortization payments will consist of $15,000,000 in 2002 and 2003, $20,000,000 in 2004, $25,000,000 in 2005 and $50,000,000 in 2006. Borrowings under the revolving credit facility will be payable in full on October 26, 2006. The Term A Loan and revolving credit facility will bear interest at the London Interbank Offered Rate plus a borrowing rate spread based on a pricing grid starting at 162.5 basis points. The Company is required to maintain certain financial covenants and was in compliance with those covenants at December 28, 2001. The financial covenants include maintenance of net worth, consolidated interest ratio and consolidated leverage ratio.

The accounts receivable securitization facility represents a three-year revolving securitization of eligible accounts receivable. The facility is accounted for as a secured financing and the Company pays monthly interest based on prevailing commercial paper rates plus a program fee of 47.5 basis points. The Company is required to maintain certain compliance and reporting covenants and was in compliance with those covenants at December 28, 2001. The Company has the ability, under the terms of the credit facility, and intent, if necessary, to extend these borrowings and therefore has classified the amounts as long term.

In connection with the extinguishment of the old debt, the Company recorded an extraordinary item of $2,546,000 ($1,566,000 net of tax).

As of December 28, 2001, the Company had availability of approximately $153,700,000 on the revolving line of credit. The availability is net of $12,527,000 in letters of credit for foreign inventory purchases, insurance programs and industrial revenue bond financing transactions.

Aggregate maturities of long-term debt for the four years subsequent to December 28, 2001 (in thousands) are:

2002................................	$17,217
2003................................	15,800
2004................................	95,300
2005................................	25,000
2006................................	83,800

Total interest cost incurred for fiscal years 2001, 2000 and 1999 amounted to approximately $21,989,000, $30,915,000 and $37,508,000, respectively, of which approximately $499,000, $813,000 and $383,000, respectively, was capitalized to property, plant and equipment. Total interest paid was $19,590,000, $28,017,000 and $35,952,000 for fiscal years ended December 28, 2001, December 29, 2000 and December 31, 1999 respectively.

5. Income Taxes

Income before income taxes and extraordinary items relating to operations is as follows:

	Fiscal Year Ended		
	December 28, 2001	December 29, 2000	December 31, 1999
	(In Thousands)		

United States	$121,051	100,103	65,430
Mexico	6,951	6,150	11,502
Other	292	368	797
Total	$128,294	106,621	77,729

The components of the provision for income taxes include the following:

	Fiscal Year Ended		
	December 28, 2001	December 29, 2000	December 31, 1999
		(In Thousands)	
U.S. federal--current	$18,703	--	--
U.S. state--current	3,765	1,024	334
U.S.--deferred	24,698	3,316	1,247
	47,166	4,340	1,581
Mexico--current	1,247	1,300	2,289
Mexico--deferred	--	224	96
	1,247	1,524	2,385
Total with extraordinary item	48,413	5,864	3,966
Tax effect of extraordinary item	980	--	--
Total excluding extraordinary item	$49,393	5,864	3,966

Principal reconciling items from the income tax provision computed at the U.S. statutory rate of 35 percent and the provision for income are as follows:

	Fiscal Year Ended		
	December 28, 2001	December 29, 2000	December 31, 1999
(In Thousands)			
Provision at U.S. statutory rate including extraordinary item	$44,011	37,316	27,205
Amortization of goodwill	1,673	1,673	1,667
State income tax	3,765	4,040	1,028
Foreign loss not benefited	(148)	(128)	(279)
Difference between U.S. and Mexico statutory rate	--	--	915
Mexico inflationary indexing and other	(1,185)	(628)	(2,556)
Valuation allowance	--	(36,739)	(24,285)
Other	297	330	271
Total	$48,413	5,864	3,966

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 28, 2001	December 29, 2000
	(In Thousands)	
Deferred tax liabilities:		
Book basis of property, plant and equipment over tax	$21,677	19,636
Book basis of other assets over tax................	7,983	9,951
Unrealized gain on hedging instruments.............	--	3,306
Other, net...	15,927	10,206
Total deferred tax liabilities...................	45,587	43,099
Deferred tax assets:		
Tax basis of inventories over book.................	6,886	2,326
Tax basis of other assets over book................	198	2,003
Net operating loss carryforwards...................	681	22,311
Expenses not yet deductible for tax................	8,375	8,149
Unrealized loss on hedging instruments.............	1,931	--
Total deferred tax assets........................	18,071	34,789
Net deferred tax liabilities.......................	$27,516	8,310

Total income tax payments, net of refunds received, during the years ended December 28, 2001, December 29, 2000 and December 31, 1999 were $18,732,000, $3,777,000 and $1,680,000, respectively. The Company has state net operating loss carry forwards with a tax benefit of approximately, $681,000, which, expire between 2002 and 2019.

Income taxes payable were approximately $3,548,000 and $542,000 at December 28, 2001 and December 29, 2000. The Company had a current deferred tax asset of approximately $1,330,000 at December 28, 2001 and a current deferred tax liability of approximately $4,779,000 at December 29, 2000.

Tax benefits associated with the exercise of nonqualified stock options decreased the current taxes payable by approximately $1,997,000 and were recorded as an increase of additional paid-in capital.

6. Derivative Financial Instruments

Foreign Currency Exchange Risk Management

The Company uses foreign currency forward contracts to hedge against foreign currency risk and accounts for these contracts as cash flow hedges. Such financial instruments are marked-to-market with the offset to other comprehensive income and deferred taxes and then subsequently recognized as a component of cost of goods sold in the same period or periods during which the hedged transaction affects earnings. These hedges are designed to be perfectly effective at inception and throughout the hedge. The Company did not have any forward contracts outstanding as of December 28, 2001 and foreign currency contracts did not materially affect earnings for fiscal year 2001.

Interest Rate Risk Management

The Company uses interest rate swap contracts to adjust the proportion of total debt that is subject to variable and fixed interest rates. Under an interest rate swap contract, the Company agrees to pay an amount equal to a fixed-rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable-rate of interest times the same notional principal amount. The notional amounts of the contracts are not exchanged, and no other cash payments are made. The contract fair value is reflected on the balance sheet and related gains or losses are deferred in other comprehensive income. These deferred gains and losses are recognized in income as an adjustment to interest expense over the same period in which the related interest payments being hedged are recognized in income. However, to the extent that any of these contracts are not considered to be perfectly effective in offsetting the change in the value of the interest payments being hedged, any changes in fair value relating to the ineffective portion of these contracts is immediately recognized in income. Under the terms of the swap agreement, the Company pays a fixed interest rate of 6.1 percent. At December 28, 2001, the Company held two $50,000,000 interest rate swap contracts. The fair value of these contracts was a liability of approximately $3,422,000 at December 28, 2001 and the contracts expire on December 31, 2002. Both contracts were considered perfectly effective at December 28, 2001.

Natural Gas Risk Management

The Company uses a combination of natural gas futures contracts and long-term supply agreements to manage unanticipated fluctuations in natural gas prices. These instruments generally cover a period of one to three years on forecasted usage of natural gas measured in Million British Thermal Units ("MMBTU"). The long-term supply agreements do not have net settlement provisions and are accounted for as normal purchases, which are excluded from hedge accounting consideration under SFAS 133 and its amendments. The Company accounts for natural gas futures contracts as cash flow hedges. Such financial instruments are marked-to-market using futures prices with the offset to other comprehensive income, net of applicable income taxes and hedge ineffectiveness. Subsequently, the gain or loss is recognized as a component of cost of goods sold in the same period or periods during which the hedged transaction affects earnings. For the fiscal year ended December 28, 2001, the Company recognized approximately $2,500,000 in net gain on its natural gas hedge program.

At December 28, 2001 the Company had natural gas futures contracts outstanding with an aggregate notional amount of approximately 2,240,000 MMBTU. The fair value of these contracts was a liability of approximately $2,982,000 of which approximately $2,273,000 was recorded in other current liabilities and approximately $709,000 was recorded in other long-term liabilities with the offset to other comprehensive income, net of applicable income taxes. The hedge instruments were considered perfectly effective at December 28, 2001 and expire at various dates through April 2004.

7. Employee Stock Purchase Plan

In March 1999, the Company's Stockholders approved the Company's Employee Stock Purchase Plan ("ESPP"). Pursuant to the ESPP, employees can purchase Common Stock at a specified price through payroll deductions during an offering period, established on a semi-annual basis beginning on January 1 and July 1 of each year. Pursuant to the ESPP, 74,573 shares were issued in January 2001, and 51,641 shares were issued in July 2001. The Company reserved 500,000 shares for issuance, 245,223 of which were available for issue at December 28, 2001. The plan was terminated in December 2001.

8. Stock Plan

The Company has a stock option plan (the "Plan") that provides for the granting of options for up to 13,358,388 shares of its common stock to key employees. Options granted under the Plan prior to

January 1, 1996 vest 20 percent at the date of the grant and 20 percent on each successive anniversary of the date of the grant until fully vested. Generally, options granted on or after January 1, 1996 vest 25 percent at the date of the grant and 25 percent on each successive anniversary of the date of the grant until fully vested. In each case, the options expire on the tenth anniversary of the date of the grant. The terms of the stock option plan may be modified on an individual grant basis at the discretion of the Company's Board of Directors.

Stock option activity under the Plan is summarized as follows:

	Number of Shares	Range of Exercise Prices	Weighted Average Exercise Price
Outstanding at January 1, 1999..	10,257,347	$ 8.69 - 11.94	9.73
Granted.......................	475,000	8.44 - 11.25	9.03
Exercised.....................	(975,094)	8.69 - 9.91	9.33
Cancelled.....................	(522,359)	8.69 - 11.94	9.44
Outstanding at December 31, 1999	9,234,894	8.44 - 11.94	9.77
Granted.......................	3,557,000	7.38 - 13.89	12.39
Exercised.....................	(364,765)	7.38 - 9.19	8.96
Cancelled.....................	(438,007)	7.38 - 9.91	9.46
Outstanding at December 29, 2000	11,989,122	7.38 - 13.89	10.58
Granted.......................	390,000	15.06 - 17.35	15.24
Exercised.....................	(705,106)	8.69 - 9.19	9.03
Cancelled.....................	(11,000)	7.38 - 9.19	8.01
Outstanding at December 28, 2001	11,663,016	$ 7.38 - 17.35	10.83

The Company has reserved 13,358,388 shares of common stock for options, of which 1,695,372 had not been granted at December 28, 2001 and are available for future issuance under the Plan. At December 28, 2001, December 29, 2000 and December 31, 1999, there were 8,672,099 options exercisable at a weighted average price of $11.23, 7,950,705 options exercisable at a weighted average exercise price of $11.43 and 5,415,212 options exercisable at a weighted average exercise price of $10.03, respectively. The following table summarizes information with regard to stock options outstanding at December 28, 2001:

Exercise Price	Options Outstanding	Options Exercisable	Weighted Average Remaining Contractual Life
$ 7.38	259,000	--	8.05 years
8.13	34,000	17,000	8.51 years
8.44	100,000	75,000	7.70 years
8.69	934,000	34,000	6.94 years
8.81	100,000	100,000	7.16 years
8.94	39,000	13,000	8.55 years
9.01	3,959,016	2,760,349	5.57 years
9.13	80,000	80,000	8.05 years
9.19	183,500	132,500	7.82 years
9.44	32,000	24,000	7.96 years
11.25	7,500	3,750	7.51 years
11.94	2,425,000	2,425,000	5.77 years
12.19	120,000	--	8.95 years
12.63	2,000,000	2,000,000	8.89 years
13.89	1,000,000	1,000,000	8.89 years
15.06	360,000	--	9.15 years
17.35	30,000	7,500	9.85 years

If the Company had elected to recognize compensation expense based on the fair value of the options granted at grant date, net income and earnings per share would have been reduced to the pro forma amounts indicated in the table below:

	Fiscal Year Ended		
	December 28, 2001	December 29, 2000	December 31, 1999
	(In Thousands, except per share data)		
Net income--as reported	$77,335	100,757	73,763
Net income--pro forma	70,070	90,506	62,609
Earnings per share as reported--basic	1.39	1.83	1.36
--diluted	1.33	1.82	1.35
Earnings per share pro forma--basic	1.26	1.65	1.16
--diluted	1.20	1.63	1.15

The weighted average fair value at date of grant for options granted during the fiscal years ended December 28, 2001, December 29, 2000 and December 31, 1999 was $8.05, $5.01 and $3.80 per option, respectively. The fair value of the options at the date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	Fiscal Year Ended		
	December 28, 2001	December 29, 2000	December 31, 1999
Expected life (years)	3.9	3	3
Interest rate	4.53%	5.66%	5.83%
Volatility	65.7%	52.4%	55.0%
Dividend yield	0.00%	0.00%	0.00%

During 1997, the Company issued stock units under a stock appreciation rights agreement to certain executives which permitted the holders to receive values in excess of the base price of the unit at the date of grant. Payment of the excess was made in cash, stock or a combination of cash and stock at the discretion of the Board of Directors. The total value to be received was subject to a ceiling. During the fourth quarter of fiscal year 1997, 2,710,000 stock units were granted at a base price of $9.01 per unit. The stock units vested at various dates through fiscal year 2000. As of December 29, 2000, all of the units were either exercised or expired. The Company recorded compensation expense of approximately $58,000 and $710,000 for the fiscal years ended December 29, 2000 and December 31, 1999.

9. Commitments and Contingencies

The Company leases substantially all of its sales centers and various distribution, manufacturing and transportation equipment under noncancelable operating leases. Certain leases contain escalation provisions and renewal options. The minimum aggregate annual lease payments subsequent to December 28, 2001 are as follows (in thousands):

2002	$ 31,288
2003	23,120
2004	18,085
2005	13,768
2006	10,033
Thereafter	15,801
	$112,095

========

Rental expense amounted to approximately $34,967,000, $33,853,000 and $34,040,000 for the fiscal years ended December 28, 2001, December 29, 2000 and December 31, 1999, respectively.

The Company is subject to federal, state, local and foreign laws and regulations relating to the environment and to work places. Laws that affect or could affect the Company's United States operations include, among others, the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act and the Occupational Safety and Health Act. The Company believes that it is currently in substantial compliance with such laws and the regulations promulgated thereunder.

The Company is involved in various proceedings relating to environmental matters. The Company, in the past, has disposed or arranged for the disposal of substances, which are now characterized as hazardous and currently is engaged in the cleanup of hazardous substances at certain sites. It is the Company's policy to accrue liabilities for remedial investigations and cleanup activities when it is probable that such liabilities have been incurred and when they can be reasonably estimated. The Company has provided reserves of approximately $7,100,000 included in other long-term liabilities, which management believes are adequate to cover probable and estimable liabilities of the Company with respect to such investigations and cleanup activities, taking into account currently available information and the Company's contractual rights of indemnification. The Company is entitled to indemnification with respect to certain expenditures incurred in connection with such environmental matters and does not expect that the ultimate liability with respect to such investigation and remediation activities will have a material effect on the Company's liquidity and financial condition. However, estimates of future response costs are necessarily imprecise due to, among other things, the possible identification of presently unknown sites, the scope of contamination of such sites, the allocation of costs among other potentially responsible parties with respect to any such sites and the ability of such parties to satisfy their share of liability. Accordingly, there can be no assurance that the Company will not become involved in future litigation or other proceedings or, if the Company were found to be responsible or liable in any litigation or proceeding, that such costs would not be material to the Company. The Company is also a defendant in various lawsuits arising from normal business activities.

In the opinion of management, the ultimate liabilities likely to result from the contingencies described above are not expected to have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

10. Joint Venture

In September of fiscal year 2000, the Company announced the formation of a joint venture with Emilceramica, S.p.A., an Italian tile manufacturer. The joint venture, Dal Italia LLC, sells and distributes porcelain tile products for the North American market. Dal Italia LLC is 80 percent owned by the Company and included in its consolidated financial statements, and is 20 percent owned by Emilceramica, S.p.A. ("Emil"). Dal Italia LLC has a supply agreement with Emil in which porcelain tile products are purchased at cost plus transportation charges and then distributed and sold exclusively through the Company's sales service centers according to a distribution agreement between Dal Italia LLC and the Company. During 2001, Dal Italia LLC purchased approximately $6,250,000 of inventory from Emil. Joint venture operations are consolidated into the results of the Company. Minority interest is recorded as a reduction of other income (expense).

11. Geographic Area Operations

The Company currently conducts its business in one industry segment, engaging in the manufacturing, distribution and marketing of tile (wall, floor, quarry and mosaic), natural stone and

related products. The Company operates manufacturing facilities in the United States and Mexico and distributes products through wholly owned sales centers in the United States, Canada and Puerto Rico and nonaffiliated distributors in the United States and Mexico. Intercompany sales between geographic areas are accounted for at amounts that are generally above cost and in compliance with rules and regulations governing tax authorities. Such intercompany sales are eliminated in the consolidated financial statements.

Financial information by geographical area is summarized below:

	Fiscal Year Ended		
	December 28, 2001	December 29, 2000	December 31, 1999
	(In Thousands)		
Consolidated revenue:			
Unaffiliated customers:			
United States	$ 990,467	912,785	818,320
Mexico	32,421	32,554	28,936
Other	13,907	14,106	10,224
Total consolidated revenue from unaffiliated customers	$1,036,795	959,445	857,480
Intercompany revenue:			
United States	$ 5,486	5,802	3,847
Mexico	88,508	86,734	85,102
Other	142	84	43
Eliminations	(94,136)	(92,620)	(88,992)
Total consolidated revenue	$1,036,795	959,445	857,480
Consolidated operating income:			
United States	$ 142,663	130,473	102,641
Mexico	6,134	6,161	11,167
Eliminations/other	424	429	670
Total consolidated operating income	$ 149,221	137,063	114,478
Consolidated identifiable assets:			
United States	$ 583,109	588,905	568,374
Mexico	85,423	72,182	61,347
Eliminations/other	9,890	9,433	8,983
Total consolidated identifiable assets	$ 678,422	670,520	638,704

12. Summary of Quarterly Results of Operations (Unaudited)

The following is a tabulation of the unaudited quarterly results of operations for the fiscal years ended December 28, 2001 and December 29, 2000:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In Thousands, except per share data)			
Fiscal Year Ended December 28, 2001:				
Net sales	$247,357	264,936	271,594	252,908
Gross profit	118,761	126,205	128,128	117,356
Operating income	33,750	37,551	39,465	38,455
Income before extraordinary item	16,468	20,076	20,492	21,865
Extraordinary item--loss on early extinguishment of debt, net of tax	--	--	--	1,566
Net income	16,468	20,076	20,492	20,299
Per share:				
Income before extraordinary item				
basic	0.30	0.36	0.37	0.39
assuming dilution	0.29	0.35	0.35	0.37
Net income				
basic	0.30	0.36	0.37	0.36
assuming dilution	0.29	0.35	0.35	0.34
Fiscal Year Ended December 29, 2000:				
Net sales	$231,740	246,867	249,825	231,013
Gross profit	112,311	119,408	119,830	109,963
Operating income	30,531	35,799	36,424	34,309
Net income	21,325	25,539	27,685	26,208
Per share:				
Net income				
basic	0.39	0.47	0.50	0.48
assuming dilution	0.39	0.46	0.50	0.47

The sum of quarterly per share amounts does not necessarily equal the annual amount reported as per share amounts are computed separately for each quarter and the full year based on respective weighted average basic common shares outstanding and weighted average shares outstanding assuming dilution.

The amounts above reflect the reclassification of cooperative advertising costs and amounts billed to customers for shipping and handling charges into net sales for the periods presented. The changes were made to reflect the adoption of EITF 00-25 and EITF 00-10 at December 28, 2001.

EXHIBIT 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined consolidated balance sheet as of December 31, 2001 and the unaudited pro forma condensed combined consolidated statement of earnings for the year ended December 31, 2001 give effect to the merger of Dal-Tile International Inc. ("Dal-Tile") accounted for as a purchase transaction and the financing transactions related to the consummation thereof (collectively, the "Transactions"). The unaudited pro forma condensed combined consolidated financial information is based on the historical consolidated financial statements of Mohawk and Dal-Tile using the assumptions and adjustments set forth in the accompanying notes. The primary reasons for the merger included:

- the ability to combine Mohawk's current efforts in the hard-flooring business with Dal-Tile's larger, more established ceramic tile and natural stone business;

- the opportunity to use Mohawk and Dal-Tile's existing distribution channels to increase sales of both carpets and hard floorcoverings;

- the opportunity to further develop Mohawk's various brands and increase sales by distributing its products through Dal-Tile's distribution network;

- the potential to reduce overhead and other costs by adding Dal-Tile's distribution network to Mohawk's logistical and distribution system;

- the potential to reduce manufacturing costs and increase quality by identifying manufacturing best practices; and

- the potential to reduce general, administrative, overhead and other miscellaneous costs by spreading fixed costs over a larger business.

Mohawk considered whether identifiable intangible assets, such as customer relationships, patents, covenants not to compete, software, production backlog, marketing agreements, unpatented technology and trade secrets, might exist and none were identified other than trademarks, during the purchase price negotiations. Accordingly, the valuation resulted in the recognition of goodwill.

The unaudited pro forma condensed combined consolidated balance sheet gives effect to the Transactions as if they had been consummated at December 31, 2001. The unaudited pro forma condensed combined consolidated statements of earnings give effect to the Transactions as if they had been consummated at January 1, 2001. While Mohawk believes that synergies and cost savings may result from the merger, the unaudited pro forma condensed combined consolidated financial information does not give effect to anticipated synergies or cost savings in connection with the merger.

The unaudited pro forma condensed combined consolidated financial information should be read in conjunction with Mohawk's consolidated historical financial statements and those of Dal-Tile, including the respective notes to those statements. The pro forma information is not necessarily indicative of the combined financial position and results of operations in the future, or of the combined financial position and the results of operations, which would have resulted, had the Transactions been consummated during the periods or as of the dates for which the pro forma information is presented.

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2001
(In thousands)

Historical

	Mohawk	Dal-Tile	Pro Forma Adjustments	Pro Forma Combined
ASSETS				
Current assets:				
Cash	$ --	4,206		4,206
Receivables	404,875	112,629	19,097 (a)	536,601
Inventories	531,405	149,679	(6,933)(b)	674,151
Prepaid expenses	24,884	4,664		29,548
Deferred income taxes	70,058	16,545		86,603
Total current assets	1,031,222	287,723	12,164	1,331,109
Property, plant and equipment, net	619,703	229,308	56,000 (c)	905,011
Goodwill, net	109,167	133,638	1,127,669 (d)	1,370,474
Other intangible assets, net	--	16,477	132,511 (d)	148,988
Other assets	8,393	11,276		19,669
	$1,768,485	678,422	1,328,344	3,775,251
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	$ 158,366	17,217	675,000 (e)	850,583
Accounts payable and accrued expenses	423,495	104,011		527,506
Total current liabilities	581,861	121,228	675,000	1,378,089
Deferred income taxes	84,955	28,847	69,750 (f)	183,552
Long-term debt, less current portion	150,067	219,900	49,450 (e)	419,417
Other long-term liabilities	3,051	18,593		21,644
Total liabilities	819,934	388,568	794,200	2,002,702
Stockholders' equity:				
Preferred stock	--	--		--
Common stock	614	561	(432)(g)	743
Additional paid-in capital	197,247	461,905	361,964 (g)	1,021,116
Retained earnings (deficit)	947,123	(95,003)	95,003 (g)	947,123
Accumulated other comprehensive loss....	(2,837)	(77,609)	77,609 (g)	(2,837)
	1,142,147	289,854	534,144	1,966,145
	193,596	--		193,596
Total stockholders' equity	948,551	289,854	534,144	1,772,549
	$1,768,485	678,422	1,328,344	3,775,251

See accompanying notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED
STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2001
(In thousands, except per share data)

	Historical			
	Mohawk	Dal-Tile	Pro Forma Adjustments	Pro Forma Combined
Net sales	$3,445,945	1,036,795		4,482,740
Cost of sales	2,613,043	546,345	79,607 (h) 5,600 (i)	3,244,595
Gross profit	832,902	490,450	(85,207)	1,238,145

			(79,607)(h)	
Selling, general and administrative expenses	505,745	341,229	(5,512)(j)	761,855
Operating income	327,157	149,221	(88)	476,290
Other expense (income):				
Interest expense, net	29,787	21,448	26,579 (k)	77,814
Other expense	7,780	1,616		9,396
Other income	(1,826)	(2,137)		(3,963)
	35,741	20,927	26,579	83,247
Earnings before income taxes	291,416	128,294	(26,667)	393,043
Income taxes	102,824	49,393	(9,867)(l)	142,350
Earnings before extraordinary item	$ 188,592	78,901	(16,800)	250,693
Basic earnings per share	$ 3.60			3.84
Weighted-average common shares outstanding	52,418		12,876 (m)	65,294
Diluted earnings per share	$ 3.55			3.79
Weighted-average common and dilutive potential common shares outstanding	53,141		13,040 (m)	66,181

See accompanying notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

Notes to the Unaudited Pro Forma Condensed Combined Consolidated Financial Information

This section sets forth (i) an unaudited pro forma condensed combined consolidated balance sheet as of December 31, 2001, (ii) an unaudited pro forma condensed combined consolidated statement of earnings for the year ended December 31, 2001 and (iii) the related notes thereto. The unaudited pro forma condensed combined consolidated financial information should be read in conjunction with the historical consolidated financial statements and the related notes thereto of Mohawk and of Dal-Tile included elsewhere in this offering circular.

The unaudited pro forma condensed combined consolidated balance sheet combines the historical consolidated balance sheets of Mohawk and Dal-Tile, as of December 31, 2001 and December 28, 2001, respectively, as if the Transactions had been completed on December 31, 2001. The unaudited pro forma condensed combined consolidated statement of earnings combines the historical consolidated statements of earnings of Mohawk and Dal-Tile for the years ended December 31, 2001 and December 28, 2001, respectively, as if the Trasactions had been completed on January 1, 2001. The merger will be accounted for as a purchase for financial accounting purposes as required by SFAS No. 141, Business Combinations, in accordance with accounting principles generally accepted in the United States. For purposes of preparing Mohawk's consolidated financial statements, Mohawk will establish a new basis for Dal-Tile's assets and liabilities based upon their fair values, the merger consideration and the cost of the merger. Mohawk believes that any excess cost over fair value of the net assets of Dal-Tile will be recorded as goodwill and other intangible assets. A final determination of the intangible asset values and required purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not yet been made. Mohawk will determine the fair value of Dal-Tile's assets and liabilities and will make appropriate purchase accounting adjustments upon completion of such determination. However, for purposes of disclosing pro forma information in this offering circular, Mohawk has made a preliminary determination of the purchase price allocation based upon current estimates and assumptions, which is subject to revision upon completion of the valuation of Dal-Tile being performed.

Before Mohawk can finalize its purchase price allocation, it must complete the valuation of Dal-Tile. Mohawk has not identified any preacquisition contingencies at this time and does not anticipate any material changes to the purchase price allocation included in the unaudited pro forma condensed combined consolidated financial information. However, factors such as the final closing balance sheet of Dal-Tile and the results of the final valuation of Dal-Tile all will have an impact on the final purchase price allocation. Mohawk expects to complete the allocation within one year from the closing date of the merger.

The unaudited pro forma condensed combined consolidated financial information is intended for informational purposes only and is not necessarily indicative of the future financial position or future results of operations of the combined company, or of the financial position or results of operations of the combined company that would have actually occurred had the merger been in effect as of the date or for the periods presented. For purposes of the unaudited pro forma condensed combined consolidated financial information, certain reclassifications have been made to Dal-Tile's historical amounts to conform to Mohawk classifications.

Note 1. Purchase Price

The merger agreement provided that, each share of Dal-Tile common stock outstanding at the completion of the merger (subject to certain limitations described below), would be converted into and become the right to receive 0.2213 of a share of Mohawk common stock and $11.00 in cash. The Dal-Tile stock option holders had the alternatives of (1) exercising their options prior to the effective time and converting the Dal-Tile stock resulting from the exercise to the combination of cash and Mohawk

stock, (2) electing to receive (a) cash (at $22.00 per option less the exercise price of Dal-Tile stock) for one half of their options and (b) options to acquire Mohawk stock (equal to 0.446 multiplied by the number of options) for one-half of their options at an exercise price equal to the Dal-Tile exercise price divided by two times the exchange ratio or (3) continuing to hold their Dal-Tile stock options which shall become exercisable for the amount of cash and the number of shares of Mohawk common stock such holder would have received had such holder exercised their options immediately prior to the completion of the merger. For purposes of the pro forma financial statements it has been assumed that all Dal-Tile stock option holders elected alternative (2).

The total purchase price, based upon the number of shares of Dal-Tile common stock and options outstanding at December 31, 2001, would be as follows:

	(In thousands)
Total assigned value of Mohawk stock to be issued	$ 708,714 (1)
Cash consideration	699,450 (2)
Estimated fair value of stock options exchanged	115,284 (3)
Direct merger costs	25,000 (4)
Total purchase price	$1,548,448

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(1) Assumes a Mohawk stock price of $55.04 per share.
(2) Represents the cash paid for outstanding Dal-Tile stock and for Dal-Tile options cashed out.
(3) Represents the fair value of Dal-Tile options exchanged for Mohawk options. The fair value of the Dal-Tile options was determined based upon the Mohawk stock price of $55.04 and an exchange ratio of 0.4426 using the Black-Scholes option valuation model using a risk-free rate of 3.5%, a volatility rate of 43.81% and an expected term of the vested options of 2.5

years.

(4) Estimated direct merger costs include:

	(In thousands)
Change in control payments to Dal-Tile management	$11,200
Investment banking fees	8,150
Legal fees	2,500
Accounting fees	1,200
Other costs	1,950
Total transaction costs	$25,000

Note 2. Allocation of Purchase Price

	(In thousands)
Total purchase price	$1,548,448
Net assets of Dal-Tile based on historical carrying amounts as of December 28, 2001	289,854
Income tax receivable for Dal-Tile options cashed-out	19,097
Increase (decrease) in net assets to reflect estimated fair value adjustments under the purchase method of accounting:	
Inventory adjustment	(6,933)
Property, plant and equipment	56,000
Trademarks	132,511
Deferred tax liability	(69,750)
Fair value of net assets acquired	420,779
Goodwill	$1,127,669

Note 3. Pro Forma Adjustments

The following are descriptions of the pro forma purchase accounting and other merger-related adjustments, labeled (a) through (m), which have been reflected in the accompanying pro forma condensed combined consolidated balance sheet and pro forma condensed combined consolidated statement of earnings:

(a) Represents income tax receivable on options exercised.

(b) This adjustment reflects the amounts necessary to state Dal-Tile inventories on a first-in, first-out (FIFO) basis versus the historical last-in, first-out (LIFO) basis.

(c) Adjustment to reflect the estimated fair market value of property, plant and equipment.

(d) The adjustments of $1,127.7 million and $132.5 million represent the estimated increase to Dal-Tile's existing goodwill and other intangible assets, respectively, related to the merger. In accordance with SFAS No. 142, the goodwill recorded in the merger will not be amortized. Additionally, the trademark intangible asset has an indefinite life. The following table summarizes the goodwill and other intangible assets (amounts in thousands):

	Historical			
	Mohawk	Dal-Tile	Pro Forma Adjustments	Pro Forma Combined
Goodwill, net	$109,167	133,638	1,127,669	1,370,474
Trademarks	$ --	13,906	132,511	146,417
Other intangible assets	--	2,571	--	2,571
Total other intangible assets, net	$ --	16,477	132,511	148,988

In June 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 requires 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.

Mohawk was required to adopt the provisions of SFAS No. 141 effective June 30, 2001, and SFAS No. 142 effective January 1, 2002. Furthermore, any Mohawk goodwill that was acquired in a purchase business combination completed after June 30, 2001 will not be amortized. Goodwill acquired by Mohawk in business combinations completed before July 1, 2001 is no longer being amortized after December 31, 2001.

Mohawk has evaluated its existing goodwill that was acquired in prior purchase business combinations for impairment and has concluded that no adjustment to the Mohawk historical consolidated financial statements is required.

As of the date of adoption, Mohawk had unamortized goodwill in the amount of $109.2 million. Amortization expense related to goodwill was $3.2 million for the year ended December 31, 2001.

No adjustments for Mohawk's goodwill amortization have been included in the pro forma financial information for Mohawk's acquisitions prior to July 1, 2001.

(e) Represents an increase in Mohawk borrowings of $961.6 million to fund the cash portion of the purchase price ($699.5 million cash consideration plus $25.0 million direct merger costs) and to refinance Dal-Tile's existing indebtedness ($17.2 million current portion of long-term debt plus $219.9 million long-term debt). Initially, Mohawk financed the purchase price with a combination of the bridge credit facility, its existing revolving credit facility and a receivables securitization. The revolving credit facility, which provides total credit availability of $450.0 million, is due January 28, 2004, and has been classified in long-term liabilities. Since December 31, 2001, reductions in Dal-Tile's long-term debt and the current portions thereof have occurred, which have not been reflected in the unaudited pro forma condensed combined consolidated balance sheet.

(f) Adjustment to record deferred taxes for temporary differences between the fair value and the tax bases of certain acquired assets since the merger will be completed as a tax-free reorganization.

(g) Represents (i) the elimination of Dal-Tile's historical stockholders' equity, (ii) the issuance by Mohawk of 12.9 million common shares as the stock portion of the merger consideration, at a total assigned value of $708.7 million based on a Mohawk stock price of $55.04 with an exchange ratio of 0.2213 and (iii) an adjustment of $115.3 million to record the fair value of Dal-Tile options that will be exchanged for Mohawk options. See Note 1 of the Unaudited Pro Forma Condensed Combined Consolidated Financial Information.

(h) For purposes of the unaudited pro forma condensed combined consolidated financial information, Dal-Tile's shipping and handling costs have been reclassified to cost of sales so Dal-Tile's historical amounts conform to Mohawk classifications.

(i) Represents the estimated adjustment in depreciation expense as a result of adjusting certain property, plant and equipment to fair value and changing Dal-Tile fixed asset useful lives to conform to Mohawk. The estimated adjustments were calculated based on the historical net book value of Dal-Tile's property, plant and equipment plus the estimated step-up to fair value for the property, plant and equipment. It was assumed in calculating the adjustment that the useful life of each asset would start over for purposes of depreciation. The useful life of Dal-Tile's buildings was changed from 30 to 35 years and furniture and fixtures was changed from an average of approximately 7 1/2 years to five years. The useful life of buildings was extended because Mohawk's practice is to utilize its buildings for at least their estimated useful lives, making the necessary repairs and performing the required maintenance to realize the longer useful life.

(j) Represents the reversal of goodwill and other intangible amortization included in Dal-Tile's historical financial statements. Amounts reversed are $4.7 million and $.8 million for goodwill and tradenames, respectively.

(k) Includes an increase in interest expense as a result of the planned borrowing to fund the cash portion of the purchase price. The refinancing of the existing Dal-Tile debt and the cash portion of the purchase price was initially made through Mohawk's existing variable-rate debt and the $600 million borrowed under the bridge credit facility which also carries a variable interest rate. Mohawk's existing variable-rate debt and the bridge credit facility each incur annual interest at LIBOR plus 1.37% and LIBOR plus .37%, respectively. The average LIBOR rate was 3.78% for the year ended December 31, 2001. A change of 1/8% in the interest rate would change interest expense by approximately $1.3 million for the year ended December 31, 2001. Mohawk plans to refinance the bridge credit facility. If successful, interest rates are expected to increase over those rates reflected in the unaudited pro forma condensed combined consolidated statement of earnings.

(l) Represents the income tax effect of the pro forma adjustments at an estimated rate of 37.0%.

(m) Under the terms of the merger agreement, Dal-Tile stockholders received for each Dal-Tile share $11.00 in cash and 0.2213 of a share of Mohawk common stock.

Pro forma basic earnings per share was calculated by dividing pro forma net earnings by the pro forma weighted-average number of shares of Mohawk common stock outstanding during the period. Pro forma diluted earnings per share was calculated in a manner similar to that of basic earnings per share except that the pro forma weighted-average number of common shares outstanding is increased to include the number of incremental common shares (computed using the treasury stock method) that would have been outstanding if all potentially dilutive common shares were issued during the period. In making these pro forma calculations, average outstanding shares include the additional Mohawk common shares issued in connection with the merger, based on the 0.2213 exchange ratio. Additionally, the diluted earnings per share calculation include the Dal-Tile options converted into Mohawk options based on a 0.4426 exchange ratio, after consideration of the treasury stock method.