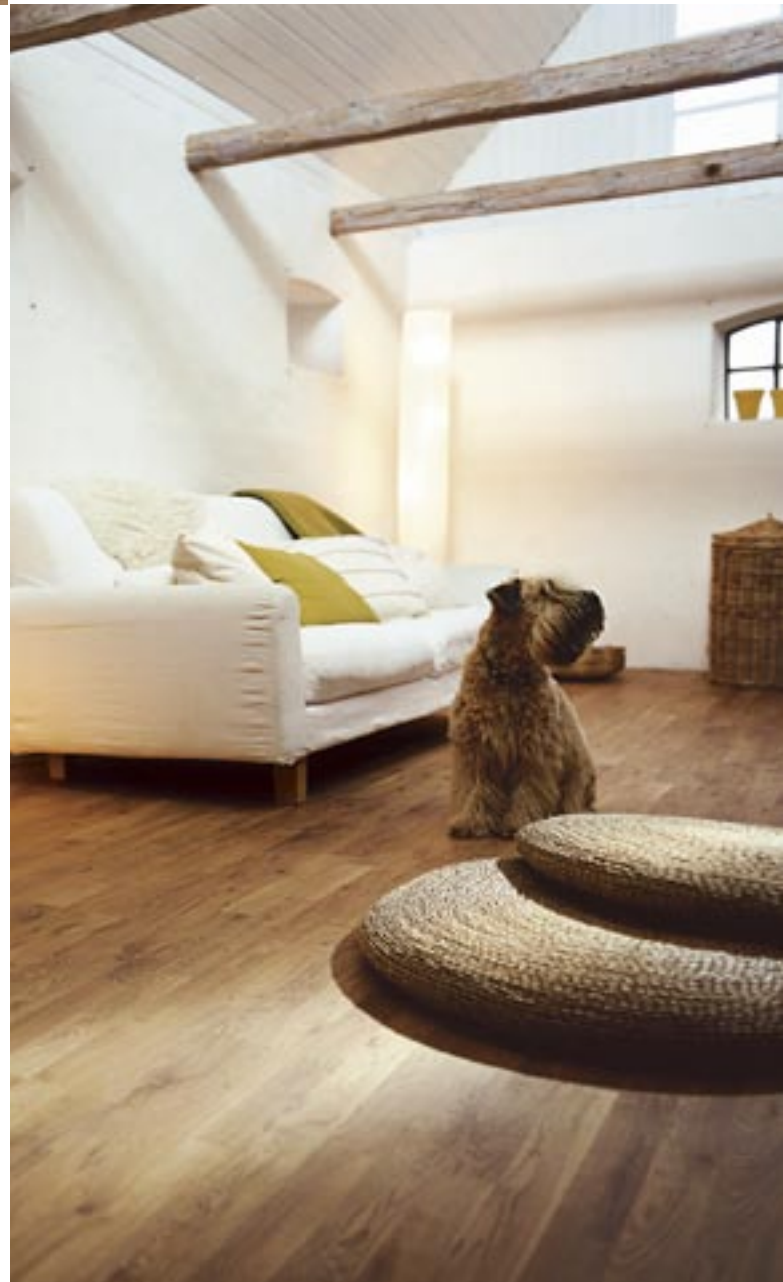


Q4

YEAR-END REPORT
JANUARY-DECEMBER 2005



Year-end report for the period January 1 – December 31, 2005

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

FINANCIAL HIGHLIGHTS

- Net sales for the year were SEK 3,015 million (2,780). Net sales for the fourth quarter were SEK 816 million (682).
- Net sales from the North American operations, accounting for approximately 61% of the company's sales, increased to SEK 1,847 million (1,647). Net sales in the European operation increased to SEK 1,064 million (1,037).
- The full year's operating profit was SEK 174 million (-191). The fourth quarter's operating profit was SEK 132 million (16).
- Legal settlements contributed SEK 104 million to total operating results for the fourth quarter. Total legal expenses incurred for these settlements in 2005 were SEK 35 million.
- Excluding items affecting comparability, the operating profit for the full year was SEK 81 million (62) and for the fourth quarter SEK 19 million (16).
- The profit after tax for the period was SEK 166 million (-196).
- The earnings per share for the year was SEK 3.07 (-3.68).
- Capital expenditures for the year were SEK 258 million (184). The most significant investment was for a state-of-the-art direct laminate bonding line in North America. Total depreciation and amortization was SEK 130 million (281).
- Cash flow from ongoing operations over the year was SEK 129 million (-38). Cash flow for the fourth quarter was SEK 96 million (52).

OUTLOOK 2006

- Net sales growth: 9 – 11%.
- EBIT margin as percent of sales: 6 – 7%.
- Return on capital employed: 16 – 18%.

SEK MILLION	Q IV: 2005	Q I–IV: 2005
Net sales	816 (682)	3,015 (2,780)
North America	493 (384)	1,847 (1,647)
Europe	292 (270)	1,064 (1,037)
Operating profit before restructuring and other items affecting comparability	19 (16)	81 (62)
Operating profit/loss	132 (16)	174 (-191)
Profit/loss after tax	133 (12)	166 (-196)

Q4 2005

CEO Tony Sturrus comments

"Today Pergo is pleased to report its improved annual and Q4 results for 2005. It was a year of significant progress with major capital projects and plant consolidations completed. The company also made significant organization changes and implemented profit improvement programs throughout the company. The Q4 result reflects accelerating growth in sales and profits and improvement in cash flow and working capital utilization.

In Q4, consolidated net sales in local currency grew by 8% on a year over year comparison basis. Q4 sales in the North American market were particularly strong, with year over year growth in local currency of 12%. Our European business also grew with a rate of 3% in local currency for the quarter on a comparison basis.

In Q4, operating profit excluding items affecting comparability increased to SEK 19 million from SEK 16 million realized in the comparable period last year. Higher sales and an improved business cost model were the primary contributors to the result.

The European improvement program, initiated in Q3 which was designed to save annualized cost of SEK 100 million, remains very much on track. We are confident that the savings will be fully realized in 2006. Our focus in 2006 will continue to be on the key metrics of sales and profit growth, with improved margins and working capital utilization.

Assuming stable economic and market conditions during 2006, we believe our markets will continue to provide excellent growth prospects. This growth will occur throughout the year on a seasonal and variable basis as our major account programs are implemented.

By capitalizing on the market growth and taking advantage of new market and account initiatives, our projection for the year will bring us closer to our stated goal of 8% EBIT return on sales and 20% return on capital employed. We expect consolidated net sales in 2006 to increase by 9% – 11% and operating profits to grow at a higher rate.

The company ended 2005 in a stronger financial and improved competitive operating position. This condition makes us believe we can deliver improved financial results and create greater value in 2006."



Tony Sturrus
CEO Pergo

Sales and operating results

Net sales were SEK 3,015 million (2,780), a 6% increase compared to the previous year excluding currency effect. Sales in local currency increased by 10% in the North American operations. This accounted for approximately 61% of the Company's sales. The primary contributors to the increase were the home improvement channel and the new account and business development initiatives. Net sales in the European operation were unchanged in local currency. Net sales in Asia increased modestly.

Net sales in Q4 were SEK 816 million (682), a 8% increase compared to last quarter previous year excluding currency effect. Net sales excluding currency effect increased in all our business units with the North American operation achieving a 12% increase and Europe increasing by 3%.

The operating profit for the year, excluding items affecting comparability was SEK 81 million, a 31% increase over the SEK 62 million the company achieved in 2004.

The operating profit for Q4 2005, excluding items affecting comparability, was SEK 19 million, an increase over the SEK 16 million achieved in Q4 2004. The increase in quarterly operating profit was primarily driven by increasing volumes and a lower cost base.

The operating profit for 2005 of SEK 174 million (-191) was positively impacted by proceeds from legal settlements, revaluation and sale of assets. Partially offsetting the gains were employee severance and other restructuring costs in Europe and stock option program related expense. The net total positive impact of non-comparable items was SEK 93 million (-253).

Currency effects had a favorable impact on total earnings of approximately SEK 19 million. North America was a positive SEK 4 million, while the impact on Europe was a favorable SEK 15 million.

NORTH AMERICA

Net sales achieved in North America for the year were SEK 1,847 million (1,647). In local currency, this is a 10% increase compared to 2004.

Net sales in Q4 amounted to SEK 493 million (384), an increase of 12% in local currency on a year over year comparison basis.

Operating profit for North America was SEK 102 million (65) for the year. For Q4, the operating profit increased



significantly to SEK 27 million (12) compared to the same quarter last year.

The primary contributors were accelerating growth in the home improvement channel and new account and business development initiatives.

EUROPE

Net sales for the year amounted to SEK 1,064 million (1,037). Net sales during Q4 reached SEK 292 million (270) an increase of 3% in local currency on a year over year basis.

Pergo's European sales increase for the fourth quarter was driven primarily by new product launches coupled with increased promotional activities. While Pergo's first quarter sales in Europe declined, the subsequent quarters showed a steady increase in sales, culminating with strong sales growth in the fourth quarter.

The operating profit was SEK 51 million (-196) for the year. Q4's operating profit excluding items affecting comparability totaled SEK 10 million (19).

The European Restructuring Program continues as scheduled, with all restructuring costs associated with the program being taken in 2005. In order to leverage our global competencies, various departments have been consolidated during the fourth quarter. These include IT, Product Development, and Quality Control. The expectation is that these changes will improve overall efficiencies while simultaneously reducing cost.

The fourth quarter yielded a further improvement in overall productivity in Pergo's European manufacturing operations. These higher levels of productivity are expected to continue in 2006.

Intellectual property rights and significant disputes

Consisting of approximately 500 granted and pending patents, Pergo remains firmly committed to protecting its intellectual property portfolio against unlicensed third parties. Pergo's strategy is to seek cooperation and grant licenses rather than resorting to litigation as the first option.

Execution of this strategy resulted in a reduction of the number of cases currently pending. The dispute with Witex USA was settled in August 2005. Litigation with Neuhofer Holz GmbH was resolved in November 2005. A total of six cases involving the Faus Group were settled at year-end 2005.

These settlements positively impacted Pergo's total operating results for Q4 2005 with SEK 104 million. Total legal expenses incurred for these settlements in 2005 were SEK 35 million.

The disputes regarding glue-free joints in the US between Pergo and Välinge Aluminium (Välinge Innovation AB), Armstrong World Industries, Alloc Inc. and Berry Finance NV on the other side are continuing.

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.

Working capital/capital employed

Excluding the effect of legal settlements working capital decreased by SEK -35 million (187) in the period. The improvement is mostly attributable to a major reduction in inventory levels of SEK -137 million (132). Changes in receivables and liabilities increased working capital by SEK 102 million (55) excluding legal settlements.

For the fourth quarter working capital decreased by SEK -43 million (-15) excluding legal settlements.

Capital employed was SEK 1,472 million at the end of the period compared to SEK 1,082 million for the same



period last year. The increase is primarily a result of large investments during the year and currency revaluation effects.

Financial position/cash flow

Cash flow from ongoing operations was SEK 129 million (-38) for the year. During the fourth quarter cash flow from ongoing operations amounted to a positive SEK 96 million (52).

At the end of the period, net cash, i.e. liquid funds less utilized credit facilities were SEK -228 million (-5).

At the end of Q4 total available funds were SEK 341 million. Total confirmed credit facilities were USD 71.5 million (equivalent to SEK 569 million).

Tax

The income tax for the year was SEK 5 million. Deferred tax asset expected to be used has been increased by SEK 13 million to SEK 98 million from the beginning of the year. Out of this increase SEK 4 million are due to a stronger USD.



Shareholders' equity

Shareholders' equity increased by 16% and was SEK 1,148 million at year end. The equity/assets ratio of 61% (63%) is around the same level as the beginning of the year.

Personnel

At the end of the year, the Group had 703 (774) employees, of whom 379 (448) are in Europe, 275 (281) in North America and 49 (45) in Asia. Out of the 379 employees in Europe 60 have been given notice and will leave the company during 2006.

In Q4 the global management team was substantially strengthened by the appointment of Frida Rosenholm as VP General Counsel and John Armel as Sr VP Finance & Group Controller.

Stock option program

The allocation of 2,700,000 employee stock options to senior executives was completed. The CEO was awarded 600,000 of the total.

The accounting of the stock option program has been done in accordance with IFRS 2 regulating share related remuneration with share capital instruments. Pergo includes the cost for the program 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 is divided evenly during the term of the options.

Option expense charged to the income statement for the year was SEK 5 million. SEK 3 million was incurred in Q4.

Parent company

The parent company's operating loss for the year was SEK -54 million (-58) and the year's net profit amounted to SEK 38 million (-145).

Liquid funds totaled SEK 7 million (4) while liabilities to credit institutions amounted to SEK 322 million (97). No fixed assets investments were made in 2005.

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. At the time of compliance 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 has reported in-store merchandising displays as tangible fixed assets, which is in accordance with IAS 16. The economic lifespan is estimated to 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 equalled to SEK 47 million at year-end 2004.

Pergo's shares

The company's shares are quoted on the Stockholm stock exchange O-list. Daily average turnover for the period January 1 – December 31, 2005 period was SEK 3.7 million. The average number of traded shares during the same period was 119,310 per day. The total number of shares in the company at the close of the period was 53,569 685.

The highest closing price for a Pergo share during the year was SEK 44.50 and the lowest price was SEK 23.00. Closing price end of year was SEK 44.00.

Annual General Meeting

The annual general meeting will be held on Wednesday, April 26, 2006 at 3 p.m. The annual report will be distributed during April 2006 and will be published on Pergo's web-site.

Dividends

The Board intends to propose to the Annual General Meeting that no dividend is paid for the 2005 financial year.

Trelleborg, Sweden, February 20, 2006

Board of Directors

The consolidated financial statements of the Group are prepared in accordance with the International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS34.

This Year-end report has not been reviewed by the company's auditors.



Income statement

SEK MILLION	OCTOBER – DECEMBER		FULL YEAR	
	2005	2004	2005	2004
Net Sales	816	682	3,015	2,780
Cost of goods sold	-622	-507	-2,290	-2,332
Gross profit	194	175	725	448
Selling, administrative and R&D costs	-173	-160	-705	-654
Other operating income and costs	111	1	154	15
Operating profit/loss	132	16	174	-191
Net financial items	-6	-2	-13	-3
Profit after financial items	126	14	161	-194
Taxes	7	-2	5	-2
Net profit/loss for the period ¹⁾	133	12	166	-196
Depreciation and write-downs for the period	-36	-36	-130	-281
Where of depreciation in-store promotional stands ²⁾	-14	-15	-52	-54
Minority share in net profit	0	0	-1	-1
Earnings per share, SEK	2.47	0.22	3.07	-3.68
Average number of shares outstanding	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. The comparative figures have been adjusted accordingly.

Net sales¹⁾

SEK MILLION	OCTOBER – DECEMBER		FULL YEAR	
	2005	2004	2005	2004
North America	493	384	1,847	1,647
Europe	292	270	1,064	1,037
Other ²⁾	31	28	104	96
Total	816	682	3,015	2,780

Operating profit/loss¹⁾

SEK MILLION	OCTOBER – DECEMBER		FULL YEAR	
	2005	2004	2005	2004
North America	27	12	102	65
Europe	16	19	51	-196
Other ²⁾	89	-15	21	-60
Total	132	16	174	-191
Non-comparable items ³⁾	-113	-	-93	253
Operating profit before restructuring and other items affecting comparability	19	16	81	62

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 including settlement of civil litigation matters amounting to SEK 104 million.

3) Non-comparable items

North America	-	-	-	-
Europe	-	-	-	-
Restructuring costs net	-6	-	-5	250
Other	-	-	-	-
Restructuring costs net	-6	-	11	3
Legal settlements	-104	-	-104	-
Stock option program	3	-	5	-
Total	-113	0	-93	253

Net restructuring costs amounting to SEK 20 million have been taken in previous quarters.

Balance sheet

SEK MILLION	DECEMBER 31, 2005	DECEMBER 31, 2004
Intangible fixed assets	2	4
Tangible fixed assets ²⁾	812	592
Financial fixed assets	155	85
Inventories	314	408
Current receivables ²⁾	492	392
Cash and bank balances	94	92
Total assets	1,869	1,573
Shareholders' equity	1,148	985
Provisions ¹⁾	26	82
Long-term liabilities	322	97
Current liabilities	373	409
Total shareholders' equity and liabilities	1,869	1,573

1) Provisions relating to the restructuring reserves, which amounted to SEK 82 million at year-end 2004, have been dissolved by SEK 71 million. This corresponds to actual costs. All of the remaining provision are estimated to be utilized during 2006.

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 ²⁾

SEK MILLION	OCTOBER – DECEMBER		FULL YEAR	
	2005	2004	2005	2004
Ongoing operations				
Profit/loss after financial items	126	14	161	-194
Adjustment for items not included in cash flow				
- Depreciation ¹⁾	36	37	130	141
- Provisions	6	-23	-57	55
- Write-down of fixed asset	0	0	0	140
- Reversed write-down of fixed asset	-22	0	-22	0
- Gains on sale of fixed assets	0	0	-15	0
- Cost for the stock option program	4	0	5	0
Tax paid	7	9	-4	7
Cash flow from ongoing operations before change in working capital	157	37	198	149
Cash flow from change in working capital				
Change in inventories	47	2	137	-132
Change in receivables ¹⁾	7	49	-129	-28
Change in liabilities	-115	-36	-77	-27
Cash flow from ongoing operations	96	52	129	-38
Investment operations				
Acquisition of tangible assets ¹⁾	-59	-44	-262	-184
Sale of tangible fixed assets	0	0	15	0
Cash flow from investment operations	-59	-44	-247	-184
Financing operations				
Amortization	-22	0	0	0
Loan raised	0	46	105	145
Cash flow from financing operations	-22	46	105	145
Cash flow during the period	15	54	-13	-77
Cash and bank, beginning of period	74	49	92	178
Exchange rate differences in liquid assets	5	-11	15	-9
Cash and bank, end of year	94	92	94	92

1) Starting 2005, in-store promotional stands are reported as tangible fixed assets instead of prepaid costs as previously. The comparative year 2004 has been adjusted in accordance with this change. SEK -104 million of change in current receivables are due to settlement of civil litigation matters.

2) Starting 2005 cashflow statements are shown without translation differences. The comparative year 2004 has been adjusted in accordance with this change. Previous years the adjustment of translation differences has been shown in a separate row in the cash flow statement.

Shareholders' equity

SEK MILLION	FULL YEAR 2005			Minority- interest	FULL YEAR 2004	
	Attributable to equity holders of the parent				Total	Total
	Share capital	Restricted reserves	Unrestricted reserves			
Opening balance	536	342	104		982	1,169
Effect of IAS 27 ¹⁾				3	3	2
<i>Adjusted opening balance</i>	<i>536</i>	<i>342</i>	<i>104</i>	<i>3</i>	<i>985</i>	<i>1,171</i>
Stock-swap provision					0	1
Transfer between restricted reserves and unrestricted reserves		-4	4		0	0
Translation difference		31	-39		-8	9
Net profit/loss for the period			165	1	166	-196
Share-based payments ²⁾			5		5	
Closing balance	536	369	239	4	1,148	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 5.1 million has fully burdened the operating profit but only affected equity by SEK -0.3 million.

Key figures

SEK MILLION	OCTOBER – DECEMBER		FULL YEAR	
	2005	2004	2005	2004
Sales growth, %	19.7	-6.9	8.5	-0.7
Margins, %				
Gross margin	23.7	25.8	24	16.1
Operating margin	16.2	2.4	5.8	-6.9
Return on capital, %				
Return on capital employed	-	-	14.5	-16.6
Return on equity	-	-	16.3	-19.7
Capital structure				
Capital employed end of period	1,472	1,082	1,472	1,082
Average capital employed	1,392	1,088	1,264	1,099
Net cash ¹⁾	-228	-5	-228	-5
Net debt/equity ratio, %	20	-	20	-
Interest-coverage ratio, times	14.5	6.5	7.9	-16.2
Equity/assets ratio, %	61	63	61	63
Data per share				
Average number of shares	53,569,685	53,569,685	53,569,685	53,569,685
Earnings per share, SEK	2.47	0.22	3.07	-3.68
Number of shares outstanding at the end of the period	53,569,685	53,569,685	53,569,685	53,569,685
Equity per share, SEK	21.44	18.34	21.44	18.34
Share price at end of the period, SEK	44.00	23.30	44.00	23.30
Share price/equity per share, ratio	205	127	205	127

1) Liquid funds less utilized credit facilities.

Quarterly data

INCOME STATEMENT

SEK MILLION	QIV 2005	QIII 2005	QII 2005	QI 2005	QIV 2004	QIII 2004	QII 2004	QI 2004
Net Sales	816	769	717	713	682	681	671	746
Cost of goods sold	-622	-587	-544	-537	-507	-512	-495	-818
Gross profit	194	182	173	176	175	169	176	-72
Selling, administrative and R&D costs	-173	-184	-188	-160	-160	-161	-165	-168
Other operating income and costs	111	24	12	7	1	7	0	7
Operating profit/loss	132	22	-3	23	16	15	11	-233
Net financial items	-6	-3	-2	-2	-2	-1	-1	1
Profit after financial items	126	19	-5	21	14	14	10	-232
Taxes	7	-1	0	-1	-2	0	6	-6
Net profit/loss for the period ¹⁾	133	18	-5	20	12	14	16	-238
Depreciation and write-downs for the period	-36	-31	-32	-31	-37	-37	-32	-175
<i>Where of depreciation in-store promotional stands²⁾</i>	-14	-11	-14	-13	-15	-16	-10	-13
Minority share in net profit/loss	0	0	-1	0	0	0	-1	0
Earnings per share, SEK	2.47	0.34	-0.11	0.37	0.22	0.27	0.29	-4.44
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.

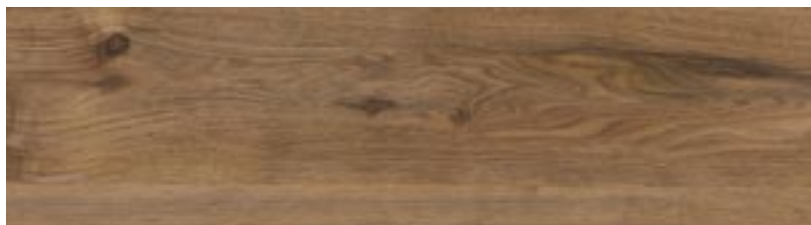
2) Effect of changed classification of in-store promotional stands. Starting 2005, in-store promotional stands are reported as tangible fixed assets instead of prepaid costs as previously. The comparative figures have been adjusted accordingly.

Net sales by geographic market

SEK MILLION	QIV 2005	QIII 2005	QII 2005	QI 2005	QIV 2004	QIII 2004	QII 2004	QI 2004
North America	493	475	439	441	385	402	397	464
Europe	292	265	254	252	270	253	250	264
Asia	31	29	24	20	27	26	24	18
Total	816	769	717	713	682	681	671	746

THIS IS PERGO

Pergo is a leading flooring company with leading market positions in Europe and the USA. Pergo's net sales in 2005 amounted to approximately SEK 3 billion and the number of employees is approximately 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 in Asia in 1995 and Latin America in 1997. The company's products have been marketed under the PERGO® brand since 1989 and under the SimpleSolutions brand since 2005. The company is listed on the Stockholm Stock Exchange's O-list. For further information about Pergo, please visit www.pergo.com.



FUTURE REPORTS

Annual report 2005 – April 2006
Annual General Meeting 2006 – April 26, 2006
Q1 report 2006 – April 26, 2006
Q2 report 2006 – second half of July, 2006
Q3 report 2006 – second half of October, 2006
Year-end report 2006 – second half of February, 2007

PERGO AB (PUBL) CORPORATE COMMUNICATIONS

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