

Reg. no. 556034-8483

Setra Group AB (publ) is Sweden's largest wood products company with annual sales totalling approximately SEK 5,300 million and some 1,400 employees.

Setra Group sells wood-based solutions to the building materials trade, planing mills, distributors, industrial customers and importers. About 40% of products are sold in the Swedish market. Exports are primarily to the UK, Denmark, Germany, Spain, France, Norway, Italy and Japan. The Group has twelve sawmills, five processing units and eight distribution centres.

Setra Group AB has approximately 2,400 shareholders. The largest shareholders are Sveaskog AB with 50%, Lantbrukarnas Ekonomi AB (LRF) with approximately 25% and Skogsägarna Mellanskog ekonomisk förening with approximately 24%. Other shareholders own approximately 1% of the shares.

Setra Group – consolidated figures

SEK million	Quarter			Jan-Sep	
	2005 III	2005 II	2005 I	2004 III	2004
Net sales	1 210	1 504	1 232	1 190	3 913
Operating profit/loss	-15	2	-57	-13	-16
Profit/loss after financial items	-24	-9	-66	-21	-46
Cash flow from operating activities	112	44	-246	196	94
Investments	31	20	27	52	96

Compared with second quarter of 2005

- Net sales amounted to SEK 1,210 million (1,504).
- Operating loss amounted to SEK 15 million (profit 2).
- Loss after financial items amounted to SEK 24 million (9).
- Cash flow from operating activities amounted to SEK 112 million (44).
- The decline in earnings is mainly attributable to seasonally low volumes within the Wood Products business area.

Compared with the first nine months of 2004

- Net sales amounted to SEK 3,946 million (3,913).
- Operating loss amounted to SEK 70 million (16).
- Earnings in 2005 have been charged with items affecting comparability of SEK -17 million (0).
- Loss after financial items amounted to SEK 99 million (46).
- Cash flow from operating activities amounted to SEK -90 million (94).
- The decline in earnings is mainly due, in addition to items affecting comparability of SEK -17 million, to lower margins in both business areas.

Market*Setra Wood Products*

Demand for sawn timber is stable in our main markets, which is partly due to a continued positive trend within the building sector. Several concurrent factors contributed to a lower supply of wood products, which in turn meant that stocks, primarily redwood products, decreased and shortages arose within some product groups. As a result of this, prices strengthened during recent months. The strongest price trend was mainly for the lower grades. Order bookings for the fourth quarter indicate a continued upward price trend for sawn redwood products.

During the third quarter of 2005, deliveries totalled 494,000 cubic metres which is 6,000 cubic metres less than in the same quarter of 2004. Deliveries of sawn timber during the period January-September 2005 amounted to 1,728 000 cubic metres, which is an increase of 3% compared with the same period in the previous year.

Setra Building Products

During the third quarter the building materials trade in Scandinavia was characterised by good demand for both consumer and building trade products. The main increase was in deliveries of wood building materials. The favourable trend for sales of board materials continued, where Setra Building Products has now established itself as the leading player in the Swedish building materials market. Demand is expected to remain high during the rest of the year for both wood and joinery products as well as board materials.

Sales in the third quarter of 2005 were 7% higher than in the third quarter of 2004. Net sales rose during the period January-September 2005 by SEK 32 million or 3% compared with the same period in 2004.

Sales*Third quarter*

The Group's net sales in the third quarter of 2005 amounted to SEK 1,210 million which is a decrease of 20% compared with the second quarter. The decrease between the quarters occurred for seasonal reasons. Compared with the third quarter of 2004, net sales increased by 2%.

January-September

During the period January-September 2005, net sales amounted to SEK 3,946 million, which is an increase of SEK 33 million compared with the same period last year. Prices for sawn timber have been lower in 2005 compared with 2004, which was compensated by higher volumes.

Earnings*Third quarter*

The Group's operating loss for the third quarter amounted to SEK 15 million, which is a decline of SEK 17 million compared with the second quarter of the year. The difference between the quarters is primarily attributable to seasonally lower volumes within the Wood Products business area.

January-September

The operating loss amounted to SEK 70 million in January-September 2005 compared with a loss of SEK 16 million in the same period in 2004. The SEK 54 million decline in earnings is mainly attributable to the first quarter and primarily related to items affecting comparability of SEK -17 million and a decline in margins for both Wood Products and Building Products.

Result after financial items*January-September*

Net financial items amounted to SEK -29 million in the first nine months of 2005, which is an improvement of SEK 1 million compared with the same period in 2004. Loss after financial items during the period amounted to SEK 99 million (46).

Cash flow and investments*Third quarter*

Cash flow from operating activities was positive during the third quarter of 2005 and amounted to SEK 112 million which represents an improvement of SEK 68 million compared with the second quarter of 2005 when it amounted to SEK 44 million. The difference is primarily related to reduced tied-up capital in working capital.

January-September

Cash flow from operating activities during the period January-September 2005 amounted to SEK -90 million compared with SEK 94 million in the same period of 2004. The decline is due to a combination of a less favourable earnings trend and increased tied-up capital in working capital during 2005.

Investments amounted to SEK 78 million during the period compared with SEK 96 million in the same period of 2004.

Financing

Interest-bearing net debt, including interest-bearing provisions, amounted to SEK 952 million at 30 September 2005. At 31 December 2004, the interest-bearing net debt was SEK 787 million.

Equity ratio

The equity ratio for the Group at 30 September 2005 was 25% compared with 27% at 31 December 2004.

Income statement and balance sheet

Income statement SEK million	Quarter				Jan-Sep	
	2005 III	2005 II	2005 I	2004 III	2005	2004
Net sales	1 210	1 504	1 232	1 190	3 946	3 913
Change prod.prog.finished goods	-49	-58	46	-46	-61	30
Other operating income	8	17	8	16	33	27
Total income	1 169	1 463	1 286	1 160	3 918	3 970
Operating expenses	-1 139	-1 416	-1 297	-1 127	-3 852	-3 842
Depreciation according to plan	-45	-45	-46	-46	-136	-144
Operating profit/loss	-15	2	-57	-13	-70	-16
Financial items	-9	-11	-9	-8	-29	-30
Profit/loss after financial items	-24	-9	-66	-21	-99	-46
Tax	0	2	0	0	2	2
Minority share in profit	0	0	0	0	0	0
Net profit/loss for the period	-24	-7	-66	-21	-97	-44
Earnings per share, SEK	-3,03	-0,88	-8,33	-2,65	-12,24	-5,55

Balance sheet SEK million	30 Sep 2005	30 Sep 2004	31 Dec 2004
Fixed assets	1 250	1 320	1 311
Inventories	707	686	771
Accounts receivable, trade	622	565	529
Other current assets	178	136	174
Cash and bank balances	0	207	136
TOTAL ASSETS	2 757	2 914	2 921
Shareholders' equity	697	857	794
Minority interests	1	1	1
Interest-bearing provisions	25	21	23
Non-interest bearing provisions	184	181	182
Interest-bearing liabilities	927	900	901
Non-interest bearing liabilities	923	954	1 020
TOTAL EQUITY & LIABILITIES	2 757	2 914	2 921

Change in shareholders' equity SEK million	Jan-Sep 2005	Jan-Sep 2004	Full year 2004
Opening equity	794	901	901
Adjustment to Swedish Financial Accts. Standards Council's RR 29	-	-1	-1
Adjusted opening equity	794	900	900
Net profit/loss for the period	-97	-44	-106
Translation differences in equity	0	1	0
Closing equity	697	857	794

Breakdown of net sales and operating profit/loss by business area

	Net sales						Operating profit/loss *					
	Quarter				Jan-Sep		Quarter				Jan-Sep	
	2005 III	2005 II	2005 I	2004 III	2005	2004	2005 III	2005 II	2005 I	2004 III	2005	2004
SEK million												
Setra Wood Products	900	1 173	1 027	905	3 100	3 086	-11	18	-23	-6	-16	14
Setra Building Products	378	421	287	353	1 086	1 054	-2	-6	-9	1	-17	-4
Other and eliminations	-68	-90	-82	-68	-240	-227	-2	-10	-8	-8	-20	-26
Total Group	1 210	1 504	1 232	1 190	3 946	3 913	-15	2	-40	-13	-53	-16

* Operating profit/loss excludes items affecting comparability. With effect from 2005, exchange gains/losses in currency contracts are reported in the respective business area. 2004 figures have been restated.

Cash flow statement

SEK million

	Kvartal 2005 III	Quarter 2005 II	Quarter 2005 I	Jan-Sep 2005	Jan-Sep 2004
Operating activities					
Profit/loss after financial items	-24	-9	-66	-99	-46
Adjustment for non-cash items	45	45	46	136	144
	21	36	-20	37	98
Paid tax	0	0	0	0	0
Cash flow from operating activities before change in working capital	21	36	-20	37	98
<i>Cash flow from change in working capital</i>					
Increase(-)/Decrease(+) in inventories	69	68	-74	63	-28
Increase(-)/Decrease(+) in operating receivables	-21	14	-90	-97	-47
Increase(+)/Decrease(-) in operating liabilities	43	-74	-62	-93	71
Total change in working capital	91	8	-226	-127	-4
Cash flow from operating activities	112	44	-246	-90	94
Investing activities					
Acquisition of tangible and intangible fixed assets	-31	-20	-27	-78	-96
Change in financial fixed assets	4	0	-1	3	1
Cash flow from investing activities	-27	-20	-28	-75	-95
Financing activities					
Change in financial liabilities	-85	-24	138	29	-32
Cash flow from financing activities	-85	-24	138	29	-32
Cash flow for the period (change in cash & cash equivalents)	0	0	-136	-136	-33
Cash and cash equivalents, opening balance	0	0	136	136	240
Cash and cash equivalents, closing balance	0	0	0	0	207
Unutilised bank overdraft facility	374	288	264	374	400
Available liquidity at end of period	374	288	264	374	607

Stockholm, 24 October 2005
Setra Group AB (publ)

Board of Directors

This interim report has not been reviewed by the company's auditors.

Any questions relating to this report may be addressed to Kent Torwald, President and CEO,
+46 8 705 03 00 or +46 706-36 74 03.