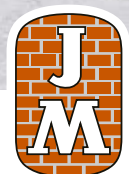




# 16

## ANNUAL REPORT 2016



# 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 should promote long-term sustainability work in all its operations.

Annual sales total approximately SEK 15 billion, and the company has around 2,400 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.

*Photo to the right: JM's Kista Torn apartment buildings in northern Stockholm have been nominated for Building of the Year 2017, the urban planning sector's competition that shines a spotlight on projects that feature excellent quality, cooperation, finances and design. The buildings have 35 and 16 floors, respectively, and a shared courtyard. Architect: Brunnberg & Forshed.*

*Cover photo: Fredsborgs Kulle in Österåker/Stockholm, single-family homes close to the city and the archipelago.*

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







KISTA TORN

Borgarfjordsgatan



## Increased number of housing starts and improved profitability.

**According to segment reporting**, revenue increased to SEK 15,752m (14,447) and operating profit increased to SEK 2,011m (1,590). The operating margin increased to 12.8 percent (11.0)

**Restated in accordance with IFRIC 15**, revenue increased to SEK 15,291m (13,939) and operating profit increased to SEK 1,931m (1,499). This restatement is attributable to JM International and had a negative effect on earnings of SEK –80m (–91)

**Profit before tax** increased to SEK 1,871m (1,427). Profit after tax increased to SEK 1,478m (1,085)

**Return on equity** for the past twelve months increased to 31.2 percent (23.7). Earnings per share during the year increased to SEK 20.40 (14.50)

**Consolidated cash flow** including net investment in properties was SEK 1,957m (–230)

**The number of residential units sold** increased to 3,843 (3,770) and housing starts increased to 4,187 (3,731)

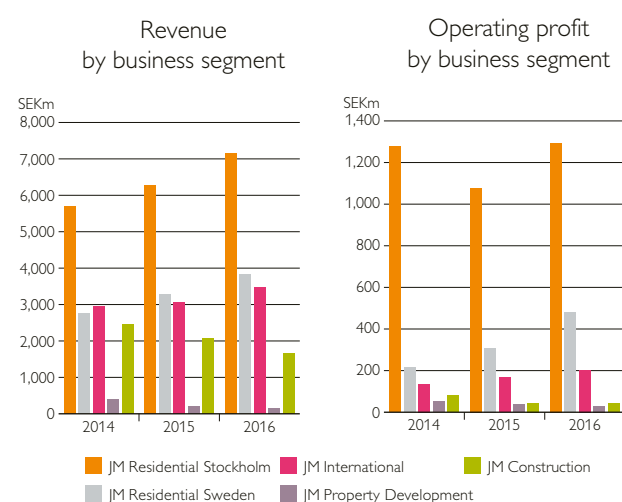
**Surplus value of development properties** was SEK 7.0bn (4.2)

**The Board of Directors proposes** a dividend of SEK 9.50 (8.25) for 2016, as well as renewed buy-back authorization.

SEK m	2016	2015	2014
Revenue (segment reporting)	15,752	14,447	13,869
Operating profit (segment reporting)	2,011	1,590	1,716
Operating margin (segment reporting), %	12.8	11.0	12.4
Revenue	15,291	13,939	14,216
Operating profit	1,931	1,499	1,819
Profit before tax	1,871	1,427	1,744
Operating margin, %	12.6	10.8	12.8
Cash flow from operating activities	1,957	–230	978
Return on equity, %	31.2	23.7	28.7
Equity/assets ratio, %	40	38	37
Earnings per share, SEK	20.40	14.50	17.00
Number of residential units sold	3,843	3,770	3,195
Number of housing starts	4,187	3,731	3,445
Number of residential units in current production	7,984	7,212	6,375

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 88.



# A sustainable housing concept developed with the customer.

**JM regularly performs market surveys with its customers in order to ascertain needs and preferences for issues ranging from the type of housing to location and design.**

Our offer has developed into a housing concept that has been designed to suit a wider group of customers, with high customer value and attractive locations.

## **New housing concept in 2017**

We are noticing that the current trend is moving towards homes that are more adapted to individual needs and lifestyles. We therefore decided during the year to develop a wider selection of products, which can be viewed as a beginning of what customers will be offered in the future.

Starting in 2017, we are introducing two new housing concepts, Smarta Kvadrat and Premium. Alongside the Original concept. All pre-construction of JM residential units will take these three housing concepts into consideration, and they primarily differ in size, layout, interior design choices and service level.

- **The Smarta Kvadrat** concept is intended for people who want an affordable home without sacrificing functionality. Located a bit outside the city center where the cost of land is lower. To keep costs down we have worked to streamline our processes and used standardized choices, and the purchasing process is entirely digital. Prices are largely affected by the price of the location, the cost of land and the execution in a project, but if we think "concept building" the project time can be shortened.
- **Original** is largely the same home we have offered our customer before, with functional, comfortable accommodation that meets a high standard, although with limited upgrades.
- **Premium** offers more exclusive locations, material, equipment and interior design as well as larger apartments. Here, the buyer is offered a personal buying process with a higher level of service.

The differentiated product range is an important step in increasing JM's offer and changing the market for new production. All concepts will be developed on an ongoing basis and will be available on all of our markets.

## **More efficient processes with digitalization**

We are working with different solutions to simplify all stages of the customer's journey, for example by already at the drawing stage being able to visualize how a completed home will look, and we are offering Virtual Reality tours to make it easier for our

customers to understand our offer. Digital support during the building process is one area where we are increasing our investments, for example with regard to process control and mobility.

## **Housing-related services**

We have long offered economic and technical management services to our newly formed tenant-owners associations. Over the past few years, however, customers have shown a greater interest in housing-related services, so it is now our ambition to broaden our involvement in this area.

In 2016 we began to develop services that will facilitate everyday life and raise the added value for our customers. Major emphasis in this work is placed on keeping things simple for our customers, and digital solutions are therefore a natural feature of the new service offering.

## **Thriving cities – people in focus**

In order to explain how we are working with sustainability, we usually say that JM is forming the buildings and cities of the future – with people in focus. We are offering an attractive and responsibly designed home environment with the aim of creating inspiration and conditions for peoples' sustainable lifestyles. In order to succeed in this, we must take into consideration environmental, economic and social aspects.

For example, we decided to improve the social design of our housing projects by already at early stages in the projects making conscious, active choices for social interaction, safety, meeting places, ecology and greenery. This decision supports the holistic approach that should be reflected in all of JM's projects. One small change, which we believe can reduce the dependence on cars in the areas we are developing, is improved conditions for storage and parking for bicycles.

## **Operational targets – sub-targets for 2030**

JM supports UN's Global Compact and its principles regarding human rights, labor law, the environment and anti-corruption. With sustainability targets for 2030 linked to our significant sustainability aspects and in line with the UN's new sustainability targets, we can secure the long-term focus of our work. Operational targets and actual outcomes over the past three years are described on page 35.

In order to learn more about how we can reduce our impact on the climate, we commissioned an analysis of our footprint.



This analysis confirmed that JM, in order to be able to reduce its impact on the climate in a more comprehensive manner, needs to over the next few years: reduce energy consumption at construction sites, replace the use of fossil fuels, reduce the impact of building materials on the climate and make our residential units even more energy efficient.

One area where we must be better is the total volume of construction waste. We have started a new project, Minimizing Waste, with the aim of cutting JM's construction waste in half by 2021. The project has already successfully attracted a large number of employees with different skills, as well as subcontractors and contractors, who have analyzed the causes and find solutions for reducing our waste. To date, one hundred suggested measures have been identified and this work will continue in 2017.

## High level of housing starts

In 2016 we had good demand and strong sales on our primary markets. The housing operations in Stockholm are showing a positive development with good profitability and continued strong interest in JM's projects. The rest of Sweden continued to show strong growth in the residential housing business, with increased revenue and profit due to strong demand and an increase in prices for our residential units.

The operations in Norway continued to show stable growth with strong demand, and there was some improvement in Finland. The operations in Denmark were shut down in 2016 and JM's operations outside of Sweden now focus on Norway and Finland.

There is strong interest in JM's projects, and strong sales have allowed us to start production on 4,100 residential units during the year, about which I am very pleased. We also started new rental unit projects in Täby and Nacka. Planning processes continue to be an important criterion for the rate of housing starts.

At the end of the year we had almost 8,000 residential units in current production, of which 400 are rental units and residential care units.

## Ground is broken for Älvsjöstaden

One of the really big projects that we started during the year is Älvsjöstaden in Stockholm. This is an example of a good location outside of the downtown area that is close to commuter trains. Customers have shown great interest and ground was broken in June for this new district. During the year, production started on 300 residential units and another 500 are planned in the area. We are supplementing an existing single-family home neighborhood with a modern city district and creating a good mix of residential units, commercial premises, green parks and inviting courtyards. This type of major development project is a challenge, but it also plays to JM's strength as a project developer.

## Building rights for future production

As we use land for production, we are also acquiring new land. We continue to see a high level of competition for land for residential purposes in attractive locations, and we are therefore selective when it comes to making acquisitions. We made large acquisitions this year in some of our most important markets, such as Stockholm, Uppsala, Malmö and Oslo.

At the end of the year we had a very attractive building rights portfolio with 32,500 available residential building rights, the majority of which are in the Greater Stockholm area and the Oslo area.

## Strong financial position

Revenue and profit increased in 2016. Good profitability helped us reach our financial targets; the operating margin was 12.6 percent (target 10 percent) and the equity/assets ratio was 40 percent (target 35 percent).

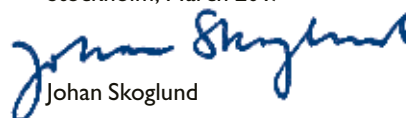
JM continues to have a strong balance sheet, and during the year we distributed SEK 602m to shareholders as the regular dividend for 2015. In 2016, own shares were also repurchased for SEK 500m.

## Well-positioned

Several times a year I have the honor of visiting schools, colleges and universities. I meet future employees here and see what is important for them, both in their role as an employee and as a future home buyer.

I take advantage of the opportunity to convey how proud I am about JM today. Our project portfolio, talented and committed employees and in particular the opportunities we have to help build a thriving city that focuses on the people.

Stockholm, March 2017

  
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
- Sustainability in urban planning and in the product
- 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.

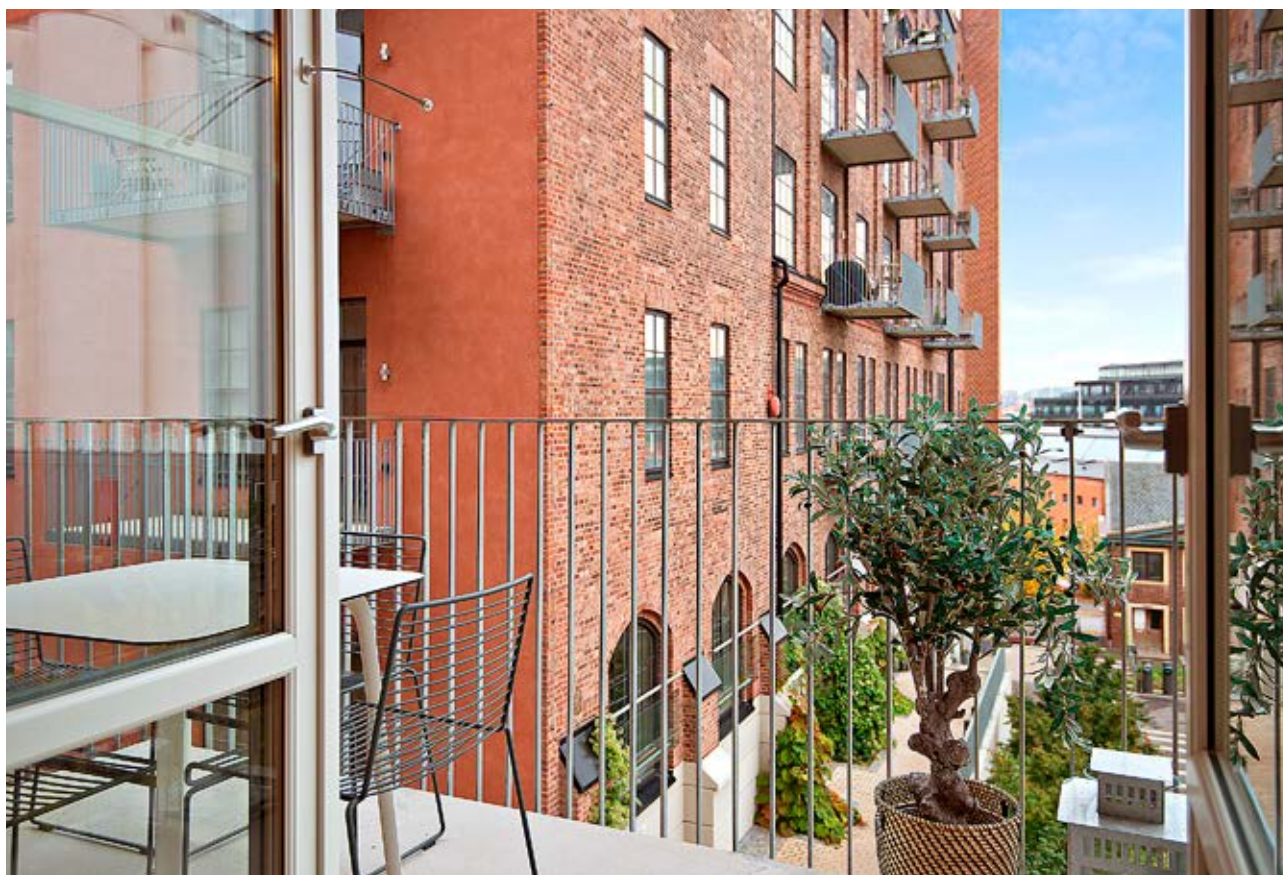
Modern consumers are increasingly interested in products that have a history as well as ties to what they perceive as being genuine – products that allude to a sense of security in the past. When it comes to housing and the local community, JM plays an important role as a long-term and established player. 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.



Magasinet, Gothenburg.

## 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 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:** Our customers show greater interest in housing-related services and digital solutions. It is our ambition to broaden our involvement in this area.

**Smart homes:** Technological development is progressing rapidly when it comes to smart homes. Companies such as Apple and Google are investing heavily in the area. JM is following these changes closely and has several test projects underway in order to evaluate both customer satisfaction and the technology itself. JM will offer several different standardized solutions based on the needs and wishes of the customer.

---

## IMPORTANT CHALLENGES FOR JM

- Increasingly knowledgeable and proactive customers
  - Increased focus on sustainable residential units and residential areas
  - Need for more flexible and adaptable residential units
  - Changed mortgage requirements
    - Indebtedness of households
    - Amortization requirements for new mortgages in Sweden
    - New mortgage regulations in Norway
    - Mortgage cap has an effect on the loan ratio.
-



# 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.**

In all, JM started construction on 4,187 residential units in 2016, compared with 3,731 residential units the previous year.

Sweden had 3,310 housing starts; 95 percent were units in apartment blocks (2,899 tenant-owned apartments and 229 rental units) and 5 percent were single-family homes. Norway had a total of 643 housing starts; 83 percent were apartments and 17 percent were single-family homes. Production started on 234 apartments in Finland.

## Sweden

Growth in the Swedish economy slowed slightly in 2016 but was stronger than in other Nordic countries. GDP growth was approximately 3.5 percent. Growth in exports turned downward during the first six months and household consumption slowed during the second half of the year. The decrease in the growth of household consumption is in part associated with the debate regarding the uncertainty surrounding the amortization requirement, interest rate deductions and debt-to-income ratio. Interest rates remained at a low level during the year. Housing prices continued to rise, although not at the same rate as in previous years.

JM is considered to be the market leader in Sweden. The largest markets are the large metropolitan areas of Stockholm, Uppsala, Malmö/Lund and Gothenburg.

## STOCKHOLM

The economy in the Stockholm region continued to be strong, and Stockholm is the largest contributor to growth in the Swedish economy. Services are still the main drivers in the region's economy, at the same time as trade slowed.

The population increased by approximately one percent. The employment rate remained at approximately the same level as the previous year, and demand for labor in Stockholm County was high.

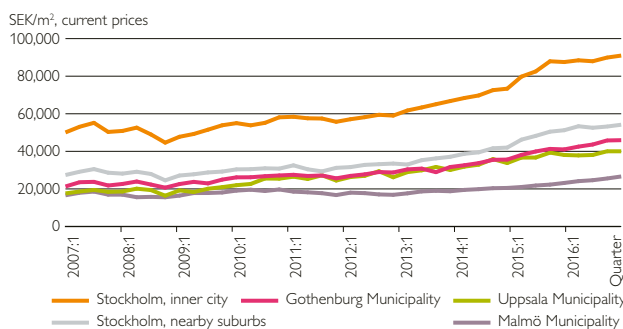
Housing prices continued to rise, although not at the same rate as before. In central Stockholm, housing prices rose 4 percent and in Greater Stockholm 6 percent. The prices for single-family homes rose 9 percent.

JM is the market leader in new production of tenant-owned apartments in Greater Stockholm. Some of JM's major projects include Liljeholmskajen and Älvsjöstaden in Stockholm, Kvarnholmen in Nacka, Söderdalen in Järfälla and Dalénium on Lidingö.

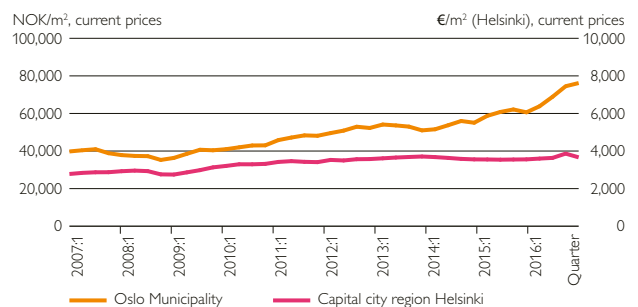
## GOTHENBURG

The Gothenburg region continued to show strong growth, primarily in B2B services, automobile sales and construction, which are the main drivers behind growth in the region. The population increased by approximately one percent.

Tenant-owned apartment prices in Swedish metropolitan areas over the past 10 years



Apartment prices in Oslo and Helsinki over the past 10 years



Tenant-owned apartment prices increased by 10 percent in central Gothenburg and 12 percent in Västra Götaland County. The prices for single-family homes increased approximately 10 percent.

#### MALMÖ/LUND

The Malmö region continued to show slower growth than the other large metropolitan areas in Sweden. Growth in Malmö is in line with the Swedish growth rate, but since Malmö has higher population growth, this results in weaker growth. The population increased by just over one percent. The employment rate is lower than in the other large metropolitan areas.

Tenant-owned apartments in Greater Malmö and Malmö Municipality increased by 14 and 16 percent, respectively, and prices for single-family homes in Malmö increased by 5 percent. Tenant-owned apartment prices in Lund and Helsingborg increased by 11 and 18 percent, respectively.

#### UPPSALA, LINKÖPING, VÄSTERÅS AND ÖREBRO

Economic growth in Uppsala continued to be strong during the year. Uppsala is Sweden's fourth largest municipality in terms of population. The number of residents in Uppsala increased and the employment rate in Uppsala was almost 70 percent, which can be explained by its close proximity to Stockholm's labor market.

Tenant-owned apartment prices in Uppsala increased by 5 percent. Tenant-owned apartment prices in Linköping increased by 10 percent, in Västerås by 12 percent and in Örebro by 21 percent.

Prices for single-family home in Uppsala increased by 11 percent compared to Linköping, 8 percent, Västerås, 6 percent, and Örebro 10 percent.

#### Norway

Growth in the Norwegian economy continued to be weak in 2016 and GDP growth was just under one percent. The upswing in housing investments contributed to the growth. Growth in household consumption was weak.

#### MAJOR COMPETITORS, PRIVATE HOUSING MARKET

Country	Major competitors
Sweden	Peab, Skanska, HSB and Bonava
Norway	OBOS, Selvaag Bolig, Skanska and Veidekke
Finland <sup>1)</sup>	YIT, Bonava, Skanska, SRV and Lemminkäinen

<sup>1)</sup> The capital region

Just like in 2015, net immigration was a strong contributor to population growth. The Oslo region represents approximately 40 percent of the population growth in Norway. The fall in the price of oil has affected the population growth in Stavanger, which during the year had the lowest population growth in Norway.

Housing prices increased by almost 13 percent. In Oslo, housing prices increased by 23 percent, which is largely due to the low key interest rate.

The forecasts from Norway's central bank indicate that the key interest rate will remain at around 0.5 percent for the next few years.

JM's largest markets are the Oslo area, Bergen and Stavanger.

#### Finland

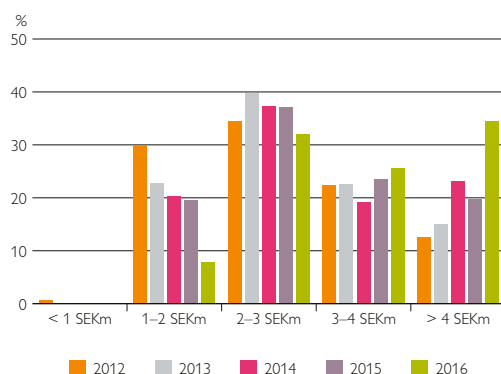
Economic growth in Finland showed signs of improvement in 2016, primarily due to an increase in private consumption and investments. The employment rate also improved slightly.

Population growth in Finland was lower than in 2015. The number of births fell for the sixth consecutive year in Finland. The largest contributor to population growth is an immigration surplus.

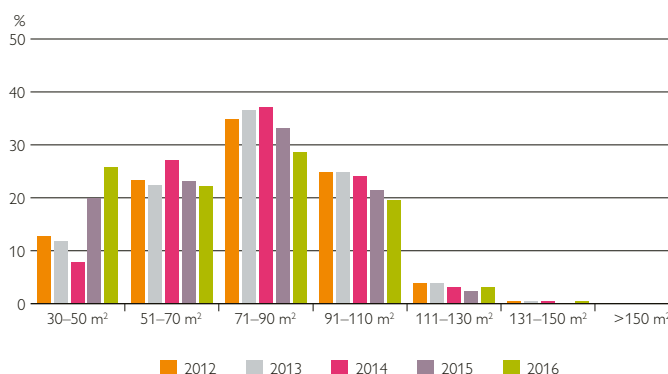
In the capital region, prices of units in apartment buildings increased by approx. 3 percent. Prices of single-family homes increased by approx. 10 percent.

JM's operations are located in the capital region.

Breakdown of sales starts, JM's tenant-owned apartments by price band 2012–2016, Sweden



Breakdown of sales starts, JM's tenant-owned apartments by size band 2012–2016, Sweden





# Customer needs

9



## Denmark

JM had no production in Denmark during the year. The building rights portfolio was fully liquidated and operations closed during 2016.

## Belgium

During 2015, JM closed its office in Brussels and the remaining activities are being carried out by external resources.

## RESIDENTIAL CONSTRUCTION – NUMBER OF HOUSING STARTS

Country	2016	2015	2014
Sweden	63,900	45,250	36,300
Norway	36,500	30,800	27,200
Finland	38,300	32,400	26,300

Source: The bureau of statistics of each country, compiled by WSP Analys & Strategi. Figures for 2016 are preliminary and will be finalized during spring of 2017.

## JM'S SOLD RESIDENTIAL UNITS

Country	2016	2015	2014
Sweden	2,870	2,927	2,588
Norway	705	696	475
Finland	254	106	75
Denmark	–	23	22
Belgium	14	18	35
<b>Total</b>	<b>3,843</b>	<b>3,770</b>	<b>3,195</b>

## JM'S HOUSING STARTS

Country	2016	2015	2014
Sweden	3,310	2,949	2,792
Norway	643	635	499
Finland	234	147	83
Denmark	–	–	29
Belgium	–	–	42
<b>Total</b>	<b>4,187</b>	<b>3,731</b>	<b>3,445</b>

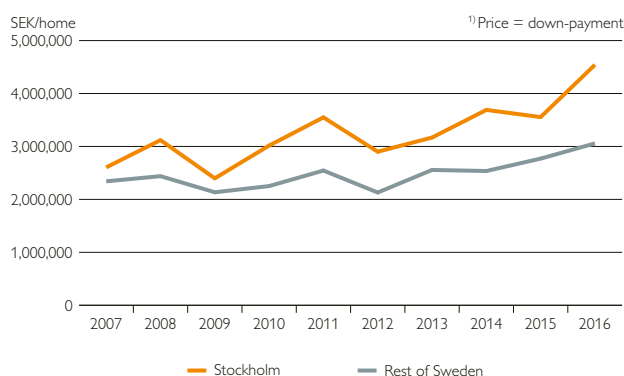
## JM'S RESIDENTIAL UNITS IN CURRENT PRODUCTION

	12/31/2016	12/31/2015
Number of residential units in current production <sup>1)2)</sup>	7,984	7,212
Percentage of sold residential units in current production, % <sup>3)</sup>	65	64
Percentage of reserved residential units in current production, %	12	22
Percentage of sold and reserved residential units in current production, %	77	86
<sup>1)</sup> Of which rental units and residential care units in current production in JM Property Development – are not included in the percentage of sold and reserved residential units in current production	416	338
Includes residential units in projects where costs incurred are only reported as project properties under construction	416	284

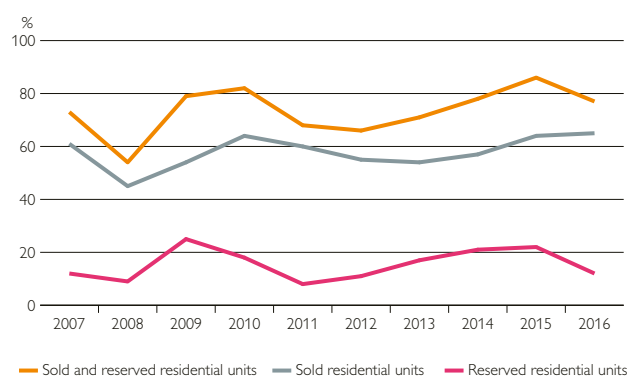
<sup>2)</sup> Beginning with production startup through final occupancy according to plan.

<sup>3)</sup> Percentage of 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, interior design choice and work site visits, and continues until occupancy.

## **JM Norway with the industry's most satisfied customers**

JM in Norway had – for the third consecutive year – the industry's most satisfied customers. JM received the "2016 Most Satisfied Customers" award according to Prognoscentret's annual survey of housing development companies in Norway<sup>1)</sup>. JM Norway earned a Customer Satisfaction Index score of 76 out of a possible score of 100. The industry index was 71. Every year, Prognoscentret in Norway names the country's top ten best housing projects. In 2016, three of JM's projects made this list, among them our Orrelia project in Askøy, Bergen.

## **Where Sweden's most satisfied customers live**

Overall, JM is one of the housing development companies with the industry's most satisfied customers. Historically, JM has grabbed either the top spot or the second-highest spot every year since the industry measurements were introduced in 2009<sup>1)</sup>. New companies are entering the market every year, and in 2016 there were more than 40 companies involved in the competition in Sweden.

JM took home first prize in the industry competition for the best housing project in Sweden in 2016. The project, which is called Jasminen and is located in Örebro, earned a Customer Satisfaction Index score of 90 out of a possible score of 100.

JM's high customer satisfaction through the years is proof that our long-term efforts to focus on listening, commitment and quality awareness are working.

<sup>1)</sup> The survey is made by Prognoscentret, an independent market analysis company with focus on the Nordic construction and property markets.

*Left side: Project Orrelia with single-family homes i Askøy, Bergen and project Jasminen, apartment building in Örebro.*



### VIP customers have priority

JM's VIP customers receive advance information about future housing projects and can register for priority before the residential units are offered to the public. One sign in particular that JM's residential units are popular is the sharp increase in VIP customers during the year.

### JM interior design selection

Carefully selected interiors in the home with a 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. We regularly review our interior design offer to ensure that they contain elements requested by our customers and reflect contemporary trends.

### Interior design in our homes

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's interior design. This is why we start early on the planning of the home's interior space – to create good functionality and high-quality, sustainable design. Interior design is an important part of the home. The Interior Design Choices catalog presents the broad selection of interior design options available for each housing project.

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



### 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 via new digital channels. Traditional, printed sales brochures have been replaced by more project content on our website, which creates more value for our customers.

We are continuing to develop #JMinspiration, a section on jm.se where we offer lots of inspiration through articles, “at home with” videos and DIY solutions for everything related to life at home, housing and architecture. We are constantly developing our digital initiatives. The Internet is our most important sales channel, and we are constantly working to improve and simplify this interface for our customers. In 2016, a new organization was introduced for online development at JM, which has made us more flexible and quick to adapt when it comes to meeting the needs of our customers. We are also focusing on surveys and follow-up to ensure that we are headed down the right path.

### Open house days for current projects

We arrange a Big Open House Day five times a year. On these days, all of JM's residential projects in Sweden, Norway and Finland are open to the public. In 2016, the theme was Kitchen, Balcony/Outdoor Space and Living Room.

Our 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 display 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 sustainable 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 immediate surroundings 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. Consequently, JM has 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's interior design selection is included in all JM homes, carefully selected with focus on design, trend, quality and the environment. Our digital catalogue for Interior Selections is customized for each residential project and simplifies the process for customers who want to influence the character of their new home.

## Low energy consumption a priority in our environmental initiatives

A home with low energy consumption 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 rate all new residential units for energy. We are convinced that building sustainably is the only feasible course to take in the long run – and our customers agree.

It is 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 a customer advocate. The customer advocate's job is to examine customer complaints about projects and mediate, when needed, between the customer and JM.

# Sustainable homes – thriving cities.



**JM is forming the buildings and cities of the future – with people in focus – and thus takes environmental, economic and social aspects into consideration. We want to create inspiration and conditions for sustainable lifestyles.**

Anyone purchasing an apartment or house from JM should gain in return a well-thought-out, responsibly designed and healthy living environment.

## Attractive city

In the emerging city of tomorrow, JM is creating conditions for people to live in modern homes with a small footprint, a rich social life, proximity to recreational and green areas and good public transportation links to work and services.

## Social cohesion

When homes and neighborhoods are in the planning stage, it is important to consider how flows and meeting places are created or enhanced in order to create a feeling of security and promote meetings and social interaction.

## Satisfaction and well-being

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. The design of buildings, courtyards and entrances are also a building block for social interaction in the buildings.

## Community involvement

As a means of contributing to employment in the local community, JM cooperates extensively with schools and universities at the locations where we are active.

## Viable business

The skills and experience of our employees determine how well we will succeed in our efforts to structure JM's operations into effective procedures. Diversity is an important part

of our recruitment strategy. We work to achieve a good balance between, for example, male/female and senior-/junior-level employees.

## Healthy environment

Thanks to JM's concept for low-energy houses, residents can achieve low household operating costs and help lower overall energy consumption. Examples of features that reduce energy consumption include induction stoves, appliances, windows with extra insulation, water-based heating systems featuring heat recovery and individual measurements of hot water. We also environmentally assess the construction goods we use to ensure that they do not contain any health or environmental risks for either customers or employees.

## Robust eco-systems

JM works actively to ensure that the eco-systems' services in courtyards and local environments contribute to a good urban and residential environment. Existing biological values are utilized in the development of our projects. Well-planned greenery and vegetation can handle large amounts of rain, reduce noise, improve air quality and the micro climate, create living environments for animals and contribute to important pollination.

## Resource-efficient construction

JM works on an ongoing basis to reduce its construction waste and increase the percentage of the remaining waste that can be recycled. The constructions, construction methods and materials that are chosen enable recycling and re-use when the buildings are torn down in the future. JM's apartment buildings are planned with an environmental space for recycling.

# 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 3,087  
 – Housing starts in 2016: 265  
*Remaining number of building rights:*  
 Approx. 1,150  
*Location:* Central, 5 km from downtown Stockholm

④

## Söderdalen, Järfälla

*Development period:* 2013–2029  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,400, started 370  
 – Housing starts in 2016: 97  
*Remaining number of building rights:*  
 Approx. 1,000  
*Location:* Approx. 20 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 2016: 0  
*Remaining number of building rights:*  
 Approx. 350  
*Location:* Close to water, 5 km to downtown Gothenburg

⑤

## Kungsängen, Uppsala

*Development period:* 2002–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,400, started 801  
 – Housing starts in 2016: 0  
*Remaining number of building rights:*  
 Approx. 600  
*Location:* Close to the city center

⑦

## Lomma Strandstad, Lomma

*Development period:* 2003–2023  
*Housing type:* Apartment blocks/  
 Single-family homes  
*Number of residential units:*  
 – Total approx. 1,100, started 731 of which 29 single-family homes  
 – Housing starts in 2016: 63  
*Remaining number of building rights:*  
 Approx. 400  
*Location:* Close to the sea, 8/10 km to Lund and downtown Malmö

⑨

## Älvsjöstaden, Stockholm

*Development period:* 2016–2023  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 800, started 306  
 – Housing starts in 2016: 306  
*Remaining number of building rights:*  
 Approx. 500  
*Location:* Approx. 10 km from downtown Stockholm

③

## Kvarnholmen, Nacka

*Development period:* 2010–2026  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,400, started 388  
 – Housing starts in 2016: 0  
*Remaining number of building rights:*  
 Approx. 1,000  
*Location:* Central, 6 km from downtown Stockholm

⑥

## Dockan area, Malmö

*Development period:* 2003–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,200, started 854  
 – Housing starts in 2016: 0  
*Remaining number of building rights:*  
 Approx. 350  
*Location:* Close to the city center, by the sea

⑧

## Dalénium, Lidingö

*Development period:* 2010–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 800<sup>1)</sup>, started 535<sup>1)</sup>  
 – Housing starts in 2016: 141  
*Remaining number of building rights:*  
 Approx. 300  
*Location:* Central, 9 km from downtown Stockholm

⑩

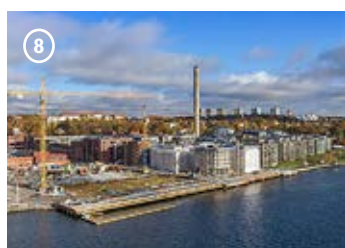
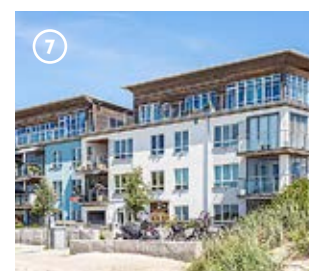
## Grefsen Stasjon, Oslo

*Development period:* 2010–2020  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 450<sup>1)</sup>, started 328  
 – Housing starts in 2016: 74  
*Remaining number of building rights:*  
 Approx. 130<sup>1)</sup>  
*Location:* Central and close to nature, approx. 5 km from downtown Oslo

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

<sup>1)</sup> Number on the balance sheet. In addition, there are approximately 100 building rights under agreement.







Liljeholmskajen in Stockholm is to date the largest project development area in JM's history, with about 4,000 residential units. The old industrial site just outside the inner city limits is more or less an ideal location for creating a residential area that is heavily influenced by design.

# BRO. HUSET

– aesthetically sustainable housing

INTERVIEW WITH JON SEMB-JOSEFSON, PROJECT MANAGER



**J**on Semb-Josefson is the project manager for Brohuset, one of the area's most influential buildings that is being built next to the Årsta bridges.

– The building will be 16 floors high facing the water and 7 floors high facing

Årstaberget, and it will be an environmentally sustainable low energy building completely in line with JM's standard and a fine example of how design can contribute to an attractive, aesthetically sustainable living environment, says Jon.

## Spectacular design

As early as 2000 architect Gert Wingårdh presented the first sketches of a spectacular building in extra-large format at Liljeholmskajen. The City of Stockholm had requested a building with remarkable design that would fit into the area as a whole.

The building itself will be unique – for example there will not be a traditional ground floor. This floor has been replaced by pillars and extremely large beams that is being built next to the Årsta bridges. This design has placed major demands on both the construction and production staff.

*“In my experience, everyone who is working on Brohuset is finding the project both challenging and fun.”*

One example of a special feature on the building is that it will be covered entirely in glass. Another is the extremely large balconies that will be suspended above the water. The residents will also have access to the building's rooftop terrace and its view of Stockholm.

Another unique detail is the walking and biking paths that will connect directly to Årstabron bridge from the ninth floor of the building. Residents will be able to

access the bridge from a spacious bike room on the same floor.

The plan is for the residents of Brohuset to move in starting in Q1 2018.

## An area to be proud of

– Brohuset is one of several JM buildings where aesthetic sustainability and design have come into focus in recent years, says Jon. Perhaps the best example in the area is Kajen 4, also at Liljeholmskajen, which was named “2015 Stockholm Building of the Year”. In 2017, we will break ground on another great project – Kajplats 6.

The rock chambers in the area have been preserved and re-purposed as ultra-modern, underground garages with room for approximately 1,000 cars, and on a particularly fun note we can add that the garage won Stockholm Byggmästareförening's ROT Award in 2016.

– JM's current projects show that we can deliver buildings and environments that create identities, says Jon.





# 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.





# 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 developed in-house or 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 2007–2016 was an average of 26.1 percent, and an average of 24.9 percent for the 5-year period of 2012–2016.

<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 2007–2016, JM shares gave a total return of 10 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 2007–2016, operating margin was an average of 11.6 percent. During the 5-year period of 2012–2016, 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 2007–2016, the equity ratio was an average of 38 percent. It was 39 percent during the 5-year period of 2012–2016.

## Dividend

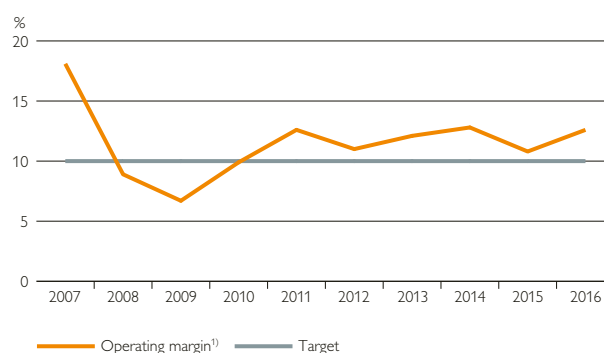
The average dividend over a business cycle should correspond to 50 percent of consolidated profit after tax. During the 10-year period of 2007–2016, the average dividend pay-out ratio was 41 percent. During the 5-year period of 2012–2016 it was 42 percent. Dividends for 2008, with payment in 2009, were 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.

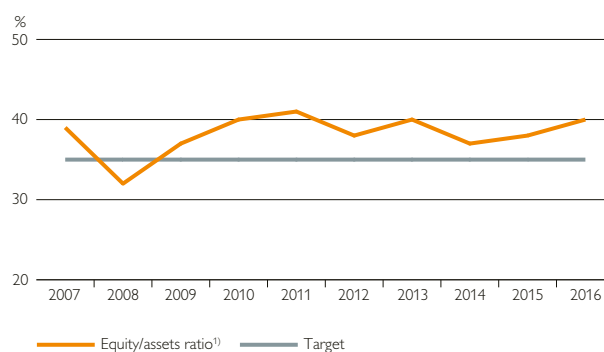
For the 10-year period 2007–2016, JM shares gave a total return of 10 percent (average). Corresponding figure for the 5-year period 2012–2016 was 23 percent.

Operating margin



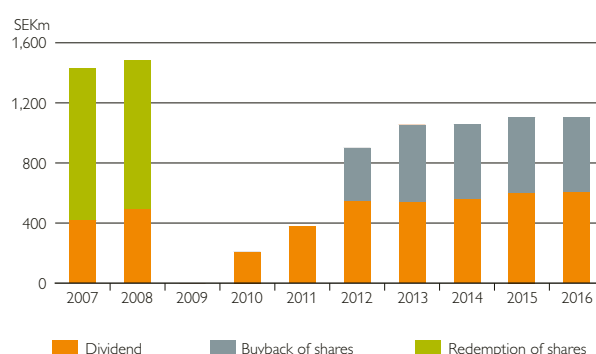
<sup>1)</sup> Financial year 2008 and earlier are not restated according to IFRIC 15.

Equity/assets ratio



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

Transfer to shareholders





# 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 ensuring long term 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).

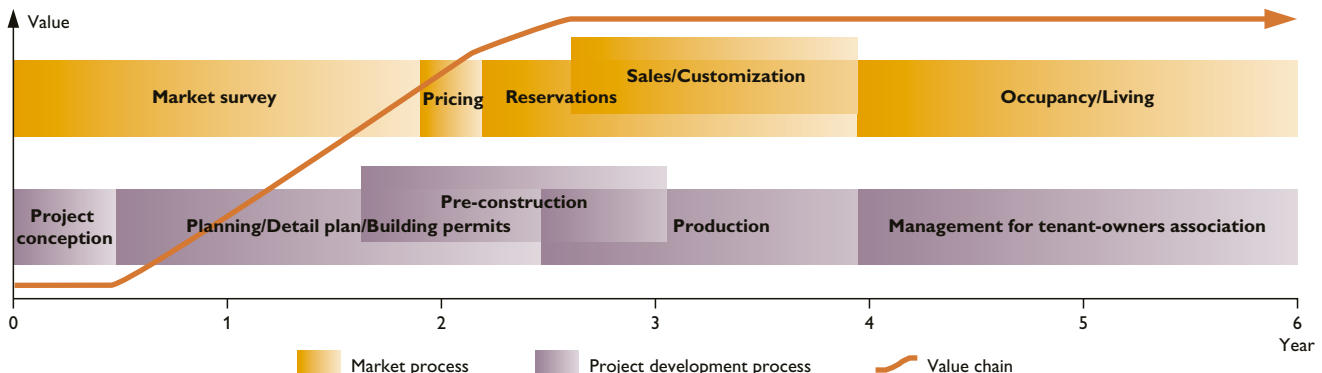
Value grows step by step, as land use is defined. Full land value is attained when the local plan becomes legally binding and building permits are obtained – a process that can take from one to five years – and the project has been sold to buyers.

## 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.

## 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.

## 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, after which JM offers both technical and economic management as important post-occupancy, value-added services.

**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.

# 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 32,500 available residential building rights (31,100). Capital tied up in building rights (development properties on the balance sheet) for residential units increased to SEK 7,037m (6,998) 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:

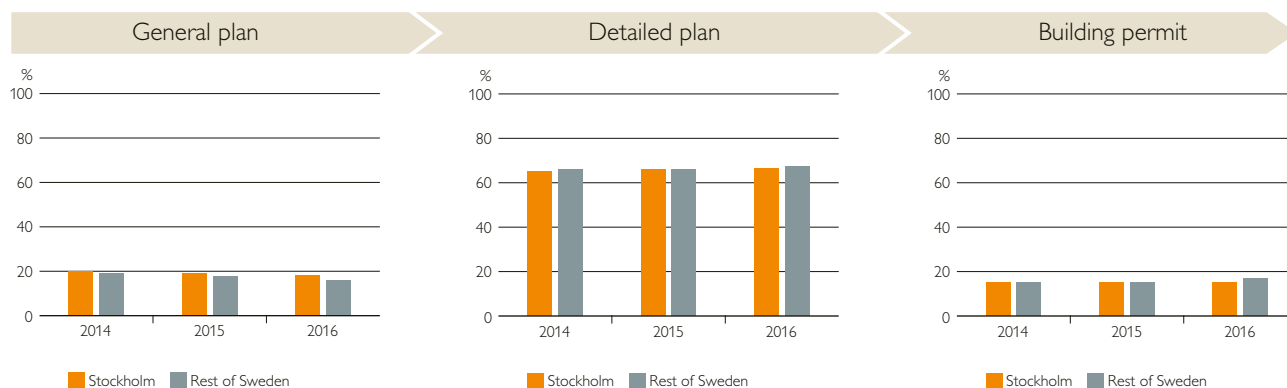
- Building rights on the balance sheet, 17,900 (18,100), corresponding to five years of production at the current rate of production
- Building rights that are available through conditional acquisitions or cooperation agreements, 14,600 (13,000). In most cases JM has the opportunity to decide both whether 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 14.1bn (11.2). The corresponding carrying amount is SEK 7.1bn (7.0). The 14,600 residential units available through conditional acquisitions were not included in the assessment.

Some of the development properties have old existing buildings that generate net rental income and where there are future plans for 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.

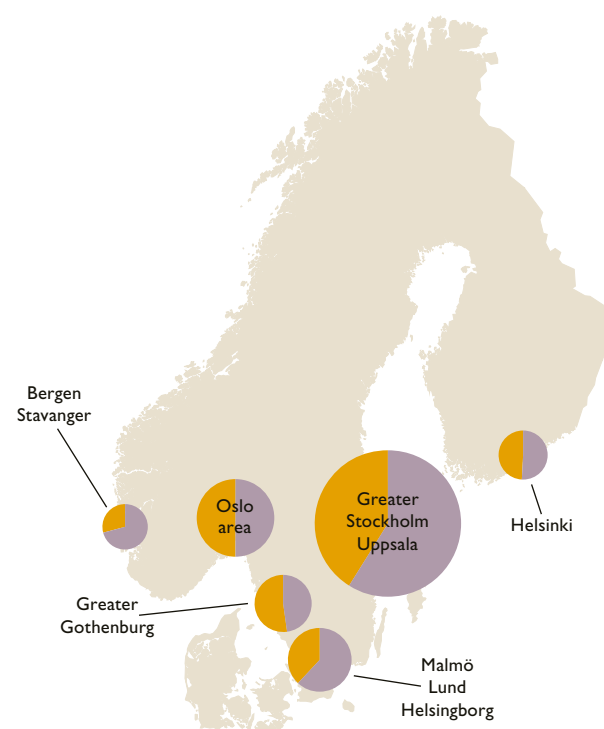


The appraisal company classified the phases of the planning process into the following phases: general plan, detailed plan and building permit. The diagrams below show a breakdown of the market value of JM's development properties into different planning phases. The detailed planning phase covers the 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 61 percent of the residential building rights recognized on the balance sheet in Sweden are in the Greater Stockholm area. About 23 percent of them are located in downtown Stockholm, including Lidingö and Liljeholmskajen, 40 percent in nearby suburbs and 37 percent in outlying suburbs.



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

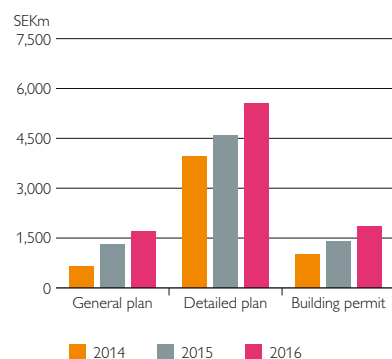
### JM'S AVAILABLE RESIDENTIAL BUILDING RIGHTS

Area	Number of building rights	
	2016	2015
Greater Stockholm (excluding Sigtuna, Upplands Väsby, Vallentuna, Norrtälje)	13,900	13,000
Malmö, Lund, Helsingborg	3,400	3,300
Greater Gothenburg	2,700	3,000
Uppsala, Sigtuna, Upplands Väsby, Vallentuna, Norrtälje, Linköping, Västerås, Örebro	3,600	3,600
Oslo area, Norway	5,000	4,200
Bergen and Stavanger, Norway	1,700	1,700
Helsinki, Finland	2,000	2,100
Brussels, Belgium	200	200
<b>Total</b>	<b>32,500</b>	<b>31,100</b>

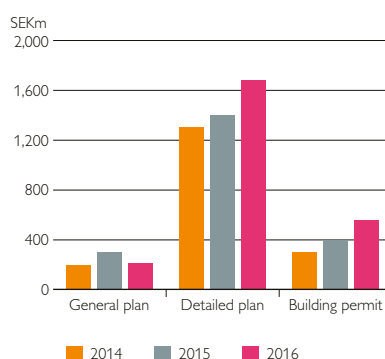
### MARKET VALUE IS BROKEN DOWN AS FOLLOWS:

SEK billion	Market value		Carrying amount	
	2016	2015	2016	2015
Stockholm	9.1	7.3	4.3	4.5
Rest of Sweden	2.5	2.1	1.4	1.3
International	2.5	1.8	1.4	1.2
<b>Total</b>	<b>14.1</b>	<b>11.2</b>	<b>7.1</b>	<b>7.0</b>

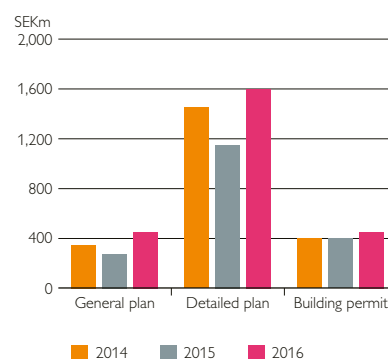
Market value residential building rights  
Greater Stockholm



Market value residential building rights  
Rest of Sweden



Market value residential building rights  
International



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

Project development involving commercial premises mainly takes place in the Stockholm region, primarily to support residential development projects. An area under development may need residential units and commercial premises in order to create an appealing neighborhood. The operations also include the project development of rental units and residential care units.

## JM Rental Housing

There is a considerable shortage 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 the residential units should be rental units. JM is joining this initiative by developing and building rental units.

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. These operations also include the construction of student and young adult housing.

During the year housing projects started with 136 rental units in Hägernäs, Täby, and 93 student residential units in Alphyddan, Nacka. The detailed planning for 120 rental units in Bredäng, Stockholm, was approved during the year.

Work on the detailed planning is underway for approximately 100 rental units in Gustavsberg, 120 rental units in Täby Park, 130 rental units in Sundbyberg as well as in Hökarängen, Stockholm.

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

## Residential care units

During 2016, production continued on the Vinfatet senior housing project in Sollentuna which consisted of 54 residential units. The project was turned over to an external part upon completion in 2016. The work on the detailed planning is underway for two projects with approximately 50 residential units each, Kaplanen in Uppsala and Kristineberg in Vallentuna.

During the year, JM, through its subsidiary, Seniorgården, worked to find land for new projects.

## Commercial properties

In 2015, JM was allocated land in Karlberg by Solna Municipality to build a new Group head office. Work on the detailed planning is ongoing and the planning consultation is planned for 2017.

Development work is underway in Dalénium, Lidingö, where old industrial buildings are being converted into offices and light industry. 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 <sup>1)</sup>	12/31/2016			
	Market value, SEK m	Carrying amount, SEK m	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
Properties under development	835	583	25	88
Completed commercial properties	28	19	1	100
<b>Total</b>	<b>863</b>	<b>602</b>	<b>26</b>	<b>89</b>

<sup>1)</sup> Market valuations are performed by external appraisal companies.

# Operations System, JM's structure capital.



**Governance of the Group's operations is conducted via the Operations System, which is JM's management system. It covers the main processes that together create our business and comprise the company's structure capital.**

Many of our employees' experiences have been compiled in a systematic structure that has been adapted to the processes and needs of the operations. Both processes and product design are controlled from this structure based on established business-critical requirements to ensure long-term value creation for customers, owners, employees and society.

The Operations System covers the entire project development chain, from property transactions, project management, project design, purchasing, production management, sales, the customer's interior design choices, management and rental unit management and post-sales market. Every main process has a process owner, who is aided by a process group with representatives from JM's various regions and national subsidiaries. The process group ensures that the governance is current, relevant and accurate. This is also where submitted improvement suggestions are handled.

Decisions on changes are made by the Quality Manager following collaboration with the concerned Process Owner. Changes that have a financial impact in excess of an established threshold are in turn transferred to the Process Owner Meeting and then the Quality and Environmental Council.

Uniform processes and components allow us to offer attractive housing at a low total cost. This creates conditions for uniform execution and actions, in particular in the interaction with JM's customers, regardless of where the project is located. At JM, we call this "structured project development".

## Product design

Product policy documents include pre-construction procedures, installation instructions, framework agreements, etc., that control, for example, installation solutions for ventilation and heating. Measures and improvements that are being implemented 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 JM's projects – not just certain pilot projects.

## Decision-making body

JM's Quality and Environmental Council is the decision-making body for the Group's Operations System and the CEO is the Chair. JM follows up on targets and requirements in the Operations System via non-conformity and key figure reports, as well as with internal audits. The clear control and follow-up processes in the projects mean that the risk of non-compliance with legal or internal requirements on, for example, sustainability is small, and if non-compliance should still occur it can be quickly identified and handled at an early stage.

## SEVERAL KEY IMPROVEMENT PROJECTS:

### Processes

#### 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: ACQUISITION, PROPERTY SALE, PROJECT DESIGN, PURCHASING, SALES, CUSTOMER'S INTERIOR DESIGN CHOICES, MANAGEMENT

Over the years, the operations have moved toward process-orientation to clearly establish a uniform method of working at JM.

### Product

#### STRUCTURED PRE-CONSTRUCTION

Uniform pre-construction instructions controls the design of a number of components in JM's housing.

#### STRATEGIC PURCHASING

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.





Pegasus project close to Täby Centrum.



# 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.

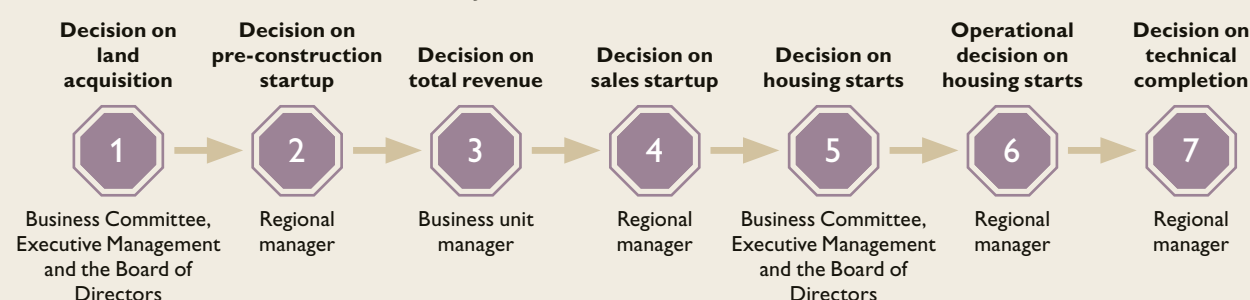
In 2016, the most important risks in JM were related to macroeconomic developments, where good GDP growth, a stable housing market and a good level of sales in ongoing production have resulted in a balanced risk for the operations. Housing

## **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

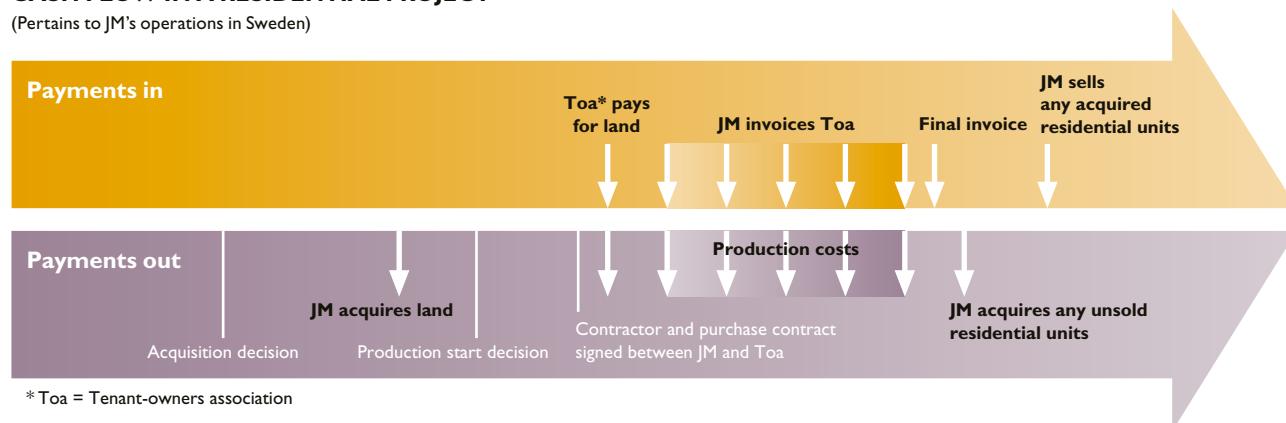
starts during the year continued to be restricted by the planning processes. The situation for 2017 is similar and business will be largely dependent on the economic development. This in turn will govern the conditions for sales and housing starts for new projects. The planning processes in our primary markets also constitute a limiting criterion.

## **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. 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.

**Tax policy**

The Board of Directors has adopted a tax policy stating the fundamental principles for how the Group handles taxes.

The manner in which JM handles its taxes shall be viewed from a sustainability perspective and guided by transparency, social responsibility and a clear contribution to the welfare of society. Significant taxes for JM include income tax, value added tax and sales tax (VAT), stamp duty, property tax, employer's contribution and special payroll tax.

The ambition is to pay the correct tax in each country where JM is operational based on the spirit of the law and regulations. The tax expense shall be handled with professional rigor as an important part of the company's income statement, and the tax flow shall be optimized within the framework of the ongoing operating activities.

**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.

32,500 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 shows the assumed revenue and project expenses per square meter of apartment space excluding VAT. If a specific revenue or project expense per square meter is assumed to apply to the entire building rights portfolio, a value is created, expressed as present value. The analysis shows a strong leverage effect in value creation depending on the company's ability to manage both revenue and expenses effectively, and not least the general trend for housing prices during the period. A price or cost change of SEK 1,000 per square meter corresponds to about SEK 1,600m, or approximately SEK 22 per share according to the basis for this calculation.

The sensitivity analysis excludes cash flows from previously recognized land (SEK 7,037m) after adjustment of liabilities for property acquisitions (SEK 654). The present value of these cash flows amounts to about SEK 3.9bn.

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

Revenue/m <sup>2</sup> , SEK	29,000	30,000	31,000	32,000	33,000
<b>Cost/m<sup>2</sup>, SEK</b>					
<b>24,000</b>	7,900	9,500	11,100	12,700	14,300
<b>25,000</b>	6,300	7,900	9,500	11,100	12,700
<b>26,000</b>	4,700	6,300	7,900	9,500	11,100
<b>27,000</b>	3,100	4,700	6,300	7,900	9,500
<b>28,000</b>	1,500	3,100	4,700	6,300	7,900

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

Revenue/m <sup>2</sup> , SEK	29,000	30,000	31,000	32,000	33,000
<b>Cost/m<sup>2</sup>, SEK</b>					
<b>24,000</b>	111	133	155	177	199
<b>25,000</b>	89	111	133	155	177
<b>26,000</b>	67	89	111	133	155
<b>27,000</b>	45	67	89	111	123
<b>28,000</b>	23	45	67	89	111

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

Category	Percentage of cost, % <sup>1)</sup>	Change, %	Effect, SEK m
Salaries/wages	13	+/- 10	+/- 107
Material	12	+/- 10	+/- 125
Land	19	+/- 10	+/- 162
Developer's costs	15	+/- 10	+/- 114
Pre-construction	7	+/- 10	+/- 40
Overhead	5	+/- 10	+/- 60
Subcontracting	29	+/- 10	+/- 252

<sup>1)</sup> Share of cost base for project development of housing in Sweden was SEK 8.6bn in 2016.

Land refers to 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.

RISK	DESCRIPTION OF RISK	MANAGEMENT	COMMENTS/OUTCOME 2016
<b>MACROECONOMIC RISKS</b>			
<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.	Good GDP growth and stable housing market during the year. 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 market share is under pressure in a strong market.
<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 detailed plans and decisions on form of tenure as late as possible.	Unchanged political risks, some uncertainty remains regarding regulatory issues.
<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.
<b>OPERATIONAL RISKS</b>			
<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 detailed 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 detailed 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 64 repurchased (unsold) units with a carrying amount of SEK 233m 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.
<b>Responsibility in the supplier chain</b>	Requirements to ensure that JM's supplier chains are economically, socially and environmentally sustainable.	JM's process for sustainable supplier chains with sustainability assessments, sustainability analyses and audits.	Audits are conducted as random samples in the manufacturing chain. In 2016, three audits were completed.
<b>FINANCIAL RISKS</b> (see note 22, Financial risk management on page 80)			
<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 somewhat stable interest rates in the financial and housing markets.
<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.



# Sustain- ability

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 well-functioning 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 one of the pillars of our operations.**

For us, “sustainable urban planning” refers 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 113–118.

## Our ambition

JM’s sustainability work is based on its sustainability policy, which describes the commitment and 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 for 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 systematic and scheduled work.

## Organization

JM has two forums that carry the overall responsibility for the company’s sustainability work. The 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 Sustainability Council, which consists of the CEO and all 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

Sustainability is governed in the same manner as the rest of the Group’s operations, i.e. through the Operations System, JM’s management system. This allows the measures and improvements that we are implementing in the area of sustainability to have a direct impact on the entire operations.

For more information about the Operations System, see page 27.

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## AMONG OTHER THINGS, IN 2016 WE:

- Decided on new operational targets for sustainability – sub-targets for the long-term goals for 2030
  - Developed IT support for collection, analysis and reporting of indicators and key figures for sustainability
  - Increased the focus on good introduction and good leadership in the operations
  - Complemented the implementation of JM’s Code of Conduct
  - Started a project to radically decrease construction waste in the operations in coming years
  - Conducted a fundamental analysis of measures that are required to decrease the footprint of the operations
  - Ensured that JM contributes to sustainable forestry by requiring that hardwood trees, laminated timber, wood-based boards and wood-based interior design derive from PEFC- or FSC-certified sources
  - Decreased the risk of spreading dangerous substances by requiring halogen-free electrical ducts and covered electrical cables. Successive phase-out of goods and products produced by Bisphenol A (BPA) plastics
  - Passed a decision to improve the social design of our housing projects by already at early stages in the projects making conscious, active choices for social interaction, safety, meeting places, ecology and greenery
  - Passed a decision to further improve sustainability aspects in our projects through requirements on bicycle storage, energy-efficient dryers, green area factors, percentage of plant beds, packaging collection close to the property, which fractions must be taken care of and how the environmental room shall be formed.
-

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

MATERIAL SUSTAINABILITY ASPECTS	SOCIAL CONTRIBUTIONS	LONG-TERM GOAL 2030	OPERATIONAL GOAL	2016	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	12.6%	10.8%	12.8%
			The visible equity ratio should amount to 35% over a business cycle	40%	38%	37%
			The average dividend over a business cycle should correspond to 50% of the Group's profit after tax	47%	57%	47%
			No ethical breaches	0	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  JM has the industry's most satisfied residential customers	<i>Procedure: All of the residential projects have a clear sustainability profile</i>	–	–	–
			JM should have the industry's most satisfied customers according to the Customer Satisfaction Index; CSI <sub>occupancy</sub> and CSI <sub>warranty</sub>	2nd in Sweden 1st in Norway CSI <sub>occupancy</sub>	2nd in Sweden 1st in Norway CSI <sub>occupancy</sub>	1st in Sweden 1st in Norway CSI <sub>occupancy</sub>
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%	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	12.3	13.0	9.9
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 works towards an even gender distribution and diversity among its employees	Even gender distribution among salaried employees (at least 40/60)	Ratio 32/68	Ratio 32/68	Ratio 31/69
			Increase the number of female wage-earners to 5%	1%	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 is one of the commercial market's most attractive employer	Implement JM Competence platform	Started	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  Total amount of construction waste reduced to 5 kg/sqm in 2025 (newly built apartment area, GFA)	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)	1.4 kg/sqm	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	9%	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)	28 kg/sqm	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 consumption for housing should be 25% below each country's current standard for 2014	27%	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	51%	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</li> <li>• Started two-year trainee program with focus on project development</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> <li>• Urban Development Day</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> <li>• Urban Development Day</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>• Transport</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>
<ul style="list-style-type: none"> <li>• Social sustainability</li> <li>• Climate and energy</li> <li>• Transport</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>• Product responsibility</li> <li>• Resource efficiency</li> <li>• Small impact on the climate</li> </ul>

## 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 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 2016, JM received a rating of A- in the CDP assessment. Companies that receive an A-level rating are considered leaders with regard to their active efforts to reduce their impact on the environment. In a new compilation of how large Swedish companies are reporting their emissions, JM is one of the 17 companies that received the highest scores.

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.





Project Grafkern, Telefonplan in Stockholm.



# 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 consumption
- Building materials' impact on the environment
- Construction 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 that conserve water and logical spaces for sorting waste all help to lower operating costs for households and generate environmental benefits for society.

## Operations in Sweden

### Project development of housing

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.

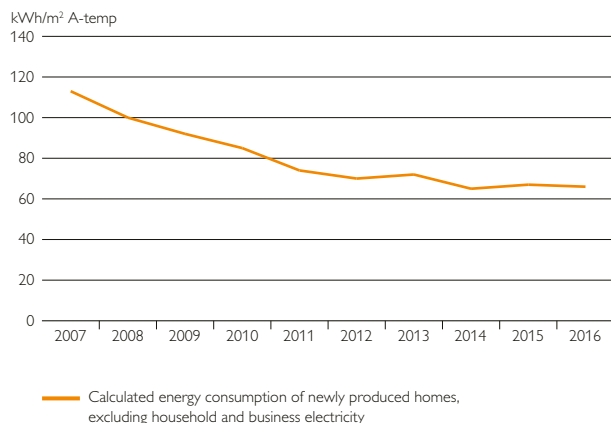
### LOW-ENERGY BUILDINGS

JM focuses on reducing energy consumption 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 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.



Calculated energy consumption  
of housing produced by  
JM in Sweden



JM uses a standardized method to calculate the energy consumption 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 consumption has been reduced by around 40 percent since 2005.

## ENERGY CONSUMPTION DURING THE PRODUCTION PHASE

JM 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 start-up 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 our website [jm.se/sustainability](http://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 consumption will nevertheless vary depending on the inhabitants' behavior, the design of the energy system and where in the country the building is located.

## CHOICE OF MATERIALS

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.

## CONSTRUCTION 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 116). 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



Järvastaden in Solna/Sundbyberg.

- 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 transports of goods and people are responsible for considerable emissions of substances that impact health and the environment. JM procures the majority of its transports of goods and work requiring heavy machinery from suppliers. We 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, implementing strict requirements that are in line with the "QIII system," a tool specially designed by the Swedish Transport Administration that aims to help purchasers of shipping services improve with respect to workplace health and safety, road safety and the environment
- JM business trips having as small of an impact on the environment as possible with regard to carbon emissions
- all company cars being green cars (according to the definition in the Road Traffic Tax Act)
- prioritizing train travel over air travel, and encouraging public transit
- JM offsets carbon emissions from air travel (UN's Clean Development Mechanism)
- videoconferencing equipment at the offices to reduce the number of business trips.

#### CONTAMINATED SOIL

Almost all of the land JM develops carries traces of old industrial operations. These must be handled in accordance with the Environmental Code, ordinances and regulations. JM therefore has in-house land remediation coordinators who organize studies and investigations and prepare suitable remediation measures in consultation with the supervisory authority. Land remediation during the development stage





*JM Construction is building a new operational area at Arlanda Airport.*

normally consists of digging up the contaminated earth and driving it to an approved landfill, which then must be reported to the supervisory authority after the remediation is completed. JM makes considerable contributions to the environment when contaminated areas, such as old industrial areas, are remediated and become new residential areas. In order to achieve better control and coordination with other development work, JM has formed a group that consists of land specialists and representatives from most of the company's regions. The objective of this group is to share knowledge, secure costs and achieve within the organization a better and more unified structure in JM's land-related work. The group will act as an expert body that can evaluate land-related issues serving as a basis for decisions in other areas of the operations.

### **JM Construction**

The JM Construction subsidiary carries out contracting work within residential construction, civil engineering and facades for external and internal clients in the Greater Stockholm area.

JM Construction is certified according to OHSAS 18001, ISO 9001 and ISO 14001. Its environmental work focuses on reduced energy consumption, waste sorting, soil remediation and proactively choosing the best environmental

transportation and shipping alternatives. JM's agreements with partners and suppliers stipulate that they must meet environmental requirements.

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 Construction performs land remediation for both JM and external clients, and this year the company also became a member of "Byggarubedömningen".

### **Project development**

#### **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

### **Project development of housing**

A growing focus on sustainability issues and a genuine interest in making strides in the area is discernible at JM in Norway. During the year, environmental work between JM Sweden and JM Norway became more integrated, and this project will continue during 2017.

In Norway, we energy label all new buildings on the basis of Norwegian regulations that were introduced on July 1, 2010.

Low energy buildings in JM Norway have been implemented as the standard in all projects started since March 2012. They have been designed to date 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 have been generally based on district heating. Estimated delivered energy for heating is 70–80 kWh/sqm and year. If the heating has been based on geothermal heating, the estimated delivered energy for heating is 40–45 kWh/sqm and year. Heat pumps have been installed in single-family homes to transfer surplus heat from the ventilation to hot water and airborne heating along with electric heaters. Estimated delivered energy for heating is 45–50 kWh/sqm and year.

In 2016, regulatory requirements were tightened and the norm for allowable energy consumption was reduced by approximately 20%. This requirement applies to all new projects starting in 2017. In order to meet this requirement as well as JM's internal target of being 25% below the norm, JM Norway has determined that a traditional district heating

solution is not suitable. The new law, however, does allow greater freedom in terms of technological solutions. By installing both an exhaust air heat pump and a heat exchanger, JM Norway is able to meet both the requirements and our internal target. All new projects will be designed with this solution starting in 2017. Such a rapid adjustment would not have been possible if we had not been at the forefront when it comes to building construction and energy solutions. The estimated delivered energy for heating with this solution is 45–50 kWh/sqm and year in all of our projects, and they will also meet the requirements of Energimerke A. This energy certification is expected to have an impact on the attractiveness and competitiveness of JM's homes.

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.

## Operations in Finland

### **Residential project development**

We are not seeing the same environmental awareness and requirements on the Finnish market as we are seeing in other markets. At the end of the fall, JM prepared a plan for how the company can systemically introduce an environmental approach to its work in the Finnish operations during 2017.

In terms of energy, there are plans to conduct an analysis of the energy performance of the homes, define the requirement level and coordinate data gathering and measures to reduce the environmental impact with other Group procedures.

In terms of materials, there are plans to implement requirements and system support for environmental assessments of building materials. Environmental requirements for a number of material categories will be implemented. The operations will be involved in the Group's waste work to achieve the recently set waste targets within JM.

# 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 JM had 2,422 employees, of which 1,023 wage-earners and 1,399 salaried employees. Of these, just over 95 percent were permanent employees.

## Employees today and tomorrow

Diversity is an important strategic issue. We always strive for a good balance between male/female and senior-/junior-level employees. During the year we have developed new, long-term targets linked to equality. By 2030 JM should have: 20 percent female wage-earners, 40/60 distribution between men and women in all salaried positions, 40/60 distribution in the management groups at Group, business area and regional level.

Today, 32 percent of the salaried employees are women, while the corresponding figure among wage-earners is 1 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 or participating in internships or our trainee program. During the year we offered internships to around 100 students.

In August 2016, we started our seventh 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, through 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 active, for example Facebook and LinkedIn.

## Strategic supply of skills

In order to impose a structure on our strategic skills development, we use an IT tool for the supply of skills – JM Competence. All skills development initiatives that we invest in should benefit the business. We ensure this goal by conducting gap analyses between the skills required by the position and the employee's current skills, which in turn leads to various development initiatives for the employee. Approximately 70% of learning and development occurs in the employee's day-to-day tasks through, for example, expanded responsibility, new tasks and participation in development projects. In addition, we offer employees courses and training as well as coaching and mentorship. We also adapt the content of our courses to JM's operations and environments in order to have more of an impact on the participant.

As part of our efforts to offer training at the right time, JM has adapted its e-learning courses. We see this as an excellent opportunity to quickly provide new employees with an introduction and prepare them for classroom training. JM also has a knowledge bank available to all employees.

A structured introduction process is important for providing employees with the right conditions for succeeding in their new position and becoming part of JM. New employees take a number of e-learning courses, attend a basic training course in production or project development and meet and talk with the entire Group management team at "New at JM Day". Performance reviews offer an excellent opportunity for identifying development needs for employees and are held every year with all salaried employees in the Group. Some units also hold performance reviews with their wage-earners.



### 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 – Involved

Leadership. The guidelines describe the behavior expected from managers in order for them to succeed as a manager and leader at JM and serve as the foundation for our continued efforts to build up the management and leadership training program at JM. We offer leadership programs for Foremen, Site Managers, Project Managers and Pre-Construction Managers as well as various leadership courses for all managers and leaders. JM's annual succession planning shows that 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. All of JM's current employees have played "Right from me", a game developed in-house with the aim of implementing and raising awareness for the Code of Conduct. New employees play the game during "New at JM Day".

#### EMPLOYEE STRUCTURE – GROUP

	2016	2015	2014
Number of employees as of Dec. 31	2,422	2,316	2,197
– number of salaried employees	1,399	1,306	1,255
– number of wage-earners	1,023	1,010	942
Average age, salaried employees	43	42	43
Average age, wage-earners	39	40	40
Percentage of women among salaried employees, %	32	32	31

#### AVERAGE NUMBER OF EMPLOYEES PER COUNTRY

	2016	2015	2014
Sweden	1,994	1,919	1,820
Norway	365	353	353
Finland	40	31	31
Denmark	1	4	5
Belgium	–	9	9
<b>Total</b>	<b>2,400</b>	<b>2,316</b>	<b>2,218</b>



### Quick start with the right introduction

**Both a new employee at JM and a new manager, Daniel needed to get up to speed on his job quickly. The introduction program proved to be a really good start.**

– From my own personal experience, I can say that I have rarely received as good an introduction as I did at JM. It makes a difference when the company dedicates time and effort and I have felt like I have been warmly welcomed.

It has also equipped me well for meeting the challenges of leading my group through the digital change process, which we are in the middle of.

"New at JM Day" was really well spent time and the company's values and culture were emphasized. The entire Group's Executive management team also took several hours to answer questions from new employees.

As a new manager, I even was quick to receive an invitation to the management course about JM's core values and leadership skills. The importance of these was easy to absorb thanks to well-thought-out exercises in which we participants were given the opportunity to alternate between theory and practical exercises from our day-to-day activities.

#### **Daniel Liliegren**

*Group Manager Digital Workplace,  
Operations Development and IT*





## Proactive work with health issues

**JM's goal is for all employees to work their entire career without being inflicted by occupational illnesses.**

– In order to achieve this goal, we are working strategically and proactively to take action before we become sick.

We are affected by physical, psychological and social work environment factors. These include everything from ventilation, sound, chemicals and machinery to organization, leadership, work content and stress, as well as recovery possibilities. This also means that we need to approach work environment issues from a broad front and include everything from the physical work environment at the construction sites to a style of leadership that contributes to sustainable employees.

One of the issues in focus at this year's Work Environment Day was feedback, a topic that was highlighted in the results of the spring's employee survey. As part of this focus, we discussed the social and organizational work environment during Work Environment Day. JM created in close cooperation with occupational health services a corporate training course in ergonomics for all wage-earners and their managers. This is an important step in creating conditions for being sustainable all the way to retirement age.

One wellness activity that has been held at JM for many years is the morning warm-up, which is an important part of being sustainable at work. Employees who lead the morning warm-up every morning, year in and year out, are making a vital contribution to JM's operations. This spring we arranged an inspirational day with work-outs and lectures for all of our morning warm-up instructors in order to continue to inspire them and keep this tradition alive.

**Maria Enberg**  
Health Strategist at JM AB

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. Employeeship is discussed at goal and performance reviews and interwoven into all of the training courses we develop.

### **Our work environment**

JM's vision is for its workplaces to be injury-free and places where all employees feel safe. We must always prioritize health and safety above all else. If a task cannot be performed safely, it should not be performed at all. All employees must have a good physical, organizational and social 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.

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.

### **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 offer our employees medical advice from a nurse in the event of illness. Total leaves of absence due to illness have increased from 3.4 to 3.7 percent in Sweden. Short-term absence due to illness increased from 2.0 to 2.1 percent.

As part of JM's proactive efforts, 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 Midnattslöppet 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 greater gender equality.

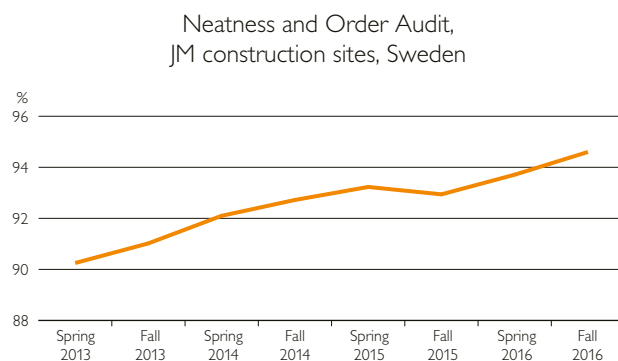
### Ethical guidelines and whistle blowing

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 an external party that is open to employees, partners, customers and other stakeholders.

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 in order to gain access to the workplaces.

Among other things, in 2016 we:

- Developed training courses adapted to JM's needs, such as Construction Law, Purchasing, Land Survey, Property Construction and Acquisition and Tenant-Owner Basics
- Produced approximately 20 e-learning courses, including Being a JM Employee, JM's Business, Environment and the Operations System
- Conducted several 5-day introduction courses for production employees to ensure a good start for our new employees. Also created a two-day introduction course that targets other employees at JM
- Trained all of JM's fitness instructors and gathered them for a day of inspiration in order to further inspire and emphasize the importance of this work
- Conducted a Work Environment Day throughout the 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.



Work environment audits are 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 weighted score of 91 percent.



### Digital vision in practice

**JM should combine talented employees, smart technology and creative innovation in order to realize change. Digitalization is becoming increasingly important and for many employees this will mean a closer cooperation with IT. A number of pilot collaborations are already being tested in several development projects.**

– The goal is to be able to increase customer value and become even more efficient at our construction sites. With innovation and smart technology, we should also successfully reach our aggressive sustainability targets.

Our customers expect us to meet them in digital channels. For example, we offer them virtual apartment open houses in 3D, what we call the "home selector" and the possibility of seeing their home in VR. A good complement to all of the housing facts on jm.se and an aid for external agents, JM's interior designers and customer service to communicate with interested home buyers. We are constantly developing our website, which is the hub of all of our customer communication. Future development will include, for example, the possibility for our customers to make their interior design choices online.

When it comes to work methods in the construction process, JM is investing in digital support in the form of process control, mobility and multi-dimensional data solutions (BIM) that make it possible to manage digital drawings, schedules and costs.

The smart home is rapidly advancing and we are already seeing many new possibilities for JM to create even better places where people can feel at home with the help of digitalization.

**Per Lundquist**

Head of Operations Development and IT



# 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 2016 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.

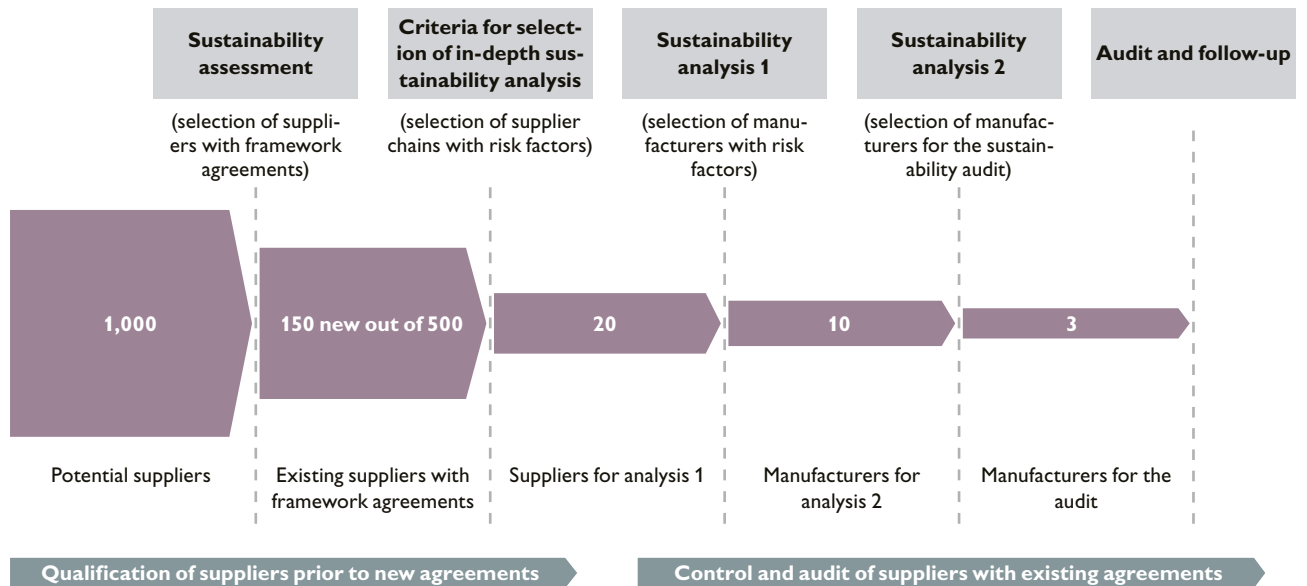
All of JM's suppliers that have a framework agreement must undergo a sustainability assessment before they can be approved as suppliers. This assessment covers aspects such as human rights, the environment, work conditions, corruption, health and safety.

## 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 2016, 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 2016)



**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 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 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.



## Very tough competition for land for residential purposes in Stockholm.

### Market

Average prices on the existing home market increased slightly at the end of the year. The supply of new residential units continues to be low in relation to long-term demand in the Stockholm area. Competition for well-situated land for residential units continues to be tough, and the prices for building rights continue to be at a level that requires JM to be very selective when acquiring land. Interest in JM's projects is strong. The customers' willingness to sign a contract early in the process is at a normal level.



Kvarnholmen, Nacka at the entrance to Stockholm's harbor.

The good demand resulted in strong sales during the year of 1,552 residential units (1,600).

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 larger projects in the region are Älvsjöstaden and Liljeholmen/Stockholm, Kvarnholmen/Nacka, Söderdalen/Järfälla and Dalénum/Lidingö.

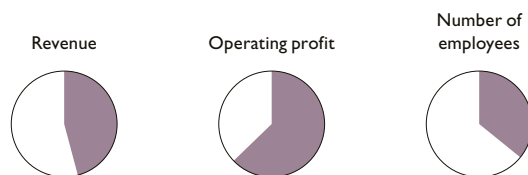
### Earnings trend

Revenue in the business segment increased to SEK 7,162m (6,273), which confirms the continued stable development for the operations. Operating profit increased to SEK 1,295m (1,078). The operating margin increased to 18.1 percent (17.2).

Cash flow during the year is in balance taking into consideration the decrease 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	2016	2015
Revenue	7,162	6,273
Operating profit <sup>1)</sup>	1,295	1,078
Operating margin, %	18.1	17.2
Average operating capital	4,388	4,134
Return on operating capital, %	29.5	26.1
Operating cash flow	1,558	–344
Carrying amount, development properties	4,286	4,517
Number of available building rights	13,000	12,400
– of which building rights on the balance sheet	8,000	8,700
Number of residential units sold	1,552	1,600
Number of housing starts	1,745	1,667
Number of residential units in current production	3,786	3,627
Number of employees	859	854
– of which salaried employees	445	422
– of which wage-earners	414	432
<sup>1)</sup> Of which property sales	–	0

### Building rights

During the year, building rights equivalent to approximately 970 residential units (1,650) were acquired in Stockholm and Danderyd.

### Housing starts

During the year, production started on 1,745 residential units (1,667).

1,682 (1,629) were units in apartment buildings including 96 on Ekerö, 186 in Järfälla, 141 on Lidingö, 167 in Solna, 869 in Stockholm, 173 in Täby and 50 in Österåker. Production started on 63 (38) single-family homes, including 30 in Värmdö and 33 in Österåker.

## Strong demand on all markets.

### Market

Average prices on the business segment's existing home markets increased slightly during the year. The supply of residential units decreased at the end of the year. Competition for land for residential purposes continued to be very tough.

Interest in JM's projects is strong. Customers' willingness to sign a contract early in the process is at a normal level. The good demand resulted in strong sales during the year of 1,318 residential units (1,273).

The largest segments in JM Residential Sweden are Gothenburg, Malmö/Lund, Uppsala, Linköping, Västerås and Örebro. Large projects are underway in Södra centrum and Kviberg



Light Factory, Södra centrum in Gothenburg.

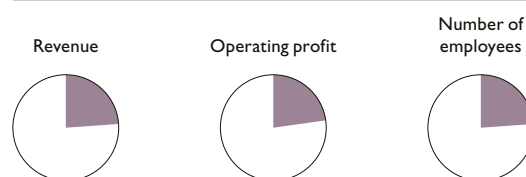
in Gothenburg, Hyllie in Malmö and Lomma Strandstad in Lomma Municipality. A project is under way in the Sockerbruk area of downtown Lund. Large projects are also underway in Kungsängen and Norra Luthagen in Uppsala, Östermalm and Öster Mälarstrand in Västerås and Vasastan in Örebro.

### Earnings trend

Business segment revenue increased to SEK 3,820m (3,278) and operating profit increased to SEK 480m (308), including gains from the sale of property in Örebro totaling SEK 37m (0). The operating margin increased to 12.6 percent (9.4). A temporary decrease in working capital had a positive impact on cash flow during the year.

### 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	
SEK m	2016	2015
Revenue	3,820	3,278
Operating profit <sup>1)</sup>	480	308
Operating margin, %	12.6	9.4
Average operating capital	1,085	1,289
Return on operating capital, %	44.2	23.9
Operating cash flow	720	533
Carrying amount, development properties	1,350	1,269
Number of available building rights	9,700	9,900
– of which building rights on the balance sheet	5,500	5,200
Number of residential units sold	1,318	1,273
Number of housing starts	1,336	1,228
Number of residential units in current production	2,240	1,944
Number of employees	586	539
– of which salaried employees	324	294
– of which wage-earners	262	245
<sup>1)</sup> Of which property sales	37	0

### Building rights

During the year, building rights corresponding to approximately 1,250 (1,250) residential units were acquired in Malmö, Lund, Helsingborg, Mölndal, Gothenburg, Linköping, Örebro and Uppsala.

### Housing starts

During the year, production started on 1,336 residential units (1,228).

1,217 (1,042) were units in apartment buildings, including 344 in Skåne (228 in Malmö, 63 in Lomma and 53 in Helsingborg), 63 in Kungsbacka, 266 in Gothenburg, 39 in Mölndal, 46 in Linköping, 131 in Örebro, 42 in Västerås, 59 in Upplands Väsby and 227 in Uppsala.

Production started on 119 (186) single-family homes, of which 34 in Staffanstorps in Skåne, 32 in Gothenburg, 32 in Uppsala and 21 in Vallentuna.



## Focus on Norway and Finland.

### Earnings trend

The business segment's revenue increased to SEK 3,477m (3,059) and operating profit increased to SEK 204m (166). The operating margin increased to 5.9 percent (5.4). The profit includes SEK -23m (39) from the sale of a property in Denmark. Excluding this sale, the operating margin is 6.5 percent. Cash flow during the year was inhibited somewhat by investments in development properties.

### Norway

Demand is strong for both newly built homes and homes on the existing home market. The price level on the existing home market increased during year, with strongest growth in Oslo. During the year 705 residential units (696) were sold and production began on 643 units (635). The number of residential units in current production amounts to 1,203 (1,120). Building rights corresponding to around 1,300 residential units (1,500) were acquired. Available building rights correspond to 6,700 residential units (5,900).

### Finland

The level of activity on the housing market in Helsinki continues to be low but continues to show signs of weak improvement.



Entréen in Lørenskog, Oslo.

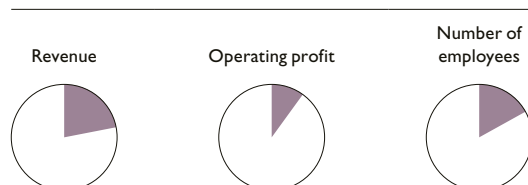
Customers are still cautious and time to closing is long. The price level in the capital region increased slightly during the year.

During the year 254 residential units (106) were sold and production began on 234 units (147). The number of residential units in current production increased to 277 (121).

During the year, JM purchased building rights corresponding to approximately 40 residential units (1,215). Available building rights correspond to approximately 2,000 residential units (2,100).

### 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	2016	2015
Revenue	3,477	3,059
– of which JM Norway	3,056	2,664
Operating profit <sup>1)</sup>	204	166
– of which JM Norway	227	181
Operating margin, %	5.9	5.4
– of which JM Norway	7.4	6.8
Average operating capital	1,997	2,145
Return on operating capital, %	10.2	7.7
Operating cash flow	153	434
Carrying amount, development properties	1,401	1,202
Carrying amount, project properties	13	31
Number of available building rights	8,900	8,200
– of which building rights on the balance sheet	4,300	4,100
Number of residential units sold	973	843
Number of housing starts	877	782
Number of residential units in current production	1,542	1,303
Number of employees	420	395
– of which salaried employees	281	271
– of which wage-earners	139	124
<sup>1)</sup> Of which property sales	-23	39

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

### Denmark

In 2015, JM completed the final phase of a single-family home project in Humlebäck and since then has not had any production in Denmark. The Dagelökke Ege property was sold during the second quarter of 2016, and JM's operations in Denmark were closed during the year.

### Belgium

During 2015, JM closed its office in Brussels and no longer has any staff there. Remaining operations are run by external resources.

During the year, 14 residential units (18) were sold and production began on 0 units (0). The number of residential units in current production amounts to 62 (62). 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 142m (206), including contracting revenue of SEK 117m (185) and rental revenue of SEK 25m (21). Operating profit was SEK 30m (38). Net rental income for project properties was SEK 5m (7). Profit from construction contracts was SEK 45m (32) and gains from property sales were SEK 1m (17). Cash flow during the year was negative due to ongoing investments in project properties.



The Vinfatet senior housing project in Sollentuna.

### Property gains/losses

Gains/losses for the year from property sales are attributable to reserves for property sales made in previous years.

### Project development

#### JM RENTAL HOUSING

Production continued in 2016 on two rental projects on JM's own balance sheet. The Dalénium project, Lidingö consists of 97 rental apartments and was completed at the end of the year. All of the apartments were rented at the end of the year. The Tjärtunnan project in Stureby, Stockholm, consists of 187 rental units and occupancy is planned for 2017–2018.

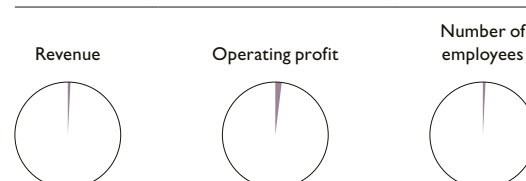
During the final quarter of the year, production started on an additional two rental projects on JM's own balance sheet, the Spaken project in Hägernäs, Täby, consisting of 136 rental units with planned occupancy in 2018, and the Alphyddan project in Sickla, Nacka, a tower block consisting of 93 student apartments with planned occupancy in 2018.

#### RESIDENTIAL CARE UNITS

JM constructed senior housing in 2016, the Vinfatet project, in Sollentuna, north of Stockholm. This project was sold to

## JM PROPERTY DEVELOPMENT

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



	January–December	
SEK m	2016	2015
Revenue	142	206
Operating profit <sup>1)</sup>	30	38
Average operating capital	508	326
Return on operating capital, %	5.9	11.7
Operating cash flow	–101	–206
Carrying amount, development properties	35	35
Carrying amount, project properties	589	347
Number of available building rights <sup>2)</sup>	900	600
– of which building rights on the balance sheet	100	100
Number of residential units sold <sup>2)</sup>	–	54
Number of housing starts <sup>2)</sup>	229	54
Number of residential units in current production <sup>2)</sup>	416	338
Number of employees	31	29
– of which salaried employees	22	22
– of which wage-earners	9	7
<sup>1)</sup> Of which property sales	1	17

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

Heba Fastighets AB in 2015 and the project was turned over upon its completion in Q4 2016. The project consisted of 54 residential units.

#### 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 22,000 square meters. The carrying amount is SEK 12m (12).

## 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 is tough competition for the assignments.

Orders are good in the business segment, with a large number of projects in current production.



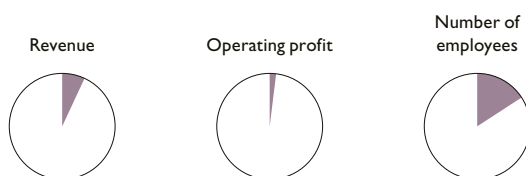
Liljeholmskajen, Stockholm

### Earnings trend

Business segment revenue decreased to SEK 1,665m (2,084) and operating profit decreased to SEK 43m (45). The operating margin was 2.6 percent (2.2). The decrease in revenue is attributable to the assignment for the new production of a biofuel cogeneration plant in Stockholm for Fortum Värme, now being completed. Cash flow during the year was limited by a delayed payment from an external orderer that is under dispute.

### JM CONSTRUCTION

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



SEK m	January–December	
	2016	2015
Revenue <sup>1)</sup>	1,665	2,084
Operating profit	43	45
Operating margin, %	2.6	2.2
Operating cash flow	32	–34
Carrying amount, development properties	49	44
Number of employees	393	380
– of which salaried employees	194	178
– of which wage-earners	199	202
<sup>1)</sup> Of which internal	514	453

### Projects

The largest assignments JM Construction received during the year include being one of the five contractors for the framework agreement for a major development project at the Arlanda and Bromma airports and the continued renovation of Slussen for the City of Stockholm. New assignments also include the new production of an office building in Danderyd for Skandia Fastigheter AB and new construction of a school for Vallentuna Municipality.

The largest ongoing assignments are a new operational area at Arlanda Airport (Swedavia), renovation of quays in Norrtälje Harbor and development projects for future housing production (Norrtälje Municipality), new production of apartment buildings in Gröndal (Aros Bostad), development work for housing production in Hammarby Sjöstad and the renovation of Slussen (City of Stockholm).

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 2016.**

## Market, sales and housing starts

Demand for newly built homes in Sweden and Norway has been stable 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 increased to 3,843 (3,770)<sup>1)</sup>. The percentage of sold or reserved homes in relation to current production amounts to 77 percent (86), with an interval of 60–65 percent considered normal. JM Residential Stockholm sold 1,552 residential units (1,600), JM Residential Sweden sold 1,318 (1,273), JM International sold 973 (843) and JM Property Development sold 0 (54).

The number of housing starts increased to 4,187 (3,731)<sup>2)</sup>. JM Residential Stockholm started production on 1,745 residential units (1,667), JM Residential Sweden on 1,336 (1,228), JM International on 877 (782) and JM Property Development on 229 (54).

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

The number of residential units in current production increased to 7,984 (7,212), of which 416 are rental units and residential care units (338).

## Revenue

Consolidated revenue in accordance with segment reporting for the year increased to SEK 15,752m (14,447). Revenue restated according to IFRIC 15 increased to SEK 15,291m (13,939).

## Operating profit

Operating profit according to segment reporting increased to SEK 2,011m (1,590) and the operating margin increased to 12.8 percent (11.0). Operating profit restated according to IFRIC 15 increased to SEK 1,931m (1,499). The restatement is related to JM International and had a negative effect on earnings of SEK –80m

(–91), which can be explained by a large number of housing starts in relation to completed projects.

Operating profit for the business segment JM Residential Stockholm increased to SEK 1,295m (1,078). The operating margin increased to 18.1 percent (17.2).

Operating profit for JM Residential Sweden increased to SEK 480m (308), of which capital gains from property sales amounted to SEK 37m (0). The operating margin increased to 12.6 percent (9.4).

Operating profit for JM International increased to SEK 204m (166), of which capital losses from property sales amounted to SEK –23m (39). The operating margin increased to 5.9 percent (5.4).

Operating profit for JM Property Development decreased to SEK 30m (38), of which capital gains from property sales amounted to SEK 1m (17).

Operating profit for JM Construction decreased to SEK 43m (45). The operating margin was 2.6 percent (2.2).

BUSINESS SEGMENTS SEK m	Revenue		Operating profit		Operating margin, %	
	2016	2015	2016	2015	2016	2015
JM Residential Stockholm	7,162	6,273	1,295	1,078	18.1	17.2
JM Residential Sweden	3,820	3,278	480	308	12.6	9.4
JM International	3,477	3,059	204	166	5.9	5.4
JM Property Development	142	206	30	38		
JM Construction	1,665	2,084	43	45	2.6	2.2
Elimination	–514	–453				
Group-wide expenses			–41	–45		
Total (segment reporting)	15,752	14,447	2,011	1,590	12.8	11.0
Restatement JM International <sup>1)</sup>	–461	–508	–80	–91		
<b>Total</b>	<b>15,291</b>	<b>13,939</b>	<b>1,931</b>	<b>1,499</b>	<b>12.6</b>	<b>10.8</b>

<sup>1)</sup> Of which 0 rental units and residential care units (54).

<sup>2)</sup> Of which 229 rental units and residential care units (54).

<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

	12/31/2016	12/31/2015
Number of residential units in current production <sup>1) 2)</sup>	7,984	7,212
Percentage of sold residential units in current production, % <sup>3)</sup>	65	64
Percentage of reserved residential units in current production, %	12	22
Percentage sold and reserved residential units in current production, % <sup>3)</sup>	77	86
<sup>1)</sup> Of which rental units and residential care units in current production in JM Property Development – are not included in the percentage of sold and reserved residential units in current production	416	338
Includes residential units in projects where costs incurred are only reported as project properties under construction	416	284

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

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

## COMPLETED PRODUCTION, UNSOLD UNITS

	12/31/2016	12/31/2015
Completed production, number of unsold units <sup>1)</sup>	70	98
– including the balance sheet item reported as "Participations in tenant-owners associations, etc."	64	71

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

## Financial income and expenses

Financial income and expenses amounted to SEK –60m (–72), an improvement of SEK 12m (of which a currency effect of SEK –9m from the closing of JM's operations in Denmark) compared to the previous year due primarily to lower interest-bearing loans.

SEK m	12/31/2016	12/31/2015
Financial income <sup>1)</sup>	17	11
Financial expenses <sup>2)</sup>	–68	–83
Currency effect from the closing down of operations <sup>3)</sup>	–9	–
<b>Financial income and expenses</b>	<b>–60</b>	<b>–72</b>

<sup>1)</sup> Of which revaluation and currency hedging

0 2

<sup>2)</sup> Of which revaluation and currency hedging

0 –2

<sup>3)</sup> Pertains to JM's operations in Denmark.

## Profit before tax

Profit before tax increased to SEK 1,871m (1,427).

## Net profit for the year

Profit for the year was SEK 1,478m (1,085). Total tax expense was SEK –393m (–342) including current tax of SEK –378m (–333) and deferred tax of SEK –15m (–9). The tax expense for 2016 is slightly less than the nominal tax rate for the Group. This is primarily because of revaluations of deferred tax attributable to previous years' sales of properties where income tax is not paid. A charge of SEK 25m (29) was taken against earnings for the property tax, which is treated as an operating expense.

## Development and project properties

## RESIDENTIAL BUILDING RIGHTS

The number of available building rights increased to 32,500 (31,100), of which 17,900 (18,100) are recognized in the balance sheet. Capital tied up in building rights (development properties on the balance sheet) for residential units amounts to SEK 7,037m (6,988) 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 22,000 square meters with a total carrying amount of SEK 12m (12).

## TOTAL NUMBER OF RESIDENTIAL BUILDING RIGHTS

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

	2016		2015	
JM Residential Stockholm	13,000	(8,000)	12,400	(8,700)
JM Residential Sweden	9,700	(5,500)	9,900	(5,200)
JM International	8,900	(4,300)	8,200	(4,100)
JM Property Development	900	(100)	600	(100)
<b>Total</b>	<b>32,500</b>	<b>(17,900)</b>	<b>31,100</b>	<b>(18,100)</b>

Valuation of JM's total development properties with a carrying amount of SEK 7.1bn (7.1) shows a surplus value of SEK 7.0bn (4.2). This valuation was carried out in cooperation with an independent appraisal company. This large increase in value confirms JM's geographic acquisition strategy.

During 2016, JM purchased development properties for residential units for SEK 1,894m (2,684), of which SEK 1,021m relates to JM Residential Stockholm, SEK 459m to JM Residential Sweden and SEK 414m to JM International. Net investments in development properties during the year totaled SEK 64m (365). The building rights portfolio thereafter amounts to SEK 7,121m (7,067). These holdings are essential for JM's residential development projects.

## DEVELOPMENT PROPERTIES (HOUSING)

SEK bn	12/31/2016		12/31/2015	
	Market value	Carrying amount	Market value	Carrying amount
JM Residential Stockholm	9.1	4.3	7.3	4.5
JM Residential Sweden	2.5	1.4	2.1	1.3
JM International	2.5	1.4	1.8	1.2
<b>Total</b>	<b>14.1</b>	<b>7.1</b>	<b>11.2</b>	<b>7.0</b>

## PROJECT PROPERTIES

Rental income from JM's project properties was SEK 25m (23). Net rental income was SEK 5m (8). Properties were sold during the year for SEK 1m (4) with gains of SEK 1m (4). The externally appraised market value of JM's project properties was calculated to be SEK 863m (550) with a carrying amount of SEK 602m (378).

## PROJECT PROPERTIES

	Market value, SEK m	Carrying amount, SEK m	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
12/31/2016				
Properties under development	835	583	25	88
Completed commercial properties	28	19	1	100
<b>Total</b>	<b>863</b>	<b>602</b>	<b>26</b>	<b>89</b>

## Financial items

### INTEREST-BEARING LIABILITIES AND AVERAGE INTEREST RATES

As at December 31, 2016, the interest-bearing net liability amounted to SEK 435m (1,198). At the end of the year, non-interest-bearing liabilities for implemented property acquisitions amounted to SEK 497m (509). Of these liabilities, SEK 329m (349) were short-term. The total interest-bearing loan liability as at December 31, 2016, was SEK 1,959m (2,473), of which the provision for pensions comprised SEK 1,239m (1,129). A revaluation of the pension liability as a result of lower market rates increased the liability by SEK 65m (40). At the end of the year, the average interest rate for the total loan stock including the pension liability was 2.4 percent (2.3). The average term for fixed-rate loans excluding the pension liability was 0.4 years (0.4). 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 1,957m (–230) during the year. Net investments in development properties resulted in a cash flow of SEK 66m (–902). Holdings of repurchased residential units resulted in a cash flow of SEK –26m (65). Consolidated cash flow from project properties (sales minus investment) during the year was SEK –241m (–168).

### LIQUIDITY

Consolidated available liquidity was SEK 4,320m (3,575). Aside from cash and cash equivalents of SEK 1,520m (1,275), this includes unutilized overdraft facilities and credit lines totaling SEK 2,800m (2,300), where credit agreements for SEK 2,400m had an average maturity of 1.5 years (1.7).

## Shareholders' equity

Consolidated equity as at December 31, 2016, totaled SEK 4,951m (4,521). Undistributed earnings totaled SEK 4,064m (3,749) including net profit for the year of SEK 1,478m (1,085). In 2016 the dividend to shareholders was SEK 8.25 per share (8.00), for a total of SEK 602m (600). Buy-back of own shares during the year was SEK 500m (500). The equity ratio was 40 percent (38).

## Human Resources

The number of employees increased during 2016 by 5 percent and at the end of the year amounted to 2,422 (2,316). Current staffing is considered well balanced for the current project volume and some adjustments are made on a regular basis. Demand on the labor market is strong for qualified project development skills. There were 1,023 (1,010) wage-earners and 1,399 (1,306) salaried employees. The average number of employees during the year was 2,400 (2,316), including 406 (397) employed in JM's foreign subsidiaries. Wages, salaries, and social security expenses totaled SEK 1,952m (1,814), of which social security expenses comprised SEK 661m (595).

## 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 our Operations System, improvement work, measurable targets and environmental training programs. Follow-up occurs via non-conformity and key figure reports as well as internal audits. Prioritized environmental issues include energy consumption, choice of building materials, building waste, transports and machinery and contaminated soil. For more information about sustainability, see pages 34–43.

## Work of the Board in 2016

The 2016 Annual General Meeting elected seven ordinary members. The employee organizations appointed two members and two deputies. The Board of Directors held eleven meetings. In addition, the Audit Committee held five meetings, the Compensation Committee four meetings and the Investment Committee eight meetings. The most important issues for the Board during 2016 were decisions to start production on large housing projects, major acquisitions of development properties, decisions on the final closing of JM's operations in Denmark, 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 102. 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 103–104.

## Dividend

For 2016 the Board of Directors proposes a dividend of SEK 9.50 (8.25) per share, for a total of SEK 679m (602). The proposed record date for the dividend is Tuesday, May 2, 2017. If the Annual General Meeting resolves to adopt the proposal, the dividend will be sent on Friday, May 5, 2017.

## Buy-back and holdings of own shares

After the 2016 Annual General Meeting, a total of 1,604,657 shares were bought back for SEK 375m.

The number of outstanding shares, excluding holdings of own shares, at December 31, 2016, totals 71,448,330.

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 27, 2017.



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 2018 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 27, 2017.

### Share capital

JM's share capital at December 31, 2016, was SEK 73m (75), represented by 73,052,987 shares, of which 1,604,657 are repurchased shares. All shares carry equal voting rights and equal rights to a share of the Company's equity. The issued shares are freely transferable with no restrictions imposed by law or by JM's Articles of Association. JM knows of no agreements involving shareholders that may restrict the right to transfer shares.

### Remuneration to senior executives

The Board of Directors' proposal for resolutions on guidelines for salary and other remuneration to senior executives can be seen below and will be presented at the Annual General Meeting for approval. The guidelines are the same as those adopted at the 2016 Annual General Meeting. The new agreements entered into with senior executives following the 2016 Annual General Meeting have followed applicable guidelines.

### Proposal for 2017 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 a fixed component, short- and long-term variable components, pension benefits and other benefits. "Other senior executives" refers to the Executive Management. Total compensation must be at market rates and competitive in the labor market in which the executive works. Fixed salary and short-term variable salary program will be related to the executive's responsibilities and authorities. The short-term variable salary program for senior executives will be capped at 50 percent of fixed salary. The short-term variable salary program will be based on performance in relation to established targets, which is usually the externally reported operating profit before tax, earnings per share and Customer Satisfaction Index. Long-term variable salary programs can be equity and/or cash-related and will be performance-based and, at the time of commitment, be capped at 50 percent of fixed salary. Termination of employment is normally subject to a mutual period of notice of six months. If notice of termination is given by JM, severance pay equivalent to six months' salary should also be payable. Pension benefits are either defined-benefit or defined-contribution, or a combination thereof, and the normal retirement age should be 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. Net sales for the Parent Company in 2016 were SEK 11,149m (9,761). The Parent Company's profit before appropriations and tax was SEK 1,774m (1,355). Investments in properties totaled SEK 1,221m (1,970). The average number of employees was 1,598 (1,532), including 1,276 men (1,247) and 322 women (285). Wages, salaries, and social security expenses totaled SEK 1,280m (1,170). An account of the number of employees and payroll expenses is provided in the Parent Company's notes, Note 2, page 93.

CONSOLIDATED INCOME STATEMENT, SEK m	NOTE	2016	2015
Revenue	1, 2	15,291	13,939
Production and operating costs	3, 4	-12,440	-11,630
<b>Gross profit</b>		<b>2,851</b>	<b>2,309</b>
Selling and administrative expenses	3, 4, 5	-935	-866
Gains/losses on the sale of property	6	15	56
<b>Operating profit</b>		<b>1,931</b>	<b>1,499</b>
Financial income	7	17	11
Financial expenses	7	-77	-83
<b>Profit before tax</b>		<b>1,871</b>	<b>1,427</b>
Taxes	8	-393	-342
<b>Net profit for the year</b>		<b>1,478</b>	<b>1,085</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified as income</i>			
Translation differences from the translation of foreign operations		102	-87
<i>Items that will not be reclassified as income</i>			
Restatement of defined-benefit pensions		-81	-49
Tax attributable to other comprehensive income		18	11
<b>Total comprehensive income for the year</b>		<b>1,517</b>	<b>960</b>
Net profit for the year attributable to shareholders of the Parent Company		1,478	1,085
Comprehensive income for the year attributable to shareholders of the Parent Company		1,517	960
Earnings per share, basic, attributable to shareholders of the Parent Company, SEK	9	20.40	14.50
Earnings per share, diluted, attributable to shareholders of the Parent Company, SEK	9	20.30	14.50
Proposed dividend per share, SEK	9	9.50	8.25

## Comments

### REVENUE

(2016: SEK 15,291m, 2015: SEK 13,939m)  
Consolidated revenue during the year increased by 10 percent to SEK 15,291m, of which SEK 12,275m refers to Sweden and SEK 3,016m 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 -461m (-508).

### OPERATING PROFIT

(2016: SEK 1,931m, 2015: SEK 1,499m)  
Operating profit increased by 29 percent to SEK 1,931m. Restatement according to IFRIC 15 had a negative impact on earnings of SEK -80m (-91).

### FINANCIAL INCOME AND EXPENSES

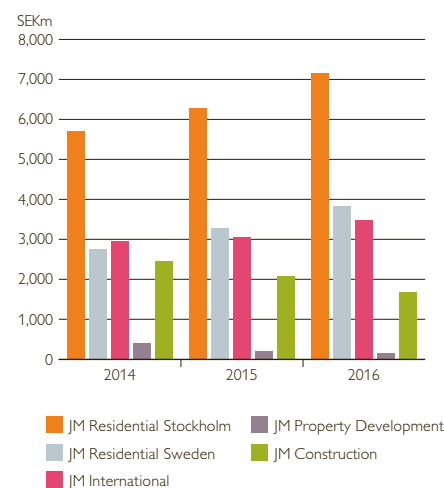
(2016: SEK -60m, 2015: SEK -72m)  
Net financial items increased by SEK 12m compared to the previous year due primarily to a decrease in interest-bearing loans.

### TAXES

(2016: SEK -393m, 2015: SEK -342m)  
Reported tax expense in 2016 amounts to 21 percent (24).

The difference between reported tax and the nominal tax rate for 2016 is due primarily to revaluations of deferred tax attributable to previous years' sales of properties where income tax is not paid.

### Revenue by business segment

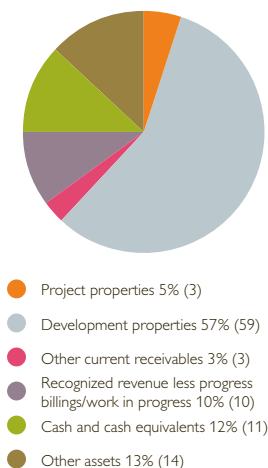


CONSOLIDATED BALANCE SHEET, SEK m	NOTE	12/31/2016	12/31/2015
<b>ASSETS</b>	1 2		
<b>Non-current assets</b>			
Goodwill	10	185	168
Machinery and equipment	11	12	18
Participations in joint operations and associated companies	12, 13	15	15
Financial assets	14	18	8
<b>Total non-current assets</b>		<b>230</b>	<b>209</b>
<b>Current assets</b>			
Project properties	15	602	378
Development properties	15	7,121	7,067
Participations in tenant-owners associations, etc.	16	233	235
Accounts receivable	22	999	927
Other current receivables	17	320	301
Prepaid expenses and accrued income		19	9
Recognized revenue less progress billings	18	1,215	1,256
Work in progress	19	221	315
Cash and cash equivalents	20	1,520	1,275
<b>Total current assets</b>		<b>12,250</b>	<b>11,763</b>
<b>TOTAL ASSETS</b>		<b>12,480</b>	<b>11,972</b>
<b>EQUITY AND LIABILITIES</b>	2		
<b>Equity attributable to shareholders of the Parent Company<sup>1)</sup></b>			
Share capital		73	75
Other capital contributions		881	866
Reserves		-67	-169
Undistributed earnings (including net profit for the year)		4,064	3,749
<b>Total shareholders' equity</b>		<b>4,951</b>	<b>4,521</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	21, 22	282	410
Other long-term receivables	21, 22	168	160
Provisions for pensions and similar obligations	23	1,239	1,129
Other non-current provisions	24	320	281
Deferred tax liabilities	25	677	659
<b>Total non-current liabilities</b>		<b>2,686</b>	<b>2,639</b>
<b>Current liabilities</b>			
Accounts payable	21, 22	668	602
Current interest-bearing liabilities	21, 22	438	934
Other current liabilities	21, 22	541	611
Current tax liabilities		114	89
Progress billings in excess of recognized revenue	26	1,698	1,472
Accrued expenses and deferred income	27	1,283	1,010
Current provisions	24	101	94
<b>Total current liabilities</b>		<b>4,843</b>	<b>4,812</b>
<b>Total liabilities</b>		<b>7,529</b>	<b>7,451</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,480</b>	<b>11,972</b>
<b>Pledged assets and contingent liabilities</b>	28		

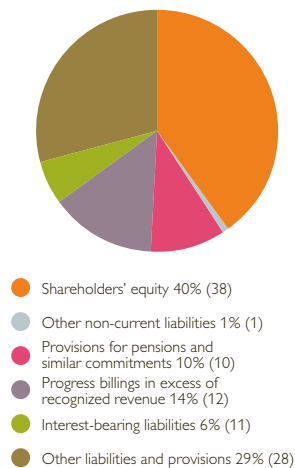
<sup>1)</sup> Please see the section on Consolidated statement of changes in equity, page 66.



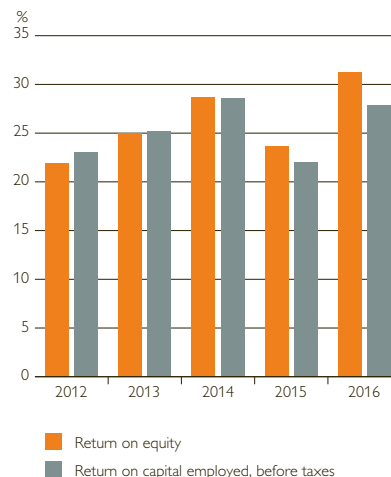
Consolidated assets  
12/31/2016



Consolidated capital structure  
12/31/2016



Return on equity and  
capital employed



## Comments

### GOODWILL

(2016: SEK 185m, 2015: SEK 168m)

Reported goodwill pertains to goodwill at the acquisition of JM Norge AS, AS Projektfinans and Öie AS.

The change in 2016 refers exclusively to a change in the foreign exchange rate.

### PROJECT PROPERTIES

(2016: SEK 602m, 2015: SEK 378m)

The portfolio consists primarily of two rental projects under construction and remaining commercial premises.

The externally appraised market value was estimated to be SEK 863m (550) with a surplus value of SEK 261m (172).

### DEVELOPMENT PROPERTIES

(2016: SEK 7,121m, 2015: SEK 7,067m)

In 2016, JM acquired development properties at a lower rate than in the previous year. During the year, JM acquired development properties for SEK 1,903m (2,695), while development properties for SEK -1,896m (-1,814) were transferred to production. The majority of the acquisitions consist of development properties intended for residential units.

The market value of the development properties shows a surplus value of SEK 7.0bn (4.2).

In all, JM has 17,900 residential building rights (18,100) on the balance sheet.

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

(2016: SEK 233m, 2015: SEK 235m)

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 64 (71) and consists primarily of show apartments for future residential phases.

### RECOGNIZED REVENUE LESS PROGRESS BILLINGS

(2016: SEK 1,215m, 2015: SEK 1,256m)

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

(2016: SEK 221m, 2015: SEK 315m)

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

(2016: SEK 1,239m, 2015: SEK 1,129m)

Debt increased during the year primarily due to a changed assumption regarding the discount rate, which resulted in actuarial losses of SEK 65m (40) and were reported under Other comprehensive income.

### DEFERRED TAX LIABILITIES

(2016: SEK 677m, 2015: SEK 659m)

The deferred tax liabilities item refers primarily to the fiscal value of the difference between accounting and tax values (temporary differences) that will be realized in the future. The temporary differences are mainly attributable to tax allocation reserves and development properties.

### LONG-TERM INTEREST-BEARING LIABILITIES

(2016: SEK 282m, 2015: SEK 410m)

Refers primarily to long-term interest-bearing liabilities to credit institutions and long-term interest-bearing promissory notes for purchases of development properties. The change is due to lower debt to credit institutions in the foreign companies.

### CURRENT INTEREST-BEARING LIABILITIES

(2016: SEK 438m, 2015: SEK 934m)

Refers primarily to short-term interest-bearing liabilities in connection with acquisitions of development properties. The change is due to lower indebtedness to credit institutions in Sweden.

### OTHER CURRENT LIABILITIES

(2016: SEK 541m, 2015: SEK 611m)

The item primarily consists of short-term promissory notes in conjunction with the acquisition of development properties. The item refers to liabilities for unconditional agreements that were entered into with deferred payment.

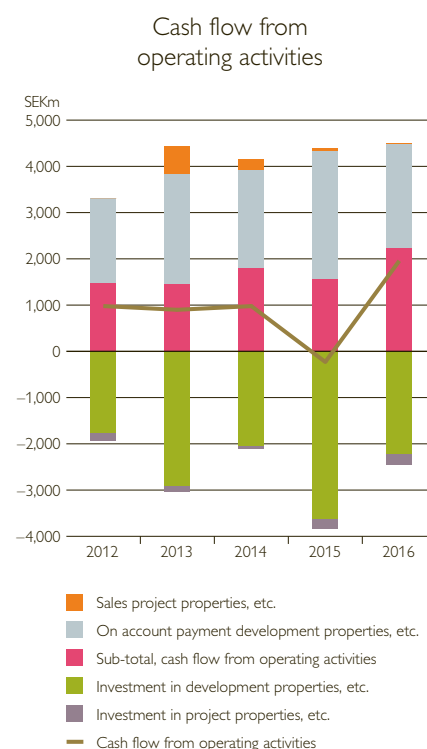
### PROGRESS BILLINGS IN EXCESS OF RECOGNIZED REVENUE

(2016: SEK 1,698m, 2015: SEK 1,472m)

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	2016	2015
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,931	1,499
Depreciation and amortization		8	8
Other non-cash items		294	61
<b>Sub-total, cash flow from operating activities</b>		<b>2,233</b>	<b>1,568</b>
Interest received		5	5
Dividends received		9	6
Interest paid and other financial expenses		-34	-47
Paid tax		-413	-806
<b>Cash flow from operating activities before change in working capital</b>		<b>1,800</b>	<b>726</b>
Investment in development properties, etc.		-2,215	-3,612
Payment on account for development properties, etc.		2,255	2,775
Increase/decrease in accounts receivable		-53	-95
Increase/decrease in other current receivables, etc.		140	-326
Increase/decrease in accounts payable		52	57
Increase/decrease in other current operating liabilities		219	413
<b>Cash flow before investments and sales of project properties</b>		<b>2,198</b>	<b>-62</b>
Investment in project properties, etc.		-242	-219
Sale of project properties, etc.		1	51
<b>Cash flow from operating activities</b>		<b>1,957</b>	<b>-230</b>
<b>INVESTING ACTIVITIES</b>			
Investment in property, plant, and equipment		-1	-5
Property, plant, and equipment sold		0	1
Change in financial assets		-5	-7
<b>Cash flow from investing activities</b>		<b>-6</b>	<b>-11</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		299	750
Amortization of debt		-910	-553
Redeemed options		1	1
Buy-back of shares		-500	-500
Dividend		-602	-600
<b>Cash flow from financing activities</b>		<b>-1,712</b>	<b>-902</b>
<b>Cash flow for the year</b>		<b>239</b>	<b>-1,143</b>
<b>Cash and cash equivalents, January 1</b>		<b>1,275</b>	<b>2,424</b>
Exchange rate difference in cash and cash equivalents		6	-6
<b>Cash and cash equivalents, December 31</b>		<b>1,520</b>	<b>1,275</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	21		
Interest-bearing liabilities and provisions		1,959	2,473
Cash and cash equivalents and interest-bearing receivables		-1,524	-1,275
<b>Interest-bearing net liabilities (+)/receivables (-), December 31</b>		<b>435</b>	<b>1,198</b>

OTHER NON-CASH ITEMS		2016	2015
Gains/losses on the sale of property		-15	-56
Changes in pension liability		110	75
Other provisions, etc.		199	42
<b>Total</b>		<b>294</b>	<b>61</b>
INVESTMENT IN DEVELOPMENT PROPERTIES, ETC.		2016	2015
Investment in development properties		-1,889	-2,695
Acquisition of participations in tenant-owners associations		-282	-345
Change in promissory notes		-44	-572
<b>Total</b>		<b>-2,215</b>	<b>-3,612</b>
PAYMENT ON ACCOUNT FOR DEVELOPMENT PROPERTIES, ETC.		2016	2015
Payment on account for development properties		1,896	1,814
Sale of development properties		102	569
Change in receivables, development properties sold, etc.		-29	45
Sale of participations in tenant-owners associations		286	347
<b>Total</b>		<b>2,255</b>	<b>2,775</b>
INVESTMENT IN PROJECT PROPERTIES, ETC.		2016	2015
Investment in project properties		-242	-219
<b>Total</b>		<b>-242</b>	<b>-219</b>
SALE OF PROJECT PROPERTIES, ETC.		2016	2015
Sale of project properties		1	-
Transferred to production		-	51
<b>Total</b>		<b>1</b>	<b>51</b>



## Comments

### OPERATING ACTIVITIES

(2016: SEK 1,957m, 2015: SEK -230m)

Cash flow from operating activities increased to SEK 1,957m. The improvement is due to a combination of lower net investments in development properties, improved cash flow from operating activities and lower tax payments.

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

(2016: SEK 2,233m, 2015: SEK 1,568m)

Operating activities, before interest and tax, contributed SEK 2,233m which is an increase of SEK 665m after elimination of non-cash items. Cash flow from operating activities improved compared to the previous year mainly due to higher revenue and a higher operating margin.

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

(2016: SEK 1,800m, 2015: SEK 726m)

Net interest received and paid decreased from SEK -36m in 2015 to SEK -20m in 2016, attributable primarily to lower total interest-bearing loans.

Taxes paid decreased from SEK -806m in 2015 to SEK -413m in 2016.

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

(2016: SEK 40m, 2015: SEK -837m)

JM acquired development properties for SEK 1,889m (2,695). At the same time, SEK 1,896m (1,814) went into production in conjunction with housing starts. Changes in holdings of repurchased residential units resulted in a cash flow of SEK -26m (65).

#### Current receivables and liabilities

(2016: SEK 358m, 2015: SEK 49m)

Current receivables and liabilities had a total impact on cash flow of SEK 358m (49), which is a change compared to the previous year of SEK 309m.

#### Net project properties

(2016: SEK -241m, 2015: SEK -168m)

The cash flow from net project properties refers to investments in project properties in 2016. The amount for investments in 2016 does not include a borrowing cost for buildings in progress.

#### FINANCING ACTIVITIES

(2016: SEK -1,712m, 2015: SEK -902m)

During the year, cash dividends of SEK 602m were paid to shareholders, and buy-back of own shares amounted to SEK 500m. Interest-bearing liabilities decreased net by SEK 624m.



## 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, 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>
<b>Opening balance, January 1, 2016</b>	<b>75</b>	<b>866</b>	<b>-169</b>	<b>3,749</b>	<b>4,521</b>
Total comprehensive income for the year	—	—	102	1,415	1,517
Dividend to equity holders of the Parent Company	—	—	—	-602	-602
Conversion of convertible loan	0	13	—	—	13
Equity component of convertible debentures	—	2	—	—	2
Buy-back of shares	—	—	—	-500	-500
Elimination of repurchased shares	-2	—	—	2	—
<b>Closing balance, December 31, 2016</b>	<b>73</b>	<b>881</b>	<b>-67</b>	<b>4,064</b>	<b>4,951</b>

## Comments

## EQUITY

(2016: SEK 4,951m, 2015: SEK 4,521m)  
Shareholders' equity increased by SEK 430m compared to the end of 2015. Consolidated equity as at December 31, 2016, totaled SEK 4,951m (4,521), which corresponds to SEK 69 (61) per share. Return on equity was 31.2 percent (23.7).

## Total comprehensive income for the year

See the comments to the consolidated income statement, page 61.

## Translation difference

The change for the year amounts to SEK 102m (-87) and the accumulated translation difference in closing equity was SEK -67m (-169). The Swedish krona weakened against the Norwegian krona, Danish krona and Euro during the year.

## Dividend to shareholders of the Parent Company

The dividend to shareholders of the Parent Company totaled SEK 602m (600), corresponding to SEK 8.25 (8.00) per share.

## Conversion of convertible loan

During the year, 82,087 shares were converted in the 2012 and 2013 Convertible Programs and the 2012 Warrant Program. Share capital has thus increased by SEK 0m and other capital contributions by SEK 13m.

## Equity component of convertible debentures

JM employees in Sweden 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 2m upon conclusion of the subscription period.

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

During the year 2,227,757 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 2,202,624 shares was implemented, which decreased the share capital by SEK 2m and increased retained earnings by SEK 2m. Holdings of own shares totaled 1,604,657 at the end of 2016. The number of outstanding shares, excluding holdings of own shares, totaled 71,448,330.

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 21 and will be presented for adoption at the 2017 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 (SEK m).

**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 of 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 2016. 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 recognition of revenue from contracts and from the sale of some non-financial assets. It will replace IAS 11 Construction Contracts and IAS 18 Revenue as well as related interpretations, including IFRIC 15 Agreements for the Construction of Real Estate. The standard shall be applied as of 2018. JM has been following the work with the new standard for revenue recognition for a long time. The company has met with representatives of IASB on a number of occasions and is conducting regular evaluations of the work with the new standard. It is our assessment that the new standard will not have a crucial impact on JM's financial reports, even if it will be necessary to make some finer changes.

**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. JM makes the assessment that the new standard will not have a material impact on JM's accounting. The new rules for the impairment of financial instruments could potentially have an impact on some receivables, although JM's bad debts are very limited. Hedge accounting, in which changes in the value of derivatives are recognized directly under equity and later transferred to offset the hedged item, is not applied. JM has no or only negligible holdings of derivative instruments.

**IFRS 16 Leases**

This standard will replace IAS 17 Leases and all 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 is currently reviewing its contracts with suppliers for equipment rentals, which often have a high service content and normally apply for relatively short periods of time. It is JM's assessment that the new standard will have a limited impact on JM's balance sheet, but it will require more administrative work.

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

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 transferred directly to the translation reserve in equity, as are any translation differences in the 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-owners 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

Note 1 cont.

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.

#### 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 should 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 freehold 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 lowest value 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 in all material respects flow 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.

#### 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, other." 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 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 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

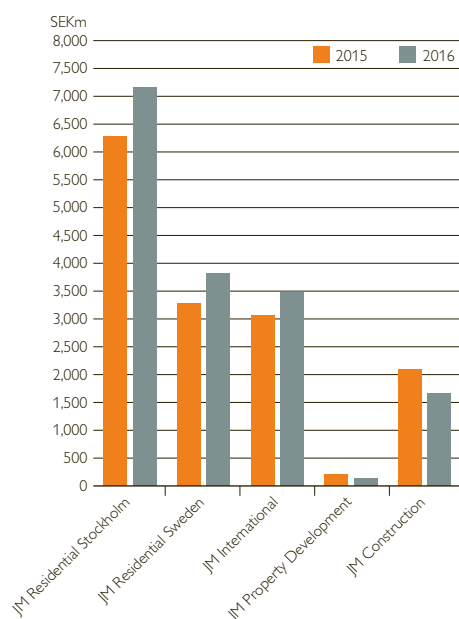
Group 2016	JM Residential Stockholm	JM Residential Sweden	JM Residential Development	JM Construction	Eliminations Sweden	Subtotal Sweden	JM International	Group-wide expenses	Total (segment reporting)	Un-allocated items, Group <sup>2)</sup>	Restatement JM International <sup>3)</sup>	Total
Revenue – external	7,162	3,820	142	1,151	–	12,275	3,477	–	15,752	–	–461	15,291
Revenue – internal	–	–	–	514	–514	–	–	–	–	–	–	–
<b>Total revenue</b>	<b>7,162</b>	<b>3,820</b>	<b>142</b>	<b>1,665</b>	<b>–514</b>	<b>12,275</b>	<b>3,477</b>	<b>–</b>	<b>15,752</b>	<b>–</b>	<b>–461</b>	<b>15,291</b>
Production and operating costs <sup>1)</sup>	–5,494	–3,159	–92	–1,537	514	–9,768	–3,053	–	–12,821	–	381	–12,440
<b>Gross profit</b>	<b>1,668</b>	<b>661</b>	<b>50</b>	<b>128</b>	<b>–</b>	<b>2,507</b>	<b>424</b>	<b>–</b>	<b>2,931</b>	<b>–</b>	<b>–80</b>	<b>2,851</b>
Selling and administrative expenses <sup>1)</sup>	–373	–218	–21	–85	–	–697	–197	–41	–935	–	–	–935
Gains/losses on the sale of property	–	37	1	–	–	38	–23	–	15	–	–	15
<b>Operating profit</b>	<b>1,295</b>	<b>480</b>	<b>30</b>	<b>43</b>	<b>–</b>	<b>1,848</b>	<b>204</b>	<b>–41</b>	<b>2,011</b>	<b>–60</b>	<b>–80</b>	<b>1,931</b>
Financial income and expenses	–	–	–	–	–	–	–	–	–	–60	–	–60
<b>Profit before tax</b>	<b>1,295</b>	<b>480</b>	<b>30</b>	<b>43</b>	<b>–</b>	<b>1,848</b>	<b>204</b>	<b>–41</b>	<b>2,011</b>	<b>–60</b>	<b>–80</b>	<b>1,871</b>
Taxes	–	–	–	–	–	–	–	–	–	–411	18	–393
<b>Net profit for the year</b>	<b>1,295</b>	<b>480</b>	<b>30</b>	<b>43</b>	<b>–</b>	<b>1,848</b>	<b>204</b>	<b>–41</b>	<b>2,011</b>	<b>–471</b>	<b>–62</b>	<b>1,478</b>
Operating margin, %	18.1	12.6	–	2.6	–	–	5.9	–	12.8	–	–	12.6
<sup>1)</sup> Of which depreciation of machinery and equipment	–	0	–	–1	–	–1	–4	–3	–8	–	–	–8

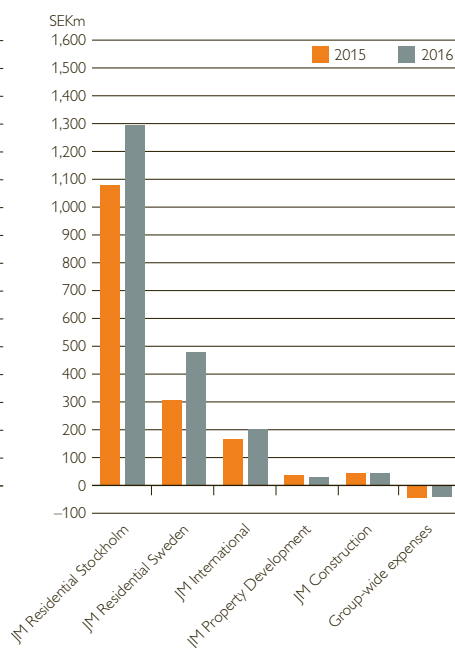
<b>Group 2015</b>												
Revenue – external	6,273	3,278	206	1,631	–	11,388	3,059	–	14,447	–	–508	13,939
Revenue – internal	–	–	–	453	–453	–	–	–	–	–	–	–
<b>Total revenue</b>	<b>6,273</b>	<b>3,278</b>	<b>206</b>	<b>2,084</b>	<b>–453</b>	<b>11,388</b>	<b>3,059</b>	<b>–</b>	<b>14,447</b>	<b>–</b>	<b>–508</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>–72</b>	<b>–91</b>	<b>1,499</b>
Financial income and expenses	–	–	–	–	–	–	–	–	–	–72	–	–72
<b>Profit before tax</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>–72</b>	<b>–91</b>	<b>1,427</b>
Taxes	–	–	–	–	–	–	–	–	–	–358	16	–342
<b>Net profit for the year</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>–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	–	0	–	–1	–	–1	–4	–3	–8	–	–	–8

<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.

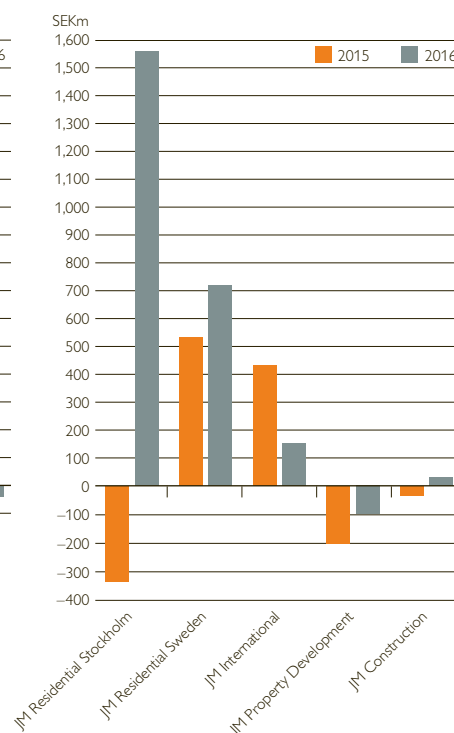
Revenue by business segment



Operating profit by business segment



Operating cash flow by business segment



## CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT

	JM Residential Stockholm	JM Residential Sweden	JM Property Development	JM Construction	Subtotal Sweden	JM International	Total (segment reporting)	Undistributed items, Group <sup>1) 2)</sup>	Re-statement JM International <sup>3)</sup>	Total, Group
<b>Group 12/31/2016</b>										
<b>ASSETS</b>										
<b>Non-current assets</b>	–	–	–	–	–	185	185	45	–	230
Project properties	–	–	589	–	589	13	602	–	–	602
Development properties	4,286	1,350	35	49	5,720	1,401	7,121	–	–	7,121
Participations in tenant-owners associations, etc.	133	64	–	–	197	36	233	–	–	233
Current receivables	747	402	2	708	1,859	1,076	2,935	207	–368	2,774
Cash and cash equivalents	–	–	–	–	–	–	–	1,520	–	1,520
<b>Total current assets</b>	<b>5,166</b>	<b>1,816</b>	<b>626</b>	<b>757</b>	<b>8,365</b>	<b>2,526</b>	<b>10,891</b>	<b>1,727</b>	<b>–368</b>	<b>12,250</b>
<b>TOTAL ASSETS</b>	<b>5,166</b>	<b>1,816</b>	<b>626</b>	<b>757</b>	<b>8,365</b>	<b>2,711</b>	<b>11,076</b>	<b>1,772</b>	<b>–368</b>	<b>12,480</b>
<b>EQUITY AND LIABILITIES</b>										
Shareholders' equity	–	–	–	–	–	–	–	5,158	–207	4,951
Long-term liabilities	–	–	–	–	–	–	–	2,747	–61	2,686
Current liabilities	697	821	13	353	1,884	541	2,425	2,518	–100	4,843
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>697</b>	<b>821</b>	<b>13</b>	<b>353</b>	<b>1,884</b>	<b>541</b>	<b>2,425</b>	<b>10,423</b>	<b>–368</b>	<b>12,480</b>
<b>Total operating capital by business segment</b>	<b>4,469</b>	<b>995</b>	<b>613</b>	<b>404</b>	<b>–</b>	<b>2,170</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Investment in machinery and equipment	–	–	–	–	–	–	–	1	–	1
<b>Group 12/31/2015</b>										
<b>ASSETS</b>										
<b>Non-current assets</b>	–	–	–	–	–	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-owners 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
<b>Total current assets</b>	<b>5,353</b>	<b>1,929</b>	<b>499</b>	<b>652</b>	<b>8,433</b>	<b>2,104</b>	<b>10,537</b>	<b>1,484</b>	<b>–258</b>	<b>11,763</b>
<b>TOTAL ASSETS</b>	<b>5,353</b>	<b>1,929</b>	<b>499</b>	<b>652</b>	<b>8,433</b>	<b>2,272</b>	<b>10,705</b>	<b>1,525</b>	<b>–258</b>	<b>11,972</b>
<b>EQUITY AND LIABILITIES</b>										
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
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>801</b>	<b>676</b>	<b>18</b>	<b>260</b>	<b>1,755</b>	<b>360</b>	<b>2,115</b>	<b>10,115</b>	<b>–258</b>	<b>11,972</b>
<b>Total operating capital by business segment</b>	<b>4,552</b>	<b>1,253</b>	<b>481</b>	<b>392</b>	<b>–</b>	<b>1,912</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Investment in machinery and equipment	–	–	–	–	–	–	–	5	–	5

	JM Residential Stockholm	JM Residential Sweden	JM Property Development	JM Construction	JM International
<b>Operating cash flow by business segment</b>					
2016	1,558	720	–101	32	153
2015	–344	533	–206	–34	434

<b>Income by country including adjustment according to IFRIC 15</b>	<b>Sweden</b>	<b>Norway</b>	<b>Finland</b>	<b>Denmark</b>	<b>Belgium</b>	<b>Total</b>
2016	12,275	2,639	228	15	134	15,291
2015	11,388	2,078	205	175	93	13,939

<sup>1)</sup> The assets and liabilities and shareholders' equity that are not included in JM's definition of operating capital are not allocated by business segment. They are reported as unallocated items mainly because they cannot be allocated in a fair and reasonable manner.

<sup>2)</sup> Property, plant and equipment are not included in JM's definition of operating capital and these investments are therefore reported as an unallocated item.

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

**NOTE 3 Employees and personnel costs**

Average number of employees, by country	2016	Of which men, %	2015	Of which men, %
Sweden	1,994	82	1,919	84
Norway	365	80	353	81
Finland	40	65	31	74
Denmark	1	50	4	50
Belgium	—	—	9	89
<b>Total</b>	<b>2,400</b>	<b>82</b>	<b>2,316</b>	<b>83</b>

	2016			2015		
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>1,291</b>	<b>661</b>	<b>1,952</b>	<b>1,219</b>	<b>595</b>	<b>1,814</b>
(of which pension costs)		(234) <sup>1)</sup>			(213) <sup>1)</sup>	

<sup>1)</sup> SEK 4.3m (4.3) 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 1.1m (0.8).

	2016			2015		
Wages, salaries and other remuneration by country and distribution between the Board and President and other employees	Board of Directors and President	Other employees	Total	Board of Directors and President	Other employees	Total
Sweden	14	1,011	1,025	15	947	962
(of which variable remuneration)	(3)	(58)	(61)	(4)	(60)	(64)
Norway	2	235	237	2	220	222
(of which variable remuneration)	(1)	(21)	(22)	(1)	(21)	(22)
Finland	4	23	27	2	19	21
(of which variable remuneration)	(2)	(4)	(6)	(0)	(2)	(2)
Denmark	0	2	2	1	6	7
(of which variable remuneration)	(—)	(—)	(—)	(0)	(1)	(1)
Belgium	—	—	—	1	6	7
(of which variable remuneration)	(—)	(—)	(—)	(0)	(0)	(0)
<b>Total, Group</b>	<b>20</b>	<b>1,271</b>	<b>1,291</b>	<b>21</b>	<b>1,198</b>	<b>1,219</b>
(of which variable remuneration)	(6)	(83)	(89)	(5)	(84)	(89)

**Remuneration to Board of Directors**

JM's Board of Directors consists of a total of ten members, including employee representatives and deputy employee representatives. Of these ten members, six are elected by the Annual General Meeting. The other four are employee representatives and deputy employee representatives. The Chair of the Board was paid SEK 830,000 (855,000) in Board fees. The other AGM-elected Board members were paid SEK 2,380,000 (2,405,000). Employee representatives and deputy employee representatives are not paid a fee.

**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. Compensation to the President is drafted by the Compensation Committee and decided by the Board. Remuneration for 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 2016 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 compensation for the President for 2017 may amount to a maximum of SEK 2,470,000. Total short-term variable remuneration for the 2016 financial year is SEK 2,732,000 (1,589,000) to be paid during the spring of 2017.

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 compensation for other members of Executive Management for 2017 may amount to a maximum of SEK 5.7m. The outcome of the short-term variable remuneration for other members of Executive Management for the 2016 financial year totals SEK 4.8m (2.8) to be paid during the spring of 2017.

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

The long-term variable salary program launched in 2013 amounted to a maximum of 42 percent of fixed salary, and was based on the Group's financial performance in 2015. The outcome was 50 percent of the maximum amount and payment was made in the spring of 2016 totaling SEK 1,050,000 for the President and SEK 1.7m for the other members of Executive Management.

The long-term variable salary program launched in 2014 amounts to a maximum of 42 percent of fixed salary, and is based on the Group's financial performance in 2016. The outcome was 93 percent and payment will be made in the spring of 2017 totaling SEK 2,019,000 for the President and SEK 3.6m for the other members of Executive Management.

The long-term variable salary program launched in 2015 amounts to a maximum of 42 percent of fixed salary, and is based on the Group's financial performance in 2017. Payment will be made if appropriate in the spring of 2018, with a maximum of SEK 2,243,000 to the President and SEK 4.7m to the other members of Executive Management.

The long-term variable salary program launched in 2016 amounts to a maximum of 42 percent of fixed salary, and is based on the Group's financial performance in 2018. Payment will be made if appropriate in the spring of 2019, with a maximum of SEK 2,318,000 to the President and SEK 5.5m to 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. The retirement age is 65 with the exception of one older agreement where a member of Executive Management is entitled to retire at the age of 60 with 70 percent of the 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 2016 and 2015

SEK 000s	2016						SEK 000s	2015					
	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	830	–	–	–	–	830	Lars Lundquist	855	–	–	–	–	855
<i>Other Board members</i>							<i>Other Board members</i>						
Åsa Söderström Jerring	495	–	–	–	–	495	Åsa Söderström Jerring	470	–	–	–	–	470
Kia Orback Pettersson	415	–	–	–	–	415	Anders Narvinger	435	–	–	–	–	435
Johan Bergman	255	–	–	–	–	255	Kia Orback Pettersson	405	–	–	–	–	405
Kaj-Gustaf Bergh	325	–	–	–	–	325	Johan Bergman	375	–	–	–	–	375
Eva Nygren	445	–	–	–	–	445	Kaj-Gustaf Bergh	315	–	–	–	–	315
Thomas Thuresson	225	–	–	–	–	225	Eva Nygren	405	–	–	–	–	405
Anders Narvinger	220	–	–	–	–	220	President	5,496	2,194	1,477	115	1,906	11,188
President	5,660	1,589	1,050	79	1,970	10,348	Other Executive Management <sup>3)</sup>	14,303	3,789	2,180	528	10,985	31,785
Other Executive Management <sup>3)</sup>	13,859	3,260	1,673	518	7,661	26,971	<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>22,729</b>	<b>4,849</b>	<b>2,723</b>	<b>597</b>	<b>9,631</b>	<b>40,529</b>							

<sup>1)</sup> The short-term variable remuneration reported in the table relates to amounts paid in 2016. All payments in 2016 are attributable to the 2015 financial year.

<sup>2)</sup> The long-term variable remuneration reported in the table relates to amounts paid in 2016. All payments in 2016 are attributable to the 2013–2015 financial years.

<sup>3)</sup> JM's Executive Management, excluding the President, comprised a total of eight people at the end of 2016, six men and two women.

<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.

## Convertible debentures for personnel

The 2016 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. 78,000 convertible bonds were issued for a nominal amount of around SEK

22.5m. The loan matures on June 13, 2020, and entitles the holders to subscribe to one JM share for each debt obligation for SEK 289 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
2012	84,416	6,592	–91,008	–	–	155.00	6/1/2015–5/20/2016
2013	75,249	135	–28,647	–	46,737	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
2016	77,724	–	–	–	77,724	289.00	6/1/2019–5/18/2020

**NOTE 4 Accumulated depreciation according to plan**

	2016	2015
Machinery and equipment	-8	-8
<b>Total</b>	<b>-8</b>	<b>-8</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**

	2016	2015
<b>Ernst &amp; Young</b>		
Auditing services	4.7	4.7
Tax services	1.2	0.7
Other services	1.2	1.7
<b>Total</b>	<b>7.1</b>	<b>7.1</b>

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

	2016	2015
<b>Sales values</b>		
Project properties	1	4
Development properties	85	568
<b>Total</b>	<b>86</b>	<b>572</b>
<b>Carrying amounts</b>		
Project properties	–	–
Development properties	-71	-516
<b>Total</b>	<b>-71</b>	<b>-516</b>
<b>Results</b>		
Project properties	1	4
Development properties	14	52
<b>Total</b>	<b>15</b>	<b>56</b>

**NOTE 7 Financial income and expenses**

	2016	2015
<b>Financial income</b>		
Dividend	8	6
Interest income	9	3
Change in value revaluation of debt receivables and currency hedges	–	2
<b>Total</b>	<b>17</b>	<b>11</b>

	2016	2015
<b>Financial expenses</b>		
Interest expenses attributable to loans, etc.	-36	-49
Interest portion in this year's pension costs	-32	-32
Realized exchange rate losses relating to debt receivables, international company	–	-2
<b>Total</b>	<b>-68</b>	<b>-83</b>
Currency effect from the closing down of operations <sup>1)</sup>	-9	–
<b>Total</b>	<b>-77</b>	<b>-83</b>

<sup>1)</sup> Pertains to JM's operations in Denmark.

**NOTE 8 Taxes**

	2016	2015
<b>Profit before tax</b>		
Sweden	1,758	1,329
International	113	99
<b>Total</b>	<b>1,871</b>	<b>1,428</b>
<b>Current tax</b>		
Sweden	-342	-317
International	-36	-16
<b>Total</b>	<b>-378</b>	<b>-333</b>
<b>Deferred tax</b>		
Sweden	-17	-14
International	2	5
<b>Total</b>	<b>-15</b>	<b>-9</b>
<b>Total tax</b>		
Sweden	-359	-331
International	-34	-11
<b>Total</b>	<b>-393</b>	<b>-342</b>

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

	2016	2015
<b>Profit before tax 22%</b>	<b>-412</b>	<b>-314</b>
Adjustment of tax from previous years	-2	-18
Difference foreign tax	-6	-4
Non-taxable revenue	9	6
Non-deductible expenses	-2	-3
Tax allocation reserve	-2	-3
Revaluation of deferred tax attributable to lowered income tax in 2016 and 2017 in Norway	3	3
Revaluation deferred tax	19	-9
<b>Total</b>	<b>393</b>	<b>-342</b>

Revaluation of deferred tax consists of dissolution of deferred tax liabilities attributed to income from previous years where the assessment is now made that the tax will not be relevant, thus generating a positive tax effect. This is also done for unrecorded tax effects from loss carry-forwards in JM's foreign subsidiaries that are not judged to be available for utilization within a reasonable period of time and thus generate a negative tax effect.

**NOTE 9 Earnings and dividend per share**

	2016	Basic 2015	2016	Diluted 2015
Earnings per share, SEK	20.40	14.50	20.30	14.50

Earnings per share was calculated as net profit for the year divided by the weighted average number of outstanding shares during the year.

**Basic earnings per share**

The calculation of basic earnings per share for 2016 was based on the net profit for the year of SEK 1,478m (1,085), and on a weighted average of the number of outstanding ordinary shares during 2016 amounting to 72,526,479 (74,601,637).

Number of shares	2016	2015
Total number of outstanding shares, January 1	73,594,000	75,471,471
Conversion and utilization of options	43,461	68,430
Buy-back of shares	-1,110,982	-938,264
<b>Weighted average number of shares during the year, basic</b>	<b>72,526,479</b>	<b>74,601,637</b>

**Diluted earnings per share**

The calculation of diluted earnings per share for 2016 was based on the net profit for the year, adjusted for the interest expense for convertible debentures after tax of SEK 1,478m (1,086), and on a weighted average of the number of outstanding ordinary shares adjusted for dilution effects of all outstanding potential ordinary shares in 2016 totaling 72,725,820 (74,846,482). Profit for the year is attributable in its entirety to Parent Company shareholders.

Net profit for the year	2016	2015
Profit for the year attributable to shareholders of the Parent Company	1,478	1,085
Adjustment of interest on convertible debentures (after tax)	1	1
<b>Profit for the year attributable to shareholders of the Parent Company, diluted</b>	<b>1,479</b>	<b>1,086</b>
Number of shares	2016	2015
Weighted average number of shares during the year, basic	72,526,479	74,601,637
Estimated number of potential shares for the convertible debenture and warrant program	199,341	244,845
<b>Weighted average of the number of shares during the year, diluted</b>	<b>72,725,820</b>	<b>74,846,482</b>

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

At the end of 2016 JM had 71,448,330 outstanding shares (73,594,000). JM holds a total of 1,604,657 repurchased shares (1,579,524). At the end of August 2016, the Annual General Meeting resolution on the reduction in the share capital by 2,202,624 shares that the company held was taken into effect.

Instruments that may have a potentially dilutive effect in 2016 include JM's five convertible programs (2012, 2013, 2014, 2015 and 2016) and JM's two warrant programs (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 2012 convertible bond and warrant program is SEK 155 and for the 2013 programs SEK 180. For the 2014 convertible program, the conversion rate is SEK 280, for the 2015 program, SEK 314, and for the 2016 program, SEK 289.

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 2016)	2016	2015
– per share, SEK	9.50	8.25
– total, SEK m	679	602

**NOTE 10 Goodwill**

	2016	2015
Accumulated cost		
Opening balance, January 1	168	185
Translation differences	17	-17
<b>Closing balance, December 31</b>	<b>185</b>	<b>168</b>

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, 2016, the carrying amount of the JM Norway Group was tested. 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 2016, 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 five percent lower than the management's assessment, the recoverable amount would decrease by four 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 nine percent.

If the estimated average cost of capital applied for the discounted cash flow had been three percentage points greater than the basic assumption, the recoverable amount would decrease by 26 percent.

A sensitivity analysis of the discount rate shows that the discount rate would have to exceed about 23 percent (21) before the need for impairment would arise.

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**

	2016	2015
Accumulated cost		
Opening balance, January 1	92	91
New purchases	1	5
Translation differences	4	-4
Sales	–	0
<b>Closing balance, December 31</b>	<b>97</b>	<b>92</b>
Accumulated depreciation according to plan		
Opening balance, January 1	-74	-68
Depreciation for the year	-8	-8
Translation differences	-3	3
Sales	–	-1
<b>Closing balance, December 31</b>	<b>85</b>	<b>-74</b>
<b>Closing residual value at end of year</b>	<b>12</b>	<b>18</b>

**NOTE 12 Participations in associated companies**

	2016	2015
Accumulated cost		
Opening balance, January 1	15	10
New purchases	0	5
Sales	0	–
<b>On December 31</b>	<b>15</b>	<b>15</b>



**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	
					2016	2015
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	16,834	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
Mälarstrandens Utvecklings AB <sup>1)</sup>	556695-5414	Västerås	44	44	2,200	2,200
SMÅA AB <sup>3)</sup>	556497-1322	Stockholm	35,653	36	13,854	14,241
Södra Centrum Krokslätt HB <sup>1)</sup>	969777-2144	Gothenburg	5,200	65	5,200	5,200
<b>Carrying amount, December 31</b>					<b>204,342</b>	<b>218,837</b>

<sup>1)</sup> Joint operations

<sup>2)</sup> Unlimited liability

<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	
					2016	2015
Fastighets AB Kranlyftet	556829-3251	Lidingö	250	50	135,226	135,226
Fjellgata 30 AS, Norway	997484983	Oslo	100	50	2,108	3,824
Fjellgata 30 KS, Norway	997485009	Oslo	45	45	7,589	11,329
Täby Park Exploatering AB	556833-6555	Stockholm	500	50	144,500	129,500
Grefsen Utvikling AS, Norway	982913209	Oslo	500	50	26,350	23,900
Hans Nielsen Haugesgate 50 AS, Norway	987719427	Oslo	60,000	50	26,407	23,882
Husebyplatået AS, Norway	913864948	Oslo	5,000	50	527	478
Landmannstorget, Norway	987598387	Asker	100	50	–	0
Larvik Saneringsselskap AS, Norway	918044051	Larvik	100	50	255	231
Lillestrøm Kvarter 37 AS, Norway	935267269	Lillestrøm	75	50	7,905	7,170
Merbraine, Belgium	450160865	Brussels	625	50	283	283
Noreveien 26 AS, Norway	990351465	Oslo	10	50	92	–
Son Utvikling AS, Norway	990341419	Oslo	23,050	50	12,943	11,740
Spireaveien 6 Utvikling AS, Norway	998015340	Oslo	50	50	2,643	4,788
Spireaveien 6 Utvikling KS, Norway	998015375	Oslo	45	45	9,478	15,241
Strømmen Sentrum AS, Norway	911662256	Strømmen	7,000	50	7,378	6,692
<b>Carrying amount, December 31</b>					<b>383,684</b>	<b>374,284</b>
Reclassification in the Group					–573,489	–578,197
<b>Carrying amount in the Group, December 31</b>					<b>14,537</b>	<b>14,924</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.

	2016	2015
Revenue	588	445
Expenses	–527	–396
<b>Profit for the period</b>	<b>61</b>	<b>49</b>
Development properties	721	727
Other assets	768	475
Cash and cash equivalents	83	113
<b>Total assets</b>	<b>1,572</b>	<b>1,315</b>
Long-term liabilities	417	252
Current liabilities	156	254
<b>Total liabilities</b>	<b>573</b>	<b>506</b>
<b>Net assets</b>	<b>999</b>	<b>809</b>

**NOTE 14 Financial assets**

	2016	2015
<i>Accumulated cost</i>		
<b>Opening balance, January 1</b>	<b>8</b>	<b>7</b>
Additional receivables	10	11
Settled receivables	-1	-9
Translation differences	1	-1
<b>Closing balance, December 31</b>	<b>18</b>	<b>8</b>

Financial assets mainly relate to promissory notes.

**NOTE 15 Project properties and development properties**

	Project properties		Development properties	
	2016	2015	2016	2015
<i>Accumulated cost</i>				
<b>Opening balance, January 1</b>	<b>378</b>	<b>250</b>	<b>7,150</b>	<b>7,068</b>
New purchases	242	219	1,903	2,695
Reclassifications	-21	-37	7	31
Translation differences	3	-3	111	-115
Transferred to production	-	-51	-1,896	-1,814
Sales	-	-	-71	-715
<b>Closing balance, December 31</b>	<b>602</b>	<b>378</b>	<b>7,204</b>	<b>7,150</b>
<i>Accumulated impairment losses</i>				
<b>Opening balance, January 1</b>	<b>-</b>	<b>-20</b>	<b>-83</b>	<b>-266</b>
Reclassification	-	20	-	-20
Translation difference	-	-	-	4
Sales	-	-	-	199
<b>Closing balance, December 31</b>	<b>-</b>	<b>-</b>	<b>-83</b>	<b>-83</b>
<b>Closing residual value at end of year</b>	<b>602</b>	<b>378</b>	<b>7,121</b>	<b>7,067</b>
Market value on December 31	863	550	14,100	11,300

Reported residual value for the part of project properties recognized at net realizable value amounts to SEK 0m (0) and for development properties SEK 104m (126).

The market value for all properties was determined in cooperation with an external appraisal company. The appraisals for development properties are based on the location, attractiveness, scope and type of building planned, the stage in the planning process, extraordinary circumstances and the time remaining until production starts. The appraisals for project properties are based to a greater extent on a cash flow analysis from simulated future income and expenses based on common appraisal practice.

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

	2016	2015
<i>Accumulated cost</i>		
<b>Opening balance, January 1</b>	<b>235</b>	<b>243</b>
New purchases	282	345
Reclassifications	-3	-
Translation difference	5	-6
Sales	-286	-347
<b>Closing balance, December 31</b>	<b>233</b>	<b>235</b>

The number of unsold homes on the balance sheet amounts to 64 (71).

The item consists primarily of show apartments for coming residential phases measured at cost.

**NOTE 17 Other current receivables**

	2016	2015
Receivables from property sales	72	72
Receivables from participations sold in tenant-owner associations	60	30
Deposit investment development properties	107	120
Miscellaneous	81	79
<b>Total</b>	<b>320</b>	<b>301</b>

**NOTE 18 Recognized revenue less progress billings**

	2016	2015
Recognized revenue in work in progress	5,489	6,181
Accumulated billing on account for work in progress	-4,274	-4,925
<b>Total</b>	<b>1,215</b>	<b>1,256</b>

**NOTE 19 Work in progress**

	2016	2015
Accumulated costs incurred	2,422	2,082
Accumulated billing on account for work in progress	-2,201	-1,767
<b>Total</b>	<b>221</b>	<b>315</b>

Work in progress only relates to projects within JM International.

**NOTE 20 Cash and cash equivalents**

	2016	2015
Cash and bank balances	1,520	1,275
<b>Total</b>	<b>1,520</b>	<b>1,275</b>

**NOTE 21 Financial liabilities**

	2016	2015
<b>Long-term interest-bearing liabilities</b>		
Liabilities to credit institutions maturity date 1–5 years from closing day	72	170
Long-term promissory notes, development properties 1–5 years	157	195
Convertible loans 1–5 years <sup>1)</sup>	53	45
<b>Total</b>	<b>282</b>	<b>410</b>
<b>Current interest-bearing liabilities</b>		
Liabilities to credit institutions, interest-bearing –1 year	430	927
Convertible loans –1 year <sup>1)</sup>	8	7
<b>Total</b>	<b>438</b>	<b>934</b>

	2016	Change	2015
<b>Interest-bearing net liabilities/receivables</b>			
Current interest-bearing liabilities	438	-496	934
Long-term interest-bearing liabilities	282	-128	410
Transferred to pensions	1,239	110	1,129
Less cash and cash equivalents and interest-bearing receivables	-1,524	-249	-1,275
<b>Interest-bearing net liabilities (+)/receivables (-), December 31</b>	<b>435</b>	<b>-763</b>	<b>1,198</b>

	2016	2015
<b>Other financial liabilities</b>		
Other long-term liabilities 1–5 years from closing day	168	160
Accounts payable	668	602
Short-term promissory notes, development properties	329	349
Other current liabilities	212	262
<b>Total</b>	<b>1,377</b>	<b>1,373</b>

	2016	2015
<b>Maturity financial liabilities</b>		
2016	-	2,173
2017	1,847	388
2,018	92	112
2019	101	40
2020	42	43
>2021	41	-
<b>Total</b>	<b>2,123</b>	<b>2,756</b>

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

Financial liabilities are divided into long-term and current liabilities, where current liabilities are due within one year. Other long-term 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 the market rate 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, 2016, was 0.4 years (0.4).

Fair value on interest-bearing loans was SEK 720m (1,344). 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 12/31/2016.

### Interest risk exposure, including derivatives

Year for interest conversion	2016		2015	
	Loan amount, SEK m	Average interest, %	Loan amount, SEK m	Average interest, %
2016	–	–	1,344	1.9
2017	720	2.3	–	–
Pension liability <sup>1)</sup>	1,239	2.5	1,129	2.8
<b>Total</b>	<b>1,959</b>	<b>2.4</b>	<b>2,473</b>	<b>2.3</b>

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

The average interest rate on interest-bearing liabilities as of 12/31/2016 including pension liabilities is 2.4 percent (2.3). A one percent change in the market rate corresponds to an effect on earnings of about SEK 5.7m for the part of the loan portfolio traded in 2017. The calculation is an approximation and is based on the assumption of a simultaneous change in all interest rate curves.

### Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term investments. According to JM's financial policy, the company may only invest excess liquidity in liquid instruments issued by issuers with a credit rating of at least A– according to Standard & Poor's or similar credit rating agency. The investments are short-term with a term of between one day and three months. See Note 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 Year due	Over-draft		2017	2018	2019
	Total	facilities			
Loan commitments, SEK m	2,800	400	800	950	650

The Group has unutilized approved credit lines of SEK 2,800m. The average maturity for credit agreements is 1.5 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

Because of extremely limited transaction volumes in foreign currency, the Group has not engaged in hedging activities for these volumes.

All loans are reported in the functional value of each respective country.

### 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-owners 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-owners associations is deemed to be limited since financing of production takes place through the association's bank loan, purchased by JM. A similar arrangement applies for customers who buy their own homes. To ensure the customer's ability to pay, a credit check is always carried out. Uncertainty relating to projects is managed by applying the rules for profit recognition; see Note 1 Accounting principles. Accounts receivable for the production of residential units amounts to SEK 457m (483).

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 540m (444).

The provision for doubtful receivables amounts to SEK 10.5m (12.5). During the year, the Group utilized SEK 0.6m (0.4) of earlier provisions. Receivables older than 60 days amount to SEK 447m (235). Provision and utilization of the provision for doubtful accounts receivable were recognized in the income statement.

### Aged accounts receivable

12/31/2016 SEK m	Nominal	Not due	≤ 30 days	31–60 days	61–90 days	> 90 days
Residential development	457	376	29	8	11	33
Contracting	540	99	30	8	1	402 <sup>1)</sup>
Other	2	2	0	–	0	0
<b>Total</b>	<b>999</b>	<b>477</b>	<b>59</b>	<b>16</b>	<b>12</b>	<b>435</b>
Number of invoices	1,370	738	104	70	85	373

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

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

### Credit risk analysis customers

12/31/2016 Interval	Number of customers	in % of number	in % of the portfolio
Exposure interval < SEK 1m	926	92	8
Exposure interval SEK 1–5m	58	6	16
Exposure interval > SEK 5m	22	2	76
<b>Total</b>	<b>1,006</b>	<b>100</b>	<b>100</b>

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>



**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, 2016 and 2015. 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>	12/31/2016 Carrying amount <sup>1)</sup>	12/31/2015 Carrying amount <sup>1)</sup>
<b>Assets</b>			
Financial assets	L&R	18	8
<i>Of which other long-term receivables</i>	L&R	18	8
<i>Of which other long-term securities</i>	AFS	0	0
Accounts receivable	L&R	999	927
Other current receivables	L&R/n/a	320	301
<i>Of which derivative instruments<sup>3)</sup></i>	FAVPL	—	—
<i>Of which receivables from property sales</i>	L&R	72	72
<i>Of which other</i>	n/a	248	229
Cash and cash equivalents	L&R	1,520	1,275
<b>Liabilities</b>			
Long-term interest-bearing liabilities	FLAC	282	410
<i>Of which convertible loan</i>	FLAC	53	45
<i>Of which other long-term interest-bearing loans</i>	FLAC	229	365
Other long-term liabilities	FLAC	168	160
Accounts payable	FLAC	668	602
Current interest-bearing liabilities	FLAC	438	934
Other current liabilities	FLAC	541	611
<i>Of which derivative instruments<sup>3)</sup></i>	FLvPL	—	—
<i>Of which other current liabilities</i>	FLAC	541	611

<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 12/31/2016.

**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 85.

See also 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 2,730 people, of which 664 are active.

**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	2016	2015
<b>Pension obligations, unfunded plans</b>	<b>1,239</b>	<b>1,129</b>

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

Total pension commitments	2016	2015
<b>Opening balance, January 1</b>	<b>1,129</b>	<b>1,054</b>
Benefits earned during the year	50	42
Interest expenses	32	32
Benefits paid	-37	-39
Actuarial gains (-)/losses (+)	65	40
<b>Closing balance, December 31</b>	<b>1,239</b>	<b>1,129</b>

The actuarial loss in 2016 is attributable to a new assumption of the discount rate.

Actuarial gains (+)/losses (-)	2016	2015	2014	2013	2012
Total pension commitments	1,239	1,129	1,054	920	931
Experience adjustments, percentage of this year's unrecognized actuarial gains (+) and losses (-):					
Pension obligations, SEK m	-8	11	8	2	-21
Percent of total value of pension commitments, %	0.6	1.0	0.8	0.2	-2.3

Pension costs	2016	2015
Benefits earned during the year	50	42
Interest on obligations	32	32
<b>Pension costs, defined-benefit plans</b>	<b>82</b>	<b>74</b>
Pension costs, defined-contribution plans	138	128
Social security expenses, defined-benefit and defined-contribution plans	46	43
<b>Total</b>	<b>266</b>	<b>245</b>

Of the above pension costs, SEK 32m (32) is recognized as a financial cost, corresponding to the interest on the obligation.

Note 23 cont.

#### Future assessment of cash flow for the pension provision

	2017	2018	2019	2020	2021
Pension payouts	-37	-37	-37	-37	-38

#### Actuarial assumptions

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

	Sweden	
	2016	2015
%		
Discount rate	2.50	2.75
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 determined discount rate takes into consideration the market return on mortgage bonds and swap interest rates and a premium of a longer maturity is added based on the duration of the pension obligations. The duration of the obligation is 20 years.

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, 2016	1,239
The discount rate increases by 0.25 %	1,183
The discount rate decreases by 0.25 %	1,302

#### NOTE 24 Other provisions

	Warranty provisions		Special payroll tax on pension liability	
	2016	2015	2016	2015
Opening balance, January 1	272	266	103	–
Provisions	99	90	22	–
Reclassification	–	–	–	103
Utilized during the year	–75	–62	–	–
Reversed provisions	–4	–18	–	–
Translation difference	4	–4	–	–
On December 31 <sup>1)</sup>	296	272	125	103

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

101 94

Provisions for guarantee commitments relate to costs that could arise during the guarantee period and that are reported as long-term 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

	2016	2015
Deferred tax liability on tax allocation reserves	477	434
Other deferred tax liabilities*	408	411
<b>Subtotal</b>	<b>885</b>	<b>845</b>
Less deferred tax receivables	–208	–186
<b>Net deferred tax liabilities</b>	<b>677</b>	<b>659</b>

#### Deferred tax assets

##### \*Other deferred tax liabilities allocated to:

Development properties <sup>1)</sup>	302	304
Provision for taxation not yet approved	55	67
Other current assets	51	40
<b>Total</b>	<b>408</b>	<b>411</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.

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

	2016	2015
Accumulated billing on account for work in progress	23,239	20,639
Recognized revenue in work in progress	–21,541	–19,167
<b>Total</b>	<b>1,698</b>	<b>1,472</b>

#### NOTE 27 Accrued expenses and deferred income

	2016	2015
Personnel-related items	453	413
Prepaid rental income	27	26
Other accruals	803	571
<b>Total</b>	<b>1,283</b>	<b>1,010</b>

**NOTE 28 Pledged assets and contingent liabilities**

	2016	2015
<b>Assets pledged to secure own provisions and liabilities</b>		
Corporate mortgages	100	100
Property mortgages	588	567
<b>Total</b>	<b>688</b>	<b>667</b>
<b>Contingent liabilities</b>		
Guarantee commitments, other	7,836	6,638
Guarantees in connection with assignments	1,501	1,251
Payment and rental guarantees	99	82
Other contingent liabilities	15	14
<b>Total</b>	<b>9,451</b>	<b>7,985</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, Employees and personnel costs. The Group's related party transactions, in addition to that set out in Note 3, refers only to joint operations and associated companies. They are limited in scope and were subject to market conditions.



Amounts in SEK m unless stated otherwise.

INCOME STATEMENT	2016	2015	2014	2013	2012
Revenue	15,291	13,939	14,216	12,603	12,480
Production and operating costs	-12,440	-11,630	-11,649	-10,365	-10,273
<b>Gross profit</b>	<b>2,851</b>	<b>2,309</b>	<b>2,567</b>	<b>2,238</b>	<b>2,207</b>
Selling and administrative expenses	-935	-866	-773	-739	-738
Gains/losses on the sale of property	15	56	25	24	0
Impairment loss on properties	-	-	-	-	-95
<b>Operating profit</b>	<b>1,931</b>	<b>1,499</b>	<b>1,819</b>	<b>1,523</b>	<b>1,374</b>
Financial income and expenses	-60	-72	-75	-59	-56
<b>Profit before tax</b>	<b>1,871</b>	<b>1,427</b>	<b>1,744</b>	<b>1,464</b>	<b>1,318</b>
Taxes	-393	-342	-438	-360	-357
<b>Net profit for the year</b>	<b>1,478</b>	<b>1,085</b>	<b>1,306</b>	<b>1,104</b>	<b>961</b>

#### INCOME STATEMENT BY FUNCTION

<b>Production</b>					
Recognized revenue	15,116	13,817	14,090	12,431	12,311
Production costs	-12,326	-11,531	-11,560	-10,257	-10,168
<b>Profit from production operations</b>	<b>2,790</b>	<b>2,286</b>	<b>2,530</b>	<b>2,174</b>	<b>2,143</b>
<b>Development properties</b>					
Rental revenue	150	99	98	101	92
Operating expenses	-71	-56	-47	-41	-41
Property tax	-23	-28	-22	-25	-20
<b>Profit from development properties</b>	<b>56</b>	<b>15</b>	<b>29</b>	<b>35</b>	<b>31</b>
<b>Project properties</b>					
Rental revenue	25	23	28	71	77
Operating expenses	-18	-14	-19	-39	-41
Property tax	-2	-1	-1	-3	-3
<b>Profit from project properties</b>	<b>5</b>	<b>8</b>	<b>8</b>	<b>29</b>	<b>33</b>
<b>Gross profit</b>	<b>2,851</b>	<b>2,309</b>	<b>2,567</b>	<b>2,238</b>	<b>2,207</b>
<b>Selling and administrative expenses</b>	<b>-894</b>	<b>-821</b>	<b>-728</b>	<b>-691</b>	<b>-695</b>
<b>Property sales</b>					
Sales values	86	572	102	623	0
Carrying amounts	-71	-516	-77	-599	-
<b>Gains/losses on the sale of property</b>	<b>15</b>	<b>56</b>	<b>25</b>	<b>24</b>	<b>0</b>
Impairment loss on properties	-	-	-	-	-95
Group-wide expenses	-41	-45	-45	-48	-43
<b>Operating profit</b>	<b>1,931</b>	<b>1,499</b>	<b>1,819</b>	<b>1,523</b>	<b>1,374</b>

BALANCE SHEET	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>230</b>	<b>209</b>	<b>225</b>	<b>236</b>	<b>254</b>
Project properties	602	378	230	244	933
Development properties	7,121	7,067	6,802	5,988	5,769
Participations in tenant-owners associations, etc.	233	235	243	325	214
Current receivables <sup>1)</sup>	2,774	2,808	2,451	1,972	1,911
Cash and cash equivalents	1,520	1,275	2,424	2,385	2,475
<b>Total current assets</b>	<b>12,250</b>	<b>11,763</b>	<b>12,150</b>	<b>10,914</b>	<b>11,302</b>
<b>TOTAL ASSETS</b>	<b>12,480</b>	<b>11,972</b>	<b>12,375</b>	<b>11,150</b>	<b>11,556</b>
<b>EQUITY AND LIABILITIES<sup>2)</sup></b>					
<b>Shareholders' equity</b>	<b>4,951</b>	<b>4,521</b>	<b>4,635</b>	<b>4,455</b>	<b>4,393</b>
Long-term interest-bearing liabilities	282	410	374	319	296
Other long-term liabilities	168	160	172	144	100
Long-term provisions	2,236	2,069	2,302	2,112	2,232
<b>Total non-current liabilities</b>	<b>2,686</b>	<b>2,639</b>	<b>2,848</b>	<b>2,575</b>	<b>2,628</b>
Current interest-bearing liabilities	438	934	659	504	581
Other current liabilities	4,304	3,784	4,139	3,526	3,846
Current provisions	101	94	94	90	108
<b>Total current liabilities</b>	<b>4,843</b>	<b>4,812</b>	<b>4,892</b>	<b>4,120</b>	<b>4,535</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,480</b>	<b>11,972</b>	<b>12,375</b>	<b>11,150</b>	<b>11,556</b>

<sup>1)</sup> Of which receivables from property sales

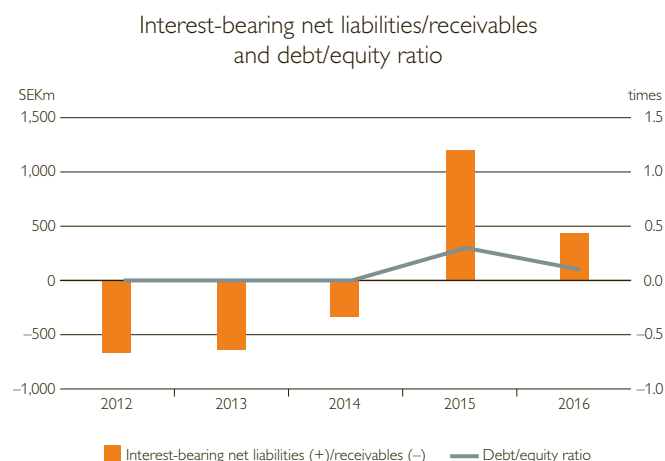
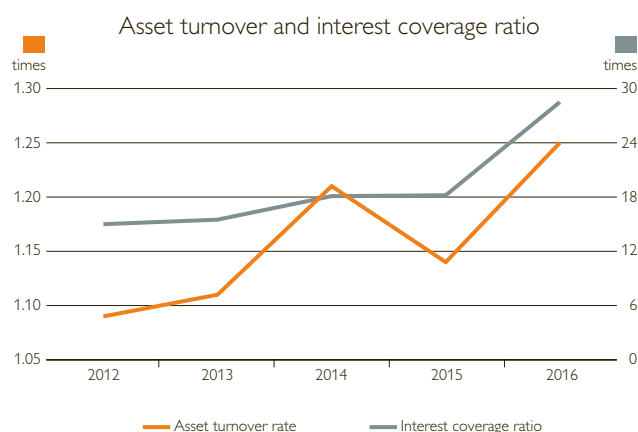
<sup>2)</sup> Of which liabilities for property acquisition

CASH FLOW STATEMENT	2016	2015	2014	2013	2012
From operating activities	1,957	-230	978	898	979
From investing activities	-6	-11	-20	1	-2
From financing activities	-1,712	-902	-920	-987	-939
<b>Total cash flow for the year</b>	<b>239</b>	<b>-1,143</b>	<b>38</b>	<b>-88</b>	<b>38</b>
<b>Cash and cash equivalents, December 31</b>	<b>1,520</b>	<b>1,275</b>	<b>2,424</b>	<b>2,385</b>	<b>2,475</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>					
Interest-bearing net liabilities (+)/receivables (-), January 1	1,198	-337	-642	-667	-737
Change in interest-bearing net liabilities/receivables	-763	1,535	305	25	70
<b>Interest-bearing net liabilities (+)/receivables (-), December 31</b>	<b>435</b>	<b>1,198</b>	<b>-337</b>	<b>-642</b>	<b>-667</b>
<b>DEVELOPMENT PROPERTIES</b>					
Carrying amount, January 1	7,067	6,802	5,988	5,769	5,816
New purchases	1,903	2,695	2,273	1,274	1,259
Transferred to production	-1,896	-1,814	-1,427	-1,017	-1,300
Other	47	-616	-32	-38	-6
<b>Carrying amount, December 31</b>	<b>7,121</b>	<b>7,067</b>	<b>6,802</b>	<b>5,988</b>	<b>5,769</b>
<b>HOUSING PRODUCTION</b>					
Number of available building rights	32,500	31,100	29,400	27,700	26,600
– of which recognized in the balance sheet	17,900	18,100	17,500	17,800	17,400
Number of residential units sold	3,843	3,770	3,195	3,265	2,952
Number of housing starts	4,187	3,731	3,445	2,953	3,163
Number of residential units in current production	7,984	7,212	6,375	5,609	5,988
Percentage sold residential units in current production, %	65	64	57	54	55
Percentage reserved residential units in current production, %	12	22	21	17	11
Percentage sold and reserved residential units in current production, %	77	86	78	71	66
<b>PROJECT PROPERTIES</b>					
Market values	863	550	280	294	959
Carrying amounts	602	378	230	244	933
Surplus values before deferred tax	261	172	50	50	26
<b>PERSONNEL</b>					
Average number of employees	2,422	2,316	2,218	2,247	2,386
– of which abroad	420	397	398	373	365
Wages, salaries and remunerations	1,291	1,219	1,167	1,151	1,198
<b>KEY RATIOS</b>					
Operating margin, % <sup>1)</sup>	12.6	10.8	12.8	12.1	11.0
Return on equity after tax, %	31.2	23.7	28.7	25.0	21.9
Pre-tax return on capital employed, %	27.9	22.0	28.6	25.2	23.0
Pre-tax return on total capital, %	15.9	12.4	15.7	13.8	12.4
Equity/assets ratio, % <sup>1)</sup>	40	38	37	40	38
Interest-bearing loan, SEK m	1,959	2,473	2,087	1,743	1,808
Debt/equity ratio, times	0.1	0.3	–	–	–
Interest coverage ratio, times	28.5	18.2	18.1	15.5	15.0
Interest-bearing liabilities/total assets, %	16	21	17	16	16
Asset turnover rate, times	1.25	1.15	1.21	1.11	1.09

<sup>1)</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.



Amounts in SEK m unless stated otherwise.

INCOME STATEMENT	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	15,291	4,294	3,661	3,866	3,470	13,939	3,744	3,410	3,485	3,300
Production and operating costs	-12,440	-3,445	-2,988	-3,156	-2,851	-11,630	-3,092	-2,886	-2,899	-2,753
<b>Gross profit</b>	<b>2,851</b>	<b>849</b>	<b>673</b>	<b>710</b>	<b>619</b>	<b>2,309</b>	<b>652</b>	<b>524</b>	<b>586</b>	<b>547</b>
Selling and administrative expenses	-935	-252	-200	-266	-217	-866	-242	-179	-235	-210
Gains/losses on the sale of property	15	0	37	-23	1	56	1	21	10	24
<b>Operating profit</b>	<b>1,931</b>	<b>597</b>	<b>510</b>	<b>421</b>	<b>403</b>	<b>1,499</b>	<b>411</b>	<b>366</b>	<b>361</b>	<b>361</b>
Financial income and expenses	-60	-25	-12	-7	-16	-72	-17	-24	-12	-19
<b>Profit before tax</b>	<b>1,871</b>	<b>572</b>	<b>498</b>	<b>414</b>	<b>387</b>	<b>1,427</b>	<b>394</b>	<b>342</b>	<b>349</b>	<b>342</b>
Taxes	-393	-96	-113	-96	-88	-342	-84	-94	-83	-81
<b>Profit for the period</b>	<b>1,478</b>	<b>476</b>	<b>385</b>	<b>318</b>	<b>299</b>	<b>1,085</b>	<b>310</b>	<b>248</b>	<b>266</b>	<b>261</b>

BALANCE SHEET	12/31/2016	09/30/2016	06/30/2016	03/31/2016	12/31/2015	09/30/2015	06/30/2015	03/31/2015
<b>ASSETS</b>								
<b>Non-current assets</b>	<b>230</b>	<b>233</b>	<b>219</b>	<b>212</b>	<b>209</b>	<b>217</b>	<b>229</b>	<b>228</b>
Project properties	602	554	495	437	378	326	280	238
Development properties	7,121	6,547	6,534	6,769	7,067	7,189	6,727	6,839
Participations in tenant-owners associations, etc.	233	240	247	233	235	229	292	318
Current receivables	2,774	3,308	3,196	3,027	2,808	2,646	2,048	2,166
Cash and cash equivalents	1,520	1,177	1,282	1,182	1,275	1,557	1,887	2,077
<b>Total current assets</b>	<b>12,250</b>	<b>11,826</b>	<b>11,754</b>	<b>11,648</b>	<b>11,763</b>	<b>11,947</b>	<b>11,234</b>	<b>11,638</b>
<b>TOTAL ASSETS</b>	<b>12,480</b>	<b>12,059</b>	<b>11,973</b>	<b>11,860</b>	<b>11,972</b>	<b>12,164</b>	<b>11,463</b>	<b>11,866</b>

<b>EQUITY AND LIABILITIES</b>								
<b>Shareholders' equity</b>	<b>4,951</b>	<b>4,527</b>	<b>4,263</b>	<b>4,719</b>	<b>4,521</b>	<b>4,358</b>	<b>4,277</b>	<b>4,726</b>
Long-term interest-bearing liabilities	282	352	343	375	410	472	489	426
Other long-term liabilities	168	169	152	151	160	150	158	166
Long-term provisions	2,236	2,330	2,221	2,083	2,069	2,047	2,455	2,352
<b>Total non-current liabilities</b>	<b>2,686</b>	<b>2,851</b>	<b>2,716</b>	<b>2,609</b>	<b>2,639</b>	<b>2,669</b>	<b>3,102</b>	<b>2,944</b>
Current interest-bearing liabilities	438	267	368	408	934	548	569	640
Other current liabilities	4,304	4,312	4,532	4,035	3,784	4,486	3,412	3,453
Current provisions	101	102	94	89	94	103	103	103
<b>Total current liabilities</b>	<b>4,843</b>	<b>4,681</b>	<b>4,994</b>	<b>4,532</b>	<b>4,812</b>	<b>5,137</b>	<b>4,084</b>	<b>4,196</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,480</b>	<b>12,059</b>	<b>11,973</b>	<b>11,860</b>	<b>11,972</b>	<b>12,164</b>	<b>11,463</b>	<b>11,866</b>

CASH FLOW STATEMENT	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
From operating activities	1,957	368	102	886	601	-230	-423	-193	659	-273
From investing activities	-6	-1	-2	-3	0	-11	-2	-2	-5	-2
From financing activities	-1,712	-25	-207	-784	-696	-902	143	-131	-841	-73
<b>Total cash flow for the period</b>	<b>239</b>	<b>342</b>	<b>-107</b>	<b>99</b>	<b>-95</b>	<b>-1,143</b>	<b>-282</b>	<b>-326</b>	<b>-187</b>	<b>-348</b>

<b>Cash and cash equivalents at end of the period</b>	<b>1,520</b>	<b>1,520</b>	<b>1,177</b>	<b>1,282</b>	<b>1,182</b>	<b>1,275</b>	<b>1,275</b>	<b>1,557</b>	<b>1,887</b>	<b>2,077</b>
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INTEREST-BEARING NET LIABILITIES/RECEIVABLES	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Interest-bearing net liabilities (+)/receivables (-) at beginning of period	1,198	737	656	741	1,198	-337	596	295	106	-337
Change in interest-bearing net liabilities/receivables	-763	-302	81	-85	-457	1,535	602	301	189	443
Interest-bearing net liabilities (+)/receivables (-) at end of period	435	435	737	656	741	1,198	1,198	596	295	106

DEVELOPMENT PROPERTIES	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	7,067	6,547	6,534	6,769	7,067	6,802	7,189	6,727	6,839	6,802
New purchases	1,903	966	562	125	250	2,695	546	1,298	347	504
Transferred to production	-1,896	-408	-594	-344	-550	-1,814	-486	-476	-433	-419
Other	47	16	45	-16	2	-616	-182	-360	-26	-48
<b>Closing balance at the end of the period</b>	<b>7,121</b>	<b>7,121</b>	<b>6,547</b>	<b>6,534</b>	<b>6,769</b>	<b>7,067</b>	<b>7,067</b>	<b>7,189</b>	<b>6,727</b>	<b>6,839</b>

KEY RATIOS	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Operating margin, %	12.6	13.9	13.9	10.9	11.6	10.8	11.0	10.7	10.4	10.9
Debt/equity ratio, times	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.1	0.1	0.0
Equity/assets ratio, %	40	40	38	36	40	38	38	36	37	40
Earnings per share, SEK	20.40	6.60	5.30	4.40	4.10	14.50	4.20	3.30	3.50	3.50
Number of available building rights	32,500	32,500	30,900	30,400	30,800	31,100	31,100	28,700	27,900	29,700
Number of residential units sold	3,843	925	960	1,031	927	3,770	939	891	1,097	843
Number of housing starts	4,187	1,357	1,058	916	856	3,731	1,066	888	1,029	748
Number of residential units in current production	7,984	7,984	7,793	7,081	7,550	7,212	7,212	7,073	6,917	6,635



# Business segments

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JM RESIDENTIAL STOCKHOLM	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	7,162	2,018	1,699	1,741	1,704	6,273	1,631	1,522	1,575	1,545
Operating profit <sup>1)</sup>	1,295	387	308	306	294	1,078	288	259	268	263
Operating margin, %	18.1	19.2	18.1	17.6	17.3	17.2	17.7	17.0	17.0	17.0
Average operating capital	4,388	4,388	4,382	4,287	4,229	4,134	4,134	3,823	3,530	3,336
Return on operating capital, % <sup>2)</sup>	29.5	29.5	27.3	26.8	26.2	26.1	26.1	30.8	34.2	37.1
Operating cash flow	1,558	367	180	551	460	-344	-640	457	252	-413
Carrying amount, development properties	4,286	4,286	4,117	4,124	4,310	4,517	4,517	4,536	3,928	4,012
Number of available building rights	13,000	13,000	12,400	12,100	12,300	12,400	12,400	11,900	11,500	11,900
Number of residential units sold	1,552	399	353	403	397	1,600	370	375	480	375
Number of housing starts	1,745	634	456	283	372	1,667	470	444	402	351
Number of residential units in current production	3,786	3,786	3,564	3,237	3,801	3,627	3,627	3,354	3,277	3,332
<sup>1)</sup> Of which property sales	-	-	-	-	-	0	0	-	-	-

JM RESIDENTIAL SWEDEN	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	3,820	997	830	986	1,007	3,278	1,019	671	851	737
Operating profit <sup>1)</sup>	480	126	135	114	105	308	102	68	78	60
Operating margin, %	12.6	12.6	16.3	11.6	10.4	9.4	10.0	10.1	9.2	8.1
Average operating capital	1,085	1,085	1,150	1,175	1,249	1,289	1,289	1,304	1,323	1,399
Return on operating capital, % <sup>2)</sup>	44.2	44.2	39.7	33.1	28.3	23.9	23.9	20.9	18.9	16.1
Operating cash flow	720	180	58	308	174	533	192	-72	334	79
Carrying amount, development properties	1,350	1,350	1,096	1,137	1,189	1,269	1,269	1,251	1,190	1,101
Number of available building rights	9,700	9,700	9,400	9,600	9,600	9,900	9,900	9,100	8,900	9,300
Number of residential units sold	1,318	343	311	345	319	1,273	322	326	358	267
Number of housing starts	1,336	358	331	343	304	1,228	368	317	278	265
Number of residential units in current production	2,240	2,240	2,300	2,075	1,962	1,944	1,944	1,979	1,883	1,758
<sup>1)</sup> Of which property sales	37	-	37	0	-	0	0	-	-	0

JM INTERNATIONAL	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	3,477	936	874	898	769	3,059	873	658	892	636
Operating profit <sup>1)</sup>	204	67	63	31	43	166	46	40	47	33
Operating margin, %	5.9	7.2	7.2	3.5	5.6	5.4	5.3	6.1	5.3	5.2
Average operating capital	1,997	1,997	1,993	2,013	2,093	2,145	2,145	2,211	2,243	2,285
Return on operating capital, % <sup>2)</sup>	10.2	10.2	9.2	7.9	8.4	7.7	7.7	8.3	7.7	6.6
Operating cash flow	153	-114	71	165	31	434	191	56	271	-84
Carrying amount, development properties	1,401	1,401	1,255	1,194	1,191	1,202	1,202	1,321	1,528	1,645
Carrying amount, project properties	13	13	38	36	35	31	31	32	28	28
Number of available building rights	8,900	8,900	7,900	8,000	8,200	8,200	8,200	7,200	7,000	7,900
Number of residential units sold	973	183	296	283	211	843	193	190	259	201
Number of housing starts	877	136	271	290	180	782	228	127	295	132
Number of residential units in current production	1,542	1,542	1,591	1,431	1,449	1,303	1,303	1,256	1,273	1,115
<sup>1)</sup> Of which property sales	-23	0	-	-23	-	39	-1	20	9	11

JM PROPERTY DEVELOPMENT	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	142	46	34	34	28	206	100	14	45	47
Operating profit <sup>1)</sup>	30	18	7	-1	6	38	23	0	0	15
Average operating capital	508	508	455	405	361	326	326	273	245	237
Return on operating capital, % <sup>2)</sup>	5.9	5.9	7.7	6.9	8.0	11.7	11.7	9.5	14.3	24.5
Operating cash flow	-101	-49	-56	-65	69	-206	-112	-55	-34	-5
Carrying amount, development properties	35	35	35	35	35	35	35	25	25	25
Carrying amount, project properties	589	589	516	459	402	347	347	294	252	210
Number of available building rights <sup>3)</sup>	900	900	1,200	700	700	600	600	500	500	600
Number of residential units sold <sup>3)</sup>	-	-	-	-	-	54	54	-	-	-
Number of housing starts <sup>3)</sup>	229	229	-	-	-	54	-	-	54	-
Number of residential units in current production <sup>3)</sup>	416	416	338	338	338	338	338	484	484	430
<sup>1)</sup> Of which property sales	-	-	-	-	1	17	2	1	1	13
<sup>3)</sup> Refers to rental units and residential care units.										

JM CONSTRUCTION	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	1,665	454	404	447	360	2,084	480	492	558	554
Operating profit	43	10	12	11	10	45	0	13	16	16
Operating margin, %	2.6	2.2	3.0	2.5	2.8	2.2	0.0	2.6	2.9	2.9
Operating cash flow	32	47	25	-34	-6	-34	-65	-11	-66	108

JM OTHER	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue (elimination)	-514	-155	-112	-136	-111	-453	-145	-101	-105	-102
Operating profit (Group-wide expenses)	-41	-11	-4	-13	-13	-45	-13	-7	-10	-15

RESTATEMENT JM INTERNATIONAL	2016					2015				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	-461	-2	-68	-104	-287	-508	-214	154	-331	-117
Operating profit	-80	0	-11	-27	-42	-91	-35	-7	-38	-11

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

## DEFINITIONS KEY FINANCIAL FIGURES

Amounts in SEK m unless stated otherwise.

**Dividend yield**

Proposed dividend in relation to market price as of December 31, 2016.

Proposed dividend	SEK 9.50
Share price, December 31	SEK 263.20
	3.6%

**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 10.50
Dividend paid	SEK 8.25
Share price, January 1	SEK 252.70
	7%

**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	1,478
Average number of shares	72,526,479
	SEK 20.40

**Operating margin (segment reporting)**

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

Operating profit	2,011
Revenue	15,752
	12.8%

**Operating margin**

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

Operating profit	1,931
Revenue	15,291
	12.6%

**Return on equity**

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

Profit for the year	1,478
Average shareholders' equity	4,736
	31.2%

**Return on capital employed**

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

Profit before tax plus financial expenses	1,939
Average capital employed	6,952
	27.9%

**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	1,939
Average total assets	12,226
	15.9%

**Equity/assets ratio**

Shareholders' equity as a percentage of total assets.

Shareholders' equity	4,951
Total assets	12,480
	40%

**Interest coverage ratio**

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

Profit before tax plus financial expenses	1,939
Financial expenses	68
	28.5 times

**Interest-bearing liabilities/total assets**

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

Interest-bearing liabilities	1,959
Total assets	12,480
	16%

**Asset turnover rate**

Revenue divided by average total assets.

Revenue	15,291
Average total assets	12,226
	1.25 times

**Interest-bearing net liabilities (+)/receivables (-)**

Interest bearing liabilities decreased through cash and cash equivalents and interest-bearing receivables.

Pension provisions	1,239
Long-term interest-bearing liabilities	282
Current interest-bearing liabilities	438
Cash and cash equivalents and interest-bearing receivables	-1,524
	435

## 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.

**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 and profit for the projects are recognized period by period as each project is completed and sold, which generates a direct link between financial reporting and the operations carried out during the period.

**Operating capital (only given per business segment)**

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 (only given per business segment)**

Change in operating capital plus profit for the period adjusted for non-cash items.

**Project properties**

Classified as current assets and comprise large property portfolios for further development and commercial properties.

- Properties under development
- Completed rental units and residential care units
- Completed commercial properties.

**Interest-bearing net liabilities/receivables**

Interest-bearing liabilities decreased through cash and cash equivalents and interest-bearing receivables.

**Operating margin as stated in segment reporting (according to percentage of completion method)**

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.

Average equity, capital employed and total assets are calculated as the average of the opening and closing balance (two measurement points).

INCOME STATEMENT – PARENT COMPANY, SEK m	NOTE	2016	2015
Net sales	1	11,149	9,761
Production and operating costs	2	–8,863	–7,875
<b>Gross profit</b>		<b>2,286</b>	<b>1,886</b>
Selling and administrative expenses	2, 3, 4	–648	–545
Gains/losses on the sale of property	5	–23	13
<b>Operating profit</b>		<b>1,615</b>	<b>1,354</b>
<b>Result from financial items</b>	6		
Result from Group companies		198	44
Result from associated companies		12	6
Result from other financial assets		1	1
Result from financial current assets		1	3
Interest expenses and similar income statement items		–53	–53
<b>Profit before appropriations and tax</b>		<b>1,774</b>	<b>1,355</b>
Appropriations	7	–147	–167
<b>Profit before tax</b>		<b>1,627</b>	<b>1,188</b>
Taxes	8	–322	–704
<b>Net profit for the year</b>		<b>1,305</b>	<b>484</b>
<b>STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY, SEK m</b>			
		<b>2016</b>	<b>2015</b>
<b>Net profit for the year</b>		<b>1,305</b>	<b>484</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>1,305</b>	<b>484</b>



BALANCE SHEET – PARENT COMPANY, SEK m	NOTE	2016	2015
<b>ASSETS</b>	1		
<b>Non-current assets</b>			
<b>Plant, property, and equipment</b>			
Equipment and other tools	9	3	6
<b>Financial assets</b>	10		
Participations in Group companies	10	1,016	1,318
Participations in joint operations and associated companies		204	219
Long-term receivables in associated companies		17	17
Other long-term receivables		7	3
Deferred tax assets	8	–	15
		<b>1,244</b>	<b>1,572</b>
<b>Total non-current assets</b>		<b>1,247</b>	<b>1,578</b>
<b>Current assets</b>			
Project properties	11	80	71
Development properties	11	4,045	4,082
Participations in tenant-owners associations, etc.	12	197	154
<b>Current receivables</b>			
Accounts receivable		71	236
Other current receivables		160	208
Current interest-bearing receivables in Group companies		1,485	1,192
Recognized revenue less progress billings	13	816	918
Prepaid expenses and accrued income		10	6
		<b>2,542</b>	<b>2,560</b>
<b>Cash and cash equivalents</b>	14	<b>1,327</b>	<b>1,063</b>
<b>Total current assets</b>		<b>8,191</b>	<b>7,930</b>
<b>TOTAL ASSETS</b>		<b>9,438</b>	<b>9,508</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity<sup>1)</sup></b>			
Share capital		73	75
<b>Restricted equity</b>		<b>73</b>	<b>75</b>
Share premium reserve		132	117
Undistributed earnings		799	1,529
Net profit for the year		1,305	484
<b>Unrestricted equity</b>	24	<b>2,236</b>	<b>2,130</b>
<b>Total shareholders' equity</b>		<b>2,309</b>	<b>2,205</b>
<b>Untaxed reserves</b>	15	<b>2,170</b>	<b>1,975</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations	16	660	648
Deferred tax liabilities	8	38	–
Warranty provisions	17	239	207
		<b>937</b>	<b>855</b>
<b>Liabilities</b>			
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	18	184	215
Other long-term receivables		128	138
		<b>312</b>	<b>353</b>
<b>Current liabilities</b>			
Accounts payable		380	341
Current interest-bearing liabilities	18	8	507
Other current liabilities	19	378	592
Current interest-bearing liabilities to Group companies	18	727	760
Current tax liabilities		84	76
Progress billings in excess of recognized revenue	20	1,103	1,126
Accrued expenses and deferred income	21	1,030	718
		<b>3,710</b>	<b>4,120</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,438</b>	<b>9,508</b>

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

# Parent company

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CASH FLOW STATEMENT – PARENT COMPANY, SEK m	NOTE	2016	2015
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,615	1,354
Depreciation and amortization		3	3
Other non-cash items		296	-16
<b>Sub-total, cash flow from operating activities</b>		<b>1,914</b>	<b>1,341</b>
Interest received		2	3
Dividends received		60	57
Interest paid and other financial expenses		-24	-26
Paid tax		-383	-742
<b>Cash flow from operating activities before change in working capital</b>		<b>1,569</b>	<b>633</b>
Investment in development properties, etc.		-1,486	-2,831
Payment on account for development properties, etc.		1,831	1,824
Increase/decrease in other current receivables, etc.		18	-544
Increase/decrease in other current operating liabilities		-20	611
<b>Cash flow before investments and sales of project properties</b>		<b>1,912</b>	<b>-307</b>
Investment in project properties, etc.		-9	28
Sale of project properties, etc.		1	-
<b>Cash flow from operating activities</b>		<b>1,904</b>	<b>-279</b>
<b>INVESTING ACTIVITIES</b>			
Change in property, plant, and equipment		0	-2
Investment in Group companies and associated companies, etc.		-57	-194
Change in financial assets		-4	-
<b>Cash flow from investing activities</b>		<b>-61</b>	<b>-196</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		22	518
Amortization of debt		-500	0
Redeemed options		1	1
Buy-back of shares		-500	-500
Dividend		-602	-600
<b>Cash flow from financing activities</b>		<b>-1,579</b>	<b>-581</b>
<b>Cash flow for the year</b>		<b>264</b>	<b>-1,056</b>
<b>Cash and cash equivalents, January 1</b>		<b>1,063</b>	<b>2,119</b>
<b>Cash and cash equivalents, December 31</b>		<b>1,327</b>	<b>1,063</b>

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY, SEK m	Share capital	Share premium reserve	Undistributed earnings	Total shareholders' equity
<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>
<b>Opening balance, January 1, 2016</b>	<b>75</b>	<b>117</b>	<b>2,013</b>	<b>2,205</b>
Total comprehensive income for the year	–	–	1,305	1,305
Dividend	–	–	–602	–602
Merger Group companies	–	–	–114	–114
Conversion of convertible loan	0	13	–	13
Equity component of convertible debentures	–	2	–	2
Buy-back of shares	–	–	–500	–500
Elimination of repurchased shares	–2	–	2	–
<b>Closing balance, December 31, 2016</b>	<b>73</b>	<b>132</b>	<b>2,104</b>	<b>2,309</b>

Number of shares (1 vote/share) as of December 31, 2016, amounts to 73,052,987 (75,173,524), of which JM AB repurchased 1,604,657 shares (1,579,524) which do not participate in dividends. Par value per share is SEK 1.

The proposed dividend for 2016 is SEK 9.50 per share (8.25).



# Parent company

## 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

	2016	2015
<b>Average number of employees (all in Sweden)</b>	<b>1,598</b>	<b>1,532</b>
of which men, %	(80)	(81)
<b>Wages, salaries, other remuneration and social security expenses</b>		
<b>Board of Directors and President</b>	<b>12</b>	<b>13</b>
(of which variable remuneration)	(3)	(4)
<b>Other employees</b>	<b>829</b>	<b>768</b>
(of which variable remuneration)	(55)	(55)
<b>Total salaries and other remuneration</b>	<b>841</b>	<b>781</b>
(of which variable remuneration)	(58)	(59)
<b>Social security expenses</b>	<b>439</b>	<b>389</b>
(of which pension costs)	(159) <sup>1)</sup>	(143) <sup>1)</sup>
<b>Total Parent Company</b>	<b>1,280</b>	<b>1,170</b>

<sup>1)</sup> Of the Parent Company's pension costs, SEK 2.4m (2.4) 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 Accumulated depreciation according to plan

	2016	2015
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

	2016	2015
<b>Ernst &amp; Young</b>		
Auditing services	2.7	2.8
Tax services	0.4	0.3
Other services	0.4	0.6
<b>Total</b>	<b>3.5</b>	<b>3.7</b>

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

	2016	2015
<b>Sales values</b>		
Project properties	–	–
Development properties	47	180
<b>Total</b>	<b>47</b>	<b>180</b>
<b>Carrying amounts</b>		
Project properties	–	–
Development properties	–70	–167
<b>Total</b>	<b>–70</b>	<b>–167</b>
<b>Results</b>		
Project properties	–	–
Development properties	–23	13
<b>Total</b>	<b>–23</b>	<b>13</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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Dividend	206	100	9	6	–	–	–	–	–	–	215	106
Sales	–	0	3	–	–	–	–	–	–	–	3	0
Share in profits	1	6	–	–	–	–	–	–	–	–	1	6
Impairment loss	–9	–62	–	–	–	–	–	–	–	–	–9	–62
Interest income	–	–	–	–	–	1	1	1	–	–	1	2
Income, reassessment of derivatives	–	–	–	–	–	–	–	2	–	–	–	2
Interest income, Group companies	–	–	–	–	1	–	0	0	–	–	1	0
Interest expenses	–	–	–	–	–	–	–	–	–27	–27	–27	–27
Expenses, revaluation of derivatives	–	–	–	–	–	–	–	–	–	–2	–	–2
Interest portion in this year's pension costs	–	–	–	–	–	–	–	–	–26	–24	–26	–24
<b>Total</b>	<b>198</b>	<b>44</b>	<b>12</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>–53</b>	<b>–53</b>	<b>159</b>	<b>1</b>

**NOTE 7 Appropriations**

	2016	2015
Provision to tax allocation reserve	-420	-380
Reversal of previous years' provision to tax allocation reserve	225	180
Group contribution received	48	33
<b>Total</b>	<b>-147</b>	<b>-167</b>

**NOTE 8 Taxes**

	2016	2015
<b>Profit before tax</b>	<b>1,627</b>	<b>1,188</b>
Current tax	-337	-739
Deferred tax	15	35
<b>Total tax</b>	<b>-322</b>	<b>-704</b>

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

<b>Profit before tax × 22%</b>	<b>-358</b>	<b>-261</b>
Adjustment of tax from previous years	0	-445
Non-taxable revenue	50	24
Non-deductible expenses	-12	-19
Tax untaxed reserve (tax allocation reserve)	-2	-3
<b>Total</b>	<b>-322</b>	<b>-704</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 AB 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>	2016	2015
Deferred tax assets attributable to personnel-related provisions and warranty provisions	42	38
Deferred tax liability attributable to temporary differences in project properties and development properties	-80	-23
<b>Net deferred tax receivables</b>	<b>-38</b>	<b>15</b>

**NOTE 9 Equipment and other tools**

	2016	2015
<i>Accumulated cost</i>		
<b>Opening balance, January 1</b>	<b>36</b>	<b>34</b>
New purchases	0	2
<b>Closing balance, December 31</b>	<b>36</b>	<b>36</b>
<i>Accumulated depreciation according to plan</i>		
<b>Opening balance, January 1</b>	<b>-30</b>	<b>-27</b>
Depreciation for the year	-3	-3
<b>Closing balance, December 31</b>	<b>-33</b>	<b>-30</b>
<b>Closing residual value at end of year</b>	<b>3</b>	<b>6</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 claims		Deferred tax assets		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<i>Accumulated cost</i>														
<b>Opening balance, January 1</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>0</b>	<b>1,572</b>	<b>1,261</b>
New purchases	74	349	-14	10	-	-	-	-	-	-	-	-	60	359
Additional receivables	-	-	-	-	-	-	-	-	4	-	-	15	4	15
Settled receivables	-	-	-	-	-	-	-	-	-	-1	-15	-	-15	-1
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merger	-367	-	-	-	-	-	-	-	-	-	-	-	-367	-
Sales	-	-	-1	-	-	-	-	-	-	-	-	-	-1	-
Impairment losses for the year	-9	-62	-	-	-	-	-	-	-	-	-	-	-9	-62
<b>Closing balance, December 31</b>	<b>1,016</b>	<b>1,318</b>	<b>204</b>	<b>219</b>	<b>17</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>3</b>	<b>-</b>	<b>15</b>	<b>1,244</b>	<b>1,572</b>

For specification of the Parent Company's and the Group's participations in joint operations and associated companies, see the Group's Note 14.

## 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	
				2016	2015
AB Borätt	556257-9275	Stockholm	500	1,978	1,978
AB Garantihus	556073-0524	Stockholm	5,000	1,000	1,000
AB Konvertibelhus	559001-7025	Stockholm	500	50	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 <sup>1)</sup>	556927-6529	Örebro	–	–	22,534
Fastighetsbolaget Bohusmark KB	916443-1125	Gothenburg	1	1,120	1,120
Fastighetsbolaget Metallfabriken i Örebro AB	559077-9582	Stockholm	500	27,569	–
Förvaltnings AB Rickomberg Dal	556731-8596	Uppsala	1,000	4,354	4,354
Förvaltningsbolaget Kängen 44:1 AB	556912-1683	Stockholm	500	2,630	–
HavreskalEtt AB <sup>1)</sup>	559033-0659	Stockholm	–	–	242,136
Havsprinsen Fastighets AB	559065-1435	Stockholm	1,000	131	–
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	91,906
JM Danmark A/S, Denmark <sup>1)</sup>	21410233	Copenhagen	–	–	5,081
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	50
JM Hyresbostäder Holding AB	556977-0471	Stockholm	500	50	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	175,557	157,727
JM Värmdöstrand AB	556001-6213	Värmdö	4,400	158,000	158,000
JM@Home AB	559091-8289	Stockholm	1,000	100	–
KB Silverfjädern	969676-7525	Stockholm	–	0	0
Klippljuset Holding AB	556872-0527	Stockholm	500	50	50
Mark i Brändbo 5 AB	559015-6674	Stockholm	1,000	82	–
Minimalen Bostad AB (previously SBC Bo AB)	556754-2138	Stockholm	1,000	13,550	13,550
Seniorgården AB	556359-9082	Stockholm	1,000	100	100
Stockholm Pundet 1 AB	556852-1297	Stockholm	500	74,722	74,722
Squatina AB <sup>1)</sup>	556746-7880	Stockholm	–	–	45,587
Tölö Ångar AB <sup>1)</sup>	556881-8388	Stockholm	–	–	34,853
<b>Carrying amount, December 31</b>				<b>1,015,817</b>	<b>1,317,666</b>

<sup>1)</sup> Group companies that have merged into JM AB.

## NOTE 11 Project properties and development properties

	Project properties		Development properties	
	2016	2015	2016	2015
<i>Accumulated cost</i>				
Opening balance, January 1	71	144	4,134	3,623
New purchases	9	–28	1,212	1,998
Merger	–	–	410	–
Reclassifications	–	–45	–	45
Transferred to production	–	–	–1,589	–1,352
Sales	–	–	–70	–180
Closing balance, December 31	80	71	4,097	4,134
<i>Accumulated impairment losses</i>				
Opening balance, January 1	–	–20	–52	–45
Reclassifications	–	20	–	–20
Sales	–	–	–	13
Closing balance, December 31	–	–	–52	–52
Closing residual value at end of year	80	71	4,045	4,082

Reported residual value for the part of project properties recognized at net realizable value amounts to SEK 0m (0) and for development properties SEK 99m (121).

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

	2016	2015
<i>Accumulated cost</i>		
Opening balance, January 1	154	138
New purchases	209	285
Sales	–166	–269
Closing balance, December 31	197	154

## NOTE 13 Recognized revenue less progress billings

	2016	2015
Recognized revenue in work in progress	3,915	3,093
Accumulated billing on account for work in progress	–3,099	–2,175
Total	816	918

## NOTE 14 Cash and cash equivalents

	2016	2015
Cash and bank balances	1,327	1,063
Total	1,327	1,063



**NOTE 15 Untaxed reserves**

	2016	2015
Tax allocation reserve for 2011 taxation	—	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	380
Tax allocation reserve for 2017 taxation	420	—
<b>Total</b>	<b>2,170</b>	<b>1,975</b>

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

	2016	2015
<b>Opening balance, January 1</b>	<b>648</b>	<b>645</b>
Benefits earned during the period	24	20
Interest expenses	23	23
Pensions paid	—35	—36
Miscellaneous	0	—4
<b>Closing balance, December 31</b>	<b>660</b>	<b>648</b>

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

**NOTE 17 Warranty provisions**

	2016	2015
<b>Opening balance, January 1</b>	<b>207</b>	<b>190</b>
Provisions	74	56
Utilized during the year	—42	—37
Reversed provisions	—	—2
<b>Closing balance, December 31</b>	<b>239</b>	<b>207</b>

**NOTE 18 Interest-bearing liabilities**

<b>Long-term interest-bearing liabilities</b>	2016	2015
Other liabilities 1–5 years from the closing date	131	170
Convertible loans 1–5 years	53	45
<b>Total</b>	<b>184</b>	<b>215</b>

<b>Current interest-bearing liabilities</b>	2016	2015
Convertible loans 1 year	8	7
Liabilities to credit institutions	—	500
Liabilities to Group companies	727	760
<b>Total</b>	<b>735</b>	<b>1,267</b>

**Liabilities to credit institutions, confirmed credits**

<b>Credit agreements</b>	2016	2015
Bank overdraft facility	400	400
Granted credit agreement due date within one year	800	650
Granted credit agreement due date greater than one year	1,600	1,750
Unutilized portion	—2,800	—2,300
<b>Utilized credit agreement</b>	<b>0</b>	<b>500</b>

Credit agreements carry fixed interest.

**NOTE 19 Other current liabilities**

	2016	2015
Short-term promissory notes, development properties	225	259
Other current liabilities	153	333
<b>Total</b>	<b>378</b>	<b>592</b>

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

	2016	2015
Accumulated billing on account for work in progress	16,187	16,592
Recognized revenue in work in progress	—15,084	—15,466
<b>Total</b>	<b>1,103</b>	<b>1,126</b>

**NOTE 21 Accrued expenses and deferred income**

	2016	2015
Personnel-related items	331	282
Prepaid rental income	18	19
Other accruals	681	417
<b>Total</b>	<b>1,030</b>	<b>718</b>

**NOTE 22 Pledged assets and contingent liabilities**

	2016	2015
<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>	7,836	6,638
Guarantees on behalf of Group companies <sup>3)</sup>	1,590	2,405
Guarantees in connection with assignments	204	191
Payment and rental guarantees	1	2
Other contingent liabilities	15	14
<b>Total</b>	<b>9,646</b>	<b>9,250</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.

	2016	2015
Purchase of goods and services from Group companies	514	453
Interest income from Group companies	0	0
Dividend from Group companies	206	100
Share in profits from Group companies	1	6
Dividend from associated companies	9	6
Long-term receivables in associated companies	17	17
Current interest-bearing receivables in Group companies	1,485	1,192
Current interest-bearing liabilities to Group companies	727	760
Guarantees on behalf of Group companies	1,590	2,405

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.

**NOTE 24 Proposed disposition of earnings**

Unrestricted equity in the Parent Company is:

Retained earnings and share premium reserve	SEK 930,943,439
Net profit for the year	SEK 1,305,165,756

<b>Total</b>	<b>SEK 2,236,109,195</b>
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The Board of Directors and the CEO propose:

that SEK 9.50 per share be paid to shareholders <sup>1)</sup>	SEK 678,780,681
and that the remaining amount be carried forward	SEK 1,557,328,514

<b>Total</b>	<b>SEK 2,236,109,195</b>
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<sup>1)</sup> There are 73,055,255 registered shares in the Parent Company on January 31, 2017, of which the number of dividend-bearing shares amounts to 71,450,598.

In accordance with the resolution of the Annual General Meeting in April 2016, a maximum of ten (10) percent of JM's total number of shares may be bought back. To date, 1,604,657 shares have been bought back. Additional shares may be bought back before the Annual General Meeting in April 2017, which could decrease the total dividends.

Stockholm, February 20, 2017

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.

Lars Lundquist  
*Chair of Board*

Kaj-Gustaf Bergh  
*Member*

Eva Nygren  
*Member*

Kia Orback Pettersson  
*Member*

Åsa Söderström Jerring  
*Member*

Thomas Thuresson  
*Member*

Thomas Mattsson  
*Member,  
employee-appointed*

Jan Strömberg  
*Member,  
employee-appointed*

Our Auditor's Report was submitted on February 20, 2017.  
Ernst & Young AB

Ingemar Rindstig  
*Authorized Public Accountant*

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF JM AB (PUBL), CORPORATE IDENTITY NUMBER 556045-2103

## Report on the annual accounts and consolidated accounts

### OPINIONS

We have audited the annual accounts and consolidated accounts of JM AB (publ) for the financial year 2016. The annual accounts and consolidated accounts of the company are included on pages 57–97 in this document.

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 2016 and its financial performance and cash flow 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 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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 general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### *Revenue Recognition – Percentage of completion method housing project in Sweden*

The Group revenues recognized in accordance with percentage of completion for residential developments in Sweden in 2016 was SEK 10,958m and SEK 11,047m for the Parent company. The Groups revenue in relation to residential developments

in Sweden are recognized on the percentage of completion method. This requires that project revenue and costs should be able to be quantified reliably. The result is recognized in pace with completion and sale, before the final result is determined. The assessment of project revenues and project costs is based on a range of estimates and assumptions, which means that the final outcome may deviate from the recognized result in accordance to percentage of completion. Given that the estimates and assumptions are complex and contain a number of standpoints and assumptions by the company, we consider this to be a key audit matter in our audit. The accounting and valuation principles are specified in Note 1 of the annual report.

We have assessed the accounting policies and procedures applied for project monitoring. We have conducted an analytical review, a review of calculations and assumptions regarding estimated project revenues and project costs, and a review of risks for price reductions, additional costs and penalties. We have audited the company's procedures and processes relating to ongoing projects. We have tested controls the company designed and implemented in the process from registration of contracts to projects completed. We have conducted tests of details of the recognized project costs to assess project status. We have conducted site visits for a sample of projects.

#### *Development properties*

The Group's carrying value of development properties totaled SEK 7,121m at December 31, 2016 and for the Parent company to SEK 4,045m. Development properties are classified as current assets. Development properties are valued at the lower of cost and net-realizable value. At year end, a valuation was carried out for all properties for residential development in cooperation with an independent appraisal company. Assessed market value of the Group's properties for residential development at 31 December 2016 was 14.1 billion. The assessment of the net realizable value is based on a range of assumptions that contains elements of varying uncertainty. For these reasons, we consider the development properties to be a key audit matter in our audit. The accounting and valuation principles are specified in Note 1 of the annual report.

We have evaluated the company's process for the valuation of development properties. We have, in collaboration with a EY valuation specialist, audited the company's model and method for valuation. We have also engaged a EY valuation specialists to assess a sample of the external valuations to evaluate the appropriateness of the market parameters and assumptions that have been adopted. We evaluated the disclosure of the property developments in the annual report to assess whether they are appropriate.

### OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–56. The Board of Directors and the Managing Director are responsible for this other information.



Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

## AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

#### OPINIONS

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of JM AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

#### BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### 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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting,

management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticisms throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

Stockholm February 20, 2017

Ernst & Young AB

Ingemar Rindstig

Authorized Public Accountant

# Corporate governance report for the 2016 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 34–50.

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 2016 Annual General Meeting was held on April 21. A total of 229 shareholders were represented, representing about 52 percent of the total votes. Minutes from the Annual General

Meeting can be found on JM's website ([jm.se](http://jm.se)). One of the resolutions made by the 2016 Annual General Meeting was to authorize the Board to decide on the acquisition of own shares. The 2017 Annual General Meeting will be held on April 27.

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 2017 Annual General Meeting in August 2016, and it consists of the following people:

Åsa Nisell, Swedbank Robur Fonder  
Jan Särilvik, Nordea Funds  
Eva Gottfridsdotter-Nilsson, Länsförsäkringar  
Fondförvaltning AB  
Roar Engeland, OBOS BBL  
Lars Lundquist, Chairperson of the Board of JM.

At the time it was appointed, the Nomination Committee represented more than 27 percent of the total number of JM shares. Åsa Nisell is Chairperson. The Nomination Committee held four 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 2016 Annual General Meeting re-elected Ernst & Young AB as

its auditing company. The election covers the period up until the end of the 2017 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 the assignment at JM, Ingemar Rindstig has auditing assignments at, for example, Atrium Ljungberg, Corem, D. Carnegie, Familjebostäder, Heimstaden, Kungsliden, Magnolia Bostad, Oscar Properties, Stendörren Fastigheter and Stockholm Globe Arena Fastigheter.

## 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's Directors are elected by the Annual General Meeting for one year at a time. In addition, the employee organizations are legally entitled to appoint two ordinary members as well as two deputies.

The 2016 Annual General Meeting elected seven 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 2016 calendar year is also presented. Approved remuneration is reported on page 106.

The Board of Directors held eleven meetings. The Audit Committee held five meetings. The Compensation Committee held four meetings. The Investment Committee held eight meetings. Further information about the Board's Directors according to article 2.6 in the Code is specified on page 108.

Name	Function	Elected	Com- mittee	Attend- ance B	Attend- ance C
Lars Lundquist	Chairperson	2005	(Chair) C	10	C 4
Kaj-Gustaf Bergh	Member	2013	–	9	–
Johan Bergman <sup>1)</sup>	Member	2012	I	6	I 2
Eva Nygren	Member	2013	I	10	I 8
			C		C 4
Kia Orback Pettersson	Member	2010	A	11	A 5
Åsa Söderström Jerring	Member	2007	(Chair) I	11	I 8
			A		A 5
Thomas Thuresson <sup>2)</sup>	Member	2016	(Chair) A	5	A 3
Anders Narvinger <sup>3)</sup>	Member	2009	(Chair) A	4	A 2
Johan Skoglund <sup>3)</sup>	Member	2003		4	
Thomas Mattsson	Emp. rep.	2012	–	10	
Jan Strömberg	Emp. rep.	2011	–	10	
Peter Olsson	Emp. rep., dep.	2014	–	8 <sup>4)</sup>	
Jonny Änges	Emp. rep., dep.	2015	–	9 <sup>4)</sup>	

<sup>1)</sup> In 2016, Johan Bergman was a member until June 9 at which time he left the Board at his own request.

<sup>2)</sup> Thomas Thuresson was elected to the Board of Directors at the 2016 Annual General Meeting.

<sup>3)</sup> In 2016, Anders Narvinger and Johan Skoglund were members up until the Annual General Meeting. Anders Narvinger was Chair of the Audit Committee up until the Annual General Meeting.

<sup>4)</sup> Deputy employee representatives do not attend meetings per capsulam.

### INDEPENDENT

All members elected at the Annual General Meeting 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.

New-elects to the Board of Directors are introduced to the company's operations and the work of the Board as required and according to that above.

The most important governing documents are:

- Strategic focus
- 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, Work Environment Policy, Communication Policy, Financial Policy, Tax Policy and Purchasing Policy)
- JM's Ethical Guidelines, Guidelines for Communication and Guidelines for Procurement.

#### Duties of the Chairperson of the Board of Directors'

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. The General Counsel is not a member of the Board of Directors.

#### Evaluation by the Board of its own work

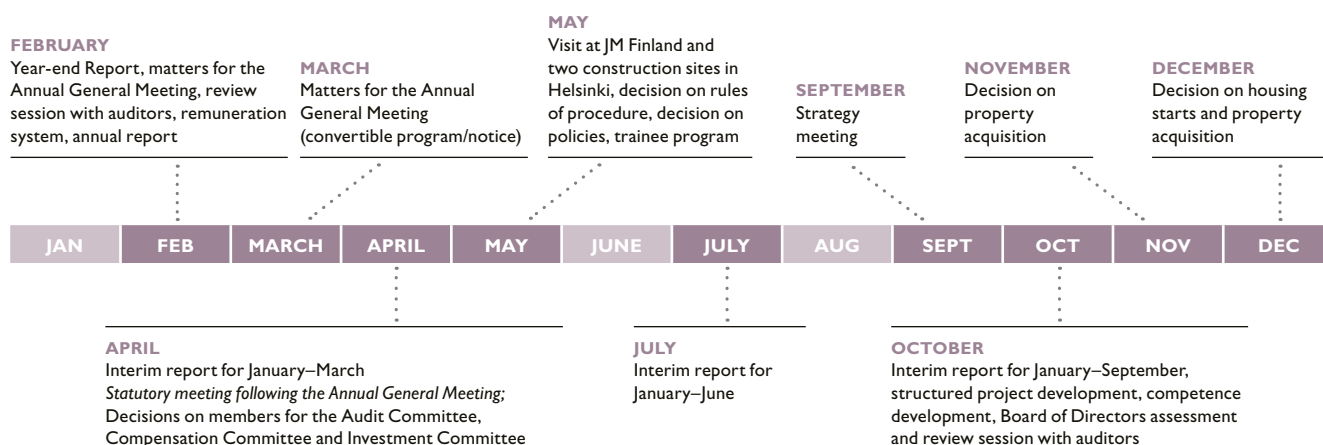
The performance of the Board of Directors is evaluated every fall. The results of the evaluation were presented to the Board and the Nomination Committee.

#### The Board's evaluation of the President

The Board of Directors evaluates the President's performance annually.



## BOARD MEETINGS 2016



Fixed items on the agenda of ordinary Board meetings include a status report from the President and updates from the Committees.

## Important matters during 2016

The Board of Directors made the following decisions and others in 2016:

- 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 six 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 nine acquisitions of development properties (three in Norway and one in Finland), which have a purchase sum exceeding the maximum level delegated to the President of SEK 100m
- The Board of Directors decided on the final closing of JM's operations in Denmark
- 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. Following a resolution by the Annual General Meeting to grant the Board authorization, a decision was made to acquire own shares. 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 two additional policies, the Work Environment Policy and the Tax 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 Executive Management, excluding the President
- the Audit Committee, which in consultation with the external auditors and the internal audit adopts the plan for the work of the external auditors and the internal audit in both the long-term and short-term. The Audit Committee approves fees and compensation to the external auditors for auditing work as well as the external auditor's provision of services other than auditing. The Audit Committee initiates more in-depth initiatives in selected areas or projects.

With the exception of Kaj-Gustaf Bergh, all members elected at the Annual General Meeting also sit on one or more committees. The Chairperson of the Board chairs the Compensation Committee. The Chairperson of the Audit Committee is Thomas Thuresson 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. The CEO attends the meetings of the Compensation Committee and the Investment Committee.

### Audit Committee

The Audit Committee has three members: Thomas Thuresson (Chairperson), Åsa Söderström Jerring and Kia Orback Pettersson. The committee held five meetings during the calendar year.

The work of the Audit Committee during the year was primarily focused on:

- Review and analysis of financial statements and interim reports
- Quality assessment of internal control systems, control procedures, the internal audit and risk management
- Review of the audit plan of the external auditors and the internal audit in both the short-term and the long-term
- Preparation of the Corporate Governance Report and the Board of Directors' Report on Internal Control and Risk Management regarding Financial Reporting
- Responsibility for the selection and preparation for election of external auditors in consultation with the Board of Directors that will be recommended to the Nomination Committee and Annual General Meeting
- Approval of fees and compensation to the auditors for auditing work as well as approval of the auditor's provision of services other than auditing
- Oversight of the statutory audit
- Initiation of more in-depth initiatives in selected areas
- Progress reporting and review of areas or projects of special interest
- Reporting and presentation to the Board of Directors of observations noted during review sessions with auditors and management.

#### *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 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 two members: Åsa Söderström Jerring (Chairperson) and Eva Nygren.

The committee held eight 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 participations 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 106.

#### 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.

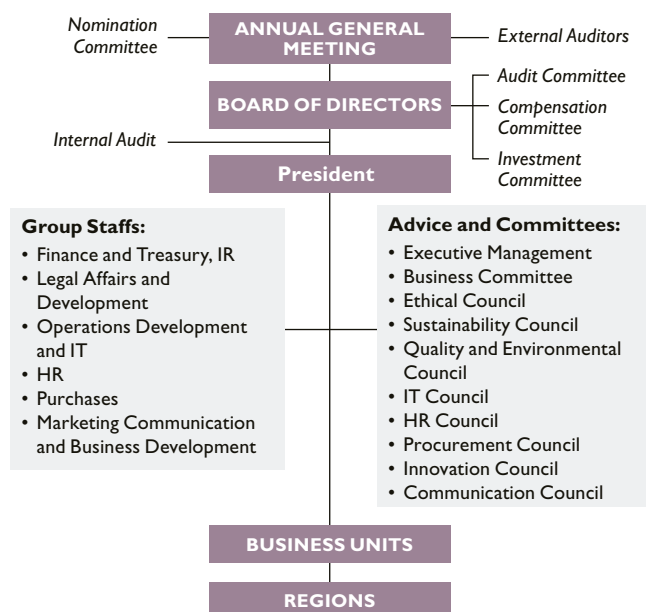
For a detailed description of JM's risk management procedures please refer to pages 29–32.

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 central Internal Audit function is to examine the suitability of the operation and its efficiency by checking compliance with the business-critical requirements of JM's Operations System. JM's Operations System is a comprehensive process-oriented work structure with the purpose of ensuring the efficiency of JM's business processes. JM's central Internal Audit has the special task of examining the financial risks associated with larger projects. The Board ensures that JM has solid project and financial management through regular communication with internal and external auditors.

As part of the objective to develop and standardize working methods and processes within the Group, work is ongoing to achieve structured project development (see page 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

The governance structure can be seen below:



processes, documentation and systems, thus facilitating the work of all employees.

A Code of Conduct has been implemented 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 and corporate culture comprise the basis of internal controls with respect to financial reporting. Control environment refers to both the infrastructure built for internal control and governance, as well as JM's core values. The control environment consists, for example, of the organization, channels for decisions, authorities and responsibilities documented and communicated in normative documents such as internal policies, guidelines, manuals and codes. 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 pro-

cess 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 Operations 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 2016 Annual General Meeting resolved that:

- the Chairperson of the Board will be paid a fee of SEK 780,000 and regular members who are not employed by the Company will be paid SEK 330,000;
- 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 2017 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 550 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.

### 2016 CONVERTIBLE PROGRAM

The 2016 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 570,000 convertible debentures aimed at all employees in Sweden.

The purpose of the 2016 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 22.5m through the issue of about 78,000 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 2016.

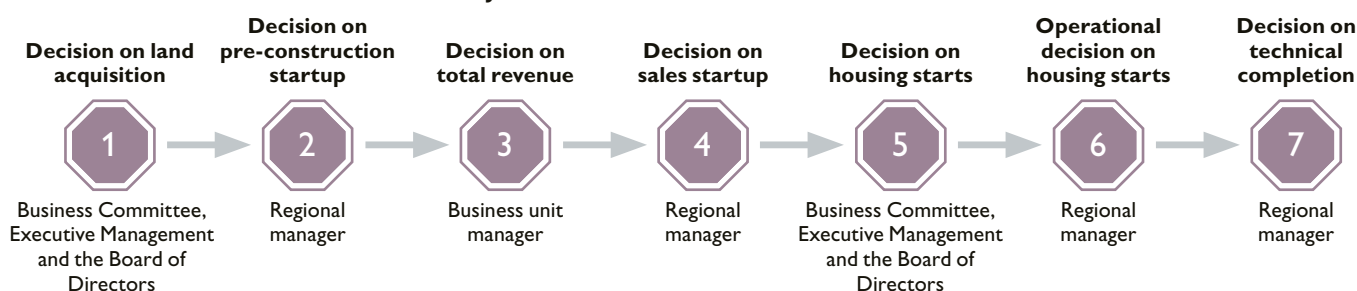
The subscribed convertible bonds may be converted to one ordinary share at a price of SEK 289. Conversion of convertible bonds may occur during the period from June 1, 2019 through May 18, 2020, with the exclusion of the period January 1 through the record date for dividends each year, or if the Annual 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 77,724 through the issue of a maximum of 77,724 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.

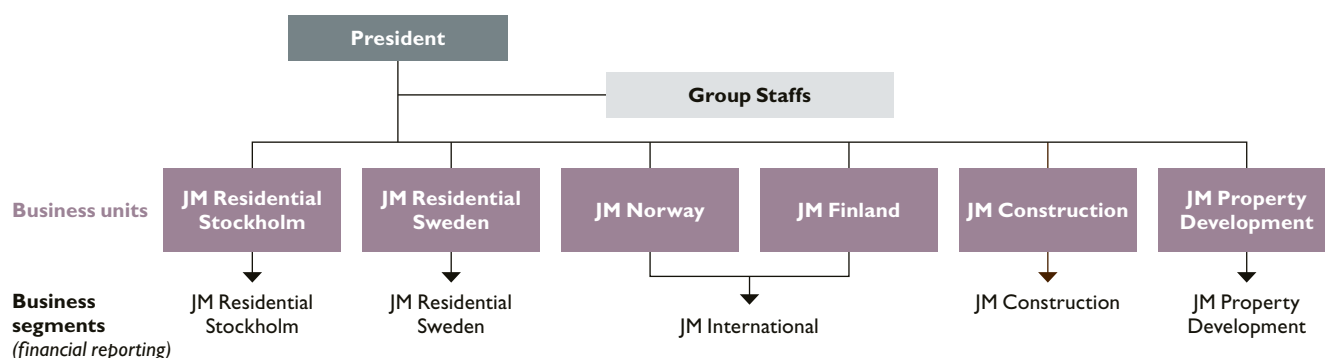
The convertible debenture loan falls due for payment on June 13, 2020, insofar as conversion has not already been undertaken.

The decision process can be seen below:

### DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT







## Management and corporate structure

### ORDER OF DELEGATION – PRESIDENT’S RIGHT OF DECISION

The Board has delegated to the President the right of decision for:

- purchases and sales of development and project properties up to SEK 100m
- investments in existing project property up to SEK 400m for implementation of housing projects, or SEK 200m for implementation of office projects
- 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 above diagram.

### 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 nine people, and meets at least once a month. Management responsibility includes always working to ensure compliance with guidelines issued by the Board and the President.

### GOVERNANCE AND REPORT STRUCTURE

At JM, a large number of projects are in production at any given time. It is not unusual for a project to involve more than 100 people and have 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 20, 2017

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.

The Board of Directors is responsible for the Corporate Governance Report for the year 2016 on pages 101–107 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report 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 Report 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 Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, February 20, 2017

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.

**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:** 37 years of experience in the building and civil engineering industry, including as Director of Investment, Swedish Transport Administration, President and CEO of Rejlers and President of SWECO Sverige.

**Other significant assignments:** Chairperson of Brandkonsulten AB. Member of the Board of Uponor OY, Troax Group AB, Ballingslöv International AB, Nye Veier AS and Nobelhuset AB.

**Independent:** The Board member is considered to be independent.

**Thomas Thuresson**

Board member and Chairperson of the Audit Committee. Elected to the Board in 2016

**Shares in JM:** 500

**Born:** 1957

**Education:** BSc. Econ., Lund University, IMD (BPSE).

**Work experience:** 28 years in various positions within the Alfa Laval Group.

**Other significant assignments:** CFO at the Alfa Laval Group.

**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 Teracom Boxer Group AB. Member of the Board of Kungsleden AB, Odd Molly AB, Bosjö Fastighets AB, Visual Art AB and Riksdalen AB.

**Independent:** The Board member is considered to be independent.

**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, Balco Group AB and Nordic Home Improvement AB.

**Independent:** The Board member is considered to be independent.

Johan Bergman resigned from JM's Board of Directors on June 9, 2016.

**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:** 2,698  
**Convertibles:** SEK 774,223

**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 2016.



**Johan Skoglund**  
President and CEO

**Year of employment:** 1986  
**Member of Executive Management:** 2000  
**Shares in JM:** 38,560 including 2,000 in endowment insurance  
**Convertibles:** SEK 7,428,375  
**Born:** 1962  
**Education:** MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1986; MSc. Program, Stockholm School of Economics, 1998.  
**Work experience:** 30 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 and Mentor Sverige.



**Martin Asp**  
Business unit manager  
JM Norway and JM Finland.  
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.



**Sören Bergström**  
Business unit manager  
JM Residential Sweden and  
Director of Purchasing

**Year of employment:** 1988  
**Member of Executive Management:** 2001  
**Shares in JM:** 4,000  
**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–.



**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.



**Per Lundquist**  
Director of Operations  
Development (Quality and  
Environment, Technology  
and IT)

**Year of employment:** 2016  
**Member of Executive Management:** 2016  
**Shares in JM:** 2,000  
**Convertibles:** SEK 0  
**Born:** 1967  
**Education:** MSc. Eng.  
**Work experience:** Senior Vice President Operations at Cramo AB. Toyota Material Handling Europe and Toyota Industries.



**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:** 820  
**Convertibles:** SEK 244,860  
**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:** 750  
**Convertibles:** SEK 0  
**Born:** 1974  
**Education:** MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1999. Executive Management Program Stockholm School of Economics, 2015  
**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

**Year of employment:** 1998  
**Member of Executive Management:** 1998  
**Shares in JM:** 22,887  
**Convertibles:** SEK 5,288,875  
**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.

## Other senior executives

Mikael Åslund, Stockholm City Region  
 Erik Ragnerstam, Stockholm South Region  
 Annika Berg, Stockholm North Region  
 Anne Schönberg, Sales Residential Stockholm  
 Lars-Olof Höglund, Acquisition Residential Stockholm  
 Anders Wimmerstedt, Production Residential Stockholm  
 Martin Svahn, West Region  
 Per Johansson, East Region  
 Susanne Persson, South Region  
 Simon Backe, JM Property Development  
 Birgitta Seeman, Seniorgården AB and AB Borätt  
 Per-Arne Jonsson, JM Rental Housing

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  
 Svein Sundby, South Region, JM Norge AS  
 Ole Kristian Ruud, Construction Region, JM Norge AS

Markus Heino, JM Suomi OY

# Large transfer to shareholders.

## Share capital

The JM share is listed on Nasdaq Stockholm, Large Cap segment. The share capital amounts to SEK 73.0m, represented by 73.0m 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 2016, the JM share price increased by 4 percent compared to an increase of 12 percent for SX8630. The general index on the Nasdaq Stockholm Stock Exchange, OMX Stockholm\_PI, increased 6 percent in 2016. The highest listed price for the JM share during the year was SEK 263.20 on December 30 and the lowest was SEK 179.40 on February 2. Dividend yield (proposed dividend in relation to the market price at the end of the year) was 3.6 percent (3.3). Total return in 2016 was 7 percent (5).

Total return %	2016	Average per year 2012–2016	Average per year 2007–2016
JM	7	23	10
Nasdaq Stockholm	10	16	7

Total return JM, 2007–2016	%	Index
2016	7	256
2015	5	240
2014	41	228
2013	62	162
2012	9	100
2011	-26	92
2010	30	124
2009	186	95
2008	-60	33
2007	-16	84
1/1/2007	-	100
Average, 5 years	23	
Average, 10 years	10	

## Trading and market capitalization

JM shares were traded for a value of SEK 31.6bn (22.2) in 2016. Average daily trading was about SEK 125m (88). The turnover rate (the liquidity of the share) was 165 percent (120). The Company's market capitalization amounted to SEK 18.8bn (18.6) at the end of the year.

## Ownership structure

The number of shareholders as of December 31, 2016, was 20,427 (18,112). The ten largest Swedish/Norwegian shareholders accounted for 40.7 percent (45.1) of capital and other foreign shareholders for 37.4 percent (32.0).

## 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 2016 amounts to SEK 9.50 (8.25) 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 decision 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 2018 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
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
2016	602	–	500	1,102
<b>Total</b>	<b>4,326</b>	<b>2,005</b>	<b>2,376</b>	<b>8,707</b>

Shareholders as per December 31, 2016	% of shares
Swedbank Robur fonder	9.3
SEB Investment Management	5.9
OBOS BBL	5.7
AMF Försäkring och Fonder	4.4
Handelsbanken Fonder	4.2
Länsförsäkringar fondförvaltning AB	3.8
JM AB	2.2
AFA Försäkringar	2.1
Nordea Investment Funds	1.8
Lannebo Fonder	1.3
Pensionskassan SHB Försäkringsförening	1.2
Fourth Swedish National Pension Fund	1.2
Försäkringsaktiebolaget Avanza Pension	1.1
Folksam	1.0
Foreign shareholders	37.4
Other shareholders	17.4
<b>Total</b>	<b>100.0</b>

Number of shareholders as of 12/31/2016: 20,427

Number of shares as of December 12/31/2016, amounts to 73,052,987



## SHARE DATA

SEK per share	2016	2015	2014	2013	2012
Share price as of Dec. 31	263.20	252.70	249	181.50	116
Highest/lowest price paid during the year	263.20/179.40	314.80/201.60	256/171	200.50/118.25	140.25/106.75
Dividend yield as of Dec. 31, %	3.6	3.3	3.2	4.0	5.8
Market capitalization as of Dec. 31, SEK m	18,805	18,597	18,792	14,075	9,337
Basic earnings per share	20.40	14.50	17.00	14.10	11.70
Development properties					
Market value	197	153	127	108	105
Carrying amount	100	96	90	77	72
Project properties					
Market value	12	7	4	4	12
Carrying amount	8	5	3	3	12
Shareholders' equity (reported)	69	61	61	57	55
Dividend	9.50 <sup>1)</sup>	8.25	8.00	7.25	6.75
Dividend in % of earnings per share	47	57	47	51	58
P/E ratio as of Dec. 31	13	17	15	13	10
Number of shares as of Dec. 31	71,448,330 <sup>2)</sup>	73,594,000 <sup>3)</sup>	75,471,471 <sup>4)</sup>	77,550,383 <sup>5)</sup>	80,494,186 <sup>6)</sup>
Average number of shares, basic	72,526,479	74,601,637	76,542,355	78,445,765	82,414,682
Average number of shares, diluted	72,725,820	74,846,482	76,888,597	78,983,735	83,298,832

<sup>1)</sup> Proposed by the Board<sup>2)</sup> 1,604,657 repurchased shares not included<sup>3)</sup> 1,579,524 repurchased shares not included<sup>4)</sup> 1,610,554 repurchased shares not included<sup>5)</sup> 2,263,299 repurchased shares not included<sup>6)</sup> 3,169,056 repurchased shares not included

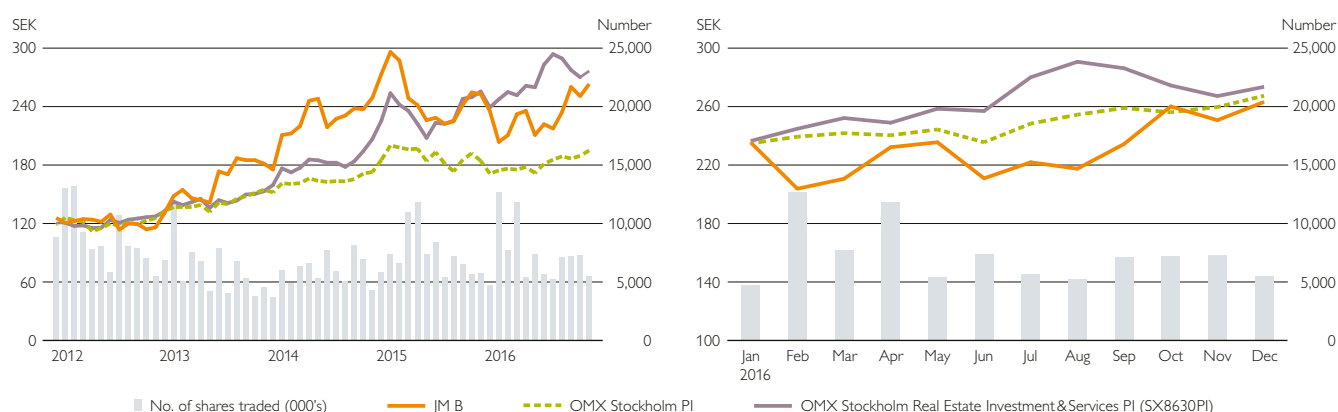
## OWNERSHIP STRUCTURE AS OF 12/31/2016

Size of holding	Number of shareholders	% of all shareholders	Total number of shares owned	% of share capital
1–500	16,063	78.6	2,348,914	3.2
501–1,000	2,070	10.1	1,706,260	2.3
1,001–5,000	1,687	8.3	3,702,282	5.1
5,001–20,000	344	1.7	3,526,037	4.8
20,001–100,000	141	0.7	6,725,746	9.2
100,001–	132	0.6	55,043,748	75.4
<b>Total</b>	<b>20,437</b>	<b>100.0</b>	<b>73,052,987</b>	<b>100.0</b>

## CHANGE IN SHARE CAPITAL 2012–2016

Year	Redemption repurchased shares, SEK m	Utilization convertible program, SEK m	Number of shares	Par value /share	Share capital, SEK m
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
2016	–2.2	0.0	73,052,987	SEK 1	73.0

## 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 27, 2017, 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 21, 2017, and must have informed the Company of their intention to participate by Friday, April 21, 2017, 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 21, 2017. Admission cards to the Annual General Meeting will be sent out.

### Dividend

The Board of Directors proposes that a dividend of SEK 9.50 per share be paid to shareholders. The proposed record date for the dividend is Tuesday, May 2, 2017. If the Annual General Meeting resolves to adopt the recommendation the dividend will be sent by Euroclear Sweden AB on May 5, 2017.

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### FINANCIAL CALENDAR

April 27, 2017	Interim report January–March 2017
	Annual General Meeting 2017
July 14	Interim report January–June 2017
October 26	Interim report January–September 2017
February 6, 2018	Year-end Report 2017

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

JM AB (publ), CIN 556045-2103, domiciled in Stockholm.

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## 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 on 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, environmental and social goals and indicators through a sustainability report that is part of the annual report. The Sustainability Report follows both GRI's guidelines (GRI G4 Core) and the new requirements on sustainability reports in the Annual Accounts Act (1995:1554) and presents 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 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 2016 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 116–119.

More detailed information regarding calculation models, standards, limitations and assumptions used in the report are available on [jm.se/sustainability](http://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	Manufacturers Suppliers JM Group Subcontractors	Ethical guidelines Code of Conduct Targets Financial governance Risk management (see Risks and risk management) Incident reporting Tax policy	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 Purchasing 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	Manufacturers 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	Manufacturers 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

		2016	2015	2014
<b>ETHICS AND VALUE CREATION, Group</b>				
Direct economic value generated, G4-EC1	Revenue, SEK m	15,291	13,939	14,216
Direct economic value distributed, G4-EC1	Production and operating costs etc., SEK m (note 2)	-11,408	-10,626	-10,644
	Wages, salaries, other remuneration and pension costs, SEK m (note 3)	-1,525	-1,432	-1,360
	Financial income, SEK m (note 7)	17	11	27
	Financial expenses, SEK m (note 7)	-77	-83	-102
	Expensed tax and social security expenses, SEK m (note 8)	-820	-724	-831
	Proposed dividend/dividend, SEK m	-679	-602	-600
Direct economic value retained, G4-EC1	SEK m	799	483	706
<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) 29 (subcontractors)	40 (JM) 26 (subcontractors)	29 (JM) 34 (subcontractors)
Injury frequency, G4-LA6	Frequency of work-related injuries relative to the total work hours for all employees	40 of totally 405,105 days (JM)	40 of totally 385,625 days (JM)	29 of totally 364,625 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	602 of totally 405,105 days (JM)	917 of totally 385,625 days (JM)	580 of totally 364,625 days (JM)
Absenteeism, G4-LA6	Total number of days of absence relative to the total number of work days for all employees	Women 2,113 (2.4%) Men 15,893 (3.9%) Total 18,006 (3.7%)	Women 1,802 (2.3%) Men 14,273 (3.7%) Total 16,075 (3.4%)	Women 1,407 (1.9%) Men 15,250 (4.1%) Total 16,657 (3.7%)
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	1,762	1,179	732
<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	5 199 204	6 182 188	2 165 167
	age 26–35	3 225 228	1 226 227	1 190 191
	age 36–45	3 213 216	– 216 216	– 215 215
	age 46–55	– 228 228	– 221 221	– 219 219
	≥ age 56	– 146 146	– 157 157	– 149 149
	Total	11 1,011 1,022	7 1,002 1,009	3 938 941
	<i>Salaried employees</i>			
	≤ age 25	15 31 46	13 38 51	9 32 41
	age 26–35	131 244 375	117 223 340	106 210 316
	age 36–45	108 213 321	103 207 310	103 203 306
	age 46–55	90 178 268	86 167 253	77 170 247
	≥ age 56	40 131 171	35 120 155	33 115 148
	Total	384 797 1,181	354 755 1,109	328 730 1,058
	<i>Managers</i>			
	≤ age 25	– – –	– – –	– – –
	age 26–35	4 10 14	3 7 10	3 9 12
	age 36–45	24 44 68	22 38 60	21 30 51
	age 46–55	23 43 66	19 39 58	15 49 64
	≥ age 56	2 20 22	2 23 25	1 21 22
	Total	53 117 170	46 107 153	40 109 149
	<i>Executive Management</i>			
	≤ age 25	– – –	– – –	– – –
	age 26–35	– – –	– – –	– – –
	age 36–45	1 2 3	1 3 4	1 2 3
	age 46–55	1 3 4	1 1 2	1 3 4
	≥ age 56	– 2 2	– 2 2	– 2 2
	Total	2 7 9	2 6 8	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
	≥ age 56	3 3 6	3 3 6	2 3 5
	Total	3 3 6	3 4 7	3 4 7

<sup>1)</sup> The most common causes/risks of injury in 2016 were contact with sharp objects, same-level falls (tripping, slipping) and impacts from falling/flying objects.

<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.		2016		2015		2014	
RESOURCE EFFICIENCY, Sweden							
Construction waste to recycling, G4-EN23	Tons	4,980	(50%)	5,301	(51%)	4,139	(50%)
Construction waste to incineration, G4-EN23	Tons	3,539	(36%)	3,478	(34%)	2,638	(32%)
Construction waste to landfills, G4-EN23	Tons	529	(5%)	545	(5%)	589	(7%)
Unsorted waste, G4-EN23	Tons	898	(9%)	982	(10%)	899	(11%)
Hazardous waste, G4-EN23	Tons	17	(0.2%)	10	(0.1%)	11	(0.1%)
Total amount of construction waste, G4-EN23	Tons	9,962		10,317		8,275	
MINIMAL IMPACT ON THE CLIMATE, Sweden							
Carbon dioxide emissions JM, G4-EN15, G4-EN16, G4-EN17	Tons CO <sub>2</sub> e	Scope 1	4,207	Scope 1	5,043	Scope 1	4,394
		Scope 2	1,754	Scope 2	2,254	Scope 2	1,991
		Scope 3 <sup>1)</sup>	16,354	Scope 3 <sup>1)</sup>	15,690	Scope 3 <sup>1)</sup>	15,323
		Total	22,315	Total	22,987	Total	21,707
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)	1.7		1.9		1.9	
Carbon dioxide intensity from new production, CRE4	Tons CO <sub>2</sub> e/produced residential unit	6.19		6.58		6.88	
Newly produced homes' estimated energy consumption, CRE1	kWh/m <sup>2</sup> A-temp	66		67		65	

<sup>1)</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 [jm.se](http://jm.se).

## 2016 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 2016 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	120	
G4-6	Countries where the organization operates	7–9	
G4-7	Nature of ownership and legal form	110–111	Yes
G4-8	Markets served	52–56	
G4-9	Scale of the reporting organization	57–63	Yes
G4-10	Total workforce by employment type, employment contract and gender	45, 74, 115	

GRI code	Description/indicator	Reference (page number in the 2016 Annual Report)	External assurance
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	103	Yes
G4-14	Description of how the company addresses the precautionary principle	34, 40–41	
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, 107	Yes
G4-18	Definition of report content and relevant sustainability aspects	34, 113	
G4-19	Material aspects identified in the process for defining report content	35	
G4-20	Aspect boundaries within the organization	113	
G4-21	Aspect boundaries outside the organization	113	
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	114–116	
<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	2015 Annual Report, published in 2016	
G4-30	Reporting cycle	113	
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	116–118	
G4-33	Policy and current practice for external assurance	116–118	
<b>GOVERNANCE</b>			
G4-34	Governance structure	101–107	Yes
<b>ETHICS AND INTEGRITY</b>			
G4-56	Values, principles, standards and norms of behavior	37, 48–50	

## 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	114	
EN	<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>		
	<b>Energy</b>		
CRE1	Building energy intensity	39–40, 116	
G4-DMA	Disclosure on management approach	114	
	<b>Emissions and waste</b>		
CRE3	Greenhouse gas emission intensity from buildings	116	Yes
CRE4	Greenhouse gas emission intensity from new construction and redevelopment activity	116	Yes
G4-EN15	Direct greenhouse gas emissions (Scope 1)	116	Yes
G4-EN16	Direct greenhouse gas emissions (Scope 2)	116	Yes
G4-EN23	Total weight of waste by type and disposal method	116	
G4-DMA	Disclosure on management approach	114	
	<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	115	
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	114	
	<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	45, 108–109, 115	
G4-DMA	Disclosure on management approach	114	
HR	<b>HUMAN RIGHTS</b>		
	<b>Supplier human rights assessment</b>		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	49	
G4-DMA	Disclosure on management approach	114	
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	114	



## 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 47–50
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.

