



# 15

## ANNUAL REPORT 2015



# Operations

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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 and Finland. 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 14 billion, and the company has around 2,300 employees. JM AB is a public limited company listed on NASDAQ Stockholm, Large Cap segment.

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.

*JM's apartment building Kajen 4 at Liljeholmskajen was rewarded 2015 Stockholm Building of the Year by the City of Stockholm. The award takes into consideration the building's esthetics, sustainability, function, innovation and importance for the city. Architect: Gert Wingårdh.*

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







## Strong sales and higher level of housing starts.

**According to segment reporting**, revenue increased to SEK 14,447m (13,869) and operating profit amounted to SEK 1,590m (1,716). The operating margin decreased to 11.0 percent (12.4) due to a change in the project composition in JM Residential Stockholm

**Restated in accordance with IFRIC 15**, revenue decreased to SEK 13,939m (14,216) and operating profit decreased to SEK 1,499m (1,819). The restatement is related to JM International and had a negative effect on earnings of SEK -91m (103)

**Profit before tax** decreased to SEK 1,427m (1,744). Profit after tax decreased to SEK 1,085m (1,306)

**Return on equity** for the past twelve months amounted to 23.7 percent (28.7). Earnings per share during the year amounted to SEK 14.50 (17.00)

**Consolidated cash flow** including net investment in properties was SEK -230m (978)

**The number of sold residential units** increased to 3,770 (3,195) and housing starts increased to 3,731 (3,445)

**Surplus value of development properties** was SEK 4.2bn (2.8)

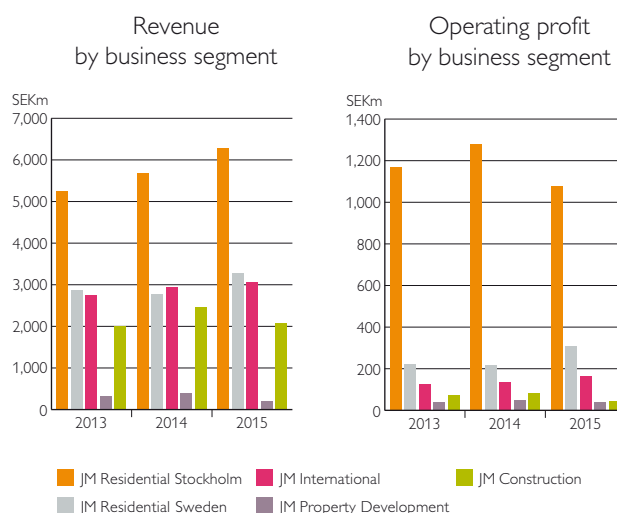
**The Board of Directors proposes** a dividend of SEK 8.25 (8.00) for 2015, as well as renewed buy-back authorization.

SEK m	2015	2014	2013
Revenue (segment reporting)	14,447	13,869	12,652
Operating profit (segment reporting)	1,590	1,716	1,576
Operating margin (segment reporting), %	11.0	12.4	12.5
Revenue <sup>1)</sup>	13,939	14,216	12,603
Operating profit <sup>1)</sup>	1,499	1,819	1,523
Profit before tax <sup>1)</sup>	1,427	1,744	1,464
Operating margin, % <sup>1)</sup>	10.8	12.8	12.1
Cash flow from operating activities	-230	978	898
Return on equity, % <sup>1)</sup>	23.7	28.7	25.0
Equity/assets ratio, % <sup>1)</sup>	38	37	40
Earnings per share, SEK <sup>1)</sup>	14.50	17.00	14.10
Number of residential units sold	3,770	3,195	3,265
Number of housing starts	3,731	3,445	2,953
Number of residential units in current production	7,212	6,375	5,609

<sup>1)</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 96.





# Conditions for our business continue to be favorable.

**JM has been an important community builder since the company was founded 70 years ago. We are proud to acknowledge that our customers continue to demonstrate considerable interest in JM's projects and sales are strong.**

The company has evolved from a traditional building and property company into a leading residential project developer, and it is present in the cities and towns where the population growth and demand for housing is the greatest. In the primary markets in Sweden, Norway and Finland, demand for our residential units continues to increase, and the strong sales in 2015 resulted in a high number of housing starts.

The Stockholm operations continue to represent more than half of the Group's revenue. One particularly positive development has been the strong growth for the residential housing business in the rest of Sweden, primarily Gothenburg and Uppsala.

Thanks to strong sales and stable planning processes in our projects, we have been able to start production on more than 3,700 residential units. There are 7,200 residential units in current production, which is just over 800 more than last year. In Denmark and Belgium, we have decided not to start any new projects during the year.

## **Strong financial position**

Good profitability helped us reach our financial targets; the operating margin was 10.8 percent (target 10 percent) and the equity/assets ratio was 38 percent (target 35 percent).

JM continues to have a strong balance sheet, and during the year we distributed SEK 600m to shareholders as the regular dividend for 2014. In 2015, own shares were also repurchased for SEK 500m.

## **Clear vision for residential areas**

Fast-growing regions need faster production of residential housing. JM's work with land acquisition and land allocations is a fundamental requirement for being able to deliver good projects in the future. In the Stockholm region, competition for well-situated land has increased in recent years and with it the cost of land. A good location includes close proximity to public transportation, which often means a central location. Given that the competition for land for residential purposes has increased in recent years, we also chose to focus on locations a bit outside the downtown area but close to commuter trains. As cities grow, the perception of what is considered "downtown" changes as well, and new city centers are created.

Söderdalen in Jakobsberg north of Stockholm is a typical JM project, where an industrial area is transformed into around 1,300 apartments in a park environment. The plans also include locations for different types of meeting places and daycares.

Our customers should be satisfied not only with their home, but also with the immediate surroundings. I think this holistic approach is well reflected in all of JM's projects, and I think it will continue to increase in importance.

We know how important it is to have a clear vision for a new residential area. Quality housing does not just mean a good location, well thought-out layouts or a good indoor environment. Since we are involved in urban planning, we must also have some idea about how to create attractive and "living" cities. We work on a daily basis to build our "housing knowledge" by conducting customer surveys, business intelligence, working together with our framework suppliers and focusing on safety issues in everything from land acquisition to planning and production.

JM also produces rental units, and our goal is to have a continuous, long-term production of 350 apartments a year. This means that we are also acquiring land for rental housing, primarily with leasehold rights, with a focus on the Stockholm region and Uppsala.

## **JM's Urban Development Day**

In order to be able to speed up the building process, we are dependent on the planning processes of the municipalities. For example, there is an expressed ambition from the politicians in the Stockholm region to increase the rate of construction of residential units. At JM, we have land with development potential, we know what customers want and we are good at producing project ideas. JM's project managers are proactive and have a good dialogue with the municipalities where we are presenting our ideas. Once the municipality has adopted the local planning and granted the building permit, which can take anywhere from one to five years, we can start production. The goal is to work together to build an enjoyable, safe and sustainable city that functions, but this requires patience and a long-term focus.

In September we invited decision-makers and partners to attend JM's Urban Development Day, where invited lecturers spoke on the theme, "Intense, contemporary urbanization is raising questions about the role and tools of the visions and planning". The event was held at Liljeholmskajen in Stockholm, one of JM's largest projects. Since 2000, this old industrial area has been transformed into a vibrant neighborhood with meeting places, close proximity to public transportation, residential units, offices and commercial premises – a good, attractive addition to Stockholm. JM has to date built 2,800 residential units here. At our Urban Development Day, together with

architect Gert Wingårdh, we had the pleasure of announcing that the residents of Stockholm had voted the Kajen 4 apartment building "2015 Stockholm Building of the Year".

## Sustainability in all areas

It is not possible today to run a successful company that has long-term goals without making sustainability an integral part of every decision. In order to ensure that there is a long-term perspective to our work, we have established sustainability goals that extend to 2030 and are not only linked to our material sustainability aspects but also are in line with the UN's new sustainability targets. The measures and improvements that we are implementing in the area of sustainability start with our goals and then are rolled out throughout the entire operations thanks to JM's management system. JM supports UN's Global Compact and its principles regarding human rights, labor law, the environment and anti-corruption.

During 2015 we established a Sustainability Council, which will be responsible for the coordination of this important work and consists of myself, the other members of executive management and our head of sustainability.

## Work environment a priority

One of the areas in which we are making improvements is our work environment. Employees must be able to work their entire professional lives without suffering from work-related illnesses. This means that JM must offer a safe, secure work environment as well as a positive atmosphere where people enjoy working. This year's Work Environment Day was part of our proactive efforts. We also launched an app that we produced in-house containing all of JM's Regulations and Safety Rules. Everyone who enters our construction sites must have reviewed and been approved in the Regulations and Safety Rules before gaining access to the workplaces.

Perhaps one of the most important improvements during 2015 was that all employees can now report accidents and near-accidents through an easy-to-use app. We have noticed that incident reporting has increased since the app was introduced. The easier it is to report near-accidents and accidents, the better possibilities we have to remedy faults and deficiencies.

## Employeeship in practice

Our core values and JM's Code of Conduct define what being an employee at JM means and should be followed by all employees. The aims are to ensure that our employees are making the right decisions in their day-to-day activities, clarify our values and provide guidance in ethical issues. We have also prepared a game about values called "Right from me" that all employees should play together with their colleagues. It is a fun way to start a discussion about what, in the end, is JM's company culture.

We are also continuing to develop our management and leadership training program to ensure that we are providing our managers and leaders with the skills they need to succeed at their jobs. We have also made the decision to invest in our own Site Manager School.



## Uniform processes create results

We can see clearly that our initiative in structured project development, which aims to create uniform components and processes, has generated results. I think that JM has come far in terms of understanding internally the importance of uniform methods of working. This applies to pre-construction, purchasing, production, sales and, most recently, interior design selections. By having good control over quality and costs, and with committed employees, we offer attractive residential units where customers can influence the character of their new home.

## Digital meetings with customers and employees

Our digital channels give us the opportunity to present our residential units in a way that is easily accessible and, hopefully, inspirational. Customers can follow "their" project all the way to occupancy. For people looking for a new home, it is possible to access information regardless of the time of day. Future employees should also be able to get to know JM in the same manner. We are therefore developing our communication via digital channels.

## Sustainable urban planning - today and tomorrow

JM should have a clear focus on sustainable urban planning. We have therefore identified sustainability areas that are a priority for JM and we have enhanced the organization around control and follow-up. In practice the goal is to create awareness and engage employees – and to do this we utilize inspirational seminars on themes such as "Green outdoor environments and the project's immediate surroundings" and "Private cars in future residential areas".

My challenge is to get all JM employees to work toward shared goals and to never stop improving.

Stockholm, March 2016

*Johan Skoglund*  
Johan Skoglund



# 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. We focus 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
- The urbanization trend is strong and it is expected to remain strong. 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, thus placing higher demands on freedom of choice, quality and accessibility
- 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
- New arenas are emerging where the boundaries between work, free time and meeting places are being erased
- Globalization is contributing to the increased competition for where people will live, work and invest.

## Good insight leads to the best conditions

JM uses a model for the continuous development work that stretches across the entire year. The model includes strategic intelligence, dialogue with employees and strategic suppliers and customer and market surveys.

## 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



*Kvarnholmen at the entrance to Stockholm's harbor.*

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 use has been in focus the past few years. Thus, for a number of years, JM has been producing solutions that reduce energy consumption and utilization of other resources.

## CUSTOMER INSIGHTS

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, such as suggestions for the design, services they would like to see in the area or alternative ways to use common areas.



## 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 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 where we are spending an increasing amount of time. We do homework, spend time together and cook there. All of this places demands on modern technological solutions and efficient use of space.

**Bathroom:** One of the more important rooms in the home that perhaps should be considered “Your own room”.

**Storage:** A constant high-priority area for most people. There never seems to be enough storage space. JM is working to create even smarter and better planned storage space.

**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.

**Service development:** During the year JM has observed a rise in interest for services close to the home, for example regular maintenance. We are therefore reviewing the possibility to offer such services.

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## IMPORTANT CHALLENGES FOR JM

- Increasingly knowledgeable and proactive customers
  - Heightened focus on energy-efficient housing
  - Need for more flexible and adaptable residential units to meet the needs of a workplace and “children every other week”
  - Changed mortgage requirements
    - Indebtedness of households
    - Amortization requirement
    - Mortgage cap has an effect on the loan ratio.
-



# JM is one of the Nordic region's leading developers of new housing.

**Operations primarily focus on new production of homes, with the main focus on expanding metropolitan areas and university towns in Sweden, Norway and Finland.**

In all, JM started construction on 3,731 residential units in 2015, compared with 3,445 residential units the previous year. Sweden had 2,979 housing starts; 92 percent were units in apartment blocks (2,671 tenant-owned apartments and 54 residential care units) and 8 percent were single-family homes. Norway had a total of 635 housing starts; 85 percent were apartments and 15 percent were single-family homes. Production started on 147 apartments in Finland.

## Sweden

The Swedish economy grew in 2015. GDP increased by around 3.5 percent, which is approximately one percentage point higher than in 2014. Growth in Sweden is higher than the other Nordic countries and the rest of the EU. During 2015, net exports boosted GDP growth, but it was primarily domestic demand that fueled the economy. Rapid population growth and rising income and employment are stimulating private consumption at the same time as investment growth is high thanks to increasing housing investments.

The Riksbank is being pressured by low inflation expectations and during 2015 gradually lowered the interest rate from zero to -0.35. (Source: Evidens)

## STOCKHOLM

The Stockholm region is the engine pulling the Swedish economy with strong growth. Regional growth measured by salaries increased in 2015 as rapidly as before the financial crisis. Employment also rose sharply, with the annual growth rate at 2–3 percent. Population growth has been extremely high in recent years, but contracted slightly in 2015. This is in part due to lower domestic net immigration, but mainly lower foreign net immigration.

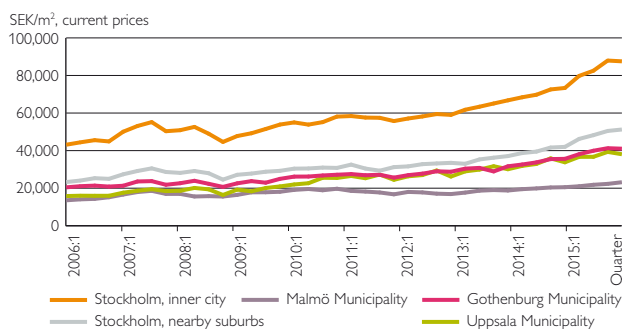
Housing prices in Stockholm are at record-high levels. In 2015, the prices for tenant-owned apartments in downtown Stockholm increased by more than 15 percent. The reason behind this increase is primarily the stronger financial position of households. The strong population growth, a relatively low level of new construction and a historically low interest rate also helped push up prices. Prices for single-family homes in the region also posted strong growth and reached record-high levels during the year.

JM is the market leader in new production of tenant-owned apartments in Greater Stockholm.

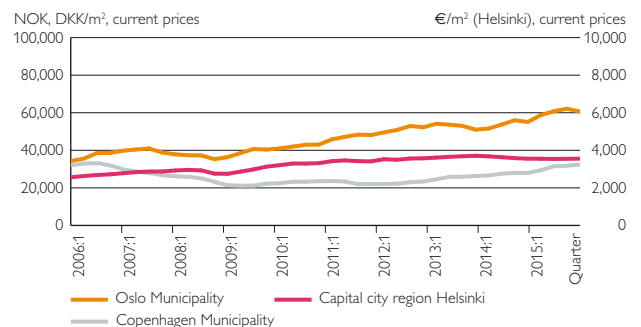
## GOTHENBURG

In the Gothenburg region, growth was very strong in 2015. Employment developed favorably, primarily in the private

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



sector. Population growth is above one percent on an annual basis, which is high. Housing prices in Gothenburg increased rapidly in 2015, and in central Gothenburg the increase was more than 15 percent. The market for single-family homes in Gothenburg also developed favorably.

#### MALMÖ/LUND

In 2014 and 2015, the Malmö region experienced weaker growth than the other two metropolitan regions. Population growth is around 1.2 percent annually. This increase is due to an increase in net immigration, both foreign and domestic. Net births continued to be high and stable. Employment increased sharply.

Prices for tenant-owned apartments in Malmö increased sharply in 2015. Prices in the Malmö suburbs increased even more. The prices for tenant-owned apartments in Helsingborg increased, but fastest growth was in the prices of tenant-owned apartments in Lund. Prices for single-family homes also increased, and in 2015 Malmö and Lund posted record-high levels.

#### UPPSALA, LINKÖPING, VÄSTERÅS AND ÖREBRO

Economic growth in Uppsala continued to be strong in 2015. Employment growth in Uppsala is significantly influenced by its proximity to Stockholm's labor market and therefore developed favorably. Population growth in the Uppsala region is just over one percent annually. The primary driver behind this growth is net immigration, equally divided between foreign and domestic.

Tenant-owned apartment prices in Uppsala increased in 2015 and are now higher than they have ever been. Linköping, Västerås and Örebro also posted increases in prices. The trend for single-family home prices is largely the same.

#### Norway

The Norwegian economy visibly recovered in 2014, but in 2015 it once again performed well under the long-term trend.

#### LARGER COMPETITORS IN 2015, PRIVATE HOUSING MARKET

Country	Major competitors
Sweden	NCC, Peab, Skanska and HSB
Norway	Selvaag Bolig, OBOS, Skanska, NCC and Veidekke
Denmark <sup>1)</sup>	NCC and Arkitekt Gruppen
Finland <sup>2)</sup>	YIT, Skanska, SRV, Lemminkäinen Talo and NCC
Belgium <sup>3)</sup>	Thomas & Piron, Immobel, Bouygues, Besix RED, Bouwfonds and Matexi-Wilma

<sup>1)</sup> Copenhagen region

<sup>2)</sup> Capital region

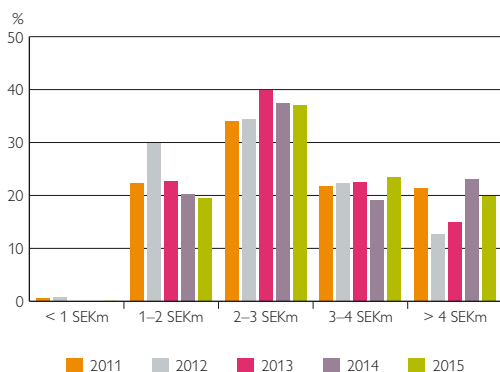
<sup>3)</sup> Brussels, Namur and Brabant Wallon

Annual GDP growth for the mainland was around 1.3 percent. Growth was slowed mainly by weak industrial production, which contracted just under 3 percent compared to the previous year. On the positive side, there was a clear upswing in exports. Building and civil engineering operations contributed positively to GDP growth. Households have proven themselves historically to be strong with good purchasing power due to a resilient labor market but also due to increasing house prices, which has strengthened consumer confidence. Household consumption increased by more than 2 percent in 2015. The central bank of Norway decided at the end of the year to leave the key rate unchanged at 0.75 percent.

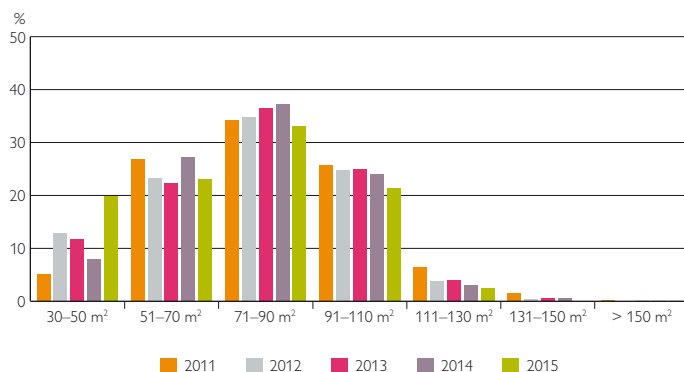
Population growth in Norway is still high. For the country as a whole the population is growing by around 1 percent, which primarily is due to net immigration thanks to incoming labor from first and foremost Poland but also Sweden and the Baltic countries.

Just like in other countries, the population growth is strongest in the largest region, Oslo. Housing prices continued to rise sharply in 2015, even if it was possible to detect a slight decrease during the late fall/winter. The trends were more or less the same for Bergen, even if the rate of increase during the year was not as dramatic. The housing market in Stavanger was naturally hit hard by the developments in the oil sector and house prices are still falling.

Breakdown of sales starts, JM's tenant-owned apartments by price band 2011–2015, Sweden



Breakdown of sales starts, JM's tenant-owned apartments by size band 2011–2015, Sweden





# Customer needs

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## Denmark

Growth was slower than expected. In 2015, GDP growth was 1.3 percent, which is the same as in the previous year. Exports have been hit hard by weak surrounding economies. Growth was fueled by private consumption. Despite the relatively low growth, employment is rising.

Population growth in Denmark has increased over the past two years and is now 0.8 percent a year.

The prices of freehold apartments in Copenhagen continued to increase even faster in 2015.

JM's operations during the year were concentrated to the Copenhagen region.

## Finland

The Finnish economy continued to post weak growth in 2015 and GDP growth was nearly 1 percent. However, exports were aided by strong growth in important trading countries such as Sweden and Germany. Households are under pressure from high unemployment and public savings programs. Growth in household consumption was weak in 2015, largely due to low interest rates.

The Capital region represents the largest portion of the population growth in Finland. The region is growing by just over 1 percent annually.

The prices of units in apartment blocks are stable. Prices of townhouses and single-family homes have not changed in five years.

JM conducts operations in the Capital region.

## Belgium

In 2015, GDP in Belgium increased by 1.3 percent. Exports decreased slightly while private consumption increased.

Housing prices in the Brussels region ended the year just under 1 percent higher than in 2014. Prices today are the same as they were three years ago.

JM has developed residential units in the Brussels region during the year.

## RESIDENTIAL CONSTRUCTION – NUMBER OF HOUSING STARTS

Country	2015	2014	2013
Sweden	45,250	36,300	21,100
Norway	31,100	27,200	30,300
Denmark	8,700	13,600	9,800
Finland	30,900	26,300	27,300

Source: The bureau of statistics of each country, compiled by WSP Analys & Strategi. Figures for 2015 are preliminary and will be finalized during spring of 2016.

## JM'S SOLD RESIDENTIAL UNITS

Country	2015	2014	2013
Sweden	2,927	2,588	2,718
Norway	696	475	433
Denmark	23	22	11
Finland	106	75	43
Belgium	18	35	60
<b>Total</b>	<b>3,770</b>	<b>3,195</b>	<b>3,265</b>

## JM'S HOUSING STARTS

Country	2015	2014	2013
Sweden	2,949	2,792	2,465
Norway	635	499	331
Denmark	0	29	12
Finland	147	83	46
Belgium	0	42	99
<b>Total</b>	<b>3,731</b>	<b>3,445</b>	<b>2,953</b>

## JM'S RESIDENTIAL UNITS IN CURRENT PRODUCTION

	12/31/2015	12/31/2014
Number of residential units in current production <sup>1)2)</sup>	7,212	6,375
Percentage sold residential units in current production, % <sup>3)</sup>	64	57
Percentage reserved residential units in current production, %	22	21
Percentage sold and reserved residential units in current production, %	86	78

<sup>1)</sup> Of which rental units and residential care units in current production in JM Property Development – not included in the percentage of sold and reserved residential units in current production

	338	430
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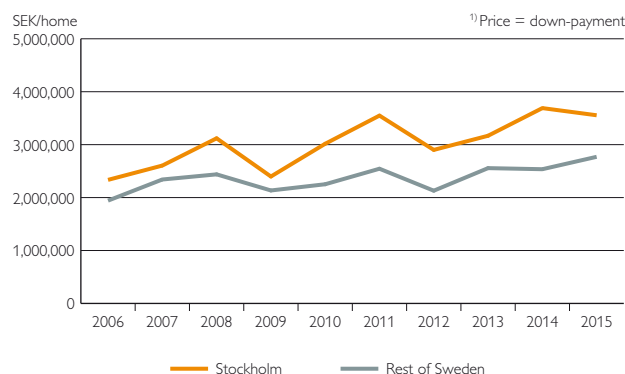
Including residential units in projects where costs incurred are only reported as project properties under construction

	284	284
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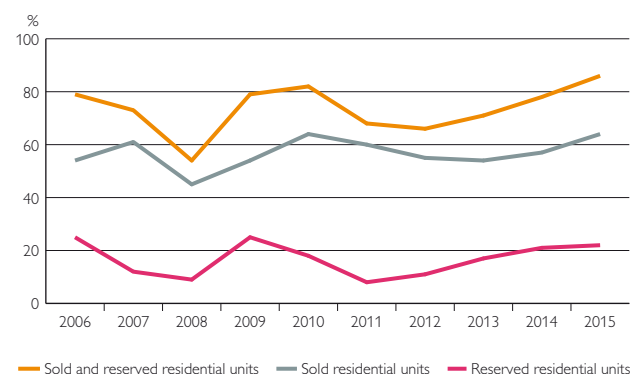
<sup>2)</sup> Beginning with production start-up through final occupancy according to plan.

<sup>3)</sup> Percentage sold residential units expressed as binding contract with the end customer.

Average price<sup>1)</sup> at sales start, JM's residential units, 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 the 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.**

## **A good dialogue with customers**

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.

## **JM's customers increasingly more satisfied**

JM is one of the housing development companies in Sweden that has the industry's most satisfied customers. In 2015 JM received a score of 80 out of 100 possible points in the Customer Satisfaction Index that was part of Prognoscentret's annual survey.

It is confirmation of JM's good efforts to have a clear customer focus and a structured way of working. Part of this long-term strategy is to always listen to our customers and to constantly evolve and become even better.

## **JM Norway has the most satisfied customers**

JM in Norway had – for the second consecutive year – the industry's most satisfied customers in 2015. JM received the "2015 Most Satisfied Customers" award according to Prognoscentret's annual survey of housing development companies in Norway. JM Norway earned a Customer Satisfaction Index score of 79 out of a possible score of 100. The industry index was 71.

## **VIP customers have priority**

Being a VIP customer at JM means the customer has priority and receives advance information about when, where and how we will build new homes before they are offered to the general public. One sign in particular that JM's residential units are popular is the sharp increase in VIP customers during the year.



### Good choice of materials

The importance of selecting materials that are long lasting in terms of both quality and design is an important aspect of our homes, especially in terms of our work with JM Original interior design. This is why planning of the home's interior space begins early – to create good functionality and high-quality, sustainable design. Interior design is an important part of the home. The customer receives an Interior Selections catalogue for the project, in which the carefully thought-out JM Original interior design selections are presented.

The customer then meets with the project's interior designer to discuss the various selections that are available for their future dream home.

JM continuously works to monitor materials and trends, which is a prerequisite for creating the appropriate basis for each individual project. Our most satisfied customers have selected JM Original as the interior design for their new home.

### JM Original

JM Original consists of carefully selected interior designs for the home. We focus on the right style and design for today – and tomorrow. JM makes environmentally conscious selections and ensures that its interior designs maintain good functionality and high quality for many years.







During the fall, editorially inspirational content premiered on [jm.se](http://jm.se) under the name #JMinspiration.



The Group held five joint Big Open House Days.

### Digital meetings with customers

JM is accessible where our customers are, which is why digital channels play an important role in our communication with customers and the surrounding world. 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.

The website serves as the hub for our digital communication, and it works together with all of our digital initiatives and marketing activities. We have decided to be in the forefront when it comes to offering products and services in the new digital channels that are coming. During the fall we launched #JMinspiration, a section on [www.jm.se](http://www.jm.se) where we offer lots of inspiration through articles, “at home with” videos and DIY solutions for everything related to the home and living.

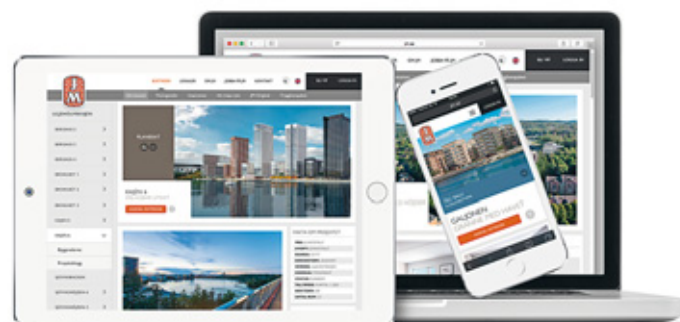
We are constantly developing our digital initiatives. One indication that our new website has been well-received is that JM was awarded Best Improvement for our mobile website in 2014 and nominated for Sweden's best website in the category Information and Service 2015. (Source: Web Service Award)

### Open house days for current projects

The Big Open House Day is organized five times a year. On these days, all of JM's residential projects are open to the public. In 2015, the theme was Bathroom, Balcony/Outdoor Space, Location and Living Room.

The Open House Days are popular, with an average visitor count of almost 2,000 people on each occasion.

These events attract many new potential buyers, most of whom are first-time visitors. It is an opportunity for JM to show our projects with the goal of generating more interest in buying a JM home in the future.





## Five reasons to select a newly built home from JM.

**Choosing a newly built home from JM has several advantages. Well-planned designs and functionality, modern architecture and that we build where people want to live. Everything is ready at occupancy and will last for a long time. JM customers can invest both their time and money in activities other than renovation.**

### **Focus on housing**

Our operations are focused on new production of homes, and we are one of the industry leaders in the Nordic area in our field.

### **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 transit and good infrastructure. It is also important to us that aspects such as 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 (More Secure Sweden), we have developed a security program aimed at ensuring that we take security issues into account throughout the chain, from acquisition and planning to production and occupancy.

### **Well thought-out 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 consists of carefully selected interior designs that focus on design, trend, quality and the environment. Our Interior Selections catalogue is customized for each residential area and simplifies the process for customers who want to influence the character of their new home.

### **Energy consumption a priority 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 non-allergenic, proven and natural materials should be used in our housing.

### **Everyone is offered a secure way to purchase a home**

Our customers should feel secure when they buy a home from JM. We offer a security package that takes a comprehensive approach to purchasing a home – it protects not only the customer, but also the home, property and tenant-owners association.

For example, the customer is protected against double housing costs, and with the access protection, the customer may postpone occupancy for up to three months if it is not possible to move in on the designated date for some reason. The work performed in the home has a five-year warranty. Appliances, plumbing fixtures, painting and wallpapering have a two-year warranty.

We always strive to achieve good quality and 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. This is why JM has employed a customer advocate. The customer advocate's job is to examine customer complaints about projects and mediate, when needed, between the customer and JM.



The buildings we construct today will impact how we live tomorrow.



**Anyone purchasing an apartment or house from JM should receive a healthy living environment. At the same time, we also want to take responsibility for our children's future environment. More information about our environmental and quality initiatives is presented on pages 39–43.**

#### **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 correlation between problems with allergy in children and PVC. JM's residential units have PVC-free walls and flooring.

The landscaping surrounding JM's homes avoids the use of plants and trees that are toxic or unsuitable for people with allergies. JM avoids "dusty shelves" in the kitchen by installing cabinets that go up to the ceiling.

#### **Energy-efficient appliances**

Appliances can make up a large portion of the home's electrical consumption. JM has decided to install in our homes appliances that are energy-efficient.

All of our homes are 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 and tile. We use natural materials to the greatest extent possible. We have been developing an environmental product database since 1996 where we check relevant products. Doing so enables us to build housing that is healthy and helps us avoid using hazardous substances.

# Focus on production of residential units.

We build our homes in locations close to cities, nature or water, with close proximity to public transport. Other important qualities include close vicinity to service and schools. Some of JM's largest projects are presented below.

①

## Liljeholmskajen, Stockholm

*Development period:* 2001–2023  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 4,200, started 2,822  
 – Housing starts in 2015: 217  
*Remaining number of building rights:*  
 Approx. 1,350  
*Location:* Central, 5 km from downtown Stockholm

②

## Norra Älvstranden, Gothenburg

*Development period:* 1998–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 2,050, started 1,704  
 – Housing starts in 2015: 74  
*Remaining number of building rights:*  
 Approx. 350  
*Location:* Close to water, 5 km to downtown Gothenburg

③

## Kvarnholmen, Nacka

*Development period:* 2010–2026  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,400, started 388  
 – Housing starts in 2015: 190  
*Remaining number of building rights:*  
 Approx. 1,000  
*Location:* Central, 6 km from downtown Stockholm

④

## Söderdalen, Järfälla

*Development period:* 2013–2027  
*Housing type:* Single-family homes/  
 Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,300, started 273  
 – Housing starts in 2015: 126  
*Remaining number of building rights:*  
 Approx. 1,000  
*Location:* Approx. 20 km from downtown Stockholm

⑤

## Kungsängen, Uppsala

*Development period:* 2002–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,300, started 801  
 – Housing starts in 2015: 89  
*Remaining number of building rights:*  
 Approx. 500  
*Location:* Close to the city center

⑥

## Lomma Strandstad, Lomma

*Development period:* 2003–2023  
*Housing type:* Apartment blocks/  
 Single-family homes  
*Number of residential units:*  
 – Total approx. 1,050, started 668 of which 29 single-family homes  
 – Housing starts in 2015: 68  
*Remaining number of building rights:*  
 Approx. 400  
*Location:* Close to the sea, 8/10 km to Lund and downtown Malmö

⑩

②

⑥

⑦

## Dalénium, Lidingö

*Development period:* 2010–2020  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 800<sup>1)</sup>, started 394<sup>1)</sup>  
 – Housing starts in 2015: 97  
*Remaining number of building rights:*  
 Approx. 400  
*Location:* Central, 9 km from downtown Stockholm

<sup>1)</sup> In addition there are 243 rental units started.

⑧

## Älvsjöstaden, Stockholm

*Development period:* 2016–2023  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total 750, started 0  
 – Housing starts in 2015: 0  
*Remaining number of building rights:* 750  
*Location:* Approx. 10 km from downtown Stockholm

⑨

## Öster Mälarstrand, Västerås

*Development period:* 2008–2020  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 450<sup>1)</sup>, started 326  
 – Housing starts in 2015: 107  
*Remaining number of building rights:*  
 Approx. 100<sup>1)</sup>  
*Location:* Central and close to Mälaren

<sup>1)</sup> Number on the balance sheet. In addition, there are 150 building rights under agreement.

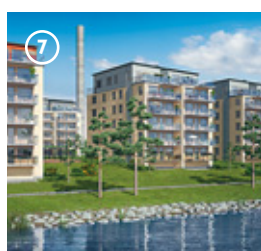
⑩

## Grefsen Stasjon, Oslo

*Development period:* 2010–2020  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 330<sup>1)</sup>, started 221  
 – Housing starts in 2015: 61  
*Remaining number of building rights:*  
 Approx. 110<sup>1)</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 170 building rights under agreement.







It was the large outdoor space that made Yvonne Pettersson and her daughter, Hanna, fall in love with their two-bedroom apartment at Fröfjårdsparken in Frösunda, just north of downtown Stockholm.

# Sunny in Frösunda

INTERVIEW WITH YVONNE PETTERSSON, PROJECT FRIDHEM IN FRÖSUNDA



– I have never really been a “white” person when it comes to decoration. I like colors. But, I have to say, I like what I see, says Yvonne as she points to the white walls, white ceiling, white doors on the kitchen cabinets from Marbodal and white backsplash in the kitchen.

– But at least I did not pick a white countertop – I chose Sigvard Bernadotte’s classic Virrvarr pattern from 1958.

When Yvonne met the man who would be Hanna’s father, they moved to Gärdet, but after Hanna was born, they realized that they no longer wanted to live in the middle of it all. That is when they moved to their first newly built JM apartment in Frösunda.

– Frösunda, Ulriksdal and Järva have really changed over the years we have been living here. They have grown, but they have still kept their charm with the

low buildings, each with a unique style. I like four-story buildings – that they are not so tall. It creates a cozy, small-town feel, says Yvonne.

When Yvonne and Hanna’s father separated, Yvonne and Hanna moved into a one-bedroom apartment in the area, but it soon felt too small. One day when on their way to school they saw a sign advertising that JM was going to build a new neighborhood, Fridhem in Frösunda. They went in to JM’s head office, which was only a few hundred meters away from the apartment, and asked about the new neighborhood.

## Interior selection – JM Original

– I had four requirements for my next apartment. It must be on the bottom floor, have an outdoor space, have two

bedrooms and be on the corner of the building. An apartment that met these requirements was still available, so we grabbed it, says Yvonne. The fixed price is nice, too, because you know exactly how much it will cost. It is easy to get caught up in the moment when bidding on old apartments and suddenly you have paid more than what you really can afford.

Most of the interior design in the apartment is JM Original, except for the bathroom door, which has a circular window, the tile on the floor in the hall, the stainless steel appliances in the kitchen and the turquoise accent wall in Hanna’s room.

– I picked the bathroom door. It looks like a boat. I like that, adds Hanna proudly. And Yvonne has big plans for the outdoor space.

– I grow strawberries and tomatoes, and it is really enjoyable to sit out here. We have evening sun, so it will be well used.

Yvonne did not feel the need to select very many extras since she thinks the quality and level of the equipment in the apartment are so high.

– The layout, with the half-open kitchen, is perfect as it is. And then we each have a large, spacious bedroom, says Yvonne.

– We have created a life here in Frösunda. Everything we need is here, and if there is something we don’t have it is easy to go downtown.







# 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.

*Several apartment buildings and semi-detached houses are being built at Dragörkajen in Limhamn.*





# Business concept and strategy.

## 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 in 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 project 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 and Finland. 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 and to some extent freehold apartments. 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 five 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 exceeds its cost of capital. Knowledge of the profitability of individual investments is thus required in order to generate value by selecting the right projects.

JM works with a number of investment analysis methods and criteria (such as WACC, IRR and present value ratios) to evaluate both each specific project's profitability and which projects should be prioritized. These methods and criteria form the tools and governance methods used to meet the Group's requirements on weighted average cost of capital.

## WACC (WEIGHTED AVERAGE COST OF CAPITAL)

The weighted cost of capital (WACC) for new projects amounts to 5.5–6.5 percent and is used to calculate the present value of forecast cash flows for a specific project.

## DEBT/EQUITY RATIO IN PROJECTS

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

## AVERAGE COST OF CAPITAL – BORROWED CAPITAL<sup>1)</sup>

A 2-year interest rate (corresponding to the average length of a project) of a total of 2.3–2.8 percent based on the underlying risk-free rate of 0.3 percent and a risk premium of 2.0–2.5 percent. Taking tax deductions for interest expense into consideration, the average cost of capital for borrowed capital is thus 1.8–2.2 percent.

## AVERAGE COST – SHAREHOLDERS' EQUITY<sup>1)</sup>

Return on equity, when weighing the different evaluation criteria, CAPM (Capital Asset Pricing Model) and IRR (Internal Rate of Return), amounts to around 11–13 percent.

## RETURN ON EQUITY

The return on shareholders' equity for the 10-year period of 2006–2015 was an average of 26.3 percent, and an average of 24.8 percent for the 5-year period of 2011–2015.

<sup>1)</sup> Risk-free return and risk premium assessed from a longer perspective.

# Financial targets and outcome.

**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 2006–2015, 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/losses from property sales. During the 10-year period of 2006–2015, operating margin was an average of 11.9 percent. During the 5-year period of 2011–2015, operating margin was an average of 11.9 percent.

## Equity/assets ratio

The visible equity ratio should amount to 35 percent over a business cycle. During the 10-year period of 2006–2015, the equity ratio was an average of 39 percent. It was 39 percent during the 5-year period of 2011–2015.

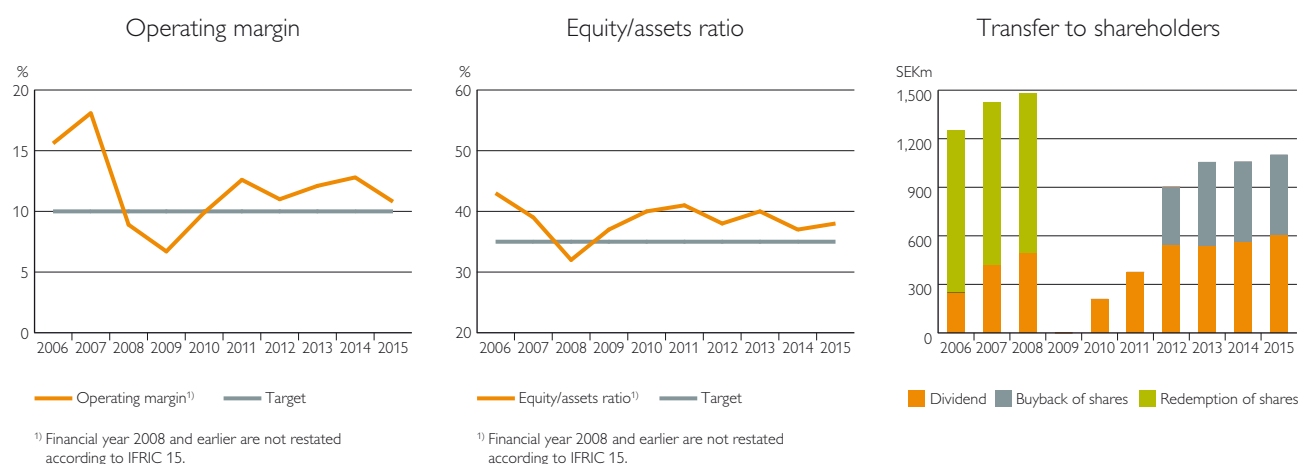
## Dividend

The average dividend over a business cycle should correspond to 50 percent of consolidated profit after tax. During the 10-year period of 2006–2015, the average dividend pay-out ratio was 44 percent. During the 5-year period of 2011–2015 it was 53 percent. Dividends for 2008, with payment in 2009, were not paid due to increased caution during the ongoing financial crisis.

## 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 2006–2015, JM shares gave a total return of 17 percent (average). Corresponding figure for the 5-year period 2011–2015 was 14 percent.





# Value generation in JM's core business.

## 70 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.

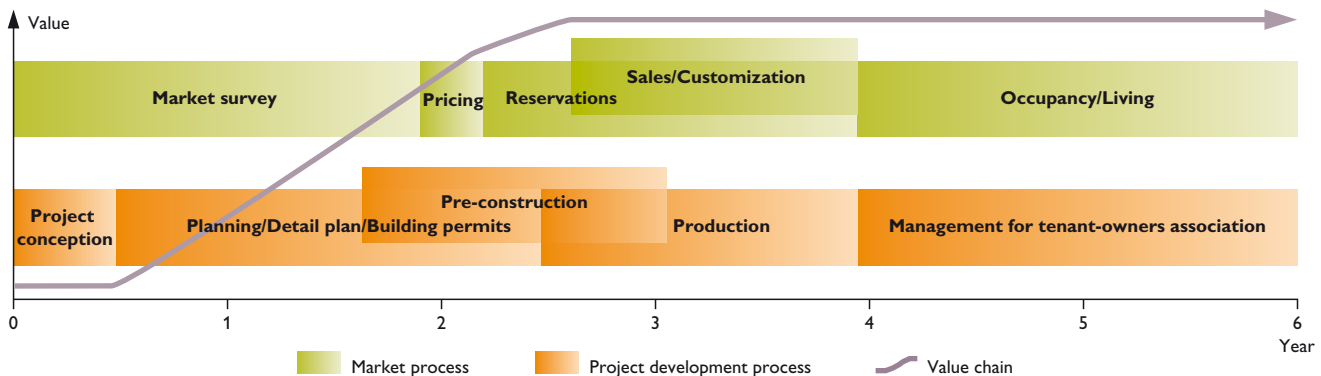
Each step in project development adheres to the requirements outlined in JM's decision gates, which aim to ensure good profitability as well as an effective and controlled process (see illustration on page 29).

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.

## 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.

## 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.

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 proposal has been approved, we involve consultants specializing in construction, land, electricity, ventilation, heating, sanitation, etc. A purchasing supervisor takes care of procurement processes, 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, Big Open House Days, social channels, 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.



### Occupancy and management

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



### Transfer of experience

By sending surveys to customers, we create a Satisfied Customer Index for each project, which together with experiences from the organization serves as the starting point for how to improve our future work.

## 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.

# 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 31,100 available residential building rights (29,400). Capital tied up in building rights (development properties on the balance sheet) for residential units increased to SEK 6,998m (6,720) at year-end.

## Appraisal of residential building rights

At year-end, an appraisal of all of JM's residential development properties was performed in cooperation with an external appraisal company. 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.

## THE BUILDING RIGHTS PORTFOLIO COMPRISES TWO TYPES OF BUILDING RIGHTS:

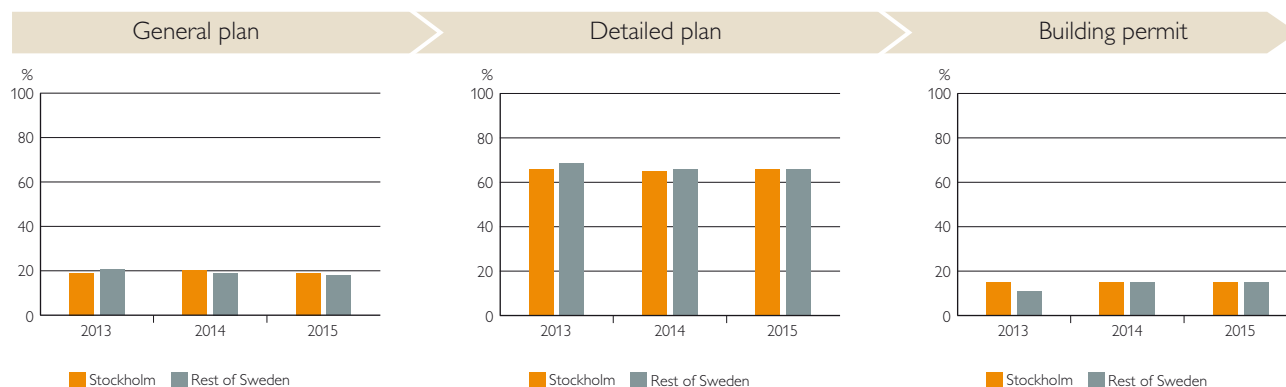
- building rights on the balance sheet, 18,100 (17,500), corresponding to five years of production at the current rate of production
- building rights that are available through conditional acquisitions or cooperation agreements, 13,000 (11,900). In most cases JM has the opportunity to decide both whether and when to buy the land.

The targeted amount for building rights on the balance sheet is five 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 12 rolling months).

The assessed market value of JM's residential development properties amounts to SEK 11.2bn (9.6). The corresponding carrying amount is SEK 7.0bn (6.8). The 13,000 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 demolition. The appraisal of these buildings is based on current rental revenue and future use, taking costs for possible 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.

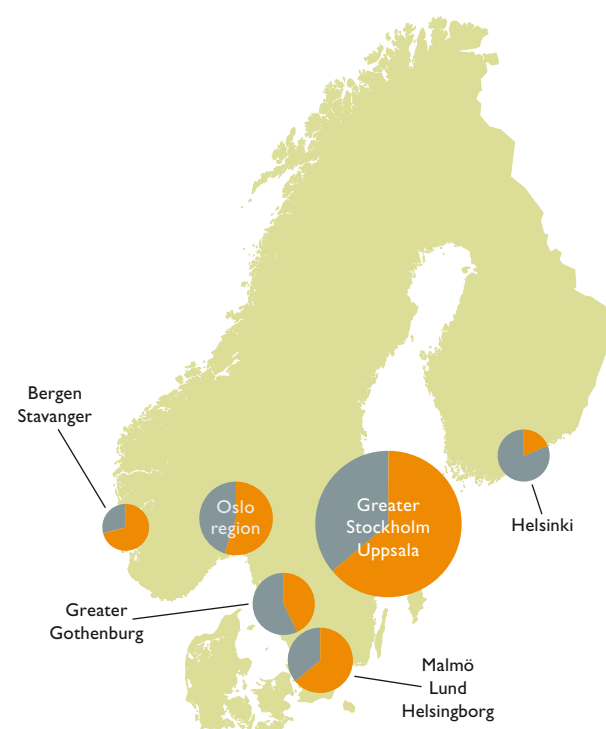


The appraisal company classified the phases of the planning process into the following phases: general plan, detailed plan and building permit. The diagrams below show a breakdown of the market value of JM's development properties into different planning phases. The detailed planning phase covers the 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 66 percent of the residential building rights recognized on the balance sheet in Sweden are in the Greater Stockholm area. About 24 percent of them are located in downtown Stockholm, including Lidingö and Liljeholmskajen, 37 percent in nearby suburbs and 39 percent in outlying suburbs.



- Number of building rights on the balance sheet
- Number of building rights made available through conditional acquisitions or cooperation agreements

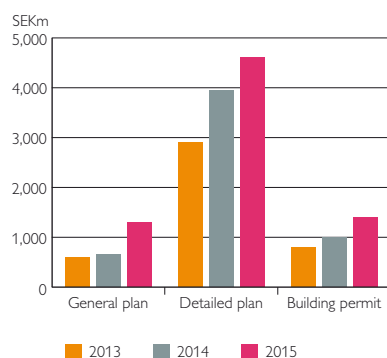
### JM'S AVAILABLE RESIDENTIAL BUILDING RIGHTS

Area	Number of building rights	
	2015	2014
Greater Stockholm (excluding Sigtuna, Upplands Väsby, Vallentuna, Norrtälje)	13,000	12,500
Malmö, Lund, Helsingborg	3,300	3,800
Greater Gothenburg	3,000	2,400
Uppsala, Sigtuna, Upplands Väsby, Vallentuna, Norrtälje, Linköping, Västerås, Örebro	3,600	3,200
Oslo region, Norway	4,200	3,800
Bergen och Stavanger, Norway	1,700	1,800
Greater Copenhagen, Denmark	-	700
Helsinki, Finland	2,100	1,000
Brussels, Belgium	200	200
<b>Total (approx.)</b>	<b>31,100</b>	<b>29,400</b>

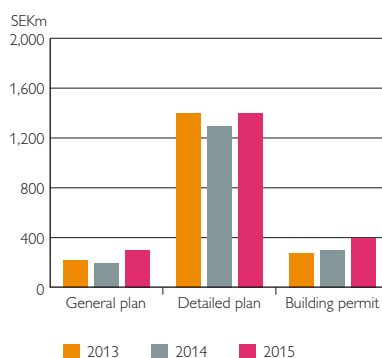
### MARKET VALUE IS BROKEN DOWN AS FOLLOWS:

SEK billion	Market value		Carrying amount	
	2015	2014	2015	2014
Stockholm	7.3	5.6	4.5	4.0
Rest of Sweden	2.1	1.8	1.3	1.2
International	1.8	2.2	1.2	1.6
<b>Total</b>	<b>11.2</b>	<b>9.6</b>	<b>7.0</b>	<b>6.8</b>

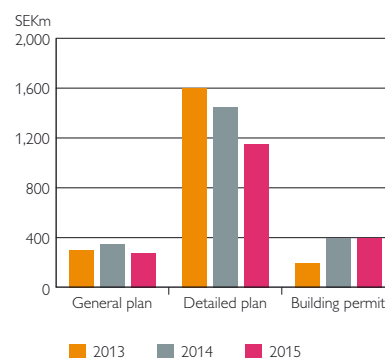
Market value residential building rights  
Greater Stockholm



Market value residential building rights  
Rest of Sweden



Market value residential building rights  
International



# Development of rental units, residential care units and commercial premises.

**An area under development may need residential units, residential care units and commercial premises in order to create an appealing neighborhood. JM's property development includes project development of rental units and residential care units. Project development of commercial premises should first and foremost support JM's project development of residential units, primarily in the Greater Stockholm area.**

## JM Rental Housing

There is a considerable lack of housing in the Stockholm region and politicians aim to build at least 140,000 new residential units by 2030. In the City of Stockholm, the guideline is that at least 50 percent of these residential units should be rental units. JM is joining this initiative by developing and building rental units.

These operations also include the construction of student and young adult housing. JM's strategy is to have continuous and long-term production of rental housing primarily in the Stockholm region. JM has also signed a letter of intent with Uppsala Municipality to build rental units in Uppsala.

The local planning for around 130 rental units in Hägernäs, Täby, went into effect during the year. The local planning for 110 student residential units in Alphyddan, Nacka, has been adopted but it was appealed. Local planning is under way for around 120 rental units in Bredäng, Stockholm and around 160 rental units in Hökarängen, Stockholm.

During the year, JM continued to search for land for rental housing in Stockholm.

## Residential care units

In 2015, production began on a senior housing project, Vinfatet, consisting of 54 residential units in Sollentuna north of Stockholm. The project was sold during the fourth quarter of 2015.

## Commercial properties

In 2015, JM was allocated land in Karlberg by Solna Municipality to build a new head office.

Development work is underway in Dalén, Lidingö, where old industrial buildings are being converted into offices and light industry. The development work with the real estate portfolio is in a management phase.

Bolinder Strand in Järfälla, north of Stockholm, has been managed during the year.

Brommaplan is one of the main focal areas in Stockholm's new general plan, and JM is planning to build housing, services, a commercial center and offices there. JM Property Development is responsible for services, commerce and offices in this development project.

MARKET VALUATION – PROJECT PROPERTIES	12/31/2015			
	Market value, SEK m	Carrying amount, SEK m	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
Properties under development	487	341	25	92
Fully developed commercial properties	63	37	4	71
<b>Total</b>	<b>550</b>	<b>378</b>	<b>29</b>	<b>89</b>

# Uniform processes and components allow us to offer attractive housing at a low total cost.

**At JM, we call this “structured project development”. JM’s project development should be profitable and help create value for customers, owners and employees.**

Structured project development is a series of projects that together constitute extensive improvement work. At the beginning of the 2000s, JM began to standardize its products and procedures. The aim of these efforts is to improve cost control, decrease waste and achieve the right quality. In 2015,

we focused on processes such as interior selection, management and property transactions.

Structured project development creates value for customers, owners and employees and safeguards the important structural capital that contributes to the company’s success.

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## SOME OF THE MOST IMPORTANT IMPROVEMENT PROJECTS ARE PRESENTED BELOW:

### The product

#### STRUCTURED PRE-CONSTRUCTION

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

#### STRATEGIC PURCHASING

Using the defined and standardized components produced within the framework of the Structured Pre-Construction Project as its starting point, the Strategic Purchasing Project was launched. JM’s strategy has been to not 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.

### The processes

#### STRUCTURED SALES

Experience from other industries clearly demonstrated that operational process orientation is a natural development. The ultimate objective of structuring the sales process was to create a uniform process in JM’s operating system, which has sales activities in a defined period of time. Governing procedure descriptions are linked to the activities and describe, for

example, what preparation should take place before the sales process starts.

#### STRUCTURED PRODUCTION

This project, which is based on lean thinking, consists of three parts:

- **Process orientation of the operations system**
- **Work descriptions and installation instructions:**  
Specific work descriptions described in special installation instructions
- **System for uniform scheduling**

#### STRUCTURED PROJECT DESIGN, ACQUISITION AND PURCHASING

Over the years, the above processes have been process-oriented to clearly establish a uniform method of working at JM. In conjunction with this work, other operations have also been synchronized in our Operations system.

#### STRUCTURING OF INTERIOR DESIGN SELECTION, MANAGEMENT AND PROPERTY SALES

In the past year we started a project to create Group-wide procedures for interior design selection and management. The process is the same for property sales.

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# 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. We also believe that we are transparent about our business from a sustainability perspective, both in terms of financial reporting and risk management.

## 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.

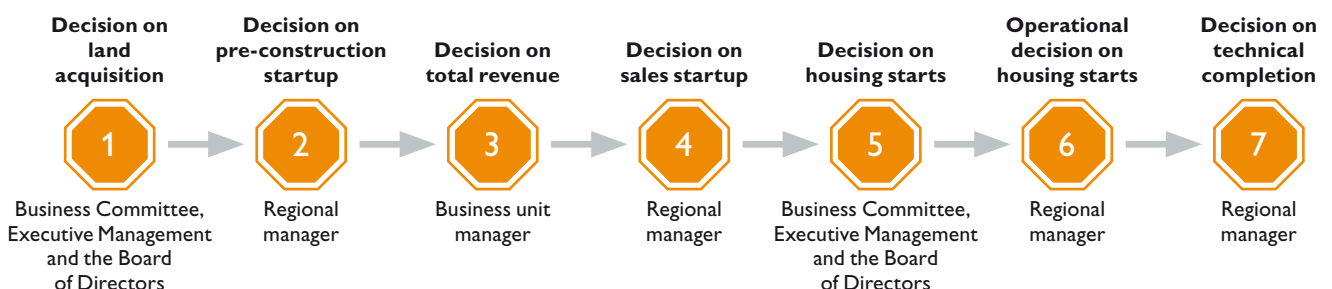
The most significant risks faced by JM in 2015 continued to be related to the subsiding debt crisis in Europe, at the same time that demand for housing in Sweden continued to improve. Housing starts over the year, however, have been limited by the

## 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

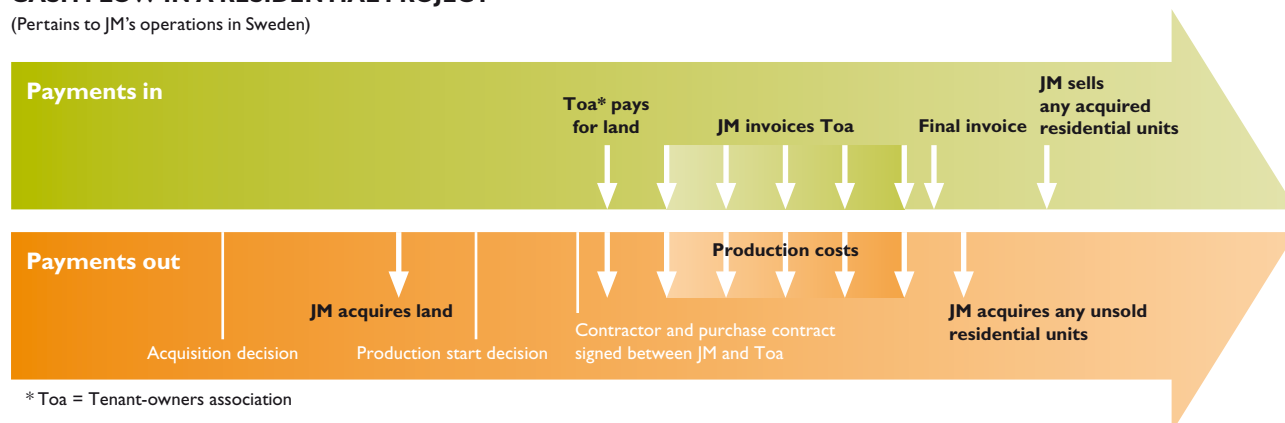
planning processes but to less of an extent than in 2014. The situation for 2016 is similar and business will be largely dependent on the economic development. This in turn will govern the conditions for sales and housing starts for new projects. The planning processes in our primary markets also constitute a limiting criteria.

## DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT



**CASH FLOW IN A RESIDENTIAL PROJECT**

(Pertains to JM's operations in Sweden)

**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 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.

**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.

**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.



31,100 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 6.0 percent. The calculation does not take potential inflation into account, and it is not a forecast.

The tables show 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 1,500m, or just under SEK 20 per share according to the basis for this calculation.

The sensitivity analysis excludes cash flows from previously recognized land (SEK 6,998m) after adjustment of liabilities for property acquisitions (SEK 704m). The present value of these cash flows amounts to about SEK 3.8bn.

#### SENSITIVITY ANALYSIS, PRESENT VALUE IN SEK m FOR JM'S BUILDING RIGHTS PORTFOLIO FOR HOUSING

Revenue/m <sup>2</sup> , SEK	28,000	29,000	30,000	31,000	32,000
Cost/m <sup>2</sup> , SEK					
23,000	7,500	9,000	10,500	12,000	13,500
24,000	6,000	7,500	9,000	10,500	12,000
25,000	4,500	6,000	7,500	9,000	10,500
26,000	3,000	4,500	6,000	7,500	9,000
27,000	1,500	3,000	4,500	6,000	7,500

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

Revenue/m <sup>2</sup> , SEK	28,000	29,000	30,000	31,000	32,000
Cost/m <sup>2</sup> , SEK					
23,000	103	123	143	163	183
24,000	83	103	123	143	163
25,000	63	83	103	123	143
26,000	43	63	83	103	123
27,000	23	43	63	83	103

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

Category	Percentage of cost, % <sup>1)</sup>	Change, %	Effect, SEK m
Salaries/wages	13	+/-10	+/- 95
Material	17	+/-10	+/- 127
Land	18	+/-10	+/- 137
Developer's costs	13	+/-10	+/- 101
Pre-construction	5	+/-10	+/- 40
Overhead	7	+/-10	+/- 54
Subcontracting	27	+/-10	+/- 203

<sup>1)</sup> Share of cost base for project development of housing in Sweden was SEK 7.6bn in 2015.

Land refers to historic cost for land expensed. 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 2015
<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 subsiding debt crisis in Europe has resulted in an improved 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. The pressure on the market share increases as the market improves.
<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 as late as possible.	The political risks remain unchanged, but uncertainty about regulatory issues has increased slightly.
<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 25 percent.

## OPERATIONAL RISKS

Risk	Description of risk	Management	Comments/outcome 2015
<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.	Continued 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 71 repurchased (unsold) units with a carrying amount of SEK 235m 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.	Slightly higher prices for new constructions have resulted in stable sales and an unchanged size in project stages.

## FINANCIAL RISKS (see note 22, Financial risk management on page 80)

Risk	Description of risk	Management	Comments/outcome 2015
<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.	Expectation of stable interest rates in the financial and housing 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 at stable margins.
<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.





# Sustainability

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.





# Sustainable and responsible urban planning.

**JM helps 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 foundation for our operations.**

With sustainable urban planning we are referring to financial, social and environmental accountability, which also encompasses the concept of Corporate Social Responsibility (CSR). We strive with our sustainability work to strengthen our basis for long-term, value-creating operations and their contributions to sustainable development. An important part is taking responsibility for the impact of our activities and decisions on society, people and the environment.

JM's clear strategic focus has given the company good profitability and a leading position in the market. Sustainability work and application of the Precautionary Principle are central and integrated parts of our project development.

JM's Sustainability Report is prepared in accordance with GRI's guidelines. For more information, see pages 109–114.

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Amongst other things, in 2015 we:

- Established a Sustainability Council
  - Established a Strategic Waste Council
  - Established a new goal structure for sustainability work
  - Started to implement JM's Code of Conduct
  - Rolled out an extensive initiative related to e-learning
  - Conducted an overview of the environmental requirements in the Norwegian operations to correspond with the operations in Sweden. For example, a system for the environmental assessment of building materials and construction goods has been introduced
  - Implemented JM's process for sustainable supplier chains in the Norwegian operations
  - Established a procedure for handling resource efficiency, material waste and packaging before signing agreements with framework agreement suppliers
  - Decided that 10 percent of all parking spots at JM's projects should be equipped with outlets for charging
  - Improved governance of landfills for contaminated waste.
- 

## Our ambition

JM's sustainability work is based on its sustainability policy, which describes the commitment and the ambition of the Group with regard to sustainability. JM has conducted a materiality analysis to identify its material sustainability aspects

– the areas that are considered to be the most important for JM's long-term value creation and in which JM strives to improve. In order to make improvements in its operations for each sustainability aspect, we have prepared a long-term goal up to 2030, which is in line with the UN's sustainable development goals, as well as more short-term operational goals. The work to achieve the goals for each aspect is managed by appointed administrators within the organization through a systematic and scheduled project.

## Organization

JM has two forums that carry the overall responsibility for the company's sustainability work. JM's Quality and Environmental Council is responsible for joint governance of the Group's operations. The CEO and the Group's business units and regional managers are included in this council. JM's newly established Sustainability Council, which consists of the CEO and several members of executive management, is responsible for the coordination of the Group's sustainability work. JM's Head of Sustainability is a member of both forums.

## Governance and follow-up

The operations system is the Group's management system. In all material respects it meets the standards set by the ISO for quality and environmental management. The purpose of the system is to support and steer our operations toward a uniform method of working, with lower costs and improved customer value. It is an important part of JM's structural capital and offers a compilation of experiences and knowledge that can be used throughout our entire operations.

The measures and improvements that we are implementing in the area of sustainability have a direct impact on the entire operations thanks to the Operations system. This means that we achieve a high, steady level of sustainability work in all of our projects and not just certain pilot projects.

The clear control and follow-up processes in the projects mean that the risk of non-compliance with legal or internal requirements on sustainability is small, and if non-compliance should still occur it can be quickly identified and handled at an early stage.

JM follows up on targets and requirements in the Operations system via non-conformity and key figure reports, as well as with internal audits.

## JM's Group-wide aspects and targets in sustainability

MATERIAL SUSTAINABILITY ASPECTS	SOCIAL CONTRIBUTIONS	LONG-TERM GOAL 2030	OPERATIONAL GOAL	RESULTS	
				2015	2014
Ethics and value creation	<i>General</i> A long-term and financially strong housing developer on the markets where we are present An ethically correct and sound building sector <i>UN's Sustainable Development Goals</i> No. 8: Promote sustainable economic growth	JM has a long-term and ethically sound financial growth that contributes to the improved welfare of society	The operating margin should amount to 10%, including gains/losses from property sales	10.8%	12.8%
			The visible equity ratio should amount to 35% over a business cycle	38%	37%
			The average dividend over a business cycle should correspond to 50% of the Group's profit after tax	57%	47%
			No ethical breaches based on JM's values	0	0
Product responsibility	<i>General</i> Sustainable cities and residential units meet today's and tomorrow's needs and requirements <i>UN's Sustainable Development Goals</i> No. 11: Development of sustainable communities and cities <i>Sweden's environmental goals</i> Good developed environment	JM develops sustainable residential units and residential areas	<i>Procedure: All of the residential projects have a clear sustainability profile</i>	-	-
		JM has the industry's most satisfied residential customers	JM should have the industry's most satisfied customers according to the Customer Satisfaction Index	2nd	1st
Responsible suppliers	<i>General</i> Ensures the application of labor law, human rights, anti-corruption and environmental responsibility in the community building sector's supplier chains <i>UN's Sustainable Development Goals</i> No. 8: Promote sustainable economic growth	JM promotes social responsibility in its operations and its value chain	<i>Procedure: JM evaluates and approves all framework agreement partners from a sustainability perspective.</i>	100%	100%
Work environment	<i>General</i> A workplace with a safe work environment <i>UN's Sustainable Development Goals</i> No. 8: Promote sustainable economic growth	JM has no workplace accidents	Reduce the number of accidents with absence due to illness for in-house personnel by 50%, from 11 in 2011 to 5.5 in 2016, per million working hours	13	10
Equality and diversity	<i>General</i> A workplace that offers diversity and equal opportunity <i>UN's Sustainable Development Goals</i> No. 5: Achieve equal opportunity	JM has an equal opportunity organization that has an even gender distribution among its salaried employees	Even gender distribution among salaried employees (at least 40/60)	Ratio 32/68	Ratio 31/69
			Increase the number of female wage-earners to 5%	1%	1%
Competence	<i>General</i> A workplace that allows people to develop and contribute to long-term value creation <i>UN's Sustainable Development Goals</i> No. 4: Offer training and opportunities for lifelong learning	JM utilizes and develops its employees' skills	Implement JM Competence platform	Started	-
Resource efficiency	<i>General</i> A resource-efficient society <i>UN's Sustainable Development Goals</i> No. 12: Secure sustainable consumption and production <i>Sweden's environmental goals</i> Good developed environment Non-toxic environment	JM has an efficient and largely circular flow of materials	The amount of construction waste to landfills should be reduced by 50 percent from on average 4 kg/sqm in 2012 to 2 kg/sqm in 2016 (newly built apartment area, GFA)	3,0 kg/sqm	2,7 kg/sqm
			The percentage of unsorted waste should be reduced from on average approximately 15% in 2012 to 10% in 2016	5%	6%
			The total amount of waste should be reduced from on average 29 kg/sqm in 2012 to 24 kg/sqm in 2016 (newly built apartment area, GFA)	29 kg/sqm	30 kg/sqm
Minimal impact on the climate	<i>General</i> A society with small impact on the environment <i>UN's Sustainable Development Goals</i> No. 13: Act immediately on climate changes <i>Sweden's environmental goals</i> Limited impact on the climate Fresh air Only natural acidification No over-fertilization	JM's operations have climate-affecting emissions close to zero	As of 2014, the estimated energy requirement for housing should be 25% below each country's current standard for 2014	26%	28%
			JM's emissions of greenhouse gases should decrease every year so that by 2020 the total emissions will have been reduced by 40% compared to 1990	50%	52%

### Stakeholder engagement

It is of great importance that JM has an open dialogue with its surroundings and is sensitive to the preferences and wishes of its customers and other stakeholders on various issues. JM has

an ongoing dialogue with customers, employees, owners, investors, cooperation partners and other stakeholders. Below is an account of how JM approaches these areas, as well as some examples of its activities during the year.

STAKEHOLDER GROUP	HOW WE WORK	PRIMARY AREAS
<b>Customers: existing and potential</b>	<ul style="list-style-type: none"> <li>Customer surveys, occupancy questionnaires, focus groups, at-home interviews and web panels</li> <li>Strategic intelligence</li> <li>Market surveys</li> </ul>	<ul style="list-style-type: none"> <li>Customer satisfaction</li> <li>Customer insight – housing needs</li> </ul>
<b>Employees: existing</b>	<ul style="list-style-type: none"> <li>Personal development discussions</li> <li>Code of Conduct</li> <li>Training and education</li> <li>Employee survey</li> <li>Work Environment Day</li> </ul>	<ul style="list-style-type: none"> <li>Health and safety</li> <li>Skills development</li> <li>Succession planning</li> <li>Remuneration</li> <li>Ethics</li> </ul>
<b>Employees: potential</b>	<ul style="list-style-type: none"> <li>Around 100 students have been offered an internship, primarily in production</li> <li>Started two-year trainee program with a focus on production</li> <li>Possibility to write theses</li> <li>Cooperation with schools and universities</li> <li>Participation in labor market days</li> </ul>	<ul style="list-style-type: none"> <li>Recruitment</li> <li>Employer branding</li> </ul>
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>Personal meetings</li> <li>Telephone meetings</li> <li>Analyst meetings</li> <li>Ongoing communication in a structured manner</li> <li>Capital Market Day</li> </ul>	<ul style="list-style-type: none"> <li>Corporate update</li> </ul>
<b>Partners/Suppliers</b>	<ul style="list-style-type: none"> <li>Questionnaires to suppliers</li> <li>Supplier controls</li> <li>Factory inspections</li> <li>Workshop for the future with architects and strategic suppliers within areas such as kitchens, bathrooms and storage</li> <li>Code of Conduct for JM's suppliers and subcontractors</li> <li>Suppliers have been audited via surveys, which were then followed up by on-site audits in the factory</li> </ul>	<ul style="list-style-type: none"> <li>Environmental program</li> <li>Health and Safety</li> <li>Development work</li> </ul>
<b>Society: officials and politicians</b>	<ul style="list-style-type: none"> <li>Ongoing dialogue with municipalities</li> <li>Mentor</li> <li>Ongoing dialogue with officials and politicians</li> </ul>	<ul style="list-style-type: none"> <li>Community involvement</li> <li>Environmental program</li> </ul>
<b>Special interest organizations</b>	<ul style="list-style-type: none"> <li>Participation in projects for environmentally optimized transports in the building industry</li> <li>Participation in business networks on issues related to the climate</li> <li>Development projects</li> <li>Membership</li> <li>Ongoing dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Climate issues</li> <li>Systems for environmental standards in construction</li> <li>Energy efficiency</li> </ul>



EXAMPLES OF IDENTIFIED ASPECTS FOR STAKEHOLDERS	LINK TO JM'S MATERIAL SUSTAINABILITY ASPECTS
<ul style="list-style-type: none"> <li>• Location</li> <li>• Storage</li> <li>• Safety and security</li> <li>• Good public transportation</li> <li>• Attractive green areas</li> <li>• Kitchen and bathroom</li> </ul>	<ul style="list-style-type: none"> <li>• Product responsibility</li> <li>• Resource efficiency</li> <li>• Small impact on the climate</li> </ul>
<ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Company culture</li> <li>• Skills development</li> <li>• Equal opportunity</li> <li>• Work environment</li> <li>• Health</li> <li>• Benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Ethics and value creation</li> <li>• Work environment</li> <li>• Equal opportunity</li> <li>• Skills</li> <li>• Resource efficiency</li> </ul>
<ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Company culture</li> <li>• Skills development</li> <li>• Equal opportunity</li> <li>• Health</li> <li>• Benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity and equal opportunity</li> <li>• Skills</li> </ul>
<ul style="list-style-type: none"> <li>• Value-generating</li> <li>• Sustainability</li> <li>• Risk management</li> <li>• Human rights</li> <li>• Climate work</li> <li>• Waste and resource efficiency</li> <li>• Anti-corruption</li> <li>• Choice of materials</li> </ul>	<ul style="list-style-type: none"> <li>• Ethics and value creation</li> <li>• Product responsibility</li> <li>• Responsible suppliers</li> <li>• Work environment</li> <li>• Diversity and equal opportunity</li> <li>• Skills</li> <li>• Resource efficiency</li> <li>• Small impact on the climate</li> </ul>
<ul style="list-style-type: none"> <li>• Human rights</li> <li>• Hazardous substances</li> <li>• Resource efficiency</li> <li>• Waste management</li> <li>• Impact on the environment</li> <li>• Work environment</li> <li>• Delivery precision</li> <li>• Quality</li> <li>• Cooperation</li> </ul>	<ul style="list-style-type: none"> <li>• Ethics and value creation</li> <li>• Product responsibility</li> <li>• Responsible suppliers</li> <li>• Work environment</li> <li>• Resource efficiency</li> <li>• Small impact on the climate</li> </ul>
<ul style="list-style-type: none"> <li>• Social sustainability</li> <li>• Climate and energy</li> <li>• Transports</li> <li>• Contaminated soils</li> <li>• Waste management</li> <li>• Outdoor environments</li> <li>• Buildings' environmental performance</li> </ul>	<ul style="list-style-type: none"> <li>• Ethics and value creation</li> <li>• Product responsibility</li> <li>• Responsible suppliers</li> <li>• Work environment</li> <li>• Resource efficiency</li> <li>• Small impact on the climate</li> </ul>
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## Cooperation

JM is part of society. An important part of JM's efforts to contribute to sustainable development is to work together with other actors to achieve greater change in society. We therefore actively participate in several different initiatives to drive the development both in the construction industry and in society at large toward sustainability.

JM has signed the UN's Global Compact, thus taking a clear stand on issues related to human rights, labor law, accountability for the environment and anti-corruption. 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 of such a conflict is minor since JM operates in the Nordic countries and Belgium where these 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.

JM calculates and reports its carbon dioxide emissions. JM 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 fund management companies actively monitor JM's progress within sustainable development. For example, JM is listed on the OMX GES Sustainability Sweden Index.

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 2015, JM received a rating of B 94 in the CDP assessment. Sustainability issues are at times industry-wide, and initiatives, therefore, require broad cooperation across business boundaries in order to succeed.

Two examples of organizations in which JM is involved:

**Haga Initiative**, an association in which JM is one of the initiators. The aim is to reduce emissions from the business world, highlight the climate as one of the most important issues to address for the future and serve as a role model for companies that adopt a proactive approach to climate change.

**BASTA – the construction sector's shared system for phasing out dangerous substances.**

BASTA is an industry initiative to phase out hazardous substances with the aim of simplifying product selection and creating a better selection of environmentally friendly construction goods on the Swedish construction market. JM initiated the creation of BASTA and is a member of the organization's Board of Directors and scientific council.





*Supervisors Clara, Erik and Micaela at the Kista Torn project, one of Stockholm's highest residential buildings. The first customers moved in during the summer of 2015.*



# Environmental work – an increasingly important and strategic topic.

**The construction industry is responsible for a significant part of society's consumption of energy and materials, and as a homebuilder, we carry a heavy responsibility with respect to the environment for future generations.**

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

- Energy use
- Building materials' impact on the environment
- Building waste management
- Emissions from construction machinery and transports
- Management of soil contamination.

## How we work

The Group's quality and environment department is responsible for coordination, development and support in environmental initiatives. We are continuously conducting different development projects and after they are evaluated the improvements are then introduced in all of JM's production.

Environmental responsibility in JM's projects lies with the line organization and is supported by regional quality and environmental coordinators.

## Profitable environmental program

For JM, its environmental program is a matter of good business and profitability both in the short-term and the long-term. It is about taking on acute environmental projects and being responsible for tomorrow's environmental issues. 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.

## Operations in Sweden

### Residential project development

Residential project development 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.

In its role as project developer, JM has a far-reaching responsibility for the environmental impact of the building during its



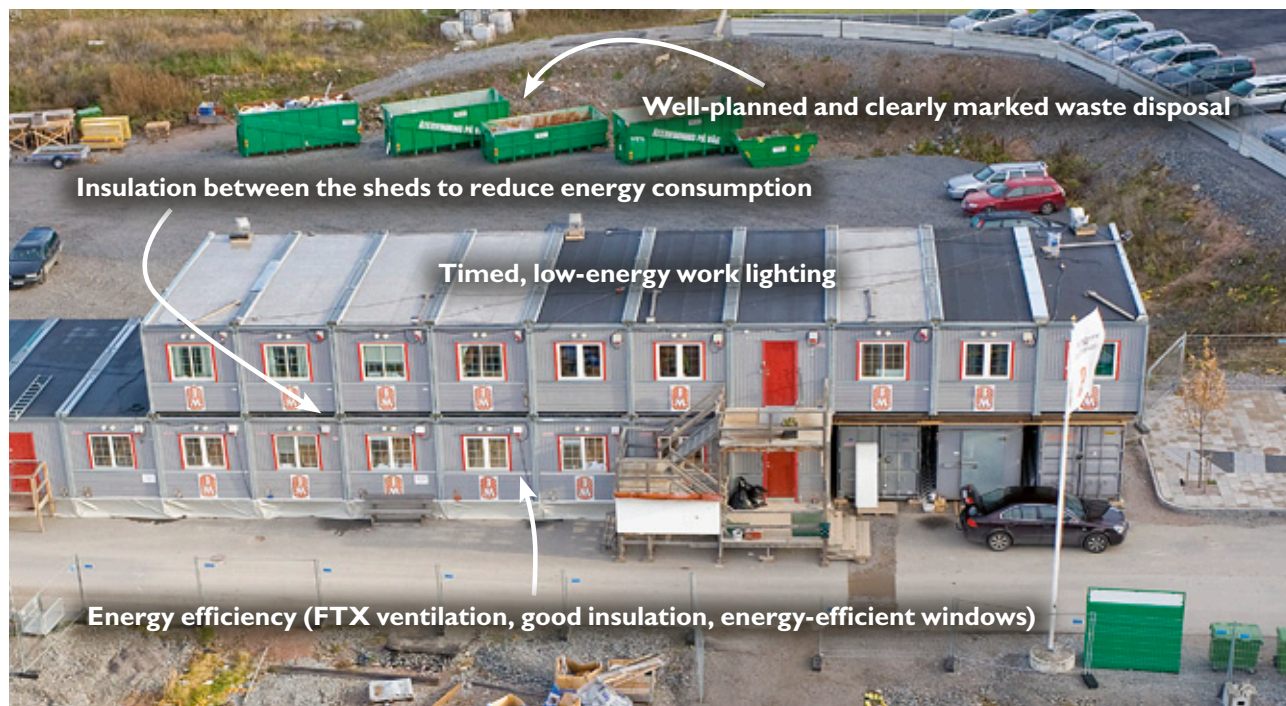
entire life cycle. At the same time, project development work offers great opportunities to manage our operations and products so that their environmental impact is minimized.

### JM BUILDS LOW ENERGY BUILDINGS

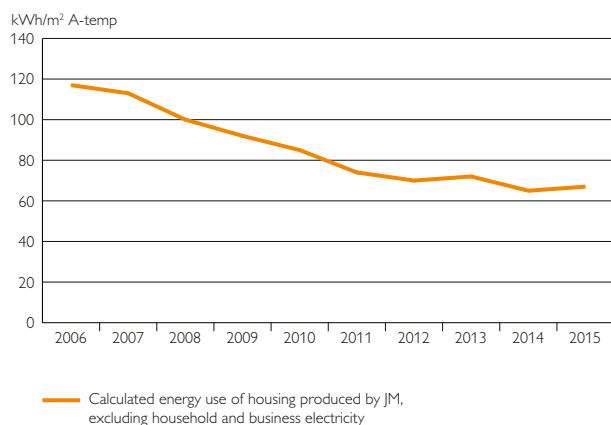
JM focuses on reducing energy consumption and energy requirements during both the production and usage stages, which also reduces the impact the buildings have on the greenhouse effect. All residential project development that JM has initiated in Sweden since 2008 has been based on JM's low-energy housing concept. Low-energy buildings are buildings that meet the authorities' energy requirements during operation by a substantial margin.

JM's low-energy buildings, for example, have extra insulation in the walls, energy-efficient windows, energy-efficient appliances, low energy lighting, and they recover heat from





Calculated energy use  
of housing produced by  
JM in Sweden



JM uses a standardized method to calculate the energy use of newly produced homes, which enables a comparison over time. The diagram shows the average of housing projects that were completed each year. The calculated energy use has been reduced by around 40 percent since 2005.

ventilation and have individual hot water meters. We improve the energy performance of our buildings on an annual basis through a number of measures with the ambition of being the leader in building low-energy buildings in all of our projects – not just individual pilot projects.

#### ENERGY CONSUMPTION DURING THE PRODUCTION PHASE

JM also works proactively to reduce energy use during the production phase. Only eco-electricity is purchased in Sweden (Bra Miljöval – Good Environmental Choice). All job sites have energy-efficient sheds and low-energy lighting with light and motion detectors, and energy use can be further reduced by using early startup of district heating to heat the building frames during construction.

#### JM'S ENERGY CLASSIFICATION

JM applies a system 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 use. The system is based on Swedish Standard SS-24300 and JM's guidelines. The values and parameters we employed are presented on [www.jm.se/sustainability](http://www.jm.se/sustainability) to ensure the system is open and transparent. Energy rating also provides JM with increased understanding of the energy use 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 use will nevertheless vary depending on the inhabitants' behavior, the design of the energy system and where in the country the building has been built.

## CHOICE OF MATERIALS

JM's residential units are built using sound, proven and natural materials such as tile and wood. Since the middle of the 1990s, we have had a system in place to evaluate the environmental impact of building materials. This allows us to check that the material we use does not contain hazardous substances or in any other way unnecessarily burdens the environment. When there is not enough information about a material's qualities, we employ a precautionary approach and do not use the material. 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.

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 wall constructions. Stringent requirements are also placed on vapor barriers for bathroom walls in accordance with current construction regulations.

## BUILDING WASTE

JM endeavors to reduce the total amount of waste generated from its construction operations, as well as the amount of unsorted waste and waste sent to the landfill from construction sites. This work is carried out in collaboration with our suppliers and waste management companies and by offering internal training courses (see facts and key figures on page 111). Examples of measures include:

- integration of the Ecocycle Council industry guidelines for waste management during construction and demolition in procedures for all JM projects in Sweden
- identification of improvement areas based on studies of produced waste
- introduction of a waste council in all regions within residential project development in Sweden and a central, strategic waste council
- improved procedures for pallet management at worksites
- efforts to reduce the amount of waste from packaging, material waste and temporary constructions such as protective railings and molding material. This work is conducted in close cooperation with JM's purchasing department and our suppliers
- awarding of JM's annual waste bonus to the construction sites in Sweden that most successfully sorted construction waste for recycling.

## TRANSPORTS AND CONSTRUCTION MACHINERY

Construction machinery and transport 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 are developing 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, for example:

- making demands on the fuel that suppliers use – alkylate-based fuel is to be used in small gasoline-driven machines
- making demands on age, Euro class and the maximum greenhouse gas emissions from vehicles
- suppliers must be able to demonstrate that they follow up on their fuel consumption and that they take measures to decrease their consumption
- testing and assessing 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 work environment, road safety and the external environment
- business trips for JM must be conducted so that impact on the environment is minimized as regards 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 transit 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 makes considerable contributions to the environment when contaminated areas, such as old industrial areas, are remediated and become new residential areas.

The fact is that most buildable land in or close to our cities shows traces of human impact and contains small or large amounts of contamination. All prospective acquisitions undergo a remediation assessment and in our experience most properties have some form of contamination.

JM's land remediation coordinator organizes studies and investigations and suitable remediation measures are prepared in consultation with the supervisory authority. Land remediation during the development stage normally consists of digging up the contaminated land and driving it to an approved landfill. In 2015, JM signed central agreements with landfills to ensure that JM's remediation waste ends up at a landfill that has the proper authorization and that JM receives follow-up that the



waste has been received. Where the contaminated waste has gone must be reported to the supervisory authority after the remediation is completed.

In 2015, land remediation coordinators handled approximately 85 projects.

JM's land remediation coordinators worked during the year with central purchasing to establish a framework agreement with landfills and reviewed the processes in the Operations system that relate to land.

### **JM Entreprenad**

The JM Entreprenad subsidiary carries out contracting work within residential construction, civil engineering and facades for external and internal clients in the Greater Stockholm area. In 2015, JM Entreprenad became certified in accordance with OHSAS 18001. JM Entreprenad is also certified according to ISO 9001 and ISO 14001; its environmental program focuses on reduced energy use, waste sorting, soil remediation and active choice of the best environmental transport alternatives. JM's agreements with partners and suppliers stipulate that they must meet environmental requirements.

During the year a waste council was also created with the aim of decreasing building waste.

Before goods are purchased, the products are checked against the BASTA criteria. Construction machinery and transports must meet the requirements set out in the Swedish

Transport Administration's "general environmental requirements when procuring contract work".

JM Entreprenad performs land remediation for both JM and external clients. The organization has in-house resources that are skilled in land remediation.

### **JM Property development**

JM Property Development's environmental program is very similar to the program implemented within residential project development. The same operations system is used for quality and environmental management, and the technical solutions developed by JM Residential are also applied in commercial projects. Buildings with a high standard, well thought-out material selections and low energy consumption are one way to generate customer benefit as well as long-term value in the properties we develop and manage. JM Property Development chooses to obtain environmental certification for its buildings under different systems depending on the nature of the project and the client's requirements. The environmental management and environmental requirements that apply to residential project development also apply when JM Property Development develops housing for the elderly and rental units. Senior housing, which includes both housing and commercial premises, is environmentally certified according to the Swedish Green Building Council's classification system.



## Operations in Norway

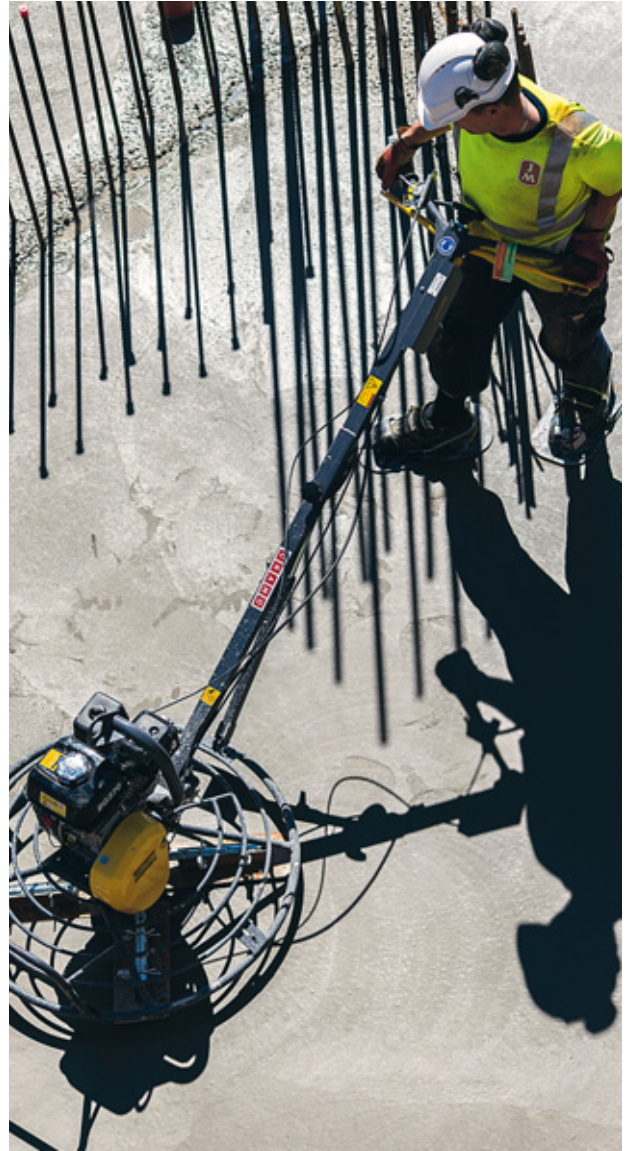
### Residential project development

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, environmental work between JM Sweden and JM Norway became more integrated, and this project will continue during 2016. Examples of the areas encompassed by this project are the environmental assessment of goods and the sustainability assessment of suppliers.

In Norway, we energy label all new buildings on the basis of Norwegian regulations that were introduced on July 1, 2010. Energy labeling is expected to influence the attractiveness and competitiveness of JM's residential units.

Low energy buildings in JM Norway have been implemented as the standard in all projects started since March 2012. They are designed 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 balanced ventilation and a requirement to recover over 80 percent of heat. For approximately half of the apartment buildings, the heating and hot water are generally based on district heating. Estimated delivered energy for heating is 70–80 kWh per square meter and year. If the heating is based on geothermal heating, the estimated delivered energy for heating is 40–45 kWh per square meter and year. A heat pump is installed in single-family homes that transfers surplus heat from ventilation to hot water and airborne heating, combined with electric heaters. Estimated delivered energy for heating is 45–50 kWh per square meter and year.

Action is being taken to reduce the amount of waste by focusing on planning, logistics and prudent management of waste during transport and storage. Standardized building methods have resulted in increased utilization of prefabricated and ready-made (dimensioned) materials. Steps have also been taken to improve waste sorting at the worksites.



# Safety at work – everyone's responsibility.

**In order to build sustainable communities and residential units, we must have sustainable employees. Our success is built on a balance of team spirit, performance, enjoyment and personal development.**

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.

Competition for both experienced and recently graduated engineers is tough. Staff turnover is a few percent higher than what we would like it to be, which is why we have had a major focus on recruitment during the year. At the end of the year, we had 2,316 employees; 1,010 were wage-earners and 1,306 were salaried employees. Of these, just over 93 percent were permanent employees.

## Employees today and tomorrow

Diversity is an important part of our recruitment strategy. We always strive for a good balance between male/female and senior-/junior-level employees.

One goal is to have a more even gender distribution within all parts of the organization. At JM, 32 percent of the salaried employees are women, while the corresponding figure among wage-earners is 0.7 percent.

As a means of attracting future employees, JM cooperates extensively with schools and universities at the locations where we are active. During the year we attended around ten labor market days where we met with students. We tell them about the possibility of doing thesis projects at JM, internships or our trainee program. During the year we offered internships to around 100 students.

In August 2015, we started our sixth consecutive trainee program for the JM Group, this time with a focus on project development. The overall aim of this program, which is part of our strategic investment in skilled labor, is to secure in the long run a pool of skilled staff and managers within the project development organization.

We also continued our well established cooperation with IVA and Tekniksprånget, in which we offer internships to students who have just graduated from high school so they can get a glimpse of what it is like to work in the construction

industry. Our goal is to inspire young adults to apply to engineering programs with a construction focus after they finish their internship.

Profiling in social media and targeted recruitment campaigns are some of the activities we use to attract new employees. We place a heavy focus on digital channels – particularly to be able to attract and meet the younger generation on their terms and in the channels where they are present, like Facebook and LinkedIn.

## Strategic labor supply

In order to impose a structure on our strategic skills development, we have designed and built an IT tool for the supply of skills – JM Competence. All skills development is linked to each position's expressly required skills, in terms of basic skills, professional skills, employeehip and leadership. By applying a gap analysis to the difference between the employees' current skills and the position description's stated requirements, managers and individual employees are guided toward the necessary development initiatives. In this way, we can ensure that relevant development initiatives are implemented that will benefit the business.

Most of our employees' skills development, around 70 percent, takes place on a day-to-day basis, for example by working with challenging goals and receiving continuous feedback. In addition, employees may participate in seminars, training courses and mentorships.

We hold annual performance reviews with all salaried employees in the Group. Some units also hold performance reviews with the wage-earners.

We have developed training courses adapted to JM's needs, many of which are related to the work environment. Well-attended courses have been the new introduction course for production employees, training courses for professionals and courses on contracting law, personal efficiency and smart meetings. We are starting to use more and more e-learning courses, which are an effective way to develop our employees' skills.



### Involved leadership

Clear and involved leadership paves the way for high performance and job satisfaction levels among our staff. We have developed our existing guidelines for leadership skills with the aim of clearly outlining what we expect from our managers and leaders at different levels – what

is required to be successful as a manager and leader at JM. These guidelines serve as a foundation upon which to continue to expand the management and leadership training program at JM, and thus ensure that we are providing our managers and leaders with the skills they need to succeed at their jobs.

Our annual succession planning shows we have a good supply of managers for strategically important positions.

### Code of Conduct – employeeship at JM

The aim of JM's Code of Conduct is to ensure that our employees are making the right decisions in their day-to-day activities and provide guidance in ethical issues. It contains the values and behavior that should be promoted within JM. The Code is broken down by theme and guidelines are presented in each section.

Our core values and JM's Code of Conduct define what being an employee at JM means and should be followed by all employees and temporary staff. The topic is discussed at goal and performance reviews and interwoven into all of the training courses we develop.

Every manager is responsible for ensuring that employees are aware of JM's Code of Conduct, and we have developed a game about values called "Right from me".

#### EMPLOYEE STRUCTURE – GROUP

	2015	2014	2013
Number of employees as of Dec. 31	2,316	2,197	2,176
– number of salaried employees	1,306	1,255	1,236
– number of wage-earners	1,010	942	940
Average age, salaried employees	42	43	43
Average age, wage-earners	40	40	41
Percentage of women among salaried employees, %	32	31	30

#### AVERAGE NUMBER OF EMPLOYEES PER COUNTRY

	2015	2014	2013
Sweden	1,919	1,820	1,874
Norway	353	353	335
Denmark	4	5	8
Finland	31	31	20
Belgium	9	9	10
<b>Total</b>	<b>2,316</b>	<b>2,218</b>	<b>2,247</b>



### Code of Conduct – useful on a daily basis

– Ethical violations are one of the worst things that can happen to a company. They are most harmful to the brand and threaten core values and how we want JM to be perceived. For me, it is about fundamental components, such as respecting one another regardless of the relationship. In practice, this means that we treat our colleagues, suppliers, contractors and customers honestly and fairly. It is also about the right for everyone to come home healthy every day. Our investment in the work environment is therefore something that I am committed to and talk about every chance that I get, because everyone must want to be involved and help create this culture.

Another very important part of a company like JM is taking advantage of the company's systems for, for example, structured production or pre-construction, and using the purchasing agreements that have been carefully constructed with regard to price, environmental aspects and the road to a sustainable JM.

– I hope that everyone takes the time to stop and think about it so we really follow the Code of Conduct, which actually is the foundation on which we can continue to build a JM that meets a high standard.

#### Peter Neuberg

President of JM Entreprenad AB





## Good organization at the building site

**As a site manager at JM, Magnus Persson makes sure that we build the residential units that are planned, that we have the right tools, and, in particular that we have a safe and secure workplace.**

– In my experience, good organization at the workplace decreases the risk for accidents. If you clean up when you are finished with your task, it becomes very clear if the next professional group does not. There are around 15 people from JM as well as several subcontractors working on this project and everything must run smoothly.

A Neatness and Order Audit is conducted at my site twice a year. JM checks how we manage risks and verify that we use personal protective gear and that we keep the workplace neat. It is a part of JM's preventive safety work and the audits are conducted without advance warning.

– My goal is to be out at the site at least once a day, and I try to participate in all safety rounds. I think that we all see the benefits of having a greater focus on safety, but we need to be reminded.

**Magnus Persson**  
Site Manager at JM, East Region

## Our work environment

JM's vision is for its workplaces to be injury-free and places where employees feel safe. We must always prioritize health and safety above all else.

Since the work environment is a priority area for the company, the work environment organization has been strengthened both in Sweden and Norway, and a new position, Health Strategist, has been appointed for the Group. The new function focuses on proactive efforts to further enhance and contribute to an active wellness program.

All employees must have a good physical and psychosocial work environment that also promotes a good balance between work and free time. It is important to have both a safe work situation and a positive work climate where employees are satisfied. Our goal is for our employees to work their entire career without being inflicted by occupational illnesses.

## Feel good

In order to improve opportunities for follow-up, the system support for reporting illnesses and returning to work after an illness has been developed in Sweden. We also implemented a new strategic agreement with a corporate health care provider with a high degree of flexibility and strong focus on proactive work for sustainable employees. We now offer our employees medical advice from a nurse in the event of illness. We are pleased to report that total leaves of absence due to illness have decreased from 3.7 to 3.4 percent in Sweden. However, the short-term absence due to illness increased from 1.9 to 2.0 percent.

As part of the proactive work, morning exercise is held at the construction sites. This offers a good start to the day and acts as a warm-up, thus reducing wear-and-tear injuries.

One appreciated benefit in Sweden is the wellness subsidy of up to SEK 3,000 per year, which helps many people regularly participate in some kind of wellness activity. Group wellness activities are also planned throughout the year, such as participation in the Midnattsloppet race, where JM was represented by 150 employees.

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.

## Ethical guidelines and whistle blowing

High ethical standards are important for us, and our ethical guidelines emphasize, for example, that we have zero tolerance for discrimination and harassment. Employees can turn to JM's Ethical Council in the event of questions related to this topic. JM also has an incident reporting system, "Whistle-blowing", via a third party, that is open to employees, partners, customers and other stakeholders.

Among other things, in 2015 we:

- **Implemented an IT-based system for reporting accidents and near-accidents**

With the help of an easy-to-use app, all employees can easily report what is happening. Reporting and follow-up of observations, near-accidents and accidents has increased since the app was released. Even if the increased reporting has had an unfavorable impact on the statistics, we are pleased to see that our internal audits of the work environment are showing an improvement at our construction sites.

The two most common **near-accidents** during the year were being hit by falling or flying objects and same-level falls.

The most common **accidents** at our construction sites were contact with sharp objects and same-level falls.

We are happy to report that we can put another year behind us without any fatal accidents for JM's employees or employees at our sub-contractors.

- **Launched an app with JM's Regulations and Safety Rules**

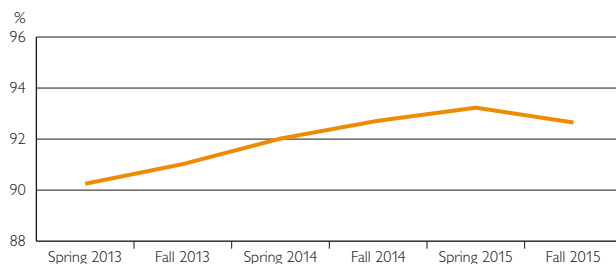
The app, which was produced in-house, clarifies JM's Regulations and Safety Rules and also includes JM's Code of Conduct and changes related to the work environment and safety. Everyone who enters our construction sites must have reviewed and been approved in the Regulations and Safety Rules before gaining access to the workplaces.

- **Work Environment Day for the entire JM Group**

As part of our proactive focus on the work environment, we hold a Work Environment Day every year. This year the focus was on our safety culture and what individual employees can do to help make the work environment safer for everyone, regardless of whether they work at a construction site or in an office.

- **JM Entreprenad AB is certified in accordance with OHSAS 18001 – a management system for work environment issues.**

Neatness and Order Audit,  
JM construction sites, Sweden



Work environment audit is conducted twice a year at all construction sites. Areas that are audited are, for example, safety railings, access routes and personal protective equipment. In order to pass the audit, a construction site may have at the most a 9 percent deviation or a 91 percent weighted score.



## Tools for JM's future site managers

**When Sofia Lindblad graduated from Nackadem in as a construction engineer in 2012, she started at JM as a foreman. She is now one of 14 employees attending the internal training course for future site managers.**

Sofia is the mother of two children, 11 and 9 years old. She used to work in a clothing store for several years before changing direction because of her interest in building and construction.

– I am happy that JM offers this possibility to develop my career. After four years as a foreman, I really want some new challenges. The training course will give me the right support and conditions for being able to feel comfortable in the role of site manager, says Sofia.

We go through leadership and the work environment, but also how JM uses a unified method of working in its production and, naturally, JM's management system – the Operational system. I also gain a contact network that I can benefit from both now and in the future.

– Part of the training course is finding the areas where I can work to develop myself. This part is naturally individual. The course will give me a solid base to stand on and the tools in order to take the next step.

**Sofia Lindblad**

Foreman at JM, Stockholm South Region

# A holistic approach to purchasing.

**Corporate Purchasing is responsible for the Group's framework agreements. The supplier base consists of manufacturers, wholesalers, contractors and consultants. The majority of suppliers are based in Sweden, but the percentage of suppliers outside Sweden is steadily growing.**

## Purchasing process

JM must purchase the right materials and services from professional suppliers at the lowest total cost. At present, 500 suppliers have a long-term framework agreement with JM. Good support is achieved for purchasing by involving the organization in the work and decision-making process. More than 80 percent of material purchases in Sweden fall under framework agreements and contract compliance within the Group is very high.

## Development

Several projects are under way to develop and further streamline our purchasing process, and in 2015 JM implemented a more differentiated strategic purchasing process.

Our call-off system enables us to measure our purchases in accordance with agreed lead times and, most importantly, we can measure our suppliers' delivery precision, which is a figure we must know if we are to continue to improve our logistics.

All framework agreement suppliers are regularly monitored to ensure that both parties are behaving as stipulated in the agreements. It is possible for the organization to provide feedback on the suppliers and agreements, and the projects assess the suppliers on the basis of a "Satisfied Purchaser Index". The assessments form a good basis for active supplier coaching, and a low index can cause initiation of an action plan.

## Risk management

The risk profile of our framework agreement suppliers is continuously monitored from both a financial and a delivery perspective. Continuity plans are available for the supplier categories that are deemed to have a high risk profile or which are critical for production.

## Sustainable supplier chains

As an important actor in the urban planning sector, JM's operations use large amounts of building materials and construction goods. These materials and goods are produced in many different places throughout the world. As a large and material-intensive downstream user of building materials, JM has both the opportunity and the responsibility to ensure that its supplier chains are economical, social and environmentally sustainable. JM has therefore created a process to ensure that its operations have access to sustainable supplier chains. A cornerstone of this work is JM's Supplier Code of Conduct, which has been prepared to ensure that suppliers share our fundamental values. It addresses, among other things, labor law, safety, discrimination and corruption. All of JM's suppliers that have a framework agreement must sign the Code and commit to complying with it.

All of JM's suppliers that have a framework agreement must undergo a sustainability assessment before they can be approved as suppliers. This assessment covers aspects such as human rights, the environment, work conditions, corruption, health and safety.

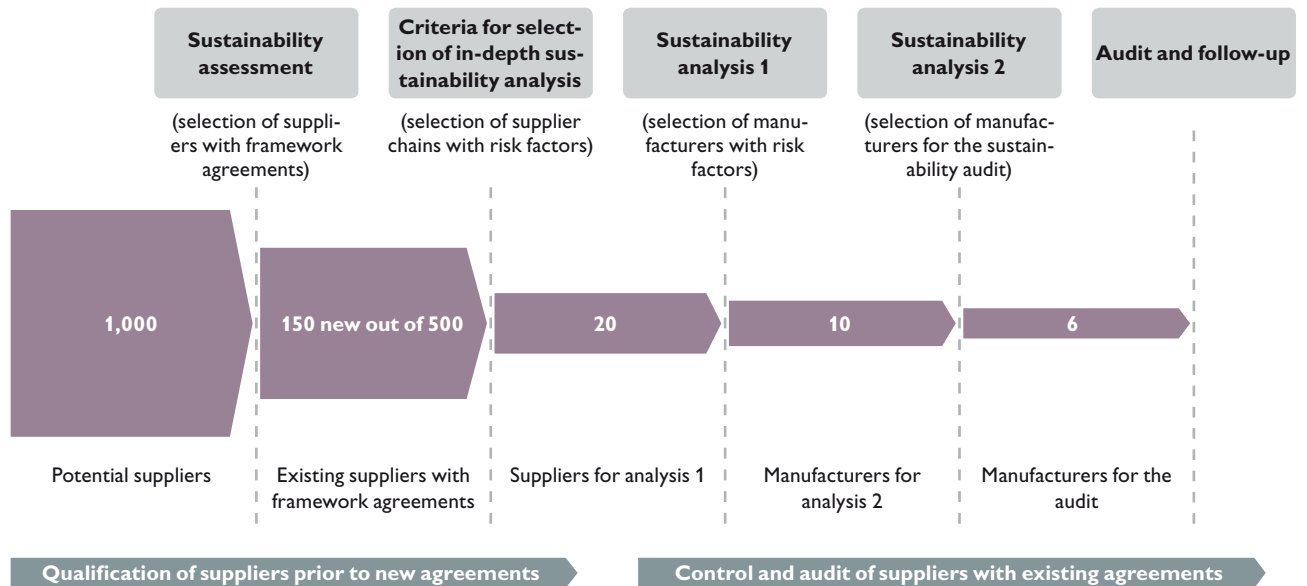
## Logistics

The conditions faced by the construction industry entail logistical challenges and these challenges are an important part of the relationship between JM and its suppliers. During 2015, we continued to work on our internal logistics with the aim of improving the conditions for production, and the requirements we place on our suppliers with regard to logistics have become clearer.



**JM'S PROCESS FOR SUSTAINABLE SUPPLIER CHAINS**

(the figures state the number in each category in 2015)



**As part of JM's process for sustainable supplier chains**, around 20 suppliers are selected each year and sent a questionnaire, which is then analyzed. The selection is based on criteria for risk factors, which in turn is based on, for example, geographic location, industry, structure of the supplier chain and companies in the manufacturing chain. The analysis consists of two parts, the first of which is based on compliance with JM's agreement provisions and in particular the Code of Conduct. These evaluations are then followed up with on-site audits in selected factories. If any deficiencies are identified during the factory visit, the manufacturer must prepare plans for corrective measures that it must fulfill in order to continue to be a supplier in JM's supplier chain. In some cases, the follow-up has resulted in JM stopping delivery of materials from a factory.

# Responsible decisions at all levels.

**In this year's materiality analysis, business ethics was identified as a significant sustainability aspect. The basis for our approach to ethics for many years has been JM's ethical guidelines.**

There is a Code of Conduct for employees that supplements JM's ethical guidelines. The aim of the Code of Conduct is to ensure that JM employees are making the right decisions in their day-to-day activities and provide guidance in ethical issues. The Code of Conduct clarifies the values we believe in at JM.

Ethical issues do not always have an obvious solution. Therefore, JM also established an Ethical Council several years ago that consists of members of the company's management team. JM also has an incident reporting system that allows employees and external stakeholders to anonymously report suspected serious irregularities or abuses.

## Competing on equal terms

JM believes it is very important that the company makes ethically correct decisions since such behavior strengthens JM's credibility and competitiveness. In order for JM's business operations to be both profitable and ethical, we have developed controlled and transparent decision-making procedures that are applied to all business transactions.

JM is a part of society, and it is important that we take responsibility for how we can contribute to a society that is sustainable in the long term. One of the ways that we do this is by providing a product that is important for society and also focuses on quality and the environment. Employees who are fully responsible and highly competent compose the foundation of our operations. JM is also a significant tax payer in the markets where we are present.

Along with the Swedish Anti-corruption Institute, the Swedish Association of Local Authorities and Regions and several other important actors in the building industry, JM developed and signed an agreement to counteract bribes and corruption in the relationships between construction companies, local authorities and regions.

The fact that JM primarily functions as a project developer of residential units means that there are fewer risks since



A game about our values called "Right from me" is used by managers in order to help employees learn about JM's Code of Conduct.

the business has less interaction with other actors regarding project-specific business arrangements. The most important business arrangements are the acquisition of land, purchasing agreements and the sale of residential units. By establishing clear control and follow-up of projects throughout the entire project development process, and combined with the fact that all transactions are reviewed by multiple decision-makers before the transaction is finalized, JM has created a solid basis for preventing risks and ensuring compliance with our ethical guidelines.

One example of JM's work to achieve improved control in order to enable more unified and correct behavior during business transactions is JM's purchasing operations. Purchasing at JM is currently largely controlled by central agreements. The greater degree of central control in purchasing markedly decreases the risk of self-beneficial behavior. All suppliers with whom an agreement is being considered are reviewed by multiple decision makers during a strict purchasing process before an agreement is signed. This guarantees that the internal procedures are followed in practice.



# 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 Construction.





## Competition for well-situated land in Stockholm.

### Market

The average prices on the existing home market slowed during the end of the year except in the northern municipalities where prices continued to increase. The supply of residential units continues to be low primarily due to fast turnover on the market. Competition for land for residential units continues to be very tough and prices for building rights increased to a level that requires strict selectivity with regard to acquisitions.



Dalénium, Lidingö.

Interest in JM's projects is strong. Customers' willingness to sign a contract early in the process is above the normal level. The good demand resulted in strong sales during the year of 1,600 residential units (1,553).

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 Älvsjöstaden and Liljeholmen/Stockholm, Kvarnholmen/Nacka, Jakobsberg/Järfälla, Järvastaden in Solna/Sundbyberg and Dalénium/Lidingö.

### Earnings trend

Business segment revenue increased to SEK 6,273m (5,692) while operating profit decreased to SEK 1,078m (1,278). The operating margin decreased to 17.2 percent (22.5). The lower margin can be explained by a change in the geographic composition of projects, higher land costs and normalized revaluation effects in completed projects. Cash flow is in balance taking into account net investments in development properties.

### JM RESIDENTIAL STOCKHOLM

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



	January–December	
SEK m	2015	2014
Revenue	6,273	5,692
Operating profit <sup>1)</sup>	1,078	1,278
Operating margin, %	17.2	22.5
Average operating capital	4,134	3,110
Return on operating capital, %	26.1	41.1
Operating cash flow	–344	1,132
Carrying amount, development properties	4,517	3,965
Number of available building rights	12,400	11,900
– of which building rights on the balance sheet	8,700	7,800
Number of residential units sold	1,600	1,553
Number of housing starts	1,667	1,505
Number of residential units in current production	3,627	3,293
Number of employees	854	800
– of which salaried employees	422	409
– of which wage-earners	432	391
<sup>1)</sup> Of which property sales	0	10

### Building rights

During the year building rights equivalent to about 1,650 residential units (1,400) were acquired on Ekerö, in Huddinge, Järfälla, Solna, Stockholm and Österåker.

### Housing starts

During the year, there were housing starts for 1,667 residential units (1,505).

1,629 (1,467) were units in apartment buildings including 47 in Huddinge, 197 in Järfälla, 103 on Lidingö, 190 in Nacka, 130 in Solna, 489 in Stockholm, 76 in Tyresö, 202 in Täby, 132 in Värmdö and 63 in Österåker. 38 (38) were single-family homes in Huddinge.

## Very good demand in Gothenburg and Uppsala.

### Market

The average prices on the existing home market continued to increase in Malmö and Västerås. In the business segment's other markets, the price increase slowed during the end of the year. The supply of residential units continues to be low primarily due to fast turnover on the market. Competition for land for residential units in the Gothenburg area and Uppsala is very tough.

Interest in JM's projects is strong. The willingness of customers to sign a contract early in the process is well above the normal level in the business unit, although Skåne is at a normal level. The good demand resulted in strong sales during the year of 1,273 residential units (981).



Project under production in Lomma Strandstad.

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, in Södra Centrum and Kviberg in Gothenburg, in the Dockan area and Bunkefloäng in Malmö, at Lomma Strandstad in Lomma Municipality, Lund Södra and in the Sugar mill area in central Lund. Large projects are also in progress in Kungsängen in Uppsala Municipality, Brandstationen area in Linköping and in Östermalm and Öster Mälarstrand in Västerås.

### Earnings trend

Business segment revenue increased to SEK 3,278m (2,764) and operating profit increased to SEK 308m (216). The operating margin increased to 9.4 percent (7.8). Cash flow was strengthened by decreased working capital.

### JM RESIDENTIAL SWEDEN

The 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.



	January–December	
SEKm	2015	2014
Revenue	3,278	2,764
Operating profit <sup>1)</sup>	308	216
Operating margin, %	9.4	7.8
Average operating capital	1,289	1,419
Return on operating capital, %	23.9	15.2
Operating cash flow	533	237
Carrying amount, development properties	1,269	1,167
Number of available building rights	9,900	9,400
– of which building rights on the balance sheet	5,200	5,300
Number of residential units sold	1,273	981
Number of housing starts	1,228	1,003
Number of residential units in current production	1,944	1,528
Number of employees	539	476
– of which salaried employees	294	256
– of which wage-earners	245	220
<sup>1)</sup> Of which property sales	0	0

### Building rights

During the year building rights equivalent to about 1,250 residential units (600) were acquired in Linköping, Gothenburg, Malmö, Staffanstorps and Örebro.

### Housing starts

During the year, there were housing starts for 1,228 residential units (1,003).

1,042 (986) were units in apartment buildings, including 279 in Skåne (74 in Malmö, 137 in Lund and 68 in Lomma), 154 in Gothenburg, 65 in Mölndal, 47 in Linköping, 88 in Örebro, 152 in Västerås, 51 in Upplands Väsby, 57 in Norrtälje and 149 in Uppsala.

186 (17) were single-family homes, of which 46 in Staffanstorps in Skåne, 62 in Kungsbacka, 49 in Mölndal and 29 in Norrtälje.

## Focus on Norway and Finland.

### Earnings trend

Business segment revenue increased to SEK 3,059m (2,942). Operating profit increased to SEK 166m (135). The operating margin increased to 5.4 percent (4.6). Cash flow was strengthened by property sales in Denmark.

### Norway

Demand is stable for both newly built homes and homes on the existing home market. Prices on the existing home market were stable in Oslo during the year and slightly weaker in Bergen. The market in Stavanger is weak.

The overall good demand for JM's projects resulted in a significant increase in the number of sold residential units. During the year 696 residential units (475) were sold and production began on 635 units (499). The number of residential units in current production amounts to 1,120 (896). Building rights corresponding to around 1,500 residential units (750) were acquired. Available building rights correspond to 5,900 residential units (5,600).



Løkkehagen in Løren, Oslo.

### Denmark

The level of activity and prices on the housing market in Copenhagen continues to be stable. During the fourth quarter, JM completed the final stage of a single-family home project in Humlebäck and thus has no production left in Denmark.

During the year 23 residential units (22) were sold and production began on 0 units (29). The number of residential units in current production amounts to 0 (41). No building rights were purchased during the year (0). Available building rights correspond to 30 residential units (700) after the sale of Enghave Brygge.

### Finland

Activity on the housing market in Helsinki remains at a low level. Customers are still cautious and time to closing is long. The price level in the capital region was unchanged during the year.

During the year 106 residential units (75) were sold and production began on 147 units (83). The number of residential

## JM INTERNATIONAL

The business segment develops residential projects primarily in Norway and Finland. Contracting operations are also conducted to a limited extent in Norway.



	January–December	
SEK m	2015	2014
Revenue	3,059	2,942
of which JM Norway	2,664	2,563
Operating profit <sup>1)</sup>	166	135
of which JM Norway	181	182
Operating margin, %	5.4	4.6
of which JM Norway	6.8	7.1
Average operating capital	2,145	2,239
Return on operating capital, %	7.7	6.0
Operating cash flow	434	99
Carrying amount, development properties	1,202	1,579
Carrying amount, project properties	31	28
Number of available building rights	8,200	7,500
– of which building rights on the balance sheet	4,100	4,300
Number of residential units sold	843	607
Number of housing starts	782	653
Number of residential units in current production	1,303	1,124
Number of employees	395	386
– of which salaried employees	271	261
– of which wage-earners	124	125
<sup>1)</sup> Of which property sales	39	3

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

units in current production increased to 121 (83).

During the year, JM purchased building rights corresponding to approx. 1,215 residential units (240). Available building rights correspond to approx. 2,100 residential units (1,000).

### Belgium

The level of activity and prices on the housing market in the Brussels region continues to be stable. During the fourth quarter, JM closed its office in Brussels and no longer has any in-house staff. Remaining operations are run by external resources. During the year 18 residential units (35) were sold and production began on 0 units (42). The number of residential units in current production decreased to 62 (104). No building rights were purchased during the year (0). Available building rights correspond to 200 residential units (200).



## Several projects with rental units.

### Earnings trend

Business segment revenue decreased to SEK 206m (401), including contracting revenue of SEK 185m (376) and rental revenue of SEK 21m (25). Operating profit was SEK 38m (51). Net rental income for project properties was SEK 7m (6). Revenue from construction contracts was SEK 32m (54) and gains from property sales were SEK 17m (12). Cash flow during the year was negative due to ongoing investments in project properties.



Rental unit project in Dalénium, Lidingö.

### Property gains/losses

The Marginalen 1 property in Sollentuna was sold during the year to Swedish Pelican Silverdal AB for a purchase consideration of SEK 15m.

### Project development

#### JM RENTAL HOUSING

The production of a rental project for an external orderer in the Dalénium area of Lidingö consisting of 146 residential units has been underway during 2015. The project was completed and handed over during the fourth quarter. Production is underway on our own balance sheet of another rental project in the Dalénium area that consists of 97 residential units with occupancy in 2016.

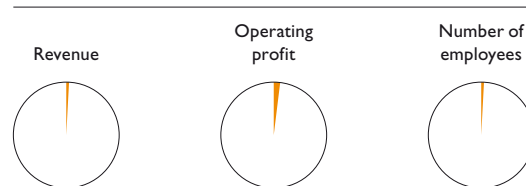
The Tjartunnan project in Stureby, Stockholm, consists of 187 rental units on our own balance sheet with occupancy in 2017.

#### RESIDENTIAL CARE UNITS

During 2015, JM sold the Vinfatet senior housing project, which is under construction in Sollentuna north of Stockholm. The buyer is HEBA Fastighets AB and the transfer will occur

## JM PROPERTY DEVELOPMENT

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



	January–December	
SEKm	2015	2014
Revenue	206	401
Operating profit <sup>1)</sup>	38	51
Average operating capital	326	261
Return on operating capital, %	11.7	19.5
Operating cash flow	–206	178
Carrying amount, development properties	35	31
Carrying amount, project properties	347	202
Number of available residential building rights <sup>2)</sup>	600	600
– of which building rights on the balance sheet	100	100
Number of residential units sold <sup>2)</sup>	54	54
Number of housing starts <sup>2)</sup>	54	284
Number of residential units in current production <sup>2)</sup>	338	430
Number of employees	29	28
– of which salaried employees	22	22
– of which wage-earners	7	6
<sup>1)</sup> Of which property sales	17	12

<sup>2)</sup> Refers to rental units and residential care units.

in conjunction with the completion of the project in 2016. The project consists of 54 residential units and the gains/losses from the transaction will be reported on an ongoing basis over the period 2015–2017.

#### COMMERCIAL PROPERTIES

At Bolinder Strand, Järfälla, commercial premises adjacent to JM's residential project are under development. The occupancy rate was 93 percent at the end of the year.

The remaining commercial properties in the Dalénium area are being managed with the aim of increasing the occupancy rate, which was 90 percent at the end of the year.

#### Building rights

JM's building rights for commercial project development amount to approximately 22,000 square meters. The carrying amount is SEK 12m (31).

## Construction, engineering and facade contracting.

### 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.



Henriksdalshamnen in Hammarby Sjöstad.

### Earnings trend

The business segment's revenue decreased to SEK 2,084m (2,456) and operating profit decreased to SEK 45m (81). The operating margin decreased to 2.2 percent (3.3). Operating profit was burdened during the fourth quarter by revaluations in two projects in their closing stages. Cash flow was affected negatively during the year by an increase in working capital.

### JM CONSTRUCTION

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



SEK m	January–December	
	2015	2014
Revenue <sup>1)</sup>	2,084	2,456
Operating profit	45	81
Operating margin, %	2.2	3.3
Operating cash flow	–34	–73
Carrying amount, development properties	44	60
Number of employees	380	387
– of which salaried employees	178	187
– of which wage-earners	202	200
<sup>1)</sup> Of which internal	453	386

### Projects

The largest assignments JM Entreprenad AB received during the year are development work for future housing projects in Norrtälje (Norrtälje Municipality) and Hammarby Sjöstad (City of Stockholm) and the construction of additional concept preschools (Skolfastigheter i Stockholm AB).

The largest projects currently underway include the new production of the KVV8 biofuel cogeneration plant in Stockholm (Fortum Värme), new construction of apartment buildings in Upplands Väsby (Väsbyhem) and Gröndal (Aros Bostad) and renovation of quays in Norrtälje harbor (Norrtälje Municipality) for the development of residential units.

Additional projects include engineering and detailed planning contracting in Norra Djurgårdsstaden (City of Stockholm) and Täby (Täby Municipality) and development work in Norra Skuru (Nacka Municipality).

Assignments for internal orderers include land and foundation work in Årsta and development work in the Dalén area of Lidingö (JM Residential Stockholm) and new production of a senior housing project in Sollentuna (JM Property Development).

# Board of Directors' Report

**The Board of Directors and the President of JM AB (publ),  
CIN 556045-2103, hereby submit the annual accounts and consolidated  
financial statements for 2015.**

## Market, sales and housing starts

Demand for newly built homes in Sweden and Norway increased during the year. Interest in JM's projects is strong. 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 3,770 (3,195)<sup>1)</sup>. The percentage of sold or reserved homes in relation to current production amounts to 86 percent (78), with an interval of 60–65 percent considered normal. JM Residential Stockholm sold 1,600 residential units (1,553), JM Residential Sweden sold 1,273 (981), JM International sold 843 (607) and JM Property Development sold 54 (54).

The number of housing starts increased to 3,731 (3,445)<sup>2)</sup>. JM Residential Stockholm started production on 1,667 residential units (1,505), JM Residential Sweden on 1,228 (1,003), JM International on 782 (653) and JM Property Development on 54 (284).

Planning processes continue to be an important criterion for the rate of housing starts.

The number of residential units in current production increased to 7,212 (6,375), of which 338 are rental units and residential care units (430).

## Revenue

Consolidated revenue in accordance with segment reporting during the year increased to SEK 14,447m (13,869). Revenue restated according to IFRIC 15 decreased to SEK 13,939m (14,216).

## Operating profit

Operating profit according to segment reporting was SEK 1,590m (1,716) and the operating margin decreased to 11.0 percent (12.4) due to a lower margin for JM Residential Stockholm. Operating profit restated according to IFRIC 15 decreased to SEK 1,499m

(1,819). The restatement is related to JM International and had a negative effect on earnings of SEK –91m (103), which can be explained by a large number of housing starts in relation to completed projects.

Operating profit for the JM Residential Stockholm business segment decreased to SEK 1,078m (1,278). The operating margin decreased to 17.2 percent (22.5). The lower margin can be explained by a change in the geographic composition of projects, higher land costs and normalized revaluation effects in completed projects.

Operating profit in JM Residential Sweden increased to SEK 308m (216). The operating margin increased to 9.4 percent (7.8).

Operating profit in JM International increased to SEK 166m (135). The operating margin increased to 5.4 percent (4.6).

Operating profit in JM Property Development was SEK 38m (51).

Operating profit in JM Construction decreased to SEK 45m (81). The operating margin decreased to 2.2 percent (3.3). Operating profit was burdened during the fourth quarter by revaluations in two projects in their closing stages.

BUSINESS SEGMENTS SEK m	Revenue		Operating profit		Operating margin, %	
	2015	2014	2015	2014	2015	2014
JM Residential Stockholm	6,273	5,692	1,078	1,278	17.2	22.5
JM Residential Sweden	3,278	2,764	308	216	9.4	7.8
JM International	3,059	2,942	166	135	5.4	4.6
JM Property Development	206	401	38	51		
JM Construction	2,084	2,456	45	81	2.2	3.3
Elimination	–453	–386				
Group-wide expenses			–45	–45		
Total (segment reporting)	14,447	13,869	1,590	1,716	11.0	12.4
Restatement JM International <sup>1)</sup>	–508	347	–91	103		
<b>Total</b>	<b>13,939</b>	<b>14,216</b>	<b>1,499</b>	<b>1,819</b>	<b>10.8</b>	<b>12.8</b>

<sup>1)</sup> Of which 54 rental units and residential care units (54).

<sup>2)</sup> Of which 54 rental units and residential care units (284).

<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

	12/31/2015	12/31/2014
Number of residential units in current production <sup>1)2)</sup>	7,212	6,375
Percentage sold residential units in current production, % <sup>3)</sup>	64	57
Percentage reserved residential units in current production, %	22	21
Percentage sold and reserved residential units in current production, % <sup>3)</sup>	86	78
<sup>1)</sup> Of which rental units and residential care units in current production in JM Property Development – not included in the percentage of sold and reserved residential units in current production	338	430
Including residential units in projects where costs incurred are only reported as project properties under construction	284	284

<sup>2)</sup> Beginning with production start-up through final occupancy according to plan.

<sup>3)</sup> Percentage sold residential units expressed as binding contract with the end customer.

## COMPLETED PRODUCTION, UNSOLD UNITS

	12/31/2015	12/31/2014
Completed production, number of unsold units <sup>1)</sup>	98	91
– including the balance sheet item reported as "Participations in tenant-owners associations, etc."	71	62

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

## Financial income and expenses

Financial income and expenses totaled SEK –72m (–75), an improvement of SEK 3m compared to the previous year attributable to lower interest expenses due to a lower average interest rate.

SEK m	12/31/2015	12/31/2014
Financial income <sup>1)</sup>	11	27
Financial expenses <sup>2)</sup>	–83	–102
<b>Financial income and expenses</b>	<b>–72</b>	<b>–75</b>
<sup>1)</sup> Of which revaluations and currency hedges	2	9
<sup>2)</sup> Of which revaluations and currency hedges	–2	–9

## Profit before tax

Profit before tax decreased to SEK 1,427m (1,744).

## Profit for the year

Profit for the year was SEK 1,085m (1,306). Total tax expense was SEK –342m (–438) including current tax of SEK –333m (–343) and deferred tax of SEK –9m (–95). Tax expense for 2015 slightly exceeds the nominal tax rate for the Group. A charge of SEK 29m (23) was taken against earnings for the property tax, which is treated as an operating expense.

## Development of the operations

## RESIDENTIAL BUILDING RIGHTS

The number of available building rights increased to 31,100 (29,400), of which 18,100 (17,500) are recognized in the balance sheet. Capital tied up in building rights (development properties on the balance sheet) for residential units amounted to SEK 6,998m (6,720) at the end of the year. In addition, the JM Property Development business segment has access to building rights for

commercial project development equivalent to about 22,000 square meters with a total carrying amount of SEK 12m (22).

## TOTAL NUMBER OF RESIDENTIAL BUILDING RIGHTS

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

	2015		2014	
JM Residential Stockholm	12,400	(8,700)	11,900	(7,800)
JM Residential Sweden	9,900	(5,200)	9,400	(5,300)
JM International	8,200	(4,100)	7,500	(4,300)
JM Property Development	600	(100)	600	(100)
<b>Total</b>	<b>31,100</b>	<b>(18,100)</b>	<b>29,400</b>	<b>(17,500)</b>

Valuation of JM's total development properties with a carrying amount of SEK 7.1bn (6.8) shows a surplus value of SEK 4.2bn (2.8). This valuation was carried out in cooperation with an independent appraisal company. During 2015, JM purchased development properties for residential units for SEK 2,684m (2,253), of which SEK 1,593m relates to JM Residential Stockholm, SEK 561m to JM Residential Sweden and SEK 530m to JM International. Net investments in development properties during the year totaled SEK 365m (774). The building rights portfolio now amounts to SEK 7,067m (6,802). These holdings are essential for JM's residential development projects.

## DEVELOPMENT PROPERTIES (HOUSING)

	12/31/2015		12/31/2014	
SEK bn	Market value	Carrying amount	Market value	Carrying amount
JM Residential Stockholm	7.3	4.5	5.6	4.0
JM Residential Sweden	2.1	1.3	1.8	1.2
JM International	1.8	1.2	2.2	1.6
<b>Total</b>	<b>11.2</b>	<b>7.0</b>	<b>9.6</b>	<b>6.8</b>

## PROJECT PROPERTIES

Rental income from JM's project properties was SEK 23m (28). Net rental income was SEK 8m (8). Properties were sold during the year for SEK 4m (29) with gains of SEK 4m (24). The externally appraised market value of JM's project properties was calculated to be SEK 550m (280) with a carrying amount of SEK 378m (230).

## PROJECT PROPERTIES

	Market value, SEK m	Carrying amount, SEK m	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
<b>12/31/2015</b>				
Properties under development	487	341	25	92
Fully developed commercial properties	63	37	4	71
<b>Total</b>	<b>550</b>	<b>378</b>	<b>29</b>	<b>89</b>

## Financial items

## INTEREST-BEARING LIABILITIES AND AVERAGE INTEREST RATES

As at December 31, 2015, the interest-bearing net liability amounted to SEK 1,198m (–337). At the end of the year, non-interest-bearing liabilities for implemented property acquisitions amounted to SEK 509m (1,248). Of these liabilities SEK 349m (1,076) were short-term. The total interest-bearing loan on December 31, 2015 was SEK 2,473m (2,087), of which the pension liability comprised SEK 1,129m (1,054). A revaluation of

the pension liability as a result of lower market rates increased the liability by SEK 40m (102). At the end of the year, the average interest rate for the total loan stock including the pension liability was 2.3 percent (2.8). The average term for fixed-rate loans excluding the pension liability was 0.4 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 -230m (978) during the year. Net investments in development properties resulted in a cash flow of SEK -902m (5). The consideration for the acquisition of the Marievik property in Stockholm totaling SEK 765m and the Racketen property in Bromma, Stockholm, totaling SEK 800m was paid during the first and fourth quarters of 2015, respectively. Holdings of repurchased residential units boosted cash flow by SEK 65m (73). Consolidated cash flow from project properties (sales minus investment) during the year was SEK -168m (154).

## LIQUIDITY

Consolidated available liquidity was SEK 3,575m (5,224). Aside from cash and cash equivalents of SEK 1,275m (2,424), this includes unutilized overdraft facilities and credit lines totaling SEK 2,300m (2,800), where credit agreements for SEK 2,400m had an average maturity of 1.7 years (1.5).

## Shareholders' equity

Consolidated equity as at December 31, 2015, totaled SEK 4,521m (4,635). Undistributed earnings totaled SEK 3,749m (3,800) including net profit for the year of SEK 1,085m (1,306). In 2015 the dividend to shareholders was SEK 8.00 per share (7.25), for a total of SEK 600m (558). Buy-back of own shares during the year was SEK 500m (500). The equity ratio was 38 percent (37).

## Human Resources

The number of employees increased during 2015 by 5 percent and at the end of the year amounted to 2,316 (2,197). Current staffing is considered well balanced for the current project volume and some adjustments are made on a regular basis. There is considerable demand on the labor market for qualified core competencies in project development. The number of wage-earners was 1,010 (942) and the number of salaried employees was 1,306 (1,255). The average number of employees during the year was 2,316 (2,218) including 397 (398) employed in JM's foreign companies. Wages, salaries, and social security expenses totaled SEK 1,814m (1,753), of which social security expenses comprised SEK 595m (586).

## Environmental program

How JM treats the environment today will leave its mark long into the future. Environment initiatives require a businesslike approach in the short and long term. This provides long-term value growth for owners as well as added value for customers through, for example, lower operating costs, improved quality and greater sustainability in the home. JM continuously develops its environmental work using its operations system, improvement work, 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 use, choice of materials, building waste, transports and machinery and contaminated soil.

## Work of the Board in 2015

The 2015 Annual General Meeting elected eight ordinary members. The employee organizations appointed two members and two deputies. The Board of Directors held eleven 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 2015 were decisions to start production on large housing projects, major acquisitions of development properties, the sale of a project property, decisions to bid for and if accepted undertake major external construction contracts, the strategic plan, proposed decisions to acquire own shares, to propose decisions regarding the elimination of own shares, proposed short-term and long-term variable salary programs and to propose a convertible debenture program for all employees in Sweden. The Board members' participation in meetings can be seen in the chart on page 98. 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 99-100.

## Dividend

For 2015 the Board of Directors proposes a dividend of SEK 8.25 per share (8.00), for a total of SEK 607m (600). The dividend rate is justified by good earnings combined with a strong balance sheet. The proposed record date for the dividend is Monday, April 25, 2016. If the Annual General Meeting resolves to adopt the proposal, the dividend will be sent on Thursday, April 28, 2016.

## Buy-back and holdings of own shares

After the 2015 Annual General Meeting, a total of 1,579,524 shares were bought back for SEK 375m.

The number of outstanding shares, excluding holdings of own shares, at December 31, 2015, totals 73,594,000.

The Board of Directors intends to propose to the Annual General Meeting that all 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 a resolution regarding the elimination of shares will be available in conjunction with the notice of Annual General Meeting on March 23, 2016.

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 Stockholm.

The strategy is to spread out the buy-backs on NASDAQ Stockholm up until the 2017 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 the authorization will be available in conjunction with the notice of Annual General Meeting on March 23, 2016.

### **Share capital**

JM's share capital on December 31, 2015, was SEK 75m (77), represented by 75,173,524 shares, of which 1,579,524 are repurchased own 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 2015 Annual General Meeting. The new agreements entered into with senior executives following the 2015 Annual General Meeting have followed applicable guidelines.

### **Proposal for 2016 resolution on guidelines for salaries 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 fixed salary, short- and long-term variable salary programs, 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 President 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 properties. The Parent Company's net sales for 2015 were SEK 9,761m (8,543). The Parent Company's profit before appropriations and tax was SEK 1,355m (1,574). Investments in properties totaled SEK 1,970m (1,859). The average number of employees was 1,532 (1,414), including 1,247 men (1,145) and 285 women (267). Wages, salaries, and social security expenses totaled SEK 1,170m (1,081). An account of the number of employees and payroll expenses is provided in the Parent Company's notes, Note 2, page 86.



CONSOLIDATED INCOME STATEMENT, SEK m	NOTE	2015	2014
Revenue	1, 2	13,939	14,216
Production and operating costs	3, 4	-11,630	-11,649
<b>Gross profit</b>		<b>2,309</b>	<b>2,567</b>
Selling and administrative expenses	3, 4, 5	-866	-773
Gains/losses on the sale of property	6	56	25
<b>Operating profit</b>		<b>1,499</b>	<b>1,819</b>
Financial income	7	11	27
Financial expenses	7	-83	-102
<b>Profit before tax</b>		<b>1,427</b>	<b>1,744</b>
Taxes	8	-342	-438
<b>Net profit for the year</b>		<b>1,085</b>	<b>1,306</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified as income</i>			
Translation differences from the translation of foreign operations		-87	9
<i>Items that will not be reclassified as income</i>			
Restatement of defined-benefit pensions		-49	-127
Tax attributable to other comprehensive income		11	28
<b>Total comprehensive income for the year</b>		<b>960</b>	<b>1,216</b>
Net profit for the year attributable to shareholders of the Parent Company		1,085	1,306
Comprehensive income for the year attributable to shareholders of the Parent Company		960	1,216
Earnings per share, basic, attributable to shareholders of the Parent Company, SEK	9	14.50	17.00
Earnings per share, diluted, attributable to shareholders of the Parent Company, SEK	9	14.50	17.00
Proposed dividend per share, SEK	9	8.25	8.00

## Comments

### REVENUE

(2015: SEK 13,939m, 2014: SEK 14,216m)  
Group revenue during the year decreased by 2 percent to SEK 13,939m (14,216). Of the revenue, SEK 11,388m refers to Sweden and SEK 2,551m refers to JM's foreign operations.

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.

Revenue for residential project development outside Sweden is reported according to the completed contract method as a result of IFRIC 15.

Restatement according to IFRIC 15 relating to JM International had a negative impact on revenue of SEK -508m (347).

### OPERATING PROFIT

(2015: SEK 1,499m, 2014: SEK 1,819m)  
Operating profit decreased by 18 percent to SEK 1,499m. Restatement according to IFRIC 15 had a negative impact on earnings of SEK -91m (103).

### FINANCIAL INCOME AND EXPENSES

(2015: SEK -72m, 2014: SEK -75m)  
Net financial items increased by SEK 3m compared to the previous year due to a decrease in interest expenses.

### TAXES

(2015: SEK -342m, 2014: SEK -438m)  
Reported tax expense in 2015 amounts to 24 percent (25).

The difference between reported tax and the nominal tax rate for 2015 is primarily explained by an adjustment of tax for previous years and the revaluation of deferred tax relating to a loss-carry forward and temporary differences within JM International as well as a difference in foreign tax rates.

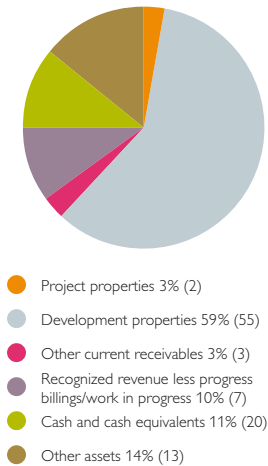
### Revenue by business segment



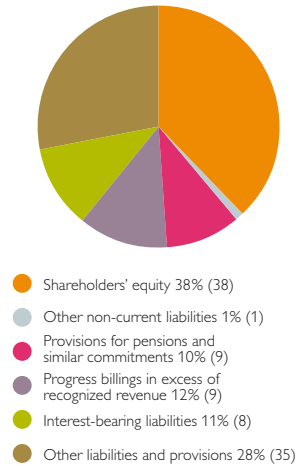
CONSOLIDATED BALANCE SHEET, SEK m	NOTE	12/31/2015	12/31/2014
<b>ASSETS</b>	1 2		
<b>Non-current assets</b>			
Goodwill	10	168	185
Machinery and equipment	11	18	23
Participations in joint operations and associated companies	12, 13	15	10
Financial assets	14	8	7
<b>Total non-current assets</b>		<b>209</b>	<b>225</b>
<b>Current assets</b>			
Project properties	15	378	230
Development properties	15	7,067	6,802
Participations in tenant-owners associations, etc.	16	235	243
Accounts receivable	22	927	847
Other current receivables	17	301	387
Prepaid expenses and accrued income		9	14
Recognized revenue less progress billings	18	1,256	912
Work in progress	19	315	291
Cash and cash equivalents	20	1,275	2,424
<b>Total current assets</b>		<b>11,763</b>	<b>12,150</b>
<b>TOTAL ASSETS</b>		<b>11,972</b>	<b>12,375</b>
<b>EQUITY AND LIABILITIES</b>	2		
<b>Equity attributable to shareholders of the Parent Company<sup>1)</sup></b>			
Share capital		75	77
Other capital contributions		866	840
Reserves		-169	-82
Undistributed earnings (including net profit for the year)		3,749	3,800
<b>Total shareholders' equity</b>		<b>4,521</b>	<b>4,635</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	21, 22	410	374
Other long-term receivables	21, 22	160	172
Provisions for pensions and similar obligations	23	1,129	1,054
Other non-current provisions	24	281	172
Deferred tax liabilities	25	659	1,076
<b>Total non-current liabilities</b>		<b>2,639</b>	<b>2,848</b>
<b>Current liabilities</b>			
Accounts payable	21, 22	602	558
Current interest-bearing liabilities	21, 22	934	659
Other current liabilities	21, 22	611	1,430
Current tax liabilities		89	169
Progress billings in excess of recognized revenue	26	1,472	1,128
Accrued expenses and deferred income	27	1,010	854
Current provisions	24	94	94
<b>Total current liabilities</b>		<b>4,812</b>	<b>4,892</b>
<b>Total liabilities</b>		<b>7,451</b>	<b>7,740</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,972</b>	<b>12,375</b>
<b>Pledged assets and contingent liabilities</b>	28		

<sup>1)</sup> Please see the section on Consolidated statement of changes in equity, page 66.

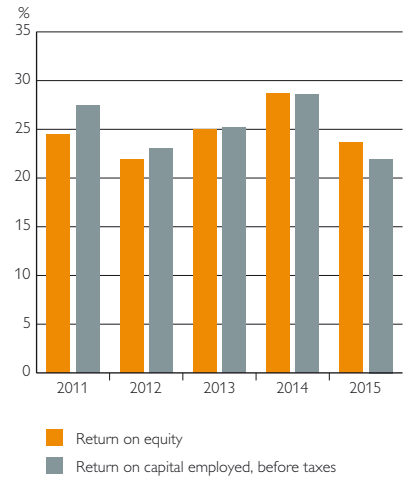
Consolidated assets  
12/31/2015



Consolidated capital structure  
12/31/2015



Return on equity and  
capital employed



## Comments

### GOODWILL

(2015: SEK 168m, 2014: SEK 185m)

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

The change in 2015 refers exclusively to a change in the foreign exchange rate.

### PROJECT PROPERTIES

(2015: SEK 378m, 2014: SEK 230m)

The portfolio consists primarily of commercial properties in the Stockholm area and two rental projects under construction.

The externally appraised market value was calculated to be SEK 550m (280) with a surplus value of SEK 172m (50).

### DEVELOPMENT PROPERTIES

(2015: SEK 7,067m, 2014: SEK 6,802m)

In 2015 JM acquired development properties at a faster rate than in the previous year. During the year JM acquired development properties for SEK 2,695m (2,273), while development properties for SEK -1,814m (-1,427) were transferred to production. All acquisitions consist of development properties intended for residential units.

The market value of the development properties shows a surplus value of SEK 4.2bn (2.8).

In all, JM has 18,100 residential building rights (17,500) on the balance sheet.

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

(2015: SEK 235m, 2014: SEK 243m)

The purchase of unsold tenant-owned apartments occurs no later than the settlement date and is a consequence of the undertaking in the construction contract with the tenant-owners association. The number of unsold residential units on the balance sheet is 71 (62) and refers primarily to JM Residential Stockholm and JM Residential Sweden.

### RECOGNIZED REVENUE LESS PROGRESS BILLINGS

(2015: SEK 1,256m, 2014: SEK 912m)

The asset item refers to the net of accrued revenue in current projects and accumulated billing in these projects. Ongoing projects that show a positive balance are reported in this assets item.

### WORK IN PROGRESS

(2015: SEK 315m, 2014: SEK 291m)

The net of expenses and invoicing/financing received in housing projects (JM International) that have not been transferred to the customer are recognized in the balance sheet item Work in progress.

### PENSION PROVISIONS

(2015: SEK 1,129m, 2014: SEK 1,054m)

Debt increased during the year primarily due to a changed assumption regarding the discount rate, which resulted in actuarial losses of SEK 40m and were reported under Other comprehensive income.

### DEFERRED TAX LIABILITIES

(2015: SEK 659m, 2014: SEK 1,076m)

The deferred tax liabilities item refers, among other things, to the fiscal value of the difference between accounting and tax values (temporary differences) that will be realized in the future. In JM's case, they are primarily linked to tax allocation reserves and development properties.

### LONG-TERM INTEREST-BEARING LIABILITIES

(2015: SEK 410m, 2014: SEK 374m)

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

### CURRENT INTEREST-BEARING LIABILITIES

(2015: SEK 934m, 2014: SEK 659m)

Refers primarily to short-term interest-bearing liabilities in connection with acquisitions of development properties.

### OTHER CURRENT LIABILITIES

(2015: SEK 611m, 2014: SEK 1,430m)

The relatively large change compared to the previous year refers to the item Short-term promissory notes, development properties. It refers to the liability for unconditional agreements that were entered into with deferred payment. In the previous year there was one such agreement with a liability of around SEK 800m. The liability was settled in 2015.

### PROGRESS BILLINGS IN EXCESS OF RECOGNIZED REVENUE

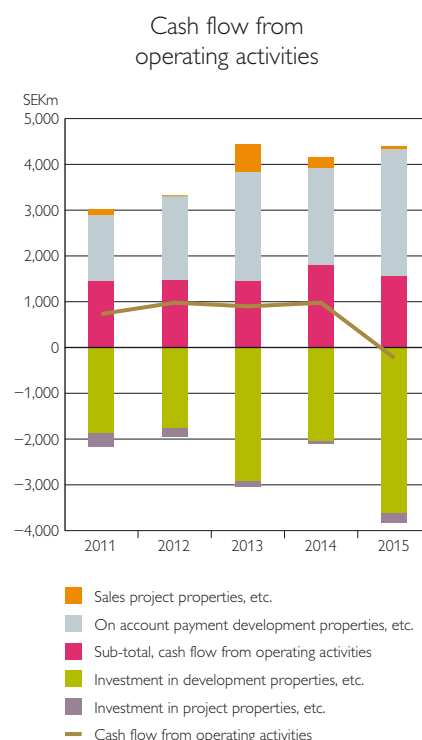
(2015: SEK 1,472m, 2014: SEK 1,128m)

The liability item refers to the net of accrued revenue in current projects and accumulated billing in these projects. Ongoing projects that show a negative balance are reported in this liability item.



CONSOLIDATED CASH FLOW STATEMENT, SEK m	NOTE	2015	2014
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,499	1,819
Depreciation and amortization		8	6
Other non-cash items		61	-17
<b>Sub-total, cash flow from operating activities</b>		<b>1,568</b>	<b>1,808</b>
Interest received		5	14
Dividends received		6	5
Interest paid and other financial expenses		-47	-61
Paid tax		-806	-429
<b>Cash flow from operating activities before change in working capital</b>		<b>726</b>	<b>1,337</b>
Investment in development properties, etc.		-3,612	-2,033
Payment on account for development properties, etc.		2,775	2,111
Increase/decrease in accounts receivable		-95	-207
Increase/decrease in other current receivables, etc.		-326	-272
Increase/decrease in accounts payable		57	-42
Increase/decrease in other current operating liabilities		413	-70
<b>Cash flow before investments and sales of project properties</b>		<b>-62</b>	<b>824</b>
Investment in project properties, etc.		-219	-69
Sale of project properties, etc.		51	223
<b>Cash flow from operating activities</b>		<b>-230</b>	<b>978</b>
<b>INVESTING ACTIVITIES</b>			
Investment in property, plant, and equipment		-5	-20
Property, plant, and equipment sold		1	-
Change in financial assets		-7	0
<b>Cash flow from investing activities</b>		<b>-11</b>	<b>-20</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		750	230
Amortization of debt		-553	-92
Redeemed options		1	0
Buy-back of shares		-500	-500
Dividend		-600	-558
<b>Cash flow from financing activities</b>		<b>-902</b>	<b>-920</b>
<b>Cash flow for the year</b>		<b>-1,143</b>	<b>38</b>
<b>Cash and cash equivalents, January 1</b>		<b>2,424</b>	<b>2,385</b>
Exchange rate difference in cash and cash equivalents		-6	1
<b>Cash and cash equivalents, December 31</b>		<b>1,275</b>	<b>2,424</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	21		
Interest-bearing liabilities and provisions		2,473	2,087
Cash and cash equivalents		-1,275	-2,424
<b>Interest-bearing net liabilities (+)/receivables (-), December 31</b>		<b>1,198</b>	<b>-337</b>

OTHER NON-CASH ITEMS	2015	2014
Gains/losses on the sale of property	-56	-25
Changes in pension liability	75	134
Other provisions, etc.	42	-126
<b>Total</b>	<b>61</b>	<b>-17</b>
<b>INVESTMENT IN DEVELOPMENT PROPERTIES, ETC.</b>	<b>2015</b>	<b>2014</b>
Investment in development properties	-2,695	-2,273
Acquisition of participations in tenant-owners associations	-345	-565
Change in promissory notes	-572	805
<b>Total</b>	<b>-3,612</b>	<b>-2,033</b>
<b>PAYMENT ON ACCOUNT FOR DEVELOPMENT PROPERTIES, ETC.</b>	<b>2015</b>	<b>2014</b>
Payment on account for development properties	1,814	1,427
Sale of development properties	569	72
Change in receivables, development properties sold, etc.	45	-39
Sale of participations in tenant-owners associations	347	651
<b>Total</b>	<b>2,775</b>	<b>2,111</b>
<b>INVESTMENT IN PROJECT PROPERTIES, ETC.</b>	<b>2015</b>	<b>2014</b>
Investment in project properties	-219	-69
<b>Total</b>	<b>-219</b>	<b>-69</b>
<b>SALE OF PROJECT PROPERTIES, ETC.</b>	<b>2015</b>	<b>2014</b>
Sale of project properties	-	29
Transferred to production	51	82
Change in receivables	-	112
<b>Total</b>	<b>51</b>	<b>223</b>



## Comments

### OPERATING ACTIVITIES

(2015: SEK -230m, 2014: SEK 978m)

The cash flow from the operating activities decreased to SEK -230m (978) primarily attributable to investment in Racketen 10, Bromma, Stockholm and payment for the previous acquisition of Marievik, Stockholm.

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

(2015: SEK 1,568m, 2014: SEK 1,808m)

Operating activities, before interest and tax, contributed SEK 1,568m (1,808), which is a decrease of SEK 240m after elimination of non-cash items. Cash flow from operating activities decreased compared with the previous year primarily due to lower operating margin in JM Residential Stockholm.

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

(2015: SEK 726m, 2014: SEK 1,337m)

Net interest received and paid decreased from SEK -42m to SEK -36m, attributable in part to lower interest expenses.

Paid tax increased from SEK -429m to SEK -806m.

#### Net development properties, etc. (including participations in tenant-owners associations)

(2015: SEK -837m, 2014: SEK 78m)

JM acquired development properties for SEK 2,695m (2,273). Part of this increase in investments will be paid in the future and affect cash flow in 2016. At the same time, SEK 1,814m (1,427) went into production in conjunction with housing starts. Changes in holdings of repurchased residential units boosted cash flow by SEK 65m (73).

#### Current receivables and liabilities

(2015: SEK 49m, 2014: SEK -591m)

Current receivables and liabilities had a total impact on cash flow of SEK 49m (-591), which is a change compared to the previous year of SEK 640m.

#### Net project properties

(2015: SEK -168m, 2014: SEK 154m)

There were no sales of project properties during the year, and the negative cash flow from net project properties derives from investments. No adjustments were made for capitalized interest.

#### FINANCING ACTIVITIES

(2015: SEK -902m, 2014: SEK -920m)

During the year, cash dividends of SEK 600m were paid to shareholders, and buy-back of own shares was SEK 500m. Interest-bearing liabilities increased net by SEK 311m.

## Attributable to shareholders of the Parent Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, SEK m	Share capital	Other capital contributions	Translation reserves	Undistributed earnings	Total shareholders' equity
<b>Opening balance, January 1, 2014</b>	<b>80</b>	<b>818</b>	<b>-91</b>	<b>3,648</b>	<b>4,455</b>
Total comprehensive income for the year	-	-	9	1,207	1,216
Dividend to equity holders of the Parent Company	-	-	-	-558	-558
Conversion of convertible loan	0	21	-	-	21
Equity component of convertible debentures	-	1	-	-	1
Buy-back of shares	-	-	-	-500	-500
Elimination of repurchased shares	-3	-	-	3	-
<b>Closing balance, December 31, 2014</b>	<b>77</b>	<b>840</b>	<b>-82</b>	<b>3,800</b>	<b>4,635</b>
<b>Opening balance, January 1, 2015</b>	<b>77</b>	<b>840</b>	<b>-82</b>	<b>3,800</b>	<b>4,635</b>
Total comprehensive income for the year	-	-	-87	1,047	960
Dividend to equity holders of the Parent Company	-	-	-	-600	-600
Conversion of convertible loan	0	25	-	-	25
Equity component of convertible debentures	-	1	-	-	1
Buy-back of shares	-	-	-	-500	-500
Elimination of repurchased shares	-2	-	-	2	-
<b>Closing balance, December 31, 2015</b>	<b>75</b>	<b>866</b>	<b>-169</b>	<b>3,749</b>	<b>4,521</b>

## Comments

## EQUITY

(2015: SEK 4,521m, 2014: SEK 4,635m)

Shareholders' equity decreased by SEK 114m compared with the outcome of 2014. Consolidated equity as of December 31, 2015, totaled SEK 4,521m (4,635), which corresponds to SEK 61 (61) per share. Return on equity was 23.7 percent (28.7).

## Total comprehensive income for the year

Please see the notes on the Consolidated income statement, page 61.

## Translation difference

The change for the year amounts to SEK -87m (9) and the accumulated translation difference in closing equity was SEK -169m (-82). During the year, the Swedish krona strengthened against the Norwegian krona and weakened against the Danish krona and the euro.

## Dividend to shareholders of the Parent Company

The dividend to shareholders of the Parent Company totaled SEK 600m (558), corresponding to SEK 8.00 (7.25) per share.

## Conversion of convertible loan

During the year, 132,053 shares were converted in the 2011 and 2012 Convertible Programs and the 2011 Warrant Program. Share capital has thus increased by SEK 0m and other capital contributions by SEK 25m.

## Equity component of convertible debentures

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

## Buy-back of shares and elimination of own shares

During the year 2,009,524 shares were bought back for a total of SEK 500m. At the beginning of September, the Annual General Meeting resolution on the reduction in the share capital by 2,040,554 shares was implemented, which decreased the share capital by SEK 2m and increased retained earnings by SEK 2m. Holdings of own shares totaled 1,579,524 at the end of 2015. The number of outstanding shares, excluding holdings of own shares, totaled 73,594,000.

Consolidated equity in the balance sheet is broken down into:

## 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.

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

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



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**NOTE 1 Accounting and valuation principles**

Amounts in SEK m unless stated otherwise.

**Company information**

These annual accounts and consolidated accounts for JM AB were approved by the Board and the President on February 19 and will be presented for adoption at the 2016 Annual General Meeting. JM AB is a Swedish public limited company listed on NASDAQ Stockholm, Large Cap segment. The Company has its registered office in Stockholm, Sweden. The address of the head office is Gustav III:s boulevard 64, Solna, 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 are 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 cost, 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 acquisition, which is the date on which the Parent Company acquires a controlling influence over the company, normally more than 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**

Only a few changes in the IASB standards entered into effect in 2015. None of these have had an impact on JM's accounting.

**New standards that have not yet entered into effect****IFRS 15 Revenue from Contracts with Customers**

This standard refers to the accounting of revenue from contracts and from the sale of some non-financial assets. It will replace IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations, including IFRIC 15 Agreements for the Construction of Real Estate. The standard shall be applied as of 2018, but has not yet been adopted by the EU. JM has not yet finished its evaluation of the new standard, but makes the assessment that it will have a limited impact on JM's accounting.

**IFRS 9 Financial Instruments**

This standard will replace IAS 39 Financial Instruments: Recognition and Measurement. It contains rules for classification and measurement

of financial assets and liabilities, impairment of financial instruments and hedge accounting. The standard shall be applied as of 2018, but has not yet been adopted by the EU. JM has not yet finished its evaluation of the new standard, but makes the assessment that it will not have a material impact on JM's accounting.

**IFRS 16 Leases**

This standard will replace IAS 17 Leases and related interpretations. It requires lessees to report assets and liabilities that are attributable to all lease agreements, with the exception of agreements that are shorter than 12 months and/or refer to small amounts. Reporting for lessors in all material respects will be the same. The standard shall be applied as of 2019, but has not yet been adopted by the EU. JM has not evaluated the standard, but has made the preliminary assessment that it will not have a material impact on JM's accounting.

**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 outcome may vary from these estimates. This applies in particular in the field of revenue and income recognition relating to the percentage of completion method in residential projects, where these estimates and assumptions are important for the reported profits and financial position of each period.

Even the accounting of remuneration to employees/pensions and provisions for guarantee commitments is based to a large extent on estimations 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 either current or non-current. Current liabilities refer to liabilities that will be settled within twelve months of the balance sheet date or when JM does not have an unconditional right to pay later than within twelve months. The same applies to the breakdown between current and non-current assets.

**Business combinations**

IFRS 3 entails that the fair value of identifiable assets and liabilities in the acquired operations are determined at the time of acquisition and 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 period's profit/loss.

**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 arrangement. Associated companies are included in the consolidated accounts according to the equity method. JM's holding of associated companies is negligible.

#### Joint arrangements

Joint arrangements are operations for which the Group, through cooperation agreements with one or more partners, shares the controlling influence. The Group's current joint arrangements are "joint operations", which means the partners report their assets, liabilities, income and expenses as well as their shares of the joint assets, liabilities, income and expenses.

#### 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 reported in other comprehensive income and accumulated in 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 period's profit/loss.

#### 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 translated at the exchange rate applying on the balance sheet date. Exchange rate differences are reported in the period's profit/loss.

#### 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 Construction, 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 reporting from the business segments to allocate resources to the segments and to assess the performance of the segments.

The JM International business segment reports revenue, operating profit and operating margin for JM's operations in Norway separately as of 2015.

For segment reporting of JM's operations, the percentage of completion method is applied in accordance with IAS 11 even with regard to project development of residential units outside of Sweden.

#### Gains/losses on the sale of property

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 accounting for the entire residential project.

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

JM's residential project development in Sweden is primarily conducted by JM entering a construction contract with a tenant-owner association as the customer. JM's business model and the agreement structure of projects performed for a customer meet the requirements of a construction contract in compliance with IAS 11 Construction Contracts, thus allowing the percentage of completion method. 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. Revenue is based on stage of completion and profit and loss is calculated based on stage of completion multiplied by the sales rate. Stage of completion is mainly determined based on project expenses incurred in relation to total estimated project expenses. Sales rate reflects the obligation to acquire unsold residential units. "Sales" refers to the number of sold residential units based on binding contracts with end customers. Revaluations (changes in forecasts) of anticipated project revenue lead to adjustment of previously recognized revenue in the project concerned. This adjustment is included in the 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-owner 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 22.0 percent (22.0) 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. Any tax adjustments for previous years are reported as current tax. 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.



Note 1 cont.

### 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. Goodwill has an indeterminate 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. The goodwill that is determined at the time of acquisition is allocated to cash-generating units that correspond to the lowest level within the Group at which goodwill is monitored in the company's governance and that 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 period's profit/loss.

### 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.

### 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 cost 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 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 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. The projects (development properties) that have a discounted present value lower than the carrying amount become the object of impairment.

See also "Intangible assets (goodwill)".

### Leases

Leases are classified as either a finance lease or an operating lease. 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 operating 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. Leases in which JM is the lessee are of limited scope.

### Employee benefits/pensions

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, 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. Taxes payable on pension costs, in JM's case the Swedish payroll tax on pension costs, are taken into account in the restatements of the pension obligations in accordance with the above.

Information about the period's pension obligations is provided in Note 23. Independent actuaries conduct annual calculations relating to the defined-benefit plans found at JM. Costs for service during the current or earlier periods and gains and losses from any settlements of pension plans are reported in profit for the period. Changes to actuarial gains and losses are reported under other comprehensive income.

### 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 the change in value is recognized in the period's profit/loss. Financial liabilities are measured at amortized cost. This is calculated so that a constant effective interest

is obtained over the borrowing period provided that the maturity is 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 reported in the period's profit/loss. 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 estimate of 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 analysis. 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". Cash and cash equivalents include cash and bank balances as well as short-term financial investments that mature in less than three months from the due date and are in part traded on the open market at known amounts and in part associated with only marginal risk for value fluctuations. Taxes and interest 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 policies as follows: Defined-benefit pension plans are reported in accordance with the provisions of the Swedish Safeguarding of Pension Commitments Act. Untaxed reserves are reported in full, i.e. they are not broken down into 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. In the Parent Company, mergers of wholly owned Group companies are reported according to the consolidated value method. Group contributions both paid and received are reported as appropriations.

## NOTE 2 Segment information

The JM Group's business is managed and reported per business segment in accordance with the following.

- 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 projects primarily in Norway and Finland and to a limited extent in Denmark 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 Construction (previously 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 President of the Parent Company (who is also the CEO). 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 the Group level and not allocated to the segments.

Transactions between business segments are based on market conditions.

Note 2 cont.

## CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT

Group 2015	JM Residential Stockholm	JM Residential Sweden	JM Property Development	JM Construction	Eliminations Sweden	Sub-total Sweden	JM International	Group-wide expenses	Total (segment reporting)	Unallocated items Group <sup>2)</sup>	Restatement JM International <sup>3)</sup>	Total
Revenue – external	6,273	3,278	206	1,631	-	11,388	3,059	-	14,447	-	-508	13,939
Revenue – internal	-	-	-	453	-453	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>6,273</b>	<b>3,278</b>	<b>206</b>	<b>2,084</b>	<b>-453</b>	<b>11,388</b>	<b>3,059</b>	<b>-</b>	<b>14,447</b>	<b>-</b>	<b>-508</b>	<b>13,939</b>
Production and operating costs <sup>1)</sup>	-4,870	-2,780	-168	-1,952	453	-9,317	-2,730	-	-12,047	-	417	-11,630
<b>Gross profit</b>	<b>1,403</b>	<b>498</b>	<b>38</b>	<b>132</b>	<b>-</b>	<b>2,071</b>	<b>329</b>	<b>-</b>	<b>2,400</b>	<b>-</b>	<b>-91</b>	<b>2,309</b>
Selling and administrative expenses <sup>1)</sup>	-325	-190	-17	-87	-	-619	-202	-45	-866	-	-	-866
Gains/losses on the sale of property	0	0	17	-	-	17	39	-	56	-	-	56
<b>Operating profit</b>	<b>1,078</b>	<b>308</b>	<b>38</b>	<b>45</b>	<b>-</b>	<b>1,469</b>	<b>166</b>	<b>-45</b>	<b>1,590</b>	<b>-</b>	<b>-91</b>	<b>1,499</b>
Financial income and expenses										-72	-	-72
<b>Profit before tax</b>									<b>1,590</b>	<b>-72</b>	<b>-91</b>	<b>1,427</b>
Taxes										-358	16	-342
<b>Profit for the year</b>									<b>1,590</b>	<b>-430</b>	<b>-75</b>	<b>1,085</b>
Operating margin, %	17.2	9.4		2.2			5.4		11.0			10.8

<sup>1)</sup> Of which depreciation of machinery and equipment

## Group 2014

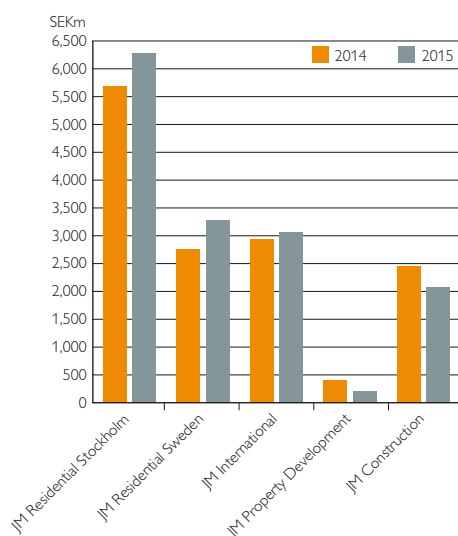
Revenue – external	5,692	2,764	401	2,070	-	10,927	2,942	-	13,869	-	347	14,216
Revenue – internal	-	-	-	386	-386	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>5,692</b>	<b>2,764</b>	<b>401</b>	<b>2,456</b>	<b>-386</b>	<b>10,927</b>	<b>2,942</b>	<b>-</b>	<b>13,869</b>	<b>-</b>	<b>347</b>	<b>14,216</b>
Production and operating costs <sup>1)</sup>	-4,147	-2,383	-341	-2,300	386	-8,785	-2,620	-	-11,405	-	-244	-11,649
<b>Gross profit</b>	<b>1,545</b>	<b>381</b>	<b>60</b>	<b>156</b>	<b>-</b>	<b>2,142</b>	<b>322</b>	<b>-</b>	<b>2,464</b>	<b>-</b>	<b>103</b>	<b>2,567</b>
Selling and administrative expenses <sup>1)</sup>	-277	-165	-21	-75	-	-538	-190	-45	-773	-	-	-773
Gains/losses on the sale of property	10	0	12	-	-	22	3	-	25	-	-	25
<b>Operating profit</b>	<b>1,278</b>	<b>216</b>	<b>51</b>	<b>81</b>	<b>-</b>	<b>1,626</b>	<b>135</b>	<b>-45</b>	<b>1,716</b>	<b>-</b>	<b>103</b>	<b>1,819</b>
Financial income and expenses										-75	-	-75
<b>Profit before tax</b>									<b>1,716</b>	<b>-75</b>	<b>103</b>	<b>1,744</b>
Taxes										-409	-29	-438
<b>Profit for the year</b>									<b>1,716</b>	<b>-484</b>	<b>74</b>	<b>1,306</b>
Operating margin, %	22.5	7.8		3.3			4.6		12.4			12.8

<sup>1)</sup> Of which depreciation of machinery and equipment

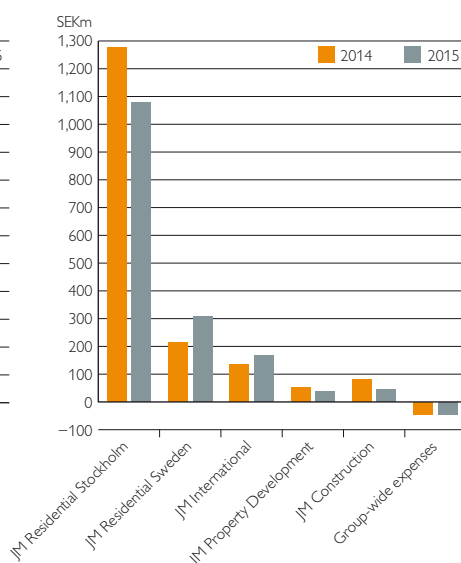
<sup>2)</sup> Unallocated items within the Group pertain to financial income and expenses, as well as tax.

<sup>3)</sup> Effect of restatement on revenue and profit and loss according to IFRIC 15 in relation to segment reporting.

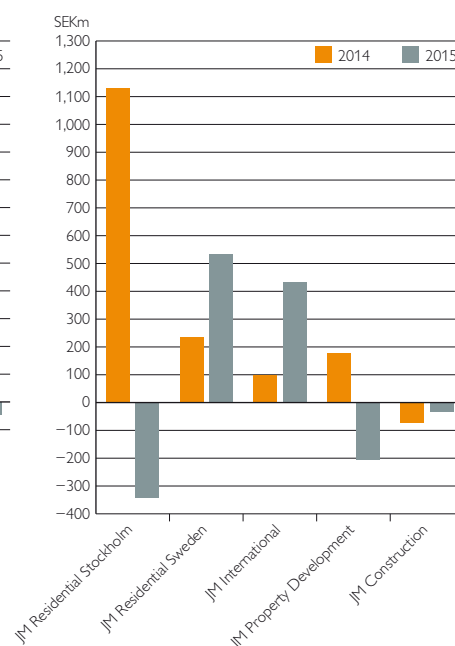
Revenue by business segment



Operating profit by business segment



Operating cash flow by business segment





## CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT

	JM Residential Stockholm	JM Resi- dential Sweden	JM Property Develop- ment	JM Const- ruction	Sub- total Sweden	JM Inter- national	Total (segment reporting)	Unal- located items Group <sup>1) 2)</sup>	Restate- ment JM Inter- national <sup>3)</sup>	Total, Group
Group 12/31/2015										
ASSETS										
Non-current assets	-	-	-	-	-	168	168	41	-	209
Project properties	-	-	347	-	347	31	378	-	-	378
Development properties	4,517	1,269	35	44	5,865	1,202	7,067	-	-	7,067
Participations in tenant-owner associations, etc.	99	54	-	-	153	82	235	-	-	235
Current receivables	737	606	117	608	2,068	789	2,857	209	-258	2,808
Cash and cash equivalents	-	-	-	-	-	-	-	1,275	-	1,275
Total current assets	5,353	1,929	499	652	8,433	2,104	10,537	1,484	-258	11,763
TOTAL ASSETS	5,353	1,929	499	652	8,433	2,272	10,705	1,525	-258	11,972
EQUITY AND LIABILITIES										
Shareholders' equity	-	-	-	-	-	-	-	4,652	-131	4,521
Long-term liabilities	-	-	-	-	-	-	-	2,677	-38	2,639
Current liabilities	801	676	18	260	1,755	360	2,115	2,786	-89	4,812
TOTAL EQUITY AND LIABILITIES	801	676	18	260	1,755	360	2,115	10,115	-258	11,972
Total operating capital by business segment										
Investment in machinery and equipment	4,552	1,253	481	392	-	1,912	-	-	-	-
	-	-	-	-	-	-	-	5	-	5
Group 12/31/2014										
ASSETS										
Non-current assets	-	-	-	-	-	185	185	35	5	225
Project properties	-	-	202	-	202	28	230	-	-	230
Development properties	3,965	1,167	31	60	5,223	1,579	6,802	-	-	6,802
Participations in tenant-owner associations, etc.	93	45	-	-	138	105	243	-	-	243
Current receivables	450	561	23	591	1,625	750	2,375	251	-175	2,451
Cash and cash equivalents	-	-	-	-	-	-	-	2,424	-	2,424
Total current assets	4,508	1,773	256	651	7,188	2,462	9,650	2,675	-175	12,150
TOTAL ASSETS	4,508	1,773	256	651	7,188	2,647	9,835	2,710	-170	12,375
EQUITY AND LIABILITIES										
Shareholders' equity	-	-	-	-	-	-	-	4,704	-69	4,635
Long-term liabilities	-	-	-	-	-	-	-	2,868	-20	2,848
Current liabilities	620	401	14	339	1,374	410	1,784	3,189	-81	4,892
TOTAL EQUITY AND LIABILITIES	620	401	14	339	1,374	410	1,784	10,761	-170	12,375
Total operating capital by business segment										
Investment in machinery and equipment	3,888	1,372	242	312	-	2,237	-	-	-	-
	-	-	-	-	-	-	-	20	-	20
Operating cash flow by business segment										
2015	-344	533	-206	-34		434				
2014	1,132	237	178	-73		99				
Income by country including adjustment according to IFRIC 15										
	Sweden		Norway		Finland		Denmark		Belgium	
2015	11,388		2,078		205		175		93	
2014	10,927		3,080		80		19		110	

**NOTE 3 Employees and personnel costs**

Average number of employees, by country	2015	Of which men, %	2014	Of which men, %
Sweden	1,919	84	1,820	83
Norway	353	81	353	82
Denmark	4	50	5	60
Finland	31	74	31	74
Belgium	9	89	9	67
<b>Total</b>	<b>2,316</b>	<b>83</b>	<b>2,218</b>	<b>83</b>

	2015			2014		
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>1,219</b>	<b>595</b>	<b>1,814</b>	<b>1,167</b>	<b>586</b>	<b>1,753</b>
(of which pension costs)		(213) <sup>1)</sup>			(193) <sup>1)</sup>	

<sup>1)</sup> SEK 4.3m (4.0) of the Group's pension costs pertain to the group Board of Directors and President. The Group's outstanding pension obligations to them amount to SEK 0.8m (0.6).

	2015			2014		
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	15	947	962	15	900	915
(of which variable remuneration)	(4)	(60)	(64)	(5)	(62)	(67)
Norway	2	220	222	2	221	223
(of which variable remuneration)	(1)	(21)	(22)	(1)	(20)	(21)
Denmark	1	6	7	1	5	6
(of which variable remuneration)	(0)	(1)	(1)	(0)	(1)	(1)
Finland	2	19	21	2	15	17
(of which variable remuneration)	(0)	(2)	(2)	(0)	(0)	(0)
Belgium	1	6	7	1	5	6
(of which variable remuneration)	(0)	(0)	(0)	(0)	(0)	(0)
<b>Total, Group</b>	<b>21</b>	<b>1,198</b>	<b>1,219</b>	<b>21</b>	<b>1,146</b>	<b>1,167</b>
(of which variable remuneration)	(5)	(84)	(89)	(6)	(83)	(89)

**Remuneration to Board of Directors**

JM's Board of Directors, excluding the President, consists of a total of eleven people, eight men and three women. Seven of these eleven people were elected by the Annual General Meeting, four men and three women. The other four are employee representatives, all of whom are men. The Chair of the Board was paid SEK 855,000 (870,000) in Board fees. The other non-executive Board members (six people) were paid SEK 2,405,000 (2,300,000).

**Remuneration to the President and Executive Management**

Remuneration to the President and other members of Executive Management comprises basic salary, variable remuneration, other benefits and pension provisions. Remuneration to the President is drafted by the Compensation Committee and decided by the Board. Remuneration to other members of Executive Management is decided by the Compensation Committee. Remuneration 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 remuneration for the President for the 2015 financial year is built as follows: 60 percent 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 remuneration for the President for 2016 may amount to a maximum of SEK 2,760,000. Total short-term variable remuneration for the 2015 financial year is SEK 1,589,000 (2,194,000) to be paid during the spring of 2016. Short-term variable remuneration 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 remuneration varies between three and six monthly salaries, depending on position. The short-term variable remuneration for other members of Executive Management for 2016 may amount to a maximum of SEK 5.2m. The outcome of the short-term variable remuneration for other members of Executive Management for the 2015 financial year totals SEK 2.8m (3.4) to be paid during the spring of 2016.

In addition, long-term variable salary programs have been offered to Executive Management (including the President).

The long-term variable salary program, which was launched in 2012, amounted to a maximum of 42 percent of fixed salary, and was based on the Group financial results from 2014. The outcome was 73 percent of the possible maximum and payment was made in the spring of 2015 for a total of SEK 1,477,000 for the President and SEK 2.2m for the other members of Executive Management.

The long-term variable salary program, which was launched in 2013, amounts to

a maximum of 42 percent of fixed salary, and is based on the Group financial results from 2015. The outcome was 50 percent and payment will be made in the spring of 2016 for a total of SEK 1,050,000 for the President and SEK 1.7m for the other members of Executive Management.

The long-term variable salary program, which was launched in 2014, amounts to a maximum of 42 percent of fixed salary, and is based on the Group financial results from 2016. Payment will be made if appropriate in the spring of 2017, with a maximum of SEK 2,167,000 for the President and SEK 3.9m for the other members of Executive Management.

The long-term variable salary program, which was launched in 2015, amounts to a maximum of 42 percent of fixed salary, and is based on the Group financial results from 2017. Payment will be made if appropriate in the spring of 2018, with a maximum of SEK 2,243,000 for the President and SEK 4.7m for the 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.

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, remuneration shall be paid for an additional 12 months. In the event of termination by the President, the notice period is six months. No additional remuneration 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 remuneration and pensions to the Board and Executive Management in 2015 and 2014.

SEK 000s	2015						SEK 000s	2014					
	Basic salary/ Board fees	Short-term variable remuneration <sup>1)</sup>	Long-term variable remuneration <sup>2)</sup>	Other benefits	Pension cost	Total		Basic salary/ Board fees	Short-term variable remuneration <sup>1)</sup>	Long-term variable remuneration <sup>2)</sup>	Other benefits	Pension cost	Total
<i>Chairman of the Board</i>							<i>Chairman of the Board</i>						
Lars Lundquist	855	-	-	-	-	855	Lars Lundquist	870	-	-	-	-	870
<i>Other Board members</i>							<i>Other Board members</i>						
Åsa Söderström Jerring	470	-	-	-	-	470	Åsa Söderström Jerring	445	-	-	-	-	445
Anders Narvinger	435	-	-	-	-	435	Anders Narvinger	425	-	-	-	-	425
Kia Orback Pettersson	405	-	-	-	-	405	Kia Orback Pettersson	395	-	-	-	-	395
Johan Bergman	375	-	-	-	-	375	Johan Bergman	365	-	-	-	-	365
Kaj-Gustaf Bergh	315	-	-	-	-	315	Kaj-Gustaf Bergh	305	-	-	-	-	305
Eva Nygren	405	-	-	-	-	405	Eva Nygren	365	-	-	-	-	365
President	5,496	2,194	1,477	115	1,906	11,188	President	5,337	2,311	1,685	115	1,842	11,290
Other Executive Management <sup>3)</sup>	14,303	3,789	2,180	528	10,985	31,785	Other Executive Management <sup>3)</sup>	13,592	4,879	3,608	545	7,338	29,962
<b>Total</b>	<b>23,059</b>	<b>5,983</b>	<b>3,657</b>	<b>643</b>	<b>12,891</b>	<b>46,233</b>	<b>Total</b>	<b>22,099</b>	<b>7,190</b>	<b>5,293</b>	<b>660</b>	<b>9,180</b>	<b>44,422</b>

<sup>1)</sup> The short-term variable remuneration reported in the table relates to amounts paid in 2015. All payments in 2015 are attributable to the 2014 financial year.

<sup>2)</sup> The long-term variable remuneration reported in the table relates to amounts paid in 2015. All payments in 2015 are attributable to the 2012–2014 financial years.

<sup>3)</sup> JM's Executive Management, excluding the President, comprised a total of seven people at the end of 2015, five men and two women.

<sup>1)</sup> The short-term variable remuneration reported in the table relates to amounts paid in 2014. All payments in 2014 are attributable to the 2013 financial year.

<sup>2)</sup> The long-term variable remuneration reported in the table relates to amounts paid in 2014. All payments in 2014 are attributable to the 2011–2013 financial years.

<sup>3)</sup> JM's Executive Management, excluding the President, comprised a total of eight people in 2014, six men and two women.

## Convertible debentures for personnel

The 2015 Annual General Meeting resolved to offer all employees in the JM Group in Sweden a convertible subordinated debenture. The purpose of the issue of personnel convertibles is to boost long-term financial commitment to JM on the part of employees via increased motivation and reinforced loyalty to the Group. A total of approx. 58,000 convertible bonds were issued for a nominal amount of around SEK

18.2m. The loan matures on June 14, 2019, and entitles the holders to subscribe to one JM share for each debt obligation for SEK 314 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 convertibles	Number of warrants	Number of redeemed convertible bonds/warrants	Number of convertible bonds/warrants due	Total	Strike price	Conversion Period
2011	114,195	5,198	-119,393	-	-	214.00	6/2/2014–5/22/2015
2012	84,416	6,592	-37,184	-	53,824	155.00	6/1/2015–5/20/2016
2013	75,249	135	-	-	75,384	180.00	6/1/2016–5/19/2017
2014	51,918	-	-	-	51,918	280.00	6/1/2017–5/18/2018
2015	57,885	-	-	-	57,885	314.00	6/1/2018–5/17/2019



**NOTE 4 Accumulated depreciation according to plan**

	2015	2014
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**

	2015	2014
<b>Ernst &amp; Young</b>		
Auditing services	4.7	4.9
Tax services	0.7	0.8
Other services	1.7	1.4
<b>Total</b>	<b>7.1</b>	<b>7.1</b>

**NOTE 6 Gains/losses on the sale of property**

	2015	2014
<b>Sales values</b>		
Project properties	4	29
Development properties	568	73
<b>Total</b>	<b>572</b>	<b>102</b>
<b>Carrying amounts</b>		
Project properties	-	-5
Development properties	-516	-72
<b>Total</b>	<b>-516</b>	<b>-77</b>
<b>Results</b>		
Project properties	4	24
Development properties	52	1
<b>Total</b>	<b>56</b>	<b>25</b>

**NOTE 7 Financial income and expenses**

	<b>Financial income</b>	
	2015	2014
Dividend	6	5
Interest income	3	13
Realized exchange rate gains relating to debt receivables, international company	0	2
Change in value revaluation of debt receivables and currency hedging	2	7
<b>Total</b>	<b>11</b>	<b>27</b>

	<b>Financial expenses</b>	
	2015	2014
Interest expenses attributable to loans, etc.	-49	-55
Interest portion in this year's pension costs	-32	-38
Realized exchange rate losses relating to debt receivables, international company	-2	-8
Change in value revaluation of debt receivables and currency hedges	-	-1
<b>Total</b>	<b>-83</b>	<b>-102</b>

**NOTE 8 Taxes**

	2015	2014
<b>Profit before tax</b>		
Sweden	1,329	1,499
International	99	245
<b>Total</b>	<b>1,428</b>	<b>1,744</b>
<b>Current tax</b>		
Sweden	-317	-283
International	-16	-60
<b>Total</b>	<b>-333</b>	<b>-343</b>
<b>Deferred tax</b>		
Sweden	-14	-65
International	5	-30
<b>Total</b>	<b>-9</b>	<b>-95</b>
<b>Total tax</b>		
Sweden	-331	-348
International	-11	-90
<b>Total</b>	<b>-342</b>	<b>-438</b>

**Difference between reported tax and nominal tax rate 22%**

	2015	2014
<b>Profit before tax 22%</b>	<b>-314</b>	<b>-383</b>
Adjustment of tax from previous years	-18	1
Difference foreign tax	-4	-13
Non-taxable revenue	6	2
Non-deductible expenses	-3	-2
Tax allocation reserve	-3	-5
Revaluation of deferred tax attributable to lowered income tax in 2016 in Norway	3	-
Revaluation deferred tax	-9	-38
<b>Total</b>	<b>-342</b>	<b>-438</b>

**NOTE 9 Earnings and dividend per share**

	Basic		Diluted	
	2015	2014	2015	2014
Earnings per share, SEK	14.50	17.00	14.50	17.00

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 2015 was based on the net profit for the year of SEK 1,085m (1,306), and on a weighted average number of outstanding ordinary shares during 2015 amounting to 74,601,637 (76,542,355).

Number of shares	2015	2014
Total number of outstanding shares, January 1	75,471,471	77,550,383
Conversion and utilization of options	68,430	76,212
Buy-back of shares	-938,264	-1,084,240

<b>Weighted average number of shares during the year, basic</b>	<b>74,601,637</b>	<b>76,542,355</b>
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**Diluted earnings per share**

Calculation of diluted earnings per share for 2015 was based on the net profit for the year, adjusted for the interest expense for convertible debentures after tax, of SEK 1,086m (1,308), and on a weighted average number of outstanding ordinary shares adjusted for dilution effects of all outstanding potential ordinary shares in 2015 totaling 75,846,482 (76,888,597). Profit for the year is attributable in its entirety to shareholders of the Parent Company.

Profit for the year	2015	2014
Profit for the year attributable to shareholders of the Parent Company	1,085	1,306
Adjustment of interest on convertible debentures (after tax)	1	2

<b>Profit for the year attributable to shareholders of the Parent Company, diluted</b>	<b>1,086</b>	<b>1,308</b>
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Number of shares	2015	2014
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Weighted average number of shares during the year, basic	74,601,637	76,542,355
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Estimated number of potential shares for the convertible debenture and warrant program	244,845	346,242
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<b>Weighted average of the number of shares during the year, diluted</b>	<b>74,846,482</b>	<b>76,888,597</b>
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**Outstanding number of shares and instruments with potential dilutive effects**

At the end of 2015 JM had 73,594,000 outstanding shares (75,471,471). JM holds a total of 1,579,524 repurchased shares (1,610,554). At the end of August 2015, the Annual General Meeting resolution on the reduction in the share capital by 2,040,554 shares that the company held was taken into effect.

Instruments that may have a potentially dilutive effect in 2015 include JM's five convertible programs (2011, 2012, 2013, 2014 and 2015) and JM's three warrant programs (2011, 2012 and 2013).

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 2011 convertible bond and warrant program is SEK 214, for the 2012 programs SEK 155 and for the 2013 programs SEK 180. For the 2014 convertible program, the conversion rate is SEK 280 and for the 2015 program, SEK 314.

For more information about JM's convertible debenture and warrant program, see Note 1, Accounting and valuation principles, and Note 3, Employees and personnel costs.

Cash dividend (proposed by the Board for 2015)	2015	2014
– per share, SEK	8.25	8.00
– total, SEK m	607	600

**NOTE 10 Goodwill**

	2015	2014
Accumulated cost		
On January 1	185	186
Translation differences	-17	-1
On December 31	168	185

Reported goodwill refers to JM's 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.

On December 31, 2015, the carrying amount of the JM Norway Group was assessed. The recoverable amount was found to exceed the carrying amount. Therefore no impairment loss for goodwill was necessary.

The recoverable amount was determined 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 2015, 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 2 percent (2) 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 10 percent (10), 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 9 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 27 percent.

A sensitivity analysis of the discount rate shows that the discount rate would have to exceed about 21 percent (23) 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 11 Machinery and equipment**

	2015	2014
Accumulated cost		
On January 1	91	70
New purchases	5	20
Translation differences	-4	1
Sales	0	-
On December 31	92	91

**Accumulated depreciation according to plan**

	2015	2014
On January 1	-68	-62
Depreciation for the year	-8	-6
Translation differences	3	0
Sales	-1	-
On December 31	-74	-68

Closing residual value according to plan	18	23
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**NOTE 12 Participations in associated companies**

	2015	2014
Accumulated cost		
On January 1	10	10
New purchases	5	0
On December 31	15	10

**NOTE 13 Participations in joint operations and associated companies****Specification of Parent Company's shares and participation in joint operations and associated companies, SEK 000s**

Company	CIN	Domicile	Number of shares and participations	% of capital	Carrying amount	
					2015	2014
Adolfsbergs Brunns AB <sup>1)</sup>	556303-8685	Örebro	340	33	34	34
Dockan Exploatering AB <sup>1)</sup>	556594-2645	Malmö	50,000	33	30,942	30,942
Exploateringsbolaget Högmora KB <sup>1)</sup>	916643-6254	Stockholm	1	25	31	31
Fastighetsbolaget Glasberga KB <sup>1)</sup>	916643-1842	Stockholm	1	25	101	101
Glasberga Fastighets AB <sup>1)</sup>	556361-0707	Södertälje	1,000	25	100	100
HB Silverdal Exploatering <sup>2)</sup>	969674-5802	Sollentuna			1	1
Högmora Exploaterings AB <sup>1)</sup>	556395-0707	Stockholm	1,000	25	100	100
Kvarnholmen Utveckling AB <sup>1)</sup>	556710-5514	Stockholm	50,000	50	165,886	165,886
Kvibergstaden Exploatering HB <sup>1)</sup>	969731-1695	Gothenburg	1	50	1	1
Mälärstrandens Utvecklings AB <sup>1)</sup>	556695-5414	Västerås	44	44	2,200	2,200
SMÅA AB <sup>3)</sup>	556497-1322	Stockholm	36,650	36	14,241	9,703
Södra Centrum Krokslätt HB <sup>1)</sup>	969777-2144	Gothenburg	5,200	65	5,200	-
<b>Carrying amount, December 31</b>					<b>218,837</b>	<b>209,099</b>

<sup>1)</sup> Joint operations<sup>2)</sup> Unlimited responsibility<sup>3)</sup> Associated companies**Specification of the Group's other holdings of shares and participations in joint operations and associated companies, SEK 000s**

Company	CIN	Domicile	Number of shares and participations	% of capital	Carrying amount	
					2015	2014
Fastighets AB Kranlyftet	556829-3251	Lidingö	250	50	135,226	135,226
Fjellgata 30 AS, Norway	997484983	Oslo	100	50	3,824	4,192
Fjellgata 30 KS, Norway	997485009	Oslo	45	45	11,329	6,445
Galoppfältet Exploatering AB	556833-6555	Stockholm	500	50	129,500	121,500
Grefsen Utvikling AS, Norway	982913209	Oslo	500	50	23,900	77,934
Hans Nielsen Haugesgate 50 AS, Norway	987719427	Oslo	60,000	50	23,882	25,396
Husebyplataet AS, Norway	913864948	Oslo	5,000	50	478	250
Kjørbokollen Utbygging AS, Norway	981112326	Oslo	-	-	-	170
Landmannstorget, Norway	987598387	Asker	100	50	0	-40
Larvik Saneringsselskap AS, Norway	918044051	Larvik	100	50	231	1,861
Lillestrøm Kvartal 37 AS (previously Fagerborg Eiendom Lillestrøm AS, Norway)	935267269	Lillestrøm	75	50	7,170	7,373
Merbraine, Belgium	450160865	Brussels	625	50	283	295
Son Utvikling AS, Norway	990341419	Oslo	23,050	50	11,740	8,459
Spireaveien 6 Utvikling AS, Norway	998015340	Oslo	50	50	4,788	2,616
Spireaveien 6 Utvikling KS, Norway	998015375	Oslo	45	45	15,241	7,569
Strømmen Sentrum AS, Norway	911662256	Strømmen	7,000	50	6,692	6,396
<b>Carrying amount, December 31</b>					<b>374,284</b>	<b>405,642</b>
Reclassification in the Group					-578,197	-604,355
<b>Carrying amount in the Group, December 31</b>					<b>14,924</b>	<b>10,386</b>

The joint operations contain primarily properties for residential development.

**Participations in joint operations**

The Group's financial statements include the following items that comprise the Group's holdings in the joint operations – the company's revenue, expenses, assets and liabilities.

	2015	2014
Revenue	445	403
Expenses	-396	-372
<b>Profit for the period</b>	<b>49</b>	<b>31</b>
Development properties	727	955
Other assets	475	378
Cash and cash equivalents	113	53
<b>Total assets</b>	<b>1,315</b>	<b>1,386</b>
Long-term liabilities	252	421
Current liabilities	254	110
<b>Total liabilities</b>	<b>506</b>	<b>531</b>
<b>Net assets</b>	<b>809</b>	<b>855</b>



**NOTE 14 Financial assets**

	2015	2014
Accumulated cost		
On January 1	7	17
Additional receivables	11	2
Settled receivables	-9	-12
Translation differences	-1	0
On December 31	8	7

Financial assets mainly relate to promissory notes.

**NOTE 15 Project properties and development properties**

	Project properties		Development properties	
	2015	2014	2015	2014
Accumulated cost				
On January 1	250	264	7,068	6,242
New purchases	219	71	2,695	2,273
Reclassifications	-37	2	31	7
Translation differences	-3	0	-115	45
Transferred to production	-51	-82	-1,814	-1,427
Sales	-	-5	-715	-72
On December 31	378	250	7,150	7,068
Accumulated impairment losses				
On January 1	-20	-20	-266	-254
Reclassification	20	-	-20	-
Translation difference	-	-	4	-12
Sales	-	-	199	-
On December 31	-	-20	-83	-266
Closing residual value according to plan	378	230	7,067	6,802

Reported residual value for the part of project properties recognized at net realizable value amounts to SEK 0m (85) and for development properties SEK 126m (491).

**NOTE 16 Participations in tenant-owner associations, etc.**

	2015	2014
Accumulated cost		
On January 1	243	325
New purchases	345	565
Translation difference	-6	4
Sales	-347	-651
On December 31	235	243

The number of unsold homes on the balance sheet amounts to 71 (62).

**NOTE 17 Other current receivables**

	2015	2014
Receivables from property sales	72	54
Receivables from participations sold in tenant-owner associations	30	94
Deposit investment development properties	120	167
Other	79	72
Total	301	387

**NOTE 18 Recognized revenue less progress billings**

	2015	2014
Recognized revenue in work in progress	6,181	5,278
Accumulated billing on account for work in progress	-4,925	-4,366
Total	1,256	912

**NOTE 19 Work in progress**

	2015	2014
Accumulated costs incurred	2,082	1,364
Accumulated billing on account for work in progress	-1,767	-1,073
Total	315	291

Work in progress only relates to projects within JM International.

**NOTE 20 Cash and cash equivalents**

	2015	2014
Cash and bank balances	1,275	1,824
Short-term investments	-	600
Total	1,275	2,424

Short-term investments have a maturity between one day and three months.

**NOTE 21 Financial liabilities**

Long-term interest-bearing liabilities	2015	2014
Liabilities to credit institutions maturity date 1–5 years from closing day	170	254
Long-term promissory notes, development properties 1–5 years	195	80
Convertible loans 1–5 years <sup>1)</sup>	45	40
Total	410	374

Current interest-bearing liabilities	2015	2014
Liabilities to credit institutions, interest-bearing –1 year	927	640
Convertible loans –1 year <sup>1)</sup>	7	19
Total	934	659

Interest-bearing net liabilities/receivables	2015	Change	2014
Current interest-bearing liabilities	934	275	659
Long-term interest-bearing liabilities	410	36	374
Transferred to pensions	1,129	75	1,054
Less cash and cash equivalents	-1,275	1,149	-2,424
Interest-bearing net liabilities (+)/receivables (-), December 31	1,198	1,535	-337

Other financial liabilities	2015	2014
Other non-current liabilities 1–5 years from closing day	160	172
Accounts payable	602	558
Derivative instruments, short-term	-	0
Short-term promissory notes, development properties	349	1,076
Other current liabilities	262	354
Total	1,373	2,160

<sup>1)</sup> Please refer to Note 3, Employees and personnel costs, for more information about the convertible loans.

Financial liabilities are divided into non-current and current liabilities, where current liabilities are due within one year. Other non-current liabilities relate to promissory notes for property acquisitions that become payable when various terms and conditions are met. See Note 22, Financial risk management and financial derivative instruments.

## NOTE 22 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 risks for borrowing and cash and cash equivalents
- Financing and liquidity risks pertaining to the Group's capital requirements
- Currency risks pertaining to profit and net investments in foreign subsidiaries
- Credit risks 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 29–32 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, 2015, was 0.4 years (0.2).

Fair value on interest-bearing loans was SEK 1,344m (1,033). 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 12/31/2015.

### Interest risk exposure, including derivatives

Year for interest conversion	2015		2014	
	Loan amount, SEK m	Average interest, %	Loan amount, SEK m	Average interest, %
2015	-	-	1,033	2.7
2016	1,344	1.9	-	-
Pension liability <sup>1)</sup>	1,129	2.8	1,054	3.0
<b>Total</b>	<b>2,473</b>	<b>2.3</b>	<b>2,087</b>	<b>2.8</b>

<sup>1)</sup> The discount rate for pension obligations is adjusted annually.

The average interest rate on interest-bearing liabilities as of 12/31/2015 including pension liabilities is 2.3 percent (2.8). A 1 percent change in the market interest rate corresponds with an effect on earnings of about SEK 6.7m for the part of the loan portfolio traded during 2016. 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 a similar credit rating agency. The investments are short-term with a term of between one day and three months. See Note 20 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 1.5 to 2.5 years.

Binding loan commitments	Over-draft		2016	2017	2018
	Total	facilities			
Loan commitments, SEK m	2,800	400	650	800	950

The Group has unutilized approved credit lines of SEK 2,300m. The average maturity for credit agreements is 1.7 years.

The Group should maintain cash and cash equivalents, together with approved, unutilized credit lines, of at least 15 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 operations

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 Derivatives Association) or equivalent Swedish bank agreements have been prepared with those counterparties that are used for transactions with derivative instruments. No financial assets and liabilities have been offset.

#### Credit risks associated with accounts receivable

The JM Group's customers are mainly tenant-owner associations and future owners of private homes. The Group also engages in project development of commercial premises and contracting services. The Group also has tenants in both residential and commercial premises.

Credit risk exposure relating to tenant-owner associations is deemed to be limited since financing of production takes place through the association's bank loan, negotiated 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 the production of residential units amounts to SEK 483m (355).

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 444m (492).

The provision for doubtful accounts receivable amounts to SEK 12.5m (8.0). During the year the Group used SEK 0.4m (0.8) of earlier provisions. Accounts receivable older than 60 days amounts to SEK 235m (74). Provision and utilization of the provision for doubtful accounts receivable were recognized in the income statement.

### Aged accounts receivable

12/31/2015 SEK m	Nominal	Not due	≤ 30 days	31–60 days	61–90 days	> 90 days
Residential development	483	420	26	2	4	31
Contracting	444	175	82	–13	30	170 <sup>1)</sup>
Other	0	0	0	0	-	0
<b>Total</b>	<b>927</b>	<b>595</b>	<b>108</b>	<b>–11</b>	<b>34</b>	<b>201</b>
Number of invoices	1,222	620	121	29	61	391

12/31/2014 SEK m	Nominal	Not due	≤ 30 days	31–60 days	61–90 days	> 90 days
Residential development	355	317	–15	13	3	37
Contracting	492	449	–11	20	5	29
Other	0	0	-	-	-	0
<b>Total</b>	<b>847</b>	<b>766</b>	<b>–26</b>	<b>33</b>	<b>8</b>	<b>66</b>
Number of invoices	1,312	792	126	38	46	310

<sup>1)</sup> Refers to an ongoing dispute with an orderer.

### Credit risk analysis customers

12/31/2015 Interval	Number of customers	in % of number	in % of the portfolio
Exposure interval < SEK 1m	635	89	5
Exposure interval SEK 1–5m	49	7	12
Exposure interval > SEK 5m	30	4	83
<b>Total</b>	<b>714</b>	<b>100</b>	<b>100</b>

12/31/2014 Interval	Number of customers	in % of number	in % of the portfolio
Exposure interval < SEK 1m	839	92	13
Exposure interval SEK 1–5m	54	6	20
Exposure interval > SEK 5m	21	2	67
<b>Total</b>	<b>914</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, 2015 and 2014. 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 the 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>2)</sup>	12/31/2015 Carrying amount <sup>1)</sup>	12/31/2014 Carrying amount <sup>1)</sup>
<b>Assets</b>			
Financial assets	L&R	8	7
Of which other long-term receivables	L&R	8	7
Of which other long-term securities	AFS	0	0
Accounts receivable	L&R	927	847
Other current receivables	L&R / n/a	301	387
Of which derivative instruments <sup>3)</sup>	FAVPL	-	-
Of which receivables from property sales	L&R	72	54
Of which other	n/a	229	333
Cash, cash equivalents, and short-term investments	L&R	1,275	2,424
Of which cash and bank balances	L&R	1,275	600
Of which short-term investments	L&R	-	1,824
<b>Liabilities</b>			
Long-term interest-bearing liabilities	FLAC	410	374
Of which convertible loan	FLAC	45	40
Of which other long-term interest-bearing loans	FLAC	365	334
Other long-term receivables	FLAC	160	172
Accounts payable	FLAC	602	558
Current interest-bearing liabilities	FLAC	934	659
Other current liabilities	FLAC	611	1,430
Of which derivative instruments <sup>3)</sup>	FLVPL	-	0
Of which other current liabilities	FLAC	611	1,430

<sup>1)</sup> JM considers there to be no significant difference between the carrying amount and fair value.

<sup>2)</sup> Classification in accordance with IAS 39, explanation of abbreviations:

AFS Available-for-sale financial assets  
L&R Loans and receivables  
FAVPL Financial assets at fair value through profit or loss  
FLAC Financial liabilities are measured at amortized cost.  
FLVPL Financial liabilities at fair value through profit or loss  
n/a IAS 39 is not applicable

<sup>3)</sup> Fair value for all assets and liabilities reported at fair value has been calculated based on directly or indirectly observed prices, which corresponds to Level 2 in IFRS 13.

#### 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 12/31/2015. Currency derivatives for Group loans to international companies were measured at fair value at SEK 0m (-0.4).

#### 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 over a business cycle. 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 91.

Also see the "Business concept and strategy" and "The JM Share" sections.

## NOTE 23 Provisions for pensions and similar obligations

#### Defined-benefit plans

JM has a defined-benefit plan for pensions, the ITP 2 plan in Sweden, which is financed in-house. The plan encompasses 2,685 people, of which 656 are active. The pension liability is measured by independent actuaries and actuarial gains and losses are reported under other comprehensive income.

#### Defined-contribution plans

These plans mainly comprise retirement pension and survivor's 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	2015	2014
<b>Pension obligations, unfunded plans</b>	<b>1,129</b>	<b>1,054</b>

Pension commitments and provisions for pension obligations as well as actuarial gains/losses for the defined-benefit pension plans have developed as follows:

Total pension commitments	2015	2014
<b>On January 1</b>	<b>1,054</b>	<b>920</b>
Benefits earned during the year	42	32
Interest expenses	32	38
Benefits paid	-39	-38
Actuarial gains (-)/losses (+)	40	102
<b>On December 31</b>	<b>1,129</b>	<b>1,054</b>

The actuarial loss in 2015 is attributable to a new assumption of the discount rate.

Actuarial gains (+)/losses (-)	2015	2014	2013	2012	2011
Total pension commitments	1,129	1,054	920	931	841
Experience adjustments, percentage of this year's unrecognized actuarial gains (+) and losses (-):					
Pension obligations, SEK m	11	8	2	-21	-14
Percent of total value of pension commitments, %	1.0	0.8	0.2	-2.3	-1.7

Pension costs	2015	2014
Benefits earned during the year	42	32
Interest on obligations	32	38
<b>Pension costs, defined-benefit plans</b>	<b>74</b>	<b>70</b>

Pension costs, defined-contribution plans	128	122
Social security expenses, defined-benefit and defined-contribution plans	43	39
<b>Total</b>	<b>245</b>	<b>231</b>

Of the above pension costs, SEK 32m (38) were recognized as a financial cost, which corresponds to the interest on the obligation. JM expects cash flow for the pension provision in 2016 to be SEK - 38m.

#### Actuarial assumptions

The most important actuarial assumptions as per closing day can be seen in the following table.

	Sweden	
%	2015	2014
Discount rate	2.75	3.00
Expected salary increases	3.50	3.50
Inflation	1.50	1.50
Income base amount	3.00	3.00
Attrition rate	3.00	3.00

The discount rate is determined by taking the market return on corporate bonds on the closing day into account. In Sweden, 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.



Note 23 cont.

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 to the anticipated pension upward adjustment (or indexing). In this section, JM has opted to balance the inflation goal, which is set by Sveriges Riksbank, against the outcome of inflation in Sweden over the most recent 10-year period.

JM in Sweden uses life expectancy 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.

#### Sensitivity of the pension obligation to a change in the discount rate

Pension obligations as of December 31, 2015	1,129
The discount rate increases by 0.25%	1,080
The discount rate decreases by 0.25%	1,185

#### NOTE 24 Other provisions

	Warranty provisions		Special payroll tax on pension liability	
	2015	2014	2015	2014
<b>On January 1</b>	<b>266</b>	<b>250</b>	<b>-</b>	<b>-</b>
Provisions	90	104		
Reclassification	-	2	103	-
Utilized during the year	-62	-67		
Reversed provisions	-18	-23		
Translation difference	-4	0		
<b>On December 31 <sup>1)</sup></b>	<b>272</b>	<b>266</b>	<b>103</b>	<b>-</b>

<sup>1)</sup> Of which short-term part of warranty provisions

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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 majority of the warranty provisions have a duration of around two to three years.

Since the effect of when in time payment occurs is immaterial, expected future payments are not calculated at present value.

Special payroll tax on the pension liability is calculated in full as 24.26 percent of the difference between the pension liability measured in accordance with IAS 19 and the reported pension liability in the legal person.

#### NOTE 25 Deferred tax assets and tax liabilities

	2015	2014
Deferred tax liability on tax allocation reserves	434	391
Other deferred tax liabilities *	411	850
<b>Sub-total</b>	<b>845</b>	<b>1,241</b>
Less deferred tax receivables	-186	-165
<b>Net deferred tax liabilities</b>	<b>659</b>	<b>1,076</b>
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>* Other deferred tax liabilities allocated to:</b>		
Development properties <sup>1)</sup>	304	270
Provision for taxation not yet approved <sup>2)</sup>	67	486
Other current assets	40	94
<b>Total</b>	<b>411</b>	<b>850</b>

<sup>1)</sup> Fiscal difference and carrying amount.

In addition to the above, JM has loss-carry forwards and temporary differences in JM International, which are not reported as deferred tax assets, for SEK 718m, including SEK 203m that is time-limited within an interval of 1–10 years.

<sup>2)</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 Swedish Tax Agency submitting a request to apply the Tax Avoidance Act for deductions for some write-downs made by JM during the 2008–2009 fiscal years. In July 2015, rulings were made by the Administrative Court of Appeal in the cases appealed by the Swedish Tax Agency in favor of the Agency's claim of tax avoidance. These rulings relate to an increase in tax expenses of SEK 409m. JM paid the tax in 2015 and reversed the provisions for deferred tax that were allocated for the process. JM had appealed three of the cases to the Supreme Administrative Court, but received the Court's decision in February 2016 that the appeals would not be considered. There are no additional taxations under appeal.

#### NOTE 26 Progress billings in excess of recognized revenue

	2015	2014
Accumulated billing on account for work in progress	20,639	17,767
Recognized revenue in work in progress	-19,167	-16,639
<b>Total</b>	<b>1,472</b>	<b>1,128</b>

#### NOTE 27 Accrued expenses and deferred income

	2015	2014
Personnel-related items	413	415
Prepaid rental income	26	7
Other accruals	571	432
<b>Total</b>	<b>1,010</b>	<b>854</b>

#### NOTE 28 Pledged assets and contingent liabilities

	2015	2014
<b>Assets pledged to secure own provisions and liabilities</b>		
Corporate mortgages	100	100
Property mortgages	567	389
<b>Total</b>	<b>667</b>	<b>489</b>
<b>Contingent liabilities</b>		
Guarantee commitments, other	6,638	6,690
Guarantees in connection with assignments	1,251	1,189
Payment and rental guarantees	82	44
Other contingent liabilities	14	14
<b>Total</b>	<b>7,985</b>	<b>7,937</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-owner 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 is obligated to acquire from tenant-owners associations in Sweden, with which JM has signed turnkey contracts, apartments that have not been sold as tenant-owner apartments at the end of the most recent quarter following an approved 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 16 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 have been issued after the end of 2010.

JM takes out policies via Gar-Bo Försäkring AB for its tenant-owners associations as security for paid advances, down payments and charges. The insurance policy 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 account, after which Gar-Bo Försäkring AB is under no obligation to provide any compensation. Claims have not been made against the insurance policy 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 29 Related party disclosures

Related party disclosures are presented in Note 3. The Group's related party transactions, in addition to that set out in Note 3, Employees and personnel costs, refers only to joint operations and associated companies. They are limited in scope and were subject to market conditions.

INCOME STATEMENT – PARENT COMPANY, SEK m	NOTE	2015	2014
Net sales	1	9,761	8,543
Production and operating costs	2	–7,875	–6,663
<b>Gross profit</b>		<b>1,886</b>	<b>1,880</b>
Selling and administrative expenses	2, 3, 4	–545	–485
Gains/losses on the sale of property	5	13	20
<b>Operating profit</b>		<b>1,354</b>	<b>1,415</b>
<b>Result from financial items</b>	6		
Result from Group companies		44	213
Result from associated companies		6	5
Result from other financial assets		1	1
Result from financial current assets		3	20
Interest expenses and similar income statement items		–53	–80
<b>Profit before appropriations and tax</b>		<b>1,355</b>	<b>1,574</b>
Appropriations	7	–167	–219
<b>Profit before tax</b>		<b>1,188</b>	<b>1,355</b>
Taxes	8	–704	–260
<b>Net profit for the year</b>		<b>484</b>	<b>1,095</b>
<b>STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY, SEK m</b>		<b>2015</b>	<b>2014</b>
<b>Net profit for the year</b>		<b>484</b>	<b>1,095</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>484</b>	<b>1,095</b>
<b>CASH FLOW STATEMENT – PARENT COMPANY, SEK m</b>	<b>NOTE</b>	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>	1		
Operating profit		1,354	1,415
Depreciation and amortization		3	3
Other non-cash items		–16	–35
<b>Sub-total, cash flow from operating activities</b>		<b>1,341</b>	<b>1,383</b>
Interest received		3	13
Dividends received		57	58
Interest paid and other financial expenses		–26	–40
Paid tax		–742	–392
<b>Cash flow from operating activities before change in working capital</b>		<b>633</b>	<b>1,022</b>
Investment in development properties, etc.		–2,831	–1,416
Payment on account for development properties, etc.		1,824	1,685
Increase/decrease in other current receivables, etc.		–544	59
Increase/decrease in other current operating liabilities		611	–346
<b>Cash flow before investments and sales of project properties</b>		<b>–307</b>	<b>1,004</b>
Investment in project properties, etc.		28	–20
Sale of project properties, etc.		-	20
<b>Cash flow from operating activities</b>		<b>–279</b>	<b>1,004</b>
<b>INVESTING ACTIVITIES</b>			
Change in property, plant, and equipment		–2	–8
Investment in Group companies and associated companies, etc.		–194	–75
Change in financial assets		-	3
<b>Cash flow from investing activities</b>		<b>–196</b>	<b>–80</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		518	15
Amortization of debt		0	0
Redeemed options		1	0
Buy-back of shares		–500	–500
Dividend		–600	–558
<b>Cash flow from financing activities</b>		<b>–581</b>	<b>–1,043</b>
<b>Cash flow for the year</b>		<b>–1,056</b>	<b>–119</b>
<b>Cash and cash equivalents, January 1</b>		<b>2,119</b>	<b>2,238</b>
<b>Cash and cash equivalents, December 31</b>		<b>1,063</b>	<b>2,119</b>

BALANCE SHEET – PARENT COMPANY, SEK m	NOTE	2015	2014
<b>ASSETS</b>	1		
<b>Non-current assets</b>			
<b>Plant, property, and equipment</b>			
Equipment and other tools	9	6	7
<b>Financial assets</b>	10		
Participations in Group companies	10	1,318	1,031
Participations in joint operations and associated companies		219	209
Long-term receivables in associated companies		17	17
Other long-term receivables		3	4
Deferred tax assets	8	15	-
		<b>1,572</b>	<b>1,261</b>
<b>Total non-current assets</b>		<b>1,578</b>	<b>1,268</b>
<b>Current assets</b>			
Project properties	11	71	124
Development properties	11	4,082	3,578
Participations in tenant-owners associations, etc.	12	154	138
<b>Current receivables</b>			
Accounts receivable		236	122
Other current receivables		208	264
Current interest-bearing receivables in Group companies		1,192	967
Recognized revenue less progress billings	13	918	642
Prepaid expenses and accrued income		6	11
		<b>2,560</b>	<b>2,006</b>
<b>Cash and cash equivalents</b>	14	<b>1,063</b>	<b>2,119</b>
<b>Total current assets</b>		<b>7,930</b>	<b>7,965</b>
<b>TOTAL ASSETS</b>		<b>9,508</b>	<b>9,233</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity<sup>1)</sup></b>			
Share capital		75	77
<b>Restricted equity</b>		<b>75</b>	<b>77</b>
Share premium reserve		117	91
Undistributed earnings		1,529	1,532
Net profit for the year		484	1,095
<b>Unrestricted equity</b>		<b>2,130</b>	<b>2,718</b>
<b>Total shareholders' equity</b>		<b>2,205</b>	<b>2,795</b>
<b>Untaxed reserves</b>	15	<b>1,975</b>	<b>1,775</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations	16	648	645
Deferred tax liabilities	8	-	19
Warranty provisions	17	207	190
		<b>855</b>	<b>854</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	18	215	95
Other long-term receivables		138	120
		<b>353</b>	<b>215</b>
<b>Current liabilities</b>			
Accounts payable		341	226
Current interest-bearing liabilities	18	507	19
Other current liabilities	19	592	1,212
Current interest-bearing liabilities to Group companies	18	760	780
Derivatives		-	0
Current tax liabilities		76	16
Progress billings in excess of recognized revenue	20	1,126	727
Accrued expenses and deferred income	21	718	614
		<b>4,120</b>	<b>3,594</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,508</b>	<b>9,233</b>
<b>Pledged assets</b>	22	<b>169</b>	<b>169</b>
<b>Contingent liabilities</b>	22	<b>9,250</b>	<b>8,981</b>

<sup>1)</sup> See the Statement of changes in equity – Parent Company.



STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY, SEK m	Share capital	Share premium reserve	Undistributed earnings	Total share-holders' equity
<b>Opening balance, January 1, 2014</b>	<b>80</b>	<b>69</b>	<b>2,618</b>	<b>2,767</b>
Total comprehensive income for the year	-	-	1,095	1,095
Dividend	-	-	-558	-558
Merger of Group companies	-	-	-31	-31
Conversion of convertible loan	0	21	-	21
Equity component of convertible debentures	-	1	-	1
Buy-back of shares	-	-	-500	-500
Elimination of repurchased shares	-3	-	3	-
<b>Closing balance, December 31, 2014</b>	<b>77</b>	<b>91</b>	<b>2,627</b>	<b>2,795</b>
<b>Opening balance, January 1, 2015</b>	<b>77</b>	<b>91</b>	<b>2,627</b>	<b>2,795</b>
Total comprehensive income for the year	-	-	484	484
Dividend	-	-	-600	-600
Conversion of convertible loan	0	25	-	25
Equity component of convertible debentures	-	1	-	1
Buy-back of shares	-	-	-500	-500
Elimination of repurchased shares	-2	-	2	-
<b>Closing balance, December 31, 2015</b>	<b>75</b>	<b>117</b>	<b>2,013</b>	<b>2,205</b>

Number of shares (1 vote/share) as of December 31, 2015, amounts to 75,173,524 (77,082,025), of which JM AB repurchased 1,579,524 shares (1,610,554) which do not participate in dividends. Par value per share is SEK 1.

The proposed dividend for 2015 is SEK 8.25 per share (8.00).

**NOTE 1 Accounting and valuation principles**

Amounts in SEK m unless stated otherwise.

For the Parent Company's accounting policies, please refer to the Group's accounting and valuation principles on pages 68-71.

**NOTE 2 Employees and personnel costs**

	2015	2014
<b>Average number of employees (all in Sweden)</b>	<b>1,532</b>	<b>1,414</b>
of which men, %	(81)	(81)
<b>Wages, salaries, other remuneration and social security expenses</b>		
<b>Board of Directors and President</b>	<b>13</b>	<b>13</b>
(of which variable remuneration)	(4)	(4)
<b>Other employees</b>	<b>768</b>	<b>709</b>
(of which variable remuneration)	(55)	(55)
<b>Total salaries and other remuneration</b>	<b>781</b>	<b>722</b>
(of which variable remuneration)	(59)	(59)
<b>Social security expenses</b>	<b>389</b>	<b>359</b>
(of which pension costs)	(143) <sup>1)</sup>	(133) <sup>1)</sup>
<b>Total Parent Company</b>	<b>1,170</b>	<b>1,081</b>

<sup>1)</sup> Of the Parent Company's pension costs, SEK 2.4m (2.3) pertains to the President. The Company's outstanding pension obligations to the President amount to SEK 0.6m (0.6). 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**

	2015	2014
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 4 Fees and remuneration to auditors**

	2015	2014
<b>Ernst &amp; Young</b>		
Auditing services	2.8	3.0
Tax services	0.3	0.3
Other services	0.6	0.5
<b>Total</b>	<b>3.7</b>	<b>3.8</b>

**NOTE 5 Gains/losses on the sale of property**

	2015	2014
<b>Sales values</b>		
Project properties	-	20
Development properties	180	73
<b>Total</b>	<b>180</b>	<b>93</b>
<b>Carrying amounts</b>		
Project properties	-	0
Development properties	-167	-73
<b>Total</b>	<b>-167</b>	<b>-73</b>
<b>Results</b>		
Project properties	-	20
Development properties	13	0
<b>Total</b>	<b>13</b>	<b>20</b>

**NOTE 6 Results from financial items**

	Result from Group companies		Result from associated companies		Result from other financial assets		Result from financial current assets		Interest expenses and similar income statement items		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Dividend	100	239	6	5	-	-	-	-	-	-	106	244
Sales	0	5	-	-	-	-	-	-	-	-	0	5
Share in profits	6	8	-	-	-	-	-	-	-	-	6	8
Impairment loss	-62	-39	-	-	-	-	-	-	-	-	-62	-39
Interest income	-	-	-	-	1	1	1	9	-	-	2	10
Income, reassessment of derivatives	-	-	-	-	-	-	2	9	-	-	2	9
Interest income, Group companies	-	-	-	-	-	-	0	2	-	-	0	2
Interest expenses	-	-	-	-	-	-	-	-	-27	-34	-27	-34
Expenses, revaluation of derivatives	-	-	-	-	-	-	-	-	-2	-9	-2	-9
Interest portion in this year's pension costs	-	-	-	-	-	-	-	-	-24	-37	-24	-37
<b>Total</b>	<b>44</b>	<b>213</b>	<b>6</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>20</b>	<b>-53</b>	<b>-80</b>	<b>1</b>	<b>159</b>

**NOTE 7 Appropriations**

	2015	2014
Provision to tax allocation reserve	-380	-380
Reversal of previous years' provision to tax allocation reserve	180	79
Group contribution received	33	82
<b>Total</b>	<b>-167</b>	<b>-219</b>

**NOTE 8 Taxes**

	2015	2014
<b>Profit before tax</b>	<b>1,188</b>	<b>1,355</b>
Current tax	-739	-274
Deferred tax	35	14
<b>Total tax</b>	<b>-704</b>	<b>-260</b>

Difference between reported tax and nominal tax rate 22 percent

	2015	2014
<b>Profit before tax × 22%</b>	<b>-261</b>	<b>-298</b>
Adjustment of tax from previous years	-445	0
Non-taxable revenue	24	54
Non-deductible expenses	-19	-11
Tax untaxed reserve (tax allocation reserve)	-3	-5
<b>Total</b>	<b>-704</b>	<b>-260</b>

The Swedish Tax Agency conducted an audit for the fiscal years 2008–2009. In 2015 four rulings were made by the Administrative Court of Appeal in favor of the Swedish

Tax Agency's claim of tax avoidance. The cases referred to an increase in tax expense of SEK 409m for the assessment years in question. JM AB paid the taxes in 2015 and expensed the outcome of the rulings under the item, adjustment of tax from previous years, SEK 445m, including interest expenses. JM had appealed three of the cases to the Supreme Administrative Court, but received the Court's decision in February 2016 that the appeals would not be considered. JM previously made provisions at the Group level for a negative outcome. There are no additional taxations under appeal.

<b>Deferred tax assets and tax liabilities</b>	2015	2014
Deferred tax assets attributable to personnel-related provisions and warranty provisions	38	34
Deferred tax liability attributable to temporary differences in project properties and development properties	-23	-53
<b>Net deferred tax receivables</b>	<b>15</b>	<b>-19</b>

**NOTE 9 Equipment and other tools**

	2015	2014
<i>Accumulated cost</i>		
<b>On January 1</b>	<b>34</b>	<b>26</b>
New purchases	2	8
<b>On December 31</b>	<b>36</b>	<b>34</b>
<i>Accumulated depreciation according to plan</i>		
<b>On January 1</b>	<b>-27</b>	<b>-24</b>
Depreciation for the year	-3	-3
<b>On December 31</b>	<b>-30</b>	<b>-27</b>
<b>Closing residual value according to plan</b>	<b>6</b>	<b>7</b>

**NOTE 10 Financial assets**

	Participations in Group companies		Participations in joint operations and associated companies		Long-term receivables in associated companies		Other long-term securities		Long-term receivables		Deferred tax assets		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<i>Accumulated cost</i>														
<b>On January 1</b>	<b>1,031</b>	<b>1,297</b>	<b>209</b>	<b>153</b>	<b>17</b>	<b>43</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>16</b>	<b>0</b>	<b>32</b>	<b>1,261</b>	<b>1,541</b>
New purchases	349	50	10	56	-	-	-	-	-	-	-	-	359	106
Additional receivables	-	-	-	-	-	-	-	-	-	-	15	-	15	-
Settled receivables	-	-	-	-	-	-26	-	-	-1	-12	-	-	-1	-38
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-32	-	-32
Merger	-	-277	-	-	-	-	-	-	-	-	-	-	-	-277
Sales	-	0	-	-	-	-	-	-	-	-	-	-	-	0
Impairment losses for the year	-62	-39	-	-	-	-	-	-	-	-	-	-	-62	-39
<b>On December 31</b>	<b>1,318</b>	<b>1,031</b>	<b>219</b>	<b>209</b>	<b>17</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>15</b>	<b>-</b>	<b>1,572</b>	<b>1,261</b>

For specification of the Parent Company's and the Group's participations in joint operations and associated companies, see the Group's Note 13.



Note 10 cont.

**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	
				2015	2014
AB Borätt	556257-9275	Stockholm	500	1,978	1,978
AB Garantibus	556073-0524	Stockholm	5,000	1,000	1,000
AB Konvertibelhus	559001-7025	Stockholm	500	50	-
AB Kulsinter (previously Fabege Bällsta AB)	556066-7643	Stockholm	10,000	140,056	140,056
Bo Entreprenad AB	556807-5328	Stockholm	1,000	100	100
BRO Haifa 1 AB	556821-1949	Stockholm	500	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
Fastighets AB Graningesjön 4	556927-6529	Örebro	500	22,534	-
Fastighetsbolaget Bohusmark KB	916443-1125	Göteborg	1	1,120	1,120
Förvaltnings AB Rickomberg Dal	556731-8596	Uppsala	1,000	4,354	4,354
HavreskalEtt AB	559033-0659	Stockholm	500	242,136	-
Huddinge Fabriken AB	556694-7049	Stockholm	1,000	41,276	41,276
JM Byrån Holding AB	556752-9630	Stockholm	1,000	100	100
JM Construction S.A., Belgium	413662141	Brussels	10,000	91,906	111,906
JM Danmark A/S, Denmark	21410233	Copenhagen	100,000	5,081	17,082
JM Entreprenad AB	556060-8837	Stockholm	200,000	107,750	107,750
JM Fastighetsutveckling Holding AB	556847-3259	Stockholm	500	50	50
JM Fastighetsutveckling 2 Holding AB	559034-9089	Stockholm	500	50	-
JM Hyresbostäder Holding AB	556977-0471	Stockholm	500	50	-
JM Inredning i Stockholm AB	556202-8653	Stockholm	1,000	50	50
JM Kammarsadeln 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 Suomi OY, Finland	1974161-8	Helsinki	1,000	157,727	159,333
JM Värmdöstrand AB	556001-6213	Värmdö	4,400	158,000	158,000
KB Silverfjädern	969676-7525	Stockholm	-	0	0
Klippjuset Holding AB	556872-0527	Stockholm	500	50	50
Minimalen Bostad AB (previously SBC Bo AB)	556754-2138	Stockholm	1,000	13,550	3,550
Seniorgården AB	556359-9082	Stockholm	1,000	100	100
Stockholm Pundet 1 AB	556852-1297	Stockholm	500	74,722	74,722
Squatina AB	556746-7880	Stockholm	1,000	45,587	-
Tölö Ängar AB	556881-8388	Stockholm	50,000	34,853	34,853
<b>Carrying amount, December 31</b>				<b>1,317,666</b>	<b>1,030,866</b>

**NOTE 11 Project properties and development properties**

	Project properties		Development properties	
	2015	2014	2015	2014
<i>Accumulated cost</i>				
<b>On January 1</b>	<b>144</b>	<b>116</b>	<b>3,623</b>	<b>2,353</b>
New purchases	-28	23	1,998	1,836
Merger	-	-	-	568
Reclassifications	-45	5	45	-16
Transferred to production	-	-	-1,352	-1,045
Sales	-	-	-180	-73
<b>On December 31</b>	<b>71</b>	<b>144</b>	<b>4,134</b>	<b>3,623</b>
<i>Accumulated impairment losses</i>				
<b>On January 1</b>	<b>-20</b>	<b>-20</b>	<b>-45</b>	<b>-45</b>
Reclassifications	20	-	-20	-
Sales	-	-	13	-
<b>On December 31</b>	<b>-</b>	<b>-20</b>	<b>-52</b>	<b>-45</b>
<b>Closing residual value at end of year</b>	<b>71</b>	<b>124</b>	<b>4,082</b>	<b>3,578</b>

Reported residual value for the part of project properties recognized at net realizable value amounts to SEK 0m (85) and for development properties SEK 121m (184).

**NOTE 12 Participations in tenant-owner associations, etc.**

	2015	2014
<i>Accumulated cost</i>		
<b>On January 1</b>	<b>138</b>	<b>265</b>
New purchases	285	463
Sales	-269	-590
<b>On December 31</b>	<b>154</b>	<b>138</b>

**NOTE 13 Recognized revenue less progress billings**

	2015	2014
Recognized revenue in work in progress	3,093	3,270
Accumulated billing on account for work in progress	-2,175	-2,628
<b>Total</b>	<b>918</b>	<b>642</b>

**NOTE 14 Cash and cash equivalents**

	2015	2014
Cash and bank balances	1,063	1,519
Short-term investments	-	600
<b>Total</b>	<b>1,063</b>	<b>2,119</b>

Short-term investments have a maturity of between one day and up to three months.

**NOTE 15 Untaxed reserves**

	2015	2014
Tax allocation reserve for 2010 taxation	-	180
Tax allocation reserve for 2011 taxation	225	225
Tax allocation reserve for 2012 taxation	270	270
Tax allocation reserve for 2013 taxation	350	350
Tax allocation reserve for 2014 taxation	370	370
Tax allocation reserve for 2015 taxation	380	380
Tax allocation reserve for 2016 taxation	380	-
<b>Total</b>	<b>1,975</b>	<b>1,775</b>

**NOTE 16 Provisions for pensions and similar obligations**

	2015	2014
<b>On January 1</b>	<b>645</b>	<b>629</b>
Benefits earned during the period	20	19
Interest expenses	23	23
Pensions paid	-36	-36
Other	-4	10
<b>On December 31</b>	<b>648</b>	<b>645</b>

In the Parent Company, the ITP plan is posted as a liability under pension provisions.

**NOTE 17 Warranty provisions**

	2015	2014
<b>On January 1</b>	<b>190</b>	<b>181</b>
Provisions	56	56
Utilized during the year	-37	-42
Reversed provisions	-2	-5
<b>On December 31</b>	<b>207</b>	<b>190</b>

**NOTE 18 Interest-bearing liabilities**

<b>Long-term interest-bearing liabilities</b>	2015	2014
Other liabilities 1–5 years from the closing date	170	55
Convertible loans 1–5 years	45	40
<b>Total</b>	<b>215</b>	<b>95</b>

<b>Current interest-bearing liabilities</b>	2015	2014
Convertible loans 1 year	7	19
Liabilities to credit institutions	500	-
Liabilities to Group companies	760	780
<b>Total</b>	<b>1,267</b>	<b>799</b>

**Liabilities to credit institutions, confirmed credits**

<b>Credit agreements</b>	2015	2014
Bank overdraft facility	400	400
Granted credit agreement due date within one year	650	950
Granted credit agreement due date greater than one year	1,750	1,450
Unutilized portion	-2,300	-2,800
<b>Utilized credit agreement</b>	<b>500</b>	<b>-</b>

Credit agreements carry fixed interest.

**NOTE 19 Other current liabilities**

	2015	2014
Short-term promissory notes, development properties	259	995
Other current liabilities	333	217
<b>Total</b>	<b>592</b>	<b>1,212</b>

**NOTE 20 Progress billings in excess of recognized revenue**

	2015	2014
Accumulated billing on account for work in progress	16,592	12,427
Recognized revenue in work in progress	-15,466	-11,700
<b>Total</b>	<b>1,126</b>	<b>727</b>

**NOTE 21 Accrued expenses and deferred income**

	2015	2014
Personnel-related items	282	285
Prepaid rental income	19	-
Other accruals	417	329
<b>Total</b>	<b>718</b>	<b>614</b>

**NOTE 22 Pledged assets and contingent liabilities**

	2015	2014
<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>	6,638	6,690
Guarantees on behalf of Group companies <sup>3)</sup>	2,405	2,000
Guarantees in connection with assignments	191	275
Payment and rental guarantees	2	1
Other contingent liabilities	14	15
<b>Total</b>	<b>9,250</b>	<b>8,981</b>

<sup>1,2)</sup> See the Group's Note 28 for comments.

<sup>3)</sup> Guarantees on behalf of Group companies mainly relate to commitments for international companies and JM Entreprenad AB.

**NOTE 23 Related party disclosures**

The Parent Company has a related party relationship with its subsidiaries and associated companies; see the Group's Note 13.

	2015	2014
Purchase of goods and services from Group companies	453	387
Interest income from Group companies	0	2
Dividend from Group companies	100	239
Share in profits from Group companies	6	8
Dividend from associated companies	6	5
Long-term receivables in associated companies	17	17
Current interest-bearing receivables in Group companies	1,192	967
Current interest-bearing liabilities to Group companies	760	780
Guarantees on behalf of Group companies	2,405	2,000

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 SEK m unless stated otherwise.

INCOME STATEMENT	2015	2014	2013	2012	2011
Revenue	13,939	14,216	12,603	12,480	12,001
Production and operating costs	-11,630	-11,649	-10,365	-10,273	-9,798
<b>Gross profit</b>	<b>2,309</b>	<b>2,567</b>	<b>2,238</b>	<b>2,207</b>	<b>2,203</b>
Selling and administrative expenses	-866	-773	-739	-738	-717
Gains/losses on the sale of property	56	25	24	0	27
Impairment loss on properties	-	-	-	-95	-
<b>Operating profit</b>	<b>1,499</b>	<b>1,819</b>	<b>1,523</b>	<b>1,374</b>	<b>1,513</b>
Financial income and expenses	-72	-75	-59	-56	-50
<b>Profit before tax</b>	<b>1,427</b>	<b>1,744</b>	<b>1,464</b>	<b>1,318</b>	<b>1,463</b>
Taxes	-342	-438	-360	-357	-421
<b>Net profit for the year</b>	<b>1,085</b>	<b>1,306</b>	<b>1,104</b>	<b>961</b>	<b>1,042</b>

#### INCOME STATEMENT BY FUNCTION

<b>Production</b>					
Recognized revenue	13,817	14,090	12,431	12,311	11,840
Production costs	-11,531	-11,560	-10,257	-10,168	-9,668
<b>Profit from production operations</b>	<b>2,286</b>	<b>2,530</b>	<b>2,174</b>	<b>2,143</b>	<b>2,172</b>
<b>Development properties</b>					
Rental revenue	99	98	101	92	88
Operating expenses	-56	-47	-41	-41	-51
Property tax	-28	-22	-25	-20	-23
<b>Profit from development properties</b>	<b>15</b>	<b>29</b>	<b>35</b>	<b>31</b>	<b>14</b>
<b>Project properties</b>					
Rental revenue	23	28	71	77	73
Operating expenses	-14	-19	-39	-41	-54
Property tax	-1	-1	-3	-3	-2
<b>Profit from project properties</b>	<b>8</b>	<b>8</b>	<b>29</b>	<b>33</b>	<b>17</b>
<b>Gross profit</b>	<b>2,309</b>	<b>2,567</b>	<b>2,238</b>	<b>2,207</b>	<b>2,203</b>
<b>Selling and administrative expenses</b>	<b>-821</b>	<b>-728</b>	<b>-691</b>	<b>-695</b>	<b>-674</b>
<b>Property sales</b>					
Sales values	572	102	623	0	142
Carrying amounts	-516	-77	-599	-	-115
<b>Gains/losses on the sale of property</b>	<b>56</b>	<b>25</b>	<b>24</b>	<b>0</b>	<b>27</b>
Impairment loss on properties	-	-	-	-95	-
Group-wide expenses	-45	-45	-48	-43	-43
<b>Operating profit</b>	<b>1,499</b>	<b>1,819</b>	<b>1,523</b>	<b>1,374</b>	<b>1,513</b>

BALANCE SHEET <sup>1)</sup>	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>209</b>	<b>225</b>	<b>236</b>	<b>254</b>	<b>315</b>
Project properties	378	230	244	933	859
Development properties	7,067	6,802	5,988	5,769	5,816
Participations in tenant-owners associations, etc.	235	243	325	214	150
Current receivables <sup>2)</sup>	2,808	2,451	1,972	1,911	1,719
Cash and cash equivalents	1,275	2,424	2,385	2,475	2,437
<b>Total current assets</b>	<b>11,763</b>	<b>12,150</b>	<b>10,914</b>	<b>11,302</b>	<b>10,981</b>
<b>TOTAL ASSETS</b>	<b>11,972</b>	<b>12,375</b>	<b>11,150</b>	<b>11,556</b>	<b>11,296</b>
<b>EQUITY AND LIABILITIES <sup>3)</sup></b>					
<b>Shareholders' equity</b>	<b>4,521</b>	<b>4,635</b>	<b>4,455</b>	<b>4,393</b>	<b>4,598</b>
Long-term interest-bearing liabilities	410	374	319	296	293
Other long-term liabilities	160	172	144	100	172
Long-term provisions	2,069	2,302	2,112	2,232	2,123
<b>Total non-current liabilities</b>	<b>2,639</b>	<b>2,848</b>	<b>2,575</b>	<b>2,628</b>	<b>2,588</b>
Current interest-bearing liabilities	934	659	504	581	566
Other current liabilities	3,784	4,139	3,526	3,846	3,440
Current provisions	94	94	90	108	104
<b>Total current liabilities</b>	<b>4,812</b>	<b>4,892</b>	<b>4,120</b>	<b>4,535</b>	<b>4,110</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,972</b>	<b>12,375</b>	<b>11,150</b>	<b>11,556</b>	<b>11,296</b>

<sup>1)</sup> Defined-benefit pension liabilities have been restated for 2012.

<sup>2)</sup> Of which receivables from property sales

<sup>3)</sup> Of which liabilities for property acquisition



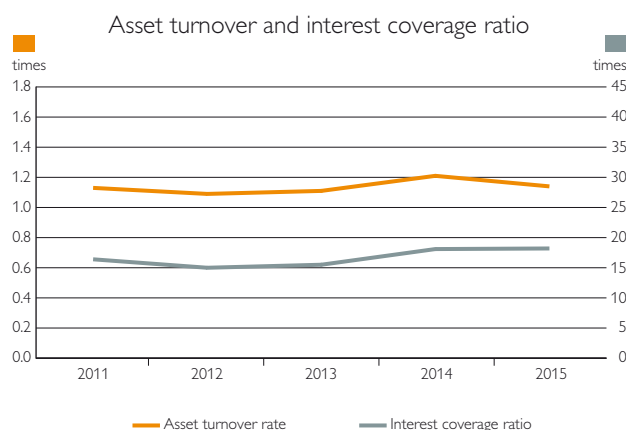
CASH FLOW STATEMENT	2015	2014	2013	2012	2011
From operating activities	-230	978	898	979	733
From investing activities	-11	-20	1	-2	-93
From financing activities	-902	-920	-987	-939	-290
<b>Total cash flow for the year</b>	<b>-1,143</b>	<b>38</b>	<b>-88</b>	<b>38</b>	<b>350</b>
<b>Cash and cash equivalents, December 31</b>	<b>1,275</b>	<b>2,424</b>	<b>2,385</b>	<b>2,475</b>	<b>2,437</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES <sup>1)</sup></b>					
Interest-bearing net liabilities (+)/receivables (-), January 1	-337	-642	-667	-737	-730
Change in interest-bearing net liabilities/receivables	1,535	305	25	70	-240
<b>Interest-bearing net liabilities (+)/receivables (-), December 31</b>	<b>1,198</b>	<b>-337</b>	<b>-642</b>	<b>-667</b>	<b>-970</b>
<b>DEVELOPMENT PROPERTIES</b>					
Carrying amount, January 1	6,802	5,988	5,769	5,816	5,374
New purchases	2,695	2,273	1,274	1,259	1,585
Transferred to production	-1,814	-1,427	-1,017	-1,300	-1,113
Other	-616	-32	-38	-6	-30
<b>Carrying amount, December 31</b>	<b>7,067</b>	<b>6,802</b>	<b>5,988</b>	<b>5,769</b>	<b>5,816</b>
<b>HOUSING PRODUCTION</b>					
Number of available building rights	31,100	29,400	27,700	26,600	27,200
– of which recognized in the balance sheet	18,100	17,500	17,800	17,400	17,600
Number of residential units sold	3,770	3,195	3,265	2,952	3,112
Number of housing starts	3,731	3,445	2,953	3,163	3,629
Number of residential units in current production	7,212	6,375	5,609	5,988	6,401
Percentage sold residential units in current production, %	64	57	54	55	60
Percentage reserved residential units in current production, %	22	21	17	11	8
Percentage sold and reserved residential units in current production, %	86	78	71	66	68
<b>PROJECT PROPERTIES</b>					
Market values	550	280	294	959	854
Carrying amounts	378	230	244	933	859
Surplus values before deferred tax	172	50	50	26	-5
<b>PERSONNEL</b>					
Average number of employees	2,316	2,218	2,247	2,386	2,331
– of which abroad	397	398	373	365	306
Wages, salaries and remunerations	1,219	1,167	1,151	1,198	1,084
<b>KEY RATIOS <sup>1)</sup></b>					
Operating margin, % <sup>2)</sup>	10.8	12.8	12.1	11.0	12.6
Return on equity after tax, %	23.7	28.7	25.0	21.9	24.5
Pre-tax return on capital employed, %	22.0	28.6	25.2	23.0	27.5
Pre-tax return on total capital, %	12.4	15.7	13.8	12.4	14.7
Equity/assets ratio, % <sup>2)</sup>	38	37	40	38	41
Interest-bearing loan, SEK m	2,473	2,087	1,743	1,808	1,467
Debt/equity ratio, times	0.3	-	-	-	-
Interest coverage ratio, times	18.2	18.1	15.5	15.0	16.4
Interest-bearing liabilities/total assets, %	21	17	16	16	13
Asset turnover rate, times	1.15	1.21	1.11	1.09	1.13

<sup>1)</sup> Defined-benefit pension liabilities have been restated for 2012.

<sup>2)</sup> Financial targets:

The operating margin should amount to 10 percent, including gains/losses from property sales.

The visible equity ratio should amount to 35 percent over a business cycle.



<sup>1)</sup> Defined-benefit pension liabilities have been restated for 2012.

Amounts in SEK m unless stated otherwise.

INCOME STATEMENT	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	13,939	3,744	3,410	3,485	3,300	14,216	4,686	3,035	3,526	2,969
Production and operating costs	-11,630	-3,092	-2,886	-2,899	-2,753	-11,649	-3,872	-2,490	-2,900	-2,387
<b>Gross profit</b>	<b>2,309</b>	<b>652</b>	<b>524</b>	<b>586</b>	<b>547</b>	<b>2,567</b>	<b>814</b>	<b>545</b>	<b>626</b>	<b>582</b>
Selling and administrative expenses	-866	-242	-179	-235	-210	-773	-198	-164	-217	-194
Gains/losses on the sale of property	56	1	21	10	24	25	2	0	20	3
<b>Operating profit</b>	<b>1,499</b>	<b>411</b>	<b>366</b>	<b>361</b>	<b>361</b>	<b>1,819</b>	<b>618</b>	<b>381</b>	<b>429</b>	<b>391</b>
Financial income and expenses	-72	-17	-24	-12	-19	-75	-23	-22	-13	-17
<b>Profit before tax</b>	<b>1,427</b>	<b>394</b>	<b>342</b>	<b>349</b>	<b>342</b>	<b>1,744</b>	<b>595</b>	<b>359</b>	<b>416</b>	<b>374</b>
Taxes	-342	-84	-94	-83	-81	-438	-160	-87	-100	-91
<b>Profit for the period</b>	<b>1,085</b>	<b>310</b>	<b>248</b>	<b>266</b>	<b>261</b>	<b>1,306</b>	<b>435</b>	<b>272</b>	<b>316</b>	<b>283</b>

**BALANCE SHEET** 12/31/2015 09/30/2015 06/30/2015 03/31/2015 12/31/2014 09/30/2014 06/30/2014 03/31/2014

<b>ASSETS</b>									
<b>Non-current assets</b>	<b>209</b>	<b>217</b>	<b>229</b>	<b>228</b>		<b>225</b>	<b>248</b>	<b>244</b>	<b>237</b>
Project properties	378	326	280	238		230	203	203	263
Development properties	7,067	7,189	6,727	6,839		6,802	6,042	5,963	6,083
Participations in tenant-owners associations, etc.	235	229	292	318		243	228	338	425
Current receivables	2,808	2,646	2,048	2,166		2,451	2,233	2,280	2,053
Cash and cash equivalents	1,275	1,557	1,887	2,077		2,424	2,155	1,962	2,142
<b>Total current assets</b>	<b>11,763</b>	<b>11,947</b>	<b>11,234</b>	<b>11,638</b>		<b>12,150</b>	<b>10,861</b>	<b>10,746</b>	<b>10,966</b>
<b>TOTAL ASSETS</b>	<b>11,972</b>	<b>12,164</b>	<b>11,463</b>	<b>11,866</b>		<b>12,375</b>	<b>11,109</b>	<b>10,990</b>	<b>11,203</b>
<b>EQUITY AND LIABILITIES</b>									
<b>Shareholders' equity</b>	<b>4,521</b>	<b>4,358</b>	<b>4,277</b>	<b>4,726</b>		<b>4,635</b>	<b>4,397</b>	<b>4,297</b>	<b>4,629</b>
Long-term interest-bearing liabilities	410	472	489	426		374	347	315	324
Other long-term liabilities	160	150	158	166		172	140	140	140
Long-term provisions	2,069	2,047	2,455	2,352		2,302	2,210	2,154	2,138
<b>Total non-current liabilities</b>	<b>2,639</b>	<b>2,669</b>	<b>3,102</b>	<b>2,944</b>		<b>2,848</b>	<b>2,697</b>	<b>2,609</b>	<b>2,602</b>
Current interest-bearing liabilities	934	548	569	640		659	568	640	635
Other current liabilities	3,784	4,486	3,412	3,453		4,139	3,362	3,358	3,247
Current provisions	94	103	103	103		94	85	86	90
<b>Total current liabilities</b>	<b>4,812</b>	<b>5,137</b>	<b>4,084</b>	<b>4,196</b>		<b>4,892</b>	<b>4,015</b>	<b>4,084</b>	<b>3,972</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11,972</b>	<b>12,164</b>	<b>11,463</b>	<b>11,866</b>		<b>12,375</b>	<b>11,109</b>	<b>10,990</b>	<b>11,203</b>

CASH FLOW STATEMENT	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
From operating activities	-230	-423	-193	659	-273	978	339	349	531	-241
From investing activities	-11	-2	-2	-5	-2	-20	-6	-1	-6	-7
From financing activities	-902	143	-131	-841	-73	-920	-61	-156	-708	5
<b>Total cash flow for the period</b>	<b>-1,143</b>	<b>-282</b>	<b>-326</b>	<b>-187</b>	<b>-348</b>	<b>38</b>	<b>272</b>	<b>192</b>	<b>-183</b>	<b>-243</b>

<b>Cash and cash equivalents at end of the period</b>	<b>1,275</b>	<b>1,275</b>	<b>1,557</b>	<b>1,887</b>	<b>2,077</b>	<b>2,424</b>	<b>2,424</b>	<b>2,155</b>	<b>1,962</b>	<b>2,142</b>
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INTEREST-BEARING NET LIABILITIES/RECEIVABLES	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Interest-bearing net liabilities (+)/receivables (-) at beginning of period	-337	596	295	106	-337	-642	-226	-70	-255	-642
Change in interest-bearing net liabilities/receivables	1,535	602	301	189	443	305	-111	-156	185	387
<b>Interest-bearing net liabilities (+)/receivables (-) at end of period</b>	<b>1,198</b>	<b>1,198</b>	<b>596</b>	<b>295</b>	<b>106</b>	<b>-337</b>	<b>-337</b>	<b>-226</b>	<b>-70</b>	<b>-255</b>

DEVELOPMENT PROPERTIES	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Opening balance at beginning of period	6,802	7,189	6,727	6,839	6,802	5,988	6,042	5,963	6,083	5,988
New purchases	2,695	546	1,298	347	504	2,273	1,395	413	184	281
Transferred to production	-1,814	-486	-476	-433	-419	-1,427	-607	-358	-261	-201
Other	-616	-182	-360	-26	-48	-32	-28	24	-43	15
<b>Closing balance at the end of the period</b>	<b>7,067</b>	<b>7,067</b>	<b>7,189</b>	<b>6,727</b>	<b>6,839</b>	<b>6,802</b>	<b>6,802</b>	<b>6,042</b>	<b>5,963</b>	<b>6,083</b>

KEY RATIOS	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Operating margin, %	10.8	11.0	10.7	10.4	10.9	12.8	13.2	12.6	12.2	13.2
Debt/equity ratio, times	0.3	0.3	0.1	0.1	0.0	-	-	-	-	-
Equity/assets ratio, %	38	38	36	37	40	37	37	40	39	41
Earnings per share, SEK	14.50	4.20	3.30	3.50	3.50	17.00	5.70	3.50	4.10	3.70
Number of available building rights	31,100	31,100	28,700	27,900	29,700	29,400	29,400	28,400	28,200	27,700
Number of residential units sold	3,770	939	891	1,097	843	3,195	918	792	788	697
Number of housing starts	3,731	1,066	888	1,029	748	3,445	1,168	867	716	694
Number of residential units in current production	7,212	7,212	7,073	6,917	6,635	6,375	6,375	6,036	5,853	5,549

## Business segments

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JM RESIDENTIAL STOCKHOLM	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	6,273	1,631	1,522	1,575	1,545	5,692	1,748	1,300	1,365	1,279
Operating profit <sup>1)</sup>	1,078	288	259	268	263	1,278	388	288	299	303
Operating margin, %	17.2	17.7	17.0	17.0	17.0	22.5	22.2	22.2	21.9	23.7
Average operating capital	4,134	4,134	3,823	3,530	3,336	3,110	3,110	2,923	2,924	2,941
Return on operating capital, % <sup>2)</sup>	26.1	26.1	30.8	34.2	37.1	41.1	41.1	43.4	42.3	41.6
Operating cash flow	-344	-640	457	252	-413	1,132	470	260	238	164
Carrying amount, development properties	4,517	4,517	4,536	3,928	4,012	3,965	3,965	3,222	3,132	3,139
Number of available building rights	12,400	12,400	11,900	11,500	11,900	11,900	11,900	11,000	11,100	11,000
Number of residential units sold	1,600	370	375	480	375	1,553	393	375	390	395
Number of housing starts	1,667	470	444	402	351	1,505	377	367	365	396
Number of residential units in current production	3,627	3,627	3,354	3,277	3,332	3,293	3,293	3,030	2,938	2,741
<sup>1)</sup> Of which property sales	0	0	-	-	-	10	-	-	10	-

JM RESIDENTIAL SWEDEN	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	3,278	1,019	671	851	737	2,764	799	569	689	707
Operating profit <sup>1)</sup>	308	102	68	78	60	216	67	45	53	51
Operating margin, %	9.4	10.0	10.1	9.2	8.1	7.8	8.4	7.9	7.7	7.2
Average operating capital	1,289	1,289	1,304	1,323	1,399	1,419	1,419	1,457	1,509	1,529
Return on operating capital, % <sup>2)</sup>	23.9	23.9	20.9	18.9	16.1	15.2	15.2	14.6	14.0	14.3
Operating cash flow	533	192	-72	334	79	237	51	130	202	-146
Carrying amount, development properties	1,269	1,269	1,251	1,190	1,101	1,167	1,167	1,205	1,191	1,313
Number of available building rights	9,900	9,900	9,100	8,900	9,300	9,400	9,400	8,800	9,000	8,700
Number of residential units sold	1,273	322	326	358	267	981	297	232	235	217
Number of housing starts	1,228	368	317	278	265	1,003	327	232	232	212
Number of residential units in current production	1,944	1,944	1,979	1,883	1,758	1,528	1,528	1,606	1,627	1,317
<sup>1)</sup> Of which property sales	0	0	-	-	0	0	0	-	0	-

JM INTERNATIONAL	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	3,059	873	658	892	636	2,942	831	767	727	617
Operating profit <sup>1)</sup>	166	46	40	47	33	135	63	29	25	18
Operating margin, %	5.4	5.3	6.1	5.3	5.2	4.6	7.6	3.8	3.4	2.9
Average operating capital	2,145	2,145	2,211	2,243	2,285	2,239	2,239	2,223	2,204	2,162
Return on operating capital, % <sup>2)</sup>	7.7	7.7	8.3	7.7	6.6	6.0	6.0	5.2	5.3	5.6
Operating cash flow	434	191	56	271	-84	99	81	107	65	-154
Carrying amount, development properties	1,202	1,202	1,321	1,528	1,645	1,579	1,579	1,521	1,546	1,549
Carrying amount, project properties	31	31	32	28	28	28	28	32	32	31
Number of available building rights	8,200	8,200	7,200	7,000	7,900	7,500	7,500	7,600	7,300	7,200
Number of residential units sold	843	193	190	259	201	607	228	185	109	85
Number of housing starts	782	228	127	295	132	653	180	268	119	86
Number of residential units in current production	1,303	1,303	1,256	1,273	1,115	1,124	1,124	1,200	1,088	1,291
<sup>1)</sup> Of which property sales	39	-1	20	9	11	3	-	-	-	3

JM PROPERTY DEVELOPMENT	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	206	100	14	45	47	401	78	74	196	53
Operating profit <sup>1)</sup>	38	23	0	0	15	51	11	9	23	8
Average operating capital	326	326	273	245	237	261	261	380	523	676
Return on operating capital, % <sup>2)</sup>	11.7	11.7	9.5	14.3	24.5	19.5	19.5	14.7	10.7	5.0
Operating cash flow	-206	-112	-55	-34	-5	178	-11	-4	70	123
Carrying amount, development properties	35	35	25	25	25	31	31	31	31	31
Carrying amount, project properties	347	347	294	252	210	202	202	171	171	232
Number of available building rights <sup>3)</sup>	600	600	500	500	600	600	600	1,000	800	800
Number of residential units sold <sup>3)</sup>	54	54	-	-	-	54	-	-	54	-
Number of housing starts <sup>3)</sup>	54	-	-	54	-	284	284	-	-	-
Number of residential units in current production <sup>3)</sup>	338	338	484	484	430	430	430	200	200	200
<sup>1)</sup> Of which property sales	17	2	1	1	13	12	2	0	10	0
<sup>3)</sup> Refers to rental units and residential care units.										

JM CONSTRUCTION	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	2,084	480	492	558	554	2,456	840	585	584	447
Operating profit	45	0	13	16	16	81	26	23	19	13
Operating margin, %	2.2	0.0	2.6	2.9	2.9	3.3	3.1	3.9	3.3	2.9
Operating cash flow	-34	-65	-11	-66	108	-73	-131	59	21	-22

JM OTHER	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue (elimination)	-453	-145	-101	-105	-102	-386	-156	-87	-77	-66
Operating profit (Group-wide expenses)	-45	-13	-7	-10	-15	-45	-10	-8	-13	-14

RESTATEMENT JM INTERNATIONAL	2015					2014				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	-508	-214	154	-331	-117	347	546	-173	42	-68
Operating profit	-91	-35	-7	-38	-11	103	73	-5	23	12

<sup>2)</sup> Calculated on 12-month rolling profits and average capital.



The Board of Directors and the President propose that the Parent Company's net profit for the year of SEK 483,291,519 and retained earnings and share premium reserve of SEK 1,646,443,060, for a total of SEK 2,129,734,579 be distributed as follows:

to shareholders a dividend of SEK 8.25 per share <sup>1)</sup>	SEK 607,240,260
to be carried forward	SEK 1,522,494,319
	SEK 2,129,734,579

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 and give a fair presentation of the Group's and the Company's position and financial performance, and that the Board of Director's Reports for the Group and the Company provide a fair presentation of the development of the Group's and the Company's operations, position and financial performance and describes the significant risks and uncertainty factors facing the companies that belong to the Group.

<sup>1)</sup> There are 75,184,404 registered shares in the Parent Company on January 31, 2016, of which the number of dividend-bearing shares amounts to 73,604,880. In accordance with the decision at the Annual General Meeting in April 2015, a maximum of ten (10) percent of JM's total number of shares may be bought back. To date, 1,579,524 shares have been bought back. Additional shares may be bought back before the Annual General Meeting in April 2016, which could decrease the total dividends.

Stockholm, February 19, 2016

Lars Lundquist  
*Chairperson of the Board*

Kaj-Gustaf Bergh  
*Member*

Johan Bergman  
*Member*

Anders Narvinger  
*Member*

Eva Nygren  
*Member*

Kia Orback Pettersson  
*Member*

Åsa Söderström Jerring  
*Member*

Thomas Mattsson  
*Member appointed  
by the employees*

Johan Skoglund  
*Member  
President*

Jan Strömberg  
*Member appointed  
by the employees*

Our Auditor's Report was submitted on February 19, 2016.  
Ernst & Young AB

Ingemar Rindstig  
*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 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 57–94.

### **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 in accordance with the Annual Accounts Act and of the 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 opinions.

### **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 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. 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 2015 and of their financial performance and cash flows for the year then ended 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 also audited 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 2015.

### **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 opinions.

### **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 19, 2016  
Ernst & Young AB

Ingemar Rindstig  
Authorized Public Accountant

## DEFINITIONS KEY FINANCIAL FIGURES

Amounts in SEK m unless stated otherwise.

**Dividend yield**

Proposed dividend in relation to market price as of December 31, 2015.

Proposed dividend	SEK 8.25
Share price, December 31	SEK 252.70
	3.3%

**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 3.70
Dividend paid	SEK 8.00
Share price, January 1	SEK 249.00
	5%

**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	1,085
Average number of shares	74,601,637
	SEK 14.50

**Operating margin (segment reporting)**

Operating profit as stated in segment reporting in relation to revenue as stated in segment reporting.

Operating profit	1,590
Revenue	14,447
	11.0%

**Operating margin**

Operating profit including property sales and impairment losses on properties in relation to revenue.

Operating profit	1,499
Revenue	13,939
	10.8%

**Return on equity**

Profit for the year as a percentage of average shareholders' equity.

Profit for the year	1,085
Average shareholders' equity	4,578
	23.7%

**Return on capital employed**

Profit before tax plus financial expenses as a percentage of average capital employed.

Profit before tax plus financial expenses	1,510
Average capital employed	6,858
	22.0%

**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	1,510
Average total assets	12,174
	12.4%

**Equity/assets ratio**

Shareholders' equity as a percentage of total assets.

Shareholders' equity	4,521
Total assets	11,972
	38%

**Interest coverage ratio**

Profit before tax plus financial expenses in relation to financial expenses.

Profit before tax plus financial expenses	1,510
Financial expenses	83
	18.2 times

**Interest-bearing liabilities/total assets**

Interest-bearing liabilities and provisions in relation to total assets.

Interest-bearing liabilities	2,473
Total assets	11,972
	21%

**Asset turnover rate**

Revenue divided by average total assets.

Revenue	13,939
Average total assets	12,174
	1.15 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 land 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)

**Revenue**

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-owner associations etc., receivables from property sales, receivables from sold participations in tenant-owner associations, accounts receivable and revenue less progress billings minus accounts payable, liabilities to tenant-owner 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. Refers to large residential portfolios for future development and commercial properties.

- Properties under development
- Fully developed rental units and residential care units
- 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 revenue 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 68–71.



# Corporate governance report for the 2015 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). JM complies with the Code without exception.

Through detailed and transparent accounting, JM will increase the knowledge of shareholders and other stakeholders about how the Board of Directors and the Executive Management operate in order to ensure that shareholders' demands for return on invested capital are met. Priority areas for long-term value creation include high ethical standards, JM's core values and code of conduct, professionalism, transparency and JM's contribution to social development. For more information about JM's contributions to sustainable urban planning, please refer to pages 33-50.

JM has been implementing a long-term and systematic project over the past few years to continuously develop its internal governance and control. This project has resulted in, for example, additional enhancements to the company's governance and control with regard to investment, selling and production decisions as well as governance and control during the project implementation phase. Internal governance and control are also exercised through the systematic committee work of the Board. In order to promote the development of the Board, an annual assessment of the Board's work is conducted.

## General Meeting

The General Meeting, which is the company's highest decision-making body, gives all shareholders the possibility to participate and exercise their influence. 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 of responsibility for the Board, election of auditors, remuneration for the Board and auditors and election of new Board members for the period extending to 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 had Swedish representation.

The 2015 Annual General Meeting was held on April 21. A total of 400 shareholders were represented, representing about 57 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)). One of the

resolutions made by the 2015 Annual General Meeting was to authorize the Board to decide on the acquisition of own shares. The 2016 Annual General Meeting will be held on April 21. None of the shareholders have a direct or indirect holding in the Company representing 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 general 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

The Nomination Committee is a body elected by the Company's Annual General Meeting that is tasked with nominating Board members, a Chairperson of the Board and auditing company as well as proposing fees for the Board and the committees of the Board prior to the Annual General Meeting. The work of the Nomination Committee is governed by the instructions for the Nomination Committee as adopted by the Annual General Meeting. This committee consists of representatives for the four largest shareholders in the Company that wish to participate. The Chairperson 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 Chairperson of the Board convened the Nomination Committee for the 2016 Annual General Meeting in August 2015, and it consists of the following people:

Åsa Nisell, Swedbank Robur Fonder  
Lars-Åke Bokenberger, AMF Försäkring och Fonder  
Jan Särilvik, Nordea Funds  
Hans Ek, SEB Fonder  
Lars Lundquist, Chairperson of the Board of JM.

At the time it was appointed, the Nomination Committee represented about 26 percent of the total number of JM shares. Åsa Nisell is Chairperson. The Nomination Committee held three recorded meetings and also corresponded by email and telephone. Members of the Nomination Committee have not received any compensation from JM.

At the recommendation of the Nomination Committee, the 2015 Annual General Meeting re-elected Ernst & Young AB as its auditing company. The election covers the period up until the end of the 2016 Annual General Meeting. The auditor-in-charge is Ingemar Rindstig.

Ingemar Rindstig has no assignments with other companies that affect his independence as the auditor for JM. Information about the auditing company's services to JM in addition to auditing is provided in Note 5 on page 76.

In addition to his assignment for JM, Ingemar Rindstig has auditing assignments with, among others, Atrium Ljungberg, ALM Equity, Besqab, Corem, D. Carnegie, Stendörren Fastigheter, Familjebostäder, Specialfastigheter, Vasakronan, Heimstaden AB, Magnolia Bostad AB and Stockholm Globe Arena Fastigheter AB.

## Board of Directors of JM

### COMPOSITION

According to the Articles of Association, JM's Board of Directors shall consist of a minimum of five and a maximum of nine members. No deputies shall be appointed. The Board members 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 2015 Annual General Meeting elected eight members. The employee organizations appointed two members 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 2015 calendar year is also presented. Approved remuneration is reported on page 101.

The Board of Directors held eleven meetings. The Audit Committee held four meetings. The Compensation Committee held four meetings. The Investment Committee held five meetings.

More information about the members of the Board of Directors according to article 2.6 of the Code is specified on page 104.

Name	Function	Elected	Committee	Attendance B	Attendance C
Lars Lundquist	Chairperson	2005	(Chair) C A <sup>4)</sup>	11	C 4 A 1 <sup>4)</sup>
Kaj-Gustaf Bergh	Member	2013	-	9	-
Johan Bergman	Member	2012	I	11	I 5
Anders Narvinger	Member	2009	(Chair) A	10	A 4
Eva Nygren	Member	2013	I C <sup>5)</sup>	9	I 4 C 3 <sup>5)</sup>
Kia Orback Pettersson	Member	2010	A	10	A 4
Johan Skoglund	Member	2003	<sup>1)</sup>	10	<sup>1)</sup>
Åsa Söderström Jerring	Member	2007	(Chair) I C <sup>5)</sup> A <sup>4)</sup>	11	I 5 C 1 <sup>5)</sup> A 2 <sup>4)</sup>
Johan Wegin	Emp. rep.	2002	-	2 <sup>2)</sup>	
Jan Strömberg	Emp. rep.	2011	-	10 <sup>2,3)</sup>	
Thomas Mattsson	Emp. rep.	2012	-	9	
Peter Olsson	Emp. rep., dep.	2014	-	9 <sup>3)</sup>	
Jonny Änges	Emp. rep., dep.	2015	-	6 <sup>2,3)</sup>	

<sup>1)</sup> Although Johan Skoglund is not a member of any of the Board's committees, he attends the committee meetings together with the reporting business unit manager and chief of staff.

<sup>2)</sup> Johan Wegin was the employee representative until April 2015 and he attended all meetings that were held up until this time. Jan Strömberg, who has been the deputy employee representative since 2011, replaced Johan Wegin and Jan Strömberg attended all meetings held in 2015 except the meetings held per capsulam before he took over as the regular employee representative. Jonny Änges replaced Jan Strömberg as an employee representative.

<sup>3)</sup> Deputy employee representatives do not participate in decisions per capsulam.

<sup>4)</sup> In 2015, Lars Lundquist was a member of the Audit Committee up until the Board's inaugural meeting following the Annual General Meeting. He attended one of the two meetings held up to that time. At the inaugural meeting, Lars Lundquist was replaced by Åsa Söderström Jerring. Åsa Söderström Jerring attended all meetings thereafter.

<sup>5)</sup> In 2015, Åsa Söderström Jerring was a member of the Compensation Committee up until the Board's inaugural meeting following the Annual General Meeting. At the inaugural meeting, Åsa Söderström Jerring was replaced by Eva Nygren. Eva Nygren attended all meetings thereafter. Åsa Söderström Jerring attended all meetings up until she was replaced.

## INDEPENDENT

All members 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/RESPONSIBILITIES

### Work 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 (Sustainability Policy, Quality Policy, Environmental Policy, Employee Policy, Communication Policy, Financial Policy and Purchasing Policy)
- JM's Ethical Guidelines, Guidelines for Communication and Guidelines for Procurement.

Newly elected members are introduced to the Company's business concept, market, policies and its systems for internal control and risk management.

### Board of Directors' duties

The Chairperson of JM's Board of Directors has ultimate responsibility for the Company complying with the established strategic focus. In this context the Chairperson has regular contact with the Company's President and serves as a discussion partner to the President. The work of the Chairperson otherwise complies with the requirements of the Code.

### Secretary to the Board

The company's General Counsel is the Secretary to the Board. She is not a member of the Board of Directors.

## Evaluation by the Board of its own work

The performance of the Board of Directors is evaluated every fall. During the fall of 2015, Alumni AB was assigned the task of evaluating the performance of the Board. The evaluation consisted of an extensive questionnaire answered by all members of the Board who were elected by the Annual General Meeting and individual

interviews with all Board members. The results of the evaluation were presented to the Board and the Nomination Committee.

## **The Board's evaluation of the President**

The Board of Directors evaluates the President's performance annually.

## **Important matters during 2015**

The Board of Directors made decisions about the following in 2015:

- The Board of Directors held a separate strategy meeting at which it adopted the strategic plan for the Company
- The Board of Directors decided on housing starts for three residential projects, which have an estimated total project expense exceeding the maximum level delegated to the President of either SEK 400m in the total project expense or SEK 400m in project expense per phase
- The Board of Directors decided on six acquisitions of development properties (two in Norway), which have a purchase sum exceeding the maximum level delegated to the President of SEK 100m. Furthermore, the Board decided on the acquisition and sale of a project property in Belgium
- The Board also decided on the sale of one project property, which had a purchase sum exceeding the maximum level delegated to the President of SEK 100m
- The Board decided to propose that the Annual General Meeting authorize the Board to decide on acquisition of own shares for the period up to the next Annual General Meeting. The Board also decided to propose to the Annual General Meeting that the Meeting decide on the elimination of own shares through a decrease in the share capital for allocation to unrestricted equity
- The Board decided on short-term and long-term variable salary programs and proposed to the Annual General Meeting a convertible debenture program for all employees in Sweden
- The Board decided on JM's existing policies and guidelines as well as to adopt a Sustainability Policy.

## **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. There is no delegated right of decision with the exception of:

- 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, adopts the plan for the work of the external auditors as well as the plan for how JM's internal audit should work. 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 and Kaj-Gustaf Bergh, 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 Chairperson of the Board chairs the Compensation Committee. The Chairperson of the Audit Committee is Anders Narvinger and the Chairperson of the Investment Committee is Åsa Söderström Jerring.

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.

## *Audit Committee*

The Audit Committee has three members: Anders Narvinger (Chairperson), Åsa Söderström Jerring och Kia Orback Pettersson.

The committee held four meetings during the calendar year.

The work of the Audit Committee during the year was primarily focused on:

- Approval of remuneration and compensation to the auditors for special assignments
- Adoption of the audit plan
- Quality assessment of internal control systems and control procedures
- Progress report from the Internal Audit and analysis of areas or projects of special interest
- Review and analysis of financial statements and interim reports
- Reporting and presentation to the Board of Directors of observations noted during review sessions with auditors and management
- Preparation of the Corporate Governance Report and the Board of Directors' Report on Internal Control and Risk Management regarding Financial Reporting
- Review of any incident investigations and ethical issues.

## *Compensation Committee*

The Compensation Committee has two members: Lars Lundquist (Chairperson) and Eva Nygren.

The committee held four meetings during the calendar year.

The Compensation Committee's tasks during the year were 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 program 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
- Evaluate current programs for variable compensation for Executive Management as well as those that concluded during the year
- Evaluate the application of the guidelines for remuneration to the Executive Management resolved by the Annual General Meeting as well as applicable remuneration structures and remuneration levels in the Company.

### Investment Committee

The Investment Committee has three members: Åsa Söderström Jerring (Chairperson), Johan Bergman and Eva Nygren.

The committee held five meetings during the calendar year.

The Investment Committee's duties during the year, within the framework of JM's order of delegation, have been to:

- Evaluate that the strategy for scope and focus pertaining to development properties and project properties is followed
- 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 housing starts
- 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, financial 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 reports the Board receives are presented in the Monitoring section on page 101.

### 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 incorporated as a natural element in JM's business processes.

For a detailed description of JM's risk management procedures please refer to pages 28–31.

The Board has placed particular focus on 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. The Audit Committee enables the Board to facilitate closer contact with both internal and external auditors, enabling the Board and its committees to learn about the Company's financial position in different 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 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 Governance Structure can be seen below:



the efficiency of JM's business processes. JM's Internal Audit has the special task of also 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 27 for more information). JM's management and support processes are regularly 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.

A Code of Conduct was adopted for JM employees. Its objective is to clarify and provide guidance for the values that should be followed at JM.

A plan was implemented earlier for the follow-up of compliance with JM's Code of Conduct for suppliers.

### Control Environment

JM's core values, culture and values 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 of, for example, the organization, channels for decisions, authorizations and responsibilities documented and communicated in normative documents such as internal policies, guidelines, manuals and codes. Examples include 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/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
- Business committee meetings and Group 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, head of the Internal Audit, 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 through, for example, on-site visits
- Incident reporting system that ensures systematic and professional management of reported irregularities
- Ethical Council, which provides guidance in the event of difficulties interpreting the ethical guidelines and JM's Code of Conduct.

## 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 for financial reporting through JM's Intranet and Operational System.

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 for financial reporting are:

- JM's Authorization Regulations
- Schedule and instructions for forecasts and financial statements
- Financial statement and forecast processes
- 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 continuously 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 EXECUTIVE MANAGEMENT

After a recommendation from the Nomination Committee, the 2015 Annual General Meeting resolved that:

- the Chairperson of the Board will be paid a fee of SEK 760,000 and regular Board members who are not employed by the Company will be paid SEK 320,000
- remuneration for work in the Audit Committee will be SEK 120,000 to the Chairperson and SEK 90,000 to the members
- remuneration for work in the Investment Committee will be SEK 80,000 to the Chairperson and SEK 60,000 to the members
- remuneration for work in the Compensation Committee will be SEK 60,000 to the Chairperson and SEK 60,000 to the members.

Recommendations for remuneration guidelines for JM's Executive Management will be presented for resolution as required by the Swedish Companies Act at the 2016 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 remuneration guidelines for JM's Executive Management can be found in the Board of Directors' Report on page 60. Information about remuneration to the President and Executive Management can be found in Note 3, page 74 of the Group's Notes.

About 560 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 the financial result of the operations, which carries the greatest weight, the variable salary component is also 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 competitive salary.

#### 2015 CONVERTIBLE PROGRAM

The 2015 Annual General Meeting resolved that JM would raise a debenture loan with a maximum nominal value of SEK 160,000,000 by issuing a maximum of 500,000 convertible debentures aimed at all employees in Sweden.

The purpose of the 2015 Convertible Program is to enhance and strengthen the employee's 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 18.2m through the issue of about 58,000 convertible debentures. 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 initially reported in the balance sheet as a liability with the nominal amount excluding the equity component. The convertible debenture loan was settled against cash in July 2015.

The subscribed convertible bonds may be converted to one ordinary share at a price of SEK 314. Conversion of convertible bonds may occur during the period from June 1, 2018 through May 17, 2019, 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 one year, the date that falls three banking days after the Annual General Meeting.

Through conversion of convertibles, JM's share capital could increase by a maximum of SEK 58,035 through the issue of a maximum of 58,035 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 15, 2019, insofar as conversion has not already been undertaken.

#### Management and corporate structure

##### ORDER OF DELEGATION – PRESIDENT'S RIGHT OF DECISION

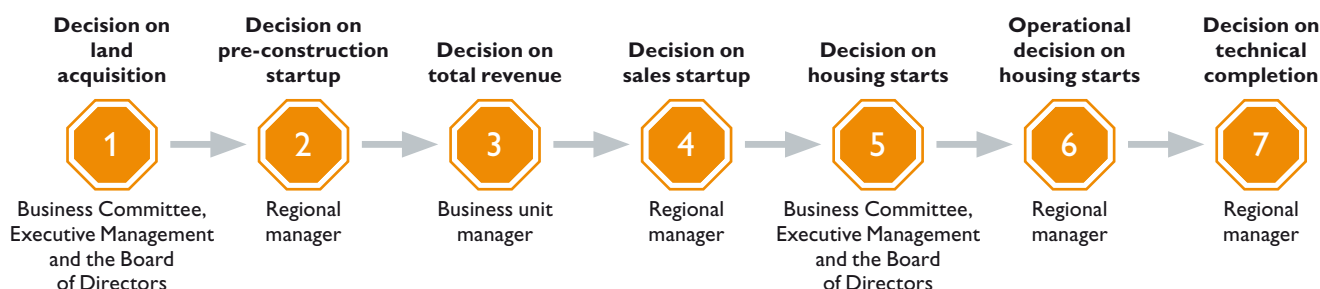
The Board has delegated to the President the right of decision for:

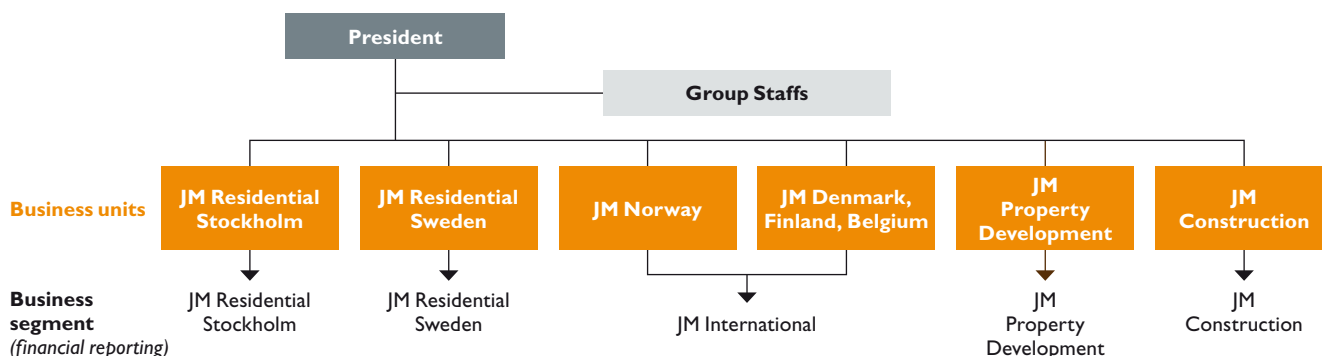
- purchase and sale of development and project property up to SEK 100m
- investment in existing project property up to SEK 400m for housing projects or SEK 200m for office projects
- housing starts for residential projects, up to a total project expense of SEK 400m excluding the purchase price for the property and housing starts of individual stages up to SEK 400m
- submission of tenders and if won signing external contracting contracts 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 maturity shorter than one year, up to a total of SEK 250m per year for loans with maturities between one and ten years.

The Board makes the decision in other cases. 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 entire Group, and by the Executive Management. JM's operational organization can be seen in the diagram on page 103.

The decision process can be seen below:

#### DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT





## EXECUTIVE MANAGEMENT

JM's business is operationally divided into six business units. Each business unit manager reports directly to the President. Executive Management comprises the President, all heads of business units and heads of group staffs, a total of eight 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 estimated volumes of more than SEK 100m. Every project is run by a project manager who is responsible for the project's revenue 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, CFO and the person responsible for JM's Internal Audit function.

Assessment data include the financial history of the project, future anticipated revenue and expenses and the current sales and reservations level. The largest projects have special steering groups and are audited by JM's Internal Audit function and presented in the Audit Committee.

Stockholm, February 19, 2016  
Board of Directors

## Auditor's report on the Corporate Governance Statement

To the annual meeting of the shareholders of JM AB, corporate identity number 556045-2103.

It is the Board of Directors who is responsible for the corporate governance statement for the year 2015 on pages 97–103 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 19, 2016  
Ernst & Young AB

Ingemar Rindstig  
Authorized Public Accountant

**Lars Lundquist**

Chairperson of the Board and Chairperson of the Compensation Committee. Elected to the Board in 2005

**Shares in JM:** 45,000  
**Born:** 1948

**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 assignments:** Chairperson of the Board of Intrum Justitia AB and Försäkrings AB ERIKA. Board member of Livförsäkringsbolaget Skandia and Board member and treasurer of Hjärt-Lungfonden.

**Independent:** The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.

**Anders Narvinger**

Board member and Chairperson of the Audit Committee. Elected to the Board in 2009

**Shares in JM:** 5,000  
**Born:** 1948

**Education:** MSc. Eng., Faculty of Engineering, Lund University; MSc Econ., Uppsala University.

**Work experience:** 8 years as President of Teknikföretagen and active for 30 years in the ABB Group, including President and CEO of ABB Sverige.

**Other significant assignments:** Chairperson of the Board of Alfa Laval AB, ÅF AB, Capio AB and Coor Service Management AB.

**Independent:** The Board member is considered to be independent.

**Education:** MSc. Eng., KTH Royal Institute of Technology, Stockholm; MSc. Program, Stockholm School of Economics.

**Work experience:** 29 years at JM in various positions such as site engineer, project manager, regional manager and business unit manager. President and CEO since November 1, 2002.

**Other significant assignments:** Member of the Board of Castellum AB, Infranord AB, Mentor Sverige and JM Entreprenad AB.

**Independent:** The Board member is considered to be dependent in his capacity as President and CEO.

**Åsa Söderström Jerring**

Board member, Chairperson of the Investment Committee and member of the Audit Committee. Elected to the Board in 2007

**Shares in JM:** 7,300  
**Born:** 1957

**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 assignments:** Chairperson of the Board of Delete OY and ELU Konsult AB. Member of the Board of Vattenfall AB, OEM International AB, Scanmast AB and Nordic Home Improvement AB.

**Independent:** The Board member is considered to be independent.

**Kaj-Gustaf Bergh**

Board member. Elected to the Board in 2013

**Shares in JM:** 2,500  
**Born:** 1955

**Education:** LL.M. and B.Sc. (Econ.).

**Work experience:** 15 years at Gyllenberg and SEB.

**Other significant assignments:** CEO at Föreningen Konstsamfundet in Finland. Chairperson of the Board of Sponda, Stockmann, Julius Tallberg and KSF Media. Member of the Board of Ramirent and Wärtsilä.

**Independent:** The Board member is considered to be independent.

**Eva Nygren**

Board member and member of the Investment Committee and the Compensation Committee. Elected to the Board in 2013

**Shares in JM:** 500  
**Born:** 1955

**Education:** Architect, Chalmers University of Technology.

**Work experience:** 35 years of experience in the technological consulting industry, including as President and CEO of Rejlers, President of SWECO Sverige and President of SWECO FFNS.

**Other significant assignments:** Director of Investment, Swedish Transport Administration. Member of the Board of Uponor OY, Norrporten, Umeå University and Nobelhuset AB.

**Independent:** The Board member is considered to be independent.

**Kia Orback Pettersson**

Board member and member of the Audit Committee. Elected to the Board in 2010

**Shares in JM:** 3,540  
**Born:** 1959

**Education:** MSc. Econ., Lund University.

**Work experience:** 20 years experience from leading positions within retail, real estate and media; President of Sturegallerian and VP of Guldfynd/Hallbergs.

**Other significant assignments:** Partner in Konceptverkstan. Chairperson of the Board of NAI Svefa AB and Teracon Boxer Group AB. Member of the Board of Kungsleden AB and Odd Molly AB.

**Independent:** The Board member is considered to be independent.

**Johan Bergman**

Board member and member of the Investment Committee. Elected to the Board in 2012

**Shares in JM:** 1,000  
**Born:** 1964

**Education:** MSc. Eng., KTH Royal Institute of Technology, Stockholm.

**Work experience:** 16 years in different positions in the Skanska Group.

**Other significant assignments:** CEO at NIAM AB, no Board assignments.

**Independent:** The Board member is considered to be independent.

**Johan Skoglund**

President and CEO and Board member. Elected to the Board in 2003

**Shares in JM:** 36,560

**Convertibles in JM:** SEK 6,187,310

**Material shareholdings or part ownerships in companies with which the Company has material business relationships:** 0

**Born:** 1962

**Employee representatives****Thomas Mattsson**

Constructor  
**Born:** 1962  
Member of the Board since 2014.

**Shares in JM:** 50  
**Convertibles:** SEK 0

**Jan Strömberg**

MSc. Eng.  
**Born:** 1959  
Member of the Board since 2015.

**Shares in JM:** 1,861  
**Convertibles:** SEK 576,060

**Peter Olsson**

Carpenter  
**Born:** 1977  
Deputy member of the Board since 2014.

**Shares in JM:** 0  
**Convertibles:** SEK 0

**Jonny Änges**

Construction engineer  
**Born:** 1962  
Deputy member of the Board since 2015.

**Shares in JM:** 0  
**Convertibles:** SEK 0

**Secretary to the Board****Maria Bäckman**

Chief Legal Counsel at JM AB

**Born:** 1973

Secretary to the Board of Directors since 2012.

**Shares in JM:** 500

**Convertibles:** SEK 0

**Auditors****Ernst & Young AB**

Ingemar Rindstig, Authorized public accountant  
Ernst & Young AB was re-elected to serve as auditor of JM AB at the Annual General Meeting in April 2015.

Shareholdings pertain to personal holdings or a related physical or legal person's holdings of JM AB shares and other financial instruments, as of 2/19/2016.





**Johan Skoglund**  
President and CEO

**Year of employment:** 1986  
**Member of Executive Management:** 2000  
**Shares in JM:** 36,560  
**Convertibles:** SEK 6,187,310  
**Born:** 1962  
**Education:** MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1986; MSc. Program, Stockholm School of Economics, 1998.  
**Work experience:** 29 years in various positions at JM such as site engineer, project manager, regional manager and business unit manager. President and CEO since November 1, 2002.  
**Other significant assignments:** Member of the Board of Castellum AB, Infranord AB, Mentor Sverige and JM Entreprenad AB.



**Martin Asp**  
Business unit manager  
JM Residential Norway as well as JM Residential Finland, Denmark and Belgium.  
President of JM Norge AS

**Year of employment:** 1996  
**Member of Executive Management:** 2011  
**Shares in JM:** 3,295  
**Convertibles:** SEK 476,000  
**Born:** 1973  
**Education:** MSc. Eng., Faculty of Engineering, Luleå University of Technology, 1997; MSc. Program, Stockholm School of Economics, 2000; BA economics, Stockholm University, 2010.  
**Work experience:** Foreman, pre-construction manager and project manager at JM and President of Kvarnholmen Utveckling AB.  
**Other significant assignments:** Chairperson 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, Chief Operating/Technology Officer

**Year of employment:** 1988  
**Member of Executive Management:** 2001  
**Shares in JM:** 2,000  
**Convertibles:** SEK 0  
**Born:** 1956  
**Education:** MSc. Eng., KTH Royal Institute of Technology, Stockholm. MSc. Program Stockholm School of Economics 1996. Executive Management Program Stockholm School of Economics 2001.  
**Work experience:** Project manager, President of three different subsidiaries and regional manager. Business unit manager JM Production 2002–2006. Business unit manager JM Residential Sweden 2007–.  
**Other significant assignments:** Member of the Board of JM Suomi Oy, Seniorgården AB and AB Borätt.



**Maria Bäckman**  
Chief Legal Counsel  
Legal Affairs and Development

**Year of employment:** 2000  
**Member of Executive Management:** 2012  
**Shares in JM:** 500  
**Convertibles:** SEK 0  
**Born:** 1973  
**Education:** LL.B. Stockholm University 1997.  
**Work experience:** Trainee Lawyer, Advokatfirman Lindahl. Clerk, District Court of Uppsala.  
**Other significant assignments:** Board member of JM Entreprenad AB.



**Peter Neuberg**  
Business unit manager  
JM Entreprenad and President of JM Entreprenad AB

**Year of employment:** 2015  
**Member of Executive Management:** 2015  
**Shares in JM:** 400  
**Convertibles:** SEK 0  
**Born:** 1970  
**Education:** Construction engineer, KTH Royal Institute of Technology, Stockholm.  
**Work experience:** Skanska Group; regional manager at Hus Stockholm Bostäder, district manager and purchasing manager.



**Helena Söderberg**  
Director Human Resources

**Year of employment:** 2010  
**Member of Executive Management:** 2010  
**Shares in JM:** 500  
**Convertibles:** SEK 294,460  
**Born:** 1967  
**Education:** Degree in Human Resources, Uppsala University, 1991.  
**Work experience:** Nordic HR Director Alstom Transport and 16 years in various HR positions within the Skanska Group.



**Pär Vennerström**  
Business unit manager  
JM Residential Stockholm, Business Unit Manager JM Property Development

**Year of employment:** 2001  
**Member of Executive Management:** 2014  
**Shares in JM:** 0  
**Convertibles:** SEK 0  
**Born:** 1974  
**Education:** MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1999.  
**Work experience:** Project Manager, Regional Manager Stockholm Northwest 2008–2009, Regional Manager Stockholm South 2009–2014.



**Claes Magnus Åkesson**  
Chief Financial Officer and Head of IR  
IT

**Year of employment:** 1998  
**Member of Executive Management:** 1998  
**Shares in JM:** 17,991  
**Convertibles:** SEK 4,549,290  
**Born:** 1959  
**Education:** MSc. Econ. Stockholm School of Economics, Stockholm 1984. Advanced Management Programme, INSEAD, France.  
**Work experience:** Ericsson Group; Senior controller Asia, head of finance and treasury Malaysia and regional controller Asia.  
**Other significant assignments:** 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  
 Erik Ragnerstam, Stockholm South Region  
 Anne Schönberg, Sales Residential Stockholm  
 Lars-Olof Höglund, Acquisition Residential Stockholm  
 Anders Wimmerstedt, Production Residential Stockholm  
 Per Johansson, East Region  
 Martin Svahn, West Region  
 Susanne Persson, South Region  
 Simon Backe, JM Property Development  
 Per-Arne Jonsson, JM Rental Housing  
 Birgitta Seeman, Seniorgården AB and AB Borätt

Christian Benfatto, Civil Engineering, JM Entreprenad AB  
 Alexandra Jansson, Building, JM Entreprenad AB  
 Manne Berger, Business Development, JM Entreprenad AB

Hilde Vatne, Oslo Region, JM Norge AS  
 Sigbjørn Myhre, West Region, JM Norge AS  
 Svein Sundby, South Region, JM Norge AS  
 Ole Kristian Ruud, Construction Region, JM Norge AS

Markus Heino, JM Suomi OY  
 Per-Anders Olsson, JM Danmark A/S

Lennart Henriz was Director of Operations Development and member of Executive management January–September 2015.

# Continued large transfers to shareholders.

## Share capital

The JM share is listed on Nasdaq Stockholm, Large Cap segment. The share capital amounts to SEK 75.2m, represented by 75.2 million shares, each with a par value of SEK 1 and equal voting rights.

## 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

The JM share is included in the "SX8630 Real Estate Investment & Services" Index of Nasdaq Stockholm. During 2015, the JM share price increased by 1 percent compared to an increase of 24 percent for SX8630. The general index on the Nasdaq Stockholm Stock Exchange, OMX Stockholm\_PI, increased 7 percent in 2015. The highest listed price for the JM share during the year was SEK 314.80 on April 14 and the lowest was SEK 201.60 on August 24. Dividend yield (proposed dividend in relation to the market price at the end of the year) was 3.3 percent (3.2). Total return in 2015 was 5 percent (41).

Total return %	2015	Average per year 2011–2015	Average per year 2006–2015
JM	5	14	17
Nasdaq Stockholm	10	10	9

Total return JM, 2006–2015	%	Index
2015	5	465
2014	41	443
2013	62	314
2012	9	194
2011	–26	178
2010	30	241
2009	186	185
2008	–60	65
2007	–16	163
2006	94	194
1/1/2006	-	100
Average, 5 years	14	
Average, 10 years	17	

## Trading and market capitalization

JM shares were traded for a value of SEK 22.2bn (15.9) in 2015. Average daily trading was about SEK 88m (64). The turnover rate (the liquidity of the share) was 120 percent (83). The Company's market capitalization amounted to SEK 18.6bn (18.8) at the end of the year.

## Ownership structure

The number of shareholders as of December 31, 2015, was 18,112 (13,844). The ten largest Swedish shareholders accounted for 45.1 percent (46.2) of capital and foreign shareholders for 32.0 percent (35.6).

## 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 2015 amounts to SEK 8.25 (8.00) per share.

The Board of Directors intends to propose to the Annual General Meeting that all 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 Stockholm. Given the continued uncertainty in the international financial system, the strategy is to spread the buy-backs out on Nasdaq Stockholm until the 2017 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, SEK m	Dividend	Redemption	Buy-back	Total
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
2013	537	-	517	1,054
2014	558	-	500	1,058
2015	600	-	500	1,100
<b>Total</b>	<b>3,971</b>	<b>3,007</b>	<b>1,876</b>	<b>8,854</b>

Shareholders as of December 31, 2015	% of shares
Swedbank Robur fonder	9.4
AMF Försäkring och Fonder	7.3
Nordea Investment Funds	6.0
SEB Investment Management	5.3
Länsförsäkringar fondförvaltning AB	3.9
AFA Försäkringar	3.8
Handelsbanken Fonder	3.4
JM AB	2.1
First Swedish National Pension Fund	2.0
Fourth Swedish National Pension Fund	1.9
Försäkringsaktiebolaget Avanza Pension	1.3
Foreign shareholders	32.0
Other shareholders	21.6
<b>Total</b>	<b>100.0</b>

Number of shareholders as of 12/31/2015: 18,112

Number of shares as of 12/31/2015 amounts to 75,173,524

## SHARE DATA

SEK per share	2015	2014	2013	2012	2011
Share price as of 12/31	252.70	249	181.50	116	112
Highest/lowest price paid during the year	314.80/201.60	256/171	200.50/118.25	140.25/106.75	176.50/79.75
Dividend yield as of 12/31, %	3.3	3.2	4.0	5.8	5.8
Market capitalization as of 12/31, SEK m	18,597	18,792	14,075	9,337	9,355
Basic earnings per share	14.50	17.00	14.10	11.70	12.50
Development properties					
Market value	153	127	108	105	99
Carrying amount	96	90	77	72	70
Project properties					
Market value	7	4	4	12	10
Carrying amount	5	3	3	12	10
Shareholders' equity (reported)	61	61	57	55	55
Dividend	8.25 <sup>1)</sup>	8.00	7.25	6.75	6.50
Dividend in % of earnings per share	57	47	51	58	52
P/E ratio as of 12/31	17	15	13	10	9
Number of shares as of 12/31	73,594,000 <sup>2)</sup>	75,471,471 <sup>3)</sup>	77,550,383 <sup>4)</sup>	80,494,186 <sup>5)</sup>	83,379,407 <sup>6)</sup>
Average number of shares, basic	74,601,637	76,542,355	78,445,765	82,414,682	83,305,326
Average number of shares, diluted	74,846,482	76,888,597	78,983,735	83,298,832	84,560,636

<sup>1)</sup> Proposed by the Board

<sup>2)</sup> 1,579,524 repurchased shares not included

<sup>3)</sup> 1,610,554 repurchased shares not included

<sup>4)</sup> 2,263,299 repurchased shares not included

<sup>5)</sup> 3,169,056 repurchased shares not included

<sup>6)</sup> 150,964 repurchased shares not included

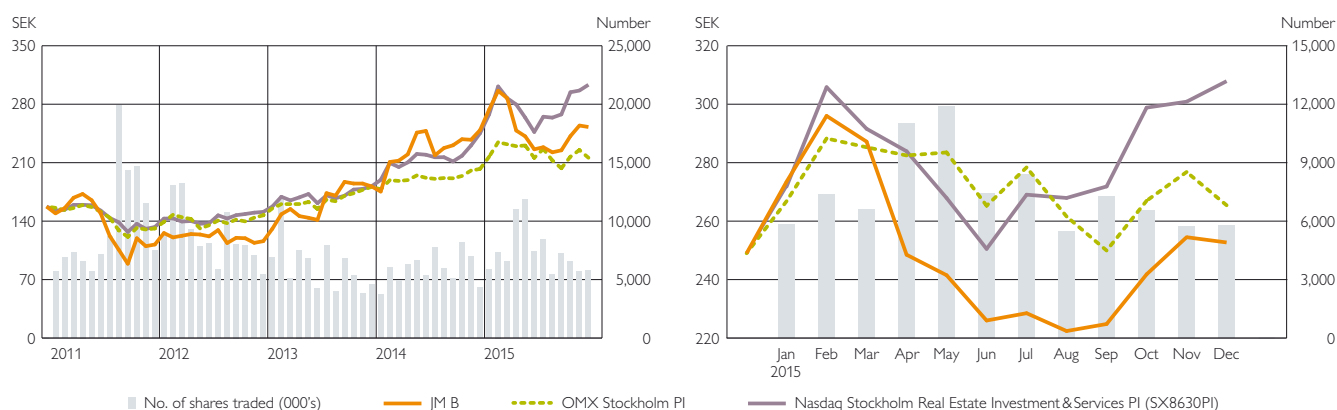
## OWNERSHIP STRUCTURE AS OF 12/31/2015

Size of holding	Number of shareholders	% of all shareholders	Total number of shares owned	% of share capital
1–500	13,863	76.6	2,166,594	2.9
501–1,000	1,992	11.0	1,644,681	2.2
1,001–5,000	1,655	9.1	3,662,411	4.9
5,001–20,000	341	1.9	3,444,632	4.6
20,001–100,000	138	0.7	6,127,223	8.1
100,001–	123	0.7	58,127,983	77.3
<b>Total</b>	<b>18,112</b>	<b>100.0</b>	<b>75,173,524</b>	<b>100.0</b>

## CHANGE IN SHARE CAPITAL 2011–2015

Year	Redemption repurchased shares, SEK m	Utilization convertible program, SEK m	Number of shares	Par value /share	Share capital, SEK m
2011		0.1	83,530,370	SEK 1	83.5
2012		0.2	83,663,242	SEK 1	83.7
2013	–4.1	0.3	79,813,682	SEK 1	79.8
2014	–2.8	0.1	77,082,025	SEK 1	77.1
2015	–2.1	0.1	75,173,524	SEK 1	75.2

## SHARE PRICE DEVELOPMENT



# JM's Annual General Meeting

Shareholders in JM AB are hereby invited to attend the Annual General Meeting to be held at 4 p.m. on Thursday, April 21, 2016, 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 15, 2016, and must have informed the Company of their intention to participate by 4 p.m. on Friday, April 15, 2016, using one of the following channels:

JM AB's website: [www.jm.se/en](http://www.jm.se/en) (only for private individuals)  
Mail: Computershare AB, "JM AB AGM"  
Box 610, SE-182 16 Danderyd, Sweden  
Telephone: +46 (0)8 518 015 52

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 15, 2016. Admission cards to the Annual General Meeting will be sent out.

## Dividend

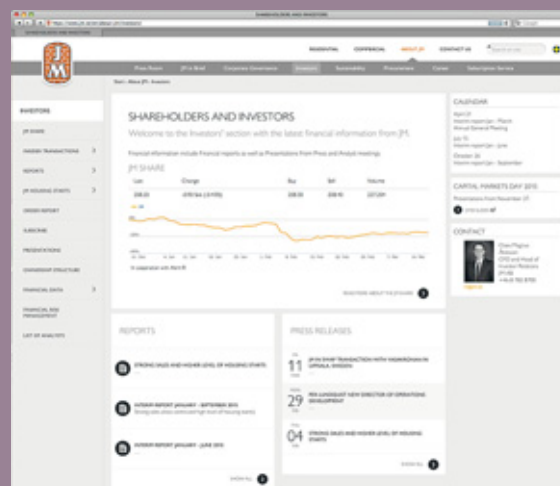
The Board of Directors proposes that a dividend of SEK 8.25 per share be paid to shareholders. The proposed record date for the dividend is Monday, April 25, 2016. If the Annual General Meeting resolves to adopt the recommendation the dividend will be sent by Euroclear Sweden AB on April 28, 2016.

## FINANCIAL CALENDAR

April 21, 2016	Interim report January–March 2016 Annual General Meeting 2016
July 15	Interim report January–June 2016
October 26	Interim report January–September 2016
February 7, 2017	Year-end Report 2016

The reports are available in Swedish and English and may be ordered from JM AB, Finance and Treasury, Tel. +46 (0)8 782 87 00 or [www.jm.se/investors](http://www.jm.se/investors).

JM AB (publ), CIN 556045-2103, domiciled in Stockholm.



Shareholder information  
at [jm.se](http://jm.se)

Financial statements and  
presentations from press and analyst  
briefings are published on  
JM's website at **About JM/Investors**.

## Shareholder service

Here it is possible to subscribe to printed interim and annual reports.

## JM share

Information about the listing and share price with a 15-minute delay.

## Insiders and transactions

Information is taken from Finansinspektionen's public insider register.

## List of analysts

List of the analysts who regularly follow JM.



## Global Reporting Initiative – GRI

JM describes its work with sustainability and reports on fulfillment of financial, environment and social goals and indicators in a sustainability report that is part of the annual report. The Sustainability Report follows GRI's guidelines (GRI G4 Core) and reports the achieved results for the accounting period given our commitments, strategies and sustainability governance. The aim is to present, measure and take responsibility for what we have achieved in our work toward sustainable development with respect to both our internal and our external stakeholders. Within JM's organization, the newly established Sustainability Council, which is headed by the CEO, is responsible for the Sustainability Report. JM's Board of Directors issues the report.

### Scope of the report

The Sustainability Report refers to the 2015 financial year and encompasses the operations of the entire Group, including subsidiaries. JM's ambition is to provide a comprehensive account of its sustainability work and clearly present both negative and positive developments. The sustainability work draws on the policies and guidelines governing the manner in which the business is conducted based on the commitments we have made, for example, to Global Compact. We use a materiality analysis in order to

determine the issues that are the most important and thus should be included in the work and the report taking into consideration JM's operations and our external and internal stakeholders. The report includes a total of 54 GRI indicators, which are listed with a page reference in a GRI index on pages 112–114.

More detailed information regarding calculation models, standards, limitations and assumptions used in the report are available on [www.jm.se/sustainability](http://www.jm.se/sustainability).

### Materiality analysis

The materiality analysis is a method used to identify the issues within sustainability that are essential for the company. It is based on a compilation of information from in-depth interviews with key staff members, survey responses from identified stakeholders, internal investigations and standards, de facto-standards and legislative requirements in the area of sustainability. The information is evaluated based on the opportunities and risks of different sustainability aspects in JM's operations – for long-term value creation both within JM and in our surroundings. The results of this evaluation are identified as JM's significant sustainability aspects and form the basis for JM's sustainability work and what should be reported.



## JM's aspects and targets in sustainability

MATERIAL SUSTAINABILITY ASPECTS	WHY MATERIAL	IMPACT ON VALUE CHAIN	GOVERNANCE	FOLLOW-UP	FOLLOW-UP THROUGH GRI INDICATOR	SCOPE OF GRI INDICATOR
Ethics and value creation (DMA Economic Performance)	JM's long-term profitability is fundamental for long-term value creation in JM.	Producers Suppliers JM Group Subcontractors	Ethical guidelines Code of Conduct Targets Financial governance Risk management (see Risks and risk management) Incident reporting	Economic reporting Incident reporting	G4-EC1 Direct economic value generated and distributed	Value: JM Group Ethics: Entire supplier chain
Product responsibility (DMA Product and Service Labeling)	JM develops residential units and residential areas that have a long life cycle and many stakeholders. Therefore, it is important that JM take responsibility for its products given the expectations and requirements of the stakeholders.	Manufacturers Suppliers JM Group Subcontractors Customers Society	Sustainability policy Quality policy Targets Quality control JM Sustainable Homes Sales staff and interior design for a project in ongoing dialogue with customers Customer surveys are conducted regularly and compiled on an annual basis (see section Customer Needs) Aftermarket service that handles customer feedback Customer advocate	JM's operations program and key performance indicators	G4-PR5 Results of surveys measuring customer satisfaction	Sweden and Norway
Responsible suppliers (DMA Supplier Human Rights Assessment)	JM buys and uses large quantities of materials and construction goods. It is strategically important that they are manufactured under responsible conditions.	Manufacturers Suppliers Subcontractors	Sustainability policy Code of Conduct for suppliers Targets JM's purchasing process JM's procedures for its sustainability assessment and sustainability audit	Sustainability assessment Sustainability audits	G4-HR10 Sustainability assessment of suppliers (socially)	Material producers in supplier chains from JM in Sweden and Norway
Work environment (DMA Occupational Health and Safety)	JM's building operations consist of a work environment that has many different risks for accidents and work-related injuries.	JM Group Subcontractors	Employee policy Code of Conduct Targets JM's systematic work environment measures Environmental product database Anti-drug program at JM's workplaces Corporate health care	Accident and injury statistics Neatness and order audit Internal Audit	G4-LA6 Scope of injuries, occupational diseases, lost days, absenteeism and total number of work-related fatalities by region. Provide the name of the system used for reporting and data collection. CRE6 Use of a work environment management system	JM Group Subcontractors
Diversity and equal opportunity (DMA Diversity and Equal Opportunity)	We believe that a long-term employee policy should be to offer a workplace that is characterized by and protects equality and diversity.	Producers Suppliers JM Group Subcontractors	Employee policy Code of Conduct Equality plan Targets Recruiting procedures	Mapping equality	G4-LA12 Composition of governance bodies and breakdown of other employees per gender, age group (minority group membership, and other indicators of diversity)	Sweden and Norway
Competence (DMA Training and education)	As a long-term employee policy, we believe that we should offer a workplace that allows people to develop and contribute to long-term value creation.	JM Group Subcontractors	Employee policy Code of Conduct Targets Job structure Procedures for skills development	Registration of skills and skills development	G4-LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. Succession planning. Key roles in the operations	Sweden and Norway (salaried employees)
Resource efficiency (DMA Effluents and waste)	It is strategically important that a material-intensive business like JM strive to achieve resource efficiency.	Producers Suppliers JM Group Customers	Environmental policy Targets JM's procedures for project design, purchasing and production management	Environmental key performance indicators Waste statistics	G4-EN23 Total weight of waste by type and disposal method	Sweden and Norway
Minimal impact on the climate (DMA Emissions)	It is strategically important that JM's operations, which generate direct and indirect emissions of greenhouse gases, strive to have a minimal impact on the climate.	Manufacturers Suppliers JM Group Customers	Environmental policy Targets JM's procedures for project design, purchasing and production management	Environmental key performance indicators Climate calculations Fuel statistics Energy statistics	G4-EN15 Direct greenhouse gas emissions (Scope 1) G4-EN16 Indirect greenhouse gas emissions (Scope 2) CRE1 Building energy performance CRE3 Greenhouse gas emissions from buildings CRE4 Greenhouse gas emissions from new production	Sweden

## Facts and key performance indicators for sustainability

		2015	2014	2013
<b>ETHICS AND VALUE CREATION, Group</b>				
Direct economic value generated, G4-EC1	Revenue, SEK m	13,939	14,216	12,603
Direct economic value distributed, G4-EC1	Production and operating costs etc., SEK m	-10,626	-10,644	-9,338
	Wages, salaries, other remuneration and pension costs, SEK m	-1,432	-1,360	-1,359
	Financial income, SEK m	11	27	42
	Financial expenses, SEK m	-83	-102	-101
	Expensed tax and social security expenses, SEK m	-724	-831	-743
	Proposed dividend/dividend, SEK m	-607	-600	-562
Direct economic value retained, G4-EC1	SEK m	478	706	542
<b>RESPONSIBLE SUPPLIERS, Sweden</b>				
Sustainability assessment, G4-HR10	Percentage of new suppliers that were screened	100%	100%	100%
<b>WORK ENVIRONMENT, Sweden</b>				
Injuries <sup>1)</sup> , G4-LA6	Number of injuries (that caused at least one day of absence due to illness)	40 (JM) 26 (subcontractors)	29 (JM) 34 (subcontractors)	29 (JM) 8 (subcontractors)
Injury frequency, G4-LA6	Frequency of work-related injuries relative to the total work hours for all employees	40 of totally 385,625 days (JM)	29 of totally 364,625 days (JM)	29 of totally 373,233 days (JM)
Frequency of occupational diseases, G4-LA6	Frequency of occupational diseases relative to total work hours for all employees	No data	No data	No data
Lost days, G4-LA6	Total number of leave-of-absence days due to occupational injuries and diseases relative to total number of work days for all employees	917 of totally 385,625 days (JM)	580 of totally 364,625 days (JM)	899 of totally 373,233 days (JM)
Absenteeism, G4-LA6	Total number of days of absence relative to the total number of work days for all employees	Women 1,802 (2.3%) Men 14,273 (3.7%) Total 14,273 (3.7%)	Women 1,407 (1.9%) Men 15,250 (4.1%) Total 16,657 (3.7%)	Women 1,743 (2.0%) Men 15,852 (4.3%) Total 17,595 (3.9%)
Work-related fatalities, G4-LA6	Number	Women 0 / Men 0	Women 0 / Men 0	Women 0 / Men 0
Near-accidents <sup>2)</sup> , G4-LA6	Number	1,179	732	225
<b>DIVERSITY AND EQUAL OPPORTUNITY, Sweden and Norway</b>				
Age and gender distribution, G4-LA12	Number	Women Men Total	Women Men Total	Women Men Total
	<i>Wage-earners</i>			
	≤ age 25	6 182 188	2 165 167	2 160 162
	age 26–35	1 226 227	1 190 191	1 173 174
	age 36–45	216 216	215 215	1 226 227
	age 46–55	221 221	219 219	213 213
	≥ age 56	157 157	149 149	157 157
	Total	7 1,002 1,009	3 938 941	4 929 933
	<i>Salaried employees</i>			
	≤ age 25	13 38 51	9 32 41	6 36 42
	age 26–35	117 223 340	106 210 316	105 205 310
	age 36–45	103 207 310	103 203 306	103 193 296
	age 46–55	86 167 253	77 170 247	81 158 239
	≥ age 56	35 120 155	33 115 148	33 128 161
	Total	354 755 1,109	328 730 1,058	328 720 1,048
	<i>Managers</i>			
	≤ age 25	- - -	- - -	- - -
	age 26–35	3 7 10	3 9 12	2 6 8
	age 36–45	22 38 60	21 30 51	20 36 56
	age 46–55	19 39 58	15 49 64	12 51 63
	≥ age 56	2 23 25	1 21 22	1 18 19
	Total	46 107 153	40 109 149	35 111 146
	<i>Executive Management</i>			
	≤ age 25	- - -	- - -	- - -
	age 26–35	- - -	- - -	- - -
	age 36–45	1 3 4	1 2 3	1 2 3
	age 46–55	1 1 2	1 3 4	1 3 4
	≥ age 56	2 2 2	2 2 2	2 2 2
	Total	2 6 8	2 7 9	2 7 9
	<i>Board of Directors</i>			
	≤ age 25	- - -	- - -	- - -
	age 26–35	- - -	- - -	- - -
	age 36–45	- - -	- - -	- - -
	age 46–55	1 1 1	1 1 2	1 1 2
	≥ age 56	3 3 6	2 3 5	2 3 5
	Total	3 4 7	3 4 7	3 4 7

<sup>1)</sup> The most common causes/risks of injury in 2015 were contact with sharp objects, same-level falls (tripping, slipping) and impacts from flying/falling objects. The most common types of injuries in 2015 were crushing, squeezing or other soft tissue injuries, sores and sprains, twists or strains.

<sup>2)</sup> The sharp increase in reported near-accidents is due to the digital reporting tool and a strong focus on a proactive approach to the work environment.

Facts and key performance indicators for sustainability, cont.

Facts and key performance indicators for sustainability, cont.		2015		2014		2013	
RESOURCE EFFICIENCY, Sweden							
Construction waste to recycling, G4-EN23	Tons	5,301 (51%)		4,139 (50%)		3,731 (45%)	
Construction waste to incineration, G4-EN23	Tons	3,478 (34%)		2,638 (32%)		2,842 (35%)	
Construction waste to landfills, G4-EN23	Tons	545 (5%)		589 (7%)		688 (8%)	
Unsorted waste, G4-EN23	Tons	982 (10%)		899 (11%)		944 (11%)	
Hazardous waste, G4-EN23	Tons	10 (0.1%)		11 (0.1%)		8 (0.1%)	
Total amount of construction waste, G4-EN23	Tons	10,317		8,275		8,213	
MINIMAL IMPACT ON THE CLIMATE, Sweden							
Carbon dioxide emissions JM, G4-EN15, G4-EN16, G4-EN17	Tons CO <sub>2</sub> e	Scope 1	5,043	Scope 1	4,394	Scope 1	4,934
		Scope 2	2,254	Scope 2	1,991	Scope 2	2,041
		Scope 3 <sup>3)</sup>	15,690	Scope 3 <sup>3)</sup>	15,323	Scope 3 <sup>3)</sup>	14,988
		Total	22,987	Total	21,707	Total	21,962
Newly produced homes' carbon dioxide emissions from energy consumption, CRE3	Kg CO <sub>2</sub> e/m <sup>2</sup> UFA and year	4		4		4	
Carbon dioxide intensity from new production, CRE4	Tons CO <sub>2</sub> e/turnover (SEK m)	1.9		1.9		2.1	
Carbon dioxide intensity from new production, CRE4	Tons CO <sub>2</sub> e/produced residential unit	6.58		6.88		7.47	
Newly produced homes' estimated energy requirement, CRE1	kWh/m <sup>2</sup> A-temp	67		65		72	

<sup>3)</sup> Scope 3 includes material transports to worksites, rented machinery, business travel and energy consumption in our newly constructed residential units for the first two years.

Information about data collection and calculations is available on JM's website, [www.jm.se](http://www.jm.se)

## 2015 GRI Index

The intention is for the GRI Index to be used as a cross-reference list to find where in the annual report the information is located. In some cases supplementary or complete answers to a question are provided in the comment field of the index table. The information in the Sustainability Report has not been reviewed by a third party. However, calculations of carbon dioxide emissions

were reviewed by an external party within the framework of the Haga Initiative. Other calculations of indicators and key performance indicators have not been reviewed by an external party, with the exception of those that are included in the legal section of the annual report.

### Standard disclosures

GRI code	Description/indicator	Reference (page number in the 2015 Annual Report)	External assurance
<b>STRATEGY AND ANALYSIS</b>			
G4-1	Statement from the CEO	2–3	
<b>ORGANIZATIONAL PROFILE</b>			
G4-3	Name of the organization	57	
G4-4	Primary brands, products, and/or services	7–9	
G4-5	Location of organization's headquarters	116	
G4-6	Countries where the organization operates	7–9	
G4-7	Nature of ownership and legal form	106–107	Yes
G4-8	Markets served	52–56	



GRI code	Description/indicator	Reference (page number in the 2015 Annual Report)	External assurance
G4-9	Scale of the reporting organization	57–63	Yes
G4-10	Total workforce by employment type, employment contract and gender	47, 74, 111	
G4-11	Percentage of employees covered by collective bargaining agreements	All of the employees in Sweden and Finland are covered by a collective agreement, while the employees in other countries are covered to a varying degree.	
G4-12	Organization's supply chain	48–49	
G4-13	Significant changes during the reporting period regarding size, structure, ownership or supply chain	99	Yes
G4-14	Description of how the company addresses the precautionary principle	34, 41	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	37	
G4-16	Memberships in organizations and/or national or international advocacy organizations	37	
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>			
G4-17	Operational structure, units, business areas, subsidiaries and joint ventures	78, 103	Yes
G4-18	Definition of report content and relevant sustainability aspects	34, 109	
G4-19	Material aspects identified in the process for defining report content.	35	
G4-20	Aspect boundaries within the organization	109	
G4-21	Aspect boundaries outside the organization	109	
G4-22	Effect of restatements of information provided in previous reports and reasons for such restatements	35	
G4-23	Significant changes from previous reporting periods in the scope or aspect boundary	110–112	
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	Stakeholder groups	36–37	
G4-25	Identification and selection of stakeholders	36–37	
G4-26	Approaches to stakeholder engagement	36–37	
G4-27	Key topics raised through stakeholder engagement	36–37	
<b>REPORT PROFILE</b>			
G4-28	Reporting period	57	
G4-29	Date of most recent previous report	2014 Annual Report, published in 2015	
G4-30	Reporting cycle	109	
G4-31	Contact point for the report	Per Löfgren, Head of Sustainability, JM AB	
G4-32	Table showing where information for all parts of the GRI's standard disclosures can be found	112–114	
G4-33	Policy and current practice for external assurance	112–114	
<b>GOVERNANCE</b>			
G4-34	Governance structure	97–103	Yes
<b>ETHICS AND INTEGRITY</b>			
G4-56	Values, principles, standards and norms of behavior	37, 48–49	

## Specific standard disclosures

GRI code	Performance indicator	Reference	External assurance
EC	<b>ECONOMIC PERFORMANCE INDICATORS</b>		
	<b>Economic performance</b>		
G4-EC1	Direct economic value generated and distributed	61–63	Yes
G4-DMA	Disclosure on management approach	110	
EN	<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>		
	<b>Energy</b>		
CRE1	Building energy intensity	39–40, 112	
G4-DMA	Disclosure on management approach	110	
	<b>Emissions and waste</b>		
CRE3	Greenhouse gas emission intensity from buildings	112	Yes
CRE4	Greenhouse gas emission intensity from new construction and redevelopment activity	112	Yes
G4-EN15	Direct greenhouse gas emissions (Scope 1)	112	Yes
G4-EN16	Direct greenhouse gas emissions (Scope 2)	112	Yes
G4-EN23	Total weight of waste by type and disposal method	112	
G4-DMA	Disclosure on management approach	110	
	<b>SOCIAL PERFORMANCE INDICATORS</b>		
LA	<b>EMPLOYMENT CONDITIONS AND WORK CONDITIONS</b>		
	<b>Employment</b>		
G4-LA6	Rates of injuries, occupational diseases, lost days, absenteeism, and number of work-related fatalities by region	111	
G4-LA10	Programs for skills management and lifelong learning that supports the continued employability of employees and assist them in managing career endings	44–45	
G4-DMA	Disclosure on management approach	110	
	<b>Diversity and equal opportunity</b>		
G4-LA12	Composition of governance bodies and breakdown of other employees according to gender, age group, minority group and other indicators of diversity	47, 104–105, 111	
G4-DMA	Disclosure on management approach	110	
HR	<b>HUMAN RIGHTS</b>		
	<b>Supplier human rights assessment</b>		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	50	
G4-DMA	Disclosure on management approach	110	
PR	<b>PRODUCT RESPONSIBILITY</b>		
	<b>Products and service labeling</b>		
G4-PR5	Results of measuring customer satisfaction	5–6, 11	
G4-DMA	Disclosure on management approach	110	

## Global Compact

JM has signed the UN's Global Compact, thus taking a clear stand on issues related to human rights, labor law, accountability for the environment and anti-corruption.

Ten principles of the UN's Global Compact	Reference
<b>HUMAN RIGHTS</b>	Pages 48–50
1. Support and respect the protection of internationally proclaimed human rights in the spheres the company can influence	
2. Make sure that the company is not complicit in human rights abuses	
<b>LABOR LAW</b>	Pages 44–50
3. Uphold freedom of association and the effective recognition of the right to collective bargaining	
4. Elimination of all forms of forced and compulsory labor	
5. Effective abolition of child labor	
6. Elimination of discrimination in respect of employment and occupation	
<b>ENVIRONMENT</b>	Pages 34, 39–43
7. Support a precautionary approach to environmental challenges	
8. Undertake initiatives to promote greater environmental responsibility	
9. Encourage the development and diffusion of environmentally friendly technologies	
<b>ANTI-CORRUPTION</b>	Pages 46–50
10. Work against corruption in all its forms, including extortion and bribery	

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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.

