

Reg. no. 556034-8483

*Setra Group AB (publ) is Sweden's largest wood products company with annual sales totalling approximately SEK 5,500 million and some 1,450 employees. The Group is divided into two business areas: Setra Sawn Products and Setra Wood Products.*

*Setra Sawn Products comprises 12 sawmills with an annual production of approximately 2.3 million cubic metres. External sales amount to approximately SEK 4,100 million. About 35% of annual volume is sold in the Swedish market. Exports are primarily to the UK, Denmark, Germany, Spain, France, Norway, Italy and Japan. Setra Wood Products comprises five production units and eight distribution units. Annual sales total approximately SEK 1,400 million.*

*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			9 months	
	Jul-Sep 2004	Apr-Jun 2004	Jan-Mar 2004	Jan-Sep 2004	Jan-Sep 2003 pro forma
Net sales	1,190	1,448	1,275	3,913	4,063
Operating loss/profit	-13	14	-17	-16	138
Loss/profit after financial items	-21	4	-29	-46	102
Cash flow from operating activities	196	-28	-74	94	217
Investments	52	22	22	96	89

### Compared with second quarter of 2004

- Net sales amounted to SEK 1,190 million (1,448).
- Operating loss reached SEK 13 million (14 profit).
- Loss after financial items amounted to SEK 21 million (4 profit).
- Cash flow from operating activities amounted to SEK 196 million (-28).
- The decline in earnings is an effect of lower sales volumes and reduced margins.

### Compared with the first nine months of 2003 (2003 is pro forma)

- Net sales amounted to SEK 3,913 million (4,063).
- Operating loss SEK 16 million (138 profit).
- Loss after financial items amounted to SEK 46 million (102 profit).
- Cash flow from operating activities amounted to SEK 94 million (217).
- Less favourable result mainly attributable to lower margins within the Sawn Products business area.

**Restructuring**

As part of Setra Group's restructuring plan, production at the sawmills in Katrineholm and Skogstorp ceased in June. Production volumes have been transferred to other units within the Group. Following the closure of these units, the Sawn Products business area consists of 12 sawmills.

In August, in another key step in the restructuring of Setra Group's sawmill operations, the Board decided to invest SEK 72 million in the sawmill in Heby. The investment covers extended raw material sorting, increased drying capacity, new automatic sorting in the trimmer and a new packaging line.

**Market***Setra Sawn Products*

The strong supplies of sawn products that characterised the first half of the year continued during the third quarter. Surplus supplies mainly occurred in the redwood (pine) markets. According to the industry index, redwood prices have fallen by approximately 10% in the period June 2003 to June 2004. This decline in prices continued in the third quarter.

Sawn timber deliveries amounted to 500,000 cubic metres in the third quarter. During the period January to September deliveries of sawn timber totalled 1,668,000 cubic metres. In the same period in 2003, deliveries (pro forma) amounted to 1,660,000 cubic metres.

*Setra Wood Products*

Demand in Scandinavia as a whole was stable during the period. It was slightly stronger in Sweden and slightly weaker in Norway compared with the same period last year.

The export markets the UK and Japan saw stable demand during the period. In Germany, a somewhat weaker trend was noted towards the end of the period. In all export markets the stronger krona exchange rate led to lower selling prices in Swedish kronor compared with the same period a year ago.

**Sales***Third quarter*

The Group's net sales for the third quarter amounted to SEK 1,190 million which is a decrease of 18% compared with the second quarter. The decline in sales is largely related to a normal, seasonal fall in delivery volumes.

*January-September*

The Group's net sales for the period decreased by 4% compared with the same period in 2003 (pro forma) and amounted to SEK 3,913 million. This decrease is mainly related to lower selling prices in the Sawn Products business area.

**Operating result***Third quarter*

Operating loss in the third quarter amounted to SEK 13 million which is a decrease of SEK 27 million compared with the second quarter when the operating profit amounted to SEK 14

million. The decline was due to lower sales volumes within both Sawn Products and Wood Products.

*January-September*

Operating loss was SEK 16 million compared with the same period in 2003 when the operating profit (pro forma) amounted to SEK 138 million. This decline is mainly due to lower selling prices and higher raw material costs in the Sawn Products business area.

**Result after net financial items**

*January-September*

Net financial items amounted to SEK -30 million which is improvement of SEK 6 million compared with January-September in the previous year (pro forma). Loss after financial items amounted to SEK 46 million (102 profit).

**Cash flow and investments**

*Third quarter*

Cash flow from operating activities showed strong development in the third quarter and amounted to SEK 196 million. This is an improvement of SEK 224 million compared with the second quarter when it amounted to SEK -28 million. This positive difference is mainly a result of a substantial reduction in working capital in the third quarter.

*January-September*

Cash flow from operating activities in the first nine months of the year amounted to SEK 94 million compared with SEK 217 million (pro forma) in the same period in 2003. The less favourable cash flow compared with 2003 is mainly related to a lower operating result.

Investments during the period amounted to SEK 96 million, compared with SEK 89 million (pro forma) in the same period in 2003.

**Financing**

Interest-bearing net debt including interest-bearing provisions amounted to SEK 714 million at the end of the period. At 31 December 2003 the interest-bearing net debt was SEK 712 million.

**Equity ratio**

The equity ratio for the Group at 30 September 2004 was 29% compared with 31% at 31 December 2003.

**Income statement and balance sheet**

Income statement SEK million	3 months				9 months		Full year
	Jul-Sep 2004	Apr-Jun 2004	Jan-Mar 2004	Jul-Sep 2003 pro forma *	Jan-Sep 2004	Jan-Sep 2003 pro forma	Jan-Dec 2003 pro forma *
Net sales	1,190	1,448	1,275	1,289	3,913	* 4,063	5,424
Change in prod. in prog. & finished goods	-46	4	72	-61	30	20	66
Other operating income	16	-3	14	-5	27	4	13
<b>Total income</b>	<b>1,160</b>	<b>1,449</b>	<b>1,361</b>	<b>1,223</b>	<b>3,970</b>	<b>4,087</b>	<b>5,503</b>
Operating expenses	-1,127	-1,387	-1,328	-1,137	-3,842	-3,796	-5,129
Depreciation according to plan	-46	-48	-50	-47	-144	-142	-193
Items affecting comparability **	-	-	-	-11	-	-11	-82
<b>Operating loss/profit</b>	<b>-13</b>	<b>14</b>	<b>-17</b>	<b>28</b>	<b>-16</b>	<b>138</b>	<b>99</b>
Financial items	-8	-10	-12	-13	-30	-36	-47
<b>Loss/profit after financial items</b>	<b>-21</b>	<b>4</b>	<b>-29</b>	<b>15</b>	<b>-46</b>	<b>102</b>	<b>52</b>
Tax	0	0	2	-5	2	-19	-15
Minority share in profit	0	0	0	0	0	0	0
<b>Net profit</b>	<b>-21</b>	<b>4</b>	<b>-27</b>	<b>10</b>	<b>-44</b>	<b>83</b>	<b>37</b>
<b>Earnings per share, SEK</b>	-2.65	0.54	-3.41	1.26	-5.55	10.47	4.60

Balance sheet SEK million	30 Sep 2004	30 Sep 2003	31 Dec 2003
	pro forma *		
Fixed assets	1,320	1,344	1,373
Inventories	686	614	658
Accounts receivable, trade	565	642	515
Other current assets	136	139	138
Cash and bank balances	207	230	240
<b>TOTAL ASSETS</b>	<b>2,914</b>	<b>2,969</b>	<b>2,924</b>
Shareholders' equity	857	946	901
Minority interests	1	1	1
Interest-bearing provisions	21	20	20
Non-interest bearing provisions	181	104	208
Interest-bearing liabilities	900	938	932
Non-interest bearing liabilities	954	960	862
<b>TOT. SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>2,914</b>	<b>2,969</b>	<b>2,924</b>

\* Pro forma income statements and balance sheets have been prepared to reflect the situation as if the merger between Mindab and AssiDomän Timber had taken place as of 1 January 2003.

\*\* Items affecting comparability mainly pertain to structural and other costs related to the merger between Mindab and AssiDomän Timber.

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

	Net sales					Operating profit/loss				
	Quarter			9 months		Quarter			9 months	
	Jul-Sep 2004	Apr-Jun 2004	Jan-Mar 2004	Jan-Sep 2004	Jan-Sep 2003 pro forma	Jul-Sep 2004	Apr-Jun 2004	Jan-Mar 2004	Jan-Sep 2004	Jan-Sep 2003 pro forma
SEK million										
Setra Sawn products	905	1 130	1 051	3,086	3,206	-10	4	6	0	170
Setra Wood Products	353	409	292	1,054	1,013	0	6	-12	-6	-4
Other and eliminations	-68	-91	-68	-227	-156	-3	4	-11	-10	-28
<b>Total Group</b>	<b>1,190</b>	<b>1,448</b>	<b>1,275</b>	<b>3,913</b>	<b>4,063</b>	<b>-13</b>	<b>14</b>	<b>-17</b>	<b>-16</b>	<b>138</b>

Stockholm, 19 October 2004  
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 Anders Nilsson, President and CEO, +46 8 705 03 00 or +46 705-74 19 17.