

Peab Industri AB (publ)

Interim report January–September 2008

Continued strong growth

Third quarter 2008

- Net sales increased by 19 per cent to SEK 2,520 million (2,111)
- Operating profit (EBIT) increased by 5 per cent to SEK 300 million (287)
- Profit for the period amounted to SEK 195 million (192)
- Profit per share before dilution amounted to SEK 2.33 (2.23)
- Peab presents an offer for Peab Industri

January–September 2008

- Net sales increased by 22 per cent to SEK 6,335 million (5,191)
- Operating profit (EBIT) increased by 22 per cent to SEK 641 million (527)
- Profit for the period amounted to SEK 389 million (339)
- Profit per share before dilution amounted to SEK 4.65 (3.97)



Peab Industri, a leading producer on the construction and civil engineering market

Specialisation of the business

Peab Industri operates within three complementary business areas: Machinery, Products and Services, all aimed at the Nordic construction and civil engineering market. Most of the group's turnover is generated today on the Swedish market where the group has business operations which cover the entire country with a strong local presence. Operations are also carried out in Norway and Finland.

Peab Industri shall provide value for its customers and shareholders by creating profitable growth, by being a leading producer, by having committed employees and having a local presence.

Business areas

The three business areas have different capital requirements which is reflected in the various objectives as regards operating margin.

Each business area's offer to its customers is different with regard to rental, deliveries, mediation and the various concepts within total offers.

Vision

Peab Industri shall deliver sustainable and profitable growth by endeavouring to be the leading producer of products and services for the construction and civil engineering market in northern Europe.

Business concept

By having committed employees and a local presence, Peab Industri shall be the most innovative, knowledgeable and reliable producer of products and services to the construction and civil engineering market and shall therefore be the customer's first choice.

Financial targets

- Return on capital employed > 18 per cent
- Operating margin > 9 per cent
- Organic growth shall exceed the growth in the underlying market and shall be supplemented by acquisitions



Machinery

The business area includes the group's resources within machinery, temporary electricity and crane operations. Within the area rental activities are primarily carried out, but cranes and machinery are also sold via resale agreements. Operations are carried out in Sweden, Norway and Finland.



Products

The business area includes the group's products from raw material such as gravel and rock to the manufacture of asphalt and concrete. The business area also includes more refined products such as concrete building frames, ground paving products and roof tiles. Operations are carried out in Sweden and Finland.



Services

The business area includes the group's services for asphalt paving, foundation, transport and machinery services including services within electricity, power and telecom. Operations are carried out in Sweden and Norway.

Comments from the CEO



Developments during the third quarter have produced continued high growth. During the first three quarters of the year, Peab Industri grew by 22 per cent of which 12 percentage points consisted of organic growth.

Over the past few years we have carried out major investments and acquired several companies. This has contributed to growth as well as increased profits. We have moved our positions forward within several business operations and also modernised our machinery. All business areas and geographic markets show satisfying results.

During this quarter, it has become more clear that the business cycle is receding in the Nordic countries. It is clear that housing construction and private consumption will decline, which has caused us to take measures to reduce the amount of shift work at some of our facilities. This will probably be met by public investments within infrastructure and other construction work where it is the expectation of the market that growth over the next few years will increase considerably. Both the governments in

Sweden and Norway have presented proposals for substantially greater investments in infrastructure for the coming years. As about half of the group's turnover is directed towards civil engineering, this means that we have rather a strong position.

The Swedish energy authority has calculated that there is a need for a little more than 5,000 new wind power stations in Sweden. Peab Industri has already contributed with their products and services to a number of projects within this area. Furthermore, several indicators are pointing at the fact that this market will have a persistent growth during a number of years. During the third quarter, a further two acquisitions were carried out within the business area Services aiming at the civil engineering market. After the expiry of the report period, the acquisition of Nordenfeldske Spunt- och Peleservice AS was carried out, a foundation company in Norway which exclusively targets civil engineering projects.

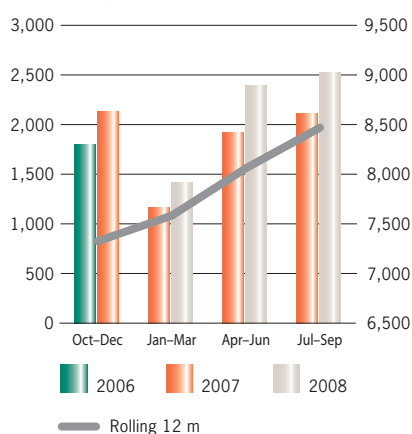
During the year we have seen substantial and sudden price increases for a number of our input goods such as oil, bonding agents and steel. As these price increases have not been able to be transferred in their entirety, they have impacted negatively on profits within several of the business areas. We now see that this effect has abated and that prices have fallen back, primarily within oil and steel.

With the financial turmoil which now prevails in the world which is becoming more manifest in the Nordic countries, we feel reassured that the company has a considerable share of its business operations on the more stable civil engineering market in Sweden, Norway and Finland. We have good results and a long-term financing which puts us in a strong position.

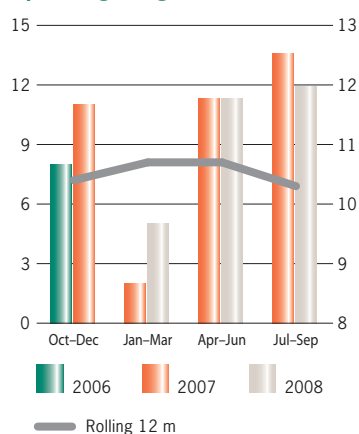
Mats O Paulsson
CEO

Comments on the interim report

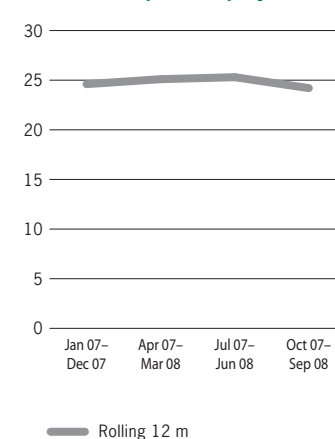
Net sales, SEK m



Operating margin, %



Return on capital employed, %



SEK m	Jan-Sep 2008	Jan-Sep 2007	Jul-Sep 2008	Jul-Sep 2007	Oct/Sep 2007/2008	Jan-Dec 2007
Net sales	6,335	5,191	2,520	2,111	8,469	7,325
Operating profit	641	527	300	287	876	762
Operating margin, %	10.1	10.2	11.9	13.6	10.3	10.4
Profit before tax	529	470	259	266	733	674
Profit for the period	389	339	195	192	536	486
Earnings per share before dilution, SEK	4.65	3.97	2.33	2.23	6.38	5.70
Earnings per share after dilution, SEK	4.44	3.97	2.20	2.23	6.15	5.70
Cash flow before financing	-132	132	66	165	11	275
Return on capital employed, %					24.3	24.6
Net debt	2,657	2,142	2,657	2,142	2,657	2,127
Gearing	2.1	2.3	2.1	2.3	2.1	2.0

Market

Peab Industri's activities concentrate on the Nordic construction and civil engineering market with most sales taking place on the Swedish market. Approximately 48 per cent of sales are generated on the civil engineering market and approximately 37 per cent on the construction market of which approximately 25 percentage points comprises new buildings. The electricity, power and the telecom market account for approximately 5 per cent and other industrial sectors account for approximately 10 per cent of sales.

According to the Swedish Construction Federation's (BI) latest report from 9 October 2008, growth on the Swedish construction and civil engineering market is expected to decline with a total growth rate of approximately 4 per cent during 2008 and 1 per cent during 2009. Growth forecasts for the construction market in Sweden have been revised upwards and are expected to increase by 9 per cent in 2008 and 10 per cent in 2009.

In Norway, according to the latest report from Prognosesenteret dated 16 October 2008, investments within construction and civil engineering are expected to decrease by 1 per cent during 2008, primarily as a result of a decrease in the demand for new housing. Capacity shortcomings with regard to machinery resources and a shortage of labour within certain geographic areas will also contribute to reduced construction investments. For 2009, growth is expected to drop by 8 per cent. The civil engineering market in Norway is expected to remain unchanged in 2008 and increase by 6 per cent in 2009.

In Finland, investments within construction and civil engineering are, according to the Confederation of Finnish Construction Industries' Rakennusteollisuus (RT) latest report from 21 October 2008, expected to increase by 4 per cent during 2008 and decrease by 3 per cent during 2009. The civil engineering market in Finland is expected to increase by 3 per cent in 2008 and remain unchanged in 2009. As regards Nordic infrastruc-

ture, both the Swedish and the Norwegian governments have indicated that there will be major increase in investments made in this area. In Sweden, so called “immediate-future financing” has meant increased appropriations of approximately SEK 8 billion for 2009–2010. In addition, considerable new investments within telecom and energy have been announced. A report presented by the Swedish energy authority has indicated there is a need to build a little more than 5,000 new wind power stations. Within telecom, considerable investments are expected when the present copper network is replaced by a fibre network.

The submarkets for the group’s products and services are growing at the same rate as the growth for the underlying construction and civil engineering market in each country.

Net sales and results

Net sales for the third quarter increased by 19 per cent to SEK 2,520 million (2,111). Adjusted for acquired units, the increase in sales amounted to 8 per cent. Of sales for the period, SEK 248 million (199) related to sales and production outside of Sweden.

Operating profit for the third quarter increased by 5 per cent to SEK 300 million (287). Operating profit has been affected negatively by considerable increase in costs for input goods such as oil, bonding agents and steel which have not been able to be fully transferable to the customer. During the end of the third quarter, it was seen that these cost increases started to abate and have now after the end of the reporting period even started to fall significantly.

The operating margin for the third quarter amounted to 11.9 per cent (13.6).

The financial net for the third quarter amounted to SEK –41 million (–21), of which net interest amounted to SEK –40 million (–21). The increased interest costs are due to a general increase in the rate of interest together with the effects of interests for convertible loans and increased net debt.

Profit before tax for the third quarter amounted to SEK 259 million (266).

Tax costs for the period amounted to SEK –64 million (–74), which is the equivalent of an effective tax rate of approximately 25 per cent (28). Previous non-valued fiscal deficits have contributed to a lower effective tax rate.

Profit for the third quarter amounted to SEK 195 million (192).

Net sales for the period January–September 2008 increased by 22 per cent to SEK 6,335 million (5,191). Adjusted for acquired units, the increase in sales amount-

ed to 12 per cent. Of sales for the period, SEK 693 million (499) related to sales and production outside of Sweden.

Net sales over the past 12 months rolling period amounted to SEK 8,469 million compared to SEK 7,325 million for the entire year 2007.

Operating profit for the period January–September 2008 increased by 22 percent to SEK 641 million (527). Operating profit has been affected negatively due to heavy increases in costs for input goods such as oil, bonding agents and steel. The operating margin for the period January to September 2008 amounted to 10.1 per cent (10.2).

The operating profit over the past 12 month rolling period amounted to SEK 876 million compared to SEK 762 million for the entire year 2007 which provides an operating margin of 10.3 per cent and 10.4 per cent respectively. The objective throughout the business cycle is that the operating margin shall exceed 9 per cent.

A reduction in pension premiums from Alecta in Sweden has affected operating profit positively for the period January–September 2008 by SEK 7 million compared to if Alecta had charged the full amount.

The financial net for the period January–September 2008 amounted to SEK –112 million (–57), of which net interest amounted to SEK –112 million (–58). The change is due to a general increase in market interest rates, the effects of convertible loans and increased net debt.

Towards the end of the third quarter, interests have gone down. The general opinion is that interest rates will fall in 2009. The major part of the liability portfolio is subject to floating interest rates.

Profit before tax amounted to SEK 529 million (470). Tax costs for the period January–September 2008 amounted to SEK –140 million (–131), which is the equivalent of an effective tax rate of approximately 26 per cent (28). The rate of tax has to some extent been affected by non-valued fiscal deficits. The year’s expected effective tax rate is estimated to amount to 27 per cent irrespective of the Swedish government’s proposal to reduce the corporate tax rate from 28 per cent to 26.3 per cent. A decision from the Swedish Parliament is expected in the middle of December 2008. If the Swedish Parliament decide on a reduction of the corporate tax rate, a revaluation will mean that the deferred tax liabilities as of 30 September 2008 will be expected to reduce by approximately SEK 15 million of which SEK 14 million are estimated to be accounted for as a deferred tax revenue.

Earnings for the period January to September 2008 amounted to SEK 389 million (339).

Investments and depreciation

Net investments in tangible and intangible fixed assets for the third quarter amounted to SEK 254 million (184) of which, acquisitions via financial leasing agreements amounted to SEK 27 million (37). In addition, tangible and intangible fixed assets via the acquisition of subsidiary companies amounting to SEK 141 million (58) is added.

Depreciation for the third quarter amounted to SEK 137 million (115), of which SEK 6 million (5) related to the depreciation of intangible fixed assets.

Net investments in tangible and intangible fixed assets for the period January–September 2008 amounted to SEK 707 million (576) of which, acquisitions via financial leasing agreements amounted to SEK 97 million (170). Furthermore, tangible and intangible fixed assets via the acquisition of subsidiary companies amounting to SEK 177 million (188) is added.

Depreciations for the period January–September 2008 amounted to SEK 399 million (325), of which SEK 19 million (11) related to the depreciation of intangible fixed assets.

In January 2008, a decision was made for the expansion of the concrete building frames factory in Katrineholm which would extend production capacity for the group's building system. The investment also means an extension of what we can offer our customers through an addition to the solid walls system.

The investment is expected to be completed during the fourth quarter of 2008 and as of 30 September 2008, SEK 28 million had been spent. The investment is expected to amount to approximately SEK 75 million.

During February 2008, a decision was also taken concerning production and capacity-increasing investments within the manufacture of concrete paving products in Uppsala. The investment is expected to be completed during the fourth quarter of 2008 and as of 30 September 2008, SEK 46 million had been spent. The investment is expected to amount to approximately SEK 55 million.

Within the business areas Machinery and Services, during the period January–September 2008 reinvestments as well as capacity-increasing new investments have been performed. It is estimated that investments made ahead will remain at lower levels.

Acquisitions

As of 4 March 2008, Peab Industri acquired the remaining 50 per cent of the shares in AB Vendels Grus including the shares in Vendels Grus KB. The companies are hereafter wholly owned subsidiaries.

The companies turned over SEK 55 million in 2007 and have 11 employees. The companies conduct gravel operations in Uppsala and its immediate environs.

As of 30 June 2008, Peab Industri acquired all shares in YN Sora Oy which carries on the extraction and sale of gravel in the area around Åbo-Helsingfors. Operations turned over SEK 30 million in 2007 and have two employees.

On 17 July 2008, Peab Industri acquired all the shares in the company Lättklinkerbetong AB which manufactures concrete elements, girders, walls and façade walls. Products which are used for small houses, industrial buildings, office buildings and blocks of flats. The company turned over SEK 90 million in 2007 and has 60 employees.

On 1 September 2008, Peab Industri acquired all shares in UMF Entreprenad AB which conducts the organisation of transport and machinery services for the construction and civil engineering sector in western Sweden. The company turned over SEK 270 million in 2007 and has approximately 10 employees.

On 1 September 2008, Peab Industri acquired all shares in Pajala Bilfrakt Ek För which conducts its operations within transport and machinery services in Pajala and its immediate environs. The company turned over SEK 25 million in 2007 and has 3 employees.

On 1 September 2008 Peab Industri acquired all shares in Väglaboratoriet i Norr AB which conducts test operations within the road and civil engineering sector. The company turned over SEK 4 million in 2007 and has 3 employees.

If the acquisitions had taken place on 1 January 2008, they would have, all in all, affected the group's revenues by SEK 410 million and profit after tax for the period January–September 2008 by SEK 36 million.

The acquisitions, from the time of acquisition and onwards, have contributed to profits for the period with a total of SEK 14 million. See page 16 for the effects of the acquisitions on the group's assets and liabilities.

Cash flow

Cash flow from operating activities before working capital changes for the third quarter amounted to SEK 363 million (380).

Changes in working capital amounted to SEK –6 million (–32).

Cash flow from operating activities after working capital changes amounted to SEK 357 million (348). Cash flow before financing for the third quarter amounted to SEK 66 million (165).

Change in loans for the third quarter amounted to SEK –108 million (–277).

Repurchase of own shares has affected cash flow during the third quarter by SEK –54 million (–).

Cash flow from operating activities before working capital changes for the period January–September 2008,

amounted to SEK 820 million (771). Cash flow has been affected positively as a result of higher earnings before depreciation and amortisation. Tax payments during the first nine months of 2008 increased to SEK 89 million compared to SEK 49 million in 2007.

Working capital changes amounted to SEK –267 million (–141) for the period January–September 2008. Compared to 2007 there has been an increase in inventories and receivables.

Cash flow from operating activities after working capital changes for the period January–September 2008, amounted to SEK 553 million (630).

Cash flow before financing for the period January–September 2008 amounted to SEK –132 million (132).

Changes in loans for the period January–September 2008 amounted to SEK 385 million (–86).

Repurchase of own shares during the period January–September 2008 has affected cash flow by SEK –163 million (–) and a dividend payment to the shareholders has affected cash flow by SEK –125 million (–).

Return on capital employed

The return on capital employed over the past 12 month rolling period amounted to 24.3 per cent compared to 24.6 per cent for the entire year 2007. The objective throughout a business cycle is that the return on capital employed shall exceed 18 per cent.

Financial position

Net debt as of 30 September 2008 amounted to SEK 2,657 million compared to SEK 2,127 million as of 31 December 2007.

Gearing as of 30 September 2008 amounted to 2.1 compared to 2.0 as of 31 December 2007.

The group's equity/assets ratio as of 30 September 2008 amounted to 19.5 per cent compared to 21.0 per cent as of 31 December 2007. During the period January–September 2008, the company bought back own shares for SEK 163 million. During the period January–September 2008, the sale of own shares was carried out for SEK 50 million. This was part payment for the acquisition of Lättklinkerbetong AB. Repurchase and sale of own shares has reduced equity by SEK 113 million and has also reduced the equity/assets ratio by 1.8 per cent.

The group's contingent liabilities, excluding joint and several liability in trading and limited partnerships amounted to SEK 6 million as of 30 September 2008 compared to SEK 6 million as of 31 December 2007.

The group's available liquid funds including non-utilised credit commitments amounted to SEK 2,408 million as of 30 September 2008 of which liquid funds amounted to SEK 77 million.

Outstanding convertibles

Peab Industri has issued convertibles in two programmes. Peab Industri's Convertible Debt Instruments 2007/2012 I, directed to the employees, comprises 6 million convertibles with a total amount issued of SEK 396 million.

Peab Industri's Convertible Debt Instruments 2007/2012 II, directed to Peab AB, comprises 3 million convertibles with a total amount issued of SEK 198 million.

Each convertible can, during December 2010, December 2011 and September 2012, be converted to a B share in Peab Industri at a rate of SEK 66. The convertible interest rate amounts to 5.44 per cent.

The convertibles are reported as a compound financial instrument divided into a liability part and an equity part. The debt as of 30 September 2008 for both loans amounts to SEK 548 million. The weighted average effective interest rate amounts to 7.70 per cent. The difference between the liability's actual and nominal value from the time of issue after deduction for deferred taxes, is a premium received for the right of conversion, accounted for as other capital contribution (share premium reserve).

The convertibles are, in terms of the order of preference, subordinate to other liabilities.

Holdings of own shares

Peab Industri's holding of own shares amounted to 725,000 B shares at the beginning of 2008 with a total book value of SEK 41 million corresponding to 0.9 per cent of the total number of shares.

On the authorisation of Peab Industri's Annual General Meeting, the Board in November 2007 and February 2008, decided to buy back a total maximum of 2,000,000 B shares. Up until Peab Industri's Annual General Meeting in 2008, 2,000,000 B shares had been repurchased, of which 1,275,000 B shares were repurchased in 2008.

Peab Industri's Annual General Meeting on 15 May 2008 decided to authorise the Board to acquire a maximum amount of shares so that the company after the acquisition would possess a maximum of 8,525,000 B shares. As of 15 May 2008, on the authorisation of the Annual General Meeting, Peab Industri's Board decided to buy back an additional maximum of 1,000,000 B shares. As of 14 July 2008, on the authorisation of the Annual General Meeting Peab Industri's Board decided to buy back an additional maximum of 2,000,000 B shares. After that, up to 30 September 2008, a further 1,545,900 B shares were acquired. Up to 30 September 2008, own shares totalling 917,000 B shares have been sold in connection with acquisitions.

As of 30 September 2008, Peab Industri's holding of own shares amounted to 2,628,700 B shares, corresponding to 3.1 per cent of the total number of shares. The total reported value of the holdings of repurchased own shares amounts, as of 30 September 2008, to SEK 113 million.

The average number of own shares held throughout the period January–September 2008 amounted to 1,926,293 shares. The equivalent holdings for the year 2007 amounted to 38,562 shares.

After the expiry of the report period, the Board decided on 12 October 2008 to purchase a further 4,442,200 B shares. Up to the presentation of the report, a further 103,900 B shares have been purchased. On presentation of the report, Peab Industri's holding of own shares amounted to 2,732,600 B shares, corresponding to 3.2 per cent of the total number of shares.

Personnel

The average number of employees over the past 12 month rolling period amounts to 2,529 compared to 2,391 for the year 2007.

Comments per business area

Machinery

Net sales during the third quarter within the business area Machinery amounted to SEK 361 million (347).

Growth amounted to 4 per cent, of which 4 percentage points were organic.

The period's operating profit amounted to SEK 72 million (76) which provides an operating margin of 19.9 per cent (21.9).

Net sales for the period January–September 2008 amounted to SEK 1,139 million (994). Growth amounted to 15 per cent, of which 13 percentage points were organic.

Operating profit for the period January–September 2008 amounted to SEK 235 million (216), which is the equivalent of an operating margin of 20.6 per cent (21.7).

Net sales for the past 12 month rolling period amounted to SEK 1,577 million compared to SEK 1,432 million for the entire year 2007. The operating profit for the past 12 month rolling period amounted to SEK 322 million compared to SEK 303 million for the entire year 2007 which provides an operating margin of 20.4 per cent and 21.2 per cent respectively.

Return on capital employed for the past 12 month rolling period for the business area amounted to 28.5 per cent compared to 29.8 per cent for the entire year 2007.

The business area has had a high level of growth since 2006 and major investments and acquisitions have been carried out. Machinery has been modernised and investment needs for the future are judged as being considerably lower.

Products

Net sales during the third quarter within the business area Products amounted to SEK 1,189 million (998). Growth amounted to 19 per cent, of which 12 percentage points were organic.

The period's operating profit amounted to SEK 147 million (139) which provides an operating margin of 12.4 per cent (13.9).

Net sales for the period January–September 2008 amounted to SEK 2,741 million (2,209). Growth amounted to 24 per cent, of which 17 percentage points were organic.

Operating profit for the period January–September 2008 amounted to SEK 267 million (216), which is the equivalent of an operating margin of 9.7 per cent (9.8).

Net sales for the past 12 month rolling period amounted to SEK 3,619 million compared to SEK 3,087 million for the entire year 2007. The operating profit for the past 12 month rolling period amounted to SEK 354 million compared to SEK 303 million for the entire year 2007 which provides an operating margin of 9.8 per cent and 9.8 per cent respectively.

Return on capital employed for the past 12 month rolling period for the business area amounted to 23.1 per cent compared to 22.3 per cent for the entire year 2007.

Both sales and operating profit within the business area have had a positive development as a result of increased efficiency and high capacity utilisation. Within building frames and concrete paving operations a certain degree of cutbacks have occurred in order to meet any market downturn.

During the year, a number of concrete deliveries have taken place to wind power plants in several places in Sweden.

In Finland, concrete operations have shown improved earnings as a result of increase in efficiency and coordination between the units. Considerably increased energy costs, primarily for oil, has led to production cost increases which have not been able to be fully transferable to customers. This trend has broken during the end of the third quarter.

Services

Net sales during the third quarter within the business area Services amounted to SEK 1,164 million (847). Growth amounted to 37 per cent, of which 17 percentage points were organic.

The period's operating profit amounted to SEK 81 million (72) which provides an operating margin of 7.0 per cent (8.5).

Net sales for the period January–September 2008 amounted to SEK 2,857 million (2,165). Growth amounted to 32 per cent, of which 16 percentage points were organic.

Operating profit for the period January–September 2008 amounted to SEK 139 million (95), which is the equivalent of an operating margin of 4.9 per cent (4.4).

Net sales for the past 12 month rolling period amounted to SEK 3,775 million compared to SEK 3,083 million for the entire year 2007. The operating profit for the past 12 month rolling period amounted to SEK 200 million compared to SEK 156 million for the entire year 2007 which provides an operating margin of 5.3 per cent and 5.1 per cent respectively.

Return on capital employed for the past 12 month rolling period for the business area amounted to 20.3 per cent compared to 21.3 per cent for the entire year 2007.

The further development of wind power plants has meant a number of objects for foundation operations.

Transport and machinery operations have had increased growth where the margin has been lower as a large share of the sales is made up of the brokering of services. This business area has very low capital tie-up.

Acquisitions carried out at the end of 2007 and during 2008 have had a positive effect on both sales and operating profit.

As regards asphalt-laying, the introduction of “yearly work hours” for skilled workers has led to a heavy increase in costs which during the first year have not been able to be fully transferrable to the customers. This has had a negative effect on the operating margin. The group works actively with planning to achieve optimal resource utilisation of the workforce during a season.

Important events after the reporting period

Repurchase of own shares

The Board decided on 12 October 2008 to purchase a further 4,442,200 B shares.

Discontinued convertibles programme

Peab Industri’s Annual General Meeting approved of the board’s proposal on 15 May 2008 to issue and transfer a maximum of 800,000 convertibles (Peab Industri convertibles 2008/2012) to new employees within Peab Industri.

In the light of the prevailing financial turmoil, the change in the market conditions that have occurred since the decision taken at the Annual General Meeting and the reasonable assumption that the offer is no longer in the interests of the shareholders, the board has decided to discontinue the programme of issuing and transferring Peab Industri convertibles 2008/2012 to new employees.

Peab Industri intends, at the coming Annual General Meeting, to once again take up the question of issuing convertibles to new employees.

Offer from Peab

On 10 November 2008 Peab AB (publ) (“Peab”) presented a public offer to the shareholders and owners of convertibles in Peab Industri AB (publ) (“Peab Industri”) to transfer all of their shares and convertibles issued by Peab Industri to Peab.

Series B shares in Peab and Peab Industri are listed on Nasdaq OMX Stockholm, Mid cap. Series A shares in each company are unlisted, as are also the convertibles.

The offer means three (3) newly issued B shares in Peab for two (2) B shares in Peab Industri and three (3) newly issued A shares in Peab for two (2) A shares in Peab Industri.

Peab Industri has issued convertibles in two programmes. Peab Industri’s Convertible Debt Instruments 2007/2012 I, directed to the employees, comprises 6 million convertibles with a total amount issued of SEK 396 million.

Peab Industri’s Convertible Debt Instruments 2007/2012 II, directed to Peab AB, comprises 3 million convertibles with a total amount issued of SEK 198 million.

The offer means that Peab offers a nominal amount of SEK 66 including accrued interest on the convertible, the equivalent of SEK 66.15 in cash per convertible.

The offer means a bid premium of approximately 25 per cent based on the latest price paid for each company’s B share as of 14 October 2008. The offer means a bid premium of approximately 22 per cent based on the average price paid for each company’s B share over the last 10 trading days prior to 15 October 2008. The offer means a bid premium of approximately 1 per cent on the latest price paid for each company’s B share as of 7 November 2008 and a bid premium of approximately 3 per cent based on the latest average price paid for each company’s B share over the last 10 days trading prior to 10 November 2008.

The acceptance period is estimated to run from 13 November until 3 December 2008.

Peab Industri’s board intends to consider and give its view on the offer around 19 November 2008, that is, in good time before the end of the registration period. The board will, prior to making its decision, obtain a so-called fairness opinion from an independent financial adviser.

The board’s chairman Mats Paulsson and the board members Sara Karlsson, Fredrik Paulsson and Mats O Paulsson will not participate in the board’s preparations or decision due to a conflict of interests.

For further information, see the separate offer document published by Peab AB (publ).

Acquisitions subsequent to the report period

On 6 October 2008 Peab Industri acquired all shares in the company NSP, Nordenfeldske Spunt og Peleservice AS, Norway, which conducts its operations within foundation. The company turned over NOK 125 million, the equivalent of SEK 147 million in 2007 and has approximately 40 employees.

As acquisition balances have not been determined by the time this report was presented, no details of acquired assets and liabilities are reported.

Important risks and uncertainty factors

Peab Industri operates as a supplier and subcontractor on the construction and civil engineering market and most of its business operations are carried out in Sweden and the remaining parts in Norway and Finland. A negative development on these markets can have a negative effect on Peab Industri's earnings. As purchasing and materials make up a large share of total costs, price increases can have a negative impact on profit unless Peab Industri can find a way of compensating for these cost increases.

Peab Industri's business operations are exposed to seasonal variations where activities are lower during the winter. A long winter can have a negative impact on the operating profit.

Peab Industri is exposed to financial risks primarily in the form of changes in indebtedness and interest rates. Peab Industri is also, to some extent, exposed to currency and credit risks.

The parent company

Earnings and financial position

The parent company reports no sales for the period July–September 2008. Earnings before tax for the period amount to SEK –6 million (1). Earnings after tax for the period amount to SEK –6 million (1).

The parent company reports no sales for the period January–September 2008. Earnings for the period before tax amount to SEK –1 million (–3). Earnings for the period after tax amount to SEK –2 million (–2). The costs in the parent company are mainly assignable to group-wide functions, for which further invoicing takes place to the subsidiary companies.

Assets amounted to SEK 2,687 million (2,325) and equity capital amounted to SEK 566 million (598).

The parent company's available liquid funds including non-utilised credit commitments amounted to SEK 1,397 million as of 30 September 2008 of which liquid funds amounted to SEK 15 million.

The parent company's transactions with affiliated companies is described on page 18.

The parent company's risks and uncertainty factors

Peab Industri AB is a holding company and is influenced indirectly by the risks and uncertainties that are described as regards the group.

Accounting principles

The Group

The interim report has been drawn up in accordance with IAS 34, Interim reporting. The interim report has been drawn up in accordance with the same accounting principles as described in the annual financial report 2007.

From 1 January 2008 the three new interpretations from IFRIC come into effect; IFRIC 11 IFRS 2 Group and Treasury Share Transactions; IFRIC 12 Service Concessions Arrangements; IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretations IFRIC 12 and 14 have so far not been approved by the EU. The interpretations have no effect on Peab Industrikoncernen's income statements and balance sheets.

The parent company

Peab Industri AB (publ) has established its financial reporting in accordance with the Annual Accounts Act and RFR 2.1 Accounting for a legal entity from the Council for financial reporting. The interim report has been drawn up in accordance with the same accounting principles as described in the annual report 2007.

Information

Report on the fourth quarter and full year 2008	10 February 2009
Annual report 2008	March 2009
Interim report January–March 2009	13 May 2009
Annual General Meeting	14 May 2009

The interim report can be downloaded at www.peabindustri.com and can also be ordered from Peab Industri AB (publ).

Questions regarding this report will be answered by:

Mats O Paulsson, CEO

Telephone +46 (0)431-44 96 00

e-mail: mats.o.paulsson@peabindustri.se

Niclas Winkvist, CFO

Telephone +46 (0)431-44 96 00

e-mail: niclas.winkvist@peabindustri.se

For further information, please visit www.peabindustri.se

The interim report was submitted on 17 November 2008 by the company's CEO Mats O Paulsson on the authorisation of the board.

Ängelholm 17 November 2008

Peab Industri AB (publ)

Mats O Paulsson
CEO

The information in this interim report has not been reviewed separately by the company's auditor.

The information in this report is such that Peab Industri AB (publ) is liable to publish or has itself chosen to publish in accordance with the Securities/Markets and the Financial Instruments Trading Act. The information was submitted to the media for publication on 17 November 2008, at 14.00.

Consolidated income statement in summary

SEK m	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Net sales	6,335	5,191	2,520	2,111	8,469	7,325
Other income	35	83	11	31	41	89
	6,370	5,274	2,531	2,142	8,510	7,414
Operating expenses						
Changes in inventories of finished goods and work in progress	96	56	27	13	103	63
Materials and services	-4,076	-3,338	-1,672	-1,339	-5,384	-4,646
Employee benefit expenses	-1,136	-954	-385	-343	-1,511	-1,329
Other expenses	-217	-187	-66	-71	-324	-294
Depreciation and amortisation	-399	-325	-137	-115	-523	-449
Results from participations in joint ventures	3	1	2	0	5	3
Operating profit	641	527	300	287	876	762
Financial net, expenses	-112	-57	-41	-21	-143	-88
Profit before tax	529	470	259	266	733	674
Tax	-140	-131	-64	-74	-197	-188
Profit for the period	389	339	195	192	536	486
Attributable to						
– parent company shareholders	388	339	195	190	535	486
– minority interest	1	0	0	2	1	0
Key ratios						
Earnings per share before dilution, SEK	4.65	3.97	2.33	2.23	6.38	5.70
Earnings per share after dilution, SEK	4.44	3.97	2.20	2.23	6.15	5.70
Average number of outstanding shares before dilution, millions	83.3	85.3	83.3	85.3	83.7	85.2
Average number of outstanding shares after dilution, millions	92.0	85.3	92.0	85.3	90.4	85.5

Consolidated balance sheet in summary

SEK m	30 Sep 2008	30 Sep 2007	31 Dec 2007
Assets			
Goodwill	260	218	236
Other intangible assets	165	113	121
Tangible assets	3,262	2,592	2,833
Participations in joint ventures	19	40	41
Other securities held as non-current assets	0		0
Interest bearing long-term receivables	1	1	1
Other long-term receivables	69	53	55
Total fixed assets	3,776	3,017	3,287
Inventories	355	272	294
Interest bearing short-term receivables		5	5
Other receivables	2,141	1,793	1,345
Investments	12	2	0
Cash and bank balances	77	92	112
Total current assets	2,585	2,164	1,756
Total assets	6,361	5,181	5,043
Equity and liabilities			
Equity	1,241	950	1,060
Liabilities			
Interest bearing long-term liabilities	2,403	1,121	1,576
Other long-term liabilities	120	123	138
Deferred tax liabilities	278	144	255
Total long-term liabilities	2,801	1,388	1,969
Interest bearing short-term liabilities	332	1,119	669
Other liabilities	1,987	1,724	1,345
Total current liabilities	2,319	2,843	2,014
Total liabilities	5,120	4,231	3,983
Total equity and liabilities	6,361	5,181	5,043

Consolidated cash flow statement in summary

SEK m	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Jan–Dec 2007
Profit before tax	529	470	259	266	674
Depreciation and amortisation	399	325	137	115	449
Other adjustments not affecting cash flow	–19	25	–8	29	47
Income taxes paid	–89	–49	–25	–30	–86
Cash flow from operating activities before working capital changes	820	771	363	380	1,084
Cash flow from working capital changes	–267	–141	–6	–32	–11
Cash flow from operating activities	553	630	357	348	1,073
Acquisition of subsidiaries/business, net effect on cash and bank balances	–82	–105	–72	–40	–168
Disposal of subsidiaries, net effect on cash and bank balances		9			9
Purchase of tangible assets	–654	–449	–233	–160	–722
Disposal of tangible assets	45	43	9	13	85
Purchase of financial assets					–2
Disposal/decrease in financial assets	6	4	5	4	
Cash flow from investing activities	–685	–498	–291	–183	–798
Cash flow before financing	–132	132	66	165	275
Changes in loans	385	–86	–108	–277	–168
Acquisition of own shares	–163		–54		–41
Dividend paid	–125				
Cash flow for the period	–35	46	–96	–112	66
Cash and bank balances at the beginning of the period	112	45	173	204	45
Exchange rate differences in cash and cash equivalents	0	1	0	0	1
Cash and cash equivalents at the end of the period	77	92	77	92	112

Consolidated equity – change in shareholders' equity in summary

SEK m	30 Sep 2008	30 Sep 2007	31 Dec 2007
Shareholders' equity attributable to shareholders in Parent Company			
Opening balance shareholders' equity, 1 January	1,057	600	600
Changes in translation reserve for the period	0	2	2
Changes in revaluation reserve for the period ¹⁾	4		
Profit for the period	388	339	486
Total changes in funds except for transactions with the company's owners	392	341	488
Acquisition of own shares	–163		–41
Disposal of own shares	50		
Dividend paid	–125		
Conversion option attached to convertible debt instruments issued	26		10
Closing balance shareholders' equity	1,237	941	1,057
Equity attributable to minority interests			
Opening balance shareholders' equity, 1 January	3	0	0
Minority interest related to disposals during the period		9	3
Earnings for the period	1	0	
Closing balance shareholders' equity	4	9	3
Total closing balance shareholders' equity	1,241	950	1,060

1) Revaluation of previous partial acquisitions performed concerning business combinations achieved in stages

Net sales, operating profit and operating margin per business area

Net sales SEK m	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Machinery	1,139	994	361	347	1,577	1,432
Products	2,741	2,209	1,189	998	3,619	3,087
Services	2,857	2,165	1,164	847	3,775	3,083
Elimination	–402	–177	–194	–81	–502	–277
Total group	6,335	5,191	2,520	2,111	8,469	7,325

Operating profit SEK m	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Machinery	235	216	72	76	322	303
Products	267	216	147	139	354	303
Services	139	95	81	72	200	156
Total group	641	527	300	287	876	762

Operating margin Per cent	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Machinery	20.6	21.7	19.9	21.9	20.4	21.2
Products	9.7	9.8	12.4	13.9	9.8	9.8
Services	4.9	4.4	7.0	8.5	5.3	5.1
Total group	10.1	10.2	11.9	13.6	10.3	10.4

Net sales, operating profit and operating margin per geographic area

Net sales SEK m	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Sweden	5,723	4,730	2,325	1,902	7,626	6,633
Norway	408	278	120	129	572	442
Finland	209	184	77	79	279	254
Elimination	–5	–1	–2	1	–8	–4
Total group	6,335	5,191	2,520	2,111	8,469	7,325

Operating profit SEK m	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Sweden	599	482	285	258	825	708
Norway	20	32	4	19	24	36
Finland	22	13	11	10	27	18
Total group	641	527	300	287	876	762

Operating margin Per cent	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Sweden	10.5	10.2	12.3	13.6	10.8	10.7
Norway	4.9	11.5	3.3	14.7	4.2	8.1
Finland	10.5	7.1	14.3	12.7	9.7	7.1
Total group	10.1	10.2	11.9	13.6	10.3	10.4

Related party transactions – group

All transactions with related parties consist of normal business transactions performed at market-related terms. The group have had the following related party transactions

Related party, amounts in SEK m	Period	Sales	Purchases	Interest income	Interest expenses	Receivables balance sheet date	Liabilities balance sheet date
Peab	Jan–Sep 2008	2,027	109	0	0	457	21
Joint ventures	Jan–Sep 2008	2	22			0	6
Other	Jan–Sep 2008	25	11			6	2

Acquisition of subsidiaries – group

The acquisitions of subsidiaries are accounted for below on an aggregated level. Goodwill related to the acquisitions according to below refers to estimated synergies from the implementation of the acquired subsidiaries in the Peab Industri group. The acquired values accounted for below are preliminary and can be subject to adjustments. Individually the acquisitions have an insignificant impact on the group while these are not accounted for separately.

SEK m	Recognised value in the acquired company prior to acquisition	Fair value adjustment	Fair value accounted for in the group
Intangible assets		65	65
Tangible assets	37	49	86
Financial assets	0		0
Long-term receivables	2		2
Inventories	24		24
Current receivables	66		66
Current investments	21		21
Cash and bank balances	91		91
Deferred tax liabilities	-10	-32	-42
Interest bearing liabilities	-8		-8
Current liabilities	-73		-73
Net identifiable assets and liabilities	150	82	232
Goodwill			26
Effects from the transition from the equity method			-23
Less revaluation of prior holdings at fair value			-4
Purchase price			231
Less acquisition through own shares			-50
Less additional purchase price not paid			-8
Less cash and bank balances in acquired companies			-91
Net cash outflow			82

Key ratios

SEK m if nothing else is stated	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Revenues and earnings						
Net sales	6,335	5,191	2,520	2,111	8,469	7,325
Income statement items						
Earnings before depreciation and amortisation (EBITDA)	1,040	852	437	402	1,399	1,211
EBITDA-margin, %	16.4	16.4	17.3	19.0	16.5	16.5
Operating profit (EBIT)	641	527	300	287	876	762
Operating margin, %	10.1	10.2	11.9	13.6	10.3	10.4
Capital structure at the end of the period						
Net debt	2,657	2,142	2,657	2,142	2,657	2,127
Gearing	2.1	2.3	2.1	2.3	2.1	2.0
Capital employed	3,976	3,190	3,976	3,190	3,976	3,305
Equity/assets ratio, %	19.5	18.3	19.5	18.3	19.5	21.0
Financial position and yield						
Turnover rate, capital employed					2.3	2.2
Return on capital employed, %					24.3	24.6
Return on equity, %					48.7	57.9
Sharebased measures						
Earnings per share before dilution, SEK	4.65	3.97	2.33	2.23	6.38	5.70
Earnings per share after dilution, SEK	4.44	3.97	2.20	2.23	6.15	5.70
Average number of outstanding shares before dilution, millions	83.3	85.3	83.3	85.3	83.7	85.2
Average number of outstanding shares after dilution, millions	92.0	85.3	92.0	85.3	90.4	85.5
Equity per share, before dilution, SEK m	14.96	11.04	14.96	11.04	14.96	12.41
Equity per share, after dilution, SEK m	13.77	11.04	13.77	11.04	13.77	12.48
Number of outstanding shares before dilution, millions	82.6	85.3	82.6	85.3	82.6	85.2
Number of outstanding shares after dilution, millions	91.3	85.3	91.3	85.3	91.3	84.8
Other						
Average number of employees	2,554	2,459	2,554	2,459	2,529	2,391

Key ratio definitions

Earnings before depreciation and amortisation (EBITDA)

Operating profit/loss before depreciation, amortisation, impairment charges, financial items and tax

EBITDA-margin

Profit/loss before depreciation, amortisation and impairment charges in per cent of net sales

Operating profit/loss (EBIT)

Profit/loss before financial items and tax

Operating margin

Operating profit/loss in per cent of net sales

Net debt

Interest bearing liabilities reduced by cash and bank balances and interest bearing assets

Gearing

Net debt divided by shareholders' equity

Capital employed

Balance sheet total at the end of the period reduced by non interest bearing current liabilities and provisions

Equity ratio

Shareholders' equity in per cent of balance sheet total

Turnover rate capital employed

Net sales divided by average capital employed

Return on capital employed

Operating profit/loss plus financial income in per cent of average capital employed

Return on shareholders' equity

Profit/loss for the period attributable to shareholdings in the parent company divided by the average shareholders' equity attributable to shareholdings in the parent company

Earnings per share before dilution

Profit/loss for the period attributable to shareholdings in the parent company divided by the average number of outstanding shares during the period

Earnings per share after dilution

Profit/loss for the period attributable to shareholdings in the parent company divided by the average number of outstanding shares during the period plus the average number of shares that are added on conversion of the outstanding number of convertibles

Shareholders' equity per share before dilution

Shareholders' equity attributable to shareholdings in the parent company divided by the number of outstanding shares at the end of the period

Shareholders' equity per share after dilution

Shareholders' equity per share attributable to shareholdings in the parent company divided by the number of outstanding shares at the end of the period adding the number of shares resulting from the conversion of the number of outstanding convertible debt instruments

Average number of employees

Calculated as an average based on 12 months rolling

Income statement and balance sheet in summary – parent company

Income statement

SEK m	Jan–Sep 2008	Jan–Sep 2007	Jul–Sep 2008	Jul–Sep 2007	Oct/Sep 2007/2008	Jan–Dec 2007
Net sales						
Other income	17	15	5	5	24	22
	17	15	5	5	24	22
Operating expenses						
Employee benefit expenses	-19	-13	-13	-4	-24	-18
Other expenses	-13	-19	-9	-7	-19	-25
Depreciation	0	0	0	0	0	0
Operating profit	-15	-17	-17	-6	-19	-21
Financial net	14	14	11	7	13	13
Earnings after financial items	-1	-3	-6	1	-6	-8
Appropriations				0	-100	-100
Earnings before tax	-1	-3	-6	1	-106	-108
Tax	-1	1	0	0	28	30
Earnings for the period	-2	-2	-6	1	-78	-78

Balance sheet

SEK m	30 Sep 2008	30 Sep 2007	31 Dec 2007
Assets			
Tangible assets	0	0	0
Interest bearing long-term receivables	2,444	2,259	2,620
Participations in group companies	163	3	3
Deferred tax asset	0		
Total fixed assets	2,607	2,262	2,623
Current receivables	65	33	468
Cash and bank balances	15	30	25
Total current assets	80	63	493
Total assets	2,687	2,325	3,116
Equity and liabilities			
Equity			
Restricted equity	171	171	171
Non-restricted equity	395	427	635
Total equity	566	598	806
Untaxed reserves	100		100
Liabilities			
Interest bearing long-term liabilities	1,919	857	1,271
Other long-term liabilities		0	12
Provisions	11		12
Total long-term liabilities	1,930	857	1,295
Interest bearing short-term liabilities	32	850	884
Other liabilities	59	20	31
Total current liabilities	91	870	915
Total liabilities	2,021	1,727	2,210
Total equity and liabilities	2,687	2,325	3,116
Pledged assets and contingent liabilities			
Pledged assets	2	-	1
Contingent liabilities in favour of subsidiaries	688	704	234

Transactions with related parties – parent company

The parent company have had the following related party transactions

Related party, amounts in SEK m	Period	Sales	Purchases	Interest income	Interest expenses	Receivables balance sheet date	Liabilities balance sheet date
Subsidiaries	Jan–Sep 2008	17	1	103	14	2,448	365
Companies within the Peab group	Jan–Sep 2008	1	4			1	0
Other	Jan–Sep 2008		0				0

The Peab Industri Share

The Peab Industri B share is listed on the Nasdaq OMX Stockholm, Mid cap.

During the period 1 January to 30 September 2008 the share has been listed at a high of SEK 67.00 and a low of SEK 41.40. As per 30 September the share price was SEK 48.80 which equals a market value of SEK 4.160 million.

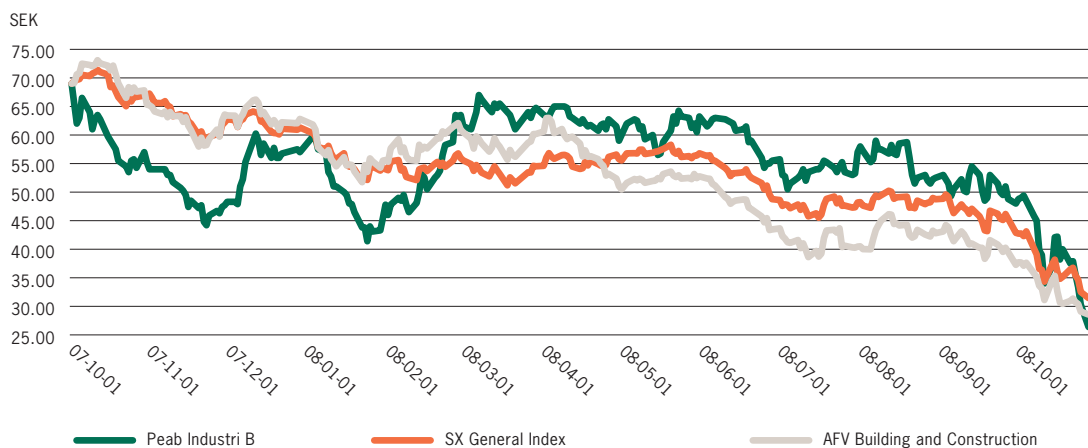
Distribution of shareholdings as per 31 October 2008

No. of shares	No. of shareholders	Share of equity, %	Share of voting rights, %
1–500	9,318	2.2	1.1
501–1,000	3,508	3.5	1.7
1,001–5,000	3,112	8.8	4.3
5,001–10,000	459	4.1	2.0
10,001–20,000	178	3.0	1.6
20,001–	255	78.4	89.3
Total	16,830	100.0	100.0

Shareholdings as per 31 October 2008

	No. of class A-shares	No. of class B-shares	Total No. of shares	Share of capital, %	Share of votes, %
Mats Paulsson with family and companies	2,787,117	10,121,700	12,908,817	15.1	21.9
Erik Paulsson with family and companies	3,487,890	5,707,514	9,195,404	10.8	23.4
Karl-Axel Granlund with companies		5,100,000	5,100,000	6.0	2.9
Fredrik Paulsson with family and companies	1,217,551	1,738,703	2,956,254	3.5	8.0
Estate of Stefan Paulsson	1,217,552	1,726,803	2,944,355	3.4	8.0
Swedbank Robur Funds		1,356,822	1,356,822	1.6	0.8
BT Pension scheme		1,209,000	1,209,000	1.4	0.7
Lannebo Funds		1,176,845	1,176,845	1.4	0.7
Svante Paulsson with family and companies	491,688	683,880	1,175,568	1.4	3.2
Life insurance company Skandia		877,243	877,243	1.0	0.5
Sara Karlsson with family and companies	508,040	348,019	856,059	1.0	3.1
Other	95,864	42,669,717	42,765,581	50.2	25.2
Total outstanding shares	9,805,702	72,716,246	82,521,948	96.8	98.4
Peab Industri AB (publ)		2,732,600	2,732,600	3.2	1.6
Total	9,805,702	75,448,846	85,254,548	100.0	100.0

Movements in market prices





Peab Industri

Peab Industri AB (publ), P.O. Box 1291, SE-262 24 Ängelholm, Sweden
Phone +46(0)431-44 96 00, Fax +46(0)431-44 96 01,
Corporate Id No 556594-9558
www.peabindustri.se, www.peabindustri.com