

Press release

15 October 2008 – 08:20 a.m.

Peab AB intends to summon an Extraordinary General Meeting to decide on a public tender offer to the shareholders of Peab Industri AB

Shareholders in Peab AB (publ) (“Peab”) representing approximately 71 per cent of the votes in the company have requested that the board of Peab summons an Extraordinary General Meeting to, in accordance with a proposal made by these shareholders (the “Proposal”), decide on a public tender offer to the shareholders and convertible debenture holders of Peab Industri AB (publ) (“Peab Industri”) to tender all their shares and convertible debentures issued by Peab Industri to Peab (the “Offer”) and undertake all necessary resolutions in order to implement the Offer. Peab’s and Peab Industri’s Class B shares are listed on OMX Nordic Exchange Stockholm AB (“OMX”), Mid cap. The Class A shares of each company are unlisted, as are the convertible debentures.

According to the Proposal the Offer will be as follows:

Summary of the Proposal

- Peab offers three (3) newly-issued Class B shares in Peab for two (2) Class B shares in Peab Industri and three (3) newly-issued Class A shares in Peab for two (2) Class A shares in Peab Industri
- The Offer entails an offer premium of approximately 25 per cent based on the last transaction price for the respective company’s Class B share as per October 14, 2008. The Offer entails an offer premium of approximately 22 per cent based on the average last transaction price for the respective company’s Class B share during the past ten trading days
- Shareholders of Peab Industri representing approximately 71 per cent of the votes and approximately 42 per cent of the shares in Peab Industri have undertaken to accept the Offer¹
- Shareholders of Peab representing approximately 71 per cent of the votes have announced that they will vote in favour of necessary resolutions at an Extraordinary General Meeting of Peab in order to facilitate the issuance of shares as consideration in the Offer
- The acceptance period is expected to be between November 13 and December 3, 2008

An important prerequisite for the Proposal is that the Offer is not issued (nor is acceptance approved by shareholders or any other person on behalf of a shareholder) in any jurisdiction where the implementation or acceptance of the Offer cannot take place in accordance with laws and regulations in such jurisdictions or where the implementation or acceptance of the Offer is conditional on further offer documents, registration or other measures than those pursuant to Swedish Law, other than in the event of appropriate exceptions. The Offer is not directed, directly or indirectly, to Australia, Canada, Japan, South Africa or the United States.

¹ See also “Undertaking from major shareholders”.



Background and reasons for the Proposal

One of the reasons for spinning off and listing Peab Industri was to enhance the conditions for further expansion. This strategy has been successful.

The Swedish Construction Federation's forecasts regarding the building market show a levelling off in growth. This is primarily the case as regards residential construction. The construction market is, however, expected to enjoy solid growth, not least through public road and rail investments.

Peab Industri is an important supplier for Peab. This factor will be further strengthened if the Swedish Construction Federation's forecasts come true.

The conditions on the financial markets have changed fundamentally compared with those prevailing at the time of the decision to spin off Peab Industri. In recent months, access to capital has deteriorated appreciably. In addition, the large fluctuations in share prices have created great unease among both investors and employees of listed companies.

In light of this, Peab's main shareholders have decided to propose that an Extraordinary General Meeting of Peab AB adopt a resolution to issue a public tender offer to the shareholders of Peab Industri.

It is proposed the transaction be carried out as an issue in kind. As a consequence of the transaction, Peab's financial situation will be further strengthened through an increased equity ratio, an increased cash flow and thereby enhanced ability to further develop the operations and maintain favourable conditions for continued stable returns to the shareholders.

The Proposal in detail

The Proposal entails that Peab offers three (3) newly-issued Class B shares in Peab for two (2) Class B shares in Peab Industri and three (3) newly-issued Class A shares in Peab for two (2) Class A shares in Peab Industri.

Peab Industri has two outstanding convertible debenture programmes: (i) Peab Industri Convertibles 2007/2012 I and (ii) Peab Industri Convertibles 2007/2012 II. The conversion price in each convertible debenture programme is SEK 66 per debenture and the debentures carry an annual coupon of 5.44 per cent. Peab offers the market value of the convertible debentures, however no less than SEK 66 in cash per convertible debenture in each convertible debenture programme, plus accrued interest on the convertible debenture.

The Offer entails an offer premium of approximately 25 per cent based on the last transaction price for the respective company's Class B share as per October 14, 2008. The Offer entails an offer premium of approximately 22 per cent based on the average last transaction price for the respective company's Class B share during the past ten trading days.

The total value of the Offer is approximately SEK 4,345 million, based on the most recent transaction price for Peab Class B shares of SEK 35.10, equal to approximately SEK 52.70 per Peab Industri share. In the event of full acceptance of the Offer a total of 123,782,922 new shares will be issued in Peab, of which 109,074,369 will be Class B shares and 14,708,553 will be Class A shares.

Fractions of shares in Peab will not be issued in the Offer. To the extent shareholders in Peab Industri receive fractions of shares, an amount corresponding to such fraction will be disbursed in cash. Further information thereon is set forth in the prospectus.

Peab currently holds no shares in Peab Industri.

Commission is not payable for shares surrendered under the Offer.

Undertaking from major shareholders in Peab Industri

The largest shareholders in Peab Industri, in the capacity of Mats Paulsson with family and company, Erik Paulsson with family and company, Fredrik Paulsson with family and company, Svante Paulsson with family and company, Sara Karlsson with family and company, Karl-Axel Granlund with company and the decedent estate of Stefan Paulsson, corresponding to approximately 71 per cent of the votes and approximately 42 per cent of the share capital, have undertaken to accept the Offer.

Proposed terms of the Offer

Completion of the Offer is conditional on:

1. the Offer being accepted to such an extent that Peab becomes the owner of more than 90 per cent of the total number of shares and votes in Peab Industri (calculated both before and after full dilution);
2. an Extraordinary General Meeting of Peab adopting necessary resolutions to facilitate a new issue of shares as consideration in the Offer;
3. the granting, on terms which are acceptable to Peab Industri, of all necessary permits, approvals, decisions or other measures from public authorities or suchlike, including from competition authorities, which are necessary for the Offer and the acquisition of Peab Industri;
4. neither the Offer nor the acquisition of Peab Industri is rendered impossible or materially impeded, in whole or in part, by any legislation or other regulation, judicial decision, public authority decision or corresponding circumstances, which exist or may reasonably be anticipated, which are beyond Peab's control and which Peab reasonably could not have foreseen at the time of announcement of the Offer.

Peab reserves the right to withdraw the Offer in the event it is clear that any of the above terms are not satisfied or cannot be fulfilled. As regards conditions 3 and 4, however, such revocation will take place only if the non-fulfilment thereof is of material significance for Peab's acquisition of shares in Peab Industri. Peab also reserves the right, in whole or in part, to waive one or more of the conditions above, including completion of the Offer in the event of a lower level of acceptance.

Financial effects on Peab

Pro forma financial information for the new group is presented in Appendix 1 and in brief below.

The acquisition will result in Peab being strengthened financially and, after the transaction, Peab's equity ratio will increase from 21.6 per cent to 30.9 per cent. The debt/equity ratio after the transaction will be unchanged, notwithstanding that net indebtedness will increase from SEK 702 million to SEK 3,120 million. Peab's return on equity will decline from 29.2 per cent to 19.9 per cent. As a consequence of the transaction, earnings per share will decline from SEK 6.36 per share to SEK 5.48 per share. Equity per share will increase from SEK 21.81 per share to SEK 27.52 per share.



The total offer value according to the Proposal amounts to SEK 4,345 million exceeds the book equity in Peab Industri by approximately SEK 3,295 million, giving rise to a goodwill of SEK 3 295 million. According to the Proposal most of this goodwill may be attributed to under-valued assets and over-valued liabilities, also so-called purchase price allocation.

In addition to the coming offer document, additional descriptions of Peab and Peab Industri are available on Peab's and Peab Industri's websites: www.peab.se and www.peabindustri.se.

Preliminary timetable according to the Proposal

Notice of Extraordinary General Meeting in Peab	23 October 2008
Extraordinary General Meeting in Peab	10 November 2008
Publication of Offer document	10 November 2008
First day for acceptance of the Offer	13 November 2008
Final day for acceptance of the Offer	3 December 2008
Settlement of the Offer	December 2008

Peab reserves the right to extend the acceptance period and also to defer the date of settlement.

Compulsory redemption and delisting

As soon as possible after Peab has acquired shares representing more than 90 per cent of the shares in Peab Industri, Peab intends to request compulsory redemption of the remaining shares in Peab Industri in accordance with the Swedish Companies Act. In connection therewith, Peab intends to promote a delisting of Peab Industri shares from OMX, provided that such de-listing may take place in accordance with applicable Swedish laws, rules and regulations. Shareholders who choose not to accept the Offer but to remain as shareholders in Peab Industri should note that after a possible de-listing no organised market for trading of these shares will exist.

Irrespective of whether Peab achieves ownership in excess of 90 per cent of the number of shares in Peab Industri or not, Peab reserves the right to take steps to achieve a merger between Peab and Peab Industri in accordance with applicable rules and regulations.

Applicable law and disputes

The Offer will be governed by Swedish law, including the Swedish Act (2006:451) on Public Takeover Bids. Furthermore, OMX Nordic Exchange Stockholm AB's rules regarding public takeover offers on the stock market (the "Takeover Rules") and statements issued by the Stock Market Council regarding the interpretation and application of the Takeover Rules (including, where applicable, previous announcements regarding interpretation of the Swedish Industry and Commerce Stock Exchange Committee's rules on public tender offers) are applicable. In accordance with the Swedish Act on Public Takeover Bids, Peab has contractually agreed with the OMX Nordic Exchange Stockholm AB, to comply with the aforementioned rules and statements and to accept any sanctions which may be issued by OMX Nordic Exchange Stockholm AB in the event of any breach of the Takeover Rules. A corresponding undertaking is hereby made to the shareholders in Peab Industri.

Disputes concerning, or arising as a consequence of, the Offer shall be determined by Swedish courts exclusively, whereupon the Stockholm District Court shall be the court of first instance.



The Offer is not being made (nor will any tender of shares be accepted from or on behalf of holders) in any jurisdiction in which the making of the Offer cannot take place in accordance with laws and regulations in such jurisdictions or where the completion or acceptance of the Offer requires further offer documents, filings or other measures in addition to those required under Swedish Law, except where there is an applicable exemption. The Offer is not being made, directly or indirectly, to Australia, Canada, Japan, South Africa or the United States of America.

Advisors

Catella Corporate Finance and Swedbank Corporate Finance are financial advisors, and Advokatfirman Glimstedt is legal advisor, in connection with the Offer.

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This information is such that Peab AB is obliged to publish in accordance with Swedish law regarding the securities market and/or the Financial Instruments Trading Act or has itself chosen to publish. The information was submitted for publication at 08:20 a.m. on 15 October 2008.

Previous press releases from Peab are available at www.peab.com

Peab is one of the leading construction and civil engineering companies in the Nordic countries with approximately 12 000 employees and a net sale exceeding SEK 30 billion. The Group's subsidiaries have strategically located offices in Sweden, Norway and Finland. The share is listed on the OMX Nordic Exchange, Stockholm. The registered office of the Group is at Förslöv, Skåne in south of Sweden.

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Appendix 1

INCOME STATEMENT

MSEK	July 1, 2007 - June 30, 2008		Adjustment	Proforma Peab
	Peab	Peab Industri		
Net sales	33,918	8,121		42,039
Production costs	-30,782	-6,431		-37,213
Gross profit	3,136	1,690		4,826
Sales and administrative expenses	-1,636	-329		-1,965
Profit from participation in joint ventures/associated companies	38			38
Capital gains from shares sold in joint ventures	35	3		38
Capital gains from shares sold in Group companies	3			3
Depreciation of tangible and intangible assets		-501		-501
Operating profit	1,576	863		2,439
Net financial items	-143	-123		-266
Pre-tax profit	1,433	740		2,173
Tax	-389	-207		-596
Profit from the period	1,044	533		1,577

BALANCE SHEET

MSEK	As of June 30, 2008		Adjustment	Proforma Peab
	Peab	Peab Industri		
Intangible assets	527	236		763
Aquisition goodwill			3,295	3,295
Tangible assets	2,491	3,272	-198	5,565
Deferred tax assets	231			231
Project and development properties	3,009			3,009
Other assets	9,788	2,252		12,040
Liquid funds	560	173		733
Total assets	16,606	5,933	3,097	25,636
Equity	3,580	1,050	3,295	7,925
Deferred tax liabilities	8	258		266
Interest-bearing liabilities	2,287	2,795	-198	4,884
Non interest-bearing liabilities	10,731	1,830		12,561
Total equity and liabilities	16,606	5,933	3,097	25,636

KEY RATIOS

	Peab	Peab Industri	Adjustment	Proforma Peab
<i>Financial</i>				
Return on equity, %	29.2	50.8		19.9
Return on total assets, %	6.3	9.0		6.2
Equity/assets ratio, %	21.6	17.7		30.9
Debt/equity ratio, multiple	0.6	2.7		0.6
Net assets (+) / Net debt (-)	-702	-2,616		-3,120
<i>Data per aktie</i>				
Number of shares	164,177,313	82,521,948	123,782,922	287,960,235
Earnings per share (after conversion)	6.36	4.31		5.48
Equity, SEK per share	21.81	12.72		27.52