

# ANNUAL REPORT

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## 2012

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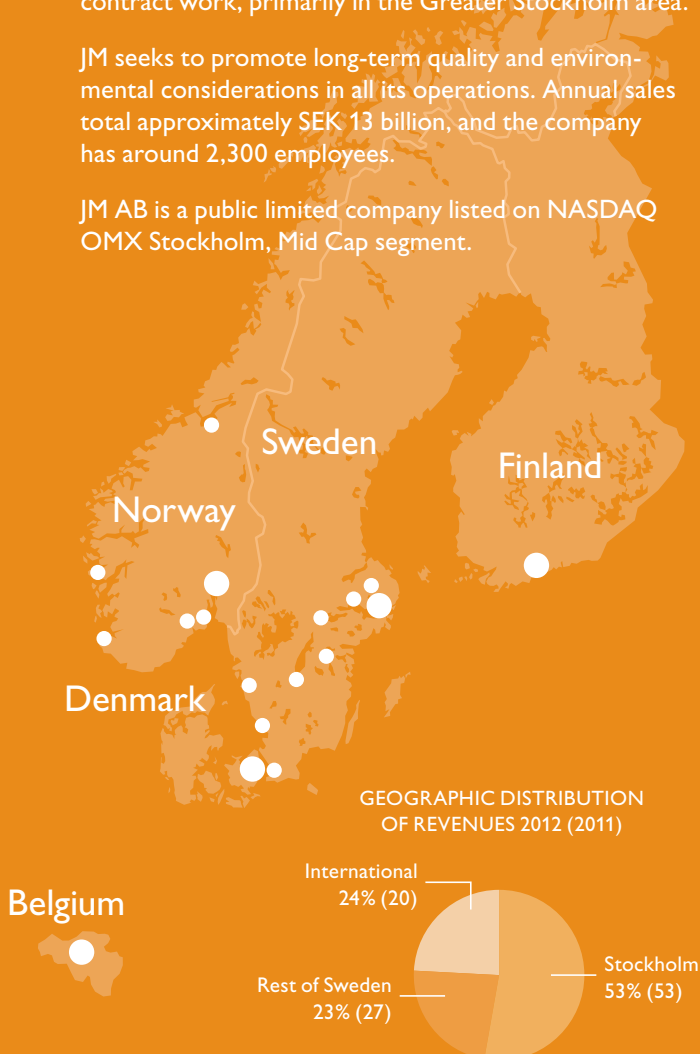
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AND FINANCIAL CALENDAR

JM is one of the leading developers of housing and residential areas in the Nordic region. Operations focus on new production of homes in attractive locations, with the main focus on expanding metropolitan areas and university towns in Sweden, Norway, Denmark, Finland and Belgium. We are also involved in project development of commercial premises and contract work, primarily in the Greater Stockholm area.

JM seeks to promote long-term quality and environmental considerations in all its operations. Annual sales total approximately SEK 13 billion, and the company has around 2,300 employees.

JM AB is a public limited company listed on NASDAQ OMX Stockholm, Mid Cap segment.



This Annual Report is a translation of the original text in Swedish, which is the official version.

## VALUE GENERATION THROUGH PROJECT DEVELOPMENT

JM creates houses where people feel at home. Our business concept is to create attractive living and working environments that satisfy individual needs, both today and in the future. Our goal in terms of shareholders is to give them a higher total return – that is, the sum of dividend and increased value – than shareholders in companies with a similar risk profile and business activities.

JM resides close to the customer. As a result of our ambition to understand how driving forces such as urbanization and demographics influence customers and how they live – and which requirements and needs are important to both current and future customers – we are able to offer our customers environmentally sound residential units in attractive locations in selected markets. We create profitability and value for our shareholders through sound risk control and effective capital utilization. Uniform modes of production and more effective logistics also contribute to value generation.

Adopting a long-term approach has been a guiding principle for JM from the very start in 1945. A clear strategic focus and a well-balanced building rights portfolio, together with a clear sustainability perspective, form the basis for future value generation.

*Most of the residential units we build are tenant-owned apartments in apartment blocks, but we also build single-family homes. We also have a certain amount of commercial project development in close vicinity to housing in order to create vibrant neighborhoods.*

# STABLE END OF YEAR IN HOUSING BUSINESS

- According to segment reporting revenue increased to SEK 13,134m (12,217) and operating profit decreased to SEK 1,398m (1,544). The operating margin decreased to 10.6 percent (12.6)
- Restated in accordance with IFRIC 15, revenue increased to SEK 12,480m (12,001) and operating profit decreased to SEK 1,374m (1,513)
- Profit was burdened by an impairment loss on project property of SEK 95m (-)
- Profit before tax decreased to SEK 1,318m (1,463). Profit after tax decreased to SEK 961m (1,042)
- Return on equity for the past twelve months amounted to 20.7 percent (24.5). Earnings per share during the year amounted to SEK 11.70 (12.50)
- Consolidated cash flow including net investment in properties increased to SEK 979m (733)
- The number of sold residential units was 2,952 (3,112) and housing starts decreased to 3,163 (3,629). Large share of sold residential units and housing starts during the fourth quarter
- Surplus value of development properties SEK 2.6bn (2.4)
- The Board of Directors proposes a dividend of SEK 6.75 (6.50) for 2012, as well as renewed buy-back authorization.

SEKm	2012	2011	2010
Revenue (segment reporting)	13,134	12,217	9,274
Operating profit (segment reporting) <sup>1)</sup>	1,398	1,544	969
Operating margin (segment reporting) (%)	10.6	12.6	10.4
Revenue <sup>2)</sup>	12,480	12,001	9,136
Operating profit <sup>1) 2)</sup>	1,374	1,513	907
Profit before tax <sup>2)</sup>	1,318	1,463	840
Operating margin <sup>2)</sup> (%)	11.0	12.6	9.9
Cash flow from operating activities	979	733	42
Return on equity <sup>2)</sup> (%)	20.7	24.5	15.7
Equity/assets ratio <sup>2)</sup> (%)	40	41	40
Earnings per share <sup>2)</sup> (SEK)	11.70	12.50	7.10
Number of residential units sold	2,952	3,112	3,276
Number of housing starts	3,163	3,629	3,404

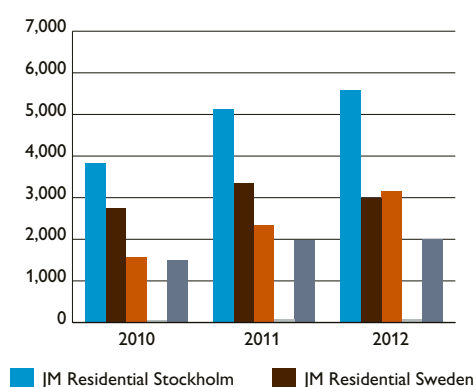
<sup>1)</sup> Of which impairment loss on project property -95 - -

<sup>2)</sup> According to IFRIC 15.

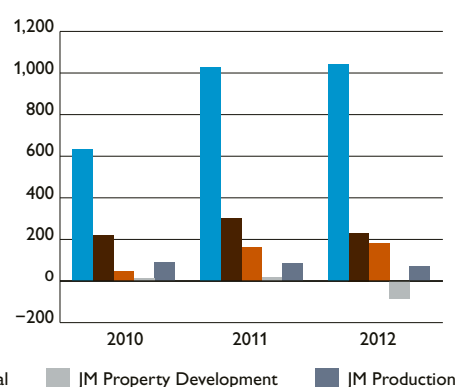
The Group applies IFRIC 15 Agreements for the Construction of Real Estate to its income statement and balance sheet. This means that revenue and profit and loss for JM's operations outside of Sweden, JM International, are reported according to the completed contract method. Segment reporting and project management are reported according to IAS 11, percentage of completion method. The description of operations is based on segment reporting.

For definitions, see page 94.

REVENUE BY BUSINESS SEGMENT, SEKm



OPERATING PROFIT BY BUSINESS SEGMENT, SEKm



# STABLE YEAR DESPITE UNCERTAIN GLOBAL ECONOMY

In 2012, demand was cautious for JM's residential units in the majority of our markets, but there was also considerable interest in our projects. Norway is the exception in the Nordic housing market with its good demand, particularly in JM's markets in Oslo, Stavanger and Bergen. Demand has been bolstered there due to, for example, increased employment rates.

Thanks to a gradual improvement in demand for residential units primarily in Stockholm and the great effort made within the organization, the year was a stable one for JM despite the uncertainty on the global market. We ended the year on a strong note in terms of sales and housing starts, which means that we continue to have a high level of current production in the beginning of 2013, about 6,000 residential units.

The number of housing starts decreased slightly to around 3,100. A lot of time was spent on the conceptual design of projects and when we start projects we adjust the number of residential units per phase to demand. Sales initiatives were enhanced, more show apartments were made available in the projects and prices were adjusted to current market conditions.

We were slightly overstaffed due to fewer production starts, which resulted in reductions in staff, but in general the number of personnel has been stable.

## A GOOD RESULT

Good profitability and a strong cash flow helped us reach our financial targets; the operating margin was 11 percent (target 10 percent) and the equity/assets ratio was 40 percent (target 35 percent).

JM continues to have a strong balance sheet, and during the year we distributed SEK 542m to shareholders as the regular dividend for 2011.

For the period following the 2012 AGM until December 31, 2012, we bought back 3,018,092 of our own shares for SEK 359m and we plan to continue to buy back shares until the AGM in April 2013.

## HOUSING EXHIBITION ANNEDAL 2012

JM and our subsidiary, Borätt, and an additional 20 other building contractors were on location in August for the housing exhibition, Annedal 2012, which was arranged by the Stockholm Association of Building Contractors. Private individuals and the building industry were given the opportunity to be inspired by the most recent advancements within new housing production. Annedal is located on the border between Sundbyberg and Bromma in Stockholm and represents a typical example of developmental land for JM – an industrial area that is being transformed into an attractive district. Two of our projects were completely finished in conjunction with the exhibition and an additional two are in production. Many visitors came to our show apartments and were given the opportunity to see residential units that held a high standard and had a good design. The exhibition was an important initiative in a cautious market and it was positive to see that there is considerable interest in newly constructed homes.

JM will continue to listen to our customers to understand their needs, since doing so is a decisive factor of success. We see the results from this work as we, for the fourth consecutive year, find ourselves at the top of the industry index that measures the Customer Satisfaction Index for the Swedish residential development industry.

The media has debated the low number of residential units being built, and during the Almedal Week in Visby one of the topics of the year was the migration to major cities, as well as the special municipal requirements for housing production. I think it is positive that the Government has now established an investigation to simplify the building rules. The investigator will, among other things, review the current requirements on local plans and building permits in construction processes.

## STOCKHOLM'S TALLEST HOUSING PROJECT

JM has developed efficient procedures for the project development of residential units and has considerable experience running large projects. We participate in broader initiatives aimed at creating attractive districts and housing areas such as Liljeholmskajen in Stockholm and Dockan in Malmö. As the major cities continue to grow, the trend is to increase densification and to build taller buildings.

In August we broke ground for Stockholm's tallest building, Kista Torn, north of Stockholm. With its 40 floors and more than 260 residential units, it will be a landmark in the northern part of Greater Stockholm when it stands finished in Kista Centrum in 2015. All of the apartments are tenant-owned apartments, and many have a view of Stockholm that extends for miles and miles. Many of the people who have reserved an apartment already live in Kista, but the project has attracted customers from across all of Sweden. Good connections to Arlanda Airport and downtown Stockholm as well as its close proximity to nature have made the project extra attractive.

It is exciting for JM, as a housing developer, to build Stockholm's tallest building. One of the challenges with building such a tall building, for example, is that the apartments must have balconies. This has been solved by using loggia, a glazed-in, recessed and heated balcony with windows that can be opened.

## LAND FOR FUTURE PRODUCTION

We continually invest in land in attractive locations that can be developed for future production. One example of an acquisition made during the year was the purchase of additional land in central Täby, which is already an important market for JM with one of Stockholm's most popular housing locations. The local plan has been finalized for around 300 residential units in the land we bought next to Täby Centrum. Other large acquisitions were made during the year in Stockholm and Oslo as well as a conditional acquisition in Helsinki. At the end of the year the JM Group had building rights corresponding to more than 26,000 residential units.





### OWN RENTAL HOUSING

JM has previous experience in building rental housing, most recently primarily for public housing in the Stockholm area. We are now starting a new investment in rental housing with JM Rental Housing, a newly formed unit that is responsible for the project development of rental housing and apartments for students and young adults. In Dalén on Lidingö we are starting the production of 146 rental units for an external customer during the summer of 2013.

### TRAINING CRAFTSMEN

We prioritize skills development and during the year we initiated a large project for production personnel. In Stockholm, around 360 craftsmen are attending a seven-day training course with the aim of increasing their understanding for and competence in a structured method of working within production – one of JM's most important change projects. One factor of success is that both craftsmen and salaried employees participate in the design of, for example, installation instructions. It is a good feeling to be able to state that competent and committed employees are helping JM develop into an even better company.

### SUSTAINABILITY – FOR CONSCIENTIOUS CUSTOMERS

When it comes to energy and sustainability issues, our customers are very committed. Energy-efficient buildings, installations that conserve water and logical spaces for sorting waste help lower operating costs for households, but they also provide environmental benefits for society as a whole. In Sweden we have introduced weather forecast controls to heat the units. The building heats up before the temperature falls and the heat is reduced before the temperature rises. This means that the system can work more evenly, which subsequently provides savings on purchased energy. To benefit our customers, we also rate all new residential units for energy.

### COMMON VALUES

The sustainability work is strongly anchored in JM's management and is an integral part of JM's strategy. It is also based on our core values: quality, a long-term approach, reliability, commitment and sensitivity. It forms the basis for our approach, both internally and externally, and JM's ethical guidelines provide support in day-to-day activities.

During the year a plan was implemented for the follow-up of compliance with JM's Code of Conduct for suppliers and subcontractors, for example to ensure that they are not in violation of the UN's Global Compact. A number of suppliers were audited via surveys about how they fulfill the requirements in the Code of Conduct and onsite audits were held in factories. Follow-up audits are planned and onsite visits will be held at additional suppliers during 2013.

### DYNAMICALLY POSITIONED

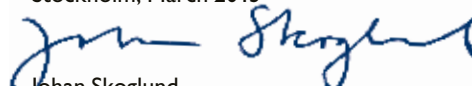
Structurally, conditions for our business are favorable, including large population increases in the markets where we are active. We have close contact with the end customer and often know what demands and needs are important. We have unique opportunities to steer the product choice since we plan our residential units ourselves. JM takes a long-term approach to its relationships with its suppliers and conducts ongoing development projects with them. This means that our suppliers dare to invest in the future. We also have talented employees and a strong brand.

In general I believe we are dynamically positioned with financial strength and a very good project portfolio, and our strong balance sheet offers us freedom of action.

Based on the strong balance sheet and good cash flow, the Board of Directors proposes that dividends of SEK 6.75 per share be paid to shareholders and that the Annual General Meeting resolve to authorize the Board to decide on a renewed buy-back program.

During 2013 our business will be dependent on how the debt situation in Europe is stabilized and the development of the business cycle. Our ability to adapt and listen to the needs of our customers will continue to be important factors of success.

Stockholm, March 2013

  
Johan Skoglund  
President and CEO

# CUSTOMER NEEDS

JM resides close to the customer. We aim to understand how driving forces such as urbanization and demographics influence customers, and which requirements and needs are important to both current and future customers.





# OUR CUSTOMERS' SURROUNDINGS INFLUENCE THEIR NEEDS

**JM is to be the customer's first choice when buying a new home on our markets. JM focuses on the customer's needs. Doing so gives JM one of its most important competitive advantages.**

In order to assume a leading position, we must be quick to recognize and understand how people live and work. From a slightly longer term perspective, the most important societal changes include urbanization, the aging population and a firmer focus on the environment and sustainability.

## TRENDS THAT INFLUENCE DEMAND:

- Demographic changes, an aging population and a large generation of young people entering the housing market
- Urbanization is a strong trend. People are seeking freedom of choice and diversity
- Urban areas and commuting distances are growing, which makes new housing markets attractive
- New technology generates new opportunities and makes old solutions obsolete
- Financial development: continued growth of real disposable income, and the population is more inclined to put a larger portion of income into housing
- Shift in values – more prominent individualism, but also accountability for the common environment
- The real thing and genuine craftsmanship
- The growing green city and the environment.

## GOOD INSIGHT RESULTS IN THE BEST CONDITIONS

JM uses a model for the ongoing development projects taking place over the entire year that includes strategic intelligence, dialogue with employees and strategic suppliers, as well as



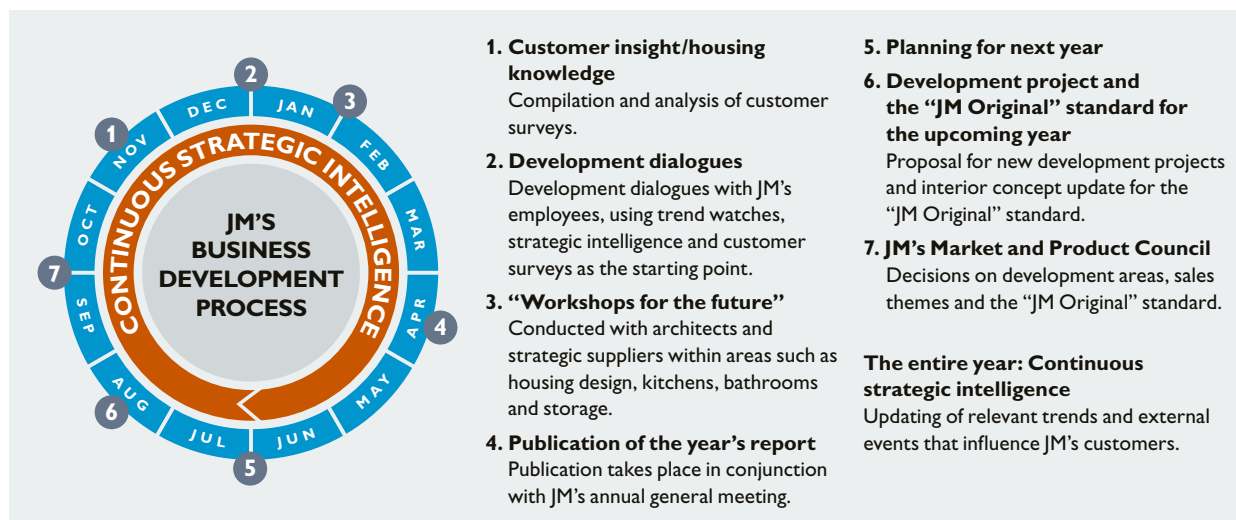
JM's interior designers monitor the trends.

customer and market surveys. See the illustration below and the description on page 6.

## TRENDS

There is a clear need for simplicity in homes, and JM concentrates a great deal on producing housing that uses space efficiently. This is noticeable in the hall, kitchen and bathroom where JM has introduced several well-planned storage solutions.

Modern consumers are increasingly interested in products that have a history as well as ties to what they perceive as being genuine – products that allude to a sense of security in the past. When it comes to housing and the local community, JM plays an important role as a long-term and established player. JM has been in business since 1945 when John Mattson, a master builder, formed the company and began the tradition of building quality homes with commitment and a sense of style.





Sustainable urbanization is above all dependent on competent management of environmental issues, and energy consumption has been in focus the past few years. Thus, JM has been producing solutions that reduce energy consumption and utilization of other resources.

#### CUSTOMER INSIGHT

Experience shows that a person's life situation is the primary factor governing the choice and design of his or her home.

As a means of ascertaining housing needs, we continuously conduct various customer surveys using focus groups, at-home interviews and web panels, for example.

JM also aims to be more open and sensitive to the needs of customers when they purchase their home. Customers are given the opportunity to take part in the project at the earliest stage possible. There are several areas in which they can participate and exert influence. Examples of such areas include the residential unit's design, desired service in the neighborhood and alternative ways of using shared premises.

#### EMPLOYEE KNOW-HOW

As a means of utilizing employees' experience and ideas for development, annual development dialogues with JM's employees are conducted.

Several working groups with representatives from all areas of JM, including both wage-earners and salaried employees, attend workshops to produce proposals for change and improvement within various development areas.

#### SUPPLIER KNOW-HOW

A "workshop for the future" is held once a year where suppliers discuss their experiences and ideas for development so that JM can take advantage of their know-how. The workshop is conducted with architects and strategic suppliers within areas such as kitchens, bathrooms and storage.

#### DEVELOPMENT AREAS

Trends and the knowledge shared by suppliers, employees and customers are processed and summarized into different

proposals for prioritized development areas. A decision is then made regarding which development proposals to implement. A development area might be a clean product improvement project or a sales theme for market communication.

Some of the development projects that can be mentioned are:

**Kitchen:** We are placing higher demands on our kitchens and spending an increasing amount of time in them. We do homework, spend time together and cook there. All of this imposes demands on modern solutions in terms of utilizing space efficiently and finding technical solutions.

**Families in urban environments:** Many families today are deciding to continue living in an apartment in an urban environment instead of moving to a single-family home outside the city. A large part of this decision is rooted in a desire to free up time – time for one's children and spouse, as well as personal time. JM analyzes how we can offer housing that satisfies the demands of modern families.

**Urban development:** JM takes a comprehensive approach to how we think and what we do to create attractive city districts and residential areas that are a natural part of the constantly growing large metropolitan areas.

**Bathroom:** One of the more important rooms in the house that sometimes perhaps should be considered "Your own room".

#### IMPORTANT CHALLENGES FOR JM

- Increasingly knowledgeable and proactive customers
- Heightened focus on energy-efficient housing
- More flexible and adaptable residential units needed to satisfy the need for a workplace and having children at home every other week
- Modified home loan requirements
  - The mortgage ceiling has an effect on the loan ratio
  - Households have high indebtedness.

# MARKET OVERVIEW

## HOUSING

JM is one of the Nordic region's leading developers of housing. Operations primarily focus on new production of homes, with the main focus on expanding metropolitan areas and university towns in Sweden, Norway, Denmark, Finland and Belgium.

Demand for new residential units in Sweden was cautious during the year, but improved slightly during the last six months of the year. In Norway demand continued to be robust but the weak demand in Denmark persisted.

In all, JM started production of 3,163 residential units in 2012, compared with 3,629 residential units the previous year. Sweden had 2,286 housing starts; 95 percent were units in apartment blocks and 5 percent were single-family homes. Norway had a total of 815 housing starts; 89 percent were apartments and 11 percent were single-family homes. Belgium had 26 housing starts, all of which were apartments. In Finland and Denmark, 34 and 2 single-family homes were started, respectively. In Sweden JM is considered to be the market leader, and in Norway we are number 7.

## MARKET FOR NEW PRODUCTION IN 2012

The housing market recovered slightly in 2012. Housing prices in Sweden and Norway increased but they stood still in Denmark, Finland and Belgium. High population growth and low interest rates had a positive impact on prices, which was offset by the crisis in Europe.

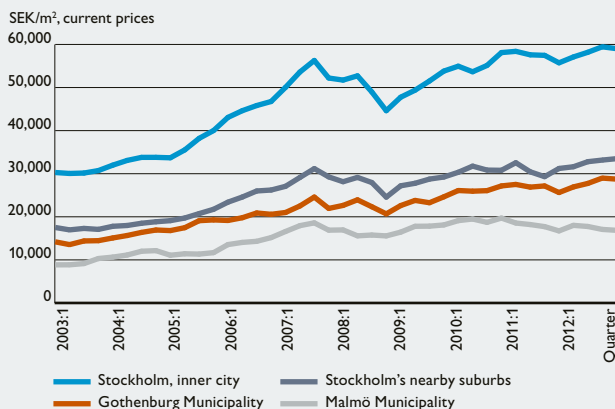
## SWEDEN

The debt crisis in Europe had a major impact on Swedish growth, primarily through lower demand for export goods. Sweden's exports are around 50 percent of GDP, and since Sweden exports a large portion of this to Europe, the crisis has resulted in weak growth. GDP growth in 2012 was approximately 1 percent.

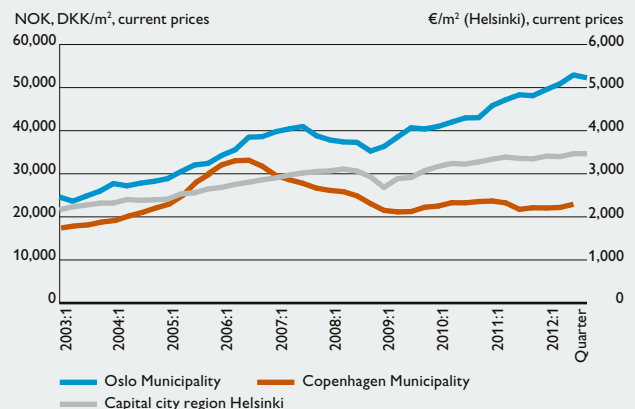


In 2011, falling stock market prices affected household finances negatively, and had a negative impact on housing prices in metropolitan areas. Recovery began in the beginning of 2012 and prices have risen all year in Stockholm and Gothenburg. The drivers behind the increase in prices are primarily positive

**TENANT-OWNED APARTMENT PRICES IN SWEDISH METROPOLITAN AREAS OVER THE PAST 10 YEARS**



**APARTMENT PRICES IN OSLO, COPENHAGEN AND HELSINKI OVER THE PAST 10 YEARS**



growth in households' financial assets, strong population growth and low interest rates. Housing prices in Malmö, however, are at the same level as at the end of 2011.

The number of completed residential units increased slightly in 2012 while the number of housing starts decreased.

JM's biggest segments in Sweden are the Stockholm, Uppsala, Malmö/Lund and Gothenburg metropolitan areas. JM is the market leader in new production of tenant-owned apartments in Greater Stockholm. Some of the major projects include Liljeholmskajen in Stockholm, Kvarnholmen in Nacka and Dalénium on Lidingö.

#### NORWAY

A weaker global market and the debt crisis in Europe had a minimal effect on Norway in 2012. GDP growth, excluding the oil and gas sector, was approximately 3.3 percent. The strong resistance can mainly be traced to a strong labor market and strong households, which keep private consumption up. Housing prices continued to rise in 2012 in all of JM's Norwegian markets. Both completed residential units and the number of housing starts increased in Norway in 2012.

JM is one of Norway's larger residential builders with operations in the Oslo region, Vestfold, Grenland, Bergen and Stavanger. Some of the larger projects include Grefsen Stasjon in Oslo, Stongafjellet outside Bergen and Marius Brygge in Vestfold.

#### DENMARK

GDP growth in 2012 was negative, around -0.5 percent. Prices have to a large extent stood still, even in Copenhagen. The number of completed residential units in Denmark increased slightly while the number of housing starts decreased sharply.

JM's operations are concentrated to the Copenhagen area.

#### MAJOR COMPETITORS IN 2012, PRIVATE RESIDENTIAL HOUSING MARKET

Country	Major competitors
Sweden	NCC, Peab, Skanska and HSB
Norway	Mesterhus, Nordbohus, Blink-Hus, Block-Watne, Selvaag Bolig and OBOS
Denmark*	NCC, Sjaelsø and Arkitekt Gruppen
Belgium**	Thomas & Piron, Immoebel, Bouygues, Besix RED, Bouwfonds and Matexi-Wilma
Finland***	YIT, Skanska, SRV, Lemminkäinen Talo and NCC

\* Copenhagen region

\*\* Brussels, Namur and Brabant Wallon

\*\*\* Capital region

#### FINLAND

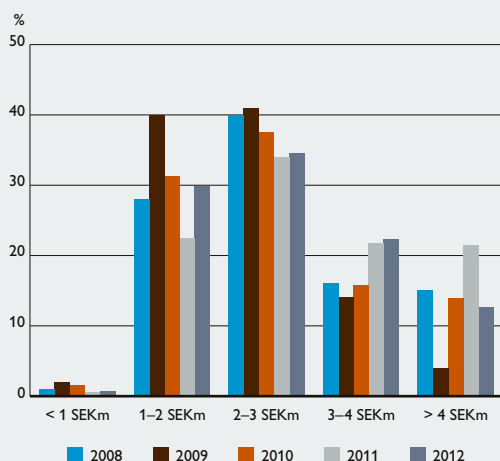
In 2012 the Finnish economy reported zero growth. Housing prices have mainly stood still for the past three years. The number of completed residential units in Finland was about the same in 2012 as it was the previous year, but the number of housing starts decreased. JM conducts operations in the Helsinki area.

#### BELGIUM

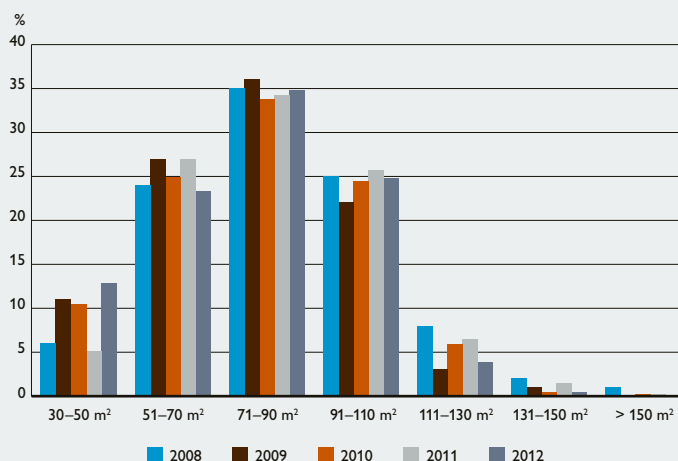
Growth in 2012 was around zero. The strong growth in housing prices leveled off in 2011 and in 2012 prices have more or less stood still.

JM develops housing in the Brussels region. Customers are mainly private individuals, but also include Belgian companies and companies from the EU countries. Home buyers mainly intend to live in the homes themselves, though some purchases are intended for rentals.

**BREAKDOWN OF SALES STARTS, JM'S TENANT-OWNED  
APARTMENTS BY PRICE BAND 2008-2012, SWEDEN**



**BREAKDOWN OF SALES STARTS, JM'S TENANT-OWNED  
APARTMENTS BY SIZE BAND 2008-2012, SWEDEN**







At Hågernäs Strand, Täby, JM is building residential units in the old seaplane flotilla area.

#### RESIDENTIAL CONSTRUCTION- NUMBER OF HOUSING STARTS

Country	2012	2011	2010
Sweden	20,100	26,100	26,400
Norway	30,100	27,700	21,100
Denmark*	10,400	14,300	15,000
Finland*	28,800	31,500	33,700

\* Refers to the period Q4 2011 through Q3 2012

Source: The bureau of statistics of each country, compiled by WSP Analys & Strategi.

#### JM'S SOLD RESIDENTIAL UNITS

Country	2012	2011	2010
Sweden	2,209	2,457	2,615
Norway	649	577	512
Denmark	13	28	84
Finland	26	14	30
Belgium	55	36	35
<b>Total</b>	<b>2,952</b>	<b>3,112</b>	<b>3,276</b>

#### JM'S HOUSING STARTS

Country	2012	2011	2010
Sweden	2,286	2,841	2,834
Norway	815	640	429
Denmark	2	18	62
Finland	34	59	31
Belgium	26	71	48
<b>Total</b>	<b>3,163</b>	<b>3,629</b>	<b>3,404</b>

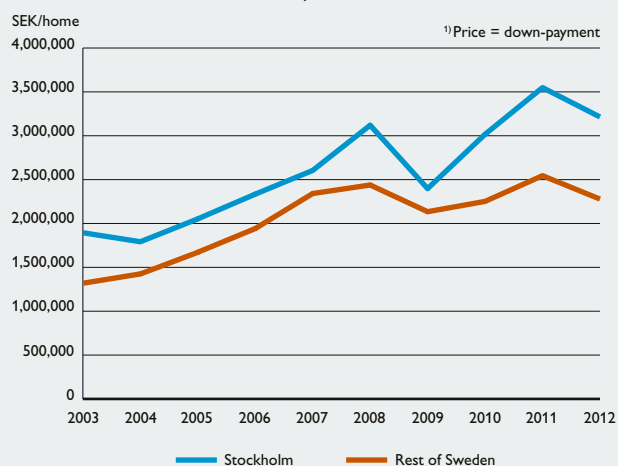
#### JM'S RESIDENTIAL UNITS IN CURRENT PRODUCTION

	12-31-2012	12-31-2011
Number of residential units in current production <sup>1)</sup>	5,988	6,401
Percentage sold residential units in current production, (%) <sup>2)</sup>	55	60
Percentage reserved residential units in current production, %	11	8
Percentage sold and reserved residential units in current production, %	66	68

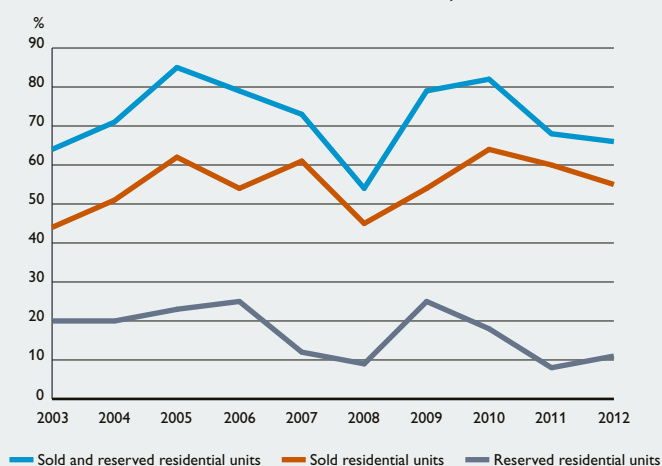
<sup>1)</sup> Beginning with production startup through final occupancy according to plan.

<sup>2)</sup> Percentage sold residential units expressed as binding contract with end customer.

#### AVERAGE PRICE<sup>1)</sup> AT SALES START, JM'S RESIDENTIAL UNITS 2003-2012, SWEDEN



#### PERCENTAGE OF JM'S SOLD AND RESERVED RESIDENTIAL UNITS IN CURRENT PRODUCTION, GROUP





# OUR OFFER

By offering our customers environmentally sound residential units in attractive locations in selected markets, JM is well-positioned to benefit from the know-how we have accumulated on our customers and their needs.





# JM FIRST CHOICE WHEN BUYING A NEW HOME

Buying a JM home should be as simple, secure and convenient as living in one. JM aspires to be the customer's first choice when buying a new home – where focus on the customer and sensitivity to our customers' needs are crucial factors of success.



Advertisement in daily papers in Sweden – “Most satisfied customers”.

## MOST SATISFIED CUSTOMERS IN THE INDUSTRY

Satisfied customers are an important key to success. The Customer Satisfaction Index (CSI) measures customer satisfaction in the residential development industry in Sweden. For the fourth consecutive year, JM has the most satisfied customers in the industry with a CSI of 76, which can be compared with the industry index of 72 of 100 potential points (Source: Prognoscentret).

Achieving a high degree of customer satisfaction is evidence of JM's well-functioning process for managing customer relations. The aim is for customers to have a good dialogue with JM during the entire process. The process typically starts with a general idea of JM and a first expression of interest, contract signing, information meetings and work site visits, and continues until occupancy.



## VIP CUSTOMERS HAVE PRIORITY

VIP customers at JM learn about when, where and how we will build new homes before they are released for general sales. VIP customers receive regular newsletters with the latest residential projects, along with priority to our homes. JM's customer magazine entré is sent to VIP customers four times a year. The magazine contains articles about customers who have just moved into their homes, descriptions of new residential areas and information on various themes and planned residential projects. Being a VIP customer costs SEK 200 per year.

Interest on the part of and the influx of new VIP customers was very positive also in 2012, with the addition of 3,500 new VIP customers.



### EXAMPLES OF HOW THE JM ORIGINAL STANDARD HAS DEVELOPED



#### RECYCLING CABINET

The requirements on the recycling of waste products in our

homes is increasing and we have therefore decided to introduce a recycling cabinet in all of JM's new projects in Sweden.

Under-the-sink drawers with five-six receptacles make it possible to sort recycling into the same product groups as in the recycling room of the building association or at the municipality's recycling stations.

### GOOD MATERIAL CHOICES AND "JM ORIGINAL"

The importance of choosing material that will last a long time, both in terms of quality and design, is an important part of our work. It is particularly important for the interior design in our JM Original concept. Therefore, the planning of each unit's interior begins early so there is an interplay between the character of the area and the architecture of the building as well as good function and design. The interior design is an important part of each residential unit. After customers reserve their new homes they receive the Interior Guide, in which we present our carefully planned JM Original standard and our available upgrades. Customers then meet the project's interior designer and review their choices for their dream home.

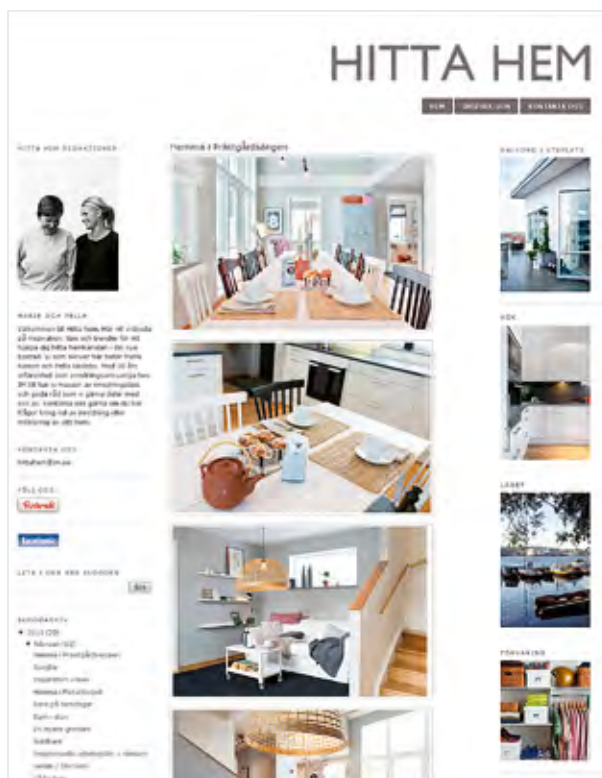
JM's interior designers work to create conditions for good material choices and a good basic standard. About 70 percent of JM's buyers select the interior for their new home within the framework of the JM Original standard.

### JM MEETS CUSTOMERS DIGITALLY

It is important to be where customers are, which is why digital channels are playing an increasingly important role in our communication with customers and other stakeholders. If a potential customer is interested in knowing whether a suitable JM residential unit is for sale, that information should be available regardless of the time and place.

Our website is the hub of our digital communication and works together with all of our digital initiatives and marketing activities. JM was among the first in the industry to market housing via the Internet, and has remained at the forefront in terms of offering products and services through new, emerging digital channels.

To streamline costs and resources, all of the Group's nine external websites were placed on a single platform in 2012.



JM's interior design blog *Hitta hem* offers inspiration, tips and trends.

During the year JM in Norway also launched a mobile website.

JM wants to offer inspiration and to help our customers create a cozy feeling in their new home, two of JM's interior designers write in the interior design blog, *Hitta hem*.





Bolinder Port in Järfälla.

It can be difficult for people to determine how interested they are in a residential unit that has not been built yet. Therefore, in some housing projects, we have used something called Augmented Reality. By using real-time applications, it is possible to combine information from the physical, actual surroundings with digital information. This means that potential customers can stand at a building site at a very early stage and, with the help of their smartphones, see what the completed building will look like and how it will fit into its surroundings.

We are continuously developing our digital initiatives, and prioritized projects in this area are to adapt the website for hand-held units and improve online support for the buying process.

### OPEN HOUSE DAYS FOR CURRENT PROJECTS

The Big Open House Day is organized five times a year. All of JM's residential projects are open to the public on the same day. In 2012, they all had the same theme: Storage and location in the spring, and kitchens in the fall.

The open house days are popular, with a visitor count of about 2,000 people on each occasion. These events attract many new potential buyers, and the majority are first-time visitors. The majority of visitors say that the visit increased their interest in buying a JM home in the future.

### JM'S RESIDENTIAL UNITS AND USEFUL TIPS AND INSPIRATION IN YOUR SMARTPHONE OR TABLET

Site with up-to-date information about our residential units direct to your mobile. Developed for both the Swedish and the Norwegian markets.

[mobil.jm.se](http://mobil.jm.se)

[mobil.jm.no](http://mobil.jm.no)

JM's housing app for smartphones and tablets. If you have an iPhone, iPad or Android phone you can download our housing app, search word: JM.





## FIVE REASONS TO SELECT A NEWLY BUILT HOME FROM JM

**Choosing a newly built home from JM has several advantages. Our residential units offer well-planned designs and functionality, and modern architecture. And we build where people want to live. With a newly built home, you just move in – without an excessive amount of planning. Everything is ready at occupancy and will last for a very long time to come. JM customers can invest both their time and money in activities other than renovation.**

### WE BUILD WHERE PEOPLE WANT TO LIVE

Customers should not just enjoy living in their new homes. The neighborhood is also important, which is why we build our homes in locations close to cities, nature or water, with close proximity to good public transport and infrastructure. It is also important to us that streets, lawns and playgrounds are finished when customers move in.

One very important component for us as community builders is to build safe neighborhoods and residential environments. Together with the Tryggare Sverige foundation we have developed a security program aimed at ensuring that we take security issues into account from acquisition and planning to production and occupancy.

### WE FOCUS ON HOUSING

Operations focus on new production of homes, and we are one of the industry leaders in the Nordic area.

### WELL-PLANNED SOLUTIONS

Our starting point is modern architecture that appeals to people with its bright, well-planned design that creates a great deal of space.

“JM Original” is standard in all homes, and offers a carefully selected interior that leaves room for personal expression. Our interior design guides, customized for each residential area, make it easy for the customer to be part of the process and influence the final result.

### ENERGY CONSUMPTION PRIORITIZED IN OUR ENVIRONMENTAL INITIATIVES

An energy efficient home is less expensive to run and better for the environment, which is why we only construct

low-energy houses with extra insulation in the windows, walls and ceiling, for example. To benefit our customers, we also rate all new residential units for energy. We are convinced that building in an energy-efficient manner is the only feasible course to take in the long run – and our customers agree.

It is also clear to us that only non-allergenic, sound, proven and natural materials should be used in our housing.

### WE OFFER EVERYONE A SECURE WAY TO PURCHASE A HOME

Our customers should feel secure when they buy a home from JM. We therefore offer an assurance package where we take into consideration the entire process of purchasing a home and protect not only the customer, but also the residential unit, the building and the tenant-owners association. The customer is protected from, for example, double housing costs and with access protection the customer may postpone occupancy by up to three months if, for some reason, it is not possible to move in on the designated date.

Work performed in the home is guaranteed for five years. White goods, bathroom fittings, painting work and wallpapering are guaranteed for two years. The package also includes constructional defect insurance for ten years from the date of the final inspection.

We always strive to achieve good quality and to provide customers with flawless homes at the right time. Naturally we always want to treat our customers right, but sometimes misunderstandings arise and sometimes we make mistakes. JM has therefore hired a Customer Advocate. The job of the customer advocate is to examine customer complaints about projects as an external party and, when needed, mediate between the customer and JM.



## THE HOMES WE BUILD TODAY INFLUENCE HOW WE LIVE TOMORROW

Anyone purchasing an apartment or house from JM is to receive a sound living environment. At the same time, we also want to take responsibility for our children's future environment. More information about our environmental initiatives is presented on pages 34–43.

### WELL-INSULATED WINDOWS

Windows are often a major source of heat loss in a building. As a result, all of the windows in our new homes have extra heat insulation with a  $U_w$  value of 0.9 W/sqmK.

### ALLERGIES

Research has shown that there may be a relationship between problems with allergy in children and PVC. JM's residential units have PVC-free walls and flooring.

The landscaping surrounding JM houses use nontoxic plants and trees that are suitable for people with allergies, such as apple trees and roses. JM avoids dusty shelves in the kitchen by installing cabinets that go up to the ceiling.

### ENERGY-EFFICIENT APPLIANCES

Major appliances can account for a fairly large proportion of a household's electricity consumption, which is why JM equips our housing with energy-efficient appliances.

All of our housing that is being planned will be equipped with induction cooktops, which can offer energy savings of up to 20 percent compared to a traditional cooktop.

### GOOD ELECTRICAL INSTALLATION ENVIRONMENT

We minimize exposure to electrical and magnetic fields. We always use a five-wire system, which limits the magnetic fields throughout the building, and we avoid locating distribution boxes close to the bedroom.

### GOOD SOUND ENVIRONMENT

Many people perceive loud sounds and noise as one of the biggest problems in a residential environment.

Our residential units are quieter than what Swedish building regulations require. Our extra thick walls and floor structure provide very good insulation between apartments. Our exterior doors are required to have a good sound transmission class, and we avoid mail slots in doors by placing mailboxes in the entry to the stairwells and newspaper delivery boxes by the apartment doors.

### POSSIBILITY TO IMPACT ENERGY CONSUMPTION

Since all of our residential units are constructed according to JM's concept for low-energy houses, residents can achieve low household operating costs and help lower overall energy consumption. In addition, hot water usage is measured individually in each apartment, which helps residents understand that using hot water sparingly will also result in a lower cost.

### SOUND MATERIALS

Wood, rock, tile. We use natural materials to the greatest extent possible. We have been developing an environmental product database since 1990 where we check relevant products. Doing so enables us to build housing that is healthy and helps us avoid using hazardous substances.



### LILJEHOLMSKAJEN, STOCKHOLM

**Development period:** 2001–2019

**Housing type:** Apartment blocks

**Number of residential units:**

– Total: Approx. 3,400

– Started: 2,318

– Housing starts in 2012: 183

**Apartment sizes:** 38–148 m<sup>2</sup>, 2–5 rooms and kitchen

**Remaining number of building rights:** approx. 1,100

**Location:** Central, 5 km from downtown Stockholm



A part of Stockholm's inner city

### KVARNHOLMEN, NACKA

**Development period:** 2010–2022

**Housing type:** Apartment blocks

**Number of residential units:**

– Total: Approx. 1,200

– Started: 198

– Housing starts in 2012: 144

**Apartment sizes:** 41–156 m<sup>2</sup>, 1–5 rooms and kitchen

**Remaining number of building rights:** approx. 1,020

**Location:** Central, 6 km from downtown Stockholm



Unique location at the entrance to Stockholm's harbor

### JÄRVASTADEN, SOLNA AND SUNDBYBERG

**Development period:** 2007–2019

**Housing type:** Single-family homes/Apartment blocks

**Number of residential units:**

– Total: Just over 1,050

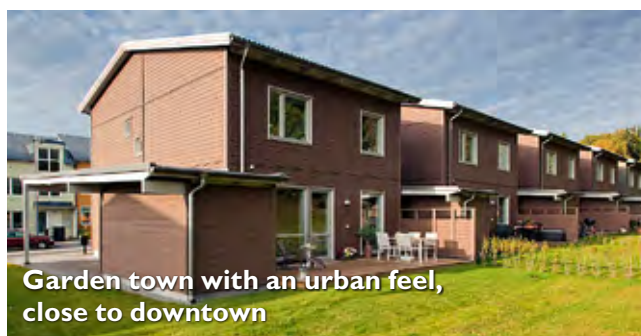
– Started: 642, of which 142 single-family homes

– Housing starts in 2012: 94

**Apartment sizes:** 43–116 m<sup>2</sup>, 2–5 rooms and kitchen

**Remaining number of building rights:** approx. 430

**Location:** Close to nature, 8 km from downtown Stockholm



Garden town with an urban feel, close to downtown

### DALÉNUM, LIDINGÖ

**Development period:** 2010–2019

**Housing type:** Apartment blocks

**Number of residential units:**

– Total: Just over 750<sup>1)</sup>

– Started: 137

– Housing starts in 2012: 77

**Apartment sizes:** 53–135 m<sup>2</sup>, 1–5 rooms and kitchen

**Remaining number of building rights:** just over 625<sup>2)</sup>

**Location:** Central, 9 km from downtown Stockholm



Land with a tradition on Lidingö

### KUNGSÄNGEN, UPPSALA

**Development period:** 2002–2020

**Housing type:** Apartment blocks

**Number of residential units:**

– Total: Approx. 1 100

– Started: 592

– Housing starts in 2012: 68

**Apartment sizes:** 48–115 m<sup>2</sup>, 2–5 rooms and kitchen

**Remaining number of building rights:** approx. 500

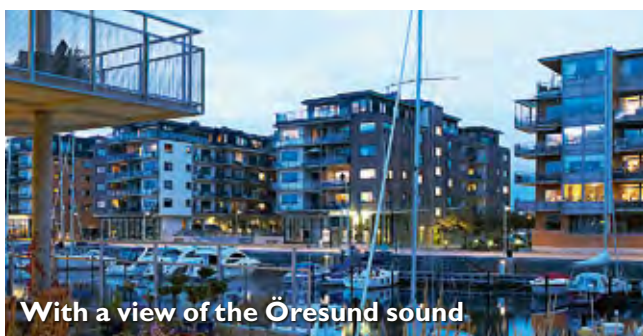
**Location:** Close to the city center



South of Uppsala's city center

<sup>1)</sup> In addition there are 220 building rights for rental units. <sup>2)</sup> In addition there are 74 building rights for rental units.





### DOCKAN AREA, MALMÖ

**Development period:** 2003–2017

**Housing type:** Apartment blocks

**Number of residential units:**

– Total: Approx. 950

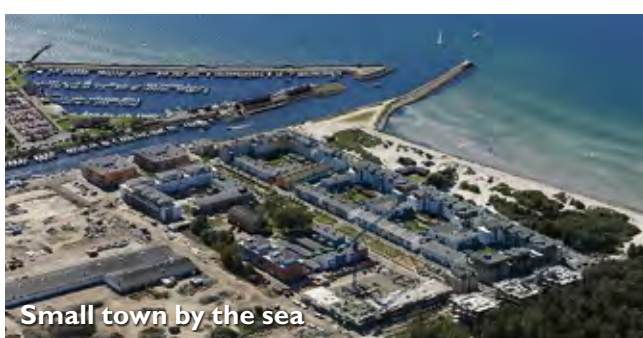
– Started: 779

– Housing starts in 2012: 39

**Apartment sizes:** 64–183 m<sup>2</sup>, 2–5 rooms and kitchen

**Remaining number of building rights:** 175

**Location:** Close to the city center/by the sea



### LOMMA STRANDSTAD, LOMMA

**Development period:** 2003–2020

**Housing type:** Apartment blocks/Single-family homes

**Number of residential units:**

– Total: Just over 1,000

– Started: 539

– Housing starts in 2012: 55

**Apartment sizes:** 39–118 m<sup>2</sup>, 1–4 rooms and kitchen

**Remaining number of building rights:** approx. 500

**Location:** Close to the sea, 8/10 km to Lund/downtown Malmö



### NORRA ÄLVSTRANDEN, GOTHENBURG

**Development period:** 1998–2021

**Housing type:** Apartment blocks

**Number of residential units:**

– Total: Approx. 1,950

– Started: 1,341

– Housing starts in 2012: 66

**Apartment sizes:** 36–117 m<sup>2</sup>, 1–4 rooms and kitchen

**Remaining number of building rights:** just over 600

**Location:** Close to water, 5 km to downtown Gothenburg



### ÖSTER MÄLARSTRAND, VÄSTERÅS

**Development period:** 2008–2021

**Housing type:** Apartment blocks

**Number of residential units:**

– Total: Approx. 250<sup>1)</sup>

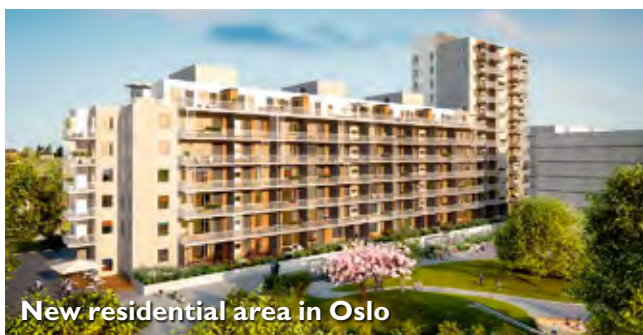
– Started: 219

– Housing starts in 2012: 69

**Apartment sizes:** 34–109 m<sup>2</sup>, 1–5 rooms and kitchen

**Remaining number of building rights:** approx. 40<sup>1)</sup>

**Location:** Central, 2 km from downtown Västerås



### GREFSEN STASJON, OSLO, NORWAY

**Development period:** 2010–2020

**Housing type:** Apartment blocks

**Number of residential units:**

– Total: Approx. 300<sup>2)</sup>

– Started: 103

– Housing starts in 2012: 60

**Apartment sizes:** 38–100 m<sup>2</sup>, 2–4 rooms and kitchen

**Remaining number of building rights:** approx. 200<sup>2)</sup>

**Location:** Central and close to nature, approx. 5 km from downtown Oslo

<sup>1)</sup> Number on the balance sheet. In addition, there are approximately 350 building rights under agreement.

<sup>2)</sup> Number on the balance sheet. In addition, there are approximately 200 building rights under agreement.



**As the city grows, more housing is needed. JM's Marcus Nordlund is always looking for the perfect location. We meet him at Sjövikstorget, Liljeholmskajen, a relatively new part of Stockholm.**

## LAND IN ATTRACTIVE LOCATIONS FOR FUTURE PRODUCTION

JM's plan to turn Liljeholmskajen into one of Stockholm's most attractive housing areas is progressing, and Sjövikstorget is the area's natural meeting place. Seven new blocks are emerging along Årstaviken's quays; between 2003 and 2019 4,500 new residential units will be completed.

### FINDING LAND

Marcus is a project developer at JM in Stockholm. This means that he works with land acquisitions where JM can build new, attractive residential units. As part of his job he sometimes goes to look at undeveloped land as well as areas that are already developed – frequently old industrial areas. Regardless of the existing character and condition of the location, he is always looking for the same thing: a great location for housing.

A location can be attractive for many reasons. It might be close to the water with a beautiful view, close to downtown or have good public transportation.

### SEE THE POSSIBILITIES

Regardless of the condition of the land in question, a lot of work is required for a new housing project to be really successful.

– “We start with the best parts of the location and then develop and enhance its character,” says Marcus. “This can entail renovating the old quay so that it becomes a nice walking area and planning the premises so restaurant owners are willing to establish themselves in our area.”

Since the early 1990s when we acquired Electrolux's land on

Lilla Essingen, JM has had a tradition of developing large housing areas and urban environments. Examples of other major projects are Dalénium on Lidingö, the Eriksberg area in Gothenburg and the Dockan area in Malmö.

– “Right now a project is underway in cooperation with the City of Stockholm to renovate Brommaplan. We are developing 850 residential units, commercial premises and an entirely new bus terminal for SL.”

### A TEAM SPORT

“There are many parties that need to be involved and coordinated, both within and outside JM, in order to develop the city with new

residential units and environments. Municipalities are a central and important actor with their monopoly on local plans; without their involvement and resources we would not get very far,” says Marcus.

– “The time between the first contact with the land owner and a finalized plan is normally three to five years, sometimes up to ten years,” says Marcus. “It is important to have a long-term approach since there are many factors that need to fall in place before we can break ground.”

– “Project development requires teamwork, a long-term approach and patience to achieve really good results.”





# PROFITABILITY

JM creates value through its residential development projects. We create profitability and value for our shareholders through good risk control and effective capital utilization. Uniform modes of production and more effective logistics also contribute to value creation.



Liljeholmskajen, Stockholm



# BUSINESS CONCEPT AND STRATEGY

## JM'S BUSINESS CONCEPT:

To create attractive living and working environments that satisfy individual needs both today and in the future.

## VISION:

JM creates houses where people feel at home.

## STRATEGY

In order to achieve its overall shareholder value objective within the framework of its business concept, JM has the following strategies:

- Leading project developer of housing in the Nordic area – in terms of both market position and quality of the product
- Operations in growth areas with good long-term demographic and economic conditions
- Clear focus on high quality and eco-compliant homes and workplaces, with high customer value and attractive locations
- Growth that preserves good profitability and leading market position
- Growth should primarily be organic, but corporate acquisitions can also strengthen JM's position on existing markets
- Company culture that is characterized by good values, responsibility, a long-term approach, sustainability and respect for individuals.

## LEADING DEVELOPER OF HIGH-QUALITY HOUSING IN THE NORDIC AREA

JM is one of the Nordic region's leading developers of housing. Operations primarily focus on new production of homes, with the main focus on expanding metropolitan areas and university towns in Sweden, Norway, Denmark, Finland and Belgium. Areas with a growing population and a good purchasing power trend form the common denominator, increasing the potential for success in JM's business.

Project development at JM covers every link in the value chain, from acquisition of land to the sale of the new home. In many cases, JM projects mean the creation of new neighborhoods.

Homes will mainly be sold to tenant-owners associations for personal ownership, but may also include rental housing. Project development of commercial properties will be limited and primarily support housing development in large projects, where offices may be a natural planning prerequisite.

A clear focus on cash flows and effective utilization of the balance sheet form the basis for JM's strategy for value generation and growth. This is achieved by maintaining a high rate of startups, implementation and sales of projects. Risk control and focus on cash flows mean that housing starts only take place in response to guaranteed demand in the form of reservations and signed contracts. Quality assured pre-construction and production are achieved through JM's limited and efficient production capacity.

## CAPITAL MANAGEMENT

The strategy comprises both asset and capital structure aspects, and has been adapted to JM's project development. Focus is on cash flows and effective utilization of the balance sheet, and entails, for example:

- Building rights portfolio – development properties on the balance sheet should correspond to four years of production
- Project properties – should primarily consist of residential properties that can be developed through conversion or densification. The size of the portfolio varies over the business cycle
- Visible equity/assets ratio of 35 percent, measured over a business cycle. The goal is set on the basis of an analysis of the operating risk in the various types of operations and the asset classes on the balance sheet.

## REQUIRED RATE OF RETURN FOR PROJECTS

Value generation requires each investment to generate returns that cover its cost of capital. Knowledge of the profitability of individual investments is thus required in order to generate value by selecting the right projects.

A 6.5 to 7.5 percent rate of return is required, which means that the Group's average investments must generate a cash flow after operating costs and tax, but before interest expense, of 6.5 to 7.5 percent of the basic investment.

## AVERAGE COST – SHAREHOLDERS' EQUITY\*

Risk-free return of 4.0–5.0 percent (10-year government bond) plus risk premium of 5.5–6.0 percent (assessed risk premium for the JM share) give a 9.5–11.0 percent required rate of return on shareholders' equity.

## AVERAGE COST OF CAPITAL – BORROWED CAPITAL\*

Risk-free return of 3.0–4.0 percent for government bonds with a maturity of two years (corresponding with the average duration of a project). The risk premium amounts to an average of 1.5 percent, and taking tax deductions for interest expense into consideration, the average capital cost for borrowed capital is 3.2 to 4.0 percent.

## DEBT/EQUITY RATIO IN PROJECTS

The debt/equity ratio in individual projects is assessed to be 1.0.

## WACC (WEIGHTED AVERAGE COST OF CAPITAL)

The weighted average cost of capital (WACC) for new projects thus amounts to 6.5–7.5 percent. The weighted average cost of capital is used to calculate present value for forecasted cash flows for a project.

## RETURN ON EQUITY

The return on shareholders' equity for the 10-year period of 2003–2012 was 23.3 percent, and 18.9 percent for the 5-year period of 2008–2012.

\* Risk-free return and risk premium assessed from a longer perspective.



# FINANCIAL TARGETS

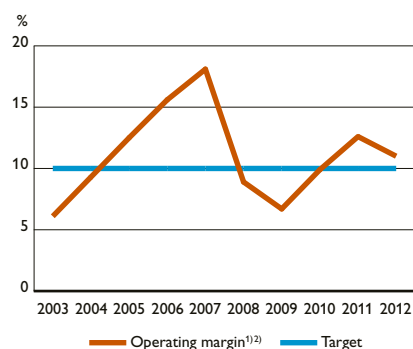
**JM has an overarching goal to generate value for its shareholders. The aim is for investors in JM shares to receive a higher total return than they would receive from investing in other companies with a similar risk profile and business activities. Total return refers to the sum of dividend and increased value.**

For the period 2003–2012, JM shares gave a total return of 17 percent (average).

As a means of ensuring long-term value generation for shareholders, JM has formulated the following financial targets.

## OPERATING MARGIN

Operating margin should amount to 10 percent, including gains from property sales of 1–2 percent. During the 10-year period of 2003–2012, operating margin was an average of 11.1 percent. During the 5-year period of 2008–2012, operating margin was an average of 9.8 percent.

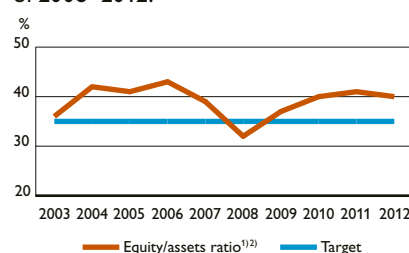


<sup>1)</sup> Financial year 2008 and earlier are not restated according to IFRIC 15.  
<sup>2)</sup> Financial year 2003 and earlier are not restated according to IFRS.

## EQUITY/ASSETS RATIO

The visible equity ratio should amount to 35 percent over a business cycle. During the 10-year period of 2003–2012, the equity ratio was an average of 39 percent.

It was 38 percent during the 5-year period of 2008–2012.

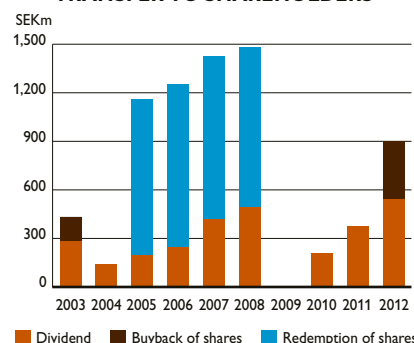


<sup>1)</sup> Financial year 2008 and earlier are not restated according to IFRIC 15.  
<sup>2)</sup> Financial year 2003 and earlier are not restated according to IFRS.

## DIVIDEND

The average dividend over a business cycle should correspond to 50 percent of consolidated profit after tax. During the 10-year period of 2002–2011, the average dividend pay-out ratio was 48.8 percent. During the 5-year period of 2007–2011, it was 40 percent. Dividends for 2008, with payment in 2009, were not paid due to increased caution during the ongoing financial crisis.

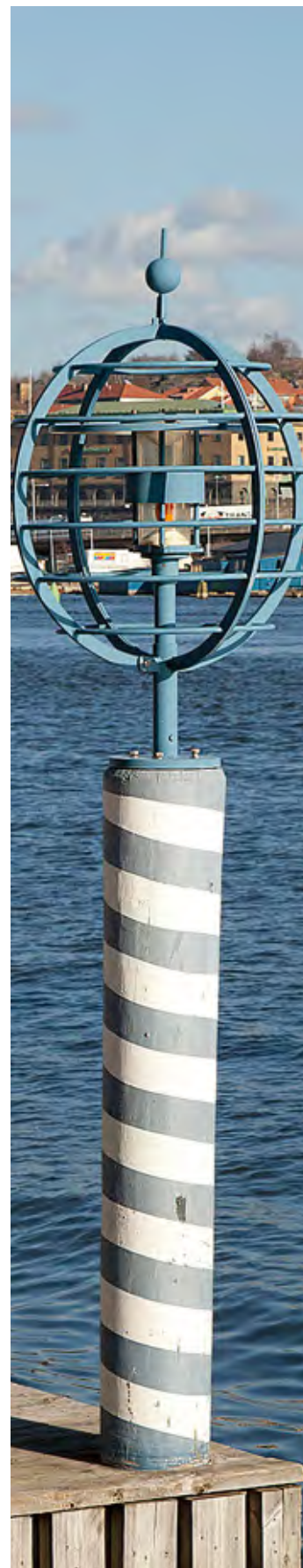
## TRANSFER TO SHAREHOLDERS



■ Dividend ■ Buyback of shares ■ Redemption of shares

## OVERALL OBJECTIVE FOR SHAREHOLDER VALUE

To give shareholders a higher total return than other companies with a similar risk profile and business activities. For the 10-year period 2003–2012, JM shares gave a total return of 17 percent (average). Corresponding figure for the 5-year period 2008–2012 was 4 percent.



# VALUE GENERATION IN JM'S CORE BUSINESS

## MORE THAN 65 YEARS OF VALUE GENERATION THROUGH PROJECT DEVELOPMENT

From the very start in 1945, JM has worked to develop residential projects, which means we have extensive experience in terms of identifying customer needs. We have developed effective construction processes and accumulated sound experience in carrying out large and complex projects.

Project development at JM means that vacant or built land is acquired and refined into attractive housing or commercial premises. Project development covers every link in the value chain from acquisition of land to the sale of the new home. In many cases, JM projects mean the creation of new neighborhoods. Since our operations are primarily focused on new production of homes, we have over the years been able to develop our processes while working to improve the quality of our homes.

Understanding of customer needs and demand – as well as how these are put into practice through effective processes – forms the basis for JM's value creation.

Good risk control, focus on cash flows and effective utilization of the balance sheet are prerequisites for achieving maximized value generation.

## VALUE CHAIN

The value chain includes land and property acquisition, the planning process and pre-construction, production, sales and management. The ability to manage the entire value chain is an important competitive advantage for JM and decisive in terms of successful value generation.

Each step in project development adheres to the requirements outlined in JM's decision gates, which aim to ensure good profitability as well as an effective and controlled process (see illustration on page 26).

Value grows step by step, as land use is defined. Full land value is attained when the local plan becomes legally binding and building permits are obtained – a process that can take from one to five years – and the project has been sold to buyers.

Project development and value generation take place in the different phases described below.

## CONCEPT PHASE – MARKET ANALYSES OFFER INSIGHT INTO CUSTOMER NEED

Good understanding of market development, customer need and demand forms the basis for generating value through project development. Thus JM regularly performs market surveys among its customer groups in order to ascertain need and preferences for issues ranging from type of housing to location and design. The customer needs and market development analysis generates ideas for how the offer can be attractively designed.

## LAND WITH THE RIGHT DEVELOPMENT POTENTIAL – AT THE RIGHT PRICE

Projects generally start with acquisition of land. The market surveys that are regularly conducted to analyze customer preferences form an important basis for decision-making when acquiring land.

Being able to acquire land with potential for development – at the right price – is a decisive factor in terms of implementing plans to produce attractive housing and achieve profitable project development. The land acquisition and concept phases are thus crucial in project development.

## PLANNING PROCESS – DEFINING LAND USE

The next step involves defining land use, which means building rights take shape with respect to their content. This step is performed in a dialogue with the municipality, which together with JM's project manager determines how the land can be used. Property owners can influence the planning process, but it also depends on the municipal planning process and any appeals.

It is during this stage – when ideas for the land are to be implemented and transformed into concrete plans for attractive neighborhoods – that the greatest part of value generation takes place.

## PRE-CONSTRUCTION PHASE – WITH ARCHITECTS

Next follows a pre-construction phase under the supervision of JM's pre-construction manager. An architect produces drawings, and when the architect's proposal has been approved, we involve consultants specializing in construction, land, electricity, ventilation, heating, sanitation, etc. A purchasing supervisor takes care of procurement processes as well as material and work orders, while the site manager plans the daily work.

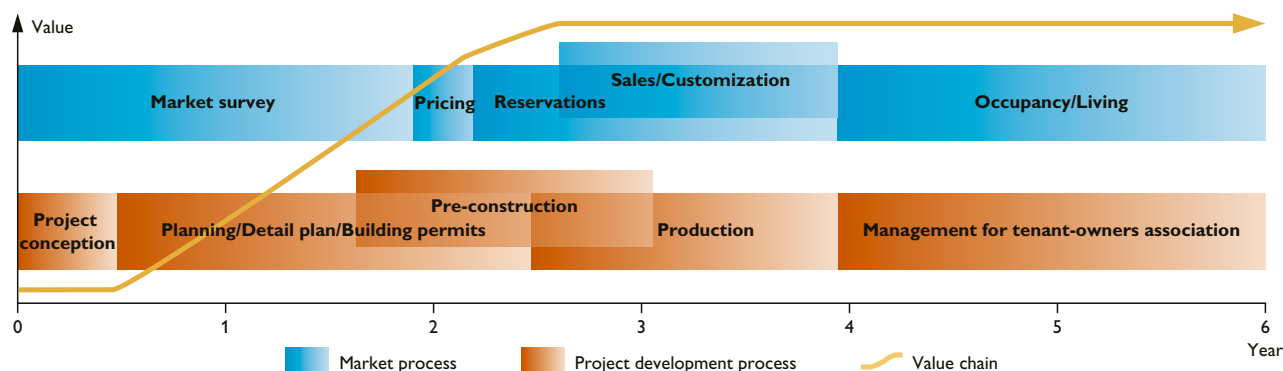
## SALES PROCESS – VIA SEVERAL DIFFERENT CHANNELS

When the sales process begins, VIP customers receive advance information and have priority to JM's homes. Our sales channels include our websites, home shops, customer magazine, Big Open House Days, social media, etc.

## PRODUCTION – SECURE AND EFFECTIVE PROCESSES

Construction does not begin until the number of reserved residential units reaches the predetermined target percentage. Site managers, foremen and others make sure work progresses safely and effectively. Many of JM's teams have worked together for a long time, and their well-established and structured processes are an important aspect of value generation.

## PROCESSES<sup>1)</sup> AND VALUE CHAIN<sup>2)</sup> IN PROJECT DEVELOPMENT



<sup>1)</sup> Timing is indicative and can vary considerably in different projects.

<sup>2)</sup> Value development is at its greatest during the planning process, when JM works in collaboration with involved municipality to define land use.

### OCCUPANCY

Production and completion continue until occupancy. JM remains involved for approximately two years after occupancy.

### APPROPRIATE CAPITAL STRUCTURE

JM's business is capital-intensive and requires effective utilization of the balance sheet. In order to maximize value generation, the starting point of an optimized capital structure must be based on the fact that different fields of activity have different requirements for capital when addressing their specific risks. Using a capitalization model, JM performs an analysis each year to determine how much venture capital is needed for the different fields

of activity. The capitalization model quantifies access to and need for venture capital in each of JM's fields of activity, and is based on assessed market values. The analysis also takes liquidity aspects in the various asset classes into consideration. As one means of continually analyzing JM's overall requirement for capital, the management and the Board utilize the capital allocation model to assess required capital and allocated venture capital for the different fields of activity. The analysis of required capital subsequently forms the basis, together with other qualitative aspects not considered in the capitalization model, for the Board's decision regarding a suitable capital structure at any specific time, and is a prerequisite for value transfer to shareholders.

### JM'S BUSINESS MODEL FOR TENANT-OWNED APARTMENTS FROM A LEGAL PERSPECTIVE

JM's residential project development in Sweden is essentially conducted by JM entering a construction contract with a newly formed tenant-owners association as the customer. The home buyers sign a transfer agreement with the tenant-owners associations. JM's business model is, on a detailed level, adapted to allow good management and follow-up, and the level of business requirements is high. JM's account of residential development with tenant-owners associations as the customer reflects this relationship in a relevant and transparent manner. The essential

criteria in this business model and its account include:

- Construction contracts and agreements on property sales being signed by the tenant-owners association's Board in conjunction with contract work commencing
- The tenant-owners association having obtained its own financing through a construction loan, with the tenant-owners association's property as collateral
- An independent real estate agent selling the apartments based on a direct agreement with the tenant-owners association.

These criteria are central from both a legal perspective and from a financial and accounting perspective, including follow-up over the project's lifecycle. Systematic follow-up includes current performance, risk and market changes and modified revenue and cost assessments in the project. The entire project process – from the construction contract being signed with the tenant-owners association until transfer agreements are signed with the home buyers and the project is completed – is consistently processed in financial reporting.



# STRUCTURED PROJECT DEVELOPMENT

**JM's production is to be performed profitably and help create value for the owners. Effective and uniform process and components form the basis for JM's ability to offer attractive housing at a low total cost.**

At the beginning of the 2000s, management decided to gather the strength of various improvement projects and conduct them under the "Structured Project Development" concept. The improvement projects' vision entailed freedom of choice in the project development process only existing for aspects that generate value, which means a quick and cost-efficient process and an ambition to create faultless products. This initiated efforts to improve cost control, which resulted in a successful project to standardize both the product and processes. The project has been conducted as a number of sub-projects that were initiated in 2003 and that still continue today. Some of the most important improvement projects are presented below.

## STRUCTURED PRE-CONSTRUCTION

The Structured Pre-Construction Project was conducted in 2003, and it resulted in uniform pre-construction procedures being introduced at JM. The procedures govern, in detail, the design of a number of components in JM's housing.

The pre-construction procedures were produced with the stipulation that the technical solutions should be a proven way of working at JM, contribute to a good working environment, be problem-free for both JM and our customers and be cost efficient on an overall basis.

## STRATEGIC PURCHASING

Using the defined and standardized components produced within the framework of the Structured Pre-Construction Project as the starting point, the Strategic Purchasing Project was launched in 2004. JM's strategy has not been to build its own component factories, but rather to clearly define components and sign long-term framework agreements with players whose main task is running factory operations. JM currently signs framework agreements on behalf of the entire Group to ensure the best quality and price, for example. Framework agreements are to be used by the entire organization.

## STRUCTURED SALES

Experience from other industries clearly demonstrated that operational process orientation is a natural development. In 2008, JM decided sales activities should be subjected to process orientation. A uniform sales process in JM's operations system was the ultimate objective, with all sales activities being organized in a defined chronological order. Governing procedure descriptions are linked to the activities and describe, for example, what preparation should take place before the sales process starts.

## STRUCTURED PRODUCTION

The Structured Production Project was launched in 2010. The project, which is based on lean thinking, consists of three parts:

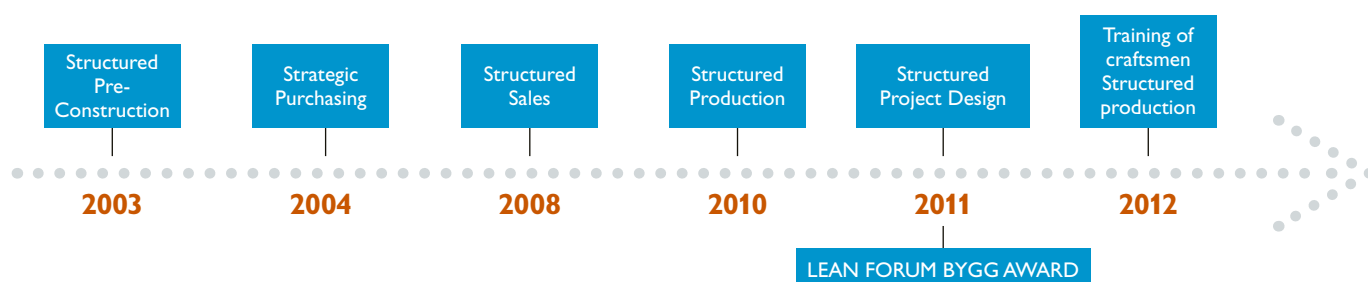
- **Process orientation of the operations system**
- **Procedure descriptions and installation instructions:** Specific operations are described in special installation instructions. Examples of such installation include external wall panels and slab casting. The instructions were produced by a team consisting of foremen and craftsmen.
- **System for uniform scheduling.**

## STRUCTURED PROJECT DESIGN

During 2012 the project design process was revamped in order to make the pre-construction process more efficient. In conjunction with this, the process was also process-oriented in our operations system in order to be synchronized with other tasks.

## COORDINATION OF THE NORWEGIAN OPERATIONS

The operations system is designed so that it can handle all of the Group's operations. During 2012, parts of the Norwegian operations were integrated into our shared system. To date, the sales and project design processes for the Norwegian and Swedish operations have been coordinated.



# PROPERTY DEVELOPMENT SUPPORTS THE HOUSING BUSINESS

The Swedish real estate market is a Nordic leader with investors interested in opportunities for all types of property. Project development of commercial premises mainly takes place in the Stockholm region, primarily to support residential development projects. An area under development may need both residential and commercial buildings in order to create an appealing neighborhood. Attractive locations and modern, flexible and efficient offices are factors of success in this work, but value is also created by increasing the population density in older housing areas and modernizing downtown areas. The commercial operations also include developing rental units, and JM's aim is to hold the developed rental units for the long term or sell them to an external party for long-term management.

## RESIDENTIAL PROPERTIES

The large migration to the Stockholm region and the lack of land in the downtown area has increased the pressure on bordering municipalities to build housing.

Rent for residential units in downtown Stockholm has increased recently and normally falls between SEK 1,250 and SEK 1,850 per square meter for rental apartments in prime locations. The rent for apartments in more peripheral areas usually lies between SEK 1,100 and SEK 1,750 per square meter. (Source: NAI Svefa)

During the year, efforts have intensified as we search for land with leasehold rights for rental units, preferably in Stockholm.

In Sköndal in southern Stockholm, a senior housing project was started during the year with 108 apartments. The tenant is Stiftelsen Stora Sköndal. Occupancy will take place in two stages, fall of 2013 and spring of 2014.

Healthcare accommodation totaling 6 apartments was completed at Sjövikshöjden, and the tenant, the City of Stockholm, has a 15-year lease.

JM's subsidiary, Seniorgården, continuously maps the municipalities' need for senior housing and is constantly looking for land allocation. JM is also monitoring developments concerning a new type of senior housing – sheltered housing.

## JM RENTAL HOUSING

A new unit for the project development of rental housing was started during the fall. The goal is to have a continuous and long-term production of rental housing, including for internal management. Apartments for students and young adults as well as seniors 55+ are included in this initiative.

Dalénium, Lidingö is the first rental project to start. The project consists of 146 apartments, including 12 healthcare accommodation apartments, 2 commercial premises and garage slots. The production start is planned for the summer of 2013 and the project will be completed in 2015. The project has been sold to John Mattsson Fastighets AB, who will take over a turn-key property.

## COMMERCIAL PROPERTIES

Several large tenants in downtown Stockholm announced in 2012 that they are planning to move to more peripheral locations. Given the increases in rent in recent years and the low rate of vacancies in the commercial segment of downtown Stockholm, major actors have turned their focus to relocating the business to surrounding municipalities. (Source: NAI Svefa)

The premises in Dalénium, Lidingö are located in traditional old industrial buildings that were converted into modern offices. The largest tenant, AGA AB, has a 10-year lease for about 8,000 square meters. According to the local plan proposal, more than 42,000 square meters of commercial premises will remain after demolition and conversion to residential units.

Bolinder Strand in Järfälla is an area that is still under development. The commercial premises have a low vacancy rate and the current focus is on the expansion of existing tenants and improving the net rental income.

MARKET VALUATION – PROJECT PROPERTIES	12-31-2012			
	Market value, SEKm	Carrying amount, SEKm	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
Residential units (rental units)	126	123	7,110	100
Properties under development	599	587	70,292	82
Fully developed commercial properties	234	223	9,681	85
<b>Total</b>	<b>959</b>	<b>933</b>	<b>87,083</b>	<b>84</b>

# RISKS AND OPPORTUNITIES

**Controlled risk taking is decisive for good profitability. Risks and opportunities are two sides of the same coin. Skillful management of strategic, operative and financial risks create opportunities and competitive advantages. By the same token, risks that are not handled properly can lead to insufficient profitability.**

JM generates value through project development – by optimizing customer value, revenues and costs by identifying and acquiring land on which to develop attractive neighborhoods and commercial premises. During the process, the project developer is faced with a number of risks and opportunities, which if handled appropriately can add to value generation and profitability.

## RISK MANAGEMENT – AN INTEGRATED PART OF DECISION-MAKING

Together with the clear focus on long-term approach and sustainable value generation found in JM's business concept and strategy, risk management helps ensure that risk taking in the business is kept at a balanced level. Risk management is thus an integrated part of decision-making at all levels within JM and is subject to strategic contributions from the management and Board.

Routines for project oversight, monitoring and follow-up are designed to reduce business and implementation risks. This particularly applies to the initiatives produced within the framework of structured project development, which help reduce the operational risks in the business.

All significant business and project decisions are analyzed with regard to both risk and opportunities.

The most significant risks faced by JM in 2012 were primarily related to the debt crisis in Europe, with more cautious demand for housing in Sweden as a consequence. Housing starts have nevertheless maintained a good level over the year.

The situation for 2013 is similar to that in 2012: business will be largely dependent on how well the debt situation is stabilized

## ANALYSIS OF RISKS AND OPPORTUNITIES IN THE DIFFERENT PHASES OF PROJECT DEVELOPMENT – EXAMPLES

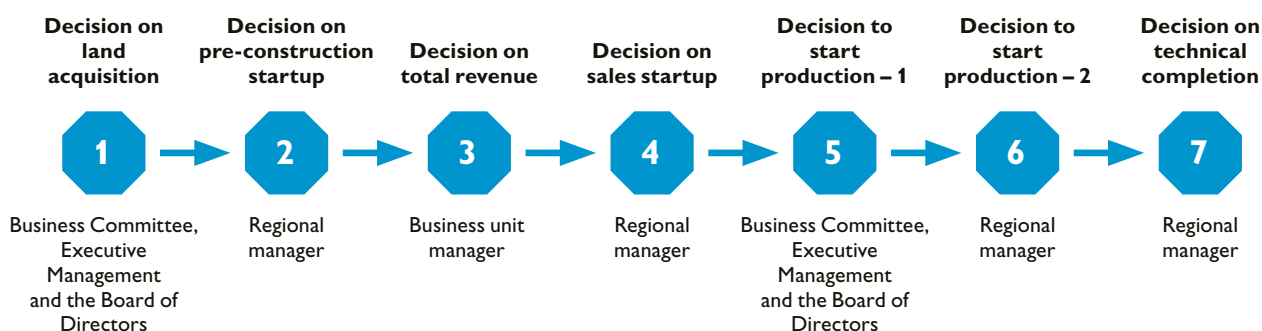
Decision situation	Risks	Opportunities
Land acquisition	Misjudgement of customer demand Modified municipal planning Misjudgement of technical difficulties and soil contamination	Attractive building rights Technical development with regard to management of environmental risks
Pre-construction startup	Delays, increased costs	Customized design
Sales startup	Economic situation, interest rate level	Right pricing
Housing starts	Uncertainty related to sales Delays, increased costs Quality deficiencies	Optimized efficiency in planning and production

in Europe and how it impacts the economic situation. This in turn will govern the conditions for sales and housing starts for new projects.

## BALANCE SHEET

The land acquired by JM is entered on the balance sheet as development property. When production begins for each project phase, the carrying amount of the property is transferred to the project and included among the project's other costs. In Swedish operations, land ownership is transferred through a sale to a newly formed tenant-owners association, which is invoiced regularly while the project is underway according to an agreed payment plan. The tenant-owners association finances the land acquisition and the construction work with a building loan from the banking system.

## DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT





## CASH FLOW

Since projects run over a long period of time, efficient cash flow management is essential. JM's control systems and processes are structured to support and stimulate an optimal cash flow approach in all project phases and thus achieve maximized value development in the Group. Decisions concerning acquisitions and housing starts are crucial business decisions that have a major impact on cash flow, and therefore undergo special scrutiny and evaluation.

## FINANCE STRATEGY AND POLICY

JM's finance unit handles the Group's short and long-term financing, liquidity planning, cash management and financial risk management. The division of responsibility, organization and control of the Group's overall financing activities are regulated by a finance policy established by the Board.

The policy specifies the objectives for finance operations, overall responsibility and specific rules and limits. The objectives for the finance operations are to:

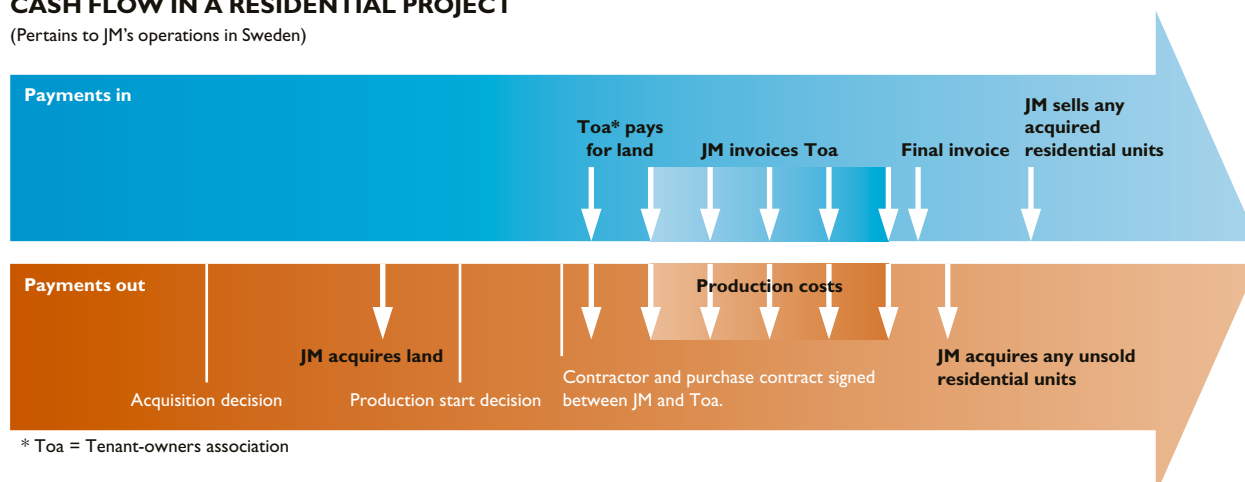
- Support operational activities in residential and commercial project development
- Optimize use of capital and cash flow management
- Control and manage the financial risks to which JM is exposed.

JM's basic finance strategy is to clearly link cash flows from projects in progress and project properties to the Company's borrowing and interest rate risk management. This strategy provides the best control of financial risks. In order to maintain flexible administration and cost-effective debt management, existing loan agreements are guaranteed by JM's excellent credit worthiness, which means that no mortgage deeds are provided.



## CASH FLOW IN A RESIDENTIAL PROJECT

(Pertains to JM's operations in Sweden)



**SENSITIVITY ANALYSIS, PRESENT VALUE**

One way to reflect the dynamics in the building rights portfolio is to perform a sensitivity analysis where all anticipated cash flows from the portfolio are calculated at present value. The analysis includes a number of simplified assumptions designed to reveal the present value of JM's building rights portfolio, at a number of assumed sales prices if the building rights portfolio is kept at a constant level with respect to numbers and amounts.

26,600 building rights are evenly distributed over an eight-year production period. The initial investment is excluded since the calculation is intended to show the value of the portfolio. Conditional acquisitions are handled as if payment for acquisition takes place simultaneously with invoicing to future homeowners.

JM's standard residential unit is assumed to be 80 square meters, the assumed tax rate is 22.0 percent and the discount rate after tax is 7.0 percent. The calculation does not take potential inflation into account, and it is not a forecast.

The table shows the assumed revenue and project expenses per square meter of apartment space excluding VAT. If a specific revenue or project expense per square meter is assumed to apply to the entire building rights portfolio, a value is created, expressed as present value. The analysis shows a strong leverage effect in value creation depending on the Company's ability to manage both revenue and expenses effectively, and not least the general trend for housing prices during the period. A price or cost change of SEK 1,000 per square meter corresponds to about SEK 1,200m, or just over SEK 15 per share according to the basis for this calculation.

The sensitivity analysis below excludes cash flows from previously recognized land (SEK 5,691m) after adjustment of liabilities for property acquisitions (SEK 748m). The present value of these cash flows amounts to about SEK 2.9bn.

**SENSITIVITY ANALYSIS, PRESENT VALUE IN SEKm FOR JM'S BUILDING RIGHTS PORTFOLIO FOR HOUSING**

Revenue/m <sup>2</sup> , SEK	27,000	28,000	29,000	30,000	31,000
Cost/m <sup>2</sup> , SEK					
22,000	6,200	7,400	8,600	9,800	11,000
23,000	5,000	6,200	7,400	8,600	9,800
24,000	3,800	5,000	6,200	7,400	8,600
25,000	2,600	3,800	5,000	6,200	7,400
26,000	1,400	2,600	3,800	5,000	6,200

**SENSITIVITY ANALYSIS, PRESENT VALUE SEK/SHARE FOR JM'S BUILDING RIGHTS PORTFOLIO FOR HOUSING**

Revenue/m <sup>2</sup> , SEK	27,000	28,000	29,000	30,000	31,000
Cost/m <sup>2</sup> , SEK					
22,000	77	92	107	122	137
23,000	62	77	92	107	122
24,000	47	62	77	92	107
25,000	32	47	62	77	92
26,000	17	32	47	62	77

**SENSITIVITY ANALYSIS, VARIOUS COST CATEGORIES, PROJECT DEVELOPMENT HOUSING**

Category	Percentage of cost, % <sup>1)</sup>	Change, %	Effect, SEKm
Salaries/wages	14	+/-10	+/- 98
Material	14	+/-10	+/- 98
Land	10	+/-10	+/- 67
Developer's costs	14	+/-10	+/- 94
Pre-construction	4	+/-10	+/- 29
Overhead	7	+/-10	+/- 48
Subcontracting	37	+/-10	+/- 250

<sup>1)</sup> Share of cost base for project development of housing in Sweden was SEK 6.8bn in 2012.

Land refers to historic cost for land expensed during the year. Developer's costs are costs not directly related to contracting, such as interest on loans, municipal connection charges and registration of title. Pre-construction mainly relates to costs for technical consultants. Overhead refers to incidental expenses for setting up the building site and rent for fixed assets such as machinery.



# RISKS AND RISK MANAGEMENT

Significant risks and uncertainty factors are listed below. JM's largest risks are attributable to changes in macroeconomic conditions.

## MACROECONOMIC RISKS

Risk	Description of risk	Management	Comments/outcome 2012
<b>Economic growth</b>	Demand for housing is influenced by economic growth and consumer buying power, as well as development in housing prices.	Requirement of well balanced level of sold/reserved residential units before housing start. Efficiency measures in order to reduce production costs.	The debt crisis in Europe has resulted in a cautious housing market. A good level of risk has been maintained in current production.
<b>Demographics</b>	Population growth and migration flows influence demand for housing.	JM's strategy is to operate in cities and areas with the best demographic and economic prerequisites.	Fundamental demographic trends are stable in our main markets.
<b>Competitive scenario</b>	The number of competitors impacts offering and pricing, and thus profitability.	The local competitive situation is continuously monitored. JM works to distinguish itself via its corporate culture, flexibility and acquisition expertise, and to distinguish its offer via customer focus, quality profile and marketing.	The competitive situation is fairly unchanged in our main segments. Increased market share for JM.
<b>Political risks</b>	Political decisions such as conditions for different forms of tenure, investments in infrastructure and municipal planning, etc., can change the prerequisites.	Flexible local plans and decisions on form of tenure delayed as long as possible.	Unchanged political risks.
<b>Climate change</b>	Requirements on lower energy consumption. Higher water levels and recurring downpours.	JM builds low energy buildings. Local plans are adapted to higher water levels. Description of moisture protection prepared in all projects.	JM's low energy buildings are below the current standard by around 30 percent.

## OPERATIONAL RISKS

Risk	Description of risk	Management	Comments/outcome 2012
<b>Risks related to building rights portfolio</b>	The risk of there being too few or too many building rights, or that they are in the wrong areas. Risk of planning being delayed or local plans not being approved.	Ongoing market and customer surveys and close cooperation with potential home buyers to ensure understanding of customer needs. Reduce risks by acquisitions being on condition that the local plan gains final approval.	Certain amount of heightened risk has been identified for allocating resources to manage planning processes in some municipalities in the long term.
<b>Implementation risk</b>	Lack of planning or analysis leads to delays, excessively high costs and insufficient customization.	Efficiency measures in order to reduce production costs. Required level of sold/reserved residential units before housing start. Stricter procedures for monitoring, oversight and control. Structured project development.	Favorable development of efficiency measures in the Group's processes.
<b>Unsold units</b>	Unsold residential units result in lower profitability for the project and undesired tied-up capital on the balance sheet.	Starting the project in phases, at the same rate that residential units are sold/reserved, means the risk of unsold residential units can be controlled. The goal is for all residential units to be sold by final inspection.	At the end of the year, JM had only 70 unsold units with a carrying amount of SEK 214m on the balance sheet.
<b>Price development during production</b>	A drop in housing prices during the project means the residential units will be difficult to sell or the project will be unprofitable.	Phased starts mean that JM can better match price to demand.	Relatively unchanged prices for new production have resulted in a stable level of sales and equally large project phases.

## FINANCIAL RISKS (see note 24, Financial risk management on page 76)

Risk	Description of risk	Management	Comments/outcome 2012
<b>Interest rate risk</b>	Changes in market interest rates can negatively impact earnings and cash flow.	The Board has adopted guidelines for fixed interest and maturities. Rules for managing interest rate risk in building loans.	Gradual increase in the expectation of higher interest rates in the financial and real estate market.
<b>Financing risk</b>	Risk that loans that fall due could become more difficult and more expensive to refinance.	JM is attractive to lenders due to its good equity/assets ratio. JM's finance policy.	Possibilities to finance housing production have been good, but margins have gradually increased.
<b>Liquidity risk</b>	Risk of being unable to fulfill payment obligations.	Good control over cash and cash equivalents, and surplus is only invested in Swedish kronor and with low credit risk. Payment readiness via overdraft facilities and committed credit lines.	Unchanged strong liquidity situation.
<b>Currency risk</b>	Fluctuations in exchange rates have a negative impact on the cash flow, income statement and balance sheet.	Limited transaction volumes and selective hedging of balance sheet exposure.	Unchanged low currency exposure.

# LONG-TERM APPROACH

Adopting a long-term approach has been a guiding principle for JM from the very start of the Company in 1945. A clear strategic focus in combination with a well-balanced building rights portfolio and a clear emphasis on sustainability form the basis for JM's ability to generate value in the future as well.





# CLEAR STRATEGIC FOCUS

## LEADING MARKET POSITION

The Company needs a clear and consistent strategic focus over time in order to achieve sustainable profitability – and thus shareholder returns. JM and our culture have been characterized since the very start in 1945 by a long-term approach and continuity.

## A UNIQUE POSITION IN THE MARKET

JM is a project developer of housing and residential areas. We are active in selected markets, and our target group is made up of customers with high demands on quality. JM's position is based on insight into customer needs and on clearly defined markets.

## ACTIVITIES THAT SUPPORT OUR STRATEGY

Our sustainable competitiveness is reinforced by our various activities that support each other and JM's strategy from

a long-term perspective. JM's sustainability initiatives constitute one example, where the development of more sustainable and energy-efficient processes reinforces our ambition to be a leader in producing the type of environmentally sound, energy-efficient housing that our customers want to have.

## COST EFFICIENCY IS A MATTER OF COURSE

A clear strategic focus does not diminish the necessity of internal efficiency within both the Company and our processes. This is something that we constantly address. The Structured Production project is one example. This improvement project aims to impose standardized procedures to achieve a better work environment, at the same time that we improve the quality of our homes and lower production costs. JM's clear strategic focus has given the Company good profitability and a leading position in the market. Continued focus is an important aspect in terms of ensuring sustainable profitability.



Hammarby Sjöstad, Stockholm.



# BUILDING RIGHTS – BASIS FOR SUSTAINABLE PROFITABILITY

**JM continually invests in land that can be developed for future production. We acquire land at the same pace that we put land into production.**

A great deal of insight into customers needs and demand is required in order to make the appropriate investments in building rights. Rising housing prices have resulted in many prospective buyers looking for homes farther away from the big cities. Improved public transport has also made it possible for people to accept longer commutes. This expansion of urban regions has made new housing markets attractive. At the same time, we see a clear trend that central urban locations are becoming increasingly attractive.

## GOOD COMPOSITION

JM's planned residential units are located in both traditionally strong housing markets and in new emerging markets. Areas close to water and parks are popular. Other important qualities include close vicinity to public transport, service and schools. At year-end, JM had 26,600 available building rights (27,200). Capital tied up in building rights (development properties on the balance sheet) for residential units increased to SEK 5,691m (5,756) at year-end.

## APPRAISAL OF RESIDENTIAL BUILDING RIGHTS

At year-end, an external appraisal company performed an appraisal of all of JM's residential development properties in cooperation with JM. The appraisals were made based on an assumed sales price for the properties at actual cash values. The appraisals were based on the location, attractiveness, scope and type of building planned, the stage in the planning process and the time remaining until production starts.

## BUILDING RIGHTS PORTFOLIO

The building rights portfolio comprises two types of building rights:

- building rights on the balance sheet, 17,400 (17,600), corresponding to around six years of production at the current rate of production
- building rights that are available through conditional acquisitions or cooperation agreements, 9,200 (9,600). In most cases JM has the opportunity to decide both whether and when to buy the land.

The targeted amount for building rights on the balance sheet is four years (indicates the number of years it would take to produce the building rights portfolio JM has in its balance sheet with the current rate of production, calculated on twelve rolling months).

The assessed market value of JM's residential development properties amounts to SEK 8.3bn (8.2). The corresponding carrying amount is SEK 5.7bn (5.8). The 9,600 residential units available through conditional acquisitions were not included in the assessment.

Some of the development properties have old existing buildings that generate net rental income and where there are future plans for renovation or demolition. The appraisal of these buildings is based on current rental revenue and future use, taking costs for essential conversion and extension or demolition into account. The market value of these buildings is included in the summary above.

## DISTRIBUTION OF JM'S BUILDING RIGHTS IN DIFFERENT PHASES OF THE PLANNING PROCESS, SWEDEN<sup>1)</sup>



<sup>1)</sup> Number of building rights on the balance sheet.

The appraisal company classified the phases of the planning process into the following phases: general plan, detailed plan and building permit. The diagrams below show a breakdown of the market value of JM's development properties into different planning phases.

The detailed planning phase covers the period from the start of detailed planning work until application for a building permit.

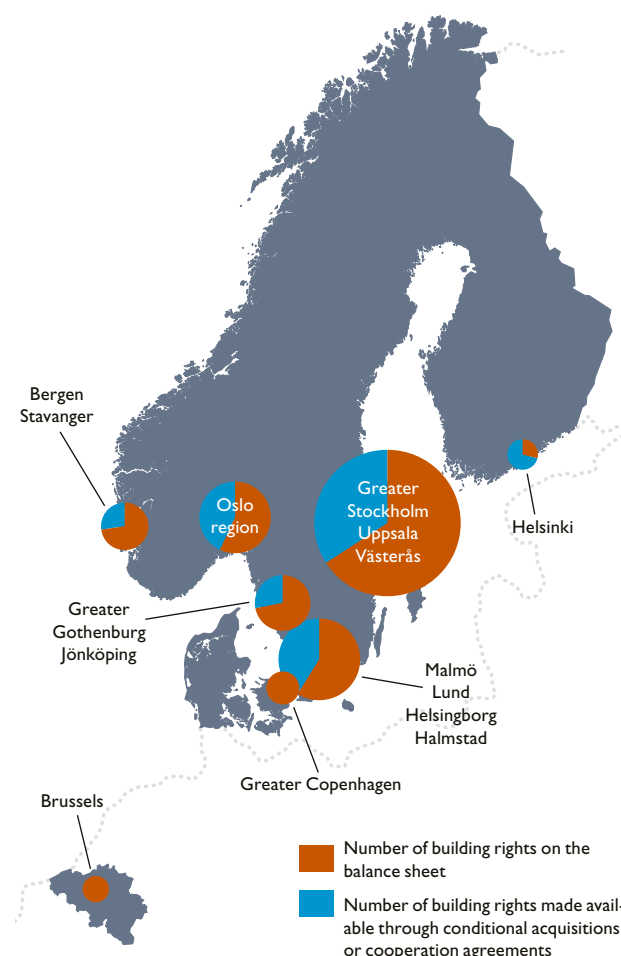
### GEOGRAPHIC DISTRIBUTION OF AVAILABLE RESIDENTIAL BUILDING RIGHTS

Building rights refer to land that can be developed for future production; they are recognized as assets on the consolidated balance sheet under the heading for development properties.

About 58 percent of the residential building rights recognized on the balance sheet in Sweden are in the Greater Stockholm area. About 28 percent of them are located in downtown Stockholm, including Lidingö and Liljeholmskajen, 43 percent in nearby suburbs and 29 percent in outlying suburbs.

#### JM'S AVAILABLE RESIDENTIAL BUILDING RIGHTS

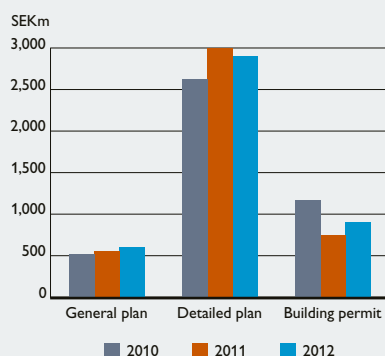
Area	Number of building rights	
	2012	2011
Greater Stockholm excluding Sigtuna, Vällentuna, Norrtälje	10,900	11,800
Malmö, Lund, Helsingborg, Halmstad	4,300	4,000
Greater Gothenburg including Jönköping	2,000	2,000
Uppsala, Sigtuna, Vällentuna, Norrtälje, Linköping, Västerås, Örebro	2,900	2,800
Oslo region in Norway	3,300	3,850
Bergen, Stavanger in Norway	1,450	1,400
Greater Copenhagen, Denmark	700	700
Helsinki, Finland	600	150
Brussels, Belgium	450	500
<b>Total (approx.)</b>	<b>26,600</b>	<b>27,200</b>



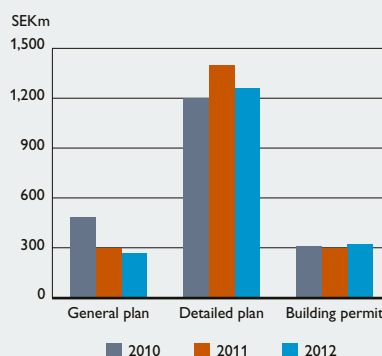
#### MARKET VALUE IS BROKEN DOWN AS FOLLOWS:

SEK billion	Market value		Carrying amount	
	2012	2011	2012	2011
Stockholm	4.4	4.3	2.9	2.9
Rest of Sweden	1.8	2.0	1.3	1.4
International	2.1	1.9	1.5	1.5
<b>Total</b>	<b>8.3</b>	<b>8.2</b>	<b>5.7</b>	<b>5.8</b>

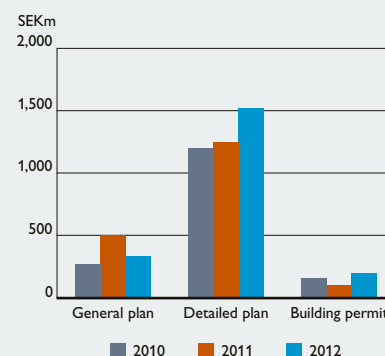
#### MARKET VALUE RESIDENTIAL BUILDING RIGHTS GREATER STOCKHOLM



#### MARKET VALUE RESIDENTIAL BUILDING RIGHTS REST OF SWEDEN



#### MARKET VALUE RESIDENTIAL BUILDING RIGHTS INTERNATIONAL



# SUSTAINABLE URBAN PLANNING

**JM's work helps to create sound communities for the people of today and tomorrow; the buildings JM builds today will be used for at least 100 years. As a leading project developer of housing, sustainability is a hallmark for JM.**

Sustainable urban planning refers to economic, social, ethical and environmental accountability, usually summarized by the concept of Corporate Social Responsibility (CSR). In addition to this section, JM's sustainability initiatives are reported in the annual report primarily under "Employees" on pages 44–46 and "Board of Directors' Report" on pages 53–56.

The GRI index with comments is found on JM's website, [www.jm.se/sustainability](http://www.jm.se/sustainability). The information has not been reviewed by a third party, but JM judges the information in the 2012 annual report combined with the information on our website to fulfill GRI's information requirements for Application Level C.

## The environment is a top priority

Environmental initiatives are prioritized since that is where the Company has the greatest impact on society in the markets where JM is active in its role as project developer of housing. JM has Group-wide policies and goals approved by the Board, see the Corporate Governance Report on page 96. One example is JM's quality and environmental policy.

The construction industry is responsible for a significant part of society's consumption of energy and materials, and as homebuilder, we carry a heavy responsibility with respect to the environment for future generations. We aspire to achieve the obvious: to create attractive and functional housing, use

ethical business methods and place equivalent demands on our suppliers.

JM's environmental priorities, the areas in which JM impacts the environment most and that are the focus of our environmental initiatives, are:

- Energy consumption
- Choice of materials
- Building waste
- Transport and construction machinery
- Contaminated soil.

## OPERATIONS IN SWEDEN

### PROJECT DEVELOPMENT OF HOUSING

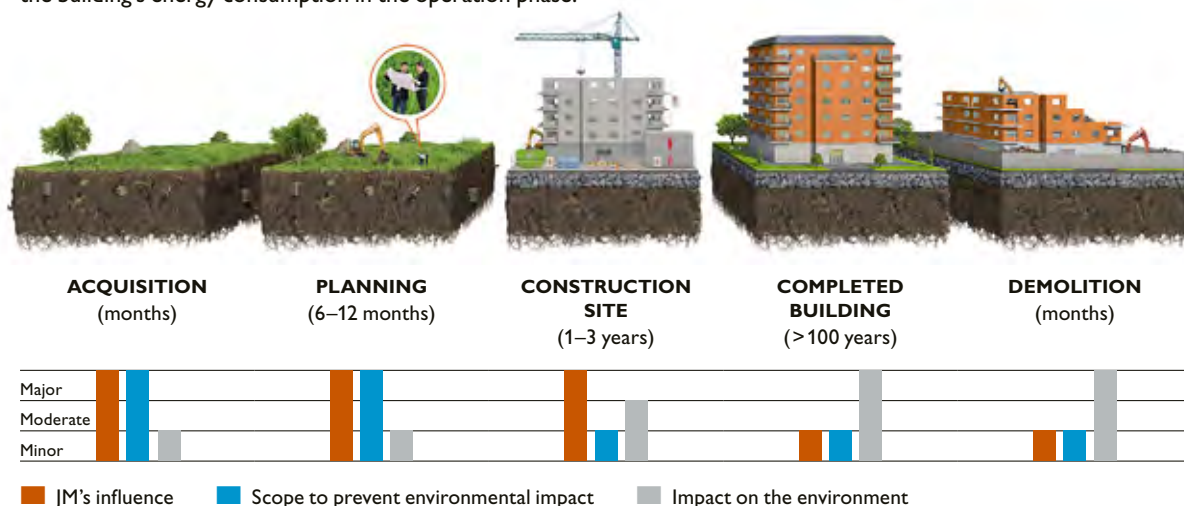
In its role as project developer, JM has – as opposed to other players in the building industry such as contractors – far-reaching responsibility for the environmental impact of the building during its entire life cycle. At the same time, project development work offers great opportunities to manage our operations and products so that their environmental impact is minimized. Project development of housing has been a dominant activity at JM for quite some time, which is why we have progressed the most in terms of environmental initiatives in this area.

### Energy consumption

Climate change is one of the major challenges of our time, which is why focus is on the energy consumption of buildings. JM focuses on reducing energy consumption and energy needs during both production and use stages, which also reduces the impact buildings have on the greenhouse effect. Our ambition is to be a leader in construction of low-energy houses in all of our projects – not just in individual pilot projects.

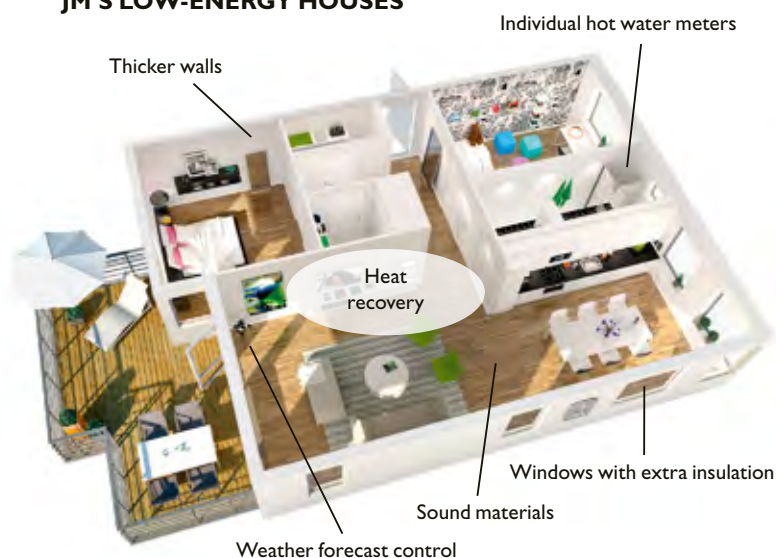
## ENVIRONMENTAL IMPACT OF PROJECT DEVELOPMENT

In its role as project developer, JM has great opportunities to influence the building's environmental impact during the entire lifecycle. The material and system selections that JM makes during pre-construction and production influence the building's energy consumption in the operation phase.





## JM'S LOW-ENERGY HOUSES



### NEWS



- Good Environmental Choice electricity starting in 2013
- On-site audit of compliance with JM's Code of Conduct for suppliers and subcontractors
- More extensive environmental requirements on transports
- More efficient electric fittings, including light sources in our housing projects
- Improved possibilities for recycling in the kitchen
- Improved performance of white goods
- Clarified requirements in conjunction with soil remediation
- Different projects with the aim of decreasing building waste (re-use of protective railings, loading pallets and decrease in packaging for selected product groups)
- Two chargeable hybrid cars, including charging poles

### JM is a European leader in building energy-efficient housing

All residential project development that JM has initiated in Sweden since 2008 has been based on JM's low-energy housing concept. Low-energy houses are buildings that meet the authorities' energy requirements during operation with a substantial margin. We have energy-efficient climate shells (walls, windows, ceilings and floors) and well-planned installation solutions.

We never stop working with our product development, for example within the area of energy. Today's improved low-energy houses will consume 40–70 kWh of energy per square meter and year. The requirement in the National Board of Housing, Building and Planning's building regulations, currently 90 kWh energy consumption measured per square meter and year excluding household electricity, is satisfied by a comfortable margin in JM's housing.

JM's low-energy houses have extra insulation in the walls, energy-efficient white goods, low energy lighting, and they recover heat from ventilation and have individual hot water meters. We have high standards for energy-efficient windows in apartment buildings ( $U_w$  value 0.9 W/sqmK) and introduced weather forecast control for heating. Weather forecast control means that the heating plant is regulated with data from detailed, local weather forecasts instead of a local temperature meter. Consideration is taken of temperature, moisture and wind. The solution allows the system to work more evenly, which subsequently provides savings on purchased energy.

### Energy consumption during the production phase

JM also works proactively to reduce energy consumption during the production phase. Only eco-electricity is purchased in Sweden (currently hydroelectric energy, which meets environmental standards, as of 2013 Good Environmental Choice). All job sites have energy-efficient sheds and low-energy lighting with light and motion detectors, and energy consumption can be further reduced by using early startup of district heating to

heat the building frames during construction. This is estimated to save 5–10 GWh on a yearly basis.

### JM's energy rating

JM introduced a system in the fall of 2011 for rating energy in residential units, an initiative that benefits our customers. The energy rating system is similar to the one used for major appliances, and it indicates a residential unit's energy consumption.

The system is based on Swedish Standard SS-24300 and JM's guidelines. The values and parameters we employed are presented on JM's website, [www.jm.se/miljo](http://www.jm.se/miljo), to ensure the system is open and transparent.

Energy rating also provides JM with increased understanding of the energy consumption in our residential units. With JM's low-energy housing concept, we have laid the groundwork for an energy-efficient building, but the buildings' energy consumption will nevertheless vary depending on the inhabitants' behavior, the design of the energy system and where in the country the building is located.

### Choice of materials

The growing use of chemicals in society is a major problem. JM's residential units are built using sound, proven and natural materials such as tile and wood. Since the mid-1990s, we have had an environmental assessment system in place to steer the use of building materials toward reduced usage of chemicals and reduced burden on the environment.

All pre-construction and installation work in JM's residential units complies with requirements under the industry rules "Safe water installation". The industry rules also apply to installed heating systems. JM works with methods during planning and production that avoid humidity in the building to prevent moisture and water damage. We use moisture-tolerant and mold-resistant gypsum wallboard for both wet areas and exterior stucco walls. Stringent requirements are also placed on vapor barriers for bathroom walls in accordance with current construction regulations.

### JM'S ENVIRONMENTAL PRODUCT DATABASE

Product groups such as paint, adhesives, putty, flooring and roofing are assessed. Monitoring ensures that the goods do not entail any health or environmental risks for either customers or employees.

JM's environmental assessment procedures have been adapted to the criteria developed within the framework of BASTA, a system within the construction industry to discontinue the use of hazardous substances. BASTA goes further than the EU's REACH chemical legislation with respect to phasing out hazardous substances, and is expected to lead to simplified product choices and a better selection of environmentally sound building supplies on the Swedish construction market.

JM has initiated the BASTA system and is an active member of its development council.

### SUCCESSFUL WASTE SORTING TO BE REWARDED

We want to show construction sites with successful waste sorting our appreciation, as well as motivate and encourage work sites to "compete" with one another to improve. During the year, JM's waste bonus was awarded to the construction sites in Sweden that most successfully sorted construction waste for recycling.

increase the degree of sorting. For example, we have simplified and decreased packaging for certain interior design materials and we are part of the communication group for Retursystem Byggpall (Return System Construction Pallets), which works to simplify pallet management and make it more efficient and environmentally friendly. JM has been the initiator on several of the improvement projects.

### Transport and construction machinery

Construction machinery and transports of goods and people are responsible for considerable emissions of substances that impact health and the environment. JM procures the majority of its transports of goods and work requiring heavy machinery from suppliers.

We develop logistics processes in relation to our suppliers, and projects are underway to increase the opportunities for JM to take control over deliveries to and from our construction sites. In this context, JM is participating in a collaborative project within the industry to formulate tools to be able to set relevant requirements in procurement procedures for transport services.

- JM makes demands on the fuel that suppliers use – alkylate-based fuel is to be used in small gasoline-driven machines
- JM makes demands on age, Euro class and the maximum emissions from the vehicles

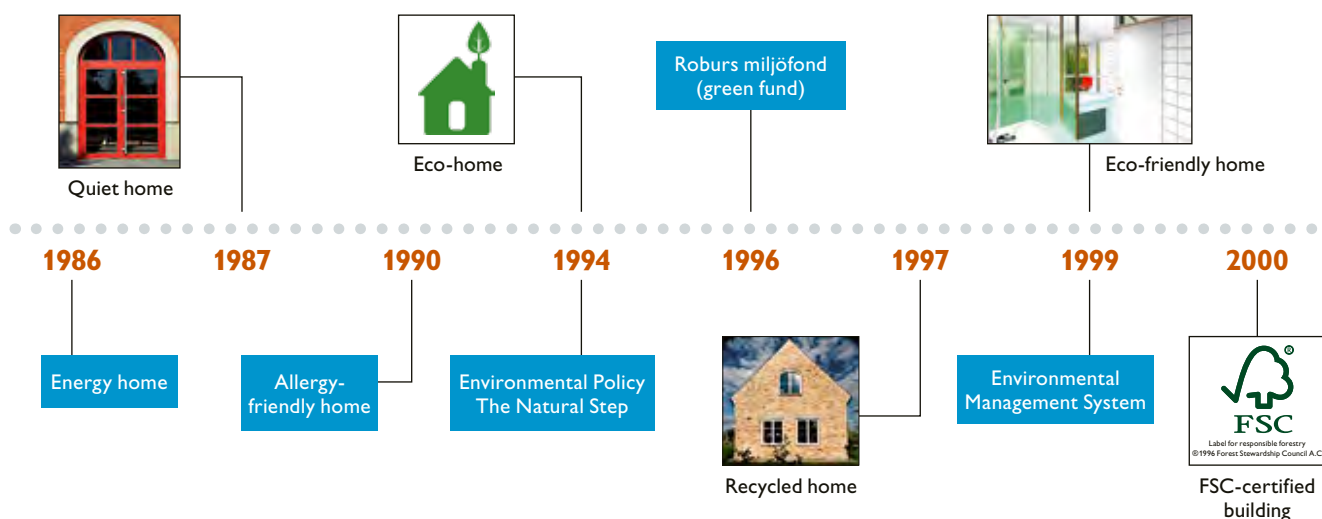
### Building waste

JM endeavors to reduce the amount of unsorted waste and waste sent to the landfill from construction sites in collaboration with our suppliers, waste management companies and by offering internal courses. During a three-year period that started in 2011, we aim to reduce the amount of waste sent to the landfill by 50 percent and to reduce the amount of unsorted waste by more than 50 percent. See facts and key figures on page 42. The Ecocycle Council industry guidelines for waste management during construction and demolition are integrated in procedures for all JM projects in Sweden.

Studies show that packaging and temporary constructions such as protective railings and molding material comprise a significant portion of our waste. During the year different initiatives were started to decrease the volume of waste and

### LONG-TERM ENVIRONMENTAL INITIATIVES

Over the years we have carried out a variety of development projects to test and evaluate new environmental solutions that have then been translated into general requirements for JM's production.





Hjorthagen, Norra Djurgårdsstaden.

- suppliers must be able to demonstrate that they follow up on their fuel consumption and that they take measures to decrease their consumption
- we test and assess consolidated shipments of materials, degree of utilization in trucks and the right type of delivery vehicle to the work sites
- In the agreements JM signs with transport companies, we have implemented stricter requirements that are in line with the “QIII system,” a tool that was specially designed by the Swedish Transport Administration. The aim is to become better purchasers of transport services with respect to the working environment, road safety and the environment.

All JM business trips must be planned to achieve minimum impact on the environment with respect to carbon dioxide emissions.

- all company cars are green cars (according to the definition in the Road Traffic Tax Act)
- train travel is prioritized over air travel, and public transport is encouraged
- JM offsets carbon emissions from air travel (UN's Clean Development Mechanism)
- videoconferencing equipment at the offices reduces the number of business trips.

### Contaminated soil

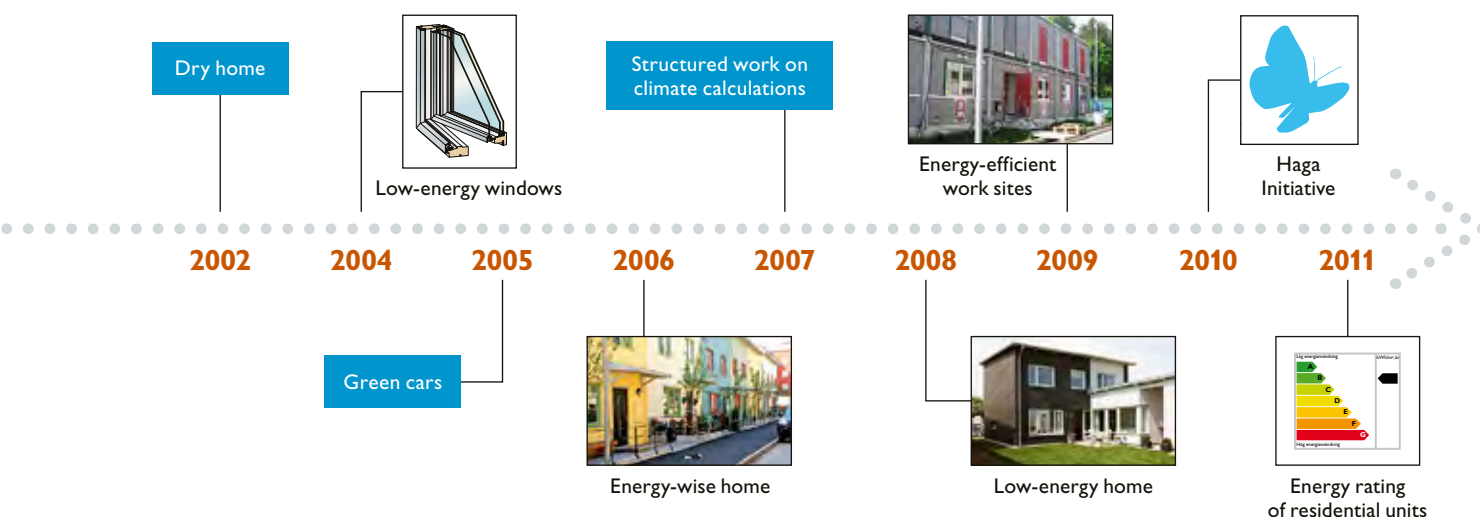
JM has many years of experience in transforming and developing old, contaminated industrial land into attractive housing areas.

This requires knowledge and management in order to be able to fulfill the special regulations that govern contaminated soil. To handle these issues, JM has soil remediation coordinators who ensure that the land is examined, and they perform risk assessments, maintain contact with environmental authorities and other involved parties, and draft proposals for action plans on the basis of the local plan. Usually about 15–20 construction projects per year undergo soil remediation. JM is thereby making a large contribution from the standpoint of health and the environment by removing heavy metals and oil pollutants from the soil prior to construction.

During the year JM has reviewed and clarified its guidelines for work with contaminated soil. For example, the process for working with authorities from acquisition to occupancy was finalized. It has become particularly apparent that it is very important to bring up the issue of soil contamination early in the planning process since it can take a long time to investigate the potential risks and health aspects that are associated with soil contamination.

Because JM was reported for suspected violations of environmental laws in conjunction with the soil remediation work of a project, JM also updated and tightened its procedures regarding final control of a remediation measure in order to be able to demonstrate that we have fulfilled the established goals and the authorities' requirements in an earlier stage of the development process.

In this actual case, the supervisory authorities made the assessment that no further action against JM was required.





## JM PRODUCTION

The JM Entreprenad subsidiary carries out construction work within residential construction, civil engineering and facades for external and internal clients within the Greater Stockholm area. JM Entreprenad is certified according to ISO 9001 and ISO 14001; its environmental work focuses on reduced energy consumption, waste sorting, soil remediation and proactively choosing the best environmental transportation and shipping alternatives.

The Company's business model promotes a policy to influence clients by proposing the most environmentally friendly choices with respect to products, transports and methods. JM's agreements with partners and suppliers stipulate that they must meet environmental requirements.

Before purchasing goods, the products are checked in accordance with the BASTA criteria, and contracting equipment and transports must meet the requirements set out in the Swedish Transport Administration's "general environmental requirements for procurement of contracts". JM Entreprenad requires regular and controlled documentation from both its own organization and sub-contractors and suppliers that can be shown during environmental inspections. Both scheduled checks via environmental and safety inspections and random checks are conducted.

## ENVIRONMENTALLY SOUND LOGISTICS SOLUTIONS

JM's environmentally friendly logistics solutions concept focuses on environmental management of excavated material to and from our construction projects. The concept consists in part of physical facilities for storage and handling of the excavated material and in part of a digital deployment service.

Two facilities are currently in operation in Stockholm, what are known as "Ekobackar", and the goal is to have at least four sites in operation in the Stockholm area, one at each end of the city.

A digital service has been developed to deploy clean excavated material within the Company. This service provides an internal overview of available excavated material as well as a list of external crushing plants and landfills. Planning for site preparation projects is facilitated and transports, and thereby carbon dioxide emissions, are reduced, which benefits both the environment and project finances.

JM Entreprenad participates in one of the projects financed by the Development Fund of the Swedish Construction Industry for environmentally optimized transports in the building industry. The main objective is to demonstrate that it is possible to decrease carbon dioxide emissions from the construction industry.

## SOIL REMEDIATION

Over the year, JM Entreprenad performed several soil remediation projects for JM as well as for external clients. Each individual remediation project has its own specific conditions and regulatory requirements depending on what is to be built in the area. JM Entreprenad has its own highly skilled employees, but it also collaborates with several environmental consultants, business analysis firms and reception facilities in order to facilitate the process for our clients.

## ENVIRONMENTAL CERTIFICATION OF BUILDINGS

JM Entreprenad constructs buildings for different clients and these buildings must be certified in accordance with one of the environmental certification systems. One example of this is *Kvarteret Vargen* in Sundbyberg. *Kvarteret Vargen* is a construction of a new pre-school, which was finished in 2012, that had the goal of receiving the highest certification level, Gold, in the Swedish Green Building Council's classification system.

Another example is *Kvarteret Rosenborg* in Solna municipality where the goal is to certify the building in accordance with the highest certification level, Platina, in the LEED certification system.

JM Entreprenad completed a collaborative project with a public housing company in Stockholm in 2012 – an apartment building with very low energy consumption.

Some of the energy-efficient measures include the installation of solar panels to heat water, geothermal heating in the event extra heat is needed and heat recovery from ventilation via heat exchangers.

The project is also designed in accordance with the Gold level in the Swedish Green Building Council's classification system.

## PROJECT DEVELOPMENT OF COMMERCIAL PROPERTIES

JM Property Development's environmental work is fundamentally very similar to the work in housing development. The same quality and environmental management systems are used, and the technical solutions developed by JM Residential are also applied in commercial projects. The buildings are of a high standard, employ good materials and offer low energy consumption, all of which create customer benefit and long-term value in the buildings we develop and manage. JM Property Development has chosen to obtain environmental certification for its buildings according to different systems depending on the nature of the project and the client's requirements.

## COMMERCIAL PROPERTIES

When JM develops and constructs new commercial properties that it will manage, the goal is that these properties shall as a minimum fulfill the Green Building Standard, which requires energy consumption to be at least 25 percent lower than the current building standard. This goal includes both the construction of new properties as well as the renovation of existing premises, where the challenge is often much greater. Assessment of certification methods is done on an ongoing basis.

## HOUSING

The same type of environmental program implemented for residential development projects is implemented for the senior housing and rental units developed by JM Property Development. The residential units satisfy JM's environmental requirements, regardless of the form of tenure. Senior housing, which includes both housing and commercial premises, is environmentally certified according to the Swedish Green Building



Hornsbergs Strandpark in Stockholm won a prize as the best landscaping architecture in 2012. JM Entreprenad participated in the project and built staircases and a pergola/shore-side pavilion and planted trees. JM also carried out an extensive soil remediation project since the land was once an industrial site.

Council's classification system. A senior housing project being built on Lidingö outside Stockholm is one example. The project was completed at the end of the year and has applied for certification at the Silver level in the Swedish Green Building Council's classification system.

## OPERATIONS IN NORWAY

### PROJECT DEVELOPMENT OF HOUSING

A growing focus on sustainability issues and a genuine interest in making strides in the area is discernible at JM in Norway. During the year new environmental goals were established for the operations. Most of the offices have videoconferencing equipment, which has resulted in less business travel. JM in Norway has a limited number of company cars, and their maximum emissions are 150 g CO<sub>2</sub>/km. Group-wide purchasing agreements allow JM to place higher environmental demands on suppliers than Norwegian law does.

JM in Norway energy labels all new buildings on the basis of Norwegian guidelines that were introduced on July 1, 2010. From a long-term perspective, energy labeling is expected to influence the attractiveness and competitiveness of JM's residential units.

Low energy houses have been implemented as the standard in all projects started since March 2012. Low energy houses are projected to use at least 25 percent less energy for heating than required by law and are distinguished by a well-insulated climate shell that is combined with systems for heat recovery from ventilation. The first houses with this new standard will be finished in 2013 and are estimated to use around 40–70 kWh per square meter and year.

Action is being taken to reduce the amount of waste by focusing on planning, logistics and prudent handling of waste during transport and storage. Standardized construction methods have resulted in increased utilization of prefabricated and ready-made (dimensioned) materials.

## OVERALL ENVIRONMENTAL PROGRAM

### HOW WE WORK

JM was the first construction company in Europe to adopt an environmental policy in 1994, and ever since then the Company has continued to advocate environmental change in the industry. We are constantly involved with various full-scale development projects. After assessment, certain solutions are then integrated into all of JM's production.

We combine an ambitious environmental system that has a positive impact on the community, with a natural understanding that the measures that JM takes must be good for the Company's business model in both the short and the long term. Environmental responsibility rests with the line organization with support from the central staff. A successful environmental program should primarily benefit the Company's customers, employees and the future of our children.

### ORGANIZATION

JM's quality and environmental council has overall responsibility for common governance of project development in Sweden, including environmental issues.

The CEO and the Company's business unit and regional managers are members of the council.

The Group's quality and environment department is responsible, together with regional quality and environment coordinators, for coordination, development and support in environmental initiatives. Activities include construction site visits to entrench and improve environmental initiatives in production. We address environmental issues in all our daily work and

expect extensive commitment from both wage-earners and salaried employees.

### GOVERNANCE AND FOLLOW-UP

In every substantial way, the operational systems developed by the project development operations at JM in Sweden meet the standards set by the ISO quality and environmental management requirements. The primary goal has been to develop a system adapted to the processes and needs of the operation, but the organization is also well prepared for potential certification in the future.

The measures we implement to reduce our impact on the environment will impact not only certain pilot projects, they will impact all of our projects that are regulated by JM's operations system.

JM develops its quality and environmental initiatives using operations programs with measurable and detailed objectives. The program was updated in 2011, and will apply to the Group's project development activities until the end of 2013. JM follows up on targets and requirements with nonconformity and key figure reports, as well as with internal audits, see Corporate Governance Report on pages 95–101.

JM held its environmental training program for employees in Sweden during the year, with the purpose of further increasing knowledge and commitment with respect to working with the Company's common procedures.

### PARTNERS

Much of JM's impact on the environment occurs via the Company's external partners such as subcontractors and

#### Group quality and environmental policy

JM should promote long-term quality and environmental management in all its operations. The Company shall focus on customer needs and strive for sustainable development of society.

To accomplish this, we shall:

- Preserve and contribute environmental aesthetic values to the urban and natural landscapes
- Produce buildings with a healthy living and working environment
- Work in a structured and systematic manner that leads to continual improvements in environmental and quality performance
- Prevent the production and dispersal of pollutants and promote resource conservation and closed cycles
- Actively contribute to development of knowledge and raise employee awareness of quality and environmental issues
- Apply environmental standards that are more rigorous than existing legal requirements.

#### Overall quality and environmental objectives

- We shall focus on quality, the environment and ethics so that every customer and project is a good reference
- Our projects shall be structured, implemented and managed so as to minimize energy consumption and its impact on the environment
- We shall reduce the volume and hazardousness of waste
- We shall use materials and methods that reduce environmental impact and contribute to a healthy indoor and working environment.



materials suppliers. During the year the number of framework agreements increased by 25 percent, from 400 to 474.

All strategic framework partners in Sweden undergo an environmental assessment to ensure that they:

- only use or deliver products that meet environmental standards
- have reliable procedures for waste management and documentation and
- also have their own environmental program.

JM has a Suppliers Code of Conduct to ensure that we and our suppliers and subcontractors share certain common basic values regarding corporate behavior. An audit of how well our suppliers satisfy the requirements set out in our Suppliers Code of Conduct was carried out during the year. Around 20 selected suppliers were audited via surveys, which were then followed up by two on-site audits at the factories. These factory visits resulted in JM developing plans for corrective measures that the companies now must respond to. Follow-up audits are planned and on-site visits will be held at more suppliers during 2013.

#### PROFITABLE ENVIRONMENTAL PROGRAM

For JM, environmental initiatives are a matter of good business and profitability, in both the short and the long term, whether dealing with acute environmental problems or accepting responsibility for the environmental issues of the future. This is the way JM can continue to create long-term shareholder growth.

Measures taken from this perspective also give added value to JM's customers. For example, energy-efficient buildings,

installations which conserve water and logical spaces for sorting waste all help to lower operating costs for households and provide environmental benefit for society.

JM has signed a climate petition and undertaken to systematically calculate and report carbon dioxide emissions. JM also strives toward reduced emissions in line with EU's international goals and, long-term, toward climate neutrality, which means operating in a manner that does not contribute to global warming.

Credit rating agencies and mutual fund companies actively monitor JM's progress within sustainable development. JM reports information about its environment and sustainability initiatives to several external rating agencies, including Sustainable Shareholder Value and the Carbon Disclosure Project (CDP). In 2012, JM improved its result from the CDP assessment to B 72\* (compared to D 66 in 2011).

JM has been listed on the OMX GES Sustainability Nordic Index since January 2010.

Ökoworld Lux S.A. is a German fund that concentrates ownership in 250 companies that expressly implement sustainability initiatives. Of these, JM was chosen as one of the nine most serious companies with regard to their sustainability work.

\*) Firms receive points in two categories: Performance: the firm's performance in reducing its environmental impact is evaluated on a scale of A to E. Disclosure: the answers' quality and completeness are evaluated on a scale of 0–100 points.

#### HUMAN RIGHTS

JM has signed the **UN's Global Compact**, thus taking a clear stand on issues related to human rights, social conditions, accountability for the environment and the right to form trade unions. JM continually monitors related issues as a means of ensuring that nothing in its operations is in conflict with the UN's Global Compact. However, the risk is minor since JM operates in the Nordic countries and Belgium where the issues are strictly regulated. JM also has a Code of Conduct to ensure that our suppliers and subcontractors do not operate in conflict with the UN's Global Compact. An audit of how well our suppliers satisfy the requirements set out in our Code of Conduct was initiated during the year.

Ten principles of the UN's Global Compact	JM does today
<b>Human rights</b> <ol style="list-style-type: none"> <li>1. Support and respect the protection of internationally proclaimed human rights in the spheres the Company can influence</li> <li>2. Make sure that the Company is not complicit in human rights abuses</li> </ol>	<p>Demands on subcontractors/suppliers in the Code of Conduct</p> <p>Demands on subcontractors/suppliers in the Code of Conduct, and audit of the Code of Conduct</p>
<b>Labor</b> <ol style="list-style-type: none"> <li>3. Uphold the freedom of association and the effective recognition of the right to collective bargaining</li> <li>4. Elimination of all forms of forced and compulsory labor</li> <li>5. Effective abolition of child labor</li> <li>6. Elimination of discrimination in respect of employment and occupation</li> </ol>	<p>Legal requirements Ethical Guidelines Code of Conduct</p> <p>Legal requirements Ethical Guidelines Code of Conduct</p> <p>Code of Conduct</p> <p>Ethical Guidelines Code of Conduct</p>
<b>Environment</b> <ol style="list-style-type: none"> <li>7. Support a precautionary approach to environmental challenges</li> <li>8. Undertake initiatives to promote greater environmental responsibility</li> <li>9. Encourage the development and diffusion of environmentally friendly technologies</li> </ol>	<p>Quality and environmental policy Quality and environmental policy</p> <p>Quality and environmental policy</p>
<b>Anti-corruption</b> <ol style="list-style-type: none"> <li>10. Work against corruption in all its forms, including extortion and bribery</li> </ol>	<p>Ethical Guidelines Code of Conduct</p>

## Facts and key figures

The key figures are parameters that JM uses to guide operations toward established environmental goals.

JM in Sweden		2012	2011	2010
Implemented internal quality and environmental audits		163	161	140
Carbon dioxide emissions JM (tons) <sup>1)</sup>		22,810	22,468	22,728
Carbon dioxide emissions JM (tons/home) <sup>2)</sup>		7.2	6.4	7.5
Newly produced homes' estimated carbon dioxide emissions from energy consumption (kg CO <sub>2</sub> /m <sup>2</sup> UFA)		6	5	6
Percentage of building waste that goes to landfill (%)		14	11	16
Products in environmental product database		3,711	3,480	3,271
Carbon dioxide emissions from company cars (g/km)		114	101	101
Number of frame agreements with expanded environmental review		474	400	320
Projects with key indicators (%)		100	100	85
Projects with key indicators (numbers)		47	40	22
JM Residential Stockholm and JM Residential Sweden <sup>3)</sup>	Target 2013	2012	2011	2010
Newly produced homes' estimated energy requirement, excluding household and business electricity, (kWh/m <sup>2</sup> A-temp)	75 <sup>4)</sup>	70	74	85
Building waste to landfill (kg/m <sup>2</sup> GFA)	2	4.2	3.2	4.4
Percentage unsorted building waste (%)	10	15	20	23
Total quantity building waste (kg/m <sup>2</sup> GFA)	20	29	28	28
JM in Norway <sup>3)</sup>		2012	2011	2010
Newly produced homes' estimated energy requirement (kWh/m <sup>2</sup> UFA) <sup>5)</sup>		123	146	-
Percentage unsorted building waste (%)		34	40	-
Total quantity building waste (kg/m <sup>2</sup> GFA)		38	36	-

<sup>1)</sup> JM began using a new calculation method for carbon dioxide emissions at the start of 2011. As a result, the values are not comparable with previously reported values. The new method is being applied retroactively to facilitate comparison.

<sup>2)</sup> JM's goal is to decrease relative emissions by 40 percent, compared to base year 1990, by 2020. In 1990, relative emissions were 13.5 tons of carbon dioxide per home.

<sup>3)</sup> These key figures have been calculated using data gathered from projects completed in 2012.

<sup>4)</sup> Intermediate goal: The estimated energy requirement for housing being planned in Sweden from 2011 is below 75 kWh/sqm (A-temp). From 2013, the estimated energy requirement for housing is 25 percent below each nation's current standard.

<sup>5)</sup> Calculated in accordance with Norwegian standard (NS 3031); legal requirement according to Norwegian building regulations TEK7.

UFA = Useful floor area. GFA = Total floor area.



## COLLABORATIVE PROJECTS

Environmental issues are sometimes industry-wide, and environmental initiatives, therefore, require broad cooperation across business boundaries in order to succeed. The table below lists the organizations in which JM is involved.

ORGANIZATION	OPERATIONS	JM'S PARTICIPATION
<b>Haga Initiative</b>		
Business network.	<p>Wants to reduce emissions from the business world, highlights the climate as one of the most important issues to address for the future and serves as a role model for companies that adopt a proactive approach to climate change.</p> <p>The companies in the network have set their own climate goal of achieving a 40 percent reduction by 2020.</p> <p>By demonstrating that ambitious climate strategies reap business benefits and improved profitability, the Haga Initiative aims to help the business world take the steps needed to reach overall climate goals and achieve a long-term sustainable society.</p>	JM is a member and one of the initiators.
<b>Sweden Green Building Council</b>		
This is a non-profit, member-owned organization that is open to all companies and organizations active in the Swedish construction and real estate sector that want to develop and influence environmental and sustainability initiatives in the industry.	The association aims to meet the public's need for clear and quality-assured information on the environmental performance of buildings as well as help increase the competitiveness of Swedish technology and Swedish expertise by, for example, providing a certification system for buildings.	<p>JM is a member.</p> <p>Today there is a growing interest in the industry for different types of systems for environmental standards for construction, and JM carefully monitors these developments, especially the Sweden Green Building Council system.</p>
<b>Sustainable Innovation AB</b>		
This is a national center for energy efficiency in daily life.	<p>The primary purpose is to contribute to the development of Swedish industry in the field through commercialization of new technology.</p> <p>The organization has the support of the Swedish National Energy Administration to gather the strength of Swedish know-how in environmental engineering and energy efficiency.</p>	<p>JM is a member. JM is taking part in running three development projects in cooperation with Sustainable Innovation. One of them involves a new type of ground heat exchanger being assessed over the year. In simple terms, the project is testing a new, more effective ground source heat exchanger pipe. Two homes in JM's single-family home project in Hålludden, Värmdö Municipality outside Stockholm, have this type of heat exchanger. The Royal Institute of Technology performed an evaluation, and the results indicate that a ground heat facility with the new pipes has 20 percent higher output power than facilities with conventional pipes.</p>
<b>IQ Samhällsbyggnad (Swedish Centre for Innovation and Quality in the Built Environment)</b>		
This is a special interest association with members from the entire urban planning sector.	<p>The association promotes issues that are of value for the development of the entire sector.</p> <p>IQ Samhällsbyggnad highlights current issues related to research, innovation and quality, and creates a meeting place for the business world, research community and political system.</p>	JM is a member.



# COMMITTED EMPLOYEES DEVELOP JM

**A place to feel at home, that's what our business is basically all about, no matter whether we're building or developing homes and neighborhoods. But to satisfy others, we have to be satisfied with our jobs too.**

During the year we focused on ensuring that the large number of new employees who started at JM in 2011 had successfully adapted to their tasks and JM's culture. At the end of the year, JM had 2,290 employees, of which 1,051 were wage-earners and 1,239 were salaried employees. Staff turnover during the year was 6 percent, and the average length of employment was about 7 years.

A more cautious market and fewer housing starts meant that JM was overstaffed in some regions during the year and therefore terminated the employment of a number of employees. However, as a whole, personnel levels in the Group were stable during the year and the need to recruit employees decreased. More than 200 employees were recruited during the year, primarily within production.

## KNOW-HOW – A STRENGTH

Knowledgeable and committed employees are vital to our success. We build long-term relationships with our employees and offer them the opportunity to grow in their roles with challenging and varying duties and by investing in internal mobility. Our employees' skills and experience are also important for the success of JM's sweeping Structured Production project.

Our recruitment strategy is to have a good mix of senior and less experienced employees. We collaborate extensively with schools and universities around the country as a means of attracting future employees who want to grow with JM; examples include Rönninge Gymnasium and Nackademin and KTH Royal Institute of Technology. Over the year, we attended 14 labor market days at, for example, KTH Royal Institute of Technology in Stockholm, Chalmers University of Technology in Gothenburg, Lund University and Linköping University.

Internships offer a good opportunity for young people to experience the construction industry and for JM to form valuable ties with the workers of tomorrow. During the year we offered internships to around 100 students, primarily within production. In August 2012 we started a two-year trainee program that focuses on both production and project development. The participants come from Sweden and Norway.

## SKILLS DEVELOPMENT

Understanding and consensus among employees are decisive factors of success in JM's efforts to structure its production into effective processes. Therefore, around 360 craftsmen in Stockholm and managers from the Stockholm and East regions participate in training courses with the aim of increasing their



## TRAINING FOR CRAFTSMEN

Robin Wollberg is one of 360 craftsmen in Stockholm who attended the seven-day training course on the standardized method of working in JM's production. The course program includes everything from a module on cranes and the working environment to teamwork and installation instructions.

"My expectations for the course were not very high, so I was positively surprised," says Robin. "I see clearly now, for example, how small problems can have big consequences. Poorly performed work can be very expensive."

Robin thinks that the LABC training course, where participants got hands-on experience at first aid, was good and something a person can never get enough of. Even the training about "Safe lifting" was very useful and increased his understanding for how lifting material wears out and needs to be checked on a regular basis.

"There are many advantages to having a standardized method of production", says Robin. "People know what should be done, it is a proven method of working and the risk for errors decreases. Then, of course, it is up to each person to do a good job. Orders also become simpler, so when we are going to start our work, hopefully the right tools will be there," concludes Robin.

*Robin Wollberg,  
carpenter at Skogsbacken, Järvastaden in Solna*

understanding for and competence in a structured method of working within production.

Site managers hold a key role in our production. Since JM's need for good managers should primarily be satisfied through internal recruitment, we continued to offer during the year a development program for future site managers. The 18-month program is being held in Sweden.

We monitor our managers with respect to JM's management skills using, for example, performance reviews. There is a direct



## TWO YEARS AS A TRAINEE

JM has an annual trainee program that lasts for two years. Kerstin Westling started a trainee program in 2010 with a focus on project development, and in October the program was completed.

“During my time as a trainee I have worked in many different areas at JM,” says Kerstin. “This has given me good insight into the entire organization, which is a big advantage, and it allowed me to create a broad contact network. This is both fun and a big benefit at work.”

One of the networks that Kerstin participates in is Young at JM. Employees who have not yet turned 33 get together a few times a year to exchange experiences, go on study visits and spend time together outside of the office.

“The two periods I spent out on the construction sites were the most interesting during the trainee program,” says Kerstin. “I had never been at a construction site before, but thanks to my helpful colleagues I learned a lot about how we build at JM. Everyone was so open. I could always ask questions and I quickly felt like I was part of the team.”

Thanks to the trainee program, Kerstin has a firm foundation to stand on. New, challenging tasks await, as well as more responsibility. She will now split her time as an assistant pre-construction manager in the Stockholm North region and as assistant to the CEO.

*Kerstin Westling,  
previous trainee – now assistant pre-construction manager  
and assistant to the CEO*

link between the performance assessment in the performance review and pay setting. Clear leadership paves the way for high performance and enjoyment levels among our staff. As part of this, an introduction course for managers and leaders in JM was implemented in Sweden. During this course the role of the manager is clarified as well as the responsibility and authorities associated with this role. The transfer of experiences between JM's businesses in different countries was developed during the year. A mentor program with participants from Belgium, Finland and

JM's ethical guidelines	
<b>Consideration for our coworkers</b>	
• we respect each individual employee	
• we accept no form of discrimination or harassment, neither in our relations with our colleagues nor with people outside the Company	
• we look out for one another and inform a superior if a colleague is in trouble.	
<b>Responsible</b>	
• we do not risk making short-term decisions that might weaken the value of the JM brand	
• we take responsibility for keeping ourselves informed about our own activities, even if this leads to difficult decisions	
• we do not accept that time and cost requirements take precedence over worker protection and a good working environment	
• we do not make commitments outside our professional mandates	
• we categorically do not accept theft or stealing	
• we comply with current legislation as a matter of course.	
<b>Professional agreements</b>	
• we follow and respect signed contracts and agreements	
• we do not accept unauthorized workers at our workplaces	
• we do not accept price cartels.	
<b>Professional relationships without personal gain</b>	
• we do not act in such a way that either our counterparty or we are placed in a position of personal dependence	
• we should be highly restrictive as regards gifts and benefits to and from suppliers and business partners	
• we do not allow suppliers or business partners to pay for our travel and subsistence; neither does JM pay for suppliers' and business partners' travel and subsistence (unless this is already regulated by agreement)	
• we do not use the Company's resources for private gain.	

Sweden was started during the fall and several employees from Sweden are assisting our Nordic countries in different areas.

## SECURE AT WORK

All JM employees should feel secure about going to work. We have a zero tolerance vision on accidents on the job, and we work proactively with preventive safety through initiatives such as the “Neatness and Order” check at JM's construction sites. As part of the preventive safety program, JM checks risk

EMPLOYEES – GROUP	2012	2011	2010
Number of employees as of Dec 31	2,290	2,370	2,100
– number of salaried employees	1,239	1,227	1,082
– number of wage-earners	1,051	1,143	1,018
Average age, salaried employees	43	43	42
Average age, wage-earners	40	39	39
Percentage of women among salaried employees, %	30	31	31

AVERAGE NUMBER OF EMPLOYEES PER COUNTRY	2012	2011	2010
Sweden	2,021	2,025	1,797
Norway	324	271	218
Denmark	13	12	11
Finland	17	13	6
Belgium	11	10	11
<b>Total</b>	<b>2,386</b>	<b>2,331</b>	<b>2,043</b>

ABSENCE DUE TO ILLNESS – SWEDEN, %	2012	2011	2010
Total absence due to illness	3.8	3.4	3.6
29 years or younger	4.6	4.1	3.4
30–49 years	2.8	2.8	3.1
50 years and older	5.0	4.0	4.6
Absence due to illness during consecutive period of at least 60 days/total absence	29	30	56
Absence due to illness, salaried employees	1.6	1.6	1.4
Absence due to illness, wage-earners	6.0	5.2	5.4

management procedures, personal protective gear, that workplaces are neat, that there are scheduled inspections and that appropriate permits are obtained. Reporting and follow-up of accidents and near-accidents improved during the year. This provides crucial information about which measures must be taken to prevent accidents in the future. One example of this is the new, safer stand that was developed to store curtain walls. During the year JM in Sweden had 11.1 accidents resulting in absence per million worked hours.

## FEEL GOOD

During the year we observed that short-term sick leave increased primarily among young wage-earners. We are therefore placing a larger focus on follow-up of absence due to illness and early rehabilitation.

Our active wellness program contributes to healthier and more satisfied employees. Morning exercise at the construction sites offers a good start to the day and helps reduce injuries at the workplace. The fitness contribution in Sweden is up to SEK 3,000 per year, and many employees utilize it to take part in a sports activity. Around 130 JM employees took part in the Midnight Run, which is a good example of a common fitness activity.



## THE JOURNEY WITHIN JM

In 1985, Robert Gustafsson came to JM as a carpenter directly from the schoolroom. And he has never regretted this decision. For about 15 years he worked as a carpenter on many of JM's projects in Stockholm, but in the end his knees began to suffer.

"Someone told me I should learn a new trade, but I said, 'No, this job is my life'. But when I was offered a position as a foreman, I realized that my body was not going to last forever, and that the offer was a good alternative. So I said Yes" explains Robert. Seven years later, Robert was offered the position of site manager.

"My previous experiences were very valuable in the new job and I attended the site manager training course," continues Robert. "A site manager has a lot to do, but I think it is important to get out on the construction site at least once a day." Kajen 4, which is Robert's current workplace, is a challenge. The conditions for constructing a 24-floor building are a bit different. For example, it takes longer to lift building material and metal facades that need to be fastened require scaffolding the entire way up. But Robert views these challenges are part of the fun. When asked what he will be working with in ten years, the answer is "as site manager but might become a work supervisor some day".

*Robert Gustafsson  
site manager, Kajen 4, Liljeholmskajen*

Employees in Sweden receive up to 12 months of parental leave with compensation for loss of income. The purpose is to support parents and help achieve increased gender equality. JM strives to have a more even gender distribution within all parts of its organization. However, we are noticing that it is difficult to recruit female employees, primarily to production. We therefore implemented a number of measures, and further measures are planned. During 2013 JM will conduct an internal survey about diversity in order to raise the issue of and create a dialog about the uneven distribution of gender and ethnicity in the industry. Only 0.6 percent of the wage-earners at JM in Sweden are women.

High ethical standards are important for us and our ethical guidelines emphasize, for example, that we protect our employees through zero tolerance of discrimination and harassment. To support this, there is an Ethics Council and an incident reporting system.



# BUSINESS SEGMENTS

The JM Group's business is managed and reported in five business segments: JM Residential Stockholm, JM Residential Sweden, JM International, JM Property Development and JM Production.



# JM RESIDENTIAL STOCKHOLM

## MARKET

Demand in the existing home market continues to be cautious. Prices increased in all submarkets of the business segment during the year. The supply of residential units on the existing home market is lower than last year. The supply of new homes continues to be low in relation to long-term demand in the Stockholm area.

Interest in JM's projects is strong. The customers' tendency to sign a contract early in the process also continued to increase.

JM is the market leader in new production of tenant-owned apartments in Greater Stockholm, with ongoing projects in several municipalities in the county. Some of the major projects in the region are Liljeholmen in Stockholm, Kvarnholmen in Nacka, Dalénium on Lidingö, Järvastaden in Solna/Sundbyberg, Täby Centrum in Täby, Långbro in Stockholm, Norra Frösunda in Solna and Gustavsberg in Värmdö.

## EARNINGS TREND

The business segment's revenue increased to SEK 5,591m (5,141) and operating profit increased to SEK 1,041m (1,028). The operating margin was 18.6 percent (20.0). The high revenue is a result of the continued large number of residential units in current production with a high level of activity. Cash flow is in balance.

## BUILDING RIGHTS

During the year building rights equivalent to about 800 residential units (1,400) were acquired in Stockholm, Täby and Nacka.

## HOUSING STARTS

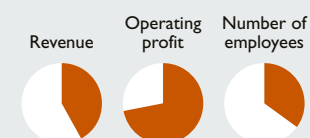
During the year, there were housing starts for 1,507 residential units (1,684): 1,445 (1,622) were units in apartment buildings including 77 on Lidingö, 144 in Nacka, 137 in Solna, 887 in Stockholm, 97 in Sundbyberg, 63 in Tyresö and 40 in Värmdö. 62 (62) were single-family homes, including 34 in Haninge and 28 in Solna.



Liljeholmskajen, part of Stockholm's new inner city.

## JM RESIDENTIAL STOCKHOLM

**The JM Residential Stockholm business segment develops residential projects in Greater Stockholm. Operations include acquisitions of development properties, planning, pre-construction, production and sales of residential units.**



SEKm	January–December	
	2012	2011
Revenue	5,591	5,141
Operating profit	1,041	1,028
Operating margin (%)	18.6	20.0
Average operating capital	2,406	2,286
Return on operating capital (%)	43.3	45.0
Operating cash flow	1,051	641
Carrying amount, development properties	2,904	2,888
Number of available building rights	10,900	11,800
– of which building rights on the balance sheet	7,400	7,500
Number of residential units sold <sup>1)</sup>	1,307	1,401
Number of housing starts <sup>1)</sup>	1,507	1,684
Number of residential units in current production	3,071	3,290
Number of employees	798	807
– of which salaried employees	388	376
– of which wage-earners	410	431
<sup>1)</sup> Of which rental units	-	77

# JM RESIDENTIAL SWEDEN

## MARKET

The supply of residential units on the existing home market is somewhat lower than it was at the same time last year on all submarkets within the business segment. Closing prices on the existing home market increased during the last year, except in Malmö and Västerås where prices fell slightly. Demand continues to be cautious, particularly in the Malmö area.

There is strong interest in JM's projects but the customers' decision process is still long.

The largest segments in JM Residential Sweden are Gothenburg, Malmö/Lund and Uppsala. Large projects are in progress in the former harbor neighborhood at Norra Älvstranden and in Kviberg in Gothenburg, in Kungsbacka, in the Dockan area in Malmö, at Lomma Strandstad in Lomma Municipality and in the sugar mill area in central Lund. The largest projects in Uppsala are Kungsängen and Luthagen, close to the center of town.

## EARNINGS TREND

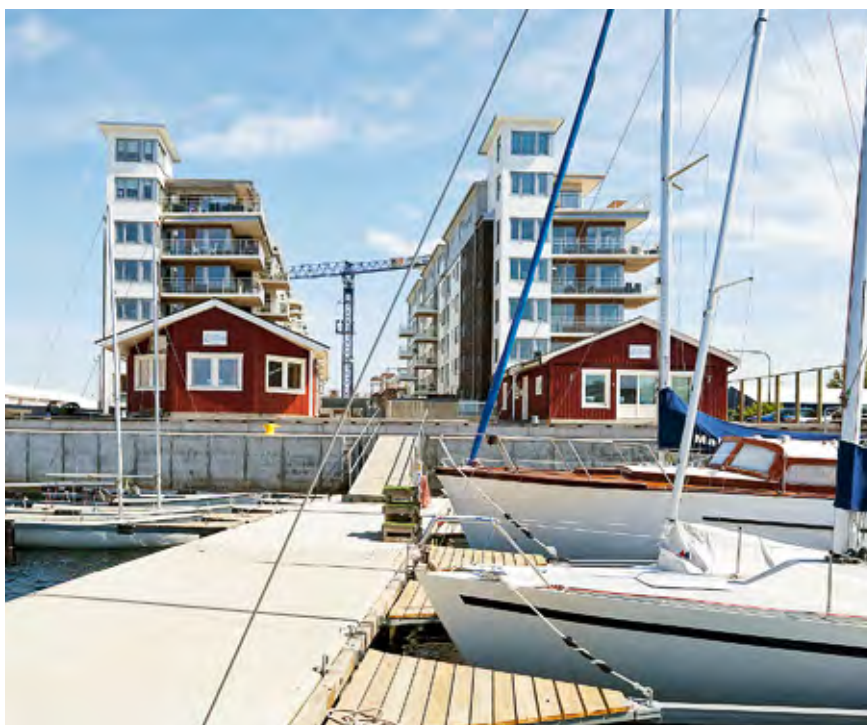
The business segment's revenue decreased to SEK 3,003m (3,355) and operating profit decreased to SEK 231m (301). The operating margin decreased to 7.7 percent (9.0). The lower revenue is a result of the lower number of houses in current production, which also meant that the number of employees was reduced. Cash flow is in balance.

## BUILDING RIGHTS

During the year building rights equivalent to about 400 residential units (700) were acquired in Gothenburg, Helsingborg, Malmö, Partille and Uppsala.

## HOUSING STARTS

During the year, there were housing starts for 779 residential units (1,157): 738 (1,012) were units in apartment buildings, including 209 in Skåne (82 in Malmö, 55 in Lomma, 39 in Lund and 33 in Svedala), 200 in Uppsala, 103 in Gothenburg, 103 in Västerås, 45 in Kungälv, 42 in Örebro and 36 in Linköping. 41 (145) were single-family homes, including 21 in Skåne (Staffanstorps) and 20 in Kungsbacka.



The Limhamnskaian area in Malmö offers city living by the sea.

## JM RESIDENTIAL SWEDEN

**The JM Residential Sweden business segment develops residential projects in growth areas in Sweden, excluding Greater Stockholm. Operations include acquisitions of development properties, planning, pre-construction, production and sales of residential units. Contracting operations are also conducted to a limited extent.**



SEKm	January–December 2012	2011
Revenue	3,003	3,355
Operating profit <sup>1)</sup>	231	301
Operating margin (%)	7.7	9.0
Average operating capital	1,490	1,478
Return on operating capital (%)	15.5	20.4
Operating cash flow	243	317
Carrying amount, development properties	1,333	1,406
Number of available building rights	9,200	8,800
– of which building rights on the balance sheet	5,700	5,600
Number of residential units sold	902	1,056
Number of housing starts	779	1,157
Number of residential units in current production	1,492	1,973
Number of employees	538	602
– of which salaried employees	284	294
– of which wage-earners	254	308
<sup>1)</sup> Of which property sales	-	4



# JM INTERNATIONAL

## EARNINGS TREND

The business segment's revenue increased to SEK 3,152m (2,349). Operating profit increased to SEK 181m (159). The operating margin decreased to 5.7 percent (6.8). The improved revenue is a result of the larger number of residential units in current production and the contracting operation acquired in Norway in 2011. The operating margin decreased primarily due to a lower margin in the acquired contracting operation.

Cash flow improved primarily due to a decrease in development properties attributable to a larger number of housing starts for residential projects in Norway.

## NORWAY

Demand for residential units, both newly built and in the existing home market, continued to be strong, particularly in JM's markets: Oslo, Stavanger and Bergen. Demand is strengthened by a continued increase in population and high demand for manpower. The price level on the existing home market increased during the year.

During the year 649 residential units (577) were sold and production began on 815 units (640). The number of residential units in current production amounts to 1,246 (878).

Approximately 700 building rights (950) were acquired during the year. Available building rights correspond to 4,700 residential units (5,300).

## DENMARK

The level of activity on the housing market in Copenhagen continued to be low. Banks

continued their restrictive lending practices to mortgage customers, which offsets the positive effect of lower interest rates. The price level on the existing home market was stable at a low level during the year.

During the year 13 residential units (28) were sold and production began on 2 units (18). The number of residential units in current production amounts to 20 (82). No acquisitions were made during the year (-). Available building rights correspond to 700 residential units (700).

## FINLAND

Activity on the housing market in Helsinki remains at a stable level. However, customers are cautious and time to closing has increased. The price level in the capital region was stable during the year.

During the year 26 residential units (14) were sold and production began on 34 units (59). The number of residential units in current production amounts to 62 (59). Acquisitions of 40 building rights (50) were made and agreements were entered into for around 500 as conditional acquisitions.

Available building rights correspond to 600 residential units (100).

## BELGIUM

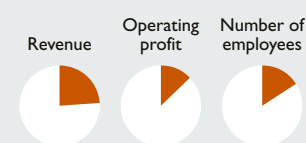
Activity in the housing market and the price level in the Brussels region continue to be stable. During the year 55 residential units (36) were sold and production began on 26 units (71). The number of residential units in current production amounts to 97 (119). No acquisitions were made during the year (-). Available building rights correspond to 500 residential units (500).



Rodelunden, Oslo in Norway.

## JM INTERNATIONAL

**The JM International business segment develops residential properties in Norway, Denmark, Finland and Belgium. Contracting operations are also conducted to a limited extent in Norway.**



SEKm	January–December	
	2012	2011
Revenue	3,152	2,349
Operating profit	181	159
Operating margin (%)	5.7	6.8
Average operating capital	2,202	1,822
Return on operating capital (%)	8.2	8.7
Operating cash flow	74	-197
Carrying amount, development properties	1,454	1,462
Carrying amount, project properties	69	51
Number of available building rights	6,500	6,600
– of which building rights on the balance sheet	4,300	4,500
Number of residential units sold	743	655
Number of housing starts	877	788
Number of residential units in current production	1,425	1,138
Number of employees	364	348
– of which salaried employees	236	222
– of which wage-earners	128	126

Revenue recognition for the business segment is reported according to IAS 11, percentage of completion method.

# JM PROPERTY DEVELOPMENT

## EARNINGS TREND

The business segment's revenue totaled SEK 77m (73), including rental income of SEK 73m (71) and contracting revenue of SEK 4m (2). Operating profit decreased to SEK –83m (15). Net rental income for project properties was SEK 30m (16). An impairment loss of SEK 95m was made for the commercial premises in Dalénium, Lidingö. The impairment is primarily explained by a higher return requirement in the market. Cash flow was burdened by investments in project properties totaling SEK 161m (272).

## PROPERTY TRANSACTIONS

No properties were sold during the year. Gains from property sales amounted to SEK 0m (23).

## PROJECT DEVELOPMENT

Production of a senior housing project with 108 apartments in Stora Sköndal, Stockholm, with a total area of 7,040 square meters, is underway. A 15-year lease was signed with Stiftelsen Stora Sköndal with two move-in stages, fall of 2013 and spring of 2014.

Within the Dalénium area, special housing for the elderly was completed. It consists of 54 residential units, with a total area of 3,678 square meters. A 15-year lease was signed with external caregiver.

A healthcare accommodation at Sjövikshöjden in Stockholm was completed. The project consists of six apartments and premises for the surrounding tenant-owners associations. The City of Stockholm

is the tenant, and total area amounts to 575 square meters.

During the year, efforts intensified as we searched for land with leasehold rights for rental units, primarily in the City of Stockholm. At the same time, two rental unit projects – 155 apartments in Stureby and 150 apartments in Farsta, both in Stockholm – are at the detailed plan stage. In December an agreement was signed with John Mattson Fastighets AB for the construction and sale of 146 rental apartments with a planned occupancy target date in the fall of 2015.

In the Bolinder strand area in Järfälla, commercial premises adjacent to JM's residential project are under development. The occupancy rate was 89 percent at year-end.

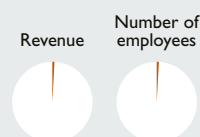
In the Dalénium area on Lidingö tenancy in the existing premises was 86 percent at year-end. Dalénium will be further developed with new rentals, technical improvements and a focus on increased net rental income.

## BUILDING RIGHTS

JM's building rights for commercial project development amount to 56,000 square meters, including 39,500 square meters in commercial building rights. Residential building rights represent 16,500 square meters. The carrying amount is SEK 61m.

## JM PROPERTY DEVELOPMENT

**The JM Property Development business segment primarily develops rental housing, residential care facilities and commercial properties in Greater Stockholm. The business segment's entire portfolio comprises project development properties.**



SEKm	January–December	
	2012	2011
Revenue	77	73
Operating profit <sup>1)</sup>	–83	15
Average operating capital	939	822
Return on operating capital (%)	–8.8	1.8
Operating cash flow	–161	–134
Carrying amount, development properties	61	60
Carrying amount, project properties	864	808
Number of employees	16	18
– of which salaried employees	16	18
<sup>1)</sup> Of which		
– property sales	0	23
– impairment loss on property	–95	-



Agadir – senior housing on Lidingö.





# JM PRODUCTION

## MARKET

Demand in the contracting market in Stockholm is at a good level with customers displaying a good willingness to invest. Both the building and civil engineering markets are stable, although there are many actors competing for the assignments. Orders are good in the business segment, with a large number of projects in current production.

## EARNINGS TREND

The business segment's revenue increased to SEK 2,006m (1,986) and operating profit decreased to SEK 71m (84). The operating margin decreased to 3.5 percent (4.2). Projects with lower margins have a negative impact on the outcome for the year. These projects were obtained during a period of high competition. Cash flow improved during the year.

## PROJECTS

JM received several new assignments during the year, of which the largest is the construction of apartment buildings for Stockholmshem in Hjorthagen, Stockholm.

Renovation of and additions to baggage handling at Arlanda for Swedavia and preparatory work for the renovation of Slussen for the City of Stockholm.

The largest projects currently underway are two phases of the new E18 motorway between Hjulsta and Kista (Swedish Transport Administration), new production of an office building in Frösunda, Solna (Vasakronan), a collaborative contract for rebuilding a school in Stockholm (SISAB), streets and conduits (Tyresö and Nacka Municipalities), a renovation project in central Stockholm (Praktikertjänst) and site and track work for expansion of railway tracks in Bromma (Storstockholms Lokaltrafik). In addition, the renovation of an office building in Kista (Microsoft) is underway.

Current projects for JM Residential Stockholm include construction of apartment buildings in Bromma and at Telefonplan, as well as site work within the Dalén area of Lidingö. In addition, the quays in the Liljeholmen area are being extended and completed for use. Senior housing at Stora Sköndal is being built for JM Property Development.

## JM PRODUCTION

The business segment carries out construction work for external and internal customers in the Greater Stockholm area.



SEK m	January–December	
	2012	2011
Revenue <sup>1)</sup>	2,006	1,986
Operating profit	71	84
Operating margin (%)	3.5	4.2
Operating cash flow	38	–18
Number of employees	459	478
– of which salaried employees	200	200
– of which wage-earners	259	278
<sup>1)</sup> Of which internal	695	687



JM Entreprenad builds office in Frösunda.



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**The Board of Directors and the President of JM AB (publ), Company reg. no 556045-2103, hereby submit the annual accounts and consolidated financial statements for 2012.**

## MARKET, SALES AND HOUSING STARTS

Demand for newly built homes in Sweden was cautious during the year. However, demand improved slightly during the second half of the year. Customers are showing strong interest in JM's projects at the same time as the sales process in Sweden is taking longer in the uncertain economic situation. Demand was good in Norway. The weak demand in Denmark persists.

The slower sales process has resulted in slightly fewer signed contracts. However, population growth in our main markets, coupled with continued low interest rates, supports demand for housing.

The number of residential units sold in the form of signed contracts was 2,952 (3,112) of which 0 (77) involve a rental project for an external client. The percentage of sold or reserved homes in relation to current production amounts to 66 percent (68), with an interval of 60–65 percent considered normal. JM Residential Stockholm sold 1,307 (1,401) residential units, JM Residential Sweden sold 902 (1,056) and JM International 743 (655).

The number of housing starts decreased to 3,163 (3,629) with a large number of housing starts during the fourth quarter. In the Stockholm area housing starts totaled 1,507 (1,684) and in the rest

of Sweden 779 (1,157). Housing starts in international operations totaled 877 (788).

The total number of housing starts during the year exceeds the number of signed contracts, which reflects demand for our projects. The number of residential units in current production amounts to 5,988 (6,401).

## REVENUE

Consolidated revenue in accordance with segment reporting for the year increased to SEK 13,134m (12,217). Revenue restated according to IFRIC 15 increased to SEK 12,480m (12,001). The increased revenue is mainly attributable to the JM Residential Stockholm business segment and JM in Norway.

## OPERATING PROFIT

Operating profit according to segment reporting was SEK 1,398m (1,544) and the operating margin decreased to 10.6 percent (12.6). Operating profit restated according to IFRIC 15 was SEK 1,374m (1,513). Profit was burdened by an impairment loss on project property totaling SEK 95m (-). The decrease in profit and margin is primarily attributable to the impairment loss on project property in JM Property Development and decreased revenue in JM Residential Sweden. During the year, gains on the sale of properties were SEK 0m (27). Rental income from JM's project properties totaled SEK 77m (73), with residential units accounting for SEK 7m (4). Net rental income was SEK 33m (17).

Operating profit for the business segment JM Residential Stockholm increased to SEK 1,041m (1,028). The operating margin was 18.6 percent (20.0). The stable revenue is explained by the continued large number of residential units in current production with a high level of activity.

Operating profit in JM Residential Sweden decreased to SEK 231m (301). The operating margin decreased to 7.7 percent (9.0). The decrease in profit is explained by fewer residential units in current production, which also meant that the number of employees was reduced.

Operating profit for JM International improved to SEK 181m (159) at the same time as the operating margin decreased to 5.7 percent (6.8). The increase in profit is explained by a larger number of residential units in current production and increased prices in Norway during the year. The operating margin decreased primarily due to a lower margin level in the contracting operation acquired in Norway in 2011.

Operating profit for JM Property Development decreased to SEK –83m (15). The decrease in profits is explained by the impairment loss on a project property totaling SEK 95m (-).

Operating profit for JM Production decreased to SEK 71m (84). The operating margin decreased to 3.5 percent (4.2).

BUSINESS SEGMENTS SEKm	Revenue		Operating profit		Operating margin, %	
	2012	2011	2012	2011	2012	2011
JM Residential Stockholm	5,591	5,141	1,041	1,028	18.6	20.0
JM Residential Sweden	3,003	3,355	231	301	7.7	9.0
JM International	3,152	2,349	181	159	5.7	6.8
JM Property Development	77	73	-83	15		
JM Production	2,006	1,986	71	84	3.5	4.2
Elimination	-695	-687	-	-		
Group-wide expenses	-	-	-43	-43		
Total (segment reporting)	13,134	12,217	1,398	1,544	10.6	12.6
Restatement JM International <sup>1)</sup>	-654	-216	-24	-31		
<b>Total</b>	<b>12,480</b>	<b>12,001</b>	<b>1,374</b>	<b>1,513</b>	<b>11.0</b>	<b>12.6</b>

<sup>1)</sup> Effect of restatement on revenue and profit and loss according to IFRIC 15 in relation to segment reporting.

#### RESIDENTIAL UNITS IN CURRENT PRODUCTION

	12-31-2012	12-31-2011
Number of residential units in current production <sup>1)</sup>	5,988	6,401
Percentage sold residential units in current production (%) <sup>2)</sup>	55	60
Percentage reserved residential units in current production, %	11	8
Percentage sold and reserved residential units in current production, %	66	68

<sup>1)</sup> Beginning with production startup through final occupancy according to plan.

<sup>2)</sup> Percentage sold residential units expressed as binding contract with end customer.

#### COMPLETED PRODUCTION, UNSOLD UNITS

	12-31-2012	12-31-2011
Completed production, number of unsold units <sup>1)</sup>	176	94
– including the balance sheet item reported as "Participations in tenant-owners associations, etc."	70	59

<sup>1)</sup> After final occupancy according to plan.

#### FINANCIAL INCOME AND EXPENSES

Financial income and expenses totaled SEK –56m (–50), a decrease of SEK 6m compared to the previous year attributable to lower financial income, which is primarily explained by lower interest rates.

SEKm	12-31-2012	12-31-2011
Financial income <sup>1)</sup>	38	45
Financial expenses <sup>2)</sup>	-94	-95
<b>Financial income and expenses</b>	<b>-56</b>	<b>-50</b>
<sup>1)</sup> Of which revaluation and currency hedging	4	8
<sup>2)</sup> Of which revaluation and currency hedging	-4	-8

#### PROFIT BEFORE TAX

Profit before tax decreased to SEK 1,318m (1,463). Profit includes an impairment loss on project property totaling SEK 95m (-).

#### PROFIT FOR THE YEAR

Profit for the year was SEK 961m (1,042). Total tax expense was SEK –357m (–421) including current tax of SEK –408m (–269) and deferred tax of SEK –51m (–152). Tax expense for 2012 slightly exceeds the nominal tax rate for the Group. Tax expense for the year was affected positively by a revaluation of deferred tax attributable to lower income tax in 2013, from 26.3 percent to 22.0 percent, totaling SEK 42m. It was also affected negatively by a revaluation of deferred tax for a loss carry-forward within JM International totaling SEK –46m. A charge of SEK 23m (25) was taken against earnings for the property tax, which is treated as an operating expense.

#### OPERATIONS

##### BUILDING RIGHTS

The number of available building rights amounts to 26,600 (27,200), of which 17,400 (17,600) are recognized in the balance sheet. This means that 9,200 building rights (9,600) are controlled by agreement and are not recognized as assets. Capital tied up in building rights (development properties on the balance sheet) for residential units decreased to SEK 5,691m (5,756) at year-end. In addition the JM Property Development business segment has access to building rights for commercial project development, including 220 building rights for rental units, equivalent to about 56,000 square meters with a total carrying amount of SEK 61m (60).

##### TOTAL NUMBER OF RESIDENTIAL BUILDING RIGHTS

(Including rights carried in the balance sheet as development properties)

	2012	2011
JM Residential Stockholm	10,900 (7,400)	11,800 (7,500)
JM Residential Sweden	9,200 (5,700)	8,800 (5,600)
JM International	6,500 (4,300)	6,600 (4,500)
<b>Total</b>	<b>26,600 (17,400)</b>	<b>27,200 (17,600)</b>

Valuation of JM's total development properties with a carrying amount of SEK 5.8bn (5.8) shows a surplus value of SEK 2.6bn (2.4). This valuation was carried out in cooperation with an independent appraisal company. During 2012, JM purchased development properties for residential units for SEK 1,259m (1,585), of which SEK 487m relates to JM Residential Stockholm, SEK 200m to JM Residential

Sweden and SEK 572m to JM International. Net investments in development properties during the year totaled SEK –41m (447). The building rights portfolio amounts to SEK 5,769m (5,816). These holdings are essential for JM's residential development projects.

#### DEVELOPMENT PROPERTIES (HOUSING)

SEK billion	12-31-2012		12-31-2011	
	Market value	Carrying amount	Market value	Carrying amount
JM Residential Stockholm	4.4	2.9	4.3	2.9
JM Residential Sweden	1.8	1.3	2.0	1.4
JM International	2.1	1.5	1.9	1.5
<b>Total</b>	<b>8.3</b>	<b>5.7</b>	<b>8.2</b>	<b>5.8</b>

#### PROJECT PROPERTIES

Rental income from JM's project properties totaled SEK 77m (73), with residential units accounting for SEK 7m (4). Net rental income was SEK 33m (17). During 2012, total gains on the sale of properties were SEK 0m (27). Profit was burdened by an impairment loss on project property totaling SEK 95m (-). An external appraiser calculated the market value of JM's project properties to be SEK 959m (854) with a carrying amount of SEK 933m (859).

#### PROJECT PROPERTIES

12-31-2012	Market value, SEKm	Carrying amount, SEKm	Occupancy rate	
			Area (000) m <sup>2</sup>	annual rent, %
Residential units (rental units)	126	123	7,110	100
Properties under development	599	587	70,292	82
Fully developed commercial properties	234	223	9,681	85
<b>Total</b>	<b>959</b>	<b>933</b>	<b>87,083</b>	<b>84</b>

Investments and acquisition of project properties totaled SEK 178m (291).

#### FINANCIAL ITEMS

##### INTEREST-BEARING LIABILITIES AND AVERAGE

##### INTEREST RATES

As of December 31, 2012, interest-bearing net receivables amounted to SEK 950m (970). At year-end, non-interest-bearing liabilities for implemented property acquisitions amounted to SEK 602m (395). SEK 503m (223) of these liabilities are short-term. The total interest-bearing loan on December 31, 2012, was SEK 1,525m (1,467), of which the provision for pensions comprised SEK 648m (608). At the end of the year, the average interest rate for the total loan stock including pension liabilities was 3.4 percent (3.8). The average term for fixed-rate loans excluding pension liabilities was 0.3 years (0.2). Since the volume of long-term borrowing is relatively limited, the Group mainly works with short time to maturity.

#### CASH FLOW

Cash flow from operating activities was SEK 979m (733) during the year. Net investments in development properties resulted in a cash flow of SEK 278m (-384). Increased holdings of unsold residential units on the balance sheet burdened cash flow by SEK –204m (-52). Consolidated cash flow from project properties (sales minus investment) during the year was SEK –175m (-173).

#### LIQUIDITY

Consolidated available liquidity was SEK 5,275m (5,237). Aside from cash and cash equivalents of SEK 2,475m (2,437), this includes unutilized overdraft facilities and credit lines totaling SEK 2,800m (2,800), where credit agreements for SEK 2,400m had an average maturity of 2.2 years (2.1).

#### SHAREHOLDERS' EQUITY

Consolidated shareholders' equity as at December 31, 2012 totaled SEK 4,667m (4,598). Share capital totaled SEK 84m (83), other capital contributions SEK 789m (779), and reserves SEK –31m (-23). Undistributed earnings totaled SEK 3,825m (3,759) including net profit for the year of SEK 961m (1,042). In 2012 the dividend to shareholders was SEK 6.50 per share (4.50), for a total of SEK 542m (375). Buy-back of own shares during the year for SEK 359m (-). The equity ratio was 40 percent (41).

#### PERSONNEL

The number of employees decreased during 2012 by 3 percent and at the end of the year amounted to 2,290 (2,370). Current staffing is considered well balanced for the current project volume and some adjustments are made on a regular basis. There were 1,051 (1,143) wage-earners and 1,239 (1,227) salaried employees. The average number of employees during the year was 2,386 (2,331) including 365 (306) employed in JM's foreign subsidiaries. Wages, salaries, and social security expenses totaled SEK 1,794m (1,602), of which social security expenses comprised SEK 596m (518).

#### ENVIRONMENTAL WORK

How JM treats the environment today will leave its mark long into the future. Environmental initiatives require a businesslike approach in the short and long term, providing long-term value growth for owners as well as added value for customers, such as lower operating costs. JM continuously develops its environmental work using our operations system, measurable targets and environmental training programs, with follow-up through nonconformity and key figure reports, as well as with internal audits. Prioritized environmental issues include energy consumption, choice of building materials, building waste, transports and machinery and contaminated soil.

#### WORK OF THE BOARD IN 2012

The 2012 Annual General Meeting elected seven ordinary members. In addition, two employee representatives and two deputies were appointed. The Board of Directors held twelve meetings. In addition the Audit Committee held four meetings, the Compensation Committee four meetings and the Investment Committee five meetings. The most important issues for the Board during 2012 were decisions to start production on large housing projects, major acquisitions of development properties, and the strategic plan, proposals regarding the decision to buy back shares, as well as proposals for the short- and long-term variable salary program and proposal for a convertible debenture and option program for all personnel in the Group corresponding to the program adopted in previous years. The Board members' participation in meetings can be seen in the chart on page 96. Each year the Chairman of the Board evaluates the work of the Board with the Directors and reports the results to the Nomination Committee. A description of committees and members can be seen on pages 96–98.



## DIVIDEND

For 2012 the Board of Directors proposes a dividend of SEK 6.75 per share (6.50), for a total of SEK 542m (542). The dividend rate is justified by good earnings combined with a strong balance sheet. The proposed record date for the dividend is Tuesday, April 30, 2013. If the Annual General Meeting resolves to adopt the recommendation the dividend will be sent on Monday, May 6, 2013.

## BUY-BACK AND HOLDINGS OF OWN SHARES

After the 2012 Annual General Meeting and up to December 31, 2012, a total of 3,018,092 shares were bought back for SEK 359m. Holdings of own shares subsequently total 3,169,056.

The number of outstanding shares, excluding holdings of own shares, at December 31, 2012, totals 80,494,186.

The Board of Directors intends to propose to the Annual General Meeting that the holdings of own shares be eliminated through a decrease in the share capital for appropriations to unrestricted equity. The Board of Directors' complete proposal for the decision to eliminate shares will be available at the end of March 2013.

The strong balance sheet and cash flow continue to enable capital transfer to shareholders in addition to regular dividends.

In light of this, the Board of Directors will propose that the Annual General Meeting resolve to authorize the Board of Directors, during the period up to the next Annual General Meeting and on one or more occasions, to make a resolution on buying back shares so that the Company's holdings do not at any point in time exceed 10 percent of all the shares in the Company. Acquisition should take place on NASDAQ OMX Stockholm.

Considering the continued uncertainty in the international financial system, the strategy is to spread out the buy-backs on NASDAQ OMX Stockholm until the 2014 Annual General Meeting. The objective of empowering the Board of Directors is to give it the possibility to adjust the Company's capital structure on a continuous basis.

The Board of Directors' complete proposal for a resolution regarding authorization will be available in conjunction with the notice of Annual General Meeting that will be made public on March 26, 2013.

## SHARE CAPITAL

JM's share capital on December 31, 2012, was SEK 84m (83), represented by 83,663,242 shares, of which 3,169,056 are repurchased shares. All shares carry equal voting rights and equal rights to a share of the Company's equity. The issued shares are freely transferable with no restrictions imposed by law or by JM's Articles of Association. JM knows of no agreements involving shareholders that may restrict the right to transfer shares.

## REMUNERATION TO SENIOR EXECUTIVES

The Board of Directors' proposal for resolutions on guidelines for salary and other remuneration to senior executives can be seen below and will be presented at the Annual General Meeting for approval. The guidelines are the same as those adopted at the 2012 Annual General Meeting. The new agreements with senior executives since the 2012 Annual General Meeting have followed the guidelines that are in effect.

## PROPOSAL FOR 2013 RESOLUTIONS ON GUIDELINES FOR SALARY AND OTHER REMUNERATION TO SENIOR EXECUTIVES:

The Board of Directors proposes that the Annual General Meeting approve the following guidelines for salary and other remuneration to senior executives. Compensation to the CEO and other senior executives will consist of a fixed component, short- and long-term variable components, pension benefits and other benefits. "Other senior executives" refers to the Executive Management.

Total compensation must be at market rates and competitive in the labor market in which the executive works. Fixed salary and short-term variable salary program will be related to the executive's responsibilities and authorities. The short-term variable salary program for senior executives will be capped at 50 percent of fixed salary.

The short-term variable salary program will be based on performance in relation to established targets, which is usually the externally reported operating profit before tax, earnings per share and Customer Satisfaction Index. Long-term variable salary programs can be equity and/or cash-related and will be performance-based and, at the time of commitment, be capped at 50 percent of fixed salary. Termination of employment is normally subject to a mutual period of notice of six months. If notice of termination is given by JM, severance pay equivalent to six months' salary should also be payable.

Pension benefits shall be either defined-benefit or defined-contribution, or a combination thereof, and the normal retirement age is 65. The Compensation Committee will draft and the Board of Directors will approve the remuneration policy for the CEO and senior executives. The Board shall have the right to depart from the guidelines if extenuating circumstances are present in the individual case.

## PARENT COMPANY

The Parent Company's core business is project development of residential and commercial properties. Net sales in 2012 for the Parent Company amounted to SEK 8,695m (8,436). The Parent Company's profit before appropriations and tax was SEK 1,108m (1,760). Investments in properties totaled SEK 464m (664).

The average number of employees was 1,545 (1,566), including 1,268 men (1,291) and 277 women (275). Wages, salaries, and social security expenses totaled SEK 1,129m (1,098). An account of the number of employees and payroll expenses is provided in the Parent Company's notes, note 2, page 83.

CONSOLIDATED INCOME STATEMENT, SEKm	Note	2012	2011
	1		
Revenue	2	12,480	12,001
Production and operating costs	3, 4	–10,273	–9,798
<b>Gross profit</b>		<b>2,207</b>	<b>2,203</b>
Selling and administrative expenses	3, 4, 5	–738	–717
Gains on the sale of properties	6	0	27
Impairment loss on property	7	–95	–
<b>Operating profit</b>	2	<b>1,374</b>	<b>1,513</b>
Financial income	8	38	45
Financial expenses	8	–94	–95
<b>Profit before tax</b>		<b>1,318</b>	<b>1,463</b>
Taxes	9	–357	–421
<b>Net profit for the year</b>		<b>961</b>	<b>1,042</b>
<b>Other comprehensive income</b>			
Translation differences		–2	–3
<b>Total comprehensive income for the year</b>		<b>959</b>	<b>1,039</b>
Net profit for the year attributable to shareholders of the Parent Company		961	1,042
Comprehensive income for the year attributable to shareholders of the Parent Company		959	1,039
Earnings per share, basic, attributable to shareholders of the Parent Company (SEK)	10	11.70	12.50
Earnings per share, diluted, attributable to shareholders of the Parent Company (SEK)	10	11.60	12.40
Proposed dividend per share (SEK)	10	6.75	6.50

## COMMENTS

### REVENUE

(2012: SEK 12,480m, 2011: SEK 12,001m)

Consolidated revenue during the year increased by 4 percent to SEK 12,480m (12,001). Of the revenue, SEK 9,982m refer to Sweden and SEK 2,498m refer to International. The Group applies IFRIC 15 Agreements for the Construction of Real Estate to its income statement commencing in 2010. IFRIC 15 changed reporting of revenue and profit and loss for JM's operations outside Sweden, JM International. Revenue from the Swedish operations mainly consists of recognized revenue in housing projects. Recognized revenue is reported according to the percentage of completion method, which means that revenue is recognized based on the most recent forecast, period by period, as each project is completed and sold. As a result of IFRIC 15, international operations are reported according to the completed contract method.

Restatement according to IFRIC 15 relating to JM International had an impact on revenue of SEK –654m (–216).

### OPERATING PROFIT

(2012: SEK 1,374m, 2011: SEK 1,513m)

Operating profit decreased by 9 percent to SEK 1,374m. The decrease in profit is mainly attributable to the impairment loss on project property in JM Property Development and the decrease in profit in JM Residential Sweden. Reporting according to IFRIC 15 had an impact on profit of SEK –24m (–31).

### FINANCIAL INCOME AND EXPENSES

(2012: SEK –56m, 2011: SEK –50m)

Net financial items decreased by SEK 6m compared to the previous year due to decreased financial income.

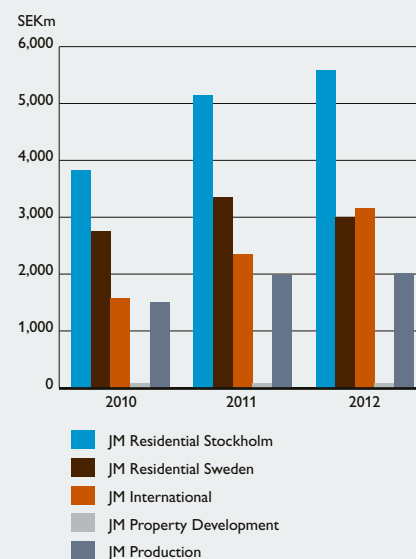
### TAXES

(2012: SEK –357m, 2011: SEK –421m)

Reported tax expense for 2012 is 27 percent, compared with 29 percent for 2011. Tax expense in 2012 included a positive effect of SEK 42m regarding the revaluation of deferred tax due to the changed income tax rate in Sweden as of 2013 from 26.3 percent to 22.0 percent.

It was also burdened by SEK –46m, which is primarily explained by the revaluation of deferred tax relating to a loss-carryforward and temporary differences within JM International.

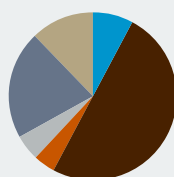
### REVENUE BY BUSINESS SEGMENT



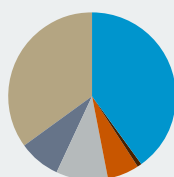
CONSOLIDATED BALANCE SHEET, SEKm	Note	12-31-2012	12-31-2011
<b>ASSETS</b>	1 2		
<b>Non-current assets</b>			
Goodwill	11	205	202
Machinery and equipment	12	11	17
Participations in associated companies	13, 14	10	9
Interest-bearing financial assets	15	0	0
Other financial assets	15, 16	18	18
Deferred tax receivables	27	10	69
<b>Total non-current assets</b>		<b>254</b>	<b>315</b>
<b>Current assets</b>			
Project properties	17	933	859
Development properties	17	5,769	5,816
Participations in tenant-owners associations, etc.	18	214	150
Accounts receivable	24	758	781
Other current receivables	19	449	265
Prepaid expenses and accrued income		16	19
Recognized revenue less progress billings	20	528	584
Work in progress	21	160	70
Cash and cash equivalents	22	2,475	2,437
<b>Total current assets</b>		<b>11,302</b>	<b>10,981</b>
<b>TOTAL ASSETS</b>		<b>11,556</b>	<b>11,296</b>
<b>EQUITY AND LIABILITIES</b>	2		
<b>Equity attributable to shareholders of the Parent Company<sup>1)</sup></b>			
Share capital		84	83
Other capital contributions		789	779
Reserves		-31	-23
Undistributed earnings (including net profit for the year)		3,825	3,759
<b>Total shareholders' equity</b>		<b>4,667</b>	<b>4,598</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	23, 24	296	293
Other long-term liabilities	23, 24	100	172
Provisions for pensions and similar commitments	25	648	608
Other non-current provisions	26	188	196
Deferred tax liabilities	27	1,190	1,319
<b>Total long-term liabilities</b>		<b>2,422</b>	<b>2,588</b>
<b>Current liabilities</b>			
Accounts payable	23, 24	587	637
Current interest-bearing liabilities	23, 24	581	566
Other current liabilities	23, 24	983	551
Current tax liabilities		205	158
Progress billings in excess of recognized revenue	28	1,155	1,317
Accrued expenses and deferred income	29	848	777
Current provisions	26	108	104
<b>Total current liabilities</b>		<b>4,467</b>	<b>4,110</b>
<b>Total liabilities</b>		<b>6,889</b>	<b>6,698</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,556</b>	<b>11,296</b>
<b>Pledged assets and contingent liabilities</b>	30		

<sup>1)</sup> Please see the section on Consolidated statement of changes in equity, page 62.

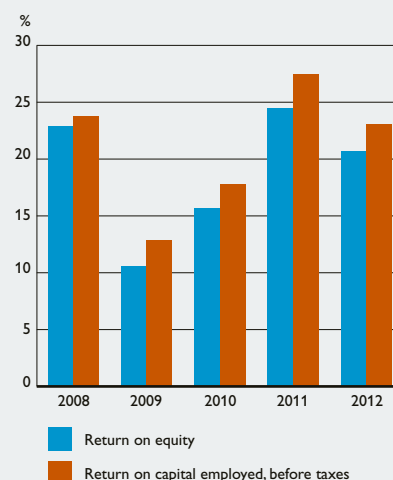


**CONSOLIDATED ASSETS**  
12-31-2012


Project properties 8% (8)
Development properties 50% (51)
Other current receivables 4% (2)
Recognized revenue less progress billings/work in progress 5% (6)
Cash and cash equivalents 21% (22)
Other assets 12% (11)

**CONSOLIDATED CAPITAL STRUCTURE**  
12-31-2012


Shareholders' equity 40% (41)
Other non-current liabilities 1% (1)
Provisions for pensions and similar commitments 6% (5)
Progress billings in excess of recognized revenue 10% (12)
Interest-bearing liabilities 8% (8)
Other liabilities and provisions 33% (33)

**RETURN ON EQUITY AND CAPITAL EMPLOYED<sup>1)</sup>**


<sup>1)</sup> Financial year 2008 is not restated according to IFRIC 15.

**COMMENTS**
**GOODWILL**

(2012: SEK 205m, 2011: SEK 202m)

The reported goodwill pertains to goodwill at the acquisition of JM Norge AS, AS Prosjektfins and Öie AS (a construction and project development company acquired in 2011).

The change in 2012 refers exclusively to a change in the foreign exchange rate.

**PROJECT PROPERTIES**

(2012: SEK 933m, 2011: SEK 859m)

The portfolio of project properties is larger than the previous year's portfolio, primarily due to the acquisition and investment in senior housing in Sköndal, Stockholm. Investments were also made in properties in the Dalén area on Lidingö.

Since the indicated market value was less than the carrying amount of commercial premises in the Dalén area, an impairment of SEK -95m was recorded.

No sales were made in 2012.

**DEVELOPMENT PROPERTIES**

(2012: SEK 5,769m, 2011: SEK 5,816m)

In 2012 JM acquired development properties at a slightly lower pace than the previous year. During the year JM acquired development properties for SEK 1,259m (1,585) while development properties for SEK 1,300m (1,113) were transferred to production. All acquisitions consist of development properties intended for residential units.

JM has a total of 17,400 (17,600) building rights on the balance sheet.

**PARTICIPATIONS IN TENANT-OWNERS ASSOCIATIONS, ETC.**

(2012: SEK 214m, 2011: SEK 150m)

Unsold tenant-owned apartments are purchased no later than the settlement date and are a consequence

of the undertaking in the construction contract with the tenant-owners' association. The number of unsold homes on the balance sheet amounts to 70 (59), and relates mainly to JM Residential Stockholm and JM Residential Sweden.

**OTHER CURRENT RECEIVABLES**

(2012: SEK 449m, 2011: SEK 265m)

The majority of the asset item at 12-31-2012 refers to receivables for sold shares in tenant-owners associations (see above) but which the end customer has not yet paid. The item increased compared to the previous year since more shares were purchased and sold at the end of the year and where payment was not yet received.

**RECOGNIZED REVENUE LESS PROGRESS BILLINGS**

(2012: SEK 528m, 2011: SEK 584m)

The assets item decreased during the year, which is due to a decrease in the current project volume.

**WORK IN PROGRESS**

(2012: SEK 160m, 2011: SEK 70m)

The balance sheet item "work in progress" was added in 2010 due to the changed accounting principle for JM's operations outside of Sweden, JM International. Expenses and invoicing/financing received in housing projects that have not been transferred to the customer are capitalized in the balance sheet item, work in progress. This item is increasing in scope due to higher current project volumes in JM International.

**PENSION PROVISIONS**

(2012: SEK 648m, 2011: SEK 608m)

Pension obligations increased primarily due to a longer life expectancy assumption that was adopted in 2011. IAS 19, which regulates the accounting of pension liabilities, was modified on 01-01-2013. The modified

standard no longer allows unreported actuarial gains and losses. For JM this means a SEK 283m higher debt in the closing balance of 2012 and a SEK 233m higher debt in the opening balance of 2012. For annual and quarterly restatements for 2012, see pages 90-91.

**DEFERRED TAX LIABILITIES**

(2012: SEK 1,190m, 2011: SEK 1,319m)

Deferred tax liabilities are decreasing primarily due to restatements to the new corporate income tax rate of 22 percent in Sweden as of 2013.

**LONG-TERM INTEREST-BEARING LIABILITIES**

(2012: SEK 296m, 2011: SEK 293m)

Refers primarily to long-term interest-bearing liabilities in JM International. No large changes compared to previous years.

**CURRENT INTEREST-BEARING LIABILITIES**

(2012: SEK 581m, 2011: SEK 566m)

Refers primarily to short-term interest-bearing liabilities in JM International. No large changes compared to previous years.

**PROGRESS BILLINGS IN EXCESS OF RECOGNIZED REVENUE**

(2012: SEK 1,155m, 2011: SEK 1,317m)

The liabilities item decreased during the year, which is due to a decrease in the current project volume.

CONSOLIDATED CASH FLOW STATEMENT, SEKm	Note	2012	2011
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,374	1,513
Depreciation and amortization		8	6
Impairment losses		95	-
Adjustment for non-cash items		1	-54
<b>Sub-total, cash flow from operating activities</b>		<b>1,478</b>	<b>1,465</b>
Interest received		33	40
Dividends received		4	3
Interest paid and other financial expenses		-60	-57
Paid tax		-330	-261
<b>Cash flow from operating activities before change in working capital</b>		<b>1,125</b>	<b>1,190</b>
Investment in development properties, etc.		-1,762	-1,872
Payment on account for development properties, etc.		1,836	1,436
Increase/decrease in accounts receivable		23	-278
Increase/decrease in other current receivables, etc.		73	12
Increase/decrease in accounts payable		-51	100
Increase/decrease in other current operating liabilities		-90	318
<b>Cash flow before investments and sales of project properties</b>		<b>1,154</b>	<b>906</b>
Investment in project properties, etc.		-175	-291
Sale of project properties, etc.		0	118
<b>Cash flow from operating activities</b>		<b>979</b>	<b>733</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of operations		-	-136
Investment in property, plant, and equipment		-2	-5
Property, plant, and equipment sold		1	-
Change in financial assets		-1	48
<b>Cash flow from investing activities</b>		<b>-2</b>	<b>-93</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		232	447
Amortization of debt		-270	-362
Buy-back of own shares		-359	-
Dividend		-542	-375
<b>Cash flow from financing activities</b>		<b>-939</b>	<b>-290</b>
<b>Cash flow for the year</b>		<b>38</b>	<b>350</b>
<b>Cash and cash equivalents, January 1</b>		<b>2,437</b>	<b>2,087</b>
Exchange rate difference in cash and cash equivalents		0	0
<b>Cash and cash equivalents, December 31</b>		<b>2,475</b>	<b>2,437</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	23		
Interest-bearing liabilities and provisions		1,525	1,467
Cash and cash equivalents		-2,475	-2,437
Interest-bearing receivables		0	0
<b>Interest-bearing net liabilities (+)/receivables (-), December 31</b>		<b>-950</b>	<b>-970</b>

COMMENTS

**OPERATING ACTIVITIES**

(2012: SEK 979m, 2011: SEK 733m)

Cash flow from operating activities improved to SEK 979m (733) primarily attributable to lower net investment in development properties compared to the previous year.

**Cash flow from operating activities (sub-total)**

(2012: SEK 1,478m, 2011: SEK 1,465m)

Operating activities, before interest and tax, contributed SEK 1,478m (1,465). This is an improvement of SEK 13m after elimination of non-cash items. Cash flow from operating activities decreased compared with the previous year due to few project starts.

**Cash flow from operating activities before change in working capital**

(2012: SEK 1,125m, 2011: SEK 1,190m)

Net interest received and paid increased from SEK –14m in 2011 to SEK –23m in 2012, attributable in part to somewhat lower returns on cash equivalents and short-term investments in 2012.

Paid tax increased from SEK –261m in 2011 to SEK –330m in 2012.

**Net development properties, etc.**

(including participations in tenant-owners associations)

(2012: SEK 74m, 2011: SEK –436m)

JM invested in new development properties for SEK –1,259m (–1,585). At the same time, SEK 1,300m (1,113) went into production in conjunction with production starts. During the year the Group increased its holdings of participations in tenant-owners associations with a negative net flow of SEK –204m (–52).

**Current receivables and liabilities**

(2012: SEK –45m, 2011: SEK 152m)

Current receivables and liabilities had a total negative impact on cash flow of SEK –45m (152), which is a change compared to the previous year of SEK –197m.

**Net project properties**

(2012: SEK –175m, 2011: SEK –173m)

The Group invested during the year in project properties, primarily senior housing, for SEK –175m.

**INVESTING ACTIVITIES**

(2012: SEK –2m, 2011: SEK –93m)

Last year JM in Norway acquired all shares in Öie AS, Oslo, which impacted the Group's cash and cash equivalents by SEK –136m.

**FINANCING ACTIVITIES**

(2012: SEK –939m, 2011: SEK –290m)

Cash flow from operating activities was used for purposes such as shareholder dividends of SEK –542m. During the year shares were bought back for a total of SEK –359m. Interest-bearing liabilities increased net by SEK 18m.

**ADJUSTMENT FOR NON-CASH ITEMS**

	2012	2011
Gains on the sale of properties	0	–27
Changes in pension liability	40	23
Other provisions, etc.	–39	–50
<b>Total</b>	<b>1</b>	<b>–54</b>

**INVESTMENT IN DEVELOPMENT PROPERTIES, ETC.**

	2012	2011
Investment in development properties	–1,259	–1,585
Acquisition of participations in tenant-owners associations	–845	–289
Change in promissory notes	342	2
<b>Total</b>	<b>–1,762</b>	<b>–1,872</b>

**PAYMENT ON ACCOUNT FOR DEVELOPMENT PROPERTIES, ETC.**

	2012	2011
Payment on account for development properties	1,300	1,113
Sale of development properties	0	25
Change in receivables, development properties sold, etc.	–245	44
Sale of participations in tenant-owners associations	781	254
<b>Total</b>	<b>1,836</b>	<b>1,436</b>

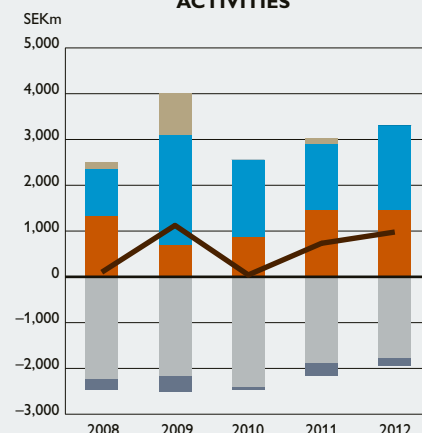
**INVESTMENT IN PROJECT PROPERTIES, ETC.**

	2012	2011
Investment in project properties	–178	–292
Adjustment for capitalized interest	3	1
<b>Total</b>	<b>–175</b>	<b>–291</b>

**SALE OF PROJECT PROPERTIES, ETC.**

	2012	2011
Sale of project properties	0	118
Change in receivables	–	0
<b>Total</b>	<b>0</b>	<b>118</b>

**CASH FLOW FROM OPERATING ACTIVITIES**



- Sales project properties, etc.
- On account payment development properties, etc.
- Sub-total, cash flow from operating activities
- Investment in development properties, etc.
- Investment in project properties, etc.
- Cash flow from operating activities



## Attributable to shareholders of the Parent Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SEKm	Share capital	Other capital contributions	Translation reserves	Undistributed earnings	Total shareholders' equity
<b>Opening balance, January 1, 2011</b>	<b>83</b>	<b>766</b>	<b>-20</b>	<b>3,094</b>	<b>3,923</b>
Total comprehensive income for the year	-	-	-3	1,042	1,039
Dividend to equity holders of the Parent Company	-	-	-	-375	-375
Conversion of convertible loan	0	11	-	-	11
Equity component of convertible debentures	-	2	-	-	2
Share-based payments regulated with equity instruments	-	-	-	-2	-2
<b>Closing balance, December 31, 2011</b>	<b>83</b>	<b>779</b>	<b>-23</b>	<b>3,759</b>	<b>4,598</b>
<b>Opening balance, January 1, 2012</b>	<b>83</b>	<b>779</b>	<b>-23</b>	<b>3,759</b>	<b>4,598</b>
Reallocation	-	-	-6	6	-
<b>Adjusted opening balance</b>	<b>83</b>	<b>779</b>	<b>-29</b>	<b>3,765</b>	<b>4,598</b>
Total comprehensive income for the year	-	-	-2	961	959
Dividend to equity holders of the Parent Company	-	-	-	-542	-542
Conversion of convertible loan	1	9	-	-	10
Equity component of convertible debentures	-	1	-	-	1
Share-based payments regulated with equity instruments	-	-	-	0	0
Buy-back of shares	-	-	-	-359	-359
<b>Closing balance, December 31, 2012</b>	<b>84</b>	<b>789</b>	<b>-31</b>	<b>3,825</b>	<b>4,667</b>

As of January 1, 2013, changes to the accounting of defined-benefit pension plans in accordance with IAS 19 are applied. Refer to the restatement tables for the effect of the transition on equity in 2012 on pages 90–91.

## COMMENTS

**EQUITY**

(2012: SEK 4,667m, 2011: SEK 4,598m)  
Shareholders' equity increased by SEK 69m compared with the outcome of 2011. Consolidated equity as of December 31, 2012, totaled SEK 4,667m (4,598), which corresponds with SEK 58 (55) per share. Return on equity is 20.7 percent (24.5).

**Total comprehensive income for the year**

Please see the notes on the Consolidated income statement, page 57.

**Translation difference**

The change for the year amounts to SEK -2m (-3) and the accumulated translation difference in closing equity is SEK -31m (-23). The Swedish krona weakened slightly against the Norwegian krona and strengthened against the Danish krona and euro during the year.

**Dividend to equity holders of the Parent Company**

The dividend to equity holders of the Parent Company totaled SEK 542m (375), corresponding to SEK 6.50 (4.50) per share.

**Conversion of convertible loan**

During the year, 132,871 shares were converted in the 2009 Convertible Program and the 2009 Warrant Program. Share capital has thus increased by SEK 1m and other capital contributions by SEK 9m.

**Equity component of convertible debentures**

Convertible debentures were offered to JM employees during the year. The liability and equity components are reported separately, which means that the debenture loan is reported in the balance sheet as a liability initially with the nominal amount excluding the equity component. Equity increased by SEK 1m upon conclusion of the subscription period.

**Share-based payments**

Share-based payments regulated with equity instruments have resulted in a charge against equity of SEK 0m.

**Buy-back of shares**

After the 2012 Annual General Meeting, a total of 3,018,092 shares were bought back for a total of SEK 359m. Holdings of own shares subsequently total 3,169,056. The number of outstanding shares, excluding holdings of own shares totals 80,494,186.

Consolidated shareholders' equity in the balance sheet is classified as follows:

**Share capital**

Share capital includes the registered share capital for the Parent Company.

**Other capital contributions**

Other capital contributions include transactions with shareholders. The transactions that have occurred are new issues at a premium and correspond with capital received in addition to the nominal amount.

**Translation reserves**

The reserves consist of translation differences attributable to translation of foreign subsidiaries according to IAS 21.

**Undistributed earnings (including net profit for the year)**

Undistributed earnings (profit carried forward) including net profit for the year correspond with the accumulated total gains and losses generated for the Group.

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**NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES**

Amounts in SEKm unless stated otherwise.

**Corporate information**

These annual accounts and consolidated accounts for JM AB were approved by the Board and the President on February 22 and will be presented for adoption at the 2013 Annual General Meeting. JM AB is a Swedish public limited company listed on NASDAQ OMX Stockholm, Mid Cap segment. The Company has its registered office in Stockholm, Sweden.

**Statement of compliance with applicable rules**

The consolidated accounts were prepared in accordance with the International Financial Reporting Standards (IFRS). Since the Parent Company is an enterprise within the EU, only EU-approved IFRS will be applied. Moreover, the consolidated accounts are prepared in compliance with Swedish law through the application of the Swedish Financial Reporting Board recommendation RFR 1 (Supplementary Accounting Regulations for Groups). The Parent Company's annual accounts have been prepared in compliance with Swedish law and with application of the Swedish Financial Reporting Board's recommendation RFR 2 (Reporting for Legal Entities). This means that IFRS valuation and disclosure rules are applied with the deviations that can be seen in the section about the Parent Company's accounting policies.

**Basis for preparation of the accounts**

The consolidated accounts are based on historical acquisition values, with the exception of certain financial instruments. Unless stated otherwise, all amounts are specified in millions of Swedish kronor (SEKm).

**Basis for consolidation**

The consolidated accounts include the Parent Company and its subsidiaries. The financial statements for the Parent Company and the subsidiaries that are included in the consolidated accounts relate to the same period and have been prepared according to the accounting policies that apply for the Group. A subsidiary is included in the consolidated financial statements from the date on which the Parent Company acquires a controlling influence over the company, normally 50 percent of the votes, and is included in the consolidated financial statements until the date on which the controlling influence in the company ceases. Internal balances and profits and losses from internal transactions are eliminated.

**New and changed accounting standards and interpretations**

JM's accounting principles and methods of calculation for 2012 remain unchanged compared with 2011 with the exceptions for accounting of Group contribution in the Parent Company (see Parent Company's accounting policies).

**Changes in effect commencing in 2013 and approved by the EU**

The following new and modified standards will be applied from 2013:

**IFRS 13 Fair Value Measurement**

The standard includes uniform rules for estimating and disclosing fair values. The new standard is not deemed to have a substantial impact on JM's accounting.

Amendment to **IAS 1 Presentation of Financial Statements**. Requires separate subtotals in total other comprehensive income.

**Amendment to IAS 19 Employee Benefits.**

The modifications primarily pertain to accounting and disclosure of defined-benefit pension plans. The modified standard means that the estimated value of JM's pension obligations will be entirely recognized as liabilities in the consolidated balance sheet. Actuarial gains and losses will be reported under other comprehensive income. For more information, please see pages 90–91 in the annual report.

**Changes in effect commencing in 2014 and approved by the EU****IFRS 10 Consolidated Financial Statements**

The standard includes uniform rules for which units are to be consolidated and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12, which addresses Special Purpose Entities. The new standard is not deemed to have an impact on JM's accounting

**IFRS 11 Joint Arrangements**

The standard addresses joint arrangements accounting and will replace IAS 31 Interests in Joint Ventures. JM's substantial holdings in jointly owned companies will be reported in compliance with the new standard. Thus, the new standard will not change JM's accounting of jointly owned companies.

**IFRS 12 Disclosure of Interests in Other Entities**

This is a comprehensive standard on disclosure requirements for subsidiaries, joint arrangements and associated companies. The new standard entails more comprehensive disclosure on subsidiaries, etc.

**Estimates and assumptions**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses, as well as other information disclosed. Actual results may differ from these estimates, which can be seen in particular in the

field of revenue and income recognition relating to the percentage of completion method in residential projects, where these evaluations and assumptions are important for the reported profits and financial position of each period.

Reporting of employee benefits/pensions and provisions for guarantees are also largely based on evaluations and assumptions.

The value of pension commitments for defined-benefit pension plans is based on actuarial calculations using assumptions about discount rates, future salary increases, inflation and demographic conditions.

Provisions for future expenses due to guarantee commitments are based on calculated expenses that have historically provided a reliable provision when compared to actual results.

See also the "Impairment losses" section.

**Current and non-current liabilities, current and non-current assets**

Liabilities and provisions in the balance sheet are reported as current or non-current. Current liabilities are debts that will be settled within twelve months of the balance sheet date; the same applies to the breakdown between current and non-current assets.

**Business combinations**

According to IFRS 3, the fair value of identifiable assets and liabilities in the acquired business is established at the time of acquisition. These fair values also include the percentage of assets and liabilities that are attributable to any remaining minority shareholders in the acquired business. Identifiable assets and liabilities also include assets, liabilities and provisions, including commitments and claims from outside parties, which are not recognized on the balance sheet of the acquired business. The difference between the cost of the acquisition and the acquired share of net assets in the acquired business is classified as goodwill and recognized as an intangible asset in the balance sheet. Transaction costs are expensed directly in the income statement.

**Associated companies**

Companies in which the Group has a significant influence, which is assumed when the holding amounts to at least 20 percent and not more than 50 percent of the voting rights, are reported as associated companies. This also assumes that ownership is part of a lasting connection and that the holding is not a joint venture. Associated companies are included in the consolidated accounts according to the equity method. JM's holding of associated companies is negligible.

**Joint ventures**

Companies that are not subsidiaries and which conduct operations in consortium-like forms, i.e. with joint ownership and control, are consolidated according to the proportional method.



### Translation of foreign operations

All foreign Group companies conduct their business activities in the local currency of the respective country, which is the functional currency of the respective company. Balance sheets and income statements are translated to the Group's reporting currency (SEK) according to the current method. According to the current method, all assets, provisions, and other liabilities are restated at closing rate of exchange and all items in the income statement are restated using the average exchange rate for the year. Translation differences thus arising are transferred directly to the translation reserve in equity, as are any translation differences in those financial instrument held to hedge these net assets. In the event of a sale of a foreign business, the accumulated translation difference is recognized in the income statement.

### Receivables and liabilities in foreign currency

Transactions in foreign currencies (currency other than each company's functional currency), are reported at the conversion rate on the transaction date. Monetary receivables and liabilities in foreign currencies are valued at the exchange rate applying on the balance sheet date. Exchange rate differences are reported in the income statement.

### Segment reporting

The Group's operations are divided into five business segments: JM Residential Stockholm, JM Residential Sweden, JM International, JM Property Development and JM Production, which also comprise the reportable segments for the JM Group in accordance with IFRS 8. This division into business segments is based on the Group's operating divisions, which are based on geographical areas combined with differences between products and services provided. The CEO regularly uses internal reporting from the business segments to allocate resources to the segments and to assess the performance of the segments.

Segment reporting of JM's operations regarding residential development projects both in Sweden and outside Sweden is done in compliance with IAS 11, percentage of completion method.

### Gains on the sale of properties

Sales of project properties and development properties that are not the object of project development are usually recognized on the income statement in the period during which the parties entered into a binding sale agreement. Gains from land sales in conjunction with residential development projects are included in the reporting for the entire residential project.

### Revenue and profit and loss from residential project development

Project revenue relating to contracting and residential development projects in the Swedish

operations are reported in compliance with IAS 11 Construction Contracts, which entails the percentage of completion method.

JM's residential project development in Sweden is primarily conducted by JM entering a construction contract with a tenant-owners association as the customer. JM's business model in Sweden and the agreement structure of projects performed for a customer meet the requirements of a construction contract in compliance with IAS 11. Revenue is based on stage of completion and profit and loss is calculated based on stage of completion multiplied by the sales rate. Sales rate reflects the obligation to acquire unsold residential units. The adjustment for the obligation decreases as the number of unsold residential units in each project decreases.

The percentage of completion method is based on the view that an assignment is carried out in pace with completion of the respective project. Revenue and profit in the project are reported period-by-period, in pace with recognition and sale, providing a direct link between financial reporting and the operations conducted during the period. Stage of completion is mainly determined based on project expenses incurred in relation to total estimated project expenses. "Sales" refers to the number of residential units sold based on binding contracts with end customers. Revaluations (changes in forecasts) of anticipated project revenues lead to adjustment of previously recognized revenue in the project concerned. This adjustment is included in the net profit for the period. Anticipated losses are charged against the profit for the period in full. Revenue recognition according to the percentage of completion method is carried out from the preliminary stage of the project if reliable estimation can be made and continues according to the same principle until the project is completed. The Parent Company also applies the percentage of completion method. Most of JM's operations pertain to housing projects conducted by JM for subsequent sale. These operations involve contracting projects with production on sold land, primarily for tenant-owners associations, for subsequent sale to home buyers.

When production begins, the property with the carrying amount is transferred to the contracting project and included among the project's other production costs. Interest expenses are included among production costs from the start of production.

For residential project development outside Sweden, JM enters an agreement with each individual home buyer, which means IAS 18 Revenue is applied. Revenue and profit and loss are reported at the time the home is transferred to the customer rather than gradually during project implementation.

### Income tax

The heading "Taxes" in the income statement includes current and deferred income tax for

Swedish and foreign Group divisions. The companies in the Group are liable for tax according to existing legislation in each country. The state income tax rate in Sweden was 26.3 percent during the year. Current tax is calculated on nominal book profit with an addition for non-deductible items and a deduction for non-taxable income and other deductions. The balance sheet method is applied to accounting for deferred tax. According to this method deferred tax liabilities and assets are reported for temporary differences between carrying amounts and fiscal values respectively for assets and liabilities and for other fiscal deductions or deficits. Deferred tax assets are recognized net against deferred tax liabilities if they can be used against deferred tax liabilities. Deferred tax liabilities and tax assets are calculated on the basis of the actual tax rate. The effects of changes in applicable tax rates are taken against income in the period the change becomes law. Deferred tax assets are reduced to the extent that it is not probable that the underlying tax asset can be realized within the foreseeable future.

The state income tax rate in Sweden was lowered as of 2013 to 22.0 percent.

### Intangible assets (goodwill)

The useful life of each intangible asset is set and written off over the useful life of the asset. If the useful life of the asset is assessed to be indeterminate it is not amortized. An assessment that concludes that an intangible asset has an indeterminate useful life considers all relevant conditions and is based on the fact that there is no predictable maximum time limit for the net cash flow that the asset generates. Goodwill has an indefinite useful life. The need for impairment is tested at least annually for intangible assets, including goodwill, with an indeterminate useful life. Goodwill is tested for impairment as described below. Goodwill value, which is established at the time of acquisition, is allocated among cash-generating units, or groups of cash-generating units. Each such cash flow to which goodwill is allocated corresponds with the lowest level within the Group at which goodwill is monitored in the company's governance and is not a larger part of the Group than a segment. An impairment loss is present when the recoverable amount relating to a cash-generating unit (or groups of cash-generating units) is less than the carrying amount. An impairment loss is then reported in the income statement.

### Plant, property, and equipment

Plant, property and equipment are recognized at cost after deduction for accumulated depreciation and impairment losses, if any. Depreciation according to plan is applied on a straight-line basis and based on the cost and assessed useful life of the assets.

Note 1 cont.

### Project properties and development properties

Project properties are all properties that are not classified as development properties as described below. JM does not own properties for long-term management. Project properties should be sold after they are fully developed and are therefore classified as current assets and valued according to IAS 2 Inventory. Production costs for JM's fully developed properties include both direct costs and a reasonable share of indirect costs. Interest expenses pertaining to production of project properties are recognized as an expense in the Parent Company. In the consolidated accounts the same amount is added to the cost of project properties. Properties, undeveloped or developed, that are intended for production of tenant-owned apartments/freehold apartments or single-family homes and land for project properties are classified as development properties. The properties are usually sold in connection with production start. Development properties are reported in accordance with IAS 2 Inventory. Project and development properties are usually recognized as assets in the accounting period during which the parties entered into a binding acquisition agreement.

### Borrowing costs

Borrowing costs are included in the consolidated accounts in the acquisition cost of buildings in progress (project properties). In general, borrowing costs added to acquisition cost are limited to assets that take a significant time for completion, which in the Group's case comprise construction of project properties. Interest expenses are included in the acquisition value until the time that the building is complete. If special borrowing arrangements were made for the project, the actual average borrowing cost is used. In other cases the borrowing cost is calculated based on the Group's actual average borrowing cost.

### Impairment losses

If on the balance sheet date there is any indication of impairment of the value of plant, property or equipment, or an intangible asset, a calculation is performed of the recoverable amount of the asset. The recoverable amount is the greater of net realizable value and value in use. If the estimated recoverable amount is lower than the carrying amount, an impairment loss is recognized to the asset's recoverable amount. An impairment loss is reversed when the basis for the impairment, wholly or partly, no longer exists. The term impairment loss is also used in conjunction with revaluation of properties reported as current assets. Valuation of these properties is performed item by item (property by property) according to the lower of cost or market principle; i.e. the lower of cost and net realizable value.

Net realizable value is the estimated sales price in the ordinary course of business, less estimated costs for completion and for effecting a sale.

Net realizable value for development properties is based on internal project evaluations where assumptions are made about the project's expected revenue and expenses. The future cash flow of the project is discounted by a discount rate. Those projects (development properties) that demonstrate a negative present value based on discounting become the object of impairment.

See also "Intangible assets (goodwill)".

### Leases

Leases are classified as either finance or operating leases. A finance lease exists when the economic risks and benefits associated with ownership are, in essence, transferred to the lessee; if this is not the case, it is classified as an operating lease. Briefly, a finance lease means that the object is recognized as an asset in the balance sheet of the lessee, while a matching liability is recognized as a liability item in the balance sheet. In an operational lease, the object is recognized in the balance sheet of the lessor. Lease fees in operational leases are recognized linearly over the term of the agreement. JM's holdings of leases with JM as lessee are of limited scope.

### Employee benefits/pensions

Employee benefits are reported in accordance with IAS 19, Employee Benefits. A distinction is made between defined-contribution pension plans and defined-benefit pension plans relating to post-employment benefits. Defined-contribution pension plans are defined as plans where the company pays set charges to a separate legal entity and does not have any obligation to pay additional charges even if the legal entity does not have sufficient assets to pay the benefits to employees attributable to their service until the reporting date. Other pension plans are defined-benefit. Obligations and costs relating to defined-benefit pension plans are calculated according to the Projected Unit Credit Method. The intention is that anticipated future pension payments should be expensed evenly over the employee's period of service. Anticipated future salary increases and anticipated inflation are included in the calculation. The present value of obligations is discounted in the first place based on a market return on first-class corporate bonds on the reporting date. In Sweden, where there is no functioning market for such bonds, the market return on mortgage bonds is used and a premium for a longer maturity is added based on the duration of the pension obligations. In order to avoid substantial fluctuations in pension costs between years, changes within a certain level (known as the corridor) can be left unrecognized in the income statement and in the balance sheet. The corridor means that

actuarial gains and losses only affect the Group's profit or loss to the extent that they exceed the higher of 10 percent of the present value of pension obligations and 10 percent of the fair value of the plan assets. Excess amounts (outside the corridor) are allocated over the average remaining length of employment. The recognized return on plan assets relates to the estimated return at the beginning of the year and therefore usually differs from the actual return during the year. This variance is an actuarial gain or loss.

Information about the Group's pension obligations is provided in note 25. Independent actuaries conduct annual calculations relating to the defined-benefit plans found at JM. Taxes payable on pension costs, such as the Swedish payroll tax on pension costs, are taken into account when calculating pension obligations as described above, which is in accordance with pronouncement UFR 4 from the Swedish Financial Reporting Board, Accounting for special employer's contribution and yield tax.

### Financial instruments

Financial assets and financial liabilities are classified in different categories and are then recognized and measured according to the principles that apply to each category. Short-term investments are classified as assets that are measured at fair value and where changes in value are recognized in the income statement. Financial liabilities are measured at amortized cost. This is calculated so that a constant effective interest is obtained over the borrowing period provided maturities are not short. Accounts payable and similar current liabilities are thus recognized at nominal amounts. Derivative instruments are recognized in the balance sheet at fair value. Changes in value are recognized in the income statement. The Group's policy is that derivatives may only be held for hedging purposes. Hedge accounting, in which changes in value of derivatives are recognized directly in equity and later transferred to offset the hedged item, is not applied. JM has no or only negligible holdings of derivative instruments.

### Convertible debentures

Convertible debentures are reported as a compound financial instrument comprising a liability component and an equity component. The fair value of the liability at issuance is calculated by discounting future cash flows using the current market interest rate for an equivalent liability. The value of the equity instrument is calculated as the difference between the issue proceeds and the fair value of the financial liability. The equity instrument comprises an embedded option to convert the liability into shares.

### Provisions and contingent liabilities

Provisions are reported when JM has a commitment as a result of events that have occurred and where it is probable that payments will be

required in order to meet the commitment. Moreover, it must be possible to reliably estimate the amount that will be paid. Provisions are made for future costs on the basis of guarantee commitments. This calculation is based on the estimated costs for the project concerned or for a group of similar projects, calculated according to a ratio that has historically provided a reliable provision for these costs. The same ratio can for example function as a proportion of revenue or estimated cost per completed residential unit. Contingent liabilities are possible commitments originating from events that have occurred and whose existence will be confirmed only by the occurrence or lack thereof of one or more uncertain future events, which are not completely in the company's control. Obligations that originate from events that have occurred, but that are not recognized as liabilities or provisions, because it is not probable that an outflow of resources will be required to settle the obligation and/or because the size of the obligations cannot be reliably estimated, are also recognized as contingent liabilities.

#### Cash flow statement

The cash flow statement has been prepared according to the indirect method. The analysis has been adapted to JM's operations. Since buying and selling project and development properties are included in JM's ongoing activities, these are reported under the corresponding sections of the cash flow statement. The item "Payment on account for project properties" mainly refers to

received payment for development properties in residential projects. The property is generally transferred to the customer at the start of the project. Buying and selling of plant, property and equipment not pertaining to properties are reported under "Investing activities, other." Cash and cash equivalents and short-term financial investments that are traded on the open market at known amounts and are associated with only marginal risk for value fluctuations are classified as cash and cash equivalents. Cash and cash equivalents include short-term investments with a maturity of less than three months from the due date. Taxes and interests paid for the year are reported in full under operating activities.

#### Parent Company's Accounting Policies

The Parent Company's accounting policies deviate from the Group's on the following points: Defined-benefit pension plans are reported based on the regulations in the Swedish Law on Safeguarding of Pension Commitments. Untaxed reserves are reported in their entirety without being allocated between shareholders' equity and deferred tax. Participations in subsidiaries, associated companies and joint ventures are recognized at cost of acquisition less any impairment losses. In the Parent Company borrowing costs relating to buildings under construction (project properties) are expensed and recognized as a financial cost in the income statement. Mergers are reported in accordance with general advice from the Swedish

Accounting Standards Board. In the Parent Company, mergers of wholly owned Group companies are reported according to the consolidated value method, in which all assets and liabilities are taken over at values based on the acquisition analysis carried out in connection with the original acquisition of the Group company in question. The merger difference is taken directly to shareholders' equity.

The Swedish Financial Reporting Board's updated recommendation RFR 2 Reporting for Legal Entities introduced new guidelines for how Group contributions shall be reported. As of 2012, Group contributions both paid and received are reported as appropriations. Carrying amounts for 2011 have been adjusted.

## NOTE 2 SEGMENT INFORMATION

The JM Group's business is managed and reported by business segment as set out below.

- The JM Residential Stockholm business segment develops residential projects in Greater Stockholm.
- The JM Residential Sweden business segment develops residential projects in growth areas in Sweden, excluding Greater Stockholm. Contracting operations are also conducted to a limited extent.
- The JM International business segment develops residential properties in Norway, Denmark, Finland and Belgium. Contracting operations are also conducted to a limited extent in Norway.
- The JM Property Development business segment primarily develops rental housing, residential care facilities and commercial properties in Greater Stockholm.

- The JM Production business segment carries out construction work for external and internal customers in the Greater Stockholm area.

No segments have been aggregated to form the above reportable business segments. Identification of reportable segments is based on internal reporting to the chief operating decision maker, which in the JM Group is the chief executive officer of the Parent Company (who is also the President). The reporting format for segment reporting is based on geographical segment and business concept.

The chief operating decision-maker primarily uses the business segments' income, operating profit and operating margin, as well as operating capital and operational cash flow as a basis for resource allocation and assessment of the segment's profit or loss. The performance of the business segments is assessed and evaluated based on the indicators mentioned above.

However, group-wide financial expenses, financial income and income taxes are mainly handled at Group level and not allocated to segments.

Transactions between business segments are based on market conditions.

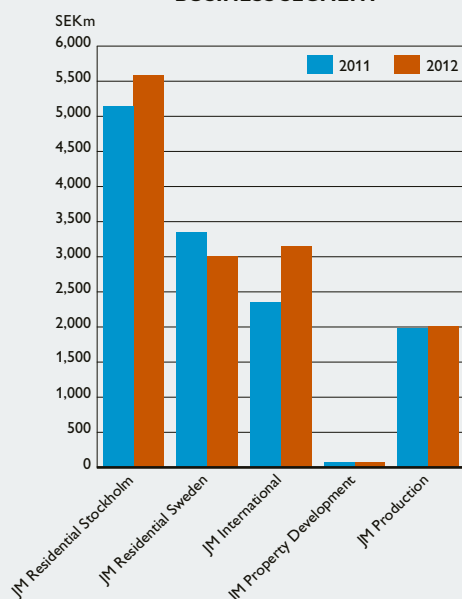


Note 2 cont.

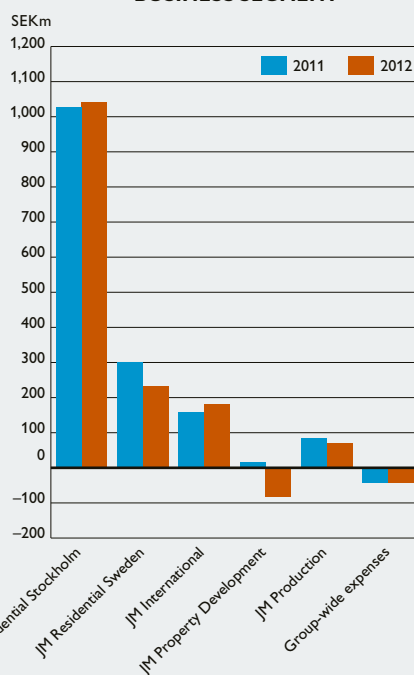
## CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT

Group 2012	JM Residential Stockholm	JM Residential Sweden	JM Property Development	JM Production	JM Eliminations Sweden	Sub-total Sweden	JM International	Group-wide expenses	Total as stated in segment reporting	Unallocated items Group <sup>2)</sup>	Restatement JM International <sup>3)</sup>	Total Group
Revenues – external	5,591	3,003	77	1,311	-	9,982	3,152	-	13,134	-	-654	12,480
Revenues – internal	-	-	-	695	-695	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>5,591</b>	<b>3,003</b>	<b>77</b>	<b>2,006</b>	<b>-695</b>	<b>9,982</b>	<b>3,152</b>	<b>-</b>	<b>13,134</b>	<b>-</b>	<b>-654</b>	<b>12,480</b>
Production and operating costs <sup>1)</sup>	-4,309	-2,595	-46	-1,866	695	-8,121	-2,782	-	-10,903	-	630	-10,273
<b>Gross profit</b>	<b>1,282</b>	<b>408</b>	<b>31</b>	<b>140</b>	<b>-</b>	<b>1,861</b>	<b>370</b>	<b>-</b>	<b>2,231</b>	<b>-</b>	<b>-24</b>	<b>2,207</b>
Selling and administrative expenses <sup>1)</sup>	-241	-177	-19	-69	-	-506	-189	-43	-738	-	-	-738
Gains on the sale of properties	-	-	0	-	-	0	-	-	0	-	-	0
Impairment losses on properties	-	-	-95	-	-	-95	-	-	-95	-	-	-95
<b>Operating profit</b>	<b>1,041</b>	<b>231</b>	<b>-83</b>	<b>71</b>	<b>-</b>	<b>1,260</b>	<b>181</b>	<b>-43</b>	<b>1,398</b>	<b>-56</b>	<b>-24</b>	<b>1,374</b>
Financial income and expenses	-	-	-	-	-	-	-	-	-	-	-	-56
<b>Profit before tax</b>									<b>1,398</b>	<b>-56</b>	<b>-24</b>	<b>1,318</b>
Taxes	-	-	-	-	-	-	-	-	-	-371	14	-357
<b>Net profit for the year</b>									<b>1,398</b>	<b>-427</b>	<b>-10</b>	<b>961</b>
Operating margin (%)	18.6	7.7	-	3.5	-	-	5.7	-	10.6	-	-	11.0
<sup>1)</sup> Of which: depreciation of machinery and equipment	-	-1	-	0	-	-1	-4	-3	-8	-	-	-8
<b>Group 2011</b>												
Revenues – external	5,141	3,355	73	1,299	-	9,868	2,349	-	12,217	-	-216	12,001
Revenues – internal	-	-	-	687	-687	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>5,141</b>	<b>3,355</b>	<b>73</b>	<b>1,986</b>	<b>-687</b>	<b>9,868</b>	<b>2,349</b>	<b>-</b>	<b>12,217</b>	<b>-</b>	<b>-216</b>	<b>12,001</b>
Production and operating costs <sup>1)</sup>	-3,873	-2,887	-57	-1,834	687	-7,964	-2,019	-	-9,983	-	185	-9,798
<b>Gross profit</b>	<b>1,268</b>	<b>468</b>	<b>16</b>	<b>152</b>	<b>-</b>	<b>1,904</b>	<b>330</b>	<b>-</b>	<b>2,234</b>	<b>-</b>	<b>-31</b>	<b>2,203</b>
Selling and administrative expenses <sup>1)</sup>	-240	-171	-24	-68	-	-503	-171	-43	-717	-	-	-717
Gains on the sale of properties	-	4	23	-	-	27	-	-	27	-	-	27
<b>Operating profit</b>	<b>1,028</b>	<b>301</b>	<b>15</b>	<b>84</b>	<b>-</b>	<b>1,428</b>	<b>159</b>	<b>-43</b>	<b>1,544</b>	<b>-50</b>	<b>-31</b>	<b>1,513</b>
Financial income and expenses	-	-	-	-	-	-	-	-	-	-	-	-50
<b>Profit before tax</b>									<b>1,544</b>	<b>-50</b>	<b>-31</b>	<b>1,463</b>
Taxes	-	-	-	-	-	-	-	-	-	-423	2	-421
<b>Net profit for the year</b>									<b>1,544</b>	<b>-473</b>	<b>-29</b>	<b>1,042</b>
Operating margin (%)	20.0	9.0	-	4.2	-	-	6.8	-	12.6	-	-	12.6
<sup>1)</sup> Of which: depreciation of machinery and equipment	-	-1	-	0	-	-1	-2	-3	-6	-	-	-6
<sup>2)</sup> Unallocated items within the Group pertain to financial income and expenses, as well as tax.												
<sup>3)</sup> Effect of restatement on revenue and profit and loss according to IFRIC 15 in relation to segment reporting.												
For more information about IFRIC 15, see the accounting principles on pages 64–67.												

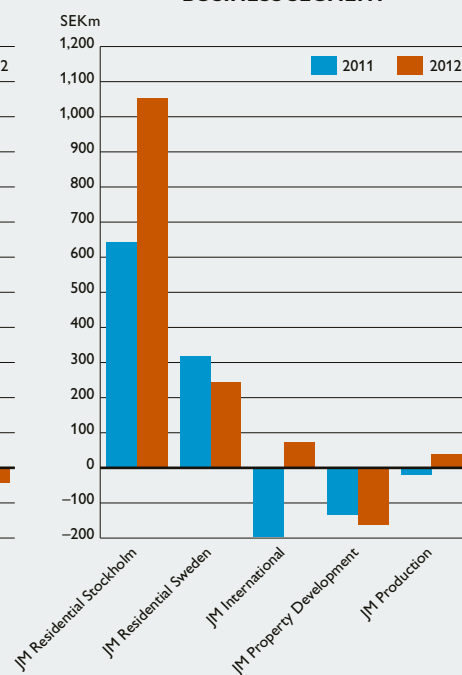
REVENUE BY BUSINESS SEGMENT



OPERATING PROFIT BY BUSINESS SEGMENT



OPERATING CASH FLOW BY BUSINESS SEGMENT



## CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT

	JM Residen- tial Stockholm	JM Residen- tial Sweden	JM Property devel- opment	JM Produc- tion	Sub- total Sweden	JM Intern- ational	Total as stated in segment reporting	Unallo- cated items Group 4) 5)	Restate- ment JM Intern- ational <sup>3)</sup>	Total Group
<b>Group 12-31-2012</b>										
<b>ASSETS</b>										
<b>Non-current assets</b>	-	-	-	-	-	205	205	44	5	254
Project properties	-	-	864	-	864	69	933	-	-	933
Development properties	2,904	1,333	61	17	4,315	1,454	5,769	-	-	5,769
Participations in tenant-owners associations, etc.	113	83	-	-	196	18	214	-	-	214
Current receivables	433	552	26	321	1,332	603	1,935	151	-175	1,911
Cash and cash equivalents	-	-	-	-	-	-	-	2,475	-	2,475
<b>Total current assets</b>	<b>3,450</b>	<b>1,968</b>	<b>951</b>	<b>338</b>	<b>6,707</b>	<b>2,144</b>	<b>8,851</b>	<b>2,626</b>	<b>-175</b>	<b>11,302</b>
<b>TOTAL ASSETS</b>	<b>3,450</b>	<b>1,968</b>	<b>951</b>	<b>338</b>	<b>6,707</b>	<b>2,349</b>	<b>9,056</b>	<b>2,670</b>	<b>-170</b>	<b>11,556</b>
<b>EQUITY AND LIABILITIES</b>										
Shareholders' equity	-	-	-	-	-	-	-	4,778	-111	4,667
Long-term liabilities	-	-	-	-	-	-	-	2,459	-37	2,422
Current liabilities	837	475	12	293	1,617	192	1,809	2,680	-22	4,467
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>837</b>	<b>475</b>	<b>12</b>	<b>293</b>	<b>1,617</b>	<b>192</b>	<b>1,809</b>	<b>9,917</b>	<b>-170</b>	<b>11,556</b>
<b>Total operating capital by business segment</b>	<b>2,613</b>	<b>1,493</b>	<b>939</b>	<b>45</b>	<b>-</b>	<b>2,157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Investment in machinery and equipment	-	-	-	-	-	-	-	2	-	2
<b>Group 12-31-2012</b>										
<b>ASSETS</b>										
<b>Non-current assets</b>	-	-	-	-	-	202	202	109	4	315
Project properties	-	-	808	-	808	51	859	-	-	859
Development properties	2,888	1,406	60	-	4,354	1,462	5,816	-	-	5,816
Participations in tenant-owners associations, etc.	48	98	-	-	146	4	150	-	-	150
Current receivables	341	462	5	306	1,114	528	1,642	217	-140	1,719
Cash and cash equivalents	-	-	-	-	-	-	-	2,437	-	2,437
<b>Total current assets</b>	<b>3,277</b>	<b>1,966</b>	<b>873</b>	<b>306</b>	<b>6,422</b>	<b>2,045</b>	<b>8,467</b>	<b>2,654</b>	<b>-140</b>	<b>10,981</b>
<b>TOTAL ASSETS</b>	<b>3,277</b>	<b>1,966</b>	<b>873</b>	<b>306</b>	<b>6,422</b>	<b>2,247</b>	<b>8,669</b>	<b>2,763</b>	<b>-136</b>	<b>11,296</b>
<b>EQUITY AND LIABILITIES</b>										
Shareholders' equity	-	-	-	-	-	-	-	4,700	-102	4,598
Long-term liabilities	-	-	-	-	-	-	-	2,613	-25	2,588
Current liabilities	892	533	5	295	1,725	167	1,892	2,227	-9	4,110
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>892</b>	<b>533</b>	<b>5</b>	<b>295</b>	<b>1,725</b>	<b>167</b>	<b>1,892</b>	<b>9,540</b>	<b>-136</b>	<b>11,296</b>
<b>Total operating capital by business segment</b>	<b>2,385</b>	<b>1,433</b>	<b>868</b>	<b>11</b>	<b>-</b>	<b>2,080</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Investment in machinery and equipment	-	-	-	-	-	-	-	11	-	11

	JM Residen- tial Stockholm	JM Residen- tial Sweden	JM Property devel- opment	JM Produc- tion	JM Intern- ational
<b>Operating cash flow by business segment</b>					
<b>2012</b>	1,051	243	-161	38	74
<b>2011</b>	641	317	-134	-18	-197

## Income by country including adjustment according to IFRIC 15

	Sweden	Norway	Denmark	Finland	Belgium	Total
<b>2012</b>	9,982	2,041	259	79	119	<b>12,480</b>
<b>2011</b>	9,868	2,063	0	62	8	<b>12,001</b>

<sup>4)</sup>The assets and liabilities and shareholders' equity that are not included in JM's definition of operating capital are not allocated by business segment.

They are reported as unallocated items mainly because they cannot be allocated in a fair and reasonable manner.

<sup>5)</sup>Property, plant and equipment are not included in JM's definition of operating capital and these investments are therefore reported as an unallocated item.

**NOTE 3** EMPLOYEES AND PERSONNEL COSTS

Average number of employees, by country	2012	Of which men, %	2011	Of which men, %
Sweden	2,021	85	2,025	85
Norway	324	84	271	82
Denmark	13	69	12	67
Finland	17	71	13	77
Belgium	11	55	10	50
<b>Total</b>	<b>2,386</b>	<b>84</b>	<b>2,331</b>	<b>84</b>

	2012			2011		
Wages, salaries, other remuneration and social security expenses	Wages, salaries and remunerations	Social security expenses	Total	Wages, salaries and remunerations	Social security expenses	Total
<b>Group</b>	<b>1,198</b>	<b>596</b>	<b>1,794</b>	<b>1,084</b>	<b>518</b>	<b>1,602</b>
(of which, pension costs)		–216 <sup>1)</sup>			–168 <sup>1)</sup>	

<sup>1)</sup> SEK 4.4m (3.8) of the Group's pension costs pertain to the Group Board of Directors and President. The Group's outstanding pension commitments to them amount to SEK 0.5m (0.5).

	2012			2011		
Wages, salaries and other remuneration by country and distribution between the Board and President and other employees	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Sweden	14	952	966	11	883	894
(of which, variable compensation)	(4)	(73)	(77)	(3)	(63)	(66)
Norway	3	202	205	2	165	167
(of which, variable compensation)	(1)	(20)	(21)	(1)	(12)	(13)
Denmark	2	12	14	2	12	14
(of which, variable compensation)	(0)	(1)	(1)	(0)	(2)	(2)
Finland	0	8	8	0	5	5
(of which, variable compensation)	(0)	(0)	(0)	(0)	(0)	(0)
Belgium	1	4	5	1	3	4
(of which, variable compensation)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Total Group</b>	<b>20</b>	<b>1,178</b>	<b>1,198</b>	<b>16</b>	<b>1,068</b>	<b>1,084</b>
(of which, variable compensation)	(5)	(94)	(99)	(4)	(77)	(81)

**Employees and personnel costs****Compensation to the Board of Directors**

JM's Board, excluding the President, consists of a total of ten people, seven men and three women. Six of these ten people were elected by the Annual General Meeting, three men and three women. The other four are employee representatives, all of whom are men. The Chairman of the Board was paid a total of SEK 768,000 (728,000) in Board fees. The other non-executive Board members (five people) were paid SEK 1,905,000 (1,807,000).

**Compensation to the President and Executive Management**

Compensation to the President and other members of Executive Management comprises basic salary, variable compensation, other benefits and pension provisions. Compensation to the President is drafted by the Compensation Committee and decided by the Board. Compensation for other members of Executive Management is decided by the Compensation Committee. Compensation to the President and other members of Executive Management is based on the Annual General Meeting resolution on guidelines for salaries and other remuneration to senior executives. The combined remuneration must be competitive in the labor market in which the executive is active. The short-term variable compensation for the President for the 2012 financial year will be determined as follows: 60 percent will be based on the financial result for the Group, 30 percent on earnings per share, and 10 percent on JM's Customer Satisfaction Index (CSI). The short-term variable compensation for the President for 2013 may amount to a maximum of SEK 2,502,000. Total short-term variable compensation for the 2012 financial year was SEK 1,717,000 (2,260,000) to be paid during the spring of 2013. Short-term variable compensation for other members of Executive Management is based, depending on position, on the

financial performance of the Group and the business units, earnings per share, and the CSI. Short-term variable compensation varies between three and six monthly salaries, depending on position. The short-term variable compensation for other members of Executive Management for 2013 may amount to a maximum of SEK 5.6m. The outcome of the short-term variable compensation for other members of Executive Management for the 2012 financial year was SEK 4.3m (4.8), to be paid during the spring of 2013.

In addition, long-term variable salary programs have been offered since 2009 to Executive Management (including the President). The first long-term variable salary program, which was launched in 2009, amounts to 30 percent of fixed salary, and the outcome was based on the Group financial results in 2011. The outcome was 100 percent of the possible maximum and payment was made in the spring of 2012 for a total of SEK 1,224,000 for the President and SEK 2.8m for the other members of Executive Management. The second long-term variable salary program, which was launched in 2010, amounts to a maximum of 42 percent of fixed salary, and is based on the Group financial results 2012. Payment will be made in the spring of 2013 for a total of SEK 1,764,000 for the President and SEK 3.3m for other members of Executive Management. The third long-term variable salary program, which was launched in 2011, amounts to a maximum of 42 percent of fixed salary, and is based on the Group financial results in 2013. Payment will be made if appropriate in the spring of 2014 and will amount to a maximum of SEK 1,915,000 for the President and SEK 4.1m for the other members of Executive Management. The fourth long-term variable salary program, which was launched in 2012, amounts to a maximum of 42 percent of fixed salary, and is based on the Group financial results in 2014. Payment will be made if appropriate in the spring of 2015, with a maximum of SEK 2,016,000 for the President and SEK 4.7m for other members of Executive Management.

**Pensions**

The President is entitled to an annual premium provision of 35 percent of basic salary. In addition, the Company pays for part of the President's health insurance premiums, with a salary ceiling of 50 times the income base amount. The Company has also pledged, as a possible supplement, to pay survivor's pension to the extent that survivor's pensions do not total 50 percent of basic salary. The Company would pay this supplement until such time that the President would have reached the age of 65. If the President is employed by the Company when he reaches the age of 60, either party is entitled to request that the President leave his position as President and CEO.

The members of Executive Management, excluding the President, are covered by the ITP plan and within its framework, by the company's offer of an alternative ITP plan. Executive Management is also covered by a premium-based supplementary plan with an annual premium provision of SEK 50,000–120,000. Retirement age is 65. One member of Executive Management is entitled to retire at the age of 60 with 70 percent of basic salary until the day on which the person turns 65.

**Notice periods / Severance pay**

The period of notice for the President is 12 months in the event of termination by the Company. If no other employment has been secured by the end of the notice period, compensation shall be paid for an additional 12 months. In the event of termination by the President, the notice period is six months. No additional compensation will be paid after the six months. The other members of Executive Management have the same agreement as the President, or six months mutual term of notice and six months severance pay if termination is initiated by JM. A few members of Executive Management have a notice period of 24 months on termination by the Company and 12 months on termination by the employee.



## Summary of basic and variable compensation and pensions to the Board and Executive Management in 2012 and 2011.

SEK 000s	2012						SEK 000s	2011					
	Basic salary/Board fees	Short-term variable compensation <sup>1)</sup>	Long-term variable compensation <sup>2)</sup>	Other benefits	Pension costs	Total		Basic salary/Board fees	Short-term variable compensation <sup>1)</sup>	Other benefits	Pension costs	Total	
Chairman of the Board							Chairman of the Board						
Lars Lundquist	768	-	-	-	-	768	Lars Lundquist	728	-	-	-	728	
Other Board members							Other Board members						
Elisabet Annell Åhlund	405	-	-	-	-	405	Elisabet Annell Åhlund	385	-	-	-	385	
Torbjörn Torell	170	-	-	-	-	170	Torbjörn Torell	327	-	-	-	327	
Åsa Söderström Jerring	405	-	-	-	-	405	Åsa Söderström Jerring	385	-	-	-	385	
Anders Narvinger	375	-	-	-	-	375	Anders Narvinger	355	-	-	-	355	
Kia Orback Pettersson	375	-	-	-	-	375	Kia Orback Pettersson	355	-	-	-	355	
Johan Bergman	175	-	-	-	-	175							
President	4,949	2,260	1,224	143	1,709	10,285	President	4,670	1,926	236	1,560	8,392	
Others in Executive Management <sup>3)</sup>	13,671	4,774	2,815	471	6,612	28,343	Others in Executive Management <sup>2)</sup>	13,195	4,467	627	6,465	24,754	
Total	21.293	7.034	4.039	614	8.321	41.301	Total	20.400	6.393	863	8.025	35.681	

<sup>1)</sup> The short-term variable compensation reported in the table relates to amounts paid in 2012. All payments in 2012 are attributable to the 2011 financial year.

<sup>2)</sup> The long-term variable compensation reported in the table relates to amounts paid in 2012. All payments in 2012 are attributable to the 2009–2011 financial years.

<sup>3)</sup> JM's Executive Management, excluding the President, comprised a total of eight people in 2012, six men and two women.

<sup>1)</sup> The variable compensation reported in the table relates to amounts paid in 2011. All payments in 2011 are attributable to the 2010 financial year.

<sup>2)</sup> JM's Executive Management, excluding the President, comprised a total of eight people in 2011, seven men and one woman.

## Convertible debentures for personnel

The 2012 Annual General Meeting resolved to offer all employees in the JM Group in Sweden a convertible subordinated debenture, and warrants for employees outside Sweden. The purpose of the issue of personnel convertibles and warrants is to boost long-term financial commitment to JM on the part of employees

with increased motivation and reinforced loyalty to the Group. A total of 84,416 convertible bonds for a nominal amount of SEK 13m as well as 6,592 warrants were issued. The loan matures on June 20, 2016 and entitles the holders to subscribe to one JM share for each debt obligation for SEK 155 during a special conversion window.

Employees paid the market price for the convertibles received and the program is not subject to any terms concerning continued employment or performance on the part of employees. They were offered external bank financing for the convertible debentures without any guarantees or undertakings on the part of JM.

## Convertible bonds and options

Year	Number of convertible bonds	Number of warrants	Number of redeemed convertible bonds/warrants	Number of convertible bonds/warrants due	Total	Strike price	Conversion Period
2008	423,650	69,995	-36,038	-457,607	0	134.00	06-01-2010–05-18-2012
2009	371,917	20,301	-225,321	-	166,897	74.00	06-01-2011–05-24-2013
2010	227,045	5,320	-	-	232,365	139.00	06-01-2012–05-22-2014
2011	114,195	5,198	-	-	119,393	214.00	06-02-2014–05-15-2015
2012	84,416	6,592	-	-	91,008	155.00	06-01-2015–05-20-2016

## NOTE 4 DEPRECIATION ACCORDING TO PLAN

	2012	2011
Machinery and equipment	-8	-6
<b>Total</b>	<b>-8</b>	<b>-6</b>

The following depreciation rates are applied:  
Construction machinery 10 percent.  
Computers and other equipment 20-33 percent.

## NOTE 5 FEES AND REMUNERATION TO AUDITORS

	2012	2011
<b>Ernst &amp; Young</b>		
Auditing services	5.0	4.9
Tax services	1.4	0.9
Other services	0.9	0.6
<b>Total</b>	<b>7.3</b>	<b>6.4</b>

## NOTE 6 GAINS ON THE SALE OF PROPERTIES

	2012	2011
<b>Sales values</b>		
Project properties	0	117
Development properties	-	25
<b>Total</b>	<b>0</b>	<b>142</b>

<b>Carrying amount</b>		
Project properties	-	-90
Development properties	-	-25
<b>Total</b>	<b>-</b>	<b>-115</b>

<b>Results</b>		
Project properties	0	27
Development properties	-	0
<b>Total</b>	<b>0</b>	<b>27</b>

## NOTE 7 IMPAIRMENT OF PROPERTIES

	2012	2011
Project properties	-95	-
<b>Total</b>	<b>-95</b>	<b>-</b>

Impairment losses in 2012 refer to project property in the Dalénium area of Lidingö.

**NOTE 8 FINANCIAL INCOME AND EXPENSES**

	<b>Financial income</b>	
	<b>2012</b>	<b>2011</b>
Dividend	4	2
Interest income	30	35
Realized exchange rate gains relating to debt receivable, international company	2	5
Change in value revaluation of debt receivable and currency hedging	2	3
Gain from sale of shares in associated companies	0	-
<b>Total</b>	<b>38</b>	<b>45</b>
	<b>Financial expenses</b>	
	<b>2012</b>	<b>2011</b>
Interest expense attributable to loans, etc.	-56	-56
Interest portion in this year's pension costs	-34	-31
Realized exchange rate losses relating to debt receivable, international company	-4	-8
Change in value revaluation of debt receivable and currency hedging	0	0
<b>Total</b>	<b>-94</b>	<b>-95</b>

**NOTE 9 TAXES**

	<b>2012</b>	<b>2011</b>
<i>Profit before tax</i>		
Sweden	1,186	1,362
International	132	101
<b>Total</b>	<b>1,318</b>	<b>1,463</b>
<i>Current tax</i>		
Sweden	-364	-224
International	-44	-45
<b>Total</b>	<b>-408</b>	<b>-269</b>
<i>Deferred tax</i>		
Sweden	94	-143
International	-43	-9
<b>Total</b>	<b>51</b>	<b>-152</b>
<i>Total tax</i>		
Sweden	-270	-367
International	-87	-54
<b>Total</b>	<b>-357</b>	<b>-421</b>

**Difference between reported tax and nominal tax rate 26.3%**

	<b>2012</b>	<b>2011</b>
<b>Profit before tax × 26.3%</b>	<b>-347</b>	<b>-385</b>
Adjustment of tax from previous years	0	3
Difference foreign tax	-2	-3
Non-taxable revenue	4	1
Non-deductible expenses	-2	-8
Tax untaxed reserve (tax allocation reserve)	-4	-5
Revaluation of deferred tax relating to lowered income tax 2013	42	-
Revaluation deferred tax	-48	-24
<b>Total</b>	<b>-357</b>	<b>-421</b>

**NOTE 10 EARNINGS AND DIVIDEND PER SHARE**

	<b>Basic</b>		<b>Diluted</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Earnings per share (SEK)</b>	<b>11.70</b>	<b>12.50</b>	<b>11.60</b>	<b>12.40</b>

Calculation of the numerator and denominator used in the above calculations of earnings per share is shown below. Earnings per share was calculated as net profit for the year divided by weighted average number of outstanding shares during the year.

**Basic earnings per share**

Calculation of basic earnings per share for 2012 is based on the net profit for the year of SEK 961m (1,042), and on a weighted average number of outstanding ordinary shares during 2012 amounting to 82,414,682 (83,305,326).

	<b>2012</b>	<b>2011</b>
<b>Number of shares</b>		
Total number of outstanding shares, January 1	83,379,407	83,237,058
Conversion and utilization of options	58,420	59,413
Sale of own shares	-	8,855
Buy-back of shares	-1,023,145	-
<b>Weighted average number of shares during the year, basic</b>	<b>82,414,682</b>	<b>83,305,326</b>

**Diluted earnings per share**

Calculation of diluted earnings per share for 2012 is based on the net profit for the year of SEK 966m (1,049), and on a weighted average number of outstanding ordinary shares during 2012 amounting to 83,298,832 (84,560,636). Profit for the year is attributable in its entirety to shareholders of the Parent Company.

	<b>2012</b>	<b>2011</b>
<b>Net profit for the year</b>		
Profit for the year attributable to shareholders of the Parent Company	961	1,042
Adjustment of interest on convertible debentures (after tax)	5	7
<b>Profit for the year attributable to shareholders of the Parent Company, diluted</b>	<b>966</b>	<b>1,049</b>

	<b>2012</b>	<b>2011</b>
<b>Number of shares</b>		
Weighted average number of shares during the year, basic	82,414,682	83,305,326
Effect of issued long-term salary programs	884,150	1,255,310
<b>Weighted average of the number of shares during the year, diluted</b>	<b>83,298,832</b>	<b>84,560,636</b>

**Outstanding number of shares and instruments with potential dilutive effects**

At the end of 2012, JM had 80,494,186 outstanding shares (83,379,407). JM holds a total of 3,169,056 buy-back shares (150,964).

Instruments that may have a potentially dilutive effect include JM's four convertible programs (2009, 2010, 2011 and 2012) and JM's four warrant programs (2009, 2010, 2011 and 2012).

When calculating earnings per share, JM's convertible program and warrant program entail a dilution of the number of shares. However, the effect is limited. The strike price for the 2009 convertible bond and warrant program is SEK 74, for the 2010 programs SEK 139, for the 2011 programs SEK 214 and for the 2012 programs SEK 155.

For more information about JM's long-term salary program, see note 1, Accounting and valuation principles and note 3, Employees and payroll expenses

	<b>2012</b>	<b>2011</b>
<b>Cash dividend (proposed by the Board for 2012)</b>		
– per share (SEK)	6.75	6.50
– total (SEK m)	542	542

**NOTE 11 GOODWILL**

	<b>2012</b>	<b>2011</b>
<i>Opening cost</i>		
<b>Opening balance, January 1</b>	<b>202</b>	<b>58</b>
New purchases	-	145
Translation differences	3	-1
<b>Closing balance, December 31</b>	<b>205</b>	<b>202</b>

The reported goodwill pertains to goodwill at the acquisition of JM Norge AS (formerly Byggholt AS) in 1998, AS Prosjektfinans in 1999 and Öie AS in 2011, which constitute JM's total operations in Norway.

Goodwill will be tested for impairment according to IAS 36. JM does this at least annually, or more often if there is any indication of a need for impairment.

AS Prosjektfinans merged with JM Norge AS in 2003, and operations are considered fully integrated in JM Norge AS. The JM Norway Group is therefore the lowest cash-generating unit. The carrying amount for the JM Norway Group was tested as of December 31, 2012, and the recoverable amount was found to exceed the carrying amount. Therefore no impairment losses for goodwill was necessary.

Recoverable amount was defined by calculating the value in use of the cash-generating unit. Value in use for goodwill attributable to the JM Norway Group was calculated based on discounted cash flows. Cash flow for the first two years, after 2012, is based on the strategic plan adopted by the management.

Cash flow beyond the strategic two-year period is extrapolated based on the following assumptions:

- Estimated operating profit or loss based on the previous year's results and expectations of future market developments
- Growth rate of at least 2 percent in order to extrapolate cash flow beyond the strategic period. The growth rate is a conservative assumption of the operation's long-term growth, not exceeding growth for the industry as a whole
- Discount rate before tax is 11 percent (11), which is based on the JM Group's average cost of capital before tax, while taking operation-specific data into account.

#### Sensitivity analysis

If the estimated operating profit after the end of the strategy period had been 5 percent lower than the management's assessment, the recoverable amount would decrease by 4 percent.

If the estimated growth rate used to extrapolate cash flows beyond the strategy period had been 50 percent lower than the basic assumption, the recoverable amount would decrease by 8 percent.

If the estimated average cost of capital applied for the discounted cash flow had been 3 percentage points greater than the basic assumption, the recoverable amount would decrease by 23 percent.

A sensitivity analysis of the discount rate shows that the discount rate would have to exceed about 22 percent before the need for impairment would be present.

In all cases, the sensitivity analysis above shows a surplus (i.e. that the recoverable amount is higher than the carrying amount). None of the hypothetical cases above should lead to impairment of goodwill for the Norwegian business.

## NOTE 12 MACHINERY AND EQUIPMENT

	2012	2011
<i>Opening cost</i>		
<b>Opening balance, January 1</b>	<b>78</b>	<b>104</b>
New purchases	2	11
Translation differences	0	0
Sales	0	-37
<b>Closing balance, December 31</b>	<b>80</b>	<b>78</b>
<i>Accumulated depreciation according to plan</i>		
<b>Opening balance, January 1</b>	<b>-61</b>	<b>-92</b>
Depreciation for the year	-8	-6
Translation differences	0	0
Sales	0	37
<b>Closing balance, December 31</b>	<b>-69</b>	<b>-61</b>
<b>Closing residual value according to plan</b>	<b>11</b>	<b>17</b>

## NOTE 13 PARTICIPATIONS IN ASSOCIATED COMPANIES

	2012	2011
<i>Opening cost</i>		
<b>Opening balance, January 1</b>	<b>9</b>	<b>9</b>
New purchases	1	0
Sales	0	-
<b>Closing balance, December 31</b>	<b>10</b>	<b>9</b>

## NOTE 14 PARTICIPATIONS IN ASSOCIATED COMPANIES AND JOINT VENTURES

### Specification of Parent Company's shares and participation in associated companies and joint ventures, SEK 000s

Company	CIN	Domicile	Number of shares and participations	% of capital	Carrying amount	
					2012	2011
AB Hälsingborgsbostäder	556105-9196	Helsingborg	-	-	-	50
AB Ramlösa Brunnsanläggning	556031-6274	Helsingborg	625	50	75	75
Adolfsbergs Brunns AB	556303-8685	Örebro	340	33	34	34
Dockan Exploatering AB <sup>2)</sup>	556594-2645	Malmö	333	33	5,003	5,003
Exploateringsbolaget Högmora KB	916643-6254	Stockholm	1	25	31	31
Fastighetsbolaget Glasberga KB	916643-1842	Stockholm	1	25	101	101
Glasberga Fastighets AB	556361-0707	Södertälje	1,000	25	100	100
HB Silverdal Exploatering <sup>1)</sup>	969674-5802	Sollentuna			1	1
Högmora Exploaterings AB	556395-0707	Stockholm	1,000	25	100	100
Kvarnholmen Utveckling AB <sup>2)</sup>	556710-5514	Stockholm	50,000	50	135,886	135,886
Kvibergstaden Exploatering HB <sup>2)</sup>	969731-1695	Gothenburg	1	50	1	1
Mälarstrandens Utvecklings AB <sup>2)</sup>	556695-5414	Västerås	44	44	2,200	2,200
SMÅA AB	556497-1322	Stockholm	35,825	36	9,408	7,859
<b>Carrying amount, December 31</b>					<b>152,940</b>	<b>151,441</b>

<sup>1)</sup> Unlimited liability

<sup>2)</sup> Joint ventures

### Specification of the Group's other holdings of shares and participations in associated companies and joint ventures, SEK 000s

Company	CIN	Domicile	Number of shares and participations	% of capital	Carrying amount	
					2012	2011
Fastighets AB Kranlyftet	556829-3251	Lidingö	250	50	135,226	135,226
Fjellgata 30 AS, Norway	997484983	Oslo	100	50	2,327	2,289
Fjellgata 30 KS, Norway	997485009	Oslo	100	45	6,474	8,142
Galoppfältet Exploatering AB	556833-6555	Stockholm	500	50	105,500	100,000
Grefsen Utvikling AS, Norway	982913209	Bærum	500	50	33,742	22,265
Hans Nielsen Hugesgate 50 AS, Norway	987719427	Bærum	120,000	50	21,584	22,324
Kjørbokollen Utbygging AS, Norway	981112326	Bærum	10,000	50	0	0
Landmannstorget, Norway	987598387	Asker	100	50	-12	4
Larvik Saneringsselskap AS, Norway	918044051	Larvik	100	50	2,007	1,935
Merbraine, Belgium	450160865	Brussels	625	50	267	144
Son Utvikling AS, Norway	990341419	Oslo	550	50	2,929	10,279
Spireaveien 6 Utvikling AS	998015340	Oslo	100	50	7,089	-
Spireaveien 6 Utvikling KS	998015375	Oslo	100	45	10,099	-
<b>Carrying amount, December 31</b>					<b>327,232</b>	<b>302,608</b>
Reclassification in the Group, primarily due to the proportional method					-470,008	-444,884
<b>Carrying amount in the Group, December 31</b>					<b>10,164</b>	<b>9,165</b>



Note 14 cont.

**Participations in joint ventures are consolidated according to the proportional method**

The Group's financial reports include the following items that comprise the Group's holdings in the joint venture company's revenue, expenses, assets and liabilities.

	2012	2011
Revenue	203	203
Expenses	-196	-170
<b>Results</b>	<b>7</b>	<b>33</b>
Development properties	1,141	997
Other assets	116	45
Cash and cash equivalents	33	128
<b>Total assets</b>	<b>1,290</b>	<b>1,170</b>
Long-term liabilities	371	313
Current liabilities	202	134
<b>Total liabilities</b>	<b>573</b>	<b>447</b>
<b>Net assets</b>	<b>717</b>	<b>723</b>

**NOTE 15 FINANCIAL ASSETS**

	2012	2011
Opening cost		
<b>Opening balance, January 1</b>	<b>18</b>	<b>64</b>
Additional receivables	0	0
Settled receivables	0	0
Reclassification	0	-46
Translation differences	0	0
<b>Closing balance, December 31</b>	<b>18</b>	<b>18</b>

Financial assets mainly relate to promissory notes.

**NOTE 16 PARTICIPATIONS IN GROUP COMPANIES****Specification of Parent Company's shares and participation in wholly owned Group companies, SEK 000s**

Company	CIN	Domicile	Number of shares and participations	Carrying amount	
				2012	2011
AB Bergslussen	556854-1691	Stockholm	500	50	50
AB Borätt	556257-9275	Stockholm	500	1,978	1,978
AB Garantibus	556073-0524	Stockholm	5,000	1,000	1,000
Bo Entreprenad AB	556807-5328	Stockholm	1,000	100	100
BRO Haifa 1 AB	556821-1949	Stockholm	1,000	45,476	45,476
Bruket i Kallhäll Exploaterings AB	556561-0184	Stockholm	1,000	100	100
Bruket i Kallhäll Exploaterings KB	969653-9122	Stockholm	-	10	10
Decemberviken AB	556668-2463	Stockholm	1,000	93	93
Fastighets AB Havremust 2	556875-9483	Stockholm	500	94,286	94,286
Fastighetsbolaget Bohusmark KB	916443-1125	Gothenburg	1	1,120	1,120
Förvaltnings AB Storskogen	556869-2098	Stockholm	-	-	50
Grafiken i Stockholm AB	556149-6034	Stockholm	3,000	300	300
Grönkilen i Solna 4 AB	556746-8680	Stockholm	1,000	23,236	23,236
JM Byrån Holding AB	556752-9630	Stockholm	1,000	100	100
JM Construction S.A., Belgium	413662141	Brussels	10,000	111,906	111,906
JM Danmark AS, Denmark	21410233	Copenhagen	100,000	106,943	106,943
JM Entreprenad AB	556060-8837	Stockholm	200,000	107,750	107,750
JM Fastighetsutveckling Holding AB	556847-3259	Stockholm	500	50	50
JM Inredning i Stockholm AB	556202-8653	Stockholm	1,000	50	50
JM Kamarsadeln Holding AB	556853-8465	Stockholm	500	50	50
JM Norge AS, Norway	829350122	Oslo	20,000	127,687	127,687
JM Stombyggnad AB	556173-0564	Stockholm	1,000	113	113
JM Strandhusen AB	556738-3939	Stockholm	1,000	108	108
JM Suomi OY, Finland	1974161-8	Helsinki	1,000	101,742	98,427
JM Värmdöstrand AB	556001-6213	Värmdö	4,400	158,000	158,000
JM Älta Centrum AB	556638-5380	Stockholm	1,000	564	564
JM Älta Holding AB	556638-5372	Stockholm	1,000	40,100	40,100
KB Silverfjädern	969676-7525	Stockholm	-	0	0
Klippljuset Holding AB	556872-0527	Stockholm	500	50	50
SBC Bo AB	556754-2138	Stockholm	700	3,550	3,550
Seniorgården AB	556359-9082	Stockholm	1,000	100	100
Slussbron Ett AB	556749-2870	Stockholm	1,000	100	100
Slussbron Två AB	556749-2888	Stockholm	1,000	100	100
Slussbron Tre AB	556749-2896	Stockholm	1,000	100	100
Solventilen AB	556869-8327	Stockholm	500	50	50
Stockholm Pundet 1 AB	556852-1297	Stockholm	500	74,722	74,722
Årstapaviljongen AB	556069-3425	Stockholm	1,000	142	142
<b>Carrying amount, December 31</b>				<b>1,001,826</b>	<b>998,561</b>

## Specification of the Group's other holdings of shares and participations in wholly owned Group companies, SEK 000s

Company	CIN	Domicile	Number of shares and participations	Carrying amount	
				2012	2011
AB Vänaden 1	556806-1419	Solna	50,000	1,183	1,183
AB Grammet 1	556806-1427	Solna	50,000	90,658	90,223
Byggholt AS, Norway	991460012	Bærum	100	122	119
Fernanda Nissens Gate 5–7 DA, Norway	997364341	Bærum	100	787	-
Förvaltnings AB Hyresrätten 2	556810-9580	Stockholm	1,000	90,642	90,642
Förvaltnings AB Storskogen	556869-2098	Stockholm	500	50	-
Förvaltnings AB Valdor	556742-1283	Stockholm	1,000	1,030	1,030
Förvaltnings AB Vilgur	556220-7984	Stockholm	1,000	24,664	24,664
Förvaltnings AB Vistet	556121-1979	Stockholm	1,000	17,743	17,743
Heggeodden Næring 1 AS Norway	999520847	Asker	100	35	-
JMN AS, Norway	998861179	Bærum	100	35	-
JM Norge Eiendom AS, Norway	987558733	Stavanger	1	825	489
JM Norge Entreprenør AS, Norway	934787889	Bærum	50	1,019	766
JM Vaxholm AB	556390-9174	Stockholm	13,300	1,333	1,333
JM Värmdöstrand Holding AB	556275-4696	Stockholm	3,300,120	396,014	396,014
Lervig Maritim Næring I AS, Norway	996294447	Stavanger	100	306	153
Lervig Maritim Næring II AS, Norway	996122999	Stavanger	100	374	185
Lervig Maritim Næring III AS, Norway	996040917	Stavanger	100	614	153
Mariastaden AB	556228-8596	Stockholm	100	2,000	2,000
Månstrålen Holding AB	556072-9492	Stockholm	5,000	132,786	132,786
Naturtomter AS, Norway	930586595	Tønsberg	15	-1,616	-1,357
Nor-Invest AS, Norway	934223144	Tønsberg	514,396	600	10,889
Sjövikshöjdens Grubbostad AB	556829-1016	Stockholm	1,000	100	100
Slussbron Ekonomisk förening	769613-7160	Stockholm	9	0	0
Stavanger Naeringsselskap AS, Norway	968487272	Stavanger	83,451,000	13,657	16,013
Äldreboendet Fjäderholmsvyn AB	556826-3429	Stockholm	1,000	100	100
Öie AS, Norway	961314941	Rasta	1,000	185,741	187,543

**NOTE 17 PROJECT PROPERTIES AND DEVELOPMENT PROPERTIES**

	Project properties <sup>1)</sup>		Development properties	
	2012	2011	2012	2011
<i>Opening cost</i>				
<b>Opening balance, January 1</b>	<b>859</b>	<b>661</b>	<b>6,217</b>	<b>5,776</b>
New purchases	178	95	992	1,201
Corporate acquisitions	-	196	267	384
Reclassifications	-10	-	-51	-
Translation differences	1	0	-13	-6
Transferred to production	-	-3	-1,393	-1,113
Sales	-	-90	-	-25
<b>Closing balance, December 31</b>	<b>1,028</b>	<b>859</b>	<b>6,019</b>	<b>6,217</b>

*Accumulated impairment losses*

<b>Opening balance, January 1</b>	-	-	<b>-401</b>	<b>-402</b>
Reclassification	-	-	51	-
Transferred to production	-	-	93	-
Translation difference	-	-	7	1
Impairment losses for the year	-95	-	-	-
<b>Closing balance, December 31</b>	<b>-95</b>	<b>-</b>	<b>-250</b>	<b>-401</b>

**Closing residual value according to plan**

<b>933</b>	<b>859</b>	<b>5,769</b>	<b>5,816</b>
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<sup>1)</sup> Interest expenses added to the cost of project properties amounted to SEK 3m (1).

Reported residual value for the part of development properties recognized at net realizable value amounts to SEK 1,221m (1,385).

**NOTE 18 PARTICIPATIONS IN TENANT-OWNERS ASSOCIATIONS, ETC.**

	2012	2011
<i>Opening cost</i>		
<b>Opening balance, January 1</b>	<b>150</b>	<b>115</b>
New purchases	845	289
Translation difference	0	0
Sales	-781	-254
<b>Closing balance, December 31</b>	<b>214</b>	<b>150</b>

The number of unsold residential units on the balance sheet was 70 (59).

**NOTE 19 OTHER CURRENT RECEIVABLES**

	2012	2011
Receivables from property sales	0	0
Receivables from participations sold in tenant-owners associations	311	65
Deposit investment development properties	80	39
Other	58	161
<b>Total</b>	<b>449</b>	<b>265</b>

**NOTE 20 RECOGNIZED REVENUE LESS PROGRESS BILLINGS**

	2012	2011
Recognized revenue in work in progress	3,111	4,060
Accumulated billing on account for work in progress	-2,583	-3,476
<b>Total</b>	<b>528</b>	<b>584</b>

**NOTE 21 WORK IN PROGRESS**

	2012	2011
Accumulated costs incurred	2,004	1,384
Accumulated billing on account for work in progress	-1,844	-1,314
<b>Total</b>	<b>160</b>	<b>70</b>

Work in progress only relates to projects within JM International.

**NOTE 22 CASH AND CASH EQUIVALENTS**

	2012	2011
Cash and bank balances	1,075	1,837
Short-term investments	1,400	600
<b>Total</b>	<b>2,475</b>	<b>2,437</b>

Short-term investments have a maturity of between one day and three months.

**NOTE 23 FINANCIAL LIABILITIES**

	2012	2011
<b>Long-term interest-bearing liabilities</b>		
Liabilities to credit institutions maturity date 1–5 years from closing day	155	145
Long-term promissory notes, development properties 1–5 years	75	75
Convertible loan 1–5 years	66	73
<b>Total</b>	<b>296</b>	<b>293</b>

	2012	2011
<b>Current interest-bearing liabilities</b>		
Liabilities to credit institutions, interest-bearing –1 year	498	514
Short-term promissory notes, development properties –1 year	71	-
Convertible loan –1 year	12	52
<b>Total</b>	<b>581</b>	<b>566</b>

	2012	Change	2011	Change	2010
<b>Interest-bearing net liabilities/receivables</b>					
Current interest-bearing liabilities	581	15	566	52	514
Long-term interest-bearing liabilities	296	3	293	35	258
Transferred to pensions	648	40	608	23	585
Less cash and cash equivalents	-2,475	-38	-2,437	-350	-2,087
Less interest-bearing receivables	0	0	0	0	-
<b>Interest-bearing net liabilities (+)/receivables (-), December 31</b>	<b>-950</b>	<b>20</b>	<b>-970</b>	<b>-240</b>	<b>-730</b>

	2012	2011
<b>Other financial liabilities</b>		
Other non-current liabilities 1–5 years from closing day	100	172
Accounts payable	587	637
Derivative instruments, short-term	-	0
Short-term promissory notes, development properties	503	223
Other current liabilities	480	328
<b>Total</b>	<b>1,670</b>	<b>1,360</b>

Financial liabilities are divided into non-current and current liabilities, where current liabilities are due within 1 year. Other non-current liabilities relate to promissory notes for property acquisitions that become payable when various terms and conditions are met. See note 24 Financial risk management and financial derivative instruments.

**NOTE 24 FINANCIAL RISK MANAGEMENT AND FINANCIAL DERIVATIVE INSTRUMENTS**

The JM Group is exposed to different types of financial risks which may influence profit, cash flow and equity. These risks mainly comprise:

- Interest risk for borrowing and cash and cash equivalents
- Financing and liquidity risks pertaining to the Group's capital requirements
- Currency risk pertaining to profit and net investments in foreign subsidiaries
- Credit risk attributable to financial and commercial activities.

JM's Board of Directors has adopted a policy for how to handle and control these risks within the Group. Financial risk management is largely concentrated to Finance and Treasury, which is also mandated to support operational activities. At the same time, the international companies are responsible for local activities in accordance with financial policy guidelines.

The accounting principles are described in Note 1. The Risk and risk management section on pages 26–29 describes the Group's risk management and financial policy.

**Interest rate risk**

Interest risk refers to the risk that changes in interest rates would have a negative effect on the Group's net interest and cash flow. One of the biggest risk factors involves choosing the interest rate period for the Group's loan portfolio. JM chooses its fixed-interest period based on the tied up capital and cash flows of ongoing projects, the volume of long-term borrowing, as well as the current market situation for interest rates with different maturities. To achieve the desired fixed-interest period, the Group primarily works with interest rate derivatives, mainly interest rate swaps.

Since the volume of long-term borrowing is relatively limited, the Group mainly works with short time to maturity. The average fixed-interest period excluding pension liability on December 31, 2012 was 0.3 years (0.2).

Fair value on interest-bearing loans was SEK 877m (859). The fair value of interest-bearing liabilities to credit institutions is assumed to correspond to the carrying amount since they mainly have a short fixed term of less than three months. The JM Group has no outstanding interest rate derivatives as of December 31, 2012.

**Interest risk exposure, including derivatives**

	2012		2011	
	Loan amount (SEKm)	Average interest (%)	Loan amount (SEKm)	Average interest (%)
<b>Year for interest conversion</b>				
2012	-	-	859	3.7
2013	877	3.2	-	-
Pension liability <sup>1)</sup>	648	3.8	608	4.0
<b>Total</b>	<b>1,525</b>	<b>3.4</b>	<b>1,467</b>	<b>3.8</b>

<sup>1)</sup> The discount rate for pension obligations is adjusted annually.

The average interest rate on interest-bearing liabilities as of December 31, 2012 excluding pension liabilities was 3.4 percent (3.8). A 1 percent change in the market interest rate corresponds with an effect on earnings of about SEK 7m for the part of the loan portfolio traded during 2013. The calculation is an approximation and is based on the assumption of a simultaneous change in all interest rate curves.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash and short-term investments. According to JM's financial policy, the company may only invest excess liquidity in liquid instruments issued by issuers with a credit rating of at least A- according to Standard & Poor's or similar credit rating agency. The investments are short-term with a term of between one day and three months. See note 22 for a breakdown between cash and short-term investments.

**Financing and liquidity risk**

Financing and liquidity risk refers to the risk that loans could become more difficult and more expensive to refinance and that the Group cannot fulfill its current payment obligations due to inadequate liquidity. The Group manages its financing risk by signing long-term binding credit agreements with different maturities with several different institutions. According to the policy, the average term of framework agreements should be two to three years.

	Overdraft				
<b>Binding loan commitments</b>	<b>Total facility</b>				
<b>Maturity</b>	<b>Total</b>	<b>2013</b>	<b>2014</b>	<b>2015–2016</b>	
Loan commitments (SEKm)	2,800	400	350	800	1,250

The Group has unutilized approved credit lines of SEK 2,800m. The average maturity for credit agreements is 2.2 years.



The Group maintains cash and cash equivalents, together with approved credit lines, of at least 10 percent of JM's revenue in order for the Group to handle investments and current payments.

### Currency risk

During the year the Group extended loans to subsidiaries abroad. The exposure is hedged in its entirety. Because of extremely limited transaction volumes in foreign currency, the Group has not engaged in hedging activities for these volumes.

### Credit risk

#### Credit risk associated with financial services

Credit risk exposure in the form of counterparty risk arises with investment of cash and cash equivalents and during derivative trading. In order to limit credit risks the Group has prepared a counterparty list that sets a maximum exposure in relation to each approved party. ISDA agreements (International Swaps and Derivative Association) or equivalent Swedish bank agreements have been prepared with those counterparties that are used for transactions with derivative instruments.

#### Credit risk associated with accounts receivable

The JM Group's customers are mainly tenant-owners associations and future owners of private homes. The Group also engages in project development of commercial premises and contracting services. The Group has tenants in both residential and commercial premises.

Credit risk exposure relating to tenant-owners associations is deemed to be limited since financing of production takes place through the association's bank loan, purchased by JM. A similar arrangement applies for customers who buy their own homes. To ensure the customer's ability to pay, a credit check is always carried out. Uncertainty relating to projects is managed by applying the rules for profit recognition; see Note 1 Accounting principles. Accounts receivable for housing production amounts to SEK 432m (498).

Credit risk exposure in relation to commercial customers, contracting and rentals of residential and commercial premises has a somewhat different nature. Accounts receivable for these groups amounts to SEK 321m (279).

The provision for doubtful accounts receivable amounts to SEK 3.6m (4.6). During the year the Group used SEK 4.7m (0.4) of earlier provisions. Accounts receivable older than 60 days amounts to SEK 113m (113). Provision and utilization of the provision for doubtful accounts receivable were recognized in the income statement.

### Aged accounts receivable

12-31-2012 SEKm	Nominal	Not due	< 30 days	31–60 days	61–90 days	> 90 days
Residential development	432	287	47	24	13	61
Contracting	321	230	49	3	2	37
Other	5	5	-	-	-	0
<b>Total</b>	<b>758</b>	<b>522</b>	<b>96</b>	<b>27</b>	<b>15</b>	<b>98</b>
Number of invoices	1,575	1,041	170	47	24	293

12-31-2011 SEKm	Nominal	Not due	< 30 days	31–60 days	61–90 days	> 90 days
Residential development	498	314	73	12	37	62
Contracting	279	204	32	29	14	0
Other	4	4	-	-	-	-
<b>Total</b>	<b>781</b>	<b>522</b>	<b>105</b>	<b>41</b>	<b>51</b>	<b>62</b>
Number of invoices	1,494	1,012	118	52	21	291

### Credit risk analysis customers

12-31-2012 Interval	Number of customers	In % of number	In % of portfolio
Exposure interval < SEK 1m	1,111	91	12
Exposure interval SEK 1–5m	85	7	29
Exposure interval > SEK 5m	29	2	59
<b>Total</b>	<b>1,225</b>	<b>100</b>	<b>100</b>

12-31-2011 Interval	Number of customers	In % of number	In % of portfolio
Exposure interval < SEK 1m	1,008	88	13
Exposure interval SEK 1–5m	100	9	29
Exposure interval > SEK 5m	39	3	58
<b>Total</b>	<b>1,147</b>	<b>100</b>	<b>100</b>

### Valuation of financial assets and liabilities

JM used generally accepted methods for calculating the fair value of the Group's financial instruments as of December 31, 2012 and 2011. The fair value of interest-bearing liabilities to credit institutions is assumed to correspond to the carrying amount since they mainly have a short fixed term of less than three months. Notes payable for property acquisitions become payable in conjunction with fulfillment of various conditions, such as approval of local plans or when the project begins.

The fair value of notes payable for property acquisitions is therefore assumed to be equal to the carrying amount when the liabilities are payable on demand. For all other financial assets and liabilities, such as cash and cash equivalents, accounts receivable, and accounts payable, the carrying amount is assumed to provide a good approximation of fair value/cost. The Group applies trade date accounting.

The following table shows fair value, carrying amount and information about the category to which the JM Group's financial instruments belong in accordance with IAS 39 Financial instruments: Recognition and measurement.

Financial instruments	Category according to IAS 39 <sup>1)</sup>	12-31-2012 Carrying amount*	12-31-2011 Carrying amount*
<b>Assets</b>			
Interest-bearing financial assets	L&R	0	0
Other financial assets	L&R	18	18
Of which other long-term receivables	L&R	18	18
Of which other long-term securities	AFS	0	0
Accounts receivable	L&R	758	781
Other current receivables	L&R/n/a	449	265
Of which derivative instruments <sup>2)</sup>	FVPL	1	0
Of which receivables from property sales	L&R	0	0
Of which other	n/a	448	265
Cash, cash equivalents, and short-term investments	L&R	2,475	2,437
Of which cash and bank balances	L&R	1,075	1,837
Of which short-term investments	L&R	1,400	600
<b>Liabilities</b>			
Long-term interest-bearing liabilities	FLAC	296	293
Of which convertible loan	FLAC	66	73
Of which other non-current interest-bearing loans	FLAC	230	220
Other long-term liabilities	FLAC	100	172
Accounts payable	FLAC	587	637
Current interest-bearing liabilities	FLAC	581	566
Other current liabilities	FLAC	983	551
Of which derivative instruments <sup>2)</sup>	FLRIS	-	0
Of which other current liabilities	FLAC	983	551

\* JM considers there to be no significant difference between the carrying amount and fair value.

<sup>1)</sup> Classification in accordance with IAS 39, explanation of abbreviations:

AFS Available-for-sale financial assets  
L&R Loans and receivables  
FVPL Financial assets at fair value through profit or loss  
FLAC Financial liabilities measured at amortized cost  
FLRIS Financial liabilities recognized at fair value through profit or loss  
n/a IAS 39 does not apply

<sup>2)</sup> Measurement of fair value for all assets and liabilities at fair value is based on directly or indirectly observable prices, corresponding with level 2, according to IFRS 7.

### Financial derivative instruments

JM uses financial derivative instruments to manage interest risks and on a selective basis, occasional currency risks. Derivative instruments may only be used to minimize risks. All gains and losses that arise in market valuations of instruments are recognized directly in profit and loss, since the JM Group does not apply hedge accounting for existing derivatives.

The JM Group has no outstanding interest rate derivatives as of December 31, 2012. Currency derivatives for Group loan to international company market valued at SEK 0.6m (0.3).

### Asset Management

JM manages capital, which comprises the consolidated equity, with the purpose of providing JM shareholders with a higher total return than shareholders in companies with similar operations and risk profile.

JM's ambition is to maintain an optimal composition of assets and capital structure over time, suitable for the Company's project development activities. According to the stated objectives for capital structure, the equity ratio should be at least 35 percent. The equity ratio target is a simplified consequence of a more extensive analysis where shareholders' equity has been allocated to the different asset classes and types of operations in the balance sheet, taking assessed operating risk into account. The relevant key indicators can be seen in the five-year overview on page 87.

Also see the "Business concept and strategy" and "The JM Share" sections.

**NOTE 25 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS****Defined-benefit plans**

JM has a defined-benefit plan for pensions, the ITP 2 plan in Sweden, which is financed in-house.

**Defined-contribution plans**

These plans mainly comprise retirement pension and family pension.

Premiums are paid regularly during the year by the Group company concerned to separate legal entities. The pension cost for the period is recognized in the income statement.

**Obligations regarding employee benefits, defined-benefit plans**

The following provisions for pension obligations have been made in the balance sheet:

Group	2012	2011
Pension obligations, unfunded plans	931	841
Unrecognized actuarial gains (+), losses (-), pension commitments	-283	-233
<b>Net liability according to the balance sheet</b>	<b>648</b>	<b>608</b>

Pension commitments, plan assets and provisions for pension obligations as well as actuarial gains/losses for the defined-benefit pension plans have developed as follows:

Total pension commitments	2012	2011
<b>Opening balance, January 1</b>	<b>841</b>	<b>691</b>
Benefits earned during the year	28	17
Interest expense	34	31
Benefits paid	-31	-27
Unrecognized actuarial gains (-), losses (+)	59	129
<b>Closing balance, December 31</b>	<b>931</b>	<b>841</b>

The actuarial loss in 2012 primarily increased due to new assumptions about the discount rate.

Reconciliation pension provisions	2012	2011
<b>Opening balance, January 1</b>	<b>608</b>	<b>585</b>
Pension costs, defined-benefit plans	71	50
Benefits paid	-31	-27
<b>Closing balance, December 31</b>	<b>648</b>	<b>608</b>

Actuarial gains (+), losses (-)	2012	2011	2010	2009	2008
Total pension commitments	931	841	691	708	1,000
Plan assets, fair value	-	-	-	11	261
Experience adjustments, percentage of this year's unrecognized actuarial gains (+) and losses (-):					
Pension obligations (SEKm)	-21	-14	-37	-10	-10
Percent of total value of pension commitments (%)	-2.3	-1.7	-5.3	-1.4	-1.0
Plan assets (SEKm)	-	-	-	-0.4	-3.0
Percent of fair value of managed assets (%)	-	-	-	-3.3	-1.1
<b>Pension expenses</b>	<b>2012</b>	<b>2011</b>			
Benefits earned during the year	28	17			
Interest on obligations	34	31			
Amortization actuarial loss	9	2			
<b>Pension costs, defined-benefit plans</b>	<b>71</b>	<b>50</b>			
Pension costs, defined-contribution plans	138	116			
Social security expenses, defined-benefit and defined-contribution plans	42	33			
<b>Total</b>	<b>251</b>	<b>199</b>			

Of the above pension costs, SEK 34m (31) is recognized as a financial cost, corresponding with the interest on the obligation.

JM used the "corridor" approach until December 31, 2012, which means actuarial gains and losses are gradually amortized onto the income statement and balance sheet. Actuarial gains and losses arise when the outcome deviates from the previous actuarial assumptions.

The "corridor" approach is no longer allowed in the revised IAS 19 that went into effect on January 1, 2013, with restated opening balance values for 2012. Pension liabilities are to be valued at fair value on the balance sheet, and the actuarial gains/losses expensed via comprehensive income and shareholders' equity. For JM this means a reduction in the 2012 opening balance of shareholders' equity of SEK 213m including social security expenses and deferred tax. For the 2013 opening balance this means a reduction of shareholders' equity of SEK 274m including social security expenses and deferred tax. For annual and quarterly restatements for 2012, see pages 90–91.

JM expects cash flow for the pension provision in 2013 to be SEK -34m.

**Actuarial assumptions**

The most important actuarial assumptions as per closing day can be seen in the following table.

	Sweden	
%	2012	2011
Discount rate	3.75	4.00
Expected salary increases	3.50	3.50
Inflation	2.00	2.00
Income base amount	3.00	3.00
Attrition rate	3.00	3.00

The discount rate is determined for each geographic market taking the market return on corporate bonds on the closing day into account. In Sweden, where there is no functioning market for such bonds, the market return on mortgage bonds is used and a premium for a longer maturity added based on the duration of the pension obligations.

The anticipated salary increase factor corresponds to anticipated future salary increases as a composite effect of inflation, period of service, and promotion.

The inflation factor corresponds in most pension plans to the anticipated pension upward adjustment (or indexing). In this component JM has chosen to use the inflation targets set up by the Swedish Riksbank.

JM in Sweden uses mortality assumptions to calculate its pension liability, which in practical terms means that JM assumes that a man in Sweden who is currently 65 will live for 23 years after retirement and a woman for 25 years.

**NOTE 26 OTHER PROVISIONS**

	Warranty provisions	
	2012	2011
<b>Opening balance, January 1</b>	<b>300</b>	<b>318</b>
Utilized/Reversals	-94	-92
Provisions	90	74
<b>On December 31<sup>1)</sup></b>	<b>296</b>	<b>300</b>

<sup>1)</sup> Of which short-term part of warranty provisions 108 104

Provisions for guarantee commitments relate to costs that could arise during the guarantee period and that are reported as non-current and current liabilities in the balance sheet.

The amount of the provision is primarily based on the number of residential units per project and is charged to the project upon conclusion. The longest term for warranty provisions is ten years, while the majority of warranty provisions are for approximately two to three years.

Since the effect of when in time payment occurs is immaterial, expected future payments are not calculated at present value.

**NOTE 27 DEFERRED TAX ASSETS AND LIABILITIES**

	2012	2011
Deferred tax liability on tax allocation reserves <sup>1)</sup>	289	287
Other deferred tax liabilities*	982	1,094
<b>Sub-total</b>	<b>1,271</b>	<b>1,381</b>
Less deferred tax liabilities	-81	-62
<b>Net deferred tax liabilities</b>	<b>1,190</b>	<b>1,319</b>
<b>Deferred tax receivables</b>	<b>10</b>	<b>69</b>
<b>*Other deferred tax liabilities allocated to:</b>		
Development properties <sup>2)</sup>	346	378
Provision for taxation for impairment losses not yet approved <sup>3)</sup>	617	637
Other current assets	19	79
<b>Total</b>	<b>982</b>	<b>1,094</b>

<sup>1)</sup> Tax rules in Sweden allow companies to postpone taxation through provisions to untaxed reserves in the balance sheet via appropriations in the income statement. However, untaxed reserves or appropriations are not stated in the consolidated financial statements. Untaxed reserves are divided between deferred tax liability and shareholders' equity.

<sup>2)</sup> Difference fiscal amount and carrying amount.

In addition to the above, JM has loss-carryforwards and temporary differences in JM International, which are not reported as deferred tax assets, for SEK 503m, including SEK 145m that is time-based within an interval of 3–10 years..

<sup>3)</sup> The Supreme Administrative Court rulings in 2009 in legal cases relating to application of the Swedish Tax Avoidance Act to transactions in which properties are sold at a loss have resulted in the National Tax Agency submitting a request to apply the Tax Avoidance Act to some of JM's impairment losses during the 2007–2009 years of assessment. In 2012 one of these cases was decided in the Administrative Court in favor of the National Tax Agency's claim of tax avoidance. The case refers to an increase in tax expense of SEK 167m for the current assessment year. JM has appealed the decision to the Administrative Court of Appeal. The National Tax Agency also submitted a second case to the Administrative Court regarding a claim of tax avoidance and according to a decision made by the Agency they intend to submit three more. Supported amongst other things by external expertise and a ruling from the Stockholm Administrative Court of Appeal, JM does not believe an increased income assessment will occur under the Tax Avoidance Act. However, JM has previously made provisions at the Group level for a negative outcome in these cases.

**NOTE 28 PROGRESS BILLINGS IN EXCESS OF RECOGNIZED REVENUE**

	2012	2011
Accumulated billing on account for work in progress	16,523	13,444
Recognized revenue in work in progress	-15,368	-12,127
<b>Total</b>	<b>1,155</b>	<b>1,317</b>

**NOTE 29 ACCRUALS AND DEFERRED INCOME**

	2012	2011
Personnel-related items	468	455
Prepaid rental income	19	18
Other accruals	361	304
<b>Total</b>	<b>848</b>	<b>777</b>

**NOTE 30 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

	2012	2011
<b>Assets pledged to secure own provisions and liabilities</b>		
Corporate mortgages	100	100
Property mortgages	386	322
<b>Total</b>	<b>486</b>	<b>422</b>
<b>Contingent liabilities</b>		
Guarantee commitments, other	4,894	4,983
Guarantees in connection with assignments	1,027	897
Payment and rental guarantees	77	22
Other contingent liabilities	13	13
<b>Total</b>	<b>6,011</b>	<b>5,915</b>

The corporate mortgage relates to the pension liability that JM Sweden has with PRI. Property mortgages are only granted to a limited extent for financing with credit institutions.

During a tenant-owners association's production period, the JM Group provides guarantees for the part of the short-term financing in a bank that exceeds an association's future long-term loans. Guarantee commitments, other relate entirely to the short-term financing. The long-term loans are secured by the mortgage deeds taken out by the association.

The Group has an obligation to acquire unsold participations in tenant-owners associations formed by JM six months after final inspection. This obligation ensures that the tenant-owners association can settle its short-term bank financing. Starting projects in stages, with requirements for a specific level of sales and reservations, reduces the risk of unsold units. See note 18 Participations in tenant-owners associations, etc. for a summary of this year's purchases and sales.

A tenant-owners association's only current revenue is its monthly charges. In the past, JM provided a seven-year guarantee to ensure that the association received the estimated monthly charges. This guarantee comprises an undertaking to buy such apartments as are returned to the association from the first owner. JM then buys the apartment for SEK 1 and pays the monthly charge to the association until JM in its turn has sold the apartment. This guarantee has existed since 1993 but has never been utilized. JM considers it unlikely that the guarantee will need to be met in other than exceptional cases. No new guarantees will be issued after the end of 2010.

AB Bostadsgaranti has a recourse agreement against JM AB regarding its investment guarantee for paid contributions and charges for grant of enjoyment. The guarantee primarily ensures that the association can repay a reasonable amount (maximum contribution and charges) to a tenant-owner who has a right of termination due to significant increases in charges during the first year after final accounts, after which Bostadsgaranti has no liability to pay anything. Bostadsgaranti has not paid out anything since 1962.

Guarantees in connection with assignments largely relate to performance guarantees for contract work with municipalities and municipality-owned companies. These guarantees are in effect during production and for 2–5 years after completion. The commitment initially amounts to 10 percent of the contract price until completion of the work, after which it drops to 5 percent of the contract sum. To the extent that it is considered likely that JM will be held accountable, the commitment is recognized as a liability in the statement of financial position.

**NOTE 31 RELATED PARTY DISCLOSURES**

Related party disclosures can be seen in notes 3 and 16. The Group's transactions with associated companies, over and above what is specified in note 3 Employees and personnel costs, only addresses associated companies and joint ventures, are limited in scope and have occurred at market rates.



INCOME STATEMENT – PARENT COMPANY, SEKm	Note	2012	2011
	1		
Net sales		8,695	8,436
Production and operating costs	2	–7,059	–6,934
<b>Gross profit</b>		<b>1,636</b>	<b>1,502</b>
Selling and administrative expenses	2, 3, 4	–456	–499
Gains on the sale of properties	5	0	1
Impairment losses on properties	6	–95	–
<b>Operating profit</b>		<b>1,085</b>	<b>1,004</b>
<b>Result from financial items</b>	7		
Result from Group companies <sup>1)</sup>		4	759
Result from associated companies		34	3
Result from other financial assets		0	0
Result from financial current assets		44	55
Interest expenses and similar income statement items		–59	–61
<b>Profit before appropriations and tax</b>		<b>1,108</b>	<b>1,760</b>
Appropriations <sup>1)</sup>	8	–152	–188
<b>Profit before tax</b>		<b>956</b>	<b>1,572</b>
Taxes	9	–297	–200
<b>Net profit for the year</b>		<b>659</b>	<b>1,372</b>

PARENT COMPANY'S STATEMENT ON COMPREHENSIVE INCOME, SEKm	Note	2012	2011
<b>Net profit for the year</b>		<b>659</b>	<b>1,372</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>659</b>	<b>1,372</b>

<sup>1)</sup> As of 2012 Group contributions received and paid are recognized as appropriations instead of financial income and financial expenses.  
Comparative figures for 2011 have been adjusted. For more information on Group contribution, see the Parent Company's accounting policies on page 67.

CASH FLOW STATEMENT – PARENT COMPANY, SEKm	Note	2012	2011
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,085	1,004
Depreciation and amortization		3	3
Impairment losses		95	-
Adjustment for non-cash items		–23	–11
<b>Sub-total, cash flow from operating activities</b>		<b>1,160</b>	<b>996</b>
Interest received		42	52
Dividends received		85	3
Interest paid and other financial expenses		–30	–28
Paid tax		–277	–196
<b>Cash flow from operating activities before change in working capital</b>		<b>980</b>	<b>827</b>
Investment in development properties, etc.		–1,050	–991
Payment on account for development properties, etc.		1,329	1,213
Increase/decrease in other current receivables, etc.		41	–68
Increase/decrease in other current operating liabilities		–60	110
<b>Cash flow before investments and sales of project properties</b>		<b>1,240</b>	<b>1,091</b>
Investment in project properties, etc.		–55	–11
Sale of project properties, etc.		0	2
<b>Cash flow from operating activities</b>		<b>1,185</b>	<b>1,082</b>
<b>INVESTING ACTIVITIES</b>			
Change in property, plant, and equipment		–1	–2
Investment in Group companies and associated companies, etc.		–29	–304
Change in financial assets		-	-
<b>Cash flow from investing activities</b>		<b>–30</b>	<b>–306</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		13	25
Amortization of debt		–52	–154
Buy-back and redemption of own shares		–359	-
Dividend		–542	–375
<b>Cash flow from financing activities</b>		<b>–940</b>	<b>–504</b>
<b>Cash flow for the year</b>		<b>215</b>	<b>272</b>
<b>Cash and cash equivalents, January 1</b>		<b>2,143</b>	<b>1,871</b>
<b>Cash and cash equivalents, December 31</b>		<b>2,358</b>	<b>2,143</b>

BALANCE SHEET – PARENT COMPANY, SEKm	Note	12-31-2012	12-31-2011
<b>ASSETS</b>	1		
<b>Non-current assets</b>			
<b>Plant, property, and equipment</b>			
Equipment and other tools	10	3	6
<b>Financial fixed assets</b>	11		
Participations in Group companies		1,002	999
Participations in associated companies		153	151
Long-term receivables in associated companies		43	43
Other long-term receivables		16	16
		<b>1,214</b>	<b>1,209</b>
<b>Total non-current assets</b>		<b>1,217</b>	<b>1,215</b>
<b>Current assets</b>			
Project properties	12	413	478
Development properties	12	2,741	3,131
Participations in tenant-owners associations, etc.	13	196	145
<b>Current receivables</b>			
Accounts receivable		231	269
Other current receivables		379	173
Current interest-bearing receivables in Group companies		2,478	2,290
Recognized revenue less progress billings	14	417	440
Prepaid expenses and accrued income		13	13
		<b>3,518</b>	<b>3,185</b>
<b>Cash and cash equivalents</b>	15	<b>2,358</b>	<b>2,143</b>
<b>Total current assets</b>		<b>9,226</b>	<b>9,082</b>
<b>TOTAL ASSETS</b>		<b>10,443</b>	<b>10,297</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity<sup>1)</sup></b>			
Share capital		84	83
<b>Restricted equity</b>		<b>84</b>	<b>83</b>
Share premium reserve		40	30
Undistributed earnings		2,351	1,880
Net profit for the year		659	1,372
<b>Unrestricted equity</b>		<b>3,050</b>	<b>3,282</b>
<b>Total shareholders' equity</b>		<b>3,134</b>	<b>3,365</b>
<b>Untaxed reserves</b>	16	<b>1,313</b>	<b>1,092</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	17	620	609
Deferred tax liabilities	9	4	77
Warranty provisions	18	218	226
		<b>842</b>	<b>912</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	19	121	128
Other long-term liabilities		79	152
		<b>200</b>	<b>280</b>
<b>Current liabilities</b>			
Accounts payable		275	321
Current interest-bearing liabilities	19	83	52
Other current liabilities	20	508	215
Current interest-bearing liabilities to Group companies	19	2,419	2,362
Derivatives		-	0
Current tax liabilities		153	95
Progress billings in excess of recognized revenue	21	913	1,089
Accrued expenses and deferred income	22	603	514
		<b>4,954</b>	<b>4,648</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,443</b>	<b>10,297</b>
<b>Pledged assets</b>	23	<b>169</b>	<b>169</b>
<b>Contingent liabilities</b>	23	<b>6,729</b>	<b>6,806</b>

<sup>1)</sup> See the Statement of Changes in equity – Parent Company.

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY, SEKm	Share capital	Share premium reserve	Undistributed earnings	Total share-holders' equity
<b>Opening balance, January 1, 2011</b>	<b>83</b>	<b>17</b>	<b>2,058</b>	<b>2,158</b>
Total comprehensive income for the year	-	-	1,372	1,372
Dividend	-	-	-375	-375
Merger of Group companies	-	-	199	199
Conversion of convertible loan	0	11	-	11
Equity component of convertible debentures	-	2	-	2
Share-based payments regulated with equity instruments	-	-	-2	-2
<b>Closing balance, December 31, 2011</b>	<b>83</b>	<b>30</b>	<b>3,252</b>	<b>3,365</b>
<b>Opening balance, January 1, 2012</b>	<b>83</b>	<b>30</b>	<b>3,252</b>	<b>3,365</b>
Total comprehensive income for the year	-	-	659	659
Dividend	-	-	-542	-542
Conversion of convertible loan	1	9	-	10
Equity component of convertible debentures	-	1	-	1
Share-based payments regulated with equity instruments	-	-	0	0
Buy-back of shares	-	-	-359	-359
<b>Closing balance, December 31, 2012</b>	<b>84</b>	<b>40</b>	<b>3,010</b>	<b>3,134</b>

Number of shares (1 vote/share) as of December 31, 2012, amounts to 83,663,242 (83,530,371), of which JM AB repurchased 3,169,056 shares (150,964) which do not participate in dividends. Par value per share is SEK 1.

The proposed dividend for 2012 is SEK 6.75 per share (6.50).



**NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES**

Amounts in SEKm unless stated otherwise.

For the Parent Company's accounting policies, please refer to the Group's accounting and valuation principles on pages 64–67.

**NOTE 2 EMPLOYEES AND PERSONNEL COSTS**

	2012	2011
<b>Average number of employees (all in Sweden)</b>	<b>1,545</b>	<b>1,566</b>
men, %	(82)	(82)

**Wages, salaries, other remuneration and social security expenses**

<b>Board of Directors and President</b>	<b>11</b>	<b>9</b>
(variable compensation)	(–3)	(2)
<b>Other employees</b>	<b>745</b>	<b>696</b>
(variable compensation)	(–64)	(54)
<b>Total salaries and other remuneration</b>	<b>756</b>	<b>705</b>
(variable compensation)	(–67)	(56)
<b>Social security expenses</b>	<b>373</b>	<b>393</b>
(pension costs)	(142) <sup>1)</sup>	(177) <sup>1)</sup>
<b>Total Parent Company</b>	<b>1,129</b>	<b>1,098</b>

<sup>1)</sup> Of the Parent Company's pension costs, SEK 2.1m (1.9) pertains to the Group's President. The Company's outstanding pension commitments to the President amount to SEK 0.5m (0.5). The Company has no pension costs or pension commitments to the rest of the Board.

For information about benefits to JM AB senior executives, please see the Group's note 3.

**NOTE 3 DEPRECIATION ACCORDING TO PLAN**

	2012	2011
Equipment and other tools	–3	–3
<b>Total</b>	<b>–3</b>	<b>–3</b>

The following depreciation rates are applied:  
Computers and other equipment 20–33 percent.

**NOTE 7 RESULT FROM FINANCIAL ITEMS**

	Result from Group companies <sup>1)</sup>		Result from associated companies		Result from other financial assets		Result from financial current assets		Interest expenses and similar income statement items		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Dividend	51	739	34	52	0	0	-	-	-	-	85	791
Sales	-	104	-	-	-	-	-	-	-	-	-	104
Share in profits	–23	3	-	-	-	-	-	-	-	-	–23	3
Impairment losses	–24	–87	-	–49	-	-	-	-	-	-	–24	–136
Interest income	-	-	-	-	-	-	23	30	-	-	23	30
Income, reassessment of derivative	-	-	-	-	-	-	4	8	-	-	4	8
Interest income, Group companies	-	-	-	-	-	-	17	17	-	-	17	17
Interest expense	-	-	-	-	-	-	-	-	–29	–27	–29	–27
Expense, revaluation of derivative	-	-	-	-	-	-	-	-	–4	–8	–4	–8
Interest portion in this year's pension costs	-	-	-	-	-	-	-	-	–26	–26	–26	–26
<b>Total</b>	<b>4</b>	<b>759</b>	<b>34</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>44</b>	<b>55</b>	<b>–59</b>	<b>–61</b>	<b>23</b>	<b>756</b>

<sup>1)</sup> As of 2012 Group contributions received and paid are recognized as appropriations instead of financial income and financial expenses. Carrying amounts for 2011 have been adjusted. For more information on Group contribution, see the Parent Company's accounting policies on page 67.

**NOTE 8 APPROPRIATIONS**

	2012	2011
Appropriation to tax allocation reserve	–350	–270
Reversal of previous years' appropriation to tax allocation reserve	129	7
Group contribution received <sup>1)</sup>	69	75
<b>Total</b>	<b>–152</b>	<b>–188</b>

<sup>1)</sup> As of 2012 Group contributions received and paid are recognized as appropriations instead of financial income and financial expenses. Carrying amounts for 2011 have been adjusted. For more information on Group contribution, see the Parent Company's accounting policies on page 67.

**NOTE 4 FEES AND REMUNERATION TO AUDITORS**

	2012	2011
<b>Ernst &amp; Young</b>		
Auditing services	3.0	3.3
Tax services	0.5	-
Other services	0.2	0.2
<b>Total</b>	<b>3.7</b>	<b>3.5</b>

**NOTE 5 GAINS ON THE SALE OF PROPERTIES**

	2012	2011
<b>Sales values</b>		
Project properties	23	1
Development properties	18	26
<b>Total</b>	<b>41</b>	<b>27</b>
<b>Carrying amount</b>		
Project properties	–23	-
Development properties	–18	–26
<b>Total</b>	<b>–41</b>	<b>–26</b>
<b>Results</b>		
Project properties	0	1
Development properties	-	0
<b>Total</b>	<b>0</b>	<b>1</b>

**NOTE 6 IMPAIRMENT OF PROPERTIES**

	2012	2011
Project properties	–95	-
<b>Total</b>	<b>–95</b>	<b>-</b>

Impairment losses in 2012 refer to project property in the Dalén area of Lidingö.

**NOTE 9 TAXES**

	2012	2011
<b>Profit before tax</b>	<b>956</b>	<b>1,572</b>
Current tax	-361	-212
Deferred tax	64	12
<b>Total tax</b>	<b>-297</b>	<b>-200</b>

Difference between reported tax and nominal tax rate 26.3%

<b>Profit before tax × 26.3%</b>	<b>-252</b>	<b>-413</b>
Adjustment of tax from previous years	-40	4
Non-taxable revenue	23	237
Non-deductible expenses	-15	-24
Tax untaxed reserve (tax allocation reserve)	-4	-4
Revaluation of deferred tax relating to lowered income tax 2013	-9	-
<b>Total</b>	<b>-297</b>	<b>-200</b>

In 2008 the Swedish National Tax Agency (Skatteverket) audited JM for tax years 2006 and 2007. The tax notice in December 2008 levied a tax of SEK 66m, which was paid in January 2009. Certain parts of the decision were appealed to the Administrative Court, which made a decision in the case during the year. The Administrative Court cleared a small part (SEK 20m) of the appealed assessment for arrears. JM AB appealed the remaining portion to the Administrative Court of Appeal, which in 2012 approved the Administrative Court's decision. JM AB intends to submit the case to the Supreme Administrative Court for examination but has expensed SEK 40m, the outcome of a negative decision, in the row Tax adjustment, previous years. JM previously made provisions at the Group level for a negative outcome.

<b>Deferred tax assets and liabilities</b>	2012	2011
Deferred tax assets attributable to personnel-related provisions and warranty provisions	-46	-25
Deferred tax liability attributable to temporary differences in project properties and development properties	50	102
<b>Net deferred tax liabilities</b>	<b>4</b>	<b>77</b>

**NOTE 10 EQUIPMENT AND OTHER TOOLS**

	2012	2011
<i>Opening cost</i>		
<b>Opening balance, January 1</b>	<b>35</b>	<b>71</b>
New purchases	0	1
Sales	-	-37
<b>Closing balance, December 31</b>	<b>35</b>	<b>35</b>
<i>Accumulated depreciation according to plan</i>		
<b>Opening balance, January 1</b>	<b>-29</b>	<b>-63</b>
Depreciation for the year	-3	-3
Sales	-	37
<b>Closing balance, December 31</b>	<b>-32</b>	<b>-29</b>
<b>Closing residual value according to plan</b>	<b>3</b>	<b>6</b>

**NOTE 11 FINANCIAL FIXED ASSETS**

	Participations in Group companies		Participations in associated companies and joint ventures		Long-term receivables in associated companies		Other long-term securities		Long-term receivables		Deferred tax receivables		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
<i>Opening cost</i>														
<b>Opening balance, January 1</b>	<b>999</b>	<b>1,235</b>	<b>151</b>	<b>164</b>	<b>43</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>16</b>	<b>-</b>	<b>48</b>	<b>1,209</b>	<b>1,506</b>
New purchases	27	832	2	36	-	-	-	-	-	-	-	-	29	868
Merger	-	-689	-	-	-	-	-	-	-	-	-	-	-	-689
Reclassification	-	-	-	-	-	-	-	-	-	-	-48	-	-	-48
Sales	0	-292	0	0	-	-	-	-	-	-	-	-	0	-292
Impairment losses for the year	-24	-87	-	-49	-	-	-	-	-	-	-	-	-24	-136
<b>Closing balance, December 31</b>	<b>1,002</b>	<b>999</b>	<b>153</b>	<b>151</b>	<b>43</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>1,214</b>	<b>1,209</b>

For specification of the Parent Company's and the Group's participation in associated companies, joint ventures and Group companies, see the Group's notes 14 and 16.

**NOTE 12 PROJECT PROPERTIES AND DEVELOPMENT PROPERTIES**

	Project properties		Development properties	
	2012	2011	2012	2011
<i>Opening cost</i>				
<b>Opening balance, January 1</b>	<b>478</b>	<b>11</b>	<b>3,322</b>	<b>2,522</b>
New purchases	55	11	409	653
Merger	-	458	-	1,074
Reclassifications	-2	-	-51	-
Transferred to production	-	-2	-874	-901
Sales	-23	-	-18	-26
<b>Closing balance, December 31</b>	<b>508</b>	<b>478</b>	<b>2,788</b>	<b>3,322</b>
<i>Accumulated impairment losses</i>				
<b>Opening balance, January 1</b>	<b>-</b>	<b>-</b>	<b>-191</b>	<b>-101</b>
Merger	-	-	-	-90
Reclassifications	-	-	51	-
Transferred to production	-	-	93	-
Impairment losses for the year	-95	-	-	-
<b>Closing balance, December 31</b>	<b>-95</b>	<b>-</b>	<b>-47</b>	<b>-191</b>
<b>Closing residual value according to plan</b>	<b>413</b>	<b>478</b>	<b>2,741</b>	<b>3,131</b>

Reported residual value for the part of development properties recognized at net realizable value amounts to SEK 944m (1,096).

**NOTE 13 PARTICIPATIONS IN TENANT-OWNERS ASSOCIATIONS, ETC.**

	2012	2011
<i>Opening cost</i>		
<b>Opening balance, January 1</b>	<b>145</b>	<b>107</b>
New purchases	826	289
Sales	-775	-251
<b>Closing balance, December 31</b>	<b>196</b>	<b>145</b>

**NOTE 14 RECOGNIZED REVENUE LESS PROGRESS BILLINGS**

	2012	2011
Recognized revenue in work in progress	2,354	3,029
Accumulated billing on account for work in progress	-1,937	-2,589
<b>Total</b>	<b>417</b>	<b>440</b>

**NOTE 15 CASH AND CASH EQUIVALENTS**

	2012	2011
Cash and bank balances	958	1,543
Short-term investments	1,400	600
<b>Total</b>	<b>2,358</b>	<b>2,143</b>

Short-term investments have a maturity of between one day and three months.

**NOTE 16 UNTAXED RESERVES**

	2012	2011
Tax allocation reserve for 2007 taxation	-	129
Tax allocation reserve for 2008 taxation	209	209
Tax allocation reserve for 2009 taxation	79	79
Tax allocation reserve for 2010 taxation	180	180
Tax allocation reserve for 2011 taxation	225	225
Tax allocation reserve for 2012 taxation	270	270
Tax allocation reserve for 2013 taxation	350	-
<b>Total</b>	<b>1,313</b>	<b>1,092</b>

**NOTE 17 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS**

	2012	2011
Opening balance, January 1	609	557
Benefits earned during the period	17	14
Interest expense	22	21
Pensions paid	-30	-27
Other	2	44
<b>Closing balance, December 31</b>	<b>620</b>	<b>609</b>

In the Parent Company, the ITP plan is posted as a liability under pension provisions.

**NOTE 18 WARRANTY PROVISIONS**

	2012	2011
Opening balance, January 1	226	261
Utilized/Reversals	-82	-92
Provisions	74	57
<b>Closing balance, December 31</b>	<b>218</b>	<b>226</b>

**NOTE 19 INTEREST-BEARING LIABILITIES**

Long-term interest-bearing liabilities	2012	2011
Other liabilities 1–5 years from closing day	55	55
Convertible loan 1–5 years	66	73
<b>Total</b>	<b>121</b>	<b>128</b>

Current interest-bearing liabilities	2012	2011
Other current liabilities	71	-
Convertible loan 1 year	12	52
Liabilities to Group companies	2,419	2,362
<b>Total</b>	<b>2,502</b>	<b>2,414</b>

**Liabilities to credit institutions, confirmed credits**

Credit agreement	2012	2011
Bank overdraft facility	400	400
Granted credit agreement maturity within 1 year	350	1,200
Granted credit agreement maturity more than 1 year	2,050	1,200
Unused part	-2,800	-2,800
<b>Unused credit agreement</b>	<b>-</b>	<b>-</b>

Credit agreements carry fixed interest.

**NOTE 20 OTHER CURRENT LIABILITIES**

	2012	2011
Short-term promissory notes, development properties	126	20
Other current liabilities	382	195
<b>Total</b>	<b>508</b>	<b>215</b>

**NOTE 21 PROGRESS BILLINGS IN EXCESS OF RECOGNIZED REVENUE**

	2012	2011
Accumulated billing on account for work in progress	14,597	12,097
Recognized revenue in work in progress	-13,684	-11,008
<b>Total</b>	<b>913</b>	<b>1,089</b>

**NOTE 22 ACCRUALS AND DEFERRED INCOME**

	2012	2011
Personnel-related items	327	320
Prepaid rental income	8	12
Other accruals	268	182
<b>Total</b>	<b>603</b>	<b>514</b>

**NOTE 23 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

	2012	2011
<b>Assets pledged to secure own provisions and liabilities</b>		
Corporate mortgages <sup>1)</sup>	100	100
Property mortgages	69	69
<b>Total</b>	<b>169</b>	<b>169</b>

**Contingent liabilities**

Guarantee commitments, other <sup>2)</sup>	4,894	4,983
Guarantees on behalf of Group companies <sup>3)</sup>	1,457	1,452
Guarantees in connection with assignments	355	350
Payment and rental guarantees	9	8
Other contingent liabilities	14	13
<b>Total</b>	<b>6,729</b>	<b>6,806</b>

<sup>1,2)</sup> See the Group's note 30 for comments.

<sup>3)</sup> Guarantees on behalf of Group companies mainly relate to commitments for foreign companies and the Seniorgården AB and JM Entreprenad AB subsidiaries.

**NOTE 24 RELATED PARTY DISCLOSURES**

The Parent Company has a related party relationship with its subsidiaries and associated companies; see Group notes 14 and 16.

	2012	2011
Purchase of goods and services from related parties	695	687
Interest income from Group companies	17	17
Dividend from Group companies	51	739
Share in profits from Group companies	-23	3
Dividend from associated companies	34	52
Long-term receivables in associated companies	43	43
Current interest-bearing receivables in Group companies	2,478	2,290
Current interest-bearing liabilities to Group companies	2,419	2,362
Guarantees on behalf of Group companies	1,457	1,452

Transactions with key individuals in leading positions can be found in note 2. Employees and personnel costs. All transactions with related parties and companies were conducted on market-based terms.



Amounts in SEKm unless stated otherwise.

<b>INCOME STATEMENT<sup>1)</sup></b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Revenue	12,480	12,001	9,136	9,620	12,229
Production and operating costs	-10,273	-9,798	-7,608	-8,361	-10,180
<b>Gross profit</b>	<b>2,207</b>	<b>2,203</b>	<b>1,528</b>	<b>1,259</b>	<b>2,049</b>
Selling and administrative expenses	-738	-717	-649	-615	-719
Gains on the sale of properties	0	27	28	89	73
Impairment losses on properties	-95	-	-	-87	-320
<b>Operating profit</b>	<b>1,374</b>	<b>1,513</b>	<b>907</b>	<b>646</b>	<b>1,083</b>
Financial income and expenses	-56	-50	-67	-117	-31
<b>Profit before tax</b>	<b>1,318</b>	<b>1,463</b>	<b>840</b>	<b>529</b>	<b>1,052</b>
Taxes	-357	-421	-246	-164	-234
<b>Net profit for the year</b>	<b>961</b>	<b>1,042</b>	<b>594</b>	<b>365</b>	<b>818</b>

#### INCOME STATEMENT BY FUNCTION

<b>Production</b>					
Recognized revenue	12,311	11,840	9,016	9,486	12,027
Production costs	-10,168	-9,668	-7,498	-8,237	-10,002
<b>Profit from production operations</b>	<b>2,143</b>	<b>2,172</b>	<b>1,518</b>	<b>1,249</b>	<b>2,025</b>
<b>Development properties</b>					
Rental revenue	92	88	58	65	85
Operating expenses	-41	-51	-38	-34	-57
Property tax	-20	-23	-21	-21	-21
<b>Profit from development properties</b>	<b>31</b>	<b>14</b>	<b>-1</b>	<b>10</b>	<b>7</b>
<b>Project properties</b>					
Rental revenue	77	73	62	69	117
Operating expenses	-41	-54	-48	-66	-98
Property tax	-3	-2	-3	-3	-2
<b>Profit from project properties</b>	<b>33</b>	<b>17</b>	<b>11</b>	<b>0</b>	<b>17</b>
<b>Gross profit</b>	<b>2,207</b>	<b>2,203</b>	<b>1,528</b>	<b>1,259</b>	<b>2,049</b>
<b>Selling and administrative expenses</b>	<b>-695</b>	<b>-674</b>	<b>-614</b>	<b>-569</b>	<b>-662</b>
<b>Property sales</b>					
Sales values	0	142	80	665	748
Carrying amount	-	-115	-52	-576	-675
<b>Gains on the sale of properties</b>	<b>0</b>	<b>27</b>	<b>28</b>	<b>89</b>	<b>73</b>
Impairment losses on properties	-95	-	-	-87	-320
Group-wide expenses	-43	-43	-35	-46	-57
<b>Operating profit</b>	<b>1,374</b>	<b>1,513</b>	<b>907</b>	<b>646</b>	<b>1,083</b>

<b>BALANCE SHEET<sup>1)</sup></b>	<b>12-31-2012</b>	<b>12-31-2011</b>	<b>12-31-2010</b>	<b>12-31-2009</b>	<b>12-31-2008</b>
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>254</b>	<b>315</b>	<b>219</b>	<b>259</b>	<b>184</b>
Project properties	933	859	661	596	614
Development properties	5,769	5,816	5,374	4,990	5,620
Participations in tenant-owners associations, etc.	214	150	115	353	171
Current receivables <sup>2)</sup>	1,911	1,719	1,437	1,659	2,355
Cash and cash equivalents	2,475	2,437	2,087	2,030	1,111
<b>Total current assets</b>	<b>11,302</b>	<b>10,981</b>	<b>9,674</b>	<b>9,628</b>	<b>9,871</b>
<b>TOTAL ASSETS</b>	<b>11,556</b>	<b>11,296</b>	<b>9,893</b>	<b>9,887</b>	<b>10,055</b>
<b>EQUITY AND LIABILITIES<sup>3)</sup></b>					
<b>Shareholders' equity</b>	<b>4,667</b>	<b>4,598</b>	<b>3,923</b>	<b>3,637</b>	<b>3,241</b>
Long-term interest-bearing liabilities	296	293	258	326	314
Other long-term liabilities	100	172	218	113	271
Long-term provisions	2,026	2,123	1,833	1,682	1,579
<b>Total long-term liabilities</b>	<b>2,422</b>	<b>2,588</b>	<b>2,309</b>	<b>2,121</b>	<b>2,164</b>
Current interest-bearing liabilities	581	566	514	951	1,137
Other current liabilities	3,778	3,440	3,036	3,045	3,401
Current provisions	108	104	111	133	112
<b>Total current liabilities</b>	<b>4,467</b>	<b>4,110</b>	<b>3,661</b>	<b>4,129</b>	<b>4,650</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,556</b>	<b>11,296</b>	<b>9,893</b>	<b>9,887</b>	<b>10,055</b>

<sup>1)</sup> Financial year 2008 is not restated according to IFRIC 15.

<sup>2)</sup> Of which receivables from property sales

<sup>3)</sup> Of which liabilities for property acquisition

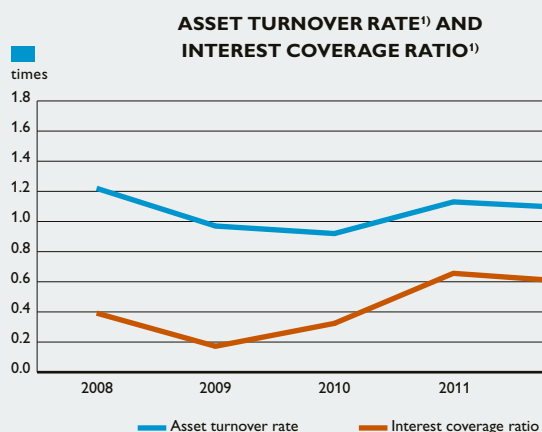
CASH FLOW STATEMENT	2012	2011	2010	2009	2008
Cash flow from operating activities	979	733	42	1,124	101
Cash flow from investing activities	-2	-93	7	-51	-4
Cash flow from financing activities	-939	-290	13	-158	-1,055
<b>Total cash flow for the year</b>	<b>38</b>	<b>350</b>	<b>62</b>	<b>915</b>	<b>-958</b>
<b>Cash and cash equivalents, December 31</b>	<b>2,475</b>	<b>2,437</b>	<b>2,087</b>	<b>2,030</b>	<b>1,111</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>					
Interest-bearing net liabilities (+)/receivables (-), January 1	-970	-730	-189	842	-1,313
Change in interest-bearing net liabilities/receivables	20	-240	-541	-1,031	2,155
<b>Interest-bearing net liabilities (+)/receivables (-), December 31</b>	<b>-950</b>	<b>-970</b>	<b>-730</b>	<b>-189</b>	<b>842</b>
<b>DEVELOPMENT PROPERTIES</b>					
Carrying amount, January 1	5,816	5,374	4,990	5,620	5,282
New purchases	1,259	1,585	1,655	428	1,571
Transferred to production	-1,300	-1,113	-1,080	-910	-781
Impairment losses	-	-	-	-87	-320
Other	-6	-30	-191	-61	-132
<b>Carrying amount, December 31</b>	<b>5,769</b>	<b>5,816</b>	<b>5,374</b>	<b>4,990</b>	<b>5,620</b>
<b>HOUSING PRODUCTION</b>					
Number of available building rights	26,600	27,200	27,500	27,900	31,000
– recognized in the balance sheet	17,400	17,600	17,600	18,400	20,100
Number of residential units sold	2,952	3,112	3,276	3,291	1,871
Number of housing starts	3,163	3,629	3,404	2,150	1,829
Number of residential units in current production	5,988	6,401	5,431	3,744	5,118
Percentage sold residential units in current production (%)	55	60	64	54	45
Percentage reserved residential units in current production (%)	11	8	18	25	9
Percentage sold and reserved residential units in current production (%)	66	68	82	79	54
<b>PROJECT PROPERTIES</b>					
Market values	959	854	685	610	669
Carrying amount	933	859	661	596	614
Surplus values before deferred tax	26	-5	24	14	55
<b>PERSONNEL</b>					
Average number of employees	2,386	2,331	2,043	2,095	2,533
– abroad	365	306	246	247	353
Wages, salaries and remunerations	1,198	1,084	924	969	1,086
<b>KEY RATIOS<sup>1)</sup></b>					
Operating margin (%) <sup>2)</sup>	11.0	12.6	9.9	6.7	8.9
Return on equity after tax (%)	20.7	24.5	15.7	10.6	22.9
Pre-tax return on capital employed (%)	23.0	27.5	17.8	12.9	23.8
Pre-tax return on total capital (%)	12.4	14.7	9.7	6.9	11.7
Equity/assets ratio (%) <sup>2)</sup>	40	41	40	37	32
Interest-bearing loan (SEKm)	1,525	1,467	1,357	1,842	1,964
Debt/equity ratio (times)	-	-	-	-	0.3
Interest coverage ratio (times)	15.0	16.4	8.1	4.3	9.8
Interest-bearing liabilities/total assets (%)	13	13	14	19	20
Asset turnover rate (times)	1.09	1.13	0.92	0.97	1.22

<sup>1)</sup> Financial year 2008 is not restated according to IFRIC 15.

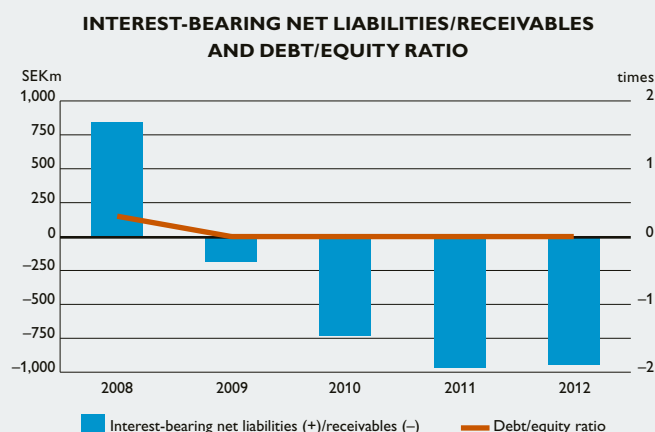
<sup>2)</sup> Financial targets:

Operating margin should amount to 10 percent, including gains from property sales of 1–2 percentage points.

The visible equity ratio should amount to 35 percent over a business cycle. To the extent the visible equity ratio and interest coverage are assessed as exceeding the optimal capital structure on a continuing basis, capital will be transferred to shareholders in a form that is appropriate at the time.



<sup>1)</sup> Financial year 2008 is not restated according to IFRIC 15



Amounts in SEK m unless stated otherwise.

INCOME STATEMENT	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Revenue	12,480	3,439	3,108	2,946	2,987	12,001	3,702	3,071	2,681	2,547
Production and operating costs	-10,273	-2,800	-2,598	-2,403	-2,472	-9,798	-3,025	-2,521	-2,162	-2,090
<b>Gross profit</b>	<b>2,207</b>	<b>639</b>	<b>510</b>	<b>543</b>	<b>515</b>	<b>2,203</b>	<b>677</b>	<b>550</b>	<b>519</b>	<b>457</b>
Selling and administrative expenses	-738	-180	-151	-221	-186	-717	-179	-155	-203	-180
Gains on the sale of properties	0	-	-	-	0	27	2	0	23	2
Impairment losses on properties	-95	-95	-	-	-	-	-	-	-	-
<b>Operating profit</b>	<b>1,374</b>	<b>364</b>	<b>359</b>	<b>322</b>	<b>329</b>	<b>1,513</b>	<b>500</b>	<b>395</b>	<b>339</b>	<b>279</b>
Financial income and expenses	-56	-14	-17	-12	-13	-50	-11	-15	-10	-14
<b>Profit before tax</b>	<b>1,318</b>	<b>350</b>	<b>342</b>	<b>310</b>	<b>316</b>	<b>1,463</b>	<b>489</b>	<b>380</b>	<b>329</b>	<b>265</b>
Taxes	-357	-91	-94	-83	-89	-421	-142	-107	-94	-78
<b>Net profit for the period</b>	<b>961</b>	<b>259</b>	<b>248</b>	<b>227</b>	<b>227</b>	<b>1,042</b>	<b>347</b>	<b>273</b>	<b>235</b>	<b>187</b>

BALANCE SHEET	12-31-2012	09-30-2012	06-30-2012	03-31-2012	12-31-2011	09-30-2011	06-30-2011	03-31-2011
<b>ASSETS</b>								
<b>Non-current assets</b>	<b>254</b>	<b>296</b>	<b>311</b>	<b>312</b>	<b>315</b>	<b>334</b>	<b>173</b>	<b>176</b>
Project properties	933	1,000	984	925	859	796	783	854
Development properties	5,769	5,722	5,939	5,798	5,816	5,814	5,570	5,593
Participations in tenant-owners associations, etc.	214	193	147	168	150	115	99	115
Current receivables	1,911	1,889	2,154	1,860	1,719	1,731	1,687	1,404
Cash and cash equivalents	2,475	2,022	1,767	2,469	2,437	1,917	1,790	2,024
<b>Total current assets</b>	<b>11,302</b>	<b>10,826</b>	<b>10,991</b>	<b>11,220</b>	<b>10,981</b>	<b>10,373</b>	<b>9,929</b>	<b>9,990</b>
<b>TOTAL ASSETS</b>	<b>11,556</b>	<b>11,122</b>	<b>11,302</b>	<b>11,532</b>	<b>11,296</b>	<b>10,707</b>	<b>10,102</b>	<b>10,166</b>

**EQUITY AND LIABILITIES**

<b>Shareholders' equity</b>	<b>4,667</b>	<b>4,494</b>	<b>4,391</b>	<b>4,827</b>	<b>4,598</b>	<b>4,276</b>	<b>3,990</b>	<b>4,099</b>
Long-term interest-bearing liabilities	296	293	332	340	293	287	247	305
Other long-term liabilities	100	109	163	173	172	205	198	198
Long-term provisions	2,026	2,189	2,169	2,149	2,123	1,918	1,867	1,852
<b>Total long-term liabilities</b>	<b>2,422</b>	<b>2,591</b>	<b>2,664</b>	<b>2,662</b>	<b>2,588</b>	<b>2,410</b>	<b>2,312</b>	<b>2,355</b>
Current interest-bearing liabilities	581	688	742	635	566	640	752	445
Other current liabilities	3,778	3,244	3,404	3,303	3,440	3,272	2,942	3,159
Current provisions	108	105	101	105	104	109	106	108
<b>Total current liabilities</b>	<b>4,467</b>	<b>4,037</b>	<b>4,247</b>	<b>4,043</b>	<b>4,110</b>	<b>4,021</b>	<b>3,800</b>	<b>3,712</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,556</b>	<b>11,122</b>	<b>11,302</b>	<b>11,532</b>	<b>11,296</b>	<b>10,707</b>	<b>10,102</b>	<b>10,166</b>

CASH FLOW STATEMENT	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Cash flow from operating activities	979	675	442	-140	2	733	560	316	-78	-65
Cash flow from investing activities	-2	0	0	-2	0	-93	12	-145	-1	41
Cash flow from financing activities	-939	-225	-184	-560	30	-290	-50	-44	-158	-38
<b>Total cash flow for the period</b>	<b>38</b>	<b>450</b>	<b>258</b>	<b>-702</b>	<b>32</b>	<b>350</b>	<b>522</b>	<b>127</b>	<b>-237</b>	<b>-62</b>

<b>Cash and cash equivalents at end of the period</b>	<b>2,475</b>	<b>2,475</b>	<b>2,022</b>	<b>1,767</b>	<b>2,469</b>	<b>2,437</b>	<b>2,437</b>	<b>1,917</b>	<b>1,790</b>	<b>2,024</b>
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**INTEREST-BEARING NET**

LIABILITIES/RECEIVABLES	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
<b>Interest-bearing net liabilities (+)/ receivables (-) at beginning of period</b>	<b>-970</b>	<b>-404</b>	<b>-65</b>	<b>-876</b>	<b>-970</b>	<b>-730</b>	<b>-388</b>	<b>-191</b>	<b>-683</b>	<b>-730</b>
Change in interest-bearing net liabilities/ receivables	20	-546	-339	811	94	-240	-582	-197	492	47
<b>Interest-bearing net liabilities (+)/ receivables (-) at end of period</b>	<b>-950</b>	<b>-950</b>	<b>-404</b>	<b>-65</b>	<b>-876</b>	<b>-970</b>	<b>-970</b>	<b>-388</b>	<b>-191</b>	<b>-683</b>

DEVELOPMENT PROPERTIES	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
<b>Opening balance at beginning of period</b>	<b>5,816</b>	<b>5,722</b>	<b>5,939</b>	<b>5,798</b>	<b>5,816</b>	<b>5,374</b>	<b>5,814</b>	<b>5,570</b>	<b>5,593</b>	<b>5,374</b>
New purchases	1,259	521	153	307	278	1,585	324	599	247	415
Transferred to production	-1,300	-503	-336	-162	-299	-1,113	-280	-341	-325	-167
Other	-6	29	-34	-4	3	-30	-42	-14	55	-29
<b>Closing balance at the end of the period</b>	<b>5,769</b>	<b>5,769</b>	<b>5,722</b>	<b>5,939</b>	<b>5,798</b>	<b>5,816</b>	<b>5,814</b>	<b>5,814</b>	<b>5,570</b>	<b>5,593</b>

KEY RATIOS	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Operating margin (%)	11.0	10.6	11.6	10.9	11.0	12.6	13.5	12.9	12.6	11.0
Debt/equity ratio (times)	-	-	-	-	-	-	-	-	-	-
Equity/assets ratio (%)	40	40	40	39	42	41	41	40	39	40
Earnings per share (SEK)	11.70	3.20	3.00	2.70	2.70	12.50	4.20	3.30	2.80	2.20
Number of available building rights	26,600	26,600	27,600	27,700	27,200	27,200	27,200	28,000	26,500	26,300
Number of residential units sold	2,952	1,060	611	654	627	3,112	746	705	821	840
Number of housing starts	3,163	998	759	775	631	3,629	773	1,005	943	908
Number of residential units in current production	5,988	5,988	5,986	5,769	5,786	6,401	6,401	6,439	6,027	5,957

JM RESIDENTIAL STOCKHOLM	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Revenue	5,591	1,465	1,336	1,376	1,414	5,141	1,579	1,197	1,320	1,045
Operating profit	1,041	309	249	239	244	1,028	341	258	246	183
Operating margin (%)	18.6	21.1	18.6	17.4	17.3	20.0	21.6	21.6	18.6	17.5
Average operating capital	2,406	2,406	2,366	2,394	2,349	2,286	2,286	2,153	1,985	1,843
Return on operating capital (%) <sup>2)</sup>	43.3	43.3	45.3	45.2	46.4	45.0	45.0	44.3	41.2	38.3
Operating cash flow	1,051	378	194	211	268	641	356	395	-211	101
Carrying amount, development properties	2,904	2,904	2,544	2,741	2,753	2,888	2,888	2,813	2,691	2,679
Number of available building rights	10,900	10,900	11,100	11,500	11,500	11,800	11,800	12,100	10,900	10,700
Number of residential units sold <sup>1)</sup>	1,307	474	273	252	308	1,401	329	308	369	395
Number of housing starts <sup>1)</sup>	1,507	344	451	367	345	1,684	349	468	439	428
Number of residential units in current production	3,071	3,071	3,167	3,032	3,059	3,290	3,290	3,353	3,116	2,931
<sup>1)</sup> Of which rental units	-	-	-	-	-	77	-	77	-	-

JM RESIDENTIAL SWEDEN	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Revenue	3,003	818	612	790	783	3,355	862	725	976	792
Operating profit <sup>1)</sup>	231	66	46	60	59	301	76	69	88	68
Operating margin (%)	7.7	8.1	7.5	7.6	7.5	9.0	8.8	9.5	9.0	8.6
Average operating capital	1,490	1,490	1,467	1,487	1,485	1,478	1,478	1,443	1,462	1,469
Return on operating capital (%) <sup>2)</sup>	15.5	15.5	16.4	17.7	19.7	20.4	20.4	20.7	19.4	17.2
Operating cash flow	243	-19	213	4	45	317	-8	196	83	46
Carrying amount, development properties	1,333	1,333	1,421	1,465	1,499	1,406	1,406	1,460	1,512	1,539
Number of available building rights	9,200	9,200	9,400	9,500	9,000	8,800	8,800	8,800	9,000	8,900
Number of residential units sold	902	292	203	231	176	1,056	204	229	303	320
Number of housing starts	779	250	166	210	153	1,157	201	297	332	327
Number of residential units in current production	1,492	1,492	1,668	1,533	1,571	1,973	1,973	2,009	1,955	1,953
<sup>1)</sup> Of which property sales	-	-	-	-	-	4	1	0	3	-

JM INTERNATIONAL	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Revenue	3,152	1,151	645	696	660	2,349	799	669	464	417
Operating profit	181	74	41	34	32	159	67	38	30	24
Operating margin (%)	5.7	6.4	6.4	4.9	4.8	6.8	8.4	5.7	6.5	5.8
Average operating capital	2,202	2,202	2,188	2,072	1,924	1,822	1,822	1,764	1,718	1,774
Return on operating capital (%) <sup>2)</sup>	8.2	8.2	8.0	8.3	8.7	8.7	8.7	6.8	5.4	4.0
Operating cash flow	74	193	98	-211	-6	-197	76	-288	-10	25
Carrying amount, development properties	1,454	1,454	1,678	1,654	1,485	1,462	1,462	1,481	1,306	1,315
Carrying amount, project properties	69	69	73	74	51	51	51	33	35	33
Number of available building rights	6,500	6,500	7,100	6,700	6,700	6,600	6,600	7,100	6,600	6,700
Number of residential units sold	743	294	135	171	143	655	213	168	149	125
Number of housing starts	877	404	142	198	133	788	223	240	172	153
Number of residential units in current production	1,425	1,425	1,151	1,204	1,156	1,138	1,138	1,077	956	1,073

JM PROPERTY DEVELOPMENT	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Revenue	77	21	17	18	21	73	21	19	17	16
Operating profit <sup>1)</sup>	-83	-90	4	2	1	15	-1	2	13	1
Average operating capital	939	939	922	893	864	822	822	797	770	739
Return on operating capital (%) <sup>2)</sup>	-8.8	-8.8	0.7	0.4	1.7	1.8	1.8	2.3	2.5	1.6
Operating cash flow	-161	-50	-12	-37	-62	-134	-18	-131	86	-71
Carrying amount, development properties	61	61	61	61	61	60	60	60	61	60
Carrying amount, project properties	864	864	927	910	874	808	808	763	748	821
<sup>1)</sup> Of which – property sales	0	-	-	-	0	23	1	-	20	2
– impairment loss on properties	-95	-95	-	-	-	-	-	-	-	-

JM PRODUCTION	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Revenue	2,006	578	463	510	455	1,986	669	490	480	347
Operating profit	71	28	14	15	14	84	28	24	19	13
Operating margin (%)	3.5	4.8	3.0	2.9	3.1	4.2	4.2	4.9	4.0	3.7
Operating cash flow	38	39	5	-23	17	-18	28	10	-49	-7

JM OTHER	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Revenue (elimination)	-695	-233	-135	-182	-145	-687	-260	-141	-160	-126
Operating profit (Group-wide expenses)	-43	-8	-9	-13	-13	-43	-14	-9	-9	-11

RESTATEMENT JM INTERNATIONAL	Full-year	2012				Full-year	2011			
		Q 4	Q 3	Q 2	Q 1		Q 4	Q 3	Q 2	Q 1
Revenue	-654	-361	170	-262	-201	-216	32	112	-416	56
Operating profit	-24	-15	14	-15	-8	-31	3	13	-48	1

<sup>2)</sup> Calculated on 12-month rolling profits and average capital.



## GROUP

## EFFECTS OF THE TRANSITION IN 2012 INCOME STATEMENT AND BALANCE SHEET ACCORDING TO IAS 19

As of January 1, 2013, changes to the accounting of defined-benefit pension plans in accordance with IAS 19 are applied. The estimated value of JIM's pension obligations will be entirely recognized as liabilities in the consolidated balance sheet and the transition will have a negative effect on consolidated equity. See the restatement of full-year 2012 and each quarter in the tables below.

## SEKm

INCOME STATEMENT	Jan–Dec 2012	Restatement	Restated Jan–Dec 2012
Net profit for the year	961	-	961
Other comprehensive income			
Actuarial gains/losses including special employer's contribution and deferred tax	-	-61	-61
Translation differences	-2	-	-2
Comprehensive income for the year	959	-61	898

BALANCE SHEET	12-31-2012	Restatement	Restated 12-31-2012	12-31-2011	Restatement	Restated 01-01-2012
ASSETS						
Non-current assets	254	-	254	315	-	315
Current assets	11,302	-	11,302	10,981	-	10,981
Total assets	11,556	-	11,556	11,296	-	11,296
EQUITY AND LIABILITIES						
Shareholders' equity	4,667	-274	4,393	4,598	-213	4,385
Long-term interest-bearing liabilities	296	-	296	293	-	293
Other long-term liabilities	100	-	100	172	-	172
Long-term provisions <sup>1)</sup>	2,026	206	2,232	2,123	157	2,280
Total long-term liabilities	2,422	206	2,628	2,588	157	2,745
Current interest-bearing liabilities	581	-	581	566	-	566
Other current liabilities <sup>2)</sup>	3,778	68	3,846	3,440	56	3,496
Current provisions	108	-	108	104	-	104
Total current liabilities	4,467	68	4,535	4,110	56	4,166
Total equity and liabilities	11,556	-	11,556	11,296	-	11,296
<sup>1)</sup> Of which provisions for pensions		283			233	
<sup>1)</sup> Of which deferred tax liability		-77			-76	
<sup>1)</sup> Long-term provisions		206			157	
<sup>2)</sup> Refers to special employer's contribution, 24.26% of the change in provisions for pensions.						

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Jan–Dec 2012	Restatement	Restated Jan–Dec 2012
Opening balance at the beginning of the year	4,598	-	4,598
Effect of change in accounting principle, IAS 19	-	-213	-213
Total comprehensive income for the year	959	-61	898
Dividend	-542	-	-542
Conversion convertible loan	10	-	10
Equity component of convertible debentures	1	-	1
Share-based payments regulated with equity instruments	0	-	0
Buy-back of shares	-359	-	-359
Closing balance on December 31	4,667	-274	4,393

INTEREST-BEARING NET LIABILITIES/RECEIVABLES	Jan–Dec 2012	Restatement	Restated Jan–Dec 2012
Interest-bearing net liabilities (+)/receivables (-) at beginning of period	-970	233	-737
Change in interest-bearing net liabilities/receivables	20	50	70
Interest-bearing net liabilities (+)/receivables (-) at year-end	-950	283	-667

KEY RATIOS	12-31-2012	Restated 12-31-2012	12-31-2011	Restated 01-01-2012
Equity/assets ratio (%)	40	38	41	39

## GROUP

## EFFECTS OF THE TRANSITION IN 2012 INCOME STATEMENT AND BALANCE SHEET ACCORDING TO IAS 19

As of January 1, 2013, changes to the accounting of defined-benefit pension plans in accordance with IAS 19 are applied. The estimated value of JM's pension obligations will be entirely recognized as liabilities in the consolidated balance sheet and the transition will have a negative effect on consolidated equity. See the restatement of full-year 2012 and each quarter in the tables below.

QUARTERLY OVERVIEW, SEKm												
INCOME STATEMENT	Q 4 2012	Restate-ment	Re-stated Q 4	Q 3 2012	Restate-ment	Re-stated Q 3	Q 2 2012	Restate-ment	Re-stated Q 2	Q 1 2012	Restate-ment	Re-stated Q 1
Net profit for the period	259	-	259	248	-	248	227	-	227	227	-	227
Other comprehensive income												
Actuarial gains/losses including special employer's contribution and deferred tax	-	-61	-61	-	-	-	-	-	-	-	-	-
Translation differences	20	-	20	-23	-	-23	-1	-	-1	2	-	2
Comprehensive income for the period	279	-61	218	225	-	225	226	-	226	229	-	229
BALANCE SHEET	12-31-2012	Restate-ment	Re-stated 12-31	09-30-2012	Restate-ment	Re-stated 09-30	06-30-2012	Restate-ment	Re-stated 06-30	03-31-2012	Restate-ment	Re-stated 03-31
<b>ASSETS</b>												
Non-current assets	254	-	254	296	-	296	311	-	311	312	-	312
Current assets	11,302	-	11,302	10,826	-	10,826	10,991	-	10,991	11,220	-	11,220
<b>Total assets</b>	<b>11,556</b>	<b>-</b>	<b>11,556</b>	<b>11,122</b>	<b>-</b>	<b>11,122</b>	<b>11,302</b>	<b>-</b>	<b>11,302</b>	<b>11,532</b>	<b>-</b>	<b>11,532</b>
<b>EQUITY AND LIABILITIES</b>												
Shareholders' equity	4,667	-274	4,393	4,494	-213	4,281	4,391	-213	4,178	4,827	-213	4,614
Long-term interest-bearing liabilities	296	-	296	293	-	293	332	-	332	340	-	340
Other long-term liabilities	100	-	100	109	-	109	163	-	163	173	-	173
Long-term provisions <sup>1)</sup>	2,026	206	2,232	2,189	157	2,346	2,169	157	2,326	2,149	157	2,306
<b>Total long-term liabilities</b>	<b>2,422</b>	<b>206</b>	<b>2,628</b>	<b>2,591</b>	<b>157</b>	<b>2,748</b>	<b>2,664</b>	<b>157</b>	<b>2,821</b>	<b>2,662</b>	<b>157</b>	<b>2,819</b>
Current interest-bearing liabilities	581	-	581	688	-	688	742	-	742	635	-	635
Other current liabilities <sup>2)</sup>	3,778	68	3,846	3,244	56	3,300	3,404	56	3,460	3,303	56	3,359
Current provisions	108	-	108	105	-	105	101	-	101	105	-	105
<b>Total current liabilities</b>	<b>4,467</b>	<b>68</b>	<b>4,535</b>	<b>4,037</b>	<b>56</b>	<b>4,093</b>	<b>4,247</b>	<b>56</b>	<b>4,303</b>	<b>4,043</b>	<b>56</b>	<b>4,099</b>
<b>Total equity and liabilities</b>	<b>11,556</b>	<b>-</b>	<b>11,556</b>	<b>11,122</b>	<b>-</b>	<b>11,122</b>	<b>11,302</b>	<b>-</b>	<b>11,302</b>	<b>11,532</b>	<b>-</b>	<b>11,532</b>
<sup>1)</sup> Of which provisions for pensions		283			233			233			233	
<sup>1)</sup> Of which deferred tax liability		-77			-76			-76			-76	
<sup>1)</sup> Long-term provisions		206			157			157			157	

<sup>2)</sup> Refers to special employer's contribution, 24.26% of the change in provisions for pensions.

INTEREST-BEARING NET LIABILITIES/RECEIVABLES	Q 4 2012	Restate-ment	Re-stated Q 4	Q 3 2012	Restate-ment	Re-stated Q 3	Q 2 2012	Restate-ment	Re-stated Q 2	Q 1 2012	Restate-ment	Re-stated Q 1
Interest-bearing net liabilities (+)/receivables (-) at beginning of period	-404	233	-171	-65	233	168	-876	233	-643	-970	233	-737
Change in interest-bearing net liabilities/receivables	-546	50	-496	-339	-	-339	811	-	811	94	-	94
Interest-bearing net liabilities (+)/receivables (-) at end of period	-950	283	-667	-404	233	-171	-65	233	168	-876	233	-643
KEY RATIOS	Q 4 2012		Re-stated Q 4	Q 3 2012		Re-stated Q 3	Q 2 2012		Re-stated Q 2	Q 1 2012		Re-stated Q 1
Equity/assets ratio (%)	40		38	40		39	39		37	42		40

The Board of Directors and the President propose that the Parent Company's net profit for the year of SEK 659,154,166 and retained earnings and share premium reserve of SEK 2,391,354,107, for a total of SEK 3,050,508,273, be distributed as follows:

to the shareholders dividends of SEK 6.75

per share<sup>1)</sup>

SEK 542,425,997

to be carried forward

SEK 2,508,082,276

SEK 3,050,508,273

<sup>1)</sup> There are 83,671,215 registered shares in the Parent Company on February 12, 2013, of which the number of dividend-bearing shares amounts to 80,359,407.

In accordance with the decision at the Annual General Meeting in April 2012, a maximum of ten (10) percent of JM's total number of shares may be bought back. As of February 12, 2013, 3,311,808 shares were bought back. Additional shares may be bought back before the Annual General Meeting in April 2013, which could decrease the total dividends.

*The undersigned certify that the consolidated accounts and the annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles respectively, and give a true and fair view of the financial positions and results of the Group and the Company, and that the management reports of the Group and the Company give a fair review of the development of the operations, financial positions and results of the Group and the Company and describes substantial risks and uncertainties that the Group companies face.*

Stockholm, February 22, 2013

Lars Lundquist  
*Chairman of the Board*

Elisabet Annell Åhlund  
*Member*

Johan Bergman  
*Member*

Anders Narvinger  
*Member*

Kia Orback Pettersson  
*Member*

Åsa Söderström Jerring  
*Member*

Peter Skogert  
*Member appointed  
by the employees*

Johan Wegin  
*Member appointed  
by the employees*

Johan Skoglund  
*Member  
President and CEO*

Our Auditor's Report was submitted on February 22, 2013.

Ernst & Young AB

Jonas Svensson  
*Authorized public accountant*

Lars Träff  
*Authorized public accountant*

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF JM AB (PUBL), CORPORATE IDENTITY NUMBER 556045-2103

## REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of JM AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 53–92.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINIONS

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2012

and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of JM AB (publ) for the year 2012.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OPINIONS

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm February 22, 2013  
Ernst & Young AB

Jonas Svensson  
Authorized Public Accountant

Lars Träff  
Authorized Public Accountant



**DEFINITIONS KEY FINANCIAL FIGURES**

Amounts in SEKm unless stated otherwise.

**Dividend yield**

Proposed dividend in relation to market price as of December 31, 2011.

Proposed dividend	SEK 6.75
Share price	SEK 116
	5.8%

**Total return**

The sum of the change in share price during the year, dividend paid and redemption rights in relation to the share price at the beginning of the year.

Change in share price	SEK 4.00
Dividend paid	SEK 6.50
Share price, January 1	SEK 112.00
	9%

**Earnings per share, basic**

Profit for the year attributable to shareholders of the Parent Company in relation to weighted average number of shares.

Profit for the year	961
Average number of shares	82,414,682
	SEK 11.70

**Operating margin (segment reporting)**

Operating profit as stated in segment reporting in relation to revenues as stated in segment reporting.

Operating profit	1,398
Revenue	13,134
	10.6%

**Operating margin**

Operating result including property sales and impairment losses on properties in relation to revenues.

Operating profit	1,374
Revenue	12,480
	11.0%

**Return on equity**

Profit for the year as a percentage of average shareholders' equity.

Profit for the year	961
Average shareholders' equity	4,633
	20.7%

**Return on capital employed**

Profit before tax plus financial expenses as a percentage of average capital employed.

Profit before tax plus financial expenses	1,412
Average capital employed	6,129
	23.0%

**Return on equity on total capital**

Profit before tax plus financial expenses as a percentage of average total assets.

Profit before tax plus financial expenses	1,412
Average total assets	11,426
	12.4%

**Equity/assets ratio**

Shareholders' equity as a percentage of total assets.

Shareholders' equity	4,667
Total assets	11,556
	40%

**Interest coverage ratio**

Profit before tax plus financial expenses in relation to financial expenses.

Profit before tax plus financial expenses	1,412
Financial expenses	94
	15.0 times

**Interest-bearing liabilities/total assets**

Interest-bearing liabilities and provisions in relation to total assets.

Interest-bearing liabilities	1,525
Total assets	11,556
	13%

**Asset turnover rate**

Revenue divided by average total assets.

Revenue	12,480
Average total assets	11,426
	1.09 times

**GLOSSARY****Development properties**

Mainly refers to land that can be developed for future projects; classified as current assets.

- Land with residential building rights
- Land with commercial building rights
- Developed properties for residential projects or further development to project properties.

A presentation of a selection of JM's larger development properties can be found on [www.jm.se/investors](http://www.jm.se/investors).

**Revenues**

Rental revenue and recognized revenue according to the percentage of completion method in the Swedish operations. Outside Sweden, accrued revenue is usually reported at the time the home is transferred to the customer.

**Revenue as stated in segment reporting (according to the percentage of completion method)**

Revenue is recognized period by period, as projects are completed and sold.

**Operating capital**

Total goodwill, project properties, development properties, participations in tenant-owners associations etc., receivables from property sales, receivables from sold participations in tenant-owners associations, and accounts receivable, revenue less progress billings minus accounts payable, liabilities to tenant-owners associations and progress billings in excess of recognized revenue.

Average operating capital is calculated as closing operating capital on five measurement dates (five most recent quarters).

**Operating cash flow**

Change in operating capital plus profit for the period adjusted for non-cash items.

**Project properties**

Classified as current assets and comprise large property portfolios for further development and commercial properties.

- Residential units (rental units)
- Properties under development
- Fully developed commercial properties.

A summary of JM's project properties can be found on [www.jm.se/investors](http://www.jm.se/investors).

**Interest-bearing net liabilities/receivables**

Interest-bearing receivables and cash and cash equivalents minus interest-bearing liabilities and provisions.

**Operating margin (segment reporting)**

Operating profit as stated in segment reporting in relation to revenues as stated in segment reporting.

**Debt/equity ratio**

Interest-bearing net debt in relation to shareholders' equity.

**Capital employed**

Shareholders' equity plus interest-bearing loans.

A more detailed description can be found in the Accounting and valuation principles section on pages 64–67.

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# CORPORATE GOVERNANCE REPORT FOR THE 2012 FINANCIAL YEAR

## CORPORATE GOVERNANCE PRINCIPLES

In addition to the rules laid down by law or regulation, JM applies the Swedish Code of Corporate Governance (the Code). The code allows noncompliance with the rules, provided that the reason is clearly presented according to the “comply or explain” principle. However, JM complies with the Code without exception.

JM’s aspiration is to continue working systematically to further strengthen its internal control and governance, while increasing the knowledge of shareholders and other stakeholders about how the Board of Directors and the administration operate in order to ensure that shareholders’ demands for return on invested capital is met. Priority areas include high ethical standards, JM’s core values, professionalism, transparency and JM’s contribution to social development. For more information about JM’s contributions to sustainable urban planning, please refer to pages 34–43.

JM has been working on corporate governance issues for several years, which has resulted in improved control and oversight with respect to investment, sales and production decisions, as well as during the project implementation phase. Internal control and governance are also exercised through the systematic committee work of the Board. The Board undergoes an annual evaluation process to promote its development.

## ANNUAL GENERAL MEETING

The Annual General Meeting is the decision-making body at which all shareholders can participate. The Annual General Meeting (the general meeting at which the consolidated accounts and auditors’ report on the consolidated accounts are presented) addresses the company’s developments, and decisions are made on several key issues, such as dividends, discharge from liability for the Board,

election of auditors, compensation to the Board of Directors and auditors, as well as election of a new Board to serve up until the next Annual General Meeting.

The Company publishes notification of the Annual General Meeting no earlier than six weeks and no later than four weeks before the meeting. The Company announces the time and place of the Annual General Meeting in connection with the third quarter report, usually in late October. The possibility of foreign shareholders following or participating in the Annual General Meeting through simultaneous interpretation or translation of presented materials into other languages has not been considered necessary since to date, such shareholders have been represented by Swedish representatives.

The 2012 Annual General Meeting was held on April 26. A total of 235 shareholders were represented, representing about 54 percent of the total votes. Minutes from the Annual General Meeting can be found on JM’s website ([www.jm.se](http://www.jm.se)). The 2012 Annual General Meeting authorized the Board of Directors to resolve on the acquisition of own shares.

The 2013 Annual General Meeting will be held on April 25.

AMF Pension and Swedbank Robur funds are the only shareholders with a direct or indirect shareholding in the Company that represents at least one tenth of the voting rights for all shares in the Company. JM’s Articles of Association do not limit shareholders’ voting rights for any owned or represented shares. The Articles of Association do not contain any provisions on the appointment and dismissal of Board members or on amendments to the articles.

JM does not apply any special arrangements relating to the function of the annual meeting of shareholders, either due to provisions in the Articles of Association or, as far as is known to the Company, shareholder agreements.

**NOMINATION COMMITTEE**

Board Members are nominated by the Nomination Committee prior to election at the Annual General Meeting. This committee consists of representatives for the four largest shareholders in the Company that wish to participate. The Chairman of the Board is the fifth member and convenes the meeting. The Nomination Committee's task is mainly to submit proposals for Board members and their remuneration and to submit proposals for election of and remuneration to auditors.

The Chairman of the Board convened the Nomination Committee for the 2013 Annual General Meeting in September 2012 and it consists of the following:

Lars-Åke Bokenberger, AMF Pension  
Björn Franzon, Swedbank Robur fonder  
Jan Särilvik, Nordea Fonder  
Anders Algotsson, AFA Försäkring  
Lars Lundquist, chairman of the Board of JM.

At the time it was appointed, the Nomination Committee represented about 34 percent of the total number of JM shares. Lars-Åke Bokenberger is Chairman of the Committee. The Nomination Committee convened five times and also corresponded by e-mail and spoke on the telephone. Members of the Nomination Committee have not received any compensation from JM.

At the recommendation of the Nomination Committee, the 2012 Annual General Meeting re-elected Ernst & Young AB as its auditing company. Auditors-in-charge are Jonas Svensson and Lars Träff. The election covers the period up until the 2013 Annual General Meeting.

Jonas Svensson and Lars Träff have no assignments with other companies that affect their independence as auditors for JM.

Information about the auditing company's services to JM in addition to auditing is provided in note 5 on page 71.

In addition to JM, Jonas Svensson provides auditing services to clients such as Atrium Ljungberg, Sagax, Odd Molly, ALM Equity and Besqab. In addition to JM, Lars Träff provides auditing services to clients such as Scania, Boliden, BillerudKorsnäs and ÄF.

**JM's BOARD OF DIRECTORS****COMPOSITION**

According to the Articles of Association, JM's Board of Directors shall consist of a minimum of three and a maximum of nine Directors. No deputies shall be appointed. The Board's Directors are elected by the Annual General Meeting for one year at a time. In addition, the employee organizations are legally entitled to appoint two ordinary members as well as two deputies.

The 2012 Annual General Meeting elected seven directors. The employee organizations appointed two directors and two deputies.

The composition of the Board of Directors can be seen below, as can participation in committees (A = Audit Committee, C = Compensation Committee, I = Investment Committee). Attendance during the 2012 calendar year is also presented. Approved remuneration is reported on page 99.

The Board of Directors held twelve meetings.

The Audit Committee held four meetings.

The Compensation Committee held four meetings.

The Investment Committee held five meetings.

Further information about the Board's Directors according to article 2.6 in the Code is specified on page 102.

Name	Function	Elected	Com- mittee	Attend- ance B	Attend- ance C
Lars Lundquist	Chairman	2005	(chair) C (chair) I	12	C 4 I 5
Elisabet Annell Åhlund	Board Member	2002	(chair) A	12	A 4
Johan Bergman	Board Member	2012	I	7 <sup>1)</sup>	I 4 <sup>1)</sup>
Anders Narvinger	Board Member	2009	A	12	A 3
Kia Orback Pettersson	Board Member	2010	A	12	A 4
Johan Skoglund	Board Member	2003	2)	12	2)
Åsa Söderström Jerring	Board Member	2007	C I	10	C 4 I 5
Torbjörn Torell	Board Member	2004	I	5 <sup>3)</sup>	I 1 <sup>3)</sup>
Jonatan Sundelin	Emp. rep.	2004	-	1 <sup>4)</sup>	
Peter Skogert	Emp. rep.	2012	-	11 <sup>4)</sup>	
Johan Wegin	Emp. rep.	2002	-	12	
Thomas Mattsson	Emp. rep., dep.	2012	-	9 <sup>5)</sup>	
Jan Strömberg	Emp. rep., dep.	2011	-	9 <sup>5)</sup>	

<sup>1)</sup> Johan Bergman was elected to the Board of Directors at the 2012 Annual General Meeting and has been present at the seven meetings and four committee meetings held thereafter.

<sup>2)</sup> Although Johan Skoglund is not a member of any of the Board's committees, he attended the committee meetings together with the reporting business unit manager and chief of staff.

<sup>3)</sup> In 2012 Torbjörn Torell was a member up to the Annual General Meeting and he was present at the five meetings and the committee meeting that were held before the Annual General Meeting.

<sup>4)</sup> Jonatan Sundelin was initially the employee representative in 2012 and he was present at the meeting that was held during the period. Peter Skogert, who has been a deputy member since 2005, replaced Jonatan Sundelin and Peter Skogert was present at the eleven meetings held thereafter.

<sup>5)</sup> Deputy employee representatives do not participate in decisions per capsulam.

**INDEPENDENT**

All Directors elected at the Annual General Meeting, with the exception of Johan Skoglund as President, are to be considered independent in relation to the Company and all are independent in relation to the owners. Employee representatives are not independent of the Company.

**DUTIES AND RESPONSIBILITIES****Duties of the Board of Directors**

The Board's duties concern strategic issues such as JM's business concept, key policies, the market, finance and financial position, internal control and risk management, personnel, leadership and decisions concerning production starts of projects, acquisition and sale of development properties and project properties.

The most important governing documents are:

- Articles of Association
- Rules of Procedure for the Board of Directors, Instructions for the Allocation of Duties between the Board and the President, and Instructions for Financial Reporting
- JM's policies (Quality and Environmental Policy, Employee Policy, Communication policy, Financial Policy and Purchasing Policy)
- JM's Ethical Guidelines, Guidelines for Communication and Guidelines for Procurement.

Newly elected Directors are introduced to the Company's business concept, market, policies and its systems for internal control and risk management.

#### *Duties of the Chairman of the Board*

The Chairman of JM's Board of Directors has ultimate responsibility for the Company complying with the established strategic focus. In this context the Chairman has regular contact with the Company's President and serves as a discussion partner to the President. The Chairman's duties in general comply with the requirements of the Code.

#### *Secretary to the Board*

The Company's General Counsel is the secretary to the Board. The General Counsel is not a member of the Board of Directors.

#### **Board of Directors' evaluation of its own performance**

The performance of the Board of Directors is evaluated every autumn. The results of the evaluation are submitted to the Nomination Committee.

#### **The Board's evaluation of the President**

The Board of Directors evaluates the President's performance annually.

#### **Important matters during 2012**

Among other things, in 2012 the Board of Directors decided on housing starts for four residential projects, which have an estimated total project expense exceeding the maximum level delegated to the President of SEK 400m per project.

The Board of Directors also decided on four acquisitions (two of which are in Norway) of development properties, which have a purchase sum exceeding the maximum level delegated to the President of SEK 100m. In addition, the Board decided on the acquisition of two development properties in Finland.

The Board resolved to propose that the Annual General Meeting authorize the Board to decide on acquisitions of own shares for the period up to the next annual general meeting.

The Board also decided on short-term and long-term variable salary programs and proposed to the Annual General Meeting a convertible debenture and option program for all personnel in the Group corresponding to the programs from previous years.

The Board adopted JM's policies and guidelines.

The Board of Directors held a separate strategy meeting at which it adopted the strategic plan for the Company. At the strategy meeting a competitor analysis was also reviewed.

#### **The duties of the committees**

The committees usually meet in conjunction with Board meetings or when necessary. Minutes are kept and shared with the Board of Directors and the auditors. No committees have been delegated the right of decision except for the

- Compensation Committee, which approves salaries and other terms and conditions for the Executive Management excluding the President and
- the Audit Committee, which in consultation with the external auditors, discusses and approves the plan for the work of the external auditors and approves the plan for the internal audit. The Audit Committee approves remuneration and compensation to the external auditors for special assignments and initiates more in-depth initiatives in selected areas.

With the exception of the President, all members elected at the Annual General Meeting also sit on one or more committees. The President attends the committee meetings together with the

reporting business unit manager and chief of staff. The Chairman of the Board chairs the Compensation Committee and the Investment Committee. Elisabet Annell Åhlund is the Chairperson of the Audit Committee.

The Director of Human Resources reports for the Compensation Committee. Each business unit manager reports for the Investment Committee. The Chief Financial Officer reports for the Audit Committee.

#### *The Audit Committee*

The Audit Committee has three members: Elisabet Annell Åhlund (Chairperson), Anders Narvinger and Kia Orback Pettersson.

The Committee met four times during the calendar year.

During the year the Audit Committee mainly focused on:

- Approval of remuneration and compensation to the auditors for special assignments
- Review of the short-term and long-term audit plan
- Quality assessment of internal control systems and control procedures
- Progress report and analysis of areas or projects of special interest
- Review and analysis of financial statements and interim reports
- Report and present to the Board of Directors observations noted during review sessions with auditors and management
- Initiate more intense initiatives in selected areas
- Preparation of the Corporate Governance Report and the Board of Directors' Report on Internal Control and Risk Management regarding Financial Reporting
- Review of potential incident investigations.

#### *Compensation Committee*

The Compensation Committee has two members: Lars Lundquist (Chairman) and Åsa Söderström Jerring.

The Committee held four meetings during the calendar year.

The duties of the Compensation Committee during the year have been to:

- Prepare recommendations for salary, pension benefits and other terms and conditions for the President of the Company
- Prepare recommendations relating to general principles for remuneration to all other employees, especially in terms of variable compensation
- Prepare recommendations for convertible bond and warrant programs that will be presented to the Annual General Meeting
- Approve salary and other terms and conditions for the Executive Management (excluding the President), based on Board-approved general principles.

#### *Investment Committee*

The Investment Committee has three members: Lars Lundquist (Chairman), Johan Bergman and Åsa Söderström Jerring.

The committee held five meetings during the calendar year.

The duties of the Investment Committee during the year have been, within the framework of JM's order of delegation, to:

- Evaluate the strategy for scope and focus pertaining to development properties and project properties
- Prepare recommendations to purchase or sell development properties and project properties or shares and participation rights in companies as owner of such properties



- Prepare recommendations relating to investments in existing project properties
- Prepare recommendations relating to production start of housing projects
- Prepare recommendations relating to external contract work.

#### FINANCIAL REPORTING

The President shall ensure that the Board receives progress reports on JM's operations, including JM's financial performance, position and liquidity as well as information about the status of larger projects and other significant events. These reports shall be of such nature that the Board can make a well informed evaluation. The financial reporting that the Board receives is presented in the Monitoring section below.

#### THE BOARD OF DIRECTORS' DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT OF FINANCIAL REPORTING Governance Structure

The Board has ultimate responsibility for establishing an effective internal control and risk management system. The responsibility for maintaining an effective control environment and regular work with internal control and risk management is delegated to the President. Risk management is an integrated part of decision-making at all levels within JM and is incorporated as a natural element in JM's business processes.

For a detailed description of JM's risk management procedures please refer to pages 26-29.

In recent years the Board of Directors has placed special emphasis on building effective control structures. The quality of JM's processes and systems for ensuring good internal control is based on the control environment, which includes the Board's adopted rules of procedure and instructions for financial reporting. By establishing the Audit Committee, the Board has facilitated closer contact with both internal and external auditors, enabling the Board and its Committees to learn about the Company's financial position in

various ways. Consequently, the external and internal auditors meet the Audit Committee four to five times per year. In addition the external auditors meet the entire Board twice a year.

The main task of JM's central Internal Audit function is to examine the suitability of the operation and its efficiency by checking compliance with the business-critical requirements of JM's Operations System. JM's Operations System is a comprehensive process-oriented work structure with the purpose of ensuring the efficiency of JM's business processes. JM's central Internal Audit has the special task of examining the financial risks associated with larger projects. The Board ensures that JM has solid project and financial management through regular communication with internal and external auditors.

As part of the objective to develop and standardize working methods and processes within the Group, work is ongoing to achieve structured project development (see page 24 for more information). JM's management and support processes are also being reviewed as a means to further systematize JM's structural capital in the form of processes, documentation and systems, thus facilitating the work of all employees. During the year a plan was implemented for the follow-up of compliance with JM's Code of Conduct for suppliers and subcontractors.

#### Control Environment

JM's core values and corporate culture comprise the basis of internal controls with respect to financial reporting. Control environment refers to both the infrastructure built for internal control and governance, as well as JM's core values. The control environment consists, for example, of the organization, channels for decisions, authorities and responsibilities documented and communicated in normative documents such as internal policies, guidelines, manuals and codes; for example, the distribution of work between the Board on the one hand and the President on the other hand, and the other bodies that the Board establishes, instructions for approval powers, as well as accounting and reporting instructions.

#### Risk assessment

The Company applies a method or process for risk assessment and risk management to ensure that those risks to which the Company is exposed are managed within the established frames and that the risks are handled within the framework of existing processes and systems. JM's Operations System, which describes JM's business from a process perspective with established business-critical requirements, along with procedures for control, monitoring and follow-up of projects, comprises an important element of risk management.

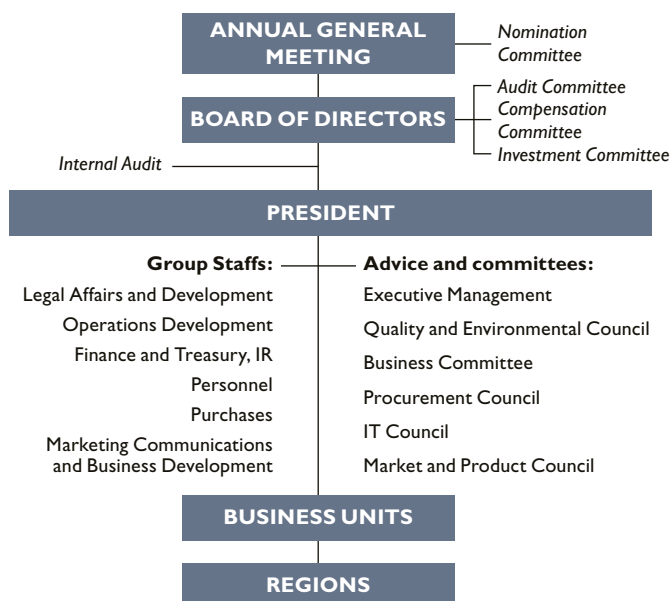
#### Control activities

The risks identified with respect to financial reporting are managed via the Company's control activities, which are documented in process and procedure descriptions. The purpose of control activities is to continually improve while preventing, detecting and correcting errors and deviations.

Examples of control activities in which risk assessments are managed:

- The Operations System that documents the operation's processes and established business-critical demands
- Project reviews before initiating acquisitions, pre-construction, production and sales starts

The Governance Structure can be seen below:



- Business committee meetings and Executive Management meetings preparing for investments in properties and initiation of residential production projects. Business unit managers, heads of corporate staff units and regional managers/subsidiary managers participate at these meetings (monthly)
- Forecast reviews with business unit managers (quarterly)
- Close monitoring of large projects at which the President, Chief Financial Officer, business unit manager and regional manager/subsidiary manager participate (quarterly)
- Group management meetings in larger projects (quarterly)
- Board meetings at subsidiaries
- The Internal Audit's review and control of the business-critical requirements and review of the economic risks in the larger projects (ongoing)
- Special review of compliance with JM's Code of Conduct for suppliers and subcontractors through on-site visits, for example
- Incident reporting system that ensures systematic and professional management of reported irregularities.

### Information and communication

The Company has implemented information and communication channels to encourage completeness and accuracy in financial reporting; for example, by notifying concerned personnel about normative documents such as internal policies, guidelines, manuals and codes pertaining to financial reporting and making such documents available to them over JM's Intranet.

JM's principal normative documents are the Rules of Procedure for the Board of Directors, Instructions for the Allocation of Duties between the Board and the President, Instructions for Financial Reporting and JM's Authorization Regulations.

Other normative documents such as policies, guidelines, instructions and manuals for financial reporting are available on JM's Intranet as well as in the Operations System.

The most important documents are:

- Schedule and instructions for forecasts and financial statements
- Financial statement and forecast processes
- Instructions on project management
- Instructions for purchases and sales
- Treasury Policy
- Controlling within JM
- Accounting principles
- Procedure descriptions.

### Monitoring

The Board of Directors receives financial reports in conjunction with the interim reports. In addition to the outcome and forecast reports, the Audit Committee receives financial audit reports for larger projects. In connection with the delegation rules, the Board of Directors/Investment Committee receive regular acquisition and project estimates, summaries of planned and current projects, investments, and purchases/sales of properties. In addition, the Board of Directors' various committees serve an important function in follow-up of activities.

The Board follows up and reviews internal control to ensure that it works satisfactorily, in part through JM's external auditors, in part through the Company's central Internal Audit function, which both operate based on a plan approved by the Board's Audit Committee. The results of the audits and proposals for any measures that need to be taken are regularly reported to the Audit Committee.

### REMUNERATION TO THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

After a recommendation from the Nomination Committee, the 2012 Annual General Meeting resolved on fees in accordance with the following:

- the Chairman of the Board will be paid a fee of SEK 660,000 and regular Directors who are not employed by the Company will be paid SEK 290,000;
- remuneration for work in the Audit Committee will be SEK 120,000 to the Chairperson and SEK 90,000 to the Directors, and SEK 60,000 will be paid to the respective Chairs and Directors of the Compensation and Investment Committees.

Recommendations for compensation guidelines for JM's senior executives will be presented for resolution as required by the Swedish Companies Act at the 2013 Annual General Meeting. The Board of Directors will decide on salary, pension benefits and other remuneration for the President, and the Compensation Committee decides on such matters for the Executive Management excluding the President. Information about compensation guidelines for JM's senior executives can be found in the Board of Directors' Report on page 56. Information about compensation to the President and Executive Management can be found in note 3, page 70 of Notes to the financial statements.

About 470 of JM's managers and leaders, including the President and Executive Management, participate in a performance-based salary system. The total salary comprises a basic and a variable component with a maximum result for the variable component that, depending on position, varies between one and six monthly salaries. In addition to financial result, which carries the greatest weight, the variable salary component is based on individual target fulfillment and the Customer Satisfaction Index. The principle is that the basic salary combined with a normal result for the variable component should result in a market salary.

### 2012 CONVERTIBLE PROGRAM AND WARRANT PROGRAM

The 2012 Annual General Meeting resolved that JM would raise a debenture loan with a maximum nominal value of SEK 120,000,000 by issuing a maximum of 530,000 convertible debentures, aimed at all employees in Sweden, and issue a maximum of 95,000 warrants aimed at all employees outside Sweden.

The purpose of the 2012 Convertible Program and Warrant Program is to enhance and strengthen employees' interest in JM's operations and future financial performance through an ownership commitment. Increased employee motivation and participation in JM's operations is in the interest of the Company, the employees and existing shareholders.

Upon expiry of the subscription period, the loan amounts to about SEK 13,000,000 through the issue of about 84,000 convertible debentures and the number of warrants issued totals approximately 7,000. In accordance with IAS 32, the liability and equity components of the convertible debenture loan are reported separately, which means that the debenture loan is reported in the balance sheet as a liability initially with the nominal amount excluding the equity component. The convertible debenture loan was settled against cash in July 2012. The subscribed convertible bonds and warrants may be converted to, or entitle the holder to subscribe for, one ordinary share at a price of SEK 155. Conversion of convertible bonds or subscription of ordinary shares with support of

warrants may occur during the period from June 1, 2015 through May 20, 2016, with the exclusion of the period January 1 through the record date for dividends each year, or if the Annual General Meeting should not resolve on a dividend during a year, the day that falls three banking days after the Annual General Meeting.

Through conversion of convertibles and subscription for warrants, JM's share capital could increase by a maximum of SEK 91,008 through the issue of a maximum of 91,008 ordinary shares, each with a par value of SEK 1. This corresponds with dilution of about 0.1 percent of the shares and votes in the Company. The convertible debenture loan falls due for payment on June 17, 2016, insofar as conversion has not already been undertaken.

## MANAGEMENT AND CORPORATE STRUCTURE

### ORDER OF DELEGATION – PRESIDENT'S RIGHT OF DECISION

The Board has delegated to the President the right of decision for:

- purchases and sales of development and project properties up to SEK 100m
- investments in existing project property up to SEK 400m for implementation of housing projects, or SEK 200m for implementation of office projects
- production start of housing project, up to a maximum project cost of SEK 400m excluding the purchase price for the property
- signing of external contracting agreements up to SEK 400m
- raising of new loans that are not linked to acquisition of a property, up to a total of SEK 400m per year for loans with a shorter maturity than one year, up to a total of SEK 250m per year for loans with maturity longer than one year.

In other cases the Board decides. These amounts are chosen to meet the Board's needs to exercise control and management's need for freedom of action. The President has the right to further delegate some of the above decision rights. Matters requiring decisions are prepared in part by the Business Committee, consisting of business unit and regional managers from the Group, and by the Executive Management. JM's operational organization can be seen in the diagram on page 101.

## EXECUTIVE MANAGEMENT

JM's business is operationally divided into six business units. External financial reporting takes place in five business segments. Each business unit manager reports directly to the President. Executive Management comprises the President, all heads of business units and heads of corporate staff units, a total of nine people, and meets at least once a month. Management responsibility includes always working to ensure compliance with guidelines issued by the Board and the President.

## GOVERNANCE AND REPORT STRUCTURE

At JM, a large number of projects are in production at any given time. It is not unusual for a project to involve more than 100 people and have an estimated order value of more than SEK 100m. Every project is run by a project manager who is responsible for the project's revenues and expenses. The project manager reports to the regional manager who is directly subordinate to the business unit manager. All these people have profit responsibility. The business unit manager is responsible for deciding the revenue level in the projects.

Decisions to begin work on a project are made by business unit management or Executive Management; for major projects such decisions are made by the Board. Follow-up of sold and reserved residential units takes place on a weekly basis, with reporting to the regional manager, business unit manager and President. Complete analyses and reconciliation of each project's revenue and expenses are performed every quarter.

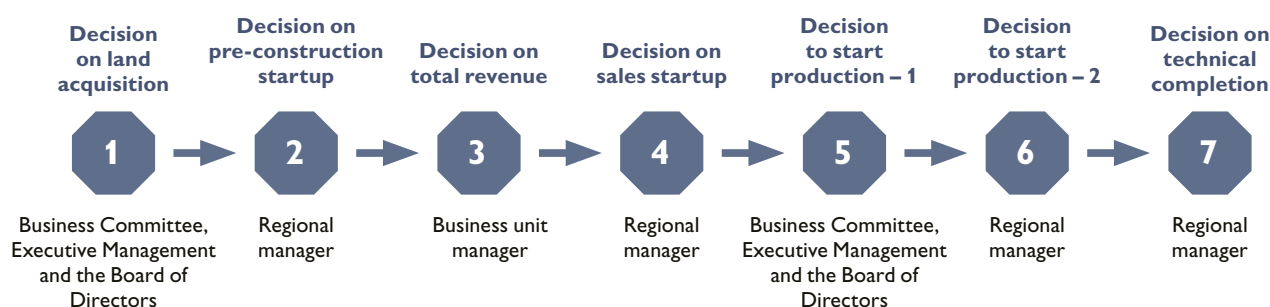
More intense monitoring routines have been introduced for large projects. The business unit manager and the regional manager/head of subsidiary present quarterly reports to the President and CFO.

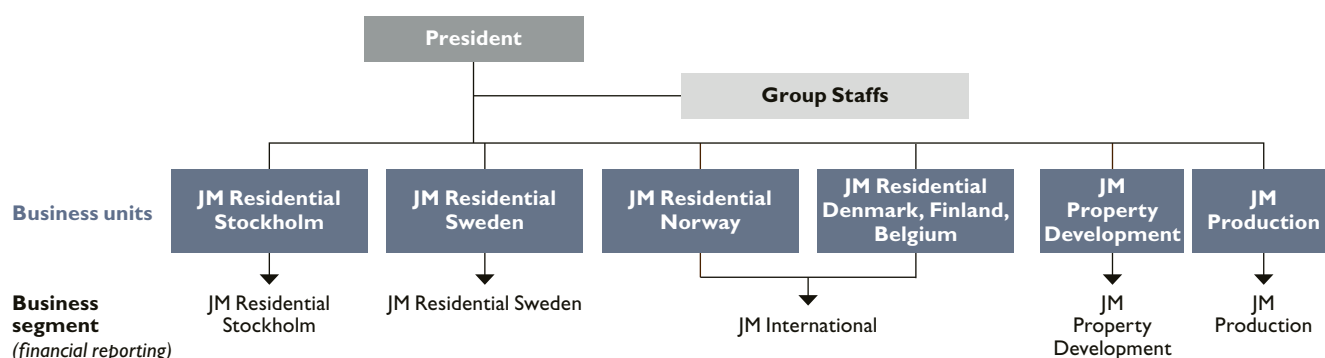
Assessment data include the financial history of the project, future anticipated revenue and expenses and the current sales and reservations situation. The largest projects have special steering groups and are audited by JM's Internal Audit function and presented in the Audit Committee.

Stockholm, February 22, 2013  
Board of Directors

The decision process can be seen below:

## DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT





### AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders of JM AB (publ), corporate identity number 556045-2103.

It is the board of directors who is responsible for the corporate governance statement for the year 2012 on pages 95–101 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, February 22, 2013  
Ernst & Young AB

Jonas Svensson  
Authorized public accountant

Lars Träff  
Authorized public accountant



**Lars Lundquist**

Chairman of the Board,  
Chairman of the Compensation  
Committee and  
the Investment Committee

**Appointed to the Board:** 2005  
**Shares in JM:** 85,000

**Age:** 65  
**Education:** MSc Econ. Stockholm School of Economics;  
MBA, University of Wisconsin.

**Work experience:** 32 years at various banks, brokerage  
firms and insurance companies.

**Other significant appointments:** Chairman of  
the Board of Vasakronan, Intrum Justitia AB and  
Försäkrings AB ERIKA. Board member and treasurer  
of Hjärt-Lungfonden.

**Independent:** The Director is considered to be  
independent in relation to the Company and its manage-  
ment as well as major shareholders in the Company.

**Anders Narvinger**

Board member  
and member of  
the Audit Committee

**Appointed to the Board:** 2009  
**Shares in JM:** 5,000

**Age:** 64  
**Education:** MSc Eng. Faculty of Engineering at Lund  
University; MSc Econ. Uppsala University.

**Work experience:** 8 years as President of  
Teknikföretagen and active 30 years within the ABB  
Group, as e.g. President and CEO of ABB Sverige.

**Other significant appointments:** Chairman of  
the Board of Telia Sonera AB, Alfa Laval AB, Capio AB,  
Trelleborg AB and Coor Service Management AB.  
Board member of Pernod Ricard S.A. and ÅF AB.

**Independent:** The Director is considered to be  
independent.

**Kia Orback  
Pettersson**

Board member  
and member of  
the Audit Committee

**Appointed to the Board:** 2010  
**Shares in JM:** 740

**Age:** 53  
**Education:** MSc Econ.

**Work experience:** 20 years experience from leading  
positions within retail, real estate and media business;  
President of Sturegallerian and VP of Guldfynd/Hallbergs.

**Other significant appointments:** Partner in  
Konceptverkstan. Chairman of the Board of NAI Svefa  
AB, Ponderus Invest AB and Forsen Projekt AB. Board  
member of Garbergs AB, Jernhusen AB, Kungsleden AB,  
Octanorm Nordic AB and Tengbomgruppen AB.

**Independent:** The Director is considered to be  
independent.

**Elisabet Annell  
Ahlund**

Board member  
and Chairperson of  
the Audit Committee

**Appointed to the Board:** 2002  
**Shares in JM:** 2,070

**Age:** 67  
**Education:** M.Pol.Sc. Stockholm University.

**Work experience:** 14 years at KPMG as an authorized  
public accountant and corporate finance consultant,  
11 years as VP and President of three different service  
companies: MGruppen, Tönnervikgruppen and Sifo  
Group, 6 years as President and strategic consultant at  
SMG and 5 years as President and CEO of Univero Group.

**Other significant appointments:** Chairperson of  
the Board of Knightec AB and Lärande i Sverige AB.  
Board member of Skandia Liv AB, Upplands Motor AB,  
Öresundsbrokonsortiet and LRF Konsult AB.

**Independent:** The Director is considered to be  
independent.

**Johan Skoglund**

President and CEO  
Board member

**Appointed to the Board:** 2003  
**Shares in JM:** 28,586 including 2,000 in endowment  
insurance

**Convertibles:** SEK 4,944,636  
**Material shareholdings or part ownerships in  
companies with which the Company has material  
business relationships:** 0

**Age:** 50  
**Education:** MSc Eng. Royal Institute of Technology,  
Stockholm; MSc Program Stockholm School of  
Economics.

**Work experience:** 26 years at JM in various positions  
such as site engineer, project manager, regional manager,  
business unit manager and President.

**Other significant appointments:** Board member of  
Castellum AB, Infranord AB and Mentor Sverige.

**Independent:** The Director is considered to be  
dependent in his capacity as President and CEO.

**EMPLOYEE REPRESENTATIVES****Peter Skogert**

Concrete worker  
**Age:** 39  
Member of the Board  
since 2012.  
**Shares in JM:** 0  
**Convertibles:** SEK 118,076

**Johan Wegin**

Construction engineer  
**Age:** 47  
Member of the Board  
since 2002.  
**Shares in JM:** 1,943  
**Convertibles:** SEK 0

**Thomas Mattsson**

Constructor  
**Age:** 50  
Deputy member of  
the Board since 2012.  
**Shares in JM:** 0  
**Convertibles:** SEK 0

**Jan Strömberg**

MSc Eng.  
**Age:** 54  
Deputy member of  
the Board since 2011.  
**Shares in JM:** 0  
**Convertibles:** SEK 515,955

**Johan Bergman**

Board member and  
member of the  
Investment Committee

**Appointed to the Board:** 2012  
**Shares in JM:** 1,000

**Age:** 48  
**Education:** Degree in engineering, Royal Institute of  
Technology, Stockholm.

**Work experience:** 16 years in various positions within  
the Skanska Group and 6 years as President of NIAM AB.

**Other significant appointments:** None.

**Independent:** The Director is considered to be  
independent.

**Åsa Söderström  
Jerring**

Board member and  
member of the Compensation  
Committee and  
Investment Committee

**Appointed to the Board:** 2007  
**Shares in JM:** 5,000

**Age:** 56  
**Education:** MSc Econ. Stockholm University.

**Work experience:** 25 years of experience from  
the building and real estate industry in various positions  
such as Communications Manager at NCC Bygg,  
President at Ballast Väst and President at SWECO  
Theorells.

**Other significant appointments:** Board member  
of Geveko AB, Rejlers AB, Comfort-kedjan AB,  
ELU Konsult AB, Arkitekterna Krook & Tjäder AB, San  
Sac AB and Nordic Home Improvement AB. Partner in  
Infobooks AB.

**Independent:** The Director is considered to be  
independent.

**SECRETARY OF THE BOARD****Maria Bäckman**

General Counsel at JM AB  
**Age:** 39  
Secretary to the Board of Directors since 2012.  
**Shares in JM:** 500  
**Convertibles:** SEK 180,005

**AUDITORS****Ernst & Young AB**

Jonas Svensson, Authorized Public Accountant  
Lars Träff, Authorized Public Accountant  
Ernst & Young AB was re-elected to serve as auditors  
of JM AB at the AGM in April 2012.



**Johan Skoglund**  
President and CEO

**JM employee since:** 1986

**Member of Executive Management:** 2000

**Shares in JM:** 28,586 including 2,000 in endowment insurance

**Convertibles:** SEK 4,944,636

**Age:** 50. MSc Eng. Royal Institute of Technology, Stockholm 1986, and MSc Program Stockholm School of Economics, 1998.

**Former positions at JM:** 16 years in various positions such as site engineer, project manager, regional manager and business unit manager. President and CEO since Nov. 1, 2002.

Board member of Castellum AB, Infranord AB and Mentor Sverige.



**Martin Asp**

Business unit manager  
JM Residential Norway as well  
as JM Residential Denmark,  
Finland and Belgium

**JM employee since:** 1996

**Member of Executive Management:** 2011

**Shares in JM:** 2,000

**Convertibles:** SEK 180,005

**Age:** 39. MSc Eng. Faculty of Engineering at Luleå University of Technology 1997, MSc Program Stockholm School of Economics 2000, BA economics Stockholm University 2010.

**Former positions at JM:** Foreman, pre-construction manager and project manager at JM and President of Kvarnholmen Utveckling AB.

Chairman of the Board of JM Norge AS, JM Suomi Oy, JM Danmark A/S and JM Construction S.A.



**Sören Bergström**

Business unit manager  
JM Residential Sweden and  
Director of Purchasing

**JM employee since:** 1988

**Member of Executive Management:** 2001

**Shares in JM:** 1,000

**Convertibles:** SEK 690,830

**Age:** 56. MSc Eng. Royal Institute of Technology. MSc Program Stockholm School of Economics 1996. Executive Management Program, Stockholm School of Economics 2001.

**Former positions at JM:** Project manager, President of three different subsidiaries and regional manager. Head of JM Production business unit 2002–2006. Head of JM Residential Sweden business unit 2007–. Board member of JM Suomi Oy, Seniorgården AB and AB Borätt.



**Maria Bäckman**

General Counsel, Legal Affairs  
and Development

**JM employee since:** 2000

**Member of Executive Management:** 2012

**Shares in JM:** 500

**Convertibles:** SEK 180,005

**Age:** 39. LL.B., Stockholm University 1997.

Assistant Legal Council, Advokatfirman Lindahl, articulated clerk Uppsala district court.

Board member of JM Entreprenad AB.



**Lennart Henriz**

Director Operations  
Development  
(Technology, Quality and  
Environment, IT)

**JM employee since:** 1978

**Member of Executive Management:** 1999

**Shares in JM:** 9,445

**Convertibles:** SEK 1,241,168

**Age:** 60. MSc Eng. Royal Institute of Technology 1978.

**Former positions at JM:** Head of development, IT manager, VP and regional manager AB Projektgaranti, Quality and Environment Manager. Director of Operations Development 2000–.

Board member of JM Suomi Oy.



**Fredric Kastevik**

Business unit manager  
JM Production and President  
JM Entreprenad AB

**JM employee since:** 1997

**Member of Executive Management:** 2010

**Shares in JM:** 7,500 in endowment insurance

**Convertibles:** SEK 1,058,962

**Age:** 39. MSc Eng. Royal Institute of Technology 1997. MSc Program IFL/Stockholm School of Economics 2007.

**Former positions at JM:** Regional manager JM Entreprenad, work supervisor, contracting engineer, foreman. Business unit manager JM Production 2010–. Board member of JM Entreprenad AB, JM Danmark A/S, Stockholms Byggmästareförening and The Swedish Construction Federation (Regional Board/East).



**Zdravko Markovski**

Business unit manager  
JM Residential Stockholm,  
JM Property Development,  
as well as head of Marketing  
Communications and  
Business Development

**JM employee since:** 1987

**Member of Executive Management:** 2002

**Shares in JM:** 9,883

**Convertibles:** SEK 0

**Age:** 48. MSc Eng. Royal Institute of Technology 1987.

**Former positions at JM:** Project manager, regional manager and business unit manager JM Residential. Business unit manager JM Residential Stockholm 2003–.

Chairman of the Board of AB Borätt and Seniorgården AB. Board member of The Swedish Construction Federation.



**Helena Söderberg**

Director Human Resources

**JM employee since:** 2010

**Member of Executive Management:** 2010

**Shares in JM:** 500

**Convertibles:** SEK 49,600

**Age:** 45. Degree in Human Resources, Uppsala University 1991.

Nordic HR Director Alstom Transport and 16 years in various HR positions within the Skanska Group.



**Claes Magnus Åkesson**

Chief Financial Officer,  
Head of IR

**JM employee since:** 1998

**Member of Executive Management:** 1998

**Shares in JM:** 47,000, including 43,000 in endowment insurance

**Convertibles:** SEK 3,068,122

**Age:** 53. MSc Econ. Stockholm School of Economics 1984. Advanced Management Programme, INSEAD, France.

Ericsson Group: Senior controller Asia, head of finance and treasury Malaysia and regional controller Asia.

Board member of Concentric AB, JM Norge AS and JM Construction S.A.

#### OTHER SENIOR EXECUTIVES

Annika Berg, Stockholm North Region

Mikael Åslund, Stockholm City Region

Pär Vannerström, Stockholm South Region

Anne Schönberg, Sales Residential Stockholm

Anders Wimmerstedt, Production Residential Stockholm

Per Johansson, East Region

Martin Svahn, West Region

Mats Karlsson, South Region

Lars-Olof Höglund, JM Property Development and Acquisition Residential Stockholm

Per-Arne Jonsson, JM Hyresbostäder

Elin Hedlund, JM Stombyggnad AB and JM Inredning i Stockholm AB

Birgitta Seeman, Seniorgården AB and AB Borätt

Magnus Berg, JM Norge AS

Ronny Engebretsen, Oslo North Region

Sigbjørn Myhre, South and West Region

Hilde Vatne, Oslo West Region

Jan Aarestrup, JM Danmark A/S

Christopher Lee, JM Construction S.A., Belgium

Markus Heino, JM Suomi OY, Finland

# LARGE TRANSFER TO SHAREHOLDERS

## SHARE CAPITAL

The JM share is listed on NASDAQ OMX Stockholm, Mid Cap segment. Share capital amounts to SEK 83.7m, represented by 83.7 million shares, each with a par value of SEK 1 and equal voting rights. Each trading block consists of 200 shares.

## GOAL FOR SHAREHOLDER VALUE

JM's shareholders will receive a higher total return, total of dividend and increased value, than shareholders in companies with a similar risk profile and business activities.

## SHARE PRICE TREND AND RETURN

As of 2012, the JM share is included in the SX8630 Real Estate Investment & Services Index of the OMX Stockholm Stock Exchange. In 2012 JM's share price increased 4 percent, compared with an increase of 14 percent for the SX8630, and an increase of 17 percent for the SX2300, another relevant comparative index for JM. The general index on the OMX Stockholm Stock Exchange, OMX Stockholm\_PI, increased 12 percent in 2012. The highest listed price for the JM share during the year was SEK 140.25 on February 3 and the lowest was SEK 106.75 on November 22. Dividend yield (proposed dividend in relation to the market price at the end of the year) was 5.8 percent (5.8). Total return in 2012 was 9 percent (-26).

Total return, %	2012	Average per year 2008–2012	Average per year 2003–2012
JM	9	4	17
OMX Stockholm Stock Exchange	17	3	13

Total return JM, 2003–2012	%	Index
2012	9	496
2011	-26	455
2010	30	615
2009	186	473
2008	-60	165
2007	-16	416
2006	94	496
2005	91	256
2004	86	134
2003	-28	72
2003-01-01	-	100
Average, 5 years	4	
Average, 10 years	17	

## TRADING AND MARKET CAPITALIZATION

JM shares were traded for a value of SEK 12.8bn (14.3) in 2012. Average daily trading was about SEK 51m (57). The turnover rate (the liquidity of the share) was 126 percent (127). The Company's market capitalization amounted to SEK 9.3bn (9.3) at the end of the year.

## OWNERSHIP STRUCTURE

The number of shareholders as of December 31, 2012 was 10,824 (11,661). The ten largest Swedish shareholders accounted for 55.2 percent (47.9) of capital and foreign shareholders for 22.7 percent (27.2).

## DIVIDEND POLICY

Over time, the dividend should reflect the earnings trend in total operating activities. The average dividend over a business cycle should correspond to 50 percent of consolidated profit after tax. Capital gains from property sales are a natural part of JM's project development operations, and are therefore included in the calculation of dividends. The proposed dividend for 2012 amounts to SEK 6.75 (6.50) per share.

The Board of Directors intends to propose to the Annual General Meeting that the holdings of own shares be eliminated through a decrease in the share capital for appropriations to unrestricted equity.

The strong balance sheet and cash flow continue to enable capital transfer to shareholders in addition to regular dividends. In light of this, the Board of Directors will propose that the Annual General Meeting resolve to authorize the Board of Directors, during the period up to the next Annual General Meeting and on one or more occasions, to make a resolution on buying back shares so that the Company's holdings do not at any point in time exceed 10 percent of all the shares in the Company. Acquisition should take place on NASDAQ OMX Stockholm. Considering the continued uncertainty in the international financial system, the strategy is to spread out the buy-backs on NASDAQ OMX Stockholm until the 2014 Annual General Meeting. The objective of empowering the Board of Directors is to give it the possibility to adjust the Company's capital structure on a continuous basis.

Transfer to shareholders, SEKm	Dividend	Redemption	Buy-back	Total
2003	281	-	154	435
2004	140	-	-	140
2005	196	966	-	1,162
2006	247	1,002	-	1,249
2007	415	1,013	-	1,428
2008	489	992	-	1,481
2009	-	-	-	-
2010	208	-	-	208
2011	375	-	-	375
2012	542	-	359	901
<b>Total</b>	<b>2,893</b>	<b>3,973</b>	<b>513</b>	<b>7,379</b>

Shareholders as of December 31, 2012	% of shares
Swedbank Robur – funds	10.6
AMF Försäkring och Fonder	10.1
Nordea Investment Funds	8.0
AFA Försäkringar	6.7
SEB – funds	5.1
Heirloom Asset Management AB	3.8
JM AB	3.7
Fourth Swedish National Pension Fund	2.9
Handelsbanken – funds	2.3
Enter Fonder	2.2
Foreign shareholders	22.7
Other shareholders	21.9
<b>Total</b>	<b>100.0</b>

Number of shareholders as of Dec. 31, 2012: 10,824

Number of shares as of Dec. 31, 2012 amounts to 83,663,242

SHARE DATA <sup>1)</sup>

SEK per share	2012	2011	2010	2009	2008
Share price as of Dec. 31	116	112	157,50	123	43
Highest/lowest price paid during the year	140.25/106.75	176.50/79.75	160/98.50	129.50/33.40	152/26.30
Dividend yield as of Dec. 31 (%)	5.8	5.8	2.9	2.0	0
Market capitalization as of Dec. 31 (SEKm)	9,337	9,355	13,110	10,236	3,578
Earnings per share, basic and diluted	11.70	12.50	7.10	4.40	9.50
Development properties					
Market value	105	99	96	83	88
Carrying amount	72	70	65	60	68
Project properties					
Market value	12	10	8	7	8
Carrying amount	12	10	8	7	7
Shareholders' equity (reported)	58	55	47	44	39
Dividend	6.75 <sup>2)</sup>	6.50	4.50	2.50	0
Dividend in % of earnings per share	58	52	63	57	0
P/E ratio as of Dec. 31	10	9	22	28	5
Number of shares as of Dec. 31	80,494,186 <sup>3)</sup>	83,379,407 <sup>4)</sup>	83,237,058 <sup>5)</sup>	83,216,883 <sup>5)</sup>	83,216,883 <sup>6)</sup>
Average number of shares, basic	82,414,682	83,305,326	83,229,492	83,216,883	85,968,011
Average number of shares, diluted	83,298,832	84,560,636	84,671,817	84,376,081	85,991,380

<sup>1)</sup> Financial year 2008 is not restated according to IFRIC 15.

<sup>2)</sup> Proposed by the Board.

<sup>3)</sup> 3,169,056 repurchased shares not included.

<sup>4)</sup> 150,964 repurchased shares not included.

<sup>5)</sup> 164,825 repurchased shares not included.

<sup>6)</sup> 185,000 repurchased shares not included.

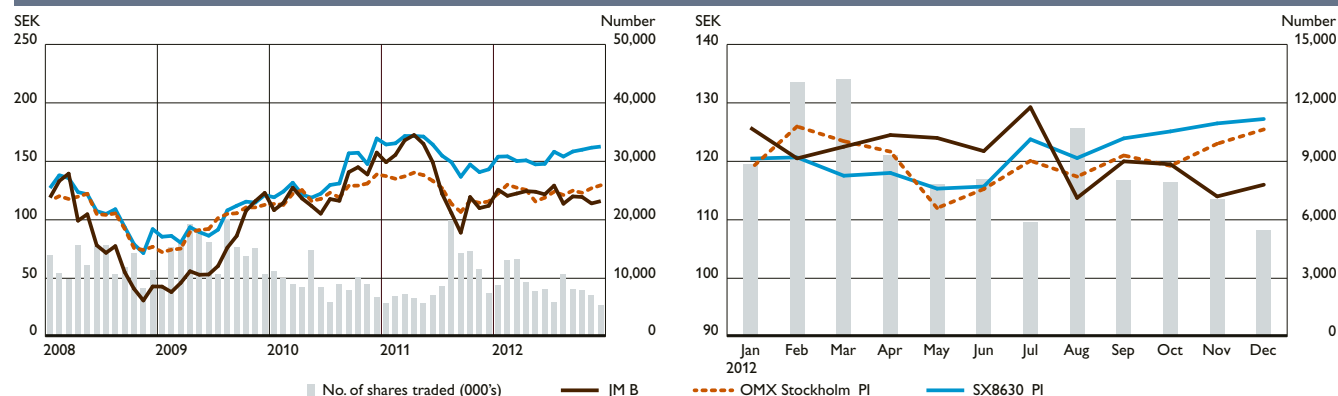
## OWNERSHIP STRUCTURE AS OF 12-31-2012

Size of holding	No. of shareholders	% of all shareholders	Total number of shares owned	% of share capital
1–500	7,452	68.8	1,334,794	1.6
501–1,000	1,544	14.3	1,298,491	1.6
1,001–5,000	1,288	11.9	2,965,499	3.5
5,001–20,000	288	2.7	2,835,358	3.4
20,001–100,000	130	1.2	6,209,326	7.4
100,001–	122	1.1	69,019,774	82.5
<b>Total</b>	<b>10,824</b>	<b>100.0</b>	<b>83,663,242</b>	<b>100.0</b>

## CHANGE IN SHARE CAPITAL 2008–2012

Year	Redemption of shares, SEKm	Utilization convertible program, SEKm	Number of shares	Par value/share	Share capital, SEKm
2008	–5.5		83,401,883	SEK 1	83.4
2009			83,401,883	SEK 1	83.4
2010			83,401,883	SEK 1	83.4
2011		0.1	83,530,370	SEK 1	83.5
2012		0.2	83,663,242	SEK 1	83.7

## SHARE PRICE DEVELOPMENT





# WELCOME TO JM'S ANNUAL GENERAL MEETING

Shareholders in JM AB are hereby invited to attend the Annual General Meeting to be held on April 25, 2013 at 4 p.m. at JM's head office, Gustav III:s boulevard 64 in Solna, Sweden.

## REGISTRATION

Shareholders who wish to participate at the meeting must be entered in the register of shareholders maintained by Euroclear Sweden AB by Friday April 19, 2013, and must have informed the Company of their intention to participate by Friday April 19, 2013 at 4 p.m. using one of the following channels:

JM AB's website: [www.jm.se](http://www.jm.se) (only for private individuals)  
E-mail: [monica.charron@jm.se](mailto:monica.charron@jm.se)  
Mail: JM AB, SE-169 82 Stockholm  
Telephone: +46 8-782 87 00  
Fax: +46 8-782 86 24

In order to be entitled to participate at the meeting, shareholders whose shares are registered in the name of a nominee must request that their shares be temporarily registered in their own name in the register of shareholders by Friday April 19, 2013.

Admission cards to the Annual General Meeting will be sent out.

## DIVIDEND

The Board of Directors proposes that a dividend of SEK 6.75 per share be paid to shareholders. The proposed record date for the dividend is Tuesday, April 30, 2013. If the Annual General Meeting resolves to adopt the recommendation, Euroclear Sweden AB will send out the dividend on May 6, 2013.

## FINANCIAL CALENDAR

April 25, 2013	Interim report January–March 2013 Annual General Meeting 2013
July 17	Interim report January–June 2013
October 24	Interim report January–September 2013
February 12, 2014	Year-end Report 2013

The reports are available in Swedish and English and may be ordered from JM AB, Finance and Treasury, Tel. +46 8-782 87 00 or via [www.jm.se/investors](http://www.jm.se/investors).

JM AB (publ), Corporate Identity No. 556045-2103, registered office in Stockholm.

## MAIN OFFICE AND STOCKHOLM OFFICE

### JM AB

SE-169 82 Stockholm, Sweden  
Visiting address: Gustav III:s boulevard 64, Solna  
Tel. + 46 8 782 87 00, fax +46 8 782 86 00  
Internet: [www.jm.se](http://www.jm.se)

## REGIONAL AND LOCAL OFFICES

### East Region

Uppsala (regional office)  
Sylveniusgatan 2  
Box 1334, SE-751 43 Uppsala  
Tel. +46 18 66 03 00, fax +46 18 66 03 10

### Linköping

Brigadgatan 24, SE-587 58 Linköping  
Tel. +46 13 37 14 00, fax +46 13 37 14 09

### Västerås

Kopparbergsvägen 8, SE-722 13 Västerås  
Tel. +46 21 81 20 00, fax +46 21 81 20 10

### Örebro

Vasastrand 11, SE-703 54 Örebro  
Tel. +46 19 764 15 10, fax +46 19 764 15 15

### West Region

Gothenburg (regional office)  
Gårdatorget 2, SE-412 50 Gothenburg  
Tel. +46 31 703 57 00, fax +46 31 335 88 70

### Jönköping

Klubbhusgatan 13, SE-553 03 Jönköping  
Tel. +46 36 585 10 00, fax +46 36 12 03 66

## South Region

Malmö (regional office)  
Box 327, SE-201 23 Malmö  
Visiting address: Jörgen Kocksgatan 9  
Tel. +46 40 16 56 00, fax +46 40 16 56 01

### Halmstad

Brogatan 1, SE-302 43 Halmstad  
Tel. +46 35 299 42 50, fax +46 35 10 67 45

## SUBSIDIARIES – SWEDEN

### AB Borätt

Box 6048, SE-171 06 Solna  
Visiting address: Landsvägen 50 A, Sundbyberg  
Tel. +46 8 626 66 30, fax +46 8 626 98 20  
[www.boratt.se](http://www.boratt.se)

### Seniorgården AB

Box 6048, SE-171 06 Solna  
Visiting address: Landsvägen 50 A, Sundbyberg  
Tel. +46 8 626 66 30, fax +46 8 626 98 20  
[www.seniorgarden.se](http://www.seniorgarden.se)

### JM Entreprenad AB

SE-169 82 Stockholm  
Visiting address: Strandbergsgatan 57  
Tel. +46 8 782 87 00, fax +46 8 782 86 01  
[www.jmentreprenad.se](http://www.jmentreprenad.se)

## SUBSIDIARIES – INTERNATIONAL

### Norway

JM Norge AS  
Postboks 33  
N-1306 Bærum Postterminal  
Visiting address: Bærumsveien 473, Rud  
Tel. +47 67 17 60 00, fax +47 67 13 61 60  
[www.jm.no](http://www.jm.no)

### Denmark

JM Danmark A/S  
Nyropsgade 14  
DK-1602 Copenhagen V  
Tel. +45 33 45 70 00, fax +45 33 45 70 70  
[www.jmdanmark.dk](http://www.jmdanmark.dk)

### Finland

JM Suomi Oy  
Sinimäentie 8B  
FI-02630 Espoo  
Tel. +358 9 4730 2610, fax +358 9 4730 2616  
[www.jmsuomi.fi](http://www.jmsuomi.fi)

### Belgium

JM  
Avenue Louise 287  
B-1050 Brussels  
Tel. +32 2 646 11 12, fax +32 2 646 96 26  
[www.jmbelgium.be](http://www.jmbelgium.be)



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#### SUSTAINABLE URBAN PLANNING

JM's work helps to create sound communities for the people of today and tomorrow; the buildings JM builds today will be used for at least 100 years. As a leading project developer of housing, sustainability is a hallmark for JM.

