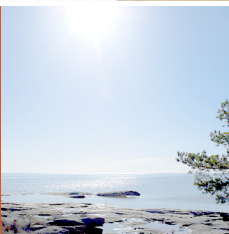


SIX-MONTH REPORT JANUARY–JUNE 2007



WOOD FOR LIFE



Glulam is an attractive and environmentally friendly material for load-bearing structures which provide stability and space. At Långshyttan, Setra has one of the most modern glulam factories in Europe. Like all Setra's interior products, glulam carries environmental certification. This is one of Setra's contributions to sustainable development.

Six-month report January–June 2007

- Consolidated net sales in January–June 2007 amounted to SEK 3,325 million (2,971). The increase compared with the same period in the previous year is mainly due to higher prices. During the second quarter, net sales rose 14% compared with the same period in 2006.
- Operating profit for the first half of 2007 amounted to SEK 483 million (86), an improvement of SEK 397 million compared with the first half of 2006. The improvement in earnings is mainly due to a higher gross profit margin as well as completed efficiency enhancements. Operating profit for the second quarter amounted to SEK 322 million (62).
- Profit after tax for the period January–June amounted to SEK 333 million (67). Earnings per share reached SEK 42.19 (8.45).
- Cash flow from operating activities was SEK -50 million (29). A planned change in some payment terms to suppliers was carried out during the second quarter of 2007, which had a negative effect on working capital in the second quarter of approximately SEK 200 million.
- During the second quarter a decision was taken to invest in a new sawlog sorting unit and an X-ray log scanner, which will provide more accurate quality grading, at the sawmill in Skinnskatteberg. This investment amounts to SEK 40 million.

Setra Group – consolidated figures	3 months		6 months		12 months	
	2007 April–June	2006 April–June	2007 Jan–June	2006 Jan–June	2006/2007 July–June	2006 Jan–Dec
Net sales, SEK million	1,760	1,543	3,325	2,971	6,198	5,844
Operating profit, SEK million	322	62	483	86	654	257
Operating margin, %	18.3	4.0	14.5	2.9	10.6	4.4
Profit after tax, SEK million	224	53	333	67	488	222
Earnings per share, SEK (no dilution)	28.44	6.65	42.19	8.45	61.77	28.03
Cash flow from operating activities, SEK million	-81	171	-50	29	351	430
Equity ratio, %	39.1	27.7	39.1	27.7	39.1	29.4

CEO's comments

The very good operating profit for the second quarter of SEK 322 million means that Setra achieved an historically high operating margin of 18%.

Demand for sawn and planed wood products remained very strong but there are some signs of a weaker trend for whitewood products. The market's ability to absorb planned or anticipated price increases for raw material will affect development in the future.

As part of efforts to meet the increased demand in the energy market, Setra is now strengthening its organisation for the sale of bioproducts. In addition, 25% of the shares in the biofuel company Naturbränsle i Mellansverige AB were acquired in the second quarter.

Kent Torwald
President and CEO



Market

Setra's principal markets in Europe showed continued positive economic development during the first six months of the year. Inflation and interest rates remain at historically low levels, although with an upward trend. The rate of construction and renovation was high during the period which resulted in continued stable consumption of wood-based products.

Price development for products based on redwood, which account for approximately 70% of Setra's range of sawn and planed wood products, was generally very good. For whitewood products, which are mostly used for glulam production and as construction timber, negative price pressure could be noted during the second quarter. This is due to a substantial increase in supplies in Central Europe as a result of very good access to raw material after the devastation caused by the January storms, as well as to volumes remaining in Europe instead of, as previously, being exported to the US, where the level of housing starts remains weak.

Raw material

The raw material market during the first half of the year showed relatively major regional differences. The price trend for raw material, which for Setra mainly comprises pine and spruce from northern and central Sweden, is highly significant for earnings development since raw material accounts for approximately 50% of total costs. In northern Sweden, as well as in Finland and the Baltic countries, the situation is characterised by shortages, intense competition for raw material and rising prices. In southern Sweden, supplies were strong particularly for spruce, due to storms and damage caused by spruce bark beetles. Russian export duties were raised on 1 July from EUR 4 to EUR 10 per cubic metre and this will have a negative impact on raw material supplies for the forest and wood products industry in the Baltic region.

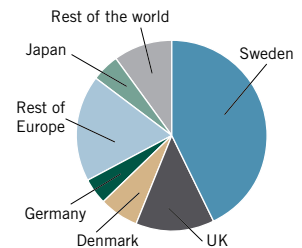
Organisation

A change in Setra's overall organisation was implemented on 1 June. A new unit, Buildings Systems, has been set up. This includes "Trälyftet", Setra's industrial-scale construction system for multi-storey buildings, as well as the sale of glulam structures and solutions. Mikael Eliasson has been appointed as head of Building Systems. He is also responsible for the Group's market and product development.

The marketing organisation has been placed under a new marketing director, Urban Torstenson, who is also a member of Group Management.

A decision has been made to improve efficiency within the Group's logistics and customer services functions which is expected to provide an annual positive earnings impact of approximately SEK 25 million starting in 2008. A total of approximately 40 people are affected by these changes.

**Net sales by geographic market
January–June 2007**



Net sales

Net sales for the period January-June amounted to SEK 3,325 million (2 971). The increase compared with the previous year is mainly explained by higher prices. The second quarter was particularly strong with an increase in net sales of 14% compared with the same period in the previous year.

Setra's sales development for **sawn and planed wood products** was very strong during the first half of the year. Demand remained high in all markets with positive price development, although the price trend for whitewood products gradually weakened during the second quarter. The proportion of value-added processed products accounted for 16% (13) of total deliveries.

Sales of wood-based **board and joinery products** to the Swedish building trade were stable in total terms. Setra's sales of plywood and OSB board increased during the quarter, while sales mainly of kitchen joinery products decreased.

Sales within **building systems** currently solely comprise sales of glulam products where the Trälyftet construction system is in a commercial phase. The market for glulam, as a effect among other things of the surplus supplies of spruce raw material in the European contingent, has been affected by high competition and price pressure. Setra has obtained building rights for multi-storey wooden buildings in the centre of Skellefteå.

Setra's sales of **bioproducts** developed well. Price development for raw chips for the pulp industry tracked the upward trend for pulpwood prices. For energy products, most sales contracts relating to bark, sawdust and dry chips for the next heating system have been finalised and represent price increases of 10-30% compared with the current season

Earnings

Operating profit for the period January-June amounted to SEK 483 million (86), which is an improvement of SEK 397 million compared with the same period in the previous year. The improved earnings are primarily an effect of a higher gross profit margin as well as completed efficiency enhancements.

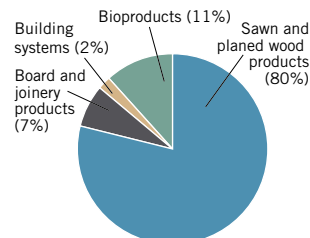
The operating margin for the period January-June amounted to 14.5% (2.9) which is an historically high level. Despite rising raw material prices, the operating margin increased from 10.3% in the first quarter of 2007 to 18.3% in the second quarter.

Profit after net financial items for the period January-June amounted to SEK 463 million (63). Net financial items for the period amounted to SEK -20 million (-23). The decrease is mainly explained by lower debt.

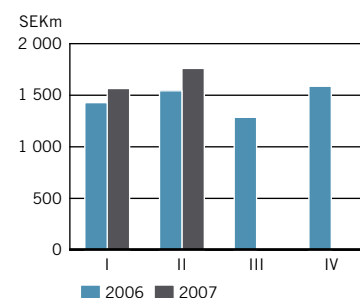
Profit after tax for the period January-June amounted to SEK 333 million (67). Tax expense amounted to SEK -130 million (4), which corresponds to 28% of profit before tax. Setra's effective tax rate with effect from 2007 is expected to be approximately 28%. For periods prior to 2007, the effective tax rate deviated from 28% since the Group's combined loss carry forwards were not fully recognised in the balance sheet under deferred tax assets.

Operating profit for the rolling 12-month period (July 2006 – June 2007) amounted to SEK 654 million compared with the operating profit for the full-year 2006 which amounted to SEK 257 million.

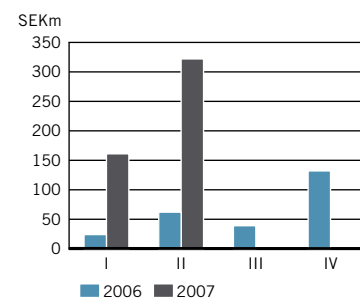
Share of net sales by operating area, January-June 2007



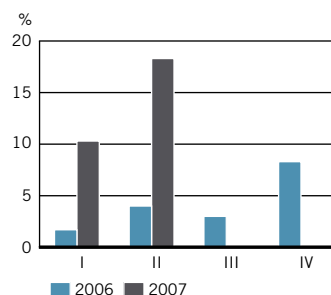
Net sales per quarter



Operating profit per quarter



Operating margin per quarter



Earnings per share

Earnings per share for the period January-June amounted to SEK 42.19 (8.45). There is no dilution since there are no convertible loans or subscription warrants.

Investments

Investments in property, plant and equipment during the period January-June amounted to SEK 51 million (28). Most of these investments relate to expansion of capacity in the glulam factor in Långshyttan and investment in a grading mill and dryers in the Kastet sawmill.

During the first quarter a decision was made to invest in a new band saw line in Nyby and a new paint shop in Kvarnåsen. These investments amount to SEK 70 million.

During the second quarter a decision was made to invest in a new sawlog sorting unit and an X-ray log scanner, which will provide more accurate quality grading, at the sawmill in Skinnskatteberg. This investment amounts to SEK 40 million..

Acquisitions

25% of the shares in the biofuel company Naturbränsle i Mellansverige AB were acquired in the second quarter. The company markets bioproducts from sawmills to energy customers and has annual sales in excess of SEK 500 million. Other owners are Mellanskog (25%) and a number of private sawmills in central Sweden (50%).

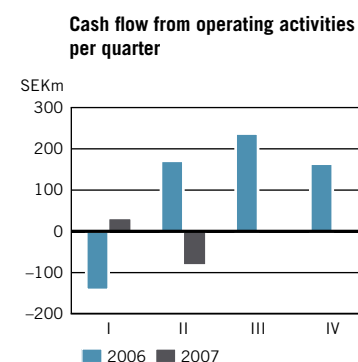
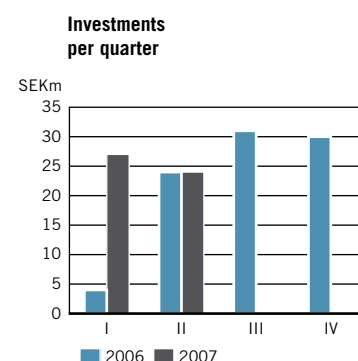
At the end of the first half, an agreement was signed on acquisition of the minority shareholders' shares in the subsidiary M&S Softwood Ltd, corresponding to 25% of the shares. This makes Setra the owner of all the shares in the company. The company operates within distribution of wood products to the building trade in the UK.

Cash flow, financial position and liquidity

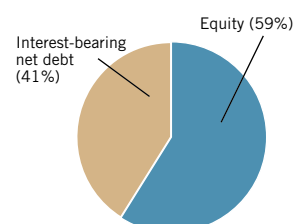
Cash flow from operating activities for the first half of 2007 amounted to SEK -50 million (29). Cash flow was negatively affected by increased tied-up working capital. During the second quarter of 2007 a planned change in some payment terms to suppliers was implemented which had a negative effect on working capital during the second quarter of approximately SEK 200 million.

Interest-bearing net debt amounted to SEK 847 million (1,072) at 30 June. Net debt at the start of the year amounted to SEK 700 million. The increase is explained by increased capital tied up in working capital and dividend paid. The debt/equity ratio at 30 June amounted to 0.7 (1.4). At the start of the year, the debt/equity ratio was 0.7. The equity ratio at 30 June was 39% (28).

Cash and cash equivalents decreased by SEK 359 million in the first half of the year. Utilised bank overdraft facility amounted to SEK 95 million (6) at 30 June. The Group's bank overdraft limit amounts to SEK 400 million. During the second quarter Setra effected early repayment of a long-term debenture loan of SEK 300 million. This repayment and an increase in working capital are the main reasons for the lower liquidity.



Financing of capital employed 30 June 2007



Personnel

The average number of employees in the first half of the year amounted to 1,444 (1,415). The increase is mainly due to the acquisition of Rolfs Såg & Hyvleri, with approximately 80 employees, carried out in December 2006. The average number of employees for the full year 2006 amounted to 1,411.

Parent Company

The key task of the Parent Company is to exercise group-wide management and administration. The loss after financial items amounted to SEK -8 million (-18). The Parent Company did not make any investments. Utilised bank overdraft facility amounted to SEK 153 million (33).

Material risks and uncertainties

Due to the nature of its operations, the Group is exposed to both operating and financial risks.

The Group's profitability and financial position are mainly affected by development within the building sector and the price trend for sawn and planed wood products. Negative price pressure, particularly for whitewood products, could be noted during the most recent quarter as a result of production increases in Central Europe and a weak construction climate in the US. Raw material costs account for approximately 50% of Setra's operating expenses. Earnings are therefore extremely sensitive to how planned and anticipated price increases for raw material can be absorbed by the market.

The Group's main financial risk is currency risk since a significant part of revenues are invoiced in foreign currency, mainly EUR and GBP. Currency risk is managed by anticipated flows being hedged through forward exchange contracts. At 30 June, approximately 65% of transaction exposure for the next 12-month period was hedged.

The Parent Company's risks are primarily of a financial character and mainly attributable to management of the Group's currency risks.

A complete account of identified risks and the company's risk management work is provided in the 2006 Annual Report.

Related party transactions

In June the Parent Company repaid a debenture loan to Mellanskog of SEK 150 million. On the same date, the shares in Naturbränsle i Mellansverige AB were acquired for approximately SEK 2 million. Otherwise the Parent Company, apart from transactions with its subsidiaries, did not have any transactions with related parties.

In addition to the Parent Company's repayment of a debenture loan, the Group repaid a debenture loan to Sveaskog of SEK 150 million. The Group's significant related party transactions comprised transactions with the principal owners Sveaskog and Mellanskog. The Group's sawlog purchases, which amount to approximately 50% of operating expenses, and sales of bioproducts took place mainly through Sveaskog and Mellanskog.

Future prospects

The market for sawn and planed wood products remains very strong but the effects of planned and anticipated raw material price increases may slow the rate of development in the future. The Board's assessment that profit for the year will significantly exceed the profit for 2006 remains unchanged.

Extraordinary general meeting

A decision has been made to hold an extraordinary general meeting on 1 October 2007. A notice of the meeting will be published on 31 August 2007.

Accounting principles

This interim report for the Group is prepared in accordance with IAS 34 Interim Financial Reporting and RR 31 Interim Financial Reporting for Groups, and for the Parent Company in accordance with the Swedish Annual Accounts Act and RR 32:06 Financial Reporting for Legal Entities. The accounting principles applied for the Group and the Parent Company are the same as the accounting principles used in preparation of the most recent annual report.

Assurance by the Board of Directors

The six-month interim report provides a true and fair overview of the Parent Company's and the Group's operations, their financial position and performance, and describes material risks and uncertainties facing the Parent Company and other companies in the Group.

Solna, 27 August 2007

Setra Group AB (publ), reg. no. 556034-8483

Gunnar Olofsson
Chairman of the Board

Almar Burvall
Board member

Lars Gabrielsson
Board member

Lars Holmgren
Board member

Hans Karlander
Board member

Anna-Greta Lundh
Board member

Tommy Nilsson
Board member

Karin Pedersen
Board member
Employee representative

Tomas Persson
Board member
Employee representative

Gösta Utterström,
Board member
Employee representative

Kent Torwald
President and CEO

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

Contact details

Kent Torwald, President & CEO
telephone: +46 8 705 03 00
mobile: +46 70-636 74 03
e-mail: kent.torwald@setragroup.se

Stefan Lundin, CFO
telephone: +46 8 705 03 00
mobile: +46 70-222 65 07
e-mail: stefan.lundin@setragroup.se

Financial calendar

1 November 2007 Interim report January-September
29 January 2008 Year-end report 2007

Consolidated income statement

SEK million	3 months		6 months		12 months	
	2007 April-June	2006 April-June	2007 Jan-June	2006 Jan-June	2006/2007 July-June	2006 Jan-Dec
Net sales	1,760	1,543	3,325	2,971	6,198	5,844
Other operating income	7	5	18	9	105	96
	1,767	1,548	3,343	2,980	6,303	5,940
Change in inventories of products in progress and finished goods	46	-72	120	-64	79	-105
Raw materials and consumables	-804	-717	-1,632	-1,455	-2,971	-2,794
Goods for resale	-109	-165	-217	-321	-549	-653
Other external costs	-338	-311	-676	-620	-1,318	-1,262
Employee benefit expenses	-199	-172	-374	-340	-702	-668
Depreciation according to plan	-38	-41	-75	-82	-158	-165
Impairment	-	-	-	-	-16	-16
Other operating expenses	-3	-8	-6	-12	-14	-20
Operating profit	322	62	483	86	654	257
Net financial items	-10	-12	-20	-23	-42	-45
Profit after financial items	312	50	463	63	612	212
Tax	-88	3	-130	4	-124	10
Profit for the period	224	53	333	67	488	222
Profit attributable to:						
Equity holders of the parent	224	53	333	67	488	222
Minority interests	0	0	0	0	0	0

Earnings per share, SEK (no dilution)	28.44	6.65	42.19	8.45	61.77	28.03
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Specification of items affecting comparability

Other operating income

Capital gain from sale of subsidiary	-	-	-	-	49	49
Income from negative goodwill at acquisition of subsidiary	-	-	-	-	15	15
	-	-	-	-	64	64

Operating expenses

Costs for closure of operating facilities and restructuring, etc.	-	-	-	-	-51	-51
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Impairment

Impairment of non-current assets	-	-	-	-	-16	-16
Total items affecting comparability	-	-	-	-	-3	-3

Consolidated balance sheet and changes in equity

SEK million	2007 30 June	2006 30 June	2006 31 Dec
<i>Non-current assets</i>			
Goodwill	124	135	124
Other intangible non-current assets	8	12	9
Property, plant and equipment	1,020	1,054	1,043
Financial assets	12	3	10
Deferred tax assets	47	88	95
	1,211	1,292	1,281
<i>Current assets</i>			
Inventories	935	737	713
Trade receivables	827	682	672
Other current assets	159	142	172
Cash and cash equivalents	–	–	359
	1,921	1,561	1,916
Total assets	3,132	2,853	3,197
<i>Equity</i>	1,226	790	939
<i>Non-current liabilities</i>			
Interest-bearing liabilities	707	1,024	1,016
Interest-bearing provisions	27	25	26
Non-interest bearing provisions	–	9	–
Deferred tax liability	117	108	112
	851	1,166	1,154
<i>Current liabilities</i>			
Interest-bearing liabilities	113	23	17
Trade payables	256	365	456
Other non-interest bearing liabilities	619	506	574
Non-interest bearing provisions	67	3	57
	1,055	897	1,104
Total equity and liabilities	3,132	2,853	3,197
Pledged assets	36	4	36
Contingent liabilities	4	1	4

Statement of changes in equity

SEK million	2007 Jan-June	2006 Jan-June	2006 Jan-Dec
Opening equity	939	697	697
Change in contingency reserv	–2	27	21
Translation differences in equity	–1	–1	–1
Profit for the period	333	67	222
Dividend	–43	–	–
Closing equity	1,226	790	939

The number of shares is 7,926,668, of which 7,893,907 ordinary shares and 32,761 preference shares. Average number of shares concurs with the number of shares.

Consolidated cash flow statement

SEK million	3 months		6 months		12 months	
	2007 April-June	2006 April-June	2007 Jan-June	2006 Jan-June	2006/2007 July-June	2006 Jan-Dec
Operating activities						
Profit after financial items	312	50	463	63	612	212
Adjustment for non-cash items, etc.	50	42	89	82	157	150
	362	92	552	145	769	362
Paid tax	0	0	0	0	0	0
Cash flow from operating activities before change in working capital	362	92	552	145	769	362
<i>Cash flow from change in working capital</i>						
Change in inventories	-87	108	-222	55	-177	100
Change in operating receivables	-145	32	-164	-90	-136	-62
Change in operating liabilities	-211	-61	-216	-81	-105	30
Cash flow from operating activities	-81	171	-50	29	351	430
Investing activities						
Acquisition of subsidiary	-	-	-	-	-80	-80
Sale of subsidiary	-	-	-	-	111	111
Purchases of property, plant and equipment and intangible non-current assets	-24	-24	-51	-28	-112	-89
Sale of property, plant and equipment	-	-	-	-	5	5
Change in financial assets	-2	-	-2	-	-6	-4
Cash flow from investing activities	-26	-24	-53	-28	-82	-57
Financing activities						
Change in financial liabilities	-209	-147	-213	-3	-226	-16
Dividend	-43	-	-43	-	-43	-
Cash flow from financing activities	-252	-147	-256	-3	-269	-16
Cash flow for the period (change in cash and cash equivalents)	-359	0	-359	-2	0	357
Cash and cash equivalents at beginning of the period	359	0	359	2	0	2
Exchange differences in cash and cash equivalents	0	0	0	0	0	0
Cash and cash equivalents at end of the period	0	0	0	0	0	359

Change in financial net debt

SEK million	3 months		6 months		12 months	
	2007 April-June	2006 April-June	2007 Jan-June	2006 Jan-June	2006/2007 July-June	2006 Jan-Dec
Opening financial net debt	-697	-1,219	-700	-1,072	-1,072	-1,072
Cash flow						
Operating activities before change in working capital	362	92	552	145	769	362
Change in working capital	-443	79	-602	-116	-418	68
Investing activities	-26	-24	-53	-28	-82	-57
Dividend	-43	-	-43	-	-43	-
Closing financial net debt	-847	-1,072	-847	-1,072	-847	-700

Setra, Sweden's largest wood products company, sells wood-based products and solutions to the building trade and industrial customers. The Group has some 1,400 employees and annual sales of approximately SEK 6 billion, of which exports – primarily to the UK, Denmark, Germany, Spain, Norway and Japan – account for about 55%.

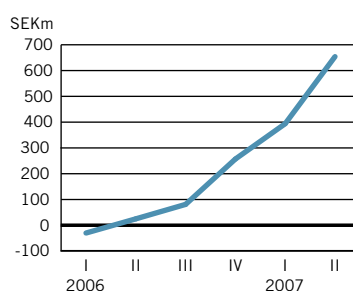
Quarterly data and key figures for the Group

SEK million	2007		Full year	2006			
	II	I		IV	III	II	I
Net sales	1,760	1,565	5,844	1,587	1,286	1,543	1,428
Other operating income	7	11	96	83	4	5	4
	1,767	1,576	5,940	1,670	1,290	1,548	1,432
Operating expenses	-1,407	-1,378	-5,502	-1,480	-1,210	-1,445	-1,367
Depreciation and impairment	-38	-37	-181	-58	-41	-41	-41
Operating profit	322	161	257	132	39	62	24
Net financial items	-10	-10	-45	-11	-11	-12	-11
Profit after financial items	312	151	212	121	28	50	13
Tax	-88	-42	10	5	1	3	1
Profit for the period	224	109	222	126	29	53	14
Earnings per share, SEK (no dilution)	28,44	13,75	28,03	15,93	3,65	6,65	1,80

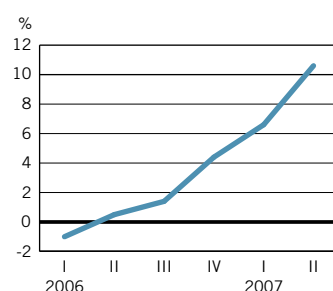
Key figures

	2007		Full year	2006			
	II	I		IV	III	II	I
Operating margin, %	18,3	10,3	4,4	8,3	3,0	4,0	1,7
Return on capital employed, % (rolling 12 months)	33,7	19,9	14,0	14,0	4,7	1,7	neg
Return on equity, % (rolling 12 months)	48,4	36,3	27,1	27,1	13,7	6,2	neg
Equity ratio, %	39,1	31,5	29,4	29,4	27,9	27,7	24,0
Debt/equity ratio, times	0,7	0,7	0,7	0,7	1,1	1,4	1,7
Interest coverage, times	25,0	12,5	5,2	10,3	3,3	4,8	2,0

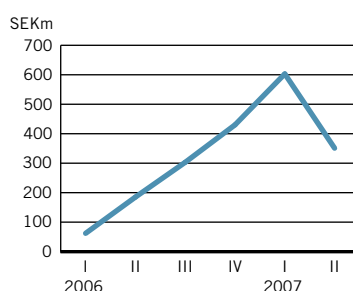
Operating profit rolling 12 months



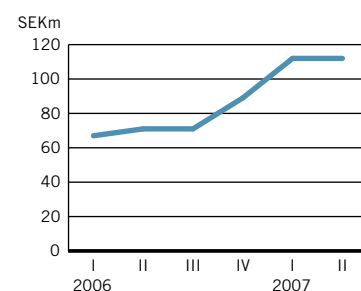
Operating margin rolling 12 months



Cash flow from operating activities rolling 12 months



Investments rolling 12 months



Setra, Sweden's largest wood products company, sells wood-based products and solutions to the building trade and industrial customers. The Group has some 1,400 employees and annual sales of approximately SEK 6 billion, of which exports – primarily to the UK, Denmark, Germany, Spain, Norway and Japan – account for about 55%.

Parent Company income statement

SEK million	6 months	12 months	
	2007 Jan-June	2006 Jan-June	2006 Jan-Dec
Other operating income	18	2	17
	18	2	17
Other external costs	-13	-11	-28
Employee benefit costs	-14	-11	-23
Operating profit/loss	-9	-20	-34
Net financial items	1	2	-27
Profit/loss after financial items	-8	-18	-61
Tax	0	0	68
Profit/loss for the period	-8	-18	7

Parent Company balance sheet

SEK million	2007 30 June	2006 30 June	2006 31 Dec
<i>Non-current assets</i>			
Property, plant and equipment	0	0	0
Financial assets	676	546	675
Deferred tax asset	16	26	16
	692	572	691
<i>Current assets</i>			
Current receivables	1,021	991	789
Cash and bank balances	–	–	276
	1,021	991	1,065
Total assets	1,713	1,563	1,756
<i>Equity</i>	917	743	969
<i>Provisions</i>	1	3	1
<i>Non-current liabilities</i>			
Interest-bearing liabilities	600	750	750
<i>Current liabilities</i>			
Interest-bearing liabilities	153	33	–
Other non-interest bearing liabilities	42	34	36
	195	67	36
Total equity and liabilities	1,713	1,563	1,756
Pledged assets	–	–	–
Contingent liabilities	3	3	3

Setra, Sweden's largest wood products company, sells wood-based products and solutions to the building trade and industrial customers. The Group has some 1,400 employees and annual sales of approximately SEK 6 billion, of which exports – primarily to the UK, Denmark, Germany, Spain, Norway and Japan – account for about 55%.