Q3

INTERIM REPORT
JANUARY–SEPTEMBER 2005

PERGO

Report for the period January 1 – September 30, 2005

(Figures in brackets (xx) correspond to the figures for the same period last year)

STRONG GROWTH AND CONTINUED PROFIT IMPROVEMENT

- Net sales for the period were SEK 2,199 million (2,098). Net sales for the third quarter were SEK 769 million (681).
- The operating profit for the period was SEK 42 million (-207). After considering items affecting comparability last years profit was SEK 46 million. The operating profit for the third quarter was SEK 22 million (15).
- The profit after tax for the period was SEK 33 million (-208).
- The earnings per share (EPS) for the period was SEK 0.60 (-3.90).
- Cash flow from ongoing operations over the period was SEK -53 million (-83). Cash flow for the third quarter was SEK 33 million (-94).
- The outlook reflects continued improvement in sales growth and profitability.

SEK MILLION	Q III:2005	Q I-III:2005
Net sales	769 (681)	2,199 (2,098)
North America	475 (402)	1,354 (1,263)
Europe	265 (253)	772 (767)
Operating profit before restructuring and other items affecting comparability	22 (15)	42 (46)
Operating profit	22 (15)	42 (-207)
Profit after tax	18 (14)	33 (-208)

Q3 2005

CEO Tony Sturrus comments

"Today Pergo reports accelerating growth in sales for North America. In Q3, sales in local currency grew 15% and are up 10% on a year-over-year comparison basis. The growth in the quarter was achieved despite disruption in our logistical chain caused by the major hurricanes in September. Sales in our home center channel were particularly strong during the period. Our sales levels in Europe also increased in the third quarter.

Our people have significantly improved our year-over-year profit performance in Q3. We are also on track with our European improvement program to save annualized cost of SEK 100 million. We will begin to realize some of the benefits of our lower cost model in Q4 with the full SEK 100 million improvement to be realized in 2006.

We are increasing our customer relationship activities both in Europe and in North America. We have introduced a more customer-focused and efficient selling structure throughout Europe.

Our main objectives for the Pergo group remain growth and improved profitability."

Tony Sturrus
CEO Pergo

Net sales and results

Net sales for the period reached SEK 2,199 million (2,098), which is a 6% increase after adjustments for currency when compared to the same period last year. Sales rose on the North American market by 10% in local currency, due to an increase in net sales to the home center channel. In Europe, net sales adjusted for currency effects were unchanged for the period.

Net sales for Q3 reached SEK 769 million (681), which is a 10% rise after adjustments for currency effects. Q3 sales growth is due to the increase of net sales to the home center channel in North America and to modestly increased sales in Europe.

The operating profit for the period was SEK 42 million (46). Q3's operating profit of SEK 22 million (15) was negatively impacted by SEK 17 million due to costs related to staff cutbacks in Sweden and SEK 2 million related to the stock option plan. Partially offsetting these costs were the sale of fixed assets which generated a capital gain of SEK 15 million.

Both the North American and the European business segments improved their operating profit year-over-year in the third quarter.

Currency effects year-over-year had a positive impact on earnings of approximately SEK 3 million. The impact on North America was a negative SEK 4 million while the impact on Europe was favorable, SEK 7 million.

NORTH AMERICA

Net sales in North America for the period stood at SEK 1,354 million (1,263). In local currency, this is a 10% growth compared with the same period in 2004.

Macroeconomic events, such as the devastation caused by hurricanes Katrina and Rita and the impact of spiraling oil prices, have caused consumer confidence to fall significantly during the quarter. This may influence future spending levels. Despite these challenges, Pergo's Q3 net sales rose 15% in local currency compared with the same period last year. Net sales in Q3 amounted to SEK 475 million (402).

Operating profit for North America was SEK 75 million (53) for the period. For Q3, the operating profit was SEK 19 million (12). Increased freight costs due to the higher oil prices and the unavailability of trucking service for both incoming and outgoing material had a slight negative effect on profitability in Q3. This has been partially offset by lower functional cost.

Sales to the home center channel continue to grow while the sales trend in the Speciality channel did not meet expectations. New product introductions and an aggressive promotional campaign in the latter part of the quarter are expected to contribute to improved channel performance.

The direct lamination press line in the Garner factory is operational as of September and is expected to significantly contribute to the company's performance during Q4.

EUROPE

The laminate flooring market remains highly competitive with a modest growth rate.

Sales for the period stood at SEK 772 million (767), which excluding currency effects is in line with the previous year. Sales during Q3 reached SEK 265 million (253), which excluding currency effect represents an increase of 2% compared to the same period last year.

The operating profit for the period was SEK 35 million (30). Last year's profit has been adjusted for non-recurring items. Q3's operating profit totaled SEK 16 million (9). The profit for the quarter includes the cost for staff cutbacks SEK 17 million as well as the gain from sales of fixed assets of SEK 15 million.

The sales trend for Pergo's premium products remains good, contributing strongly to maintained gross margins.

Late into Q3 two new products, PERGO® Shipdeck Mahogany™ and PERGO® Shipdeck Oak™, were launched in the Nordic region with very promising results. A full-scale launch is planned for Europe in 2006.

Sales figures for mid-price segment products are still below expectation.

The European improvement plan is progressing according to schedule. The objective of the plan is to realize annual savings of SEK 100 million in 2006. Within the framework of the plan, the European sales organization has been restructured to more effectively meet our customers' needs.

Efficiency and productivity figures for the Trelleborg factory have already improved at the end of the quarter as a result of the improvement plan.

Intellectual property rights and significant disputes

Copyright, patents, trademarks, domain names and other intellectual properties are valuable assets and important to Pergo's success. Pergo therefore actively seeks to take advantage of and protect its intellectual property through patent, copyright, trade secret and trademark law or through licensing of its proprietary rights and technologies. Pergo will initiate legal action against third parties that use its rights and know-how without Pergo's permission.

The disputes in the US between Pergo and Välinge Aluminium (Väling Innovation AB), Armstrong Industries, Alloc Inc. and Berry Finance N-V for glue-free joints continues. The dispute with Witex Inc. was settled during the summer.

During Q3 Faus Group filed an action for patent infringement in Georgia, USA. The action alleges that certain of Pergo's products infringe on Faus' US patents. The dispute from August 2004 against Faus Group Inc. and Industrias Auxiliares Faus S.L. continues as well. In this lawsuit Pergo claims that Faus, among other things, misappropriated Pergo's designs. Lawsuits regarding patent infringements against the company were also filed in Spain during the year.

Arbitration proceedings continue between Pergo and the bankrupt estate of Witex relating to the mutual claims that ensued between the parties in conjunction with a partnership agreement. Arbitration proceedings were started during the first quarter 2005 between Pergo and HW Industries GmbH&Co KG relating to the mutual claims that ensued between both parties in conjunction with Pergo's termination of the acquisition of the remaining shares in Witex AG in 2003.

Revenue from license agreements is received continuously, while the company's costs in relation to the legal proceedings above, impacts the operating profit.

Working capital/capital employed

Working capital has increased by SEK 44 (203) million during the period. This change is explained by current receivables, mostly consisting of account receivables, which increased by SEK 169 million (81) due to higher sales late in the third quarter. Balancing this is the substantial reduction of inventory by SEK -52 million (133) and an increase in current liabilities by SEK 73 million (11). Despite the increase in working capital, the improvements of the components are a significant and positive development. Excluding currency revaluation effects working capital remained unchanged.

During the third quarter, working capital decreased sequentially by SEK 10 million.

Capital employed was SEK 1,342 million at the end of the period compared to SEK 1,081 million for the same period last year. The increase is primarily a result of the high investments during the year.

Financial position/Cash flow

Cash flow from ongoing operations was SEK -53 million for the period. During the third quarter cash flow from ongoing operations amounted to a positive SEK 33 million.

At the end of the period, net cash, i.e. liquid funds less utilized credit facilities were SEK -260 million.

At the end of Q3 total available funds were SEK 276 million. Total confirmed credit facilities were USD 71.5 million (equivalent to SEK 556 million).

Tax

The reported tax cost for the period was SEK 2 million. The Group's deferred tax asset has increased by SEK 9 million to SEK 94 million from the beginning of the year mainly due to a stronger US-dollar.

Shareholders' equity

Shareholders' equity at the end of the period was SEK 1,008 million resulting in an equity/assets ratio of 55%, which is a decrease of 8 percentage points from the beginning of the year. The lower equity/assets ratio is primarily attributable to our capital investment program and balance sheet revaluation for currency effects.

Personnel

At the end of Q3, the Group had 732 employees, of whom 407 were in Europe and 276 in North America.

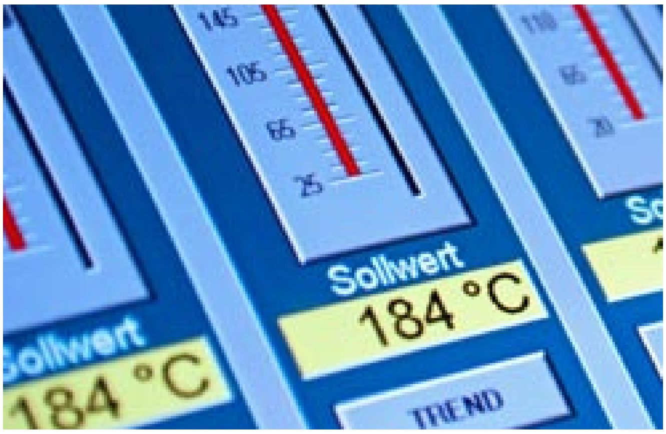
Out of the 57 employees that were given notice at the start of the year as part of the concentration of the European production to Trelleborg, 56 have left the company. The remaining person will leave during Q4.

The downsizing plan presented in Q3 is progressing according to schedule. A total of 44 employees in Sweden have left the company during the third quarter. A cost of SEK 17 million was incurred in Q3. A further 22 employees in the European sales organization outside Sweden have been given notice and will leave the company during the next 3 month period.

Stock Option plan

The allocation of 2,700 000 employee stock options to senior executives has been carried out. Of these, the CEO was awarded 600,000.

The accounting of the stock option plan has been done in accordance with IFRS 2 regulating share related remuneration with share capital instruments. Pergo includes the cost for the plan in the income statement reflecting the value of the stock options at the time of allotment. The value of the stock options for each employee is calculated in accordance with the Black-Scholes model. The total cost for the stock options is distributed during the term of the options which is 20 months. Provision for social costs are divided evenly during the term of the options.



Cost charged to the income statement during the third quarter amounts to SEK 2 million.

Parent company

The parent company's operating loss for the period was SEK -47 million (-44) and the net loss was SEK -18 million (-13).

The parent company (group management and central staff functions) had 5 employees at the end of Q3. Liquid funds totaled SEK 0 million (6), while liabilities to credit institutions amounted to SEK 303 million (118). No fixed assets investments were made in Q3.

Transition to IFRS and accounting principles

The interim report has been drawn up according to IAS 34, "Interim Financial Reporting."

Pergo complies with the International Financial Reporting Standards (IFRS) as from January 1, 2005. The comparative information for 2004 has been recalculated. The only effect for the Group was that the minority share of the profit for the year was not deducted from the income statement and that the minority share in shareholders' equity made up part of the Group's shareholders' equity. A detailed description of the transition can be found in Pergo's 2004 Annual Report.

From 2005 the Pergo Group reports in-store promotional stands as tangible fixed assets, which is in accordance with IAS 16. The economic lifespan is estimated to be two years. These expenses were previously reported as prepaid costs and divided over two years. Comparative figures have been adjusted in accordance with principle changes. The reported result in the income statement has not been affected, but the cost has been transferred to depreciation according to plan. The transfer in the balance sheet has occurred between current receivables and tangible fixed assets. Transferred amounts equal SEK 57 million at the end of the third quarter last year and SEK 47 million at year-end 2004.

Extraordinary general meeting

Pergo held an extraordinary general meeting on August 17. The meeting decided unanimously to support the board's proposal to award 600,000 stock options to the CEO and a maximum of 500,000 stock options each to ten senior executives from the employee stock option plan up to a maximum of 2,700 000 options. The exercise price for the options allocated no later than August 24, 2005 is SEK 33.30, which corresponds to the exercise price adopted at the 2005 AGM.

Nomination committee

The following representatives have been nominated to the Nomination committee prior to next year's AGM: Roger Buehler, Laxey Partners Ltd; Petter Odhnoff, Andra AP-Fonden; David Marcus, M2 Capital Management LP; Peter Rudman, Nordea Fonder; Theodor Dalenson Nove Capital and Bertil Villard, Chairman of the Board, Pergo. They represent 49.5% of the shares in Pergo.

Pergo's shares

The board has decided to offer all shareholders in Pergo the option to buy or sell, commission-free, the number of shares required for each respective shareholder to have a holding in Pergo that is evenly divisible by 500 (one round lot). The purpose of the offer is to increase the number of round lot shareholders and thereby make trading easier and improve the liquidity of Pergo's shares.

Outlook

For 2005 continued sales growth coupled with the benefits of the streamlining of the European business is expected to contribute to a significant year over year profit improvement for Pergo. The initial outlook for 2006 reflects continued growth in both sales and profit that will bring Pergo closer to its long term objectives of 8% operating income and 20% return on capital employed.

Trelleborg, Sweden October 21, 2005

Board of Directors

The report has not been subject to review by the company's auditors.

Income statement

SEK MILLION	JULY – SEPTEMBER 2005	2004	JANUARY – SEPTEMBER 2005	2004	MOST RECENT 12 MONTHS	FULL YEAR 2004
Net Sales	769	681	2,199	2,098	2,881	2,780
Cost of goods sold	-587	-512	-1,668	-1,825	-2,175	-2,332
Gross profit	**182**	**169**	**531**	**273**	**706**	**448**
Selling, administrative and R&D costs	-184	-161	-532	-494	-692	-654
Other operating income and costs	24	7	43	14	44	15
Operating profit/loss	**22**	**15**	**42**	**-207**	**58**	**-191**
Net financial items	-3	-1	-7	-1	-9	-3
Profit after financial items	**19**	**14**	**35**	**-208**	**49**	**-194**
Taxes	-1	0	-2	0	-4	-2
Net profit/loss for the period 1)	**18**	**14**	**33**	**-208**	**45**	**-196**
Depreciation and write-downs for the period	-31	-37	-94	-245	-130	-281
Where of depreciation in-store promotional stands 2)	*-11*	*-16*	*-38*	*-39*	*-53*	*-54*
Minority share in net profit	0	0	-1	-1	-1	-1
Earnings per share, SEK	0.34	0.27	0.6	-3.9	0.82	-3.68
Average number of shares outstanding	53,569 685	53,569 685	53,569,685	53,569 685	53,569 685	53,569 685

1) In accordance with IAS 27, Group accounting, the minority share in net profit/loss has not been deducted in the profit- and loss statement.
2) Effect of changed classification of in-store promotional stands. Starting 2005 displays are reported as tangible fixed assets instead of prepaid costs as previously.

Net sales[1)]

SEK MILLION	JULY – SEPTEMBER 2005	2004	JANUARY – SEPTEMBER 2005	2004	MOST RECENT 12 MONTHS	FULL YEAR 2004
North America	475	402	1,354	1,263	1,738	1,647
Europe	265	253	772	767	1,042	1,037
Other 2)	29	26	73	68	101	96
Total	**769**	**681**	**2 199**	**2,098**	**2,881**	**2,780**

Operating profit/loss[1)]

SEK MILLION	JULY – SEPTEMBER 2005	2004	JANUARY – SEPTEMBER 2005	2004	MOST RECENT 12 MONTHS	FULL YEAR 2004
North America	19	12	75	53	87	65
Europe	16	9	35	-215	54	-196
Other 2)	-13	-6	-68	-45	-83	-60
Total	**22**	**15**	**42**	**-207**	**58**	**-191**

1) Starting 2005 the reporting by segment has been adjusted in accordance with the current organization. This means that the European and North American product supply are included in respective geographic areas. Furthermore the South American sales are included in the North American region. The comparative figures have been adjusted accordingly.
2) Other contains Asia, Intellectual property and Overhead.

Balance sheet

SEK MILLION	SEPTEMBER 30, 2005	SEPTEMBER 30, 2004	DECEMBER 31, 2004
Intangible fixed assets	2	4	4
Tangible fixed assets [2]	771	617	592
Financial fixed assets	95	90	85
Inventories	356	434	408
Current receivables [2]	550	458	392
Cash and bank balances	74	49	92
Total assets	**1,848**	**1,652**	**1,573**
Shareholders' equity	1,008	962	985
Provisions [1]	19	109	82
Long-term liabilities	265	118	97
Current liabilities	556	463	409
Total shareholders' equity and liabilities	**1,848**	**1,652**	**1,573**

1) Provisions relating to the restructuring reserves, which amounted to SEK 82 million at year-end 2004, have been dissolved by SEK 63 million. This corresponds to actual costs. The main part of the reserves is estimated to be utilized during 2005.
2) Starting 2005, in-store promotional stands are reported as tangible fixed assets instead of prepaid costs as previously. The balance sheet has been adjusted in accordance with this change.

Cash flow statement

	JULY – SEPTEMBER		JANUARY – SEPTEMBER		FULL YEAR
SEK MILLION	2005	2004	2005	2004	2004
Ongoing operations					
Profit/loss after financial items	19	14	35	-208	-194
Adjustment for items not included in cash flow					
- Depreciation [1]	31	37	94	104	141
- Provisions	-13	-23	-63	78	55
- Write-down of fixed asset	0	0	0	140	140
Tax paid	-2	1	-11	-2	7
Cash flow from ongoing operations before change in working capital	**35**	**29**	**55**	**112**	**149**
Cash flow from change in working capital					
Change in inventories	76	-84	52	-133	-107
Change in current receivables [1]	-117	-11	-169	-81	-13
Change in current liabilities	51	-26	73	11	-44
Other, including exchange rate differences [1]	-12	-2	-64	8	42
Cash flow from ongoing operations	**33**	**-94**	**-53**	**-83**	**27**
Investment operations					
Acquisition of tangible assets [1]	-44	-25	-215	-140	-184
Sale of tangible fixed assets	11	0	12	0	0
Cash flow from investment operations	**-33**	**-25**	**-203**	**-140**	**-184**
Financing operations					
Loan raised	8	40	237	93	72
Cash flow from financing operations	**8**	**40**	**237**	**93**	**72**
Cash flow during the period	**8**	**-79**	**-19**	**-130**	**-85**
Cash and bank, beginning of year	67	127	92	178	178
Exchange rate differences in liquid assets	-1	1	1	1	-1
Cash and bank, end of year	**74**	**49**	**74**	**49**	**92**

1) Starting 2005, in-store promotional stands are reported as tangible fixed assets instead of prepaid costs as previously. The cash flow has been adjusted in accordance with this change.

Shareholders' equity 2)

SEK MILLION	Share capital	SEPTEMBER 2005 Restricted reserves	Unrestricted reserves	Total	SEPTEMBER 2004 Total	FULL YEAR 2004 Total
Opening balance	536	342	104	982	1,169	1,169
Effect of IAS 27 [1]		3		3	3	2
Adjusted opening balance	*536*	*345*	*104*	*985*	*1,172*	*1,171*
Stock-swap provision				0	1	1
Transfer between restricted reserves and unrestricted reserves		-3	3	0	0	0
Translation difference		27	-37	-10	-2	9
Net profit/loss for the period			33	33	-209	-196
Closing balance	536	369	103	1,008	962	985

1) In accordance with IAS27, Consolidated and Separate Financial Statements, the minority in shareholders' equity is reported as shareholders' equity.
2) To comply with IFRS2, Share-based payments, the cost for the stock option program of SEK 2 million has fully burdened the operating profit but only affected equity by SEK 1 million.

Key figures

SEK MILLION	JULY – SEPTEMBER 2005	2004	JANUARY – SEPTEMBER 2005	2004	MOST RECENT 12 MONTHS	FULL YEAR 2004
Sales growth, %	12.9	-5.8	4.8	1.5	1.8	-0.7
Margins, %						
Gross margin	23.6	24.8	24.2	13	24.5	16.1
Operating margin	2.8	2.2	1.9	-9.9	2	-6.9
Return on capital, %						
Return on capital employed	-	-	-	-	5.5	-16.6
Return on equity	-	-	-	-	4.4	-19.7
Capital structure						
Capital employed, end of period	1,342	1,081	1,342	1,081	1,342	1,082
Average capital employed	1,320	1,080	1,221	1,101	1,191	1,099
Net cash [1]	-260	-69	-260	-69	-260	-5
Net debt/equity ratio, %	26	7	26	7	26	-
Interest-coverage ratio, times	3.7	6.5	3.5	-22.7	4	-16.2
Equity/assets ratio, %	55	58	55	58	55	63
Data per share						
Average number of shares	53,569 685	53,569 685	53,569 685	53,569 685	53,569 685	53,569 685
Earnings per share, SEK	0.34	0.27	0.6	-3.9	0.82	-3.68
Number of shares outstanding at the end of the period	53,569 685	53,569 685	53,569 685	53,569 685	53,569 685	53,569 685
Equity per share, SEK	18.81	17.91	18.81	17.91	18.81	18.34
Share price at end of the period, SEK	39.00	20.30	39.00	20.30	39.00	23.30
Share price/equity per share, ratio	207	113	207	113	207	127

1) Liquid funds less utilized credit facilities.

Quarterly data

INCOME STATEMENT SEK MILLION	**QIII 2005**	**QII 2005**	**QI 2005**	**QIV 2004**	**QIII 2004**	**QII 2004**	**QI 2004**	**QIV 2003**
Net Sales	769	717	713	682	681	671	746	732
Cost of goods sold	-587	-544	-537	-507	-512	-495	-818	-578
Gross profit	**182**	**173**	**176**	**175**	**169**	**176**	**-72**	**154**
Selling, administrative and R&D costs	-184	-188	-160	-160	-161	-165	-168	-161
Other operating income and costs	24	12	7	1	7	0	7	2
Operating profit/loss	**22**	**-3**	**23**	**16**	**15**	**11**	**-233**	**-5**
Net financial items	-3	-2	-2	-2	-1	-1	1	1
Profit after financial items	**19**	**-5**	**21**	**14**	**14**	**10**	**-232**	**-4**
Taxes	-1	0	-1	-2	0	6	-6	-29
Net profit/loss for the period 1)	**18**	**-5**	**20**	**12**	**14**	**16**	**-238**	**-33**
Depreciation and write-downs for the period	-31	-32	-31	-37	-37	-32	-175	-60
Where of depreciation in-store promotional stands 2)	*-11*	*-14*	*-13*	*-15*	*-16*	*-10*	*-13*	*-14*
Minority share in net profit/loss	0	-1	0	0	0	-1	0	0
Earnings per share, SEK	0.34	0.11	0.37	0.22	0.27	0.29	-4.44	-0.62
Average number of shares outstanding	53,569 685	53,569 685	53,569 685	53,569 685	53,569 685	53,569 685	53,569 685	53,569 685

1) In accordance with IAS27, Consolidated and Separate Financial Statements, the minority share in net profit/loss has not been deducted in the income statement.
2) Effect of changed classification of in-store promotional stands. Starting 2005, in-store promotional stands are reported as tangible fixed assets instead of prepaid costs as previously.

Net sales by geographic market

SEK MILLION	**QIII 2005**	**QII 2005**	**QI 2005**	**QIV 2004**	**QIII 2004**	**QII 2004**	**QI 2004**	**QIV 2003**
North America	475	439	441	385	402	397	464	464
Europe	265	254	252	270	253	250	264	242
Asia	29	24	20	27	26	24	18	26
Total	**769**	**717**	**713**	**682**	**681**	**671**	**746**	**732**

THIS IS PERGO

Pergo is a leading flooring company with leading market positions, particularly in Europe and the USA. Pergo's net sales in 2004 amounted to approximately SEK 2.8 billion and the number of employees is around 700. Pergo developed laminate flooring at the end of the 1970s and launched the product in Europe during the 1980s. The company initiated sales in the US in 1994 and on a smaller scale later in Asia in 1995 and Latin America in 1997. The company's products have been marketed under the PERGO® brand since 1989. The company is listed on the Stockholm Stock Exchange's O-list. For further information about Pergo, please visit www.pergo.com.

FUTURE REPORTS:
Year-end report 2005 – February 17, 2006
Annual General Meeting 2006 – April 27, 2006

PERGO AB (PUBL) CORPORATE COMMUNICATIONS

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