

Interim report – Six months ended September 30, 2003

(All figures in parentheses pertain to the corresponding period in the preceding year.)

- Net sales amounted to SEK 2,067 M (2,464). Excluding currency effects, sales during the interim period declined 4% compared with the corresponding period in the preceding year. Excluding currency effects, third-quarter sales rose 10% compared with the corresponding quarter in the preceding year.
- Operating income in the third quarter amounted to SEK 18 M (15), and the operating result for the first nine months of 2003 amounted to a loss of SEK 141 M (profit: 28). Excluding Witex-related items of SEK –168 M (11) the accumulated operating income amounted to SEK 27 M (17).
- Net loss after tax amounted to SEK 136 M (profit: 17).
- Earnings per share were negative in an amount of SEK 2.53 (positive: 0.38).
- Cash flow from current operations in the third quarter amounted to SEK 51 M and total cash flow for the entire interim period was a negative SEK 62 M (positive: 299). Liquid funds, less utilized credit facilities, amounted to SEK 49 M (net loan debt: 21).
- Pergo's financial position remains strong. The equity ratio at the close of the third quarter was 69%, an increase of 3 percentage points compared with the second quarter of the year.
- Pergo has reached a decision to invest approximately USD 16 M in a DL-line and expansion of the production plant in the US.
- The US Court of Appeal has confirmed a decision by the International Trade Commission that flooring joints manufactured under license by Pergo do not infringe upon a corresponding joint manufactured by a competitor. As a result, Pergo is free to import and sell products with these specific joints in the US. The counterpart has filed for a rehearing of the appeal.

	July - Sept 2003	January - Sept 2003
Net sales	SEK 723 M (724)	SEK 2,067 M (2,464)
- North America	SEK 455 M (447)	SEK 1,266 M (1,540)
- Europe	SEK 238 M (254)	SEK 716 M (811)
Operating profit/loss	SEK 18 M (15)	SEK -141 M (28)
- of which non-comparable items	SEK 0 M (0)	SEK -150 M (0)
Profit/loss after tax	SEK 17 M (14)	SEK -136 M (17)

Net sales and earnings

Net sales during the first nine months of the year amounted to SEK 2,067 M (2,464), a decline of 4%, excluding currency effects, compared with the preceding year. The decline is primarily attributable to lower sales in Europe. Sales in the North American market were marginally lower than during last year. Sales to the, as of this year, new customer Lowe's virtually compensates for the lower sales mainly to The Home Depot.

Excluding currency effects, third-quarter sales rose 10% compared with the corresponding quarter in the preceding year. The increase was attributable to favorable sales growth in the North American market.

The gross margin for the first three quarters of 2003 amounted to 22.2%, which was 0.6% percentage points higher than the preceding year. The increase was primarily attributable to the action program, which includes cost reducing as well as margin improving measures. This was also the main reason for the increase of 1.5 percentage points in the gross margin in the third quarter, compared with the corresponding period last year.

After a positive operating income in the third quarter amounting to SEK 18 M (15), the accumulated operating result for the year, excluding items affecting comparability amounting to an expense of SEK 150 M (0), was SEK 9 M (28). The result was affected negatively, amongst others, by currency movements, a customer loss incurred in North America during the second quarter of SEK 17 M and Pergo's participation in Witex earnings for the first six months, which amounted to a loss of SEK 14 M (11).

Accordingly, operating earnings, including items affecting comparability, amounted to a loss of SEK 141 M (profit: 28). Items affecting comparability amounting to an expense of SEK 150 included costs related to Witex and the recovery of a customer receivable of SEK 4 M that had previously been written down. In connection with the placing of Witex, through its own request, in preliminary bankruptcy proceedings during the second quarter of the year, the entire value of Witex shares was written down. Including the participation in earnings and costs incurred for the acquisition process Witex-related items reduced Pergo's earnings during the interim period by SEK 168 M (positive: 11).

The effect on earnings of hedging during the interim period amounted to SEK 6 M up to and including April. The Company held no outstanding forward contracts after this point.

North America

Sales in North America during the first nine months amounted to SEK 1,266 M (1,540). Excluding currency effects, this represents a decline of 1% compared with the corresponding period in the preceding year. Sales to Lowe's offset virtually the entire decline in sales to the specialty segment and The Home Depot. Sales during the third quarter amounted to SEK 455 M (447), an increase of 16%, excluding currency effects, compared with the year-earlier period. Sales to Lowe's and the specialty segment more than compensated for the decline in sales to The Home Depot.

The laminate flooring market is estimated to have shown continued growth in an otherwise soft market for flooring products. The growth occurred mainly in the low-price segments in the market. Price increases have been announced by some competitors in the marketplace. Due to the development of the USD, companies with domestic production are expected to strengthen their competitiveness in relation to European competitors.

Sales to The Home Depot during the first nine months were lower than sales during the comparable period last year. The decline is attributed to The Home Depot's sell-out of excess competitor inventories during the first quarter, lower accessory sales, the absence of a summer campaign similar to the one conducted last year and reduced pricing. The lower level of sales during the third quarter, compared with the corresponding period a year earlier, was due mainly to lower sales of accessories.

Sales to the specialty segment in the US reflect a continued favorable trend and increased for the second consecutive quarter. Sales during the third quarter were also higher than sales during the corresponding period last year. The launch of PERGO® Select with click joints, which started towards the end of the second quarter, has been completed and has been well received in the marketplace. Products with preglued joints as well as the medium-price product PERGO® Accolade with click-joint have also shown favorable results. The distributor that started bankruptcy proceedings in the second quarter has been replaced by new distributors. Overall sales during the first nine months of the year were lower compared with the corresponding period in the preceding year. This was attributable in part to delivery problems in the beginning of the year and the aforementioned bankruptcy of a former distributor.

A selection of Pergo products was launched at Lowe's during the first quarter of 2003. The launch was completed during the summer, and the products are now sold in all Lowe's stores. Four-In-One Molding, a patent pending combination molding system for flooring that was launched earlier this year, has met favorable market reception and, during October, Lowe's will replace present competitor materials in its product range with this product.

Europe

Sales in Europe during the first nine months amounted to SEK 716 M (811), a decline of 10% after the elimination of currency effects, compared with sales in the corresponding period in 2002. The lower level of sales was due primarily to the earlier phasing-out of low-price products to retailers such as IKEA and in and out-phasing activities in conjunction with the launch of the new products with Compact Soundbloc™. Sales during the third quarter declined slightly compared with third-quarter sales last year, excluding currency effects, but were unchanged compared with second-quarter sales this year.

The launch of products with Compact Soundbloc™, a preglued noise-absorption underlayment, was started throughout all of Europe during the second quarter. The launch has now been completed, which means that most of Pergo's premium products in Europe are now sold with this underlayment. In the British market, PERGO VINTAGE™, a new range of products with rustic decorative designs, was prelaunched to favorable market reception. The launch of these products will be conducted throughout the rest of Europe in the beginning of next year.

The laminate flooring market is expected to reflect growth in an otherwise stagnating market. Prevailing overcapacity in the European market will create continued price pressure. The development of the USD may lead to a decline in exports to the US, which could increase price pressure even more.

Product supply and investments

The production plants in Trelleborg and Perstorp showed higher capacity utilization during the third quarter than earlier in the year. PERGO® Accolade for the American market has been manufactured at the plant in Trelleborg, where production is expected to continue throughout the remainder of this year. Volumes at the American plant in Garner were initially still low, but increased toward the end of the third quarter. The weak US dollar continues to have negative earnings effects on purchases from Europe to North America.

Group investments in fixed assets during the nine-month period amounted to SEK 29 M (55) and related primarily to production equipment.

Pergo announced a decision during the third quarter to invest approximately USD 16 M in the Group's production plant in Garner. The investments will include a direct-laminating press and expansion of the plant. The project was started during the third quarter, and the DL-press is expected to be placed in operation in January 2005. Pergo, which has not yet introduced full-scale production in accordance with the DL technique, is now supplementing its production process for DL compliance. The new capacity is intended for the production of Pergo's premium products in the North American market. A certain percentage of the total product portfolio will also continuously be manufactured externally.

A decision regarding additional investments in production equipment in the Trelleborg plant for products with Compact Soundbloc™, an underlayment glued directly on the flooring, has been reached. Some minor rationalization investments have been made in Perstorp.

Intellectual properties

The license agreement signed with the Kaindl Group of companies (Kaindl, Kronospan and Kronotex) in the fourth quarter of 2002 is generating a steady flow of volume-based revenues.

Action program for improved earnings

Pergo's action program for improved earnings is proceeding according to plan. The effect of the program on earnings this year amounts to slightly more than SEK 85 M, including more than SEK 25 M during the third quarter. Accumulated over the years since it was started, the effect of the program amounts to slightly more than SEK 600 M. The original goal of the program was to achieve an effect on earnings totaling SEK 500 M, which was later adjusted to SEK 600 M. The action program will continue throughout 2003.

Disputes

The US Court of Appeal for the Federal Circuit has confirmed a ruling by the United States International Trade Commission (ITC) that was announced in March 2002. In accordance with this ruling, the joints manufactured by Pergo under license from the

Unilin Group do not infringe upon the patent held by Välinge Aluminium AB. The counterpart has filed an appeal for reconsideration of the ruling.

In 2002, when Pergo was granted patent protection for glue-free joints in the US, the Company initiated legal action against four competing companies in the American market and informed all other players in the US market about Pergo's patent. Legal proceedings are now in progress against four competitors: Shaw Industries, Witex Inc, Armstrong Industries and Alloc Inc/Berry Finance N.V. The proceedings against Armstrong Industries and Alloc Inc/Berry Finance N.V., which previously were expected to begin toward year-end, have been postponed and no new dates have been announced. No court dates have been announced in the disputes with Shaw Industries and Witex Inc.

Acquisition of Witex

On January 28, 2003, Pergo announced that an agreement had been reached to acquire all shares held by HW Industries GmbH & Co KG in Witex AG. As announced later, Witex entered bankruptcy proceedings in May of this year. The action was initiated as a result of Witex deteriorating financial situation. The company is now being operated under management by a trustee appointed by a German court of law. Pergo, accordingly, has not been able to complete the acquisition of Witex. Pergo looks after its claims on Witex in this bankruptcy.

Working capital/capital employed

Working capital declined by SEK 47 M to SEK 299 M during the quarter, mainly as a result of reduced inventories. Since year-end 2002, working capital has increased by SEK 129 M. as a result of increased current receivables and decreased current liabilities. Capital employed at the close of the period under review amounted to SEK 1,240 M and declined by SEK 124 M during the nine-month interim period, due mainly to a write-down in the shareholding in Witex during the second quarter of the year.

Financial position/cash flow

Ongoing operations during the third quarter generated a positive cash flow of SEK 51 M. The first nine months of the year, accordingly, yielded a negative cash flow from current operations in the amount of SEK 62 M. As a result of the increase in working capital since year-end 2002 liquid funds, less utilized credit facilities, have declined by SEK 92 M, amounting to SEK 49 M at the end of September 2003.

Total credit facilities confirmed were unchanged, amounting to approximately SEK 990 M at the close of the period, of which SEK 43 M had been utilized. Most of the confirmed credit expires during the spring of 2004 and will be renegotiated before then.

Tax

The Group's tax rate for the year is expected to be approximately 35%, excluding results from participation in and write-downs of shares in associated companies. Deferred tax claims on taxable losses carried forward for tax purposes that are expected to be utilized in the foreseeable future amounted to SEK 122 M. The decline since year-end 2002 amounting to SEK 12 M was primarily attributable to currency effects.

Shareholders' equity

Shareholders' equity at the close of the period amounted to SEK 1,195 M. Equity was reduced by the loss of SEK 136 M for the interim period and was affected by a positive translation difference of SEK 4 M. During the third quarter the equity ratio has increased by three percentage points to 69%.

To offset any social costs that could arise from Pergo's employee options program, the Company entered a stock swap agreement in 2001. A valuation of the agreement at the close of the interim period necessitated an additional provision of SEK 1 M, which was charged directly against shareholders' equity.

Personnel

At the close of the period, the Group had 770 employees, of whom 496 were in Europe and 234 in North America, compared with 784 employees at year-end 2002.

Parent Company

The Parent Company's operating result for the first nine months of the year amounted to a loss of SEK 50 M (loss: 22), and the result after financial items amounted to a loss of SEK 2 M (profit: 32). At the close of the period, eight persons were employed in the Parent Company (Group management and central functions). Liquid funds at the close of the period amounted to SEK 42 M (deficit: 18), while debts to credit institutions amounted to SEK 15 M (34). No investments in fixed assets were made during the interim period (SEK 0 M).

Nomination Committee

Aside from the Chairman of the Board, Bertil Villard, the following persons have been appointed to form a Nomination Committee for the next General Annual Meeting: Lennart Holm, Sydsvenska Kemi AB, Peter Rudman, Nordea Fonder, Johan Englund, representing the Wendt family, Petter Odhnoff, The Second Swedish National Pension Fund and Peter Rönström, Lannebo Fonder. The members of the Nomination Committee represent 35.75% of the votes and capital in Pergo.

Trelleborg, October 27, 2003

Board of Directors

The interim report was prepared in accordance with the Swedish Financial Accounting Standards Council's recommendations on interim reports (RR20).

The Company applies accounting practices that are unchanged since the most recent annual report, with the addition of recommendations by the Swedish Financial Accounting Standards Council that took effect on January 1, 2003, which have not had any effect on the values reported. The report has not been examined by the Company's auditors.

Future financial reports:

Year-end report for 2003 – February 9, 2003.

Annual General Meeting – April 22, 2004

Pergo AB (publ)
Corporate Communications

For further information:

Raimo Issal, CEO

Annette Kumlien, CFO

Phone Number: +46 410 36 31 00

*Pergo AB (publ), P.O. Box 1010, SE-231 25 Trelleborg, Sweden. Corp. Reg. No. 556563-2600
Tel: +46 410-36 3100; Fax: +46 410-155 60; Website: www.pergo.com*

Income statement MSEK	July-Sept		January - Sept		Most recent 12 months	Full year 2002
	2003	2002	2003	2002		
Net Sales	723	724	2,067	2,464	2,797	3,194
Cost of goods sold	-560	-572	-1,609	-1,933	-2,179	-2,503
Gross profit	163	152	458	531	618	691
Selling, administrative and R&D costs	-151	-150	-455	-511	-614	-670
Non-comparable items	0	0	-150	0	-146	4
Other operating income and costs	6	9	20	-3	66	43
Result from participation in associated companies	0	4	-14	11	-32	-7
Operating profit/loss	18	15	-141	28	-108	61
Net financial items	2	3	4	-5	4	-5
Profit/loss before taxes	20	18	-137	23	-104	56
Taxes	-3	-5	1	-7	-16	-24
Minority share in net profit	0	1	0	1	0	1
Net profit/loss for the period	17	14	-136	17	-120	33
Depreciation and write-downs for the period	-23	-26	-201	-76	-230	-105
Earnings per share, SEK ¹⁾	0,33	0,25	-2,53	0,38	-2,22	0,72
Average number of shares outstanding ¹⁾	53,569,685	53,569,685	53,569,685	43,660,725	53,569,685	46,137,965

¹⁾ The calculations have been based upon that the issued stock option program will not be exercised, as the share price at the end of the period is considerably lower than the strike price.

Net sales MSEK	July - Sept		January - Sept	
	2003	2002	2003	2002
North America	455	447	1,266	1,540
Europe	238	254	716	811
Other ¹⁾	30	23	85	113
Total	723	724	2,067	2,464

Operating profit/loss MSEK	July - Sept		January - Sept	
	2003	2002	2003	2002
North America	37	21	69	89
Europe	10	2	32	-8
Other ¹⁾	-29	-8	-92	-53
Non-comparable items	0	0	-150	0
Total	18	15	-141	28

¹⁾ Other contains Other markets, Supply, Intellectual property, Overhead and result from participation in associated companies.

Balance sheet MSEK	Sept 30, 2003	Sept 30, 2002	Dec 31, 2002
Intangible fixed assets	6	9	8
Tangible fixed assets	694	804	770
Financial fixed assets	122	315	276
Inventories	294	322	297
Current receivables	530	523	417
Cash and bank balances	91	48	172
Total assets	1,737	2,021	1,940
Shareholders' equity	1,195	1,310	1,328
Minority interest	2	3	3
Provisions ¹⁾	33	69	45
Long-term liabilities	41	69	31
Current liabilities	466	570	533
Total shareholders' equity and liabilities	1,737	2,021	1,940

¹⁾ Provisions relating to the restructuring reserve, which amounted to SEK 41 M at year-end 2002, have been dissolved by SEK 13 M. This corresponds to actual costs.

Cash flow statement MSEK	January - Sept 2003 2002		Full year 2002
Ongoing operations			
Profit/loss after financial items	-137	23	56
Adjustment for items not included in cash flow			
- Depreciation	70	76	105
- Provisions	-13	-69	-97
- Result from participation in associated companies	14	-11	7
- Write-down of shares in associated companies	131	0	0
Tax paid	11	61	63
Cash flow from ongoing operations before change in working capital	76	80	134
Cash flow from change in working capital			
Change in inventories	3	110	134
Change in current receivables	-66	337	447
Change in current liabilities	-66	-294	-338
Other, including exchange rate differences	-9	66	90
Cash flow from ongoing operations	-62	299	467
Investment operations			
Acquisition of tangible fixed assets	-29	-55	-67
Sale of tangible fixed assets	0	4	9
Cash flow from investment operations	-29	-51	-58
Financing operations			
New share issue	0	382	382
Loan raised	9	0	0
Amortization of debt	0	-661	-699
Cash flow from financing operations	9	-279	-317
Cash flow during the period	-82	-31	92
Cash and bank, beginning of year	172	84	84
Exchange rate differences in liquid assets	1	-5	-4
Cash and bank, end of period	91	48	172

Shareholders' equity MSEK	September 2003				Sept 2002	Full year 2002
	Share capital	Restricted reserves	Unrestricted Reserves	Total	Total	Total
At beginning of period	536	381	411	1,328	906	906
New share issue ¹⁾					382	382
Stock-swap provision			-1	-1	-4	-4
Transfer between restricted reserves and unrestricted reserves		8	-8	0	0	0
Translation difference		-34	38	4	9	11
Net profit/loss for the period			-133	-136	17	33
At end of period	536	355	307	1,195	1,310	1,328

¹⁾ After deduction of issue expenses of SEK 10 M.

Key figures	July – Sept 2003		January - Sept 2003		Most recent 12 months	Full year 2002
	2003	2002	2003	2002		
Sales growth, %	-0.2	-19.9	-16.1	-10.8	-16.9	-14.3
Margins, %						
Gross margin, %	22.5	21.0	22.2	21.6	22.1	21.6
Operating margin, %	2.4	2.2	-6.8	1.2	-3.9	1.9
Return on capital, %						
Return on capital employed, %	-	-	-	-	-7.1	5.1
Return on equity, %	-	-	-	-	-9.4	2.7
Capital structure						
Average capital employed, MSEK	1,255	1,459	1,307	1,554	1,325	1,514
Net debt, MSEK ¹⁾	-49	21	-49	21	-49	-141
Net debt/equity ratio, %	-	2	-	2	-	-
Interest-coverage ratio, times	20.2	6.5	-17.4	2.2	-7.7	3.4
Equity ratio, %	69	65	69	65	69	69
Data per share²⁾						
Average number of shares	53,569,685	53,569,685	53,569,685	43,660,725	53,569,685	46,137,965
Earnings per share, SEK	0.33	0.25	-2.53	0.38	-2.22	0.72
Number of shares outstanding	53,569,685	53,569,685	53,569,685	53,569,685	53,569,685	53,569,685
Equity per share, SEK	22.31	24.45	22.31	24.45	22.31	24.82
Share price at end of the period, SEK	13.00	15.10	13.00	15.10	13.00	15.80
Share price/equity per share, SEK	58	62	58	62	58	64

¹⁾ Negative sign means net cash and bank.

²⁾ The calculations have been based upon that the issued stock option program will not be exercised, as the share price at the end of the period is considerably lower than the strike price.

Quarterly data

Income statement MSEK	QIII	QII	QI	QVI	QIII	QII	QI	QIV	QIII
	2003	2003	2003	2002	2002	2002	2002	2001	2001
Net Sales	723	665	679	730	724	834	905	968	904
Cost of goods sold	-560	-527	-522	-570	-572	-668	-692	-944	-709
Gross profit	163	138	157	160	152	166	213	24	195
Selling, administrative and R&D costs	-151	-151	-153	-159	-150	-163	-197	-361	-282
Non-comparable items	0	-154	4	4	0	0	0	-349	0
Other operating income and expenses	6	3	11	46	9	-2	-10	-18	1
Result from participation in associated companies	0	-4	-10	-18	4	5	1	3	3
Operating profit/loss	18	-168	9	33	15	6	7	-701	-83
Net financial items	2	3	-1	0	3	-2	-6	-15	-14
Profit/loss before taxes	20	-165	8	33	18	4	1	-716	-97
Taxes	-3	6	-2	-17	-5	-2	0	159	29
Minority share in net profit/loss	0	0	0	0	1	0	1	-1	-1
Net profit/loss for the period	17	-159	6	16	14	2	2	-558	-69
Depreciation and write-downs for the period	-23	-154	-24	-29	-26	-25	-24	-138	-22
Earnings per share, SEK ¹⁾	0,33	-2,97	0,11	0,31	0,25	0,04	0,08	-31,18	-3,86
Average number of shares outstanding ¹⁾	53,569,685	53,569,685	53,569,685	53,569,685	53,569,685	53,569,685	23,842,806	17,897,430	17,897,430

1) The calculations have been based upon that the issued stock option program will not be exercised, as the share price at the end of the period is considerably lower than the strike price.

Net sales by geographic market. MSEK

North America	455	403	408	449	447	528	565	605	537
Europe	239	233	245	239	254	257	300	305	319
Asia	23	20	20	29	14	37	23	34	27
Latin America	2	2	2	7	4	7	10	19	16
Others	4	7	4	6	5	5	7	5	5
Total	723	665	679	730	724	834	905	968	904

This is Pergo

Pergo is a laminate flooring company with leading market positions, particularly in Europe and the US. Net sales amounted to MSEK 3,194 (3,729) in full-year 2002 and the number of employees was 784 (939) as at December 31, 2002. Pergo developed laminate flooring at the end of the 1970s and launched the product in Europe during the 1980s. The company started sales in the US in 1994 and later, to a smaller degree, in Asia in and Latin America. The company's products have been marketed under the Pergo® brand name since 1989. The company is listed on the Stockholm Stock Exchange's O-list. For further information about Pergo, please visit our homepage www.pergo.com.