

Peab Industri AB (publ)

Interim report January–June 2008

Continued high growth

Second quarter 2008

- Net sales increased by 25 per cent to SEK 2,397 million (1,920)
- Operating profit (EBIT) increased by 24 per cent to SEK 270 million (217)
- Profit for the period amounted to SEK 167 million (141)
- Earnings per share before dilution amounted to SEK 1.98 (1.65)

January–June 2008

- Net sales increased by 24 per cent to SEK 3,815 million (3,080)
- Operating profit (EBIT) increased by 42 per cent to SEK 341 million (240)
- Profit for the period amounted to SEK 194 million (147)
- Earnings per share before dilution amounted to SEK 2.31 (1.75)



Peab Industri, leading producer to 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



The development during the second quarter was good with a continued level of high growth and an operating margin of 11.3 per cent which is unchanged compared to the previous year. Growth during the first half year was 24 per cent of which 16 percentage points was organic growth. Turnover over the past 12 month rolling period is now in excess of SEK 8 billion. The large investments carried out over the past few years and several acquisitions of companies have contributed both to the growth and increased earnings. It is particularly pleasing that all business areas and geographic markets show good results.

The Nordic forecasting institutes estimates that the growth within the Nordic construction and civil engineering markets will be somewhat more moderate and will remain at more constant levels in the future. In the short-term, the international financial turmoil will result in a reduction of housing construction which however only makes up a small share of the group's turnover.

Approximately half of Peab Industri's turnover is on the civil engineering market. We thereby have a market mix which provides good conditions for the coming years. Infrastructure in the Nordic region is in great need of renovation, something which has also been recognised by the governments in the Nordic countries. In Sweden, considerable investments are expected in the maintenance of the infrastructure and new investments have been discussed in the government's autumn budget. Similar measures are discussed in both Norway and Finland. The investments within the energy and telecom area are expected to increase over the next few years. The Swedish energy authority has calculated that there is a need of approximately 5,000 new wind power plants in Sweden. In addition, within telecommunications, there are plans to replace the existing copper network in the Nordic countries with a fibre network. This means that demand will most likely increase for a number of our products and services.

In order to further develop our construction system, production facilities of concrete building frames in Katrineholm are now being extended. This investment, in combination with the acquisition of Lättklinkerbetong AB, carried out after the end of the reporting period, means that we are taking further steps towards a complete concept and thereby expanding our offer to our customers. In Uppsala, we are investing SEK 50 million in a new production line for ground paving slabs in order to improve productivity and manufacturing capacity even further. Both of these investments will be complete and fully operational during the fourth quarter 2008.

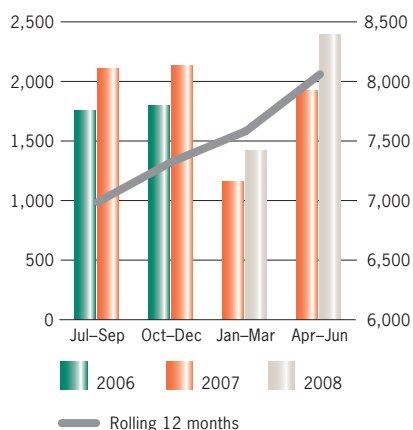
Our objective is to continue our profitable growth both via organic growth and through acquisitions. The latter applies primarily in Norway and Finland where we still have a relatively small exposure but see considerable potential. The work we are doing with continuous improvements and increased industrialisation of our processes continues, and together with a high level of cost awareness forms a platform from which we can achieve our goals and thereby create increased shareholder value.

On 15 May, it was decided at the Annual General Meeting to approve of the convertibles programme which shall be offered to the group's new co-workers. The high level of growth within Peab Industri means that the number of workers is increasing both via new recruitment and also via the acquisition of companies. As a result of the convertibles programme, co-workers are now being given the opportunity of sharing in the increase in value. This is pleasing because it is our committed employees which make up our most important resource and are one of the cornerstones for our continued success.

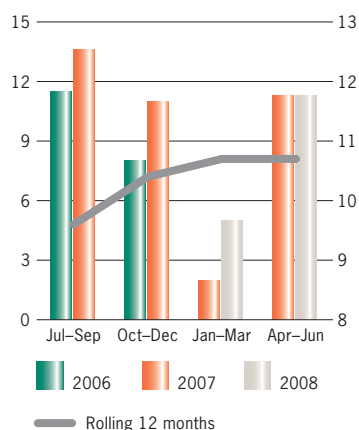
Mats O Paulsson
CEO

Comments on the interim report

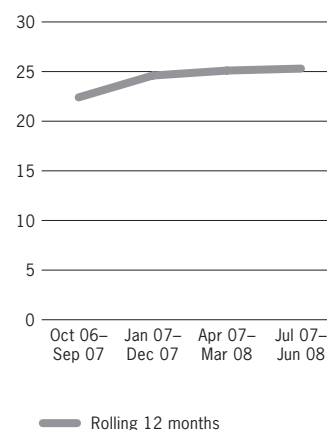
Net sales, SEK m



Operating margin, %



Return on capital employed, %



SEK m	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul–Jun 2007/2008	Jan–Dec 2007
Net sales	3,815	3,080	2,397	1,920	8,060	7,325
Operating profit	341	240	270	217	863	762
Operating margin, %	8.9	7.8	11.3	11.3	10.7	10.4
Profit before tax	270	204	232	196	740	674
Profit for the period	194	147	167	141	533	486
Earnings per share before dilution, SEK	2.31	1.75	1.98	1.65	6.29	5.70
Earnings per share after dilution, SEK	2.25	1.75	1.88	1.65	6.13	5.70
Cash flow before financing	–198	–33	–105	–11	110	275
Return on capital employed, %					25.3	24.6
Net debt	2,616	2,235	2,616	2,235	2,616	2,127
Gearing	2.5	3.0	2.5	3.0	2.5	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 accounts for approximately 5 per cent and other industrial sectors account for approximately 10 per cent of sales.

According to The Swedish Construction Federation (BI), the Swedish construction and civil engineering market is expected to grow by approximately 3 per cent during 2008 and by approximately 2 per cent during 2009. The civil engineering market in Sweden is expected to increase by 5 per cent in 2008 and 3 per cent in 2009.

In Norway, according to Prognosesenteret, investments within construction and civil engineering are

expected to decrease by approximately 5 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 amount to 2 per cent. The civil engineering market in Norway is expected to increase by 3 per cent in 2008 and 2 per cent in 2009.

Finland's construction federation, Rakennusteollisuus (RT), expect investments in construction and civil engineering in Finland to increase by 4 per cent during 2008 and 1 per cent during 2009. The civil engineering market in Finland is expected to increase by 4 per cent in 2008 and 2 per cent in 2009.

As regards the Nordic infrastructure, several reports have been produced indicating considerable neglected requirements for maintenance and new investments. In addition, considerable new investments within telecom

and energy have been announced. The Swedish energy authority in a report has indicated there is a need to build about 5,000 new wind power stations. Within telecom, considerable investment is 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.

Growth on the equipment rental market is normally somewhat higher than the equivalent on the underlying construction and civil engineering market as a result of the trend, with an increase in the penetration index for rented, instead of self-owned machinery, at building firms.

Net sales and earnings

Net sales for the second quarter increased by 25 per cent to SEK 2,397 million (1,920). Adjusted for acquired units, the increase in net sales amounted to 17 per cent. Of the turnover for the period, SEK 226 million (160) related to sales and production outside of Sweden.

Operating profit for the second quarter increased by 24 per cent to SEK 270 million (217). Operating profit has been affected negatively due to increased energy costs which have not been able to be fully transferable to the customer. Increased volumes, higher productivity and capacity utilisation have had a favourable effect on operating profit.

The operating margin for the second quarter amounted to 11.3 per cent (11.3).

The financial net during the second quarter amounted to SEK –38 million (–21), of which net interest amounted to SEK –39 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 second quarter amounted to SEK 232 million (196).

Tax costs for the period amounted to SEK –65 million (–55), which is the equivalent of an effective tax rate of approximately 28 per cent.

Profit for the period for the second quarter amounted to SEK 167 million (141).

Net sales for the period January–June 2008 increased by 24 per cent to SEK 3,815 million (3,080). Adjusted for acquired units, the increase in sales amounted to 16 per cent. Of sales for the period, SEK 446 million (300) related to sales and production outside of Sweden.

Net sales over the past 12 month rolling period amounted to SEK 8,060 million compared to SEK 7,325 million for the entire year 2007.

Operating profit for the period January–June 2008 increased by 42 per cent to SEK 341 million (240).

Operating profit for the past 12 month rolling period amounted to SEK 863 million compared to SEK 762 million for the entire year 2007.

A reduction in pension premiums from Alecta in Sweden has affected operating profit positively for the period January–June 2008 by SEK 5 million compared to if Alecta had charged the full amount.

The operating margin for the period January–June 2008 amounted to 8.9 per cent (7.8). The operating margin for the past 12 month rolling period amounted to 10.7 per cent compared to 10.4 per cent for the entire year 2007. The objective throughout the business cycle is that the operating margin shall exceed 9 per cent.

The financial net for the period January–June 2008 amounted to SEK –71 million (–36), of which net interest amounted to SEK –71 million (–37). The change is due to a general increase in market interest rates, the effects of convertible loans and increased net debt.

Profit before tax amounted to SEK 270 million (204).

Tax costs for the period January–June 2008 amounted to SEK –76 million (–57), which is the equivalent of an effective tax rate of approximately 28 per cent. The year's expected effective tax rate is expected to amount to 28 per cent.

Earnings for the period January–June 2008 amounted to SEK 194 million (147).

Investments/depreciation

Net investments in tangible and intangible fixed assets for the second quarter amounted to SEK 246 million (194) of which acquisitions via financial leasing agreements amounted to SEK 36 million (65). In addition, tangible and intangible fixed assets via the acquisition of subsidiary companies amounting to SEK 16 million (119) is added.

Depreciation for the second quarter amounted to SEK 134 million (110), of which SEK 7 million (3) related to the depreciation of intangible fixed assets.

Net investments in tangible and intangible fixed assets for the period January–June 2008 amounted to SEK 453 million (392) of which acquisitions via financial leasing agreements amounted to SEK 70 million (133). Furthermore, tangible and intangible fixed assets via the acquisition of subsidiary companies amounting to SEK 37 million (130) is added.

Depreciations for the period January–June 2008 amounted to SEK 262 million (210), of which SEK 13 million (6) 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 cost SEK 85 million. This will 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 sys-

tem. The investment is expected to be completed during the fourth quarter of 2008 and as of 30 June 2008, SEK 14 million has been spent.

During February 2008, a decision was also taken concerning production and capacity increasing investments to a value of SEK 50 million within the production of concrete paving products in Uppsala. The investment is expected to be completed during the fourth quarter of 2008 and as of 30 June 2008, SEK 25 million has been spent.

Within the business areas Machinery and Services, during the period January–June 2008 reinvestments as well as capacity-increasing new investments have been performed.

Acquisitions

As of 4 March 2008, Peab Industri has 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 has two employees.

If the acquisitions had taken place on 1 January 2008, they would have, all in all, influenced the group's revenues by SEK 34 million and profit after tax for the period January–June 2008 by SEK 3 million.

The acquisitions, from the time of acquisition and onwards, have contributed to profits for the period with a total of SEK 2 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 second quarter amounted to SEK 327 million (297).

Working capital changes amounted to SEK –205 million (–169).

Cash flow from operating activities after working capital changes for the period amounted to SEK 122 million (128).

Cash flow before financing for the second quarter amounted to SEK –105 million (–11).

Change in loans for the second quarter amounted to SEK 327 million (148).

Repurchase of own shares has affected cash flow during the second quarter by SEK –47 million (–) and a dividend payment to the shareholders has affected cash flow by SEK –125 million (–).

Cash flow from operating activities before changes to working capital for the period January–June 2008, amounted to SEK 457 million (391). Cash flow has been affected positively by higher earnings before depreciation. Tax payments during the first six months of 2008 increased to SEK 64 million compared to SEK 19 million in 2007.

Working capital changes amounted to SEK –261 million (–109) for the period January–June 2008. Increases in inventory have occurred within concrete paving operations in order to meet an increase in demand. Both inventory and current receivables display seasonal variations whereby the amount of working capital tied up is normally at its highest level at the end of each six month period.

Cash flow from operating activities after working capital changes for the period January–June 2008, amounted to SEK 196 million (282).

Cash flow before financing for the period amounted to SEK –198 million (–33).

Changes in loans for the period January–June 2008 amounted to SEK 493 million (191).

Repurchase of own shares during the period January–June 2008 has affected cash flow by SEK –109 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 25.3 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 June 2008 amounted to SEK 2,616 million compared to SEK 2,127 million as of 31 December 2007.

Gearing as of 30 June 2008 amounted to 2.5 compared to 2.0 as of 31 December 2007.

The group's equity/assets ratio as of 30 June 2008 amounted to 17.7 per cent compared to 21.0 per cent as of 31 December 2007. During the period January–June 2008, the company bought back own shares for SEK 109 million, which reduced equity by the equivalent amount and thus also reduced the equity/assets ratio by 1.8 percentage points.

The group's contingent liabilities, excluding joint and several liability in trading and limited partnerships amounted to SEK 6 million at 30 June 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 1,807 million as of 30 June 2008 of which liquid funds amounted to SEK 173 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 June 2008 for both loans amounts to SEK 546 million. The weighted average effective interest rate amounts to 7.7 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.

The decision of the Annual General Meeting regarding new convertibles to new employees

Peab Industri's Board as of 26 March 2008 and the Annual General Meeting as of 15 May 2008 decided, to approve of the issue of convertibles for a nominal total value of no greater than SEK 46 million and that Peab Industri issues a maximum of 800,000 convertibles.

The offer of participating in the programme will be presented on market-related terms to all those employees who were employed within the group after 15 November 2007 and to employees in the companies acquired by Peab Industri after 15 November 2007.

Peab Industri, with this proposed issue, would like to provide all new employees with the possibility of sharing in the group's development, which should contribute to greater participation and commitment.

The loan runs from 1 December 2008. Each convertible can, during a part of December in 2010 and 2011 and during a part of September 2012, be converted to a series B share in Peab Industri AB.

Conversion may take place at a rate which is the equivalent of 120 per cent of the shares for series B in the company on the OMX Nordic Exchange Stockholm at the official rate, at the latest average price paid for the period from 3 November 2008 to 14 November 2008.

The loan otherwise falls due for repayment on 30 November 2012.

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 2007, 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 number of shares so that the company after the acquisitions 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. After that, up to 30 June, a further 529,000 B shares were acquired.

As of 30 June 2008, Peab Industri's holding of own shares amounted to 2,529,000 B shares, corresponding to 3.0 per cent of the total number of shares. The total reported value of the repurchased own shares amounts, as of 30 June 2008, to SEK 150 million.

The average number of own shares held throughout the period January–June 2008 amounted to 1,650,504 shares. The equivalent holdings for the year 2007 amounted to 38,562 shares.

After the expiry of the reporting period, the Board decided on 14 July 2008 to acquire a further 2,000,000 B shares. Up to the presentation of the report, a further 646,000 B shares have been acquired and in connection with the acquisition of Lättklinkerbetong AB and with the support of the authorisation provided by the Annual General Meeting, 917,200 B shares have been used as part payment in connection with the acquisition. On presentation of the report, Peab Industri's holding of own shares amounted to 2,257,800 B shares, corresponding to 2.7 per cent of the total number of shares.

Personnel

The average number of employees over the past 12 month rolling period amounts to 2,447 compared to 2,391 for the year 2007.

Comments per business area

Machinery

Net sales during the second quarter within the business area Machinery amounted to SEK 380 million (318). Growth amounted to 20 per cent, of which 20 percentage points were organic.

The period's operating profit amounted to SEK 75 million (67) which provides an operating margin of 19.7 per cent (21.1).

Net sales for the period January–June 2008 amounted to SEK 778 million (647). Growth amounted to 20 per cent, of which 18 percentage points were organic.

Operating profit for the period January–June 2008 amounted to SEK 163 million (140) which provides an operating margin of 21.0 per cent (21.6).

Net sales for the past 12 month rolling period amounted to SEK 1,563 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 326 million compared to SEK 303 million for the entire year 2007 which provides an operating margin of 20.9 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 30.4 per cent compared to 29.8 per cent for the entire year 2007.

During the last few years considerable direct investments have been carried out within the business area and during 2006 and at the beginning of 2007, company acquisitions were carried out which have now contributed to increased turnover and operating profit.

Products

Net sales during the second quarter within the business area Products amounted to SEK 1,000 million (762). Growth amounted to 31 per cent, of which 24 percentage points were organic.

The period's operating profit amounted to SEK 128 million (103) which provides an operating margin of 12.8 per cent (13.5).

Net sales for the period January–June 2008 amounted to SEK 1,552 million (1,211). Growth amounted to 28 per cent, of which 22 percentage points were organic.

Operating profit for the period January–June 2008 amounted to SEK 120 million (77) which provides an operating margin of 7.7 per cent (6.4).

Net sales for the past 12 month rolling period amounted to SEK 3,428 million compared to SEK 3,087 million for the entire year 2007. The operating profit over the past 12 month rolling period amounted to SEK 346 million compared to SEK 303 million for the entire year 2007 which provides an operating margin of 10.1 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 23.8 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. In

Finland, concrete operations have shown improved earnings as a result of price increases as well as cost reductions.

Services

Net sales during the second quarter within the business area Services amounted to SEK 1,148 million (904).

Growth amounted to 27 per cent, of which 15 percentage points were organic.

The period's operating profit amounted to SEK 67 million (47) which provides an operating margin of 5.8 per cent (5.2).

Net sales for the period January–June 2008 amounted to SEK 1,693 million (1,318). Growth amounted to 28 per cent, of which 16 percentage points were organic.

Operating profit for the period January–June 2008 amounted to SEK 58 million (23) which provides an operating margin of 3.4 per cent (1.7).

Net sales for the past 12 month rolling period amounted to SEK 3,458 million compared to SEK 3,083 million for the entire year 2007. The operating profit over the past 12 month rolling period amounted to SEK 191 million compared to SEK 156 million for the entire year 2007 which provides an operating margin of 5.5 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 20.5 per cent compared to 21.3 per cent for the entire year 2007.

Acquisitions during the second half of 2007 have had a positive effect and have contributed to increased sales and operating profits within asphalt paving, foundation, transport and machinery.

Annual General Meeting 2008

Peab Industri AB's Annual General Meeting on 15 May 2008 decided, among other things, on the following:

- SEK 1.50 per share would be distributed to the shareholders, totalling SEK 125 million, with the record day on 20 May 2008 and payment day on 23 May 2008.
- To elect Mats Paulsson, Eva Hörwing, Sara Karlsson, Fredrik Paulsson, Mats O Paulsson, Jan Segerberg and Kjell Åkesson as board members. Mats Paulsson was elected chairman.
- To determine remunerations for the Board amounting to SEK 910,000, of which SEK 260,000 is for the chairman and SEK 130,000 to each of the Board's other members who are not employed in the group and that remuneration shall include compensation for committee work on the Board.
- The meeting decided that Karl-Axel Granlund, Erik Paulsson and Mats Paulsson should be elected to carry out Peab Industri's election committee work in preparation for the Annual General Meeting in 2009 and to elect Erik Paulsson as chairman of the election committee.

- The meeting decided to approve of the share issue and the transfer of convertibles to new employees as described on page 7.
- To authorise the Board to make a decision on a new share issue.
- To authorise the Board to make a decision on the acquisition of own shares.
- To authorise the Board to make a decision on the sale of own shares.
- To determine a remuneration policy for senior executives.

Important events after the reporting period

The Board decided on 14 July 2008 to purchase a further 2,000,000 B shares.

Acquisitions after the reporting period

On 17 July 2008, Peab Industri acquired all the shares in the company Lättklinkerbetong AB which manufactures and sells concrete elements and foundations. The company turned over SEK 88 million in 2007 and has approximately 60 employees.

On 20 July 2008, Peab Industri signed an agreement for the acquisition of all shares in UMF Entreprenad AB which acts as an agent providing transport and machinery services in western Sweden. UMF Entreprenad turned over approximately SEK 270 million in 2007 and has approximately 10 employees. The acquisition was approved by the Swedish Competition Authority on 8 August 2008. Access will take place during the third quarter.

As acquisition balances have not been determined by the time this report is 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 turnover for the period April–June 2008. Earnings before tax for the period amount to SEK –13 million (–3). Earnings after tax for the period amount to SEK –10 million (–3).

The parent company reports no turnover for the period April–June 2008. Earnings for the period before tax amount to SEK –8 million (–4). Earnings after tax for the period amount to SEK –6 million (–3). 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 2,722 million (2,218) and equity capital amounted to SEK 565 million (597).

The parent company's available liquid funds including non-utilised credit commitments amounted to SEK 1,751 million as of 30 June 2008 of which liquid funds amounted to SEK 117 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 report 2007.

From 1 January 2008 the three new statements of interpretation from IFRIC came into effect; IFRIC 11 IFRS 2 Group and Treasury Share Transactions; IFRIC 12 Service Concession 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 the income statements and balance sheets of the Peab Industri Group.

The parent company

Peab Industri AB (publ) has established its financial reporting in accordance with the Annual Reports 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

Interim report January–September	17 November 2008
Report on the fourth quarter and full year 2008	10 February 2009
Annual report 2008	March 2009

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

Questions concerning this report will be answered by:

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The Board and the CEO confirm that the interim report provides a true and fair view of the development of the company's and the group's operations, position and results as well as describing the important risks and uncertainty factors which the company and the companies included in the group face.

Ängelholm, 19 August 2008

Peab Industri AB (publ)

Mats Paulsson
Chairman

Mats O Paulsson
Board member and CEO

Eva Hörwing
Board member

Sara Karlsson
Board member

Fredrik Paulsson
Board member

Jan Segerberg
Board member

Kjell Åkesson
Board member

Monica Mattsson
Union representative

Anders Moberg
Union representative

Bo Larry Olsson
Union representative

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 Act and/or the Financial Instruments Trading Act. The information was submitted to the media for publication on 19 August 2008 at 13.00.

Review report

Report on Review of Interim Financial Information for the period 1 January – 30 June 2008 concerning Peab Industri AB (publ), Corporate Id No 556594-9558

Introduction

I have reviewed the accompanying interim report of Peab Industri AB (publ) as of 30 June, 2008 and the six-month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. My responsibility is to express a conclusion on this interim report based on my review.

Scope of Review

I conducted my review in accordance with Standard on Review Engagements (SÖG) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swedish Standards on Auditing RS and other generally accepted auditing standards in Sweden and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to our attention that causes us to believe that the accompanying interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act and for the Parent company in accordance with the Annual Accounts Act.

Ängelholm, 19 August 2008

Thomas Thiel
Authorized Public Accountant

Consolidated income statement in summary

SEK m	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jun 2007/2008	Jan–Dec 2007
Net sales	3,815	3,080	2,397	1,920	8,060	7,325
Other income	24	52	13	43	61	89
	3,839	3,132	2,410	1,963	8,121	7,414
Operating expenses						
Changes in inventories of finished goods and work in progress	69	43	35	20	89	63
Materials and services	-2,404	-1,999	-1,518	-1,230	-5,051	-4,646
Employee benefit expenses	-751	-611	-442	-354	-1,469	-1,329
Other expenses	-151	-116	-82	-73	-329	-294
Depreciation and amortisation	-262	-210	-134	-110	-501	-449
Results from participations in joint ventures	1	1	1	1	3	3
Operating profit	341	240	270	217	863	762
Financial net, expenses	-71	-36	-38	-21	-123	-88
Profit before tax	270	204	232	196	740	674
Tax	-76	-57	-65	-55	-207	-188
Profit for the period	194	147	167	141	533	486
Attributable to						
Parent company shareholders	193	149	166	141	530	486
Minority interest	1	-2	1	0	3	0
Key ratios						
Earnings per share before dilution, SEK	2.31	1.75	1.98	1.65	6.29	5.70
Earnings per share after dilution, SEK	2.25	1.75	1.88	1.65	6.13	5.70
Average number of outstanding shares before dilution, millions	83.6	85.3	83.6	85.3	84.3	85.2
Average number of outstanding shares after dilution, millions	92.0	85.3	92.0	85.3	88.8	85.5

Consolidated balance sheet in summary

SEK m	30 Jun 2008	30 Jun 2007	31 Dec 2007
Assets			
Goodwill	236	216	236
Other intangible assets	112	108	121
Tangible assets	3,078	2,468	2,833
Participations in joint ventures	18	41	41
Other securities held as non-current assets	0		0
Interest bearing long-term receivables	1		1
Other long-term receivables	63	50	55
Total fixed assets	3,508	2,883	3,287
Inventories	372	276	294
Interest bearing short-term receivables	5	5	5
Other receivables	1,875	1,645	1,345
Investments	0	2	0
Cash and bank balances	173	204	112
Total current assets	2,425	2,132	1,756
Total assets	5,933	5,015	5,043
Equity and liabilities			
Equity	1,050	757	1,060
Liabilities			
Interest bearing long-term liabilities	2,209	1,118	1,576
Other long-term liabilities	117	118	138
Deferred tax liabilities	258	142	255
Total long-term liabilities	2,584	1,378	1,969
Interest bearing short-term liabilities	586	1,326	669
Other liabilities	1,713	1,554	1,345
Total current liabilities	2,299	2,880	2,014
Total liabilities	4,883	4,258	3,983
Total equity and liabilities	5,933	5,015	5,043

Consolidated cash flow statement in summary

SEK m	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jan–Dec 2007
Profit before tax	270	204	232	196	674
Depreciation and amortisation	262	210	134	110	449
Other adjustments not affecting cash flow	-11	-4	-15	1	47
Income taxes paid	-64	-19	-24	-10	-86
Cash flow from operating activities before working capital changes	457	391	327	297	1,084
Cash flow from working capital changes	-261	-109	-205	-169	-11
Cash flow from operating activities	196	282	122	128	1,073
Acquisition of subsidiaries/business, net effect on cash and bank balances	-10	-65	-6	-2	-168
Disposal of subsidiaries, net effect on cash and bank balances		9			9
Purchase of tangible assets	-421	-289	-236	-135	-722
Disposal of tangible assets	36	30	23	-2	85
Purchase of financial assets			-9		-2
Disposal/decrease in financial assets	1		1		
Cash flow from investing activities	-394	-315	-227	-139	-798
Cash flow before financing	-198	-33	-105	-11	275
Changes in loans	493	191	327	148	-168
Acquisition of own shares	-109		-47		-41
Dividend paid	-125		-125		
Cash flow for the period	61	158	50	137	66
Cash and cash equivalents at the beginning of the period	112	45	123	67	45
Exchange rate differences in cash and cash equivalents	0	1	0	0	1
Cash and cash equivalents at the end of the period	173	204	173	204	112

Consolidated equity – change in shareholders' equity in summary

SEK m	30 Jun 2008	30 Jun 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	1	2
Changes in revaluation reserve for the period ¹⁾	4		
Profit for the period	193	149	486
Total changes in funds except for transactions with the company's owners	197	150	488
Acquisition of own shares	-109		-41
Dividend paid	-125		
Conversion option attached to convertible debt instruments issued	26		10
Closing balance shareholders' equity	1,046	750	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	-2	
Closing balance shareholders' equity	4	7	3
Total closing balance shareholders' equity	1,050	757	1,060

1) Revaluation of previous partial acquisitions performed successive share purchases

Net sales, operating profit and operating margin per business area

Net sales SEK m	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jun 2007/2008	Jan–Dec 2007
Machinery	778	647	380	318	1,563	1,432
Products	1,552	1,211	1,000	762	3,428	3,087
Services	1,693	1,318	1,148	904	3,458	3,083
Elimination	-208	-96	-131	-64	-389	-277
Total group	3,815	3,080	2,397	1,920	8,060	7,325

Operating profit SEK m	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jun 2007/2008	Jan–Dec 2007
Machinery	163	140	75	67	326	303
Products	120	77	128	103	346	303
Services	58	23	67	47	191	156
Total group	341	240	270	217	863	762

Operating margin Per cent	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jun 2007/2008	Jan–Dec 2007
Machinery	21.0	21.6	19.7	21.1	20.9	21.2
Products	7.7	6.4	12.8	13.5	10.1	9.8
Services	3.4	1.7	5.8	5.2	5.5	5.1
Total group	8.9	7.8	11.3	11.3	10.7	10.4

Net sales, operating profit and operating margin per geographic area

Net sales SEK m	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jun 2007/2008	Jan–Dec 2007
Sweden	3,398	2,828	2,193	1,808	7,203	6,633
Norway	288	149	131	47	581	442
Finland	132	105	76	66	281	254
Elimination	-3	-2	-3	-1	-5	-4
Total group	3,815	3,080	2,397	1,920	8,060	7,325

Operating profit SEK m	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jun 2007/2008	Jan–Dec 2007
Sweden	314	224	253	202	798	708
Norway	16	13	5	8	39	36
Finland	11	3	12	7	26	18
Total group	341	240	270	217	863	762

Operating margin Per cent	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jun 2007/2008	Jan–Dec 2007
Sweden	9.2	7.9	11.5	11.2	11.1	10.7
Norway	5.6	8.7	3.8	17.0	6.7	8.1
Finland	8.3	2.9	15.8	10.6	9.3	7.1
Total group	8.9	7.8	11.3	11.3	10.7	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–Jun 2008	1,331	62	0	0	461	23
Joint ventures	Jan–Jun 2008	1	11			1	4
Other	Jan–Jun 2008	17	10			3	4

Acquisition of subsidiaries – group

The acquisitions of subsidiaries are accounted for below on an aggregated level. The acquired values accounted for below are preliminary and can be subject to adjustments. Since the acquisitions individually have an insignificant impact on the group, they 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	2	3	5
Tangible assets	19	11	30
Financial assets	0		0
Inventories	12	6	18
Current receivables	11		11
Cash and bank balances	28		28
Deferred tax liabilities	0	–6	–6
Interest bearing liabilities	–6		–6
Current liabilities	–15		–15
Net identifiable assets and liabilities	51	14	65
Effects from the transition from the equity method			–23
Less revaluation of prior holdings at fair value			–4
Purchase price			38
Less cash and bank balances in acquired companies			–28
Net cash outflow			10

Key ratios

SEK m if nothing else is stated	Jan–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jun 2007/2008	Jan–Dec 2007
Revenues and earnings						
Net sales	3,815	3,080	2,397	1,920	8,060	7,325
Income statement items						
Earnings before depreciation and amortisation (EBITDA)	603	450	404	327	1,364	1,211
EBITDA-margin, %	15.8	14.6	16.9	17.0	16.9	16.5
Operating profit (EBIT)	341	240	270	217	863	762
Operating margin, %	8.9	7.8	11.3	11.3	10.7	10.4
Capital structure at the end of the period						
Net debt	2,616	2,235	2,616	2,235	2,616	2,127
Gearing	2.5	3.0	2.5	3.0	2.5	2.0
Capital employed	3,845	3,201	3,845	3,201	3,845	3,305
Equity/assets ratio, %	17.7	15.1	17.7	15.1	17.7	21.0
Financial position and yield						
Turnover rate, capital employed					2.1	2.2
Return on capital employed, %					25.3	24.6
Return on equity, %					51.8	57.9
Sharebased measures						
Earnings per share before dilution, SEK	2.31	1.75	1.98	1.65	6.29	5.70
Earnings per share after dilution, SEK	2.25	1.75	1.88	1.65	6.13	5.70
Average number of outstanding shares before dilution, millions	83.6	85.3	83.6	85.3	84.3	85.2
Average number of outstanding shares after dilution, millions	92.0	85.3	92.0	85.3	88.8	85.5
Equity per share, before dilution, SEK m	12.64	8.80	12.64	8.80	12.64	12.41
Equity per share, after dilution, SEK m	11.62	8.80	11.62	8.80	11.62	12.48
Number of outstanding shares before dilution, millions	82.7	85.3	82.7	85.3	82.7	85.2
Number of outstanding shares after dilution, millions	91.2	85.3	91.2	85.3	91.2	84.8
Other						
Average number of employees	2,447	2,053	2,447	2,053	2,447	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–Jun 2008	Jan–Jun 2007	Apr–Jun 2008	Apr–Jun 2007	Jul/Jan 2007/2008	Jan–Dec 2007
Net sales						
Other income	8	10	-4	5	20	22
	8	10	-4	5	20	22
Operating expenses						
Employee benefit expenses	-13	-9	-7	-6	-22	-18
Other expenses	-10	-12	-6	-7	-23	-25
Depreciation	0	0	0	0	0	0
Operating profit	-15	-11	-17	-8	-25	-21
Financial net	7	7	4	5	13	13
Earnings after financial items	-8	-4	-13	-3	-12	-8
Appropriations				0	-100	-100
Earnings before tax	-8	-4	-13	-3	-112	-108
Tax	2	1	3	0	31	30
Earnings for the period	-6	-3	-10	-3	-81	-78

Balance sheet

SEK m	30 Jun 2008	30 Jun 2007	31 Dec 2007
Assets			
Tangible assets	0	0	0
Interest bearing long-term receivables	2,553	2,065	2,620
Participations in group companies	3	2	3
Deferred tax asset	0		
Total fixed assets	2,556	2,067	2,623
Current receivables	49	8	468
Cash and bank balances	117	143	25
Total current assets	166	151	493
Total assets	2,722	2,218	3,116
Equity and liabilities			
Equity			
Restricted equity	171	171	171
Non-restricted equity	394	426	635
Total equity	565	597	806
Untaxed reserves	100		100
Liabilities			
Interest bearing long-term liabilities	1,688	504	1,271
Other long-term liabilities			12
Provisions	11		12
Total long-term liabilities	1,699	504	1,295
Interest bearing short-term liabilities	300	1,101	884
Other liabilities	58	16	31
Total current liabilities	358	1,117	915
Total liabilities	2,057	1,621	2,210
Total equity and liabilities	2,722	2,218	3,116
Pledged assets and contingent liabilities			
Pledged assets	2	-	1
Contingent liabilities in favour of subsidiaries	686	-	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–Jun 2008	8	1	65	10	2,557	285
Companies within the Peab group	Jan–Jun 2008	1	3				1
Other	Jan–Jun 2008		0				0

The Peab Industri Share

The Peab Industri B share is listed on the OMX Nordic Exchange Mid cap.

During the period 1 January to 30 June 2008 the share has been listed at a high of SEK 67.50 and a low of SEK 40.10. As per 30 June the share price was SEK 55.75 which equals a market value of SEK 4,753 million.

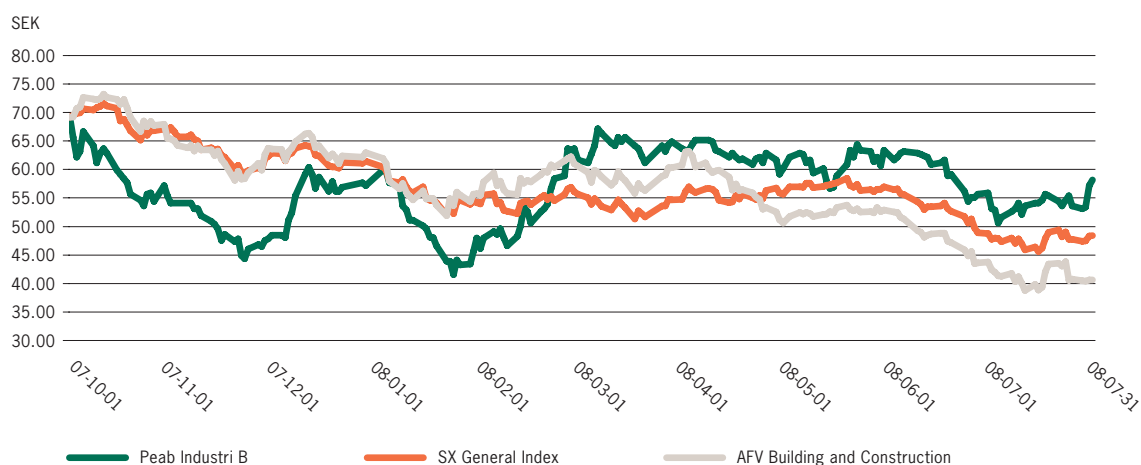
Distribution of shareholdings as per 31 July 2008

No of shares	No of shareholders	Share of equity, %	Share of voting rights, %
1–500	9,451	2.2	1.1
501–1,000	3,580	3.5	1.7
1,001–5,000	3,134	8.9	4.4
5,001–10,000	459	4.1	2.0
10,001–20,000	181	3.1	1.6
20,001–	255	78.2	89.2
Total	17,060	100.0	100.0

Shareholdings as per 31 July 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	10,656,700	13,443,817	15.8	22.2
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	3.5	8.0
Swedbank Robur Funds		1,406,822	1,406,822	1.7	0.8
Svante Paulsson with family and companies	491,688	683,880	1,175,568	1.4	3.2
BT Pension scheme		1,024,000	1,024,000	1.2	0.6
Lannebo Funds		1,010,000	1,010,000	1.2	0.6
Life insurance company Skandia		909,300	909,300	1.1	0.5
Sara Karlsson with family and companies	508,040	348,019	856,059	1.0	3.1
Other	95,864	42,879,305	42,975,169	50.2	25.4
Total outstanding shares	9,805,702	73,191,046	82,996,748	97.4	98.7
Peab Industri AB (publ)		2,257,800	2,257,800	2.6	1.3
Total	9,805,702	75,448,846	85,254,548	100.0	100.0

Movements in market prices





Peab Industri

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