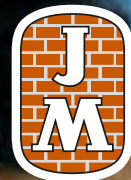


# 17

**ANNUAL**  
REPORT 2017



# 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 17 billion, and the company has around 2,500 employees. JM AB is a public limited company listed on NASDAQ Stockholm, Large Cap segment.



**JM's Brohuset apartment building at Liljeholmskajen in Stockholm. The building has sixteen floors facing Årstaviken and seven floors facing Årstaberget. Architect: Gert Wingårdh**  
Cover photo: Life at home, where our history is written.

# Solid financial position means position of strength

- **Revenue** increased to SEK 17,008m (15,752) and the operating profit increased to SEK 2,369m (2,011). The operating margin increased to 13.9 percent (12.8)
- **Profit before tax** increased to SEK 2,579m (1,951). Profit after tax increased to SEK 2,194m (1,540)
- **Return on equity** for the past twelve months increased to 38.7 percent (31.4). Earnings per share during the year increased to SEK 31.00 (21.20)
- **Consolidated cash flow** including net investment in properties was SEK 2,013m (1,957)
- **The number of residential units sold** decreased to 3,100 (3,843) and housing starts amounted to 3,873 (4,187)
- **Surplus value of development properties** was SEK 7.2bn (7.0)
- **Dividend for 2017.** The Board of Directors proposes a dividend of SEK 11.00 (9.50).

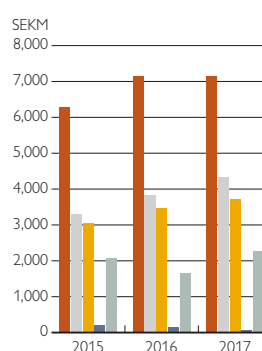
Unless otherwise specified, the analysis and comments on pages 21, 53–70 are based on JM's segment reporting.

SEK m	2017	2016	2015
Revenue	17,008	15,752	14,447
Operating profit	2,369	2,011	1,590
Operating margin, %	13.9	12.8	11.0
Profit before tax	2,579	1,951	1,518
Cash flow from operating activities	2,013	1,957	–230
Return on equity, %	38.7	31.4	24.8
Equity/assets ratio, %	40	40	38
Earnings per share, SEK	31.00	21.20	15.50
Number of residential units sold	3,100	3,843	3,770
Number of housing starts	3,873	4,187	3,731
Number of residential units in current production	8,200	7,984	7,212
Revenue according to IFRS	17,275	15,291	13,939
Operating profit according to IFRS	2,456	1,931	1,499
Earnings per share according to IFRS, SEK	31.90	20.30	14.50

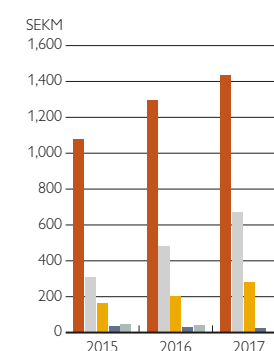
For an overview of the difference between segment reporting and IFRS, see 'Segment reporting' on page 83.

For definitions, see pages 68–71.

REVENUE BY BUSINESS SEGMENT



OPERATING PROFIT BY BUSINESS SEGMENT



JM Residential Stockholm JM International JM Construction  
JM Residential Sweden JM Property Development

# Acquisition capacity and the opportunity to strengthen our market position

JM's housing operations have shown stable growth in earnings in 2017. In Sweden, however, we have gone from a very strong market to one that is more cautious. As the number of companies increases, so has the supply of residential units, particularly within new production.

Demand was stable in all markets up to the end of the summer vacation period. In the second half of the year, there was a clear increase in the supply of residential units, primarily in the Stockholm area and Uppsala. On the existing home market, average prices fell at the end of the year in Sweden and Norway to varying extents depending on the market.

For customers who were just about to invest in a new home, the uncertainty surrounding prices and political decision became tangible. Customers took a more cautious approach to signing contracts early in the process. Despite the cautious market at the end of the year, we sold 3,100 residential units. I am very satisfied about this number. It can be compared to 3,843 residential units the previous year.

It should be noted that the housing market in the Helsinki region progressed during the year with rising prices.

The urbanization trend and population development continue to be strong on our markets, which offers stable underlying demand for residential units. We started production on around 3,800 residential units, of which more than 1,400 are in Stockholm where the production volume has shown good development during the year with good profitability. At the end of the year, we had just over 8,000 residential units in current production.

## Strong financial position

Good profitability helped us reach our financial targets; the operating margin was 13.9 percent (target 10 percent) and the equity/assets ratio was 40 percent (target 35 percent over a business cycle).

JM continues to have a strong balance sheet, and during the year we distributed SEK 675m to shareholders as the regular dividend for 2016. In 2017, own shares were also repurchased for SEK 500m.

## Expanded product offering

Given today's competition levels, we must be very good at meeting demand and offering products for the customers of both today and tomorrow. We have developed an expanded product offering, and in 2017 we introduced the Smarta Kvadrat, Original and Premium concepts. The concepts differ primarily in size, lay-out, interior choices and degree of service, and they are continuously developing and will be available on all our markets. JM's rental unit production is normally limited,

and there are currently four projects in production in the Stockholm region totaling around 500 units, of which one project is student housing. We also have limited production of residential care units.

## Housing-related services in JM@home

JM is now expanding its offer of housing-related services in a new subsidiary, JM@home. Customers are seeking our competence and support for both the economic and technical management of the property itself as well as within housing services for the home. JM's administration services are gathered under JM@home, where we bring together our extensive expertise and knowledge about everything from technical installations to built-in materials that must be managed for the tenant-owners association.

We would also like to offer customers a simpler everyday life and more worry-free accommodation after occupancy by offering time-saving housing services, such as regular cleaning services and simpler handyman services.

JM views this as an opportunity to extend the relationship with the customer and thus gain more feedback for our core business of building homes. JM@home will also be leading the way in terms of digital solutions for both the property and its residents.

## Building efficiency and production logistics

During the year we continued to take steps to make our internal processes, production and the skills development of our employees more efficient. The combination of digitalization and a stronger environmental and sustainability focus is both a challenge and an opportunity for JM. At the beginning of 2017, we made major investments in digital support for customer meetings and the building process with the goal of increasing the customer value and achieving greater efficiency.

Structured Project Development is JM's approach to industrializing and thus streamlining the project development of residential units. We are continuing to work with uniform processes and components, which has generated good results for many years and is the basis on which we are able to offer attractive residential units at a low total cost.

We are now increasing our focus on logistics with JM Supply, which develops material handling at JM's construc-

tion sites. This increased focus is a step in the development of production logistics to increase productivity at the worksites. The goal is for JM's worksites to have both fewer and smaller disruptions caused by the material supply chain.

### **Sustainability work that benefits the business**

JM supports the UN's Agenda 2030 and its 17 Sustainable Development Goals. Our own sustainability targets for 2030 are in line with the UN's sustainability targets and will ensure our long-term focus in this area. JM also supports the UN's Global Compact initiative and its principles regarding human rights, labor law, the environment and anti-corruption. Our operational targets and actual outcomes over the past three years are presented on page 37.

In practice, our sustainability work uses these long-term targets as a guide and consists of a broad palette of priority areas – all of which are very valuable for both JM and society in general. Customers benefit from better homes, residents benefit from better neighborhoods, suppliers can work more efficiently and employees benefit from a more pleasant work environment.

- All JM residential units that will be started as from 2018 will be certified in accordance with the Nordic Swan Ecolabel. The idea is that the efforts we have made over a period of years to create a healthy environment and sustainable development should be more visible for housing customers. We are thus the first Nordic construction company to certify the entire Group's production of its own residential units in accordance with the Nordic Swan Ecolabel. This is a natural step in our efforts to be a market leader in sustainable housing
- To reduce our footprint, we have begun to generate our own renewable energy by installing solar panels on the roofs of our housing projects
- We have started a cooperation with several companies to reduce the amount of excess construction material and increase the reuse of the construction material that is left over. We have also researched the possibilities of increasing the use of return packaging for purchased products and materials
- Efforts to increase the number of skilled female workers are being made on a broad front at JM through, for example, several internal women's mentorship programs and networks, a newly started women's apprenticeship program and a tour with inspirational lectures at the technical programs of universities in Sweden and Norway.

### **Land for future production that can be developed**

We acquire land at the same pace that we put land into production. The supply of properties for developing residential units in Stockholm increased during the year, and we should be able to make interesting acquisitions of development properties. We have started projects in recent years that are a bit outside of the city, but close to public transportation. One example is Älvsjöstaden in southern Stockholm, a nice project where we have started more than half of the 800 residential units in total. In the area, JM is building tenant-owned apartments and Familjebostäder is building rental apartments.



### **JM as an employer**

Our success rests on knowledgeable and committed employees who together develop JM so it is always improving. To make this happen, we work actively with our values and culture. Our success is due to a balance between team spirit, performance, enjoyment and personal development. With a focus on a good work environment, plenty of opportunity for development and JM's framework for leadership, we will continue to be an attractive employer. I also see that many people are very committed and want to work at a company that is helping to build our neighborhoods.

### **Good conditions moving forward**

We are continuing to see a positive development in terms of population increases and employment levels on our markets. There are also good underlying conditions for strong demand for residential units, which we are ready to take advantage of. JM offers a "new construction advantage", with good residential units that facilitate a sustainable accommodation for our customers, and we have a very good project portfolio for tomorrow's housing.

Stockholm, February 2018

Johan Skoglund

# Cus- tomer 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 should 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 digitalization, 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
- Life phase changes, where traditional major life events occur increasingly later in life, e.g. marriage, children, purchase of the first home
- 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 residential areas 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 its ongoing development work that covers the entire year. The model includes business intelligence, a dialogue with employees and strategic suppliers, as well as customer and market surveys.

## Trends

There is a clear need for simplicity in homes, and JM therefore spends considerable effort producing housing that uses space efficiently and is flexible. 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 insight

Experience shows that a person's life situation is the primary factor governing the choice and design of his or her home. As a means of ascertaining housing needs, we continuously conduct various customer surveys using focus groups, at-home interviews and web panels, for example.

JM also aims to be more open and sensitive to the needs of customers when they purchase their home. Customers are given the opportunity to take part in the project at the earliest stage possible. There are several areas in which they can participate and exert influence, such as suggestions for the design, services they would like to see in the area or alternative ways to use common areas.



### Development areas

Trends and the knowledge shared by suppliers, employees and customers are processed and summarized into different proposals for prioritized development areas. A decision is then made regarding which development proposals to implement.

A development area might be a product improvement project or a sales theme for market communication.

*Some of the development projects 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. In order to meet the need, we have started to develop these types of services in JM@home.

**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.



Kista Torn, Stockholm

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

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

In all, JM started construction on 3,873 residential units in 2017, compared with 4,187 residential units the previous year.

Sweden had 2,991 housing starts; 98 percent were units in apartment blocks (2,783 tenant-owned apartments and 137 rental units) and 2 percent were single-family homes. Norway had a total of 621 housing starts; 79 percent were apartments and 21 percent were single-family homes. Finland had a total of 261 housing starts; 93 percent were apartments and 7 percent were single-family homes.

## Sweden

Sweden continues to experience strong economic growth with GDB of 2.4 percent, but there are clear signs that housing prices are leveling off. During the spring and summer, house prices stood still in several markets, and then fell during the fall, mainly in the Stockholm region. The downturn in prices was in part driven by stricter lending terms.

Employment growth was strong in 2017 and increased by almost 3 percent during the third quarter. Export and industrial investments showed stronger growth, while the slow-down in residential construction become more evident. Uncertainty on the housing market has increased,

but demand is still judged to be strong, and housing construction is thus expected to continue to be high. The Riksbank is signaling a gradual increase in the interest rate. 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.

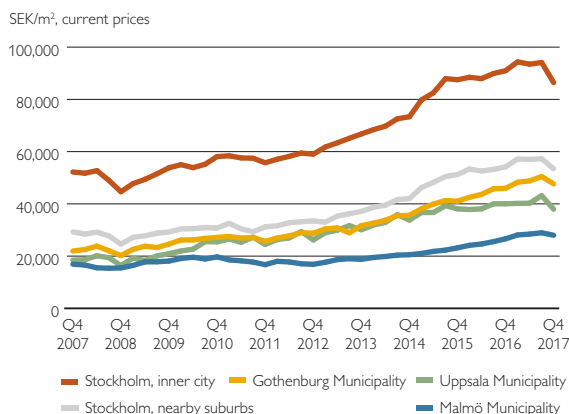
## Stockholm

The business cycle in the Stockholm region continued to be strong, and most indicators are pointing in the proper direction. Employment growth was high and stable in 2017, and population growth was slightly higher than the average for 2016.

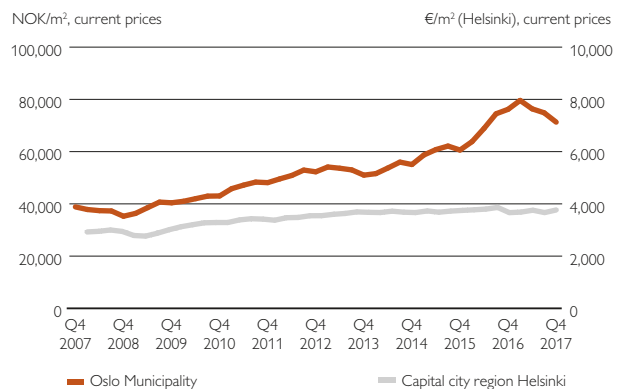
In central Stockholm, prices decreased by 11 percent and in Greater Stockholm by 13 percent.

JM leads the market in new production of tenant-owned apartments in Greater Stockholm. Some of JM's larger projects include Liljeholmskajen and Älvsjöstad in Stockholm, Kvarnholmen in Nacka, Söderdalen in Järfälla and Dalén on Lidingö.

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



APARTMENT PRICES IN OSLO AND HELSINKI OVER THE PAST 10 YEARS



### Gothenburg

The Gothenburg region continued to experience strong growth in 2017. Employment growth in the region as a whole has been positive for almost eight years, and population growth continued to be strong.

Tenant-owned apartment prices in Gothenburg decreased with 2 percent in central Gothenburg and 10 percent in Gothenburg's suburbs.

### Malmö/Lund

Employment was surprisingly positive in the Malmö region in 2017. Population growth continued to be strong, and data is indicating that the population growth is at historically high levels. In Malmö Municipality, tenant-owned apartment prices increased by around 2 percent and in Lund by just under 10 percent.

### Uppsala, Linköping, Västerås and Örebro

Economic growth in the Uppsala region stalled in 2017, but population growth was approximately 2 percent and Uppsala is Sweden's fourth largest municipality in terms of population. The population increased in Örebro as well.

Housing construction increased and the number of residential units that were completed was significantly higher in 2017 than the historic trend.

Tenant-owned apartment prices in Uppsala decreased by 7 percent. Prices in Örebro decreased in line with Uppsala, and Västerås showed a marginal decrease. In Linköping, prices increased by approx. 8 percent.

### Norway

GDP growth amounted to 1.8 percent during the year. Some of the drivers behind this growth include primarily expansive financial and monetary policy and rapidly increasing housing construction. The labor market was strengthened

by lower unemployment, and population growth was 0.7 percent. The price of oil rose sharply during the fall of 2017. The housing market cooled during the year, and prices decreased slightly due to stricter lending terms. There was a large supply of housing, just like in Sweden. However, demand is still judged to be strong.

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

### Finland

Growth during the first six months of 2017 was the highest in Finland in more than five years. GDP increased by 3.0 percent compared to the previous year. The primary drivers behind growth during the year were investments and exports.

Employment increased slightly during the first six months by approximately 1 percent.

The number of building permits for housing construction increased during the year. In the Capital region, house prices increased by approx. 2 percent while prices in the rest of Finland decreased marginally.

JM's operations are located in the Capital region.

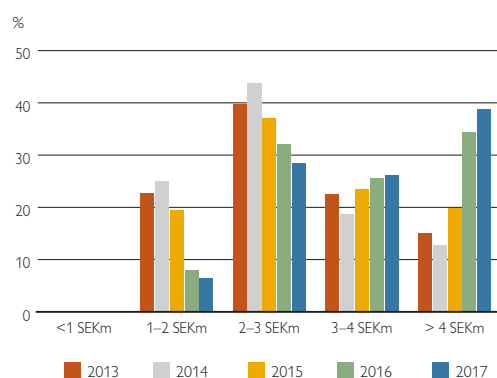
### Belgium

JM closed its operations in Belgium in the first quarter of 2017.

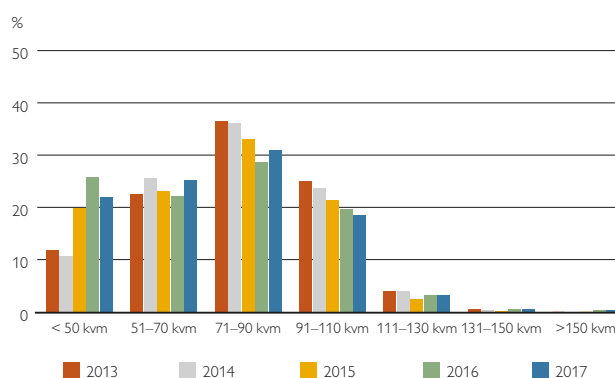
#### MAJOR COMPETITORS, PRIVATE HOUSING MARKET

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

PERCENTAGE OF JM'S TENANT-OWNED APARTMENTS AVAILABLE FOR SALE IN DIFFERENT PRICE INTERVALS 2013–2017, SWEDEN



PERCENTAGE OF JM'S TENANT-OWNED APARTMENTS AVAILABLE FOR SALE IN DIFFERENT SIZE INTERVALS 2013–2017, SWEDEN



RESIDENTIAL CONSTRUCTION – NUMBER OF HOUSING STARTS			
Country	2017	2016	2015
Sweden	61,200	60,800	45,250
Norway	35,500	36,530	30,800
Finland	45,000	36,662	32,400

Source: The statistics agency in each country, compiled by WSP Analys & Strategi. Figures for 2017 are preliminary and will be finalized during spring of 2018.

JM'S SOLD RESIDENTIAL UNITS			
Country	2017	2016	2015
Sweden	2,454	2,870	2,927
Norway	472	705	696
Finland	172	254	106
Denmark	–	–	23
Belgium	2	14	18
<b>Total</b>	<b>3,100</b>	<b>3,843</b>	<b>3,770</b>

JM'S HOUSING STARTS			
Country	2017	2016	2015
Sweden	2,991	3,310	2,949
Norway	621	643	635
Finland	261	234	147
Denmark	–	–	–
Belgium	–	–	–
<b>Total</b>	<b>3,873</b>	<b>4,187</b>	<b>3,731</b>

JM'S RESIDENTIAL UNITS IN CURRENT PRODUCTION		
	12/31/2017	12/31/2016

Number of residential units in current production <sup>1) 2)</sup>	8,200	7,984
Percentage of sold residential units in current production, % <sup>3)</sup>	58	65
Percentage reserved residential units in current production, %	7	12
Percentage sold and reserved residential units in current production, %	65	77
<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	553	416
Includes residential units in projects where costs incurred are only reported as project properties under construction	553	416

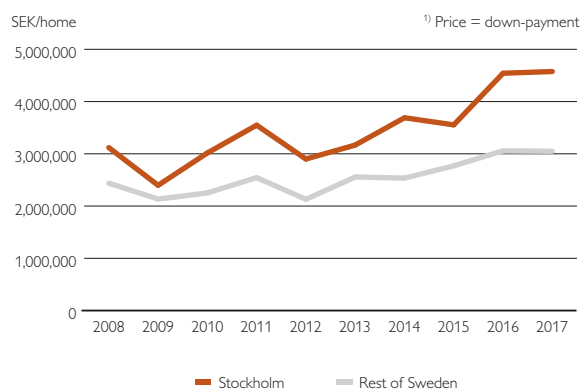
<sup>2)</sup> Beginning with production start-up through final occupancy according to plan.

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



Liljeholmskajen, Stockholm

AVERAGE PRICE <sup>1)</sup> ON JM'S RESIDENTIAL UNITS AVAILABLE FOR SALE, SWEDEN



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



# Our offer

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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

A high degree of customer satisfaction is a sign that JM has a 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.

## Where Norway's most satisfied customers live

JM Norway took home first prize in the industry competition for the best housing project in 2017. The project, which is called Semshagen and is located in Semsbyen outside of Tønsberg, earned a Customer Satisfaction Index (CSI) score of 94 out of a possible score of 100.

Overall, JM is one of the housing development companies with the industry's most satisfied customers. Over the past four years, we have rated high on the list of Prognoscentret's Norwegian industry measurements <sup>1)</sup>.

## Very high customer satisfaction for many years

Overall, JM is one of the housing development companies in Sweden with the industry's most satisfied customers. Since Prognoscentret's industry measurements <sup>1)</sup> were introduced in 2009, we have placed in the top three every year.

The high ratings we receive from our customers year after year are proof that our long-term work with process-oriented project development is working, and openness, commitment and quality awareness permeate our entire operations.

In 2017, we had three projects in the list of the top ten housing projects in Sweden: Bellevueplan in Gothenburg, CSI of 86/100; Skeppsklockan in Malmö, CSI of 85/100; and Greven in Örebro, CSI of 85/100.

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



Semshagen project outside Tønsberg, Norway.





### VIP customers have priority

JM's VIP customers receive advance information about future housing projects and can choose a home 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.

### 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 it contains elements requested by our customers and reflects 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

The website is the hub of our communication in close co-operation with social media and other digital and traditional media, and it is our most important sales channel.

We constantly develop our websites to improve and simplify the experience for our customers. In 2017, “Mina sidor” (My Pages) was developed for both potential buyers and buyers, VIP customers can now pay their annual fee by card or Swish, potential buyers can compare residential units side-by-side and parts of the web page have been given a new, more modern design. We are also using surveys and follow-up to ensure that we are headed down the right path, and we are continuing to work with #Hittahem, a department at jm.se that offers loads of inspiration and knowledge about homes.

### 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.

There is considerable interest in the Open House Days. They 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 choose 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.

## We are building 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, close to good public transit and good infrastructure. It is also important to us that immediate surroundings such as streets, lawns and playgrounds are completed 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 through-out 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 wall-papering 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 cities of the future – with people in focus – and thus takes environmental, economic and social aspects of sustainability into account. We want to create inspiration and conditions for green and sustainable lifestyles. Anyone purchasing an apartment or house from JM gains in return an attractive, well-thought-out, responsibly designed and healthy living environment.

## Attractive city

JM is creating conditions for people to live in modern homes with a small footprint, proximity to recreational and green areas and good public transportation links to work and services.

## Social cohesion

Our housing areas are planned by how people choose to move and how meeting places are created or strengthened. It creates security and promotes meetings and social cohesion.

## Satisfaction and well-being

The internal environments in our residential units are quieter than what Swedish building regulations require. Buildings, courtyards and entrances are also designed to benefit social interaction in the properties.

## 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 competence of our employees creates JM's success. Diversity and equality are important parts of our recruiting strategy.

## Healthy environment

JM checks that the land we build on cannot harm a person's health or the environment. Our building materials also do not pose environmental or health hazards to our customers, employees or subcontractors. The buildings' low energy consumption reduces their impact on the climate.

## Robust eco-systems

JM is working actively with eco-system services, such as pollination. Our green courtyards and local environments contribute to a good urban and residential environment.

## Resource-efficient construction

JM works on an ongoing basis to reduce its construction waste. The constructions, construction methods and materials are chosen to enable recycling and re-use when the buildings are torn or taken down in the future.

# Focus on new 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:* 2001–2024  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 4,200, started 3,286  
 – Housing starts in 2017: 199  
*Remaining number of building rights:* Approx. 900  
*Location:* Central, 5 km from downtown Stockholm

## 2. Norra Älvstranden, Gothenburg

*Development period:* 1998–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 2,050, started 1,704  
 – Housing starts in 2017: 0  
*Remaining number of building rights:* Approx. 400  
*Location:* Close to water, 5 km to downtown Gothenburg



## 3. Kvarnholmen, Nacka

*Development period:* 2010–2030  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,400, started 611  
 – Housing starts in 2017: 223  
*Remaining number of building rights:* Approx. 800  
*Location:* Central, 6 km from downtown Stockholm

## 4. Söderdalen, Järfälla

*Development period:* 2013–2029  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,600, started 493  
 – Housing starts in 2017: 123  
*Remaining number of building rights:* Approx. 1,100  
*Location:* Approx. 20 km from downtown Stockholm

## 5. Kungsängen, Uppsala

*Development period:* 2003–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,400, started 1,048  
 – Housing starts in 2017: 187  
*Remaining number of building rights:* Approx. 350  
*Location:* Close to the city center

## 6. Dockan area, Malmö

*Development period:* 2003–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 1,250, started 1,074  
 – Housing starts in 2017: 220  
*Remaining number of building rights:* Approx. 170  
*Location:* Close to the city center, by the sea

## 7. Lomma Strandstad, Lomma

*Development period:* 2003–2023  
*Housing type:* Apartment blocks/ Single-family homes  
*Number of residential units:*  
 – Total approx. 1,150, started 787 of which 85 single-family homes  
 – Housing starts in 2017: 56  
*Remaining number of building rights:* Approx. 350  
*Location:* Close to the sea, 8/10 km to Lund and downtown Malmö

## 8. Dalén, Lidingö

*Development period:* 2010–2022  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 800 <sup>1)</sup>, started 541 <sup>1)</sup>  
 – Housing starts in 2017: 0  
*Remaining number of building rights:* Approx. 300  
*Location:* Central, 9 km from downtown Stockholm

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

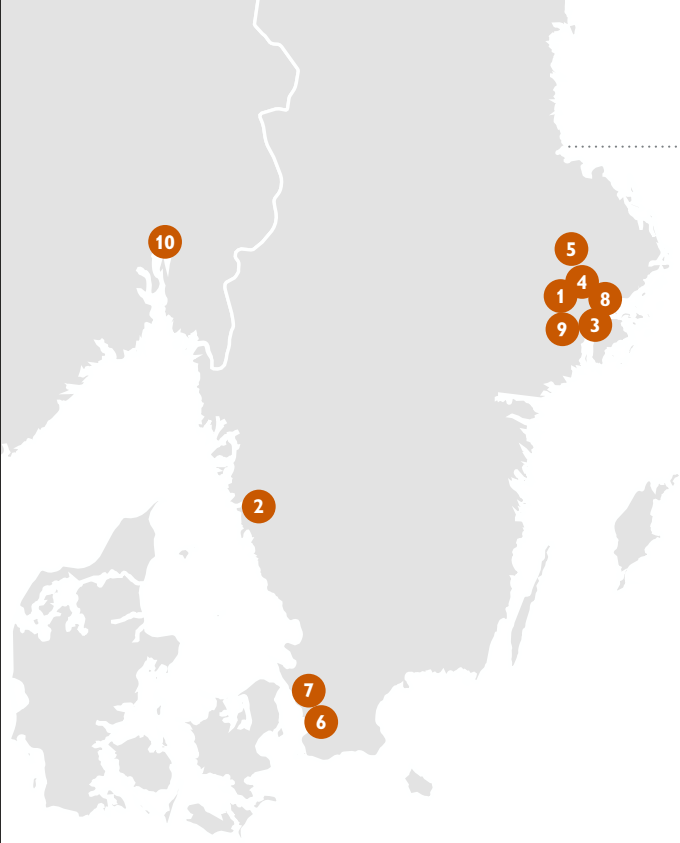
## 9. Älvsjöstaden, Stockholm

*Development period:* 2016–2023  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 800, started 444  
 – Housing starts in 2017: 138  
*Remaining number of building rights:* Approx. 350  
*Location:* Approx. 10 km from downtown Stockholm

## 10. Grefsen Stasjon, Oslo

*Development period:* 2010–2021  
*Housing type:* Apartment blocks  
*Number of residential units:*  
 – Total approx. 550 <sup>1)</sup>, started 414  
 – Housing starts in 2017: 86  
*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> Number on the balance sheet. In addition, there are approximately 90 building rights under agreement.



# THE MATERIAL

## IS TRANSPORTED IN WHEN THE CRAFTSMEN HAVE GONE HOME

JM is increasing its focus on logistics with JM Supply, which develops material handling at JM's construction sites.

"Our assignment is to take a comprehensive approach to handling interiors material from the truck to the site of installation," says David Nordgren, President of JM Supply. Deliveries of material are received by our logistics employees in the afternoons, and we then work to transport the interiors material to each apartment. We thus help prepare for the installation and create good conditions for JM's craftsmen.

The method is part of JM's strategic efforts to industrialize production at the construction sites.

It is a step in JM's development of production logistics to increase productivity at the work sites. The objective is for JM's work sites to have both fewer and smaller disruptions caused by the materials supply chain.

By adopting this method, JM would like to also become specialists in production logistics, develop new and better ergonomic aids and create the right conditions for the production department. Brohuset at Liljeholmskajen has been a pilot project, and the method is now being introduced in more projects.

The difference for the craftsmen is that the responsibility of following the Logistics Instructions (which describe how we handle material from gate to site of installation) is transferred to JM's logistics employees.



*"This presents JM with the possibility of becoming a specialist in production logistics, and our production employees can spend more time creating value for our customers."*

"We reach a large target group when we recruit for the position, logistics employee, which is a big advantage." In February, JM Supply started its next assignment at the Söderterrassen project in Stockholm.



# Prof- itabil- ity

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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, vision and strategy

## BUSINESS CONCEPT:

With people in focus and through constant development, we create homes and sustainable living environments.

## VISION:

We are laying the foundations for a better life.

## OVERALL OBJECTIVE FOR SHAREHOLDER VALUE:

To give shareholders a higher total return than other companies with a similar risk profile and business activities.

Total return refers to the sum of dividends and increased value.

## STRATEGY:

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

- 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 work-places, 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 units 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 housing starts, 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.

## 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 2008–2017 was an average of 24.2 percent, and an average of 29.3 percent for the 5-year period of 2013–2017.

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

## 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.

# Targets and outcome

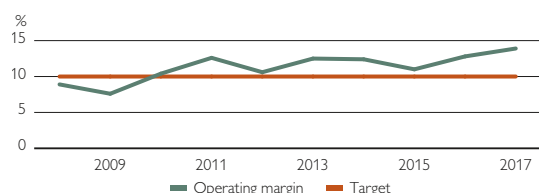
As a means of ensuring long-term value generation, JM has formulated general targets. JM's financial targets are defined based on segment reporting.

## FINANCIAL TARGETS

### Operating margin

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

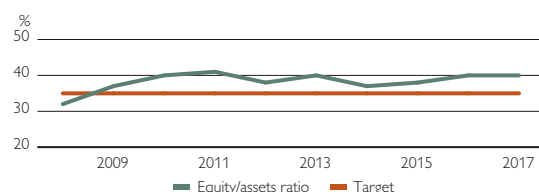
**Outcome:** In 2017, the operating margin increased to 13.9 percent. During the 5-year period of 2013–2017, the operating margin was an average of 12.5 percent.



### Equity/assets ratio

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

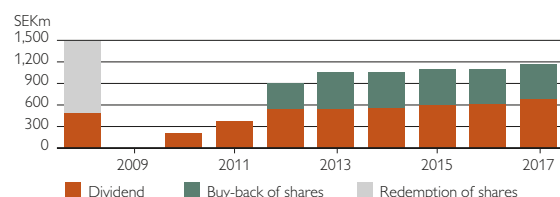
**Outcome:** The equity/assets ratio was 40 percent on December 31, 2017. During the five-year period of 2013–2017, the equity/assets ratio on average was 39 percent.



### Dividend

**Target:** The average dividend over a business cycle should correspond to 50 percent of consolidated profit after tax.

**Outcome:** The Board of Directors is proposing an ordinary dividend of SEK 11.00 per share. During the five-year period of 2013–2017, the average dividend pay-out ratio was 40 percent.



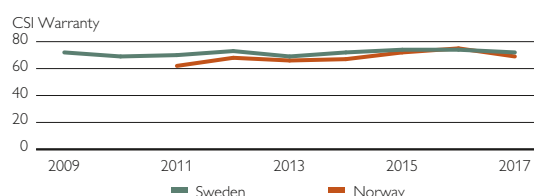
## NON-FINANCIAL TARGETS

### Customers

The objective is to have the industry's most satisfied customers.

**Target:** The target is to have a rating by 2021 in the Customer Satisfaction Index survey two years after occupancy (CSI Warranty) that is five units above the industry average.

**JM/Industry average 2017:** Sweden 72/69, Norway 70/67

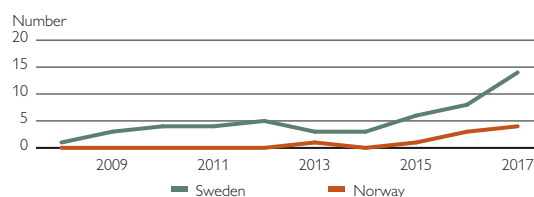


### Employees

Gender equality in the operations is a long-term factor of success for JM.

**Target:** The target is to achieve a 10x increase in JM's number of skilled female workers between 2015 and 2021.

**2017:** Sweden 2.3, Norway 4.0 times.

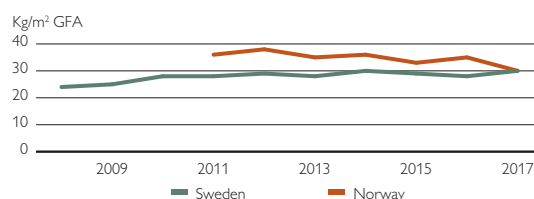


### Environment

Construction waste is one of the industry's most important resource, environmental and quality issues.

**Target:** The target is to reduce the total volume of construction waste to 15 kg per produced m<sup>2</sup> by 2021.

**2017:** Sweden 30, Norway 30 kg/m<sup>2</sup> GFA.



For the ten-year period 2008–2017, JM shares gave a total return of 9 percent (average). The corresponding figure for the five-year period 2013–2017 was 14 percent.

# Value generation in JM's core business

## 70 years of value generation through project development

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

Project development at JM means that vacant or built land is acquired and refined into attractive housing or commercial premises. Project development covers every link in the value chain from acquisition of land to the sale of the new home. In many cases, JM projects mean the creation of new neighborhoods. Since our operations are

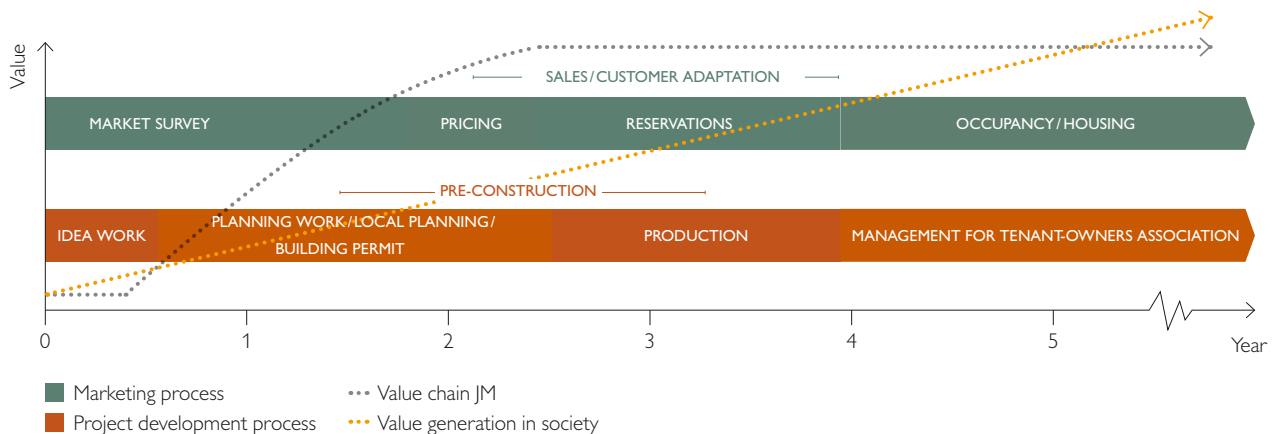
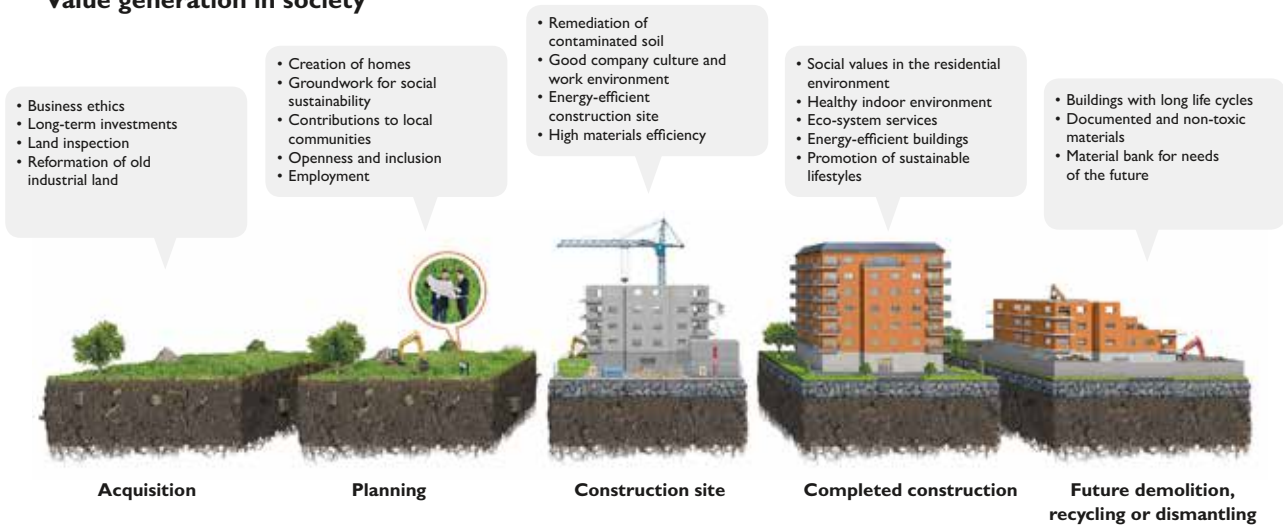
primarily focused on new production of homes, over the years we have been able to develop our processes while working to improve the quality of our homes.

An 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 generation.

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

Sustainability work is a central and integrated part of our project development. We are designing the buildings and cities of the future, and we take environmental, economic and social aspects into consideration to create conditions for sustainable lifestyles.

## Value generation in society



The time interval is indicative and can vary significantly between projects.

Value generation is greatest during the planning process, when JM defines the land use in cooperation with the municipality.

### 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 of the project development process 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 the illustration on page 30).

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.

#### 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 newly formed tenant-owners associations 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 description 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 reporting include:

- Contracts for both construction and the property are entered into by the board of the tenant-owners association at the start of production

- The tenant-owners association has its own financing through a building loan, including the tenant-owners association's property as collateral
- An independent real estate agent sells the tenant-owned apartments based on a direct agreement with the tenant-owners association.

These criteria are central from both a legal perspective and a financial and accounting perspective, including follow-up over the project's life cycle. 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 pre-determined 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, management and housing services

Production and completion continue until occupancy, after which JM@home offers both technical and economic management to the tenant-owners associations in order to provide them with a secure, stable foundation as well as selected housing services. The services offered via JM@home create added value after occupancy.



### Transfer of experience

By sending surveys to customers, we create a Customer Satisfaction 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 – the 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 city center. 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 new emerging markets. Areas close to water and parks are popular. Other important qualities include close vicinity to public transport, service and schools. At the end of the year, JM had 34,800 available residential building rights (32,500). Capital tied up in building rights (development properties in the balance sheet) for residential units amounts to SEK 7,501m (7,047) at the end of the year.

## Appraisal of residential building rights

At the end of the year, an appraisal of all of JM's residential development properties was performed in cooperation with an external appraisal company. The appraisals were made using an assumed sales price for the properties at actual cash values. The appraisals were based on

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

- building rights in the balance sheet, 18,700 (17,900), corresponding to five years of production at the current rate of production
- building rights available through conditional acquisitions or cooperation agreements, 16,100 (14,600). In most cases, JM has the opportunity to decide both whether and when to buy the land.

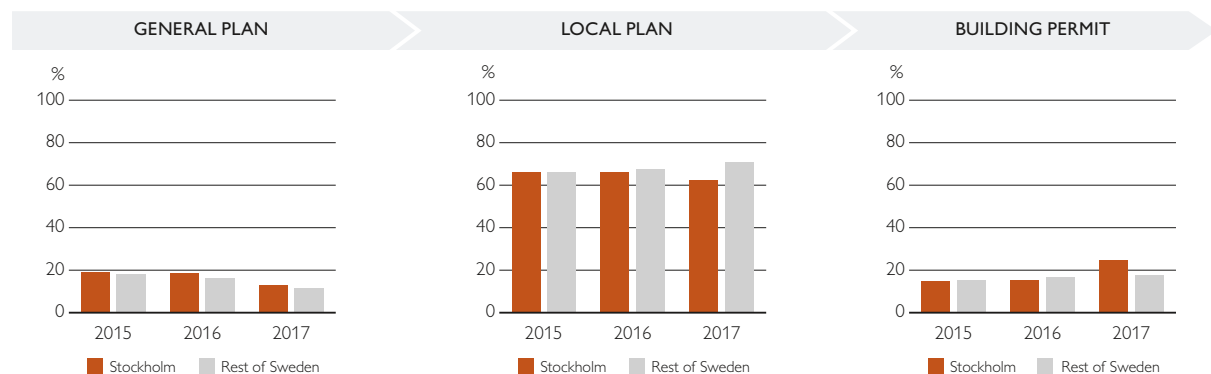
The benchmark for building rights in the balance sheet is five years (indicates the number of years it would take to produce the building rights portfolio JM has in its balance sheet at the current rate of production, calculated on a rolling 12-month basis).

the location, attractiveness, scope and type of building planned, the stage in the planning process and the time remaining until production starts.

The assessed market value of JM's residential development properties amounts to SEK 14.7bn (14.1). The corresponding carrying amount is SEK 7.5bn (7.1). The 16,100 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 or which there are future plans for demolition. The appraisal of these buildings is based on current rental revenue and future

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



The general plan refers to the period before the work on local planning has begun.

The local planning decision refers to the period from when the work on the local planning began to the application for building permit.

The building permit phase starts with the application for building permit.

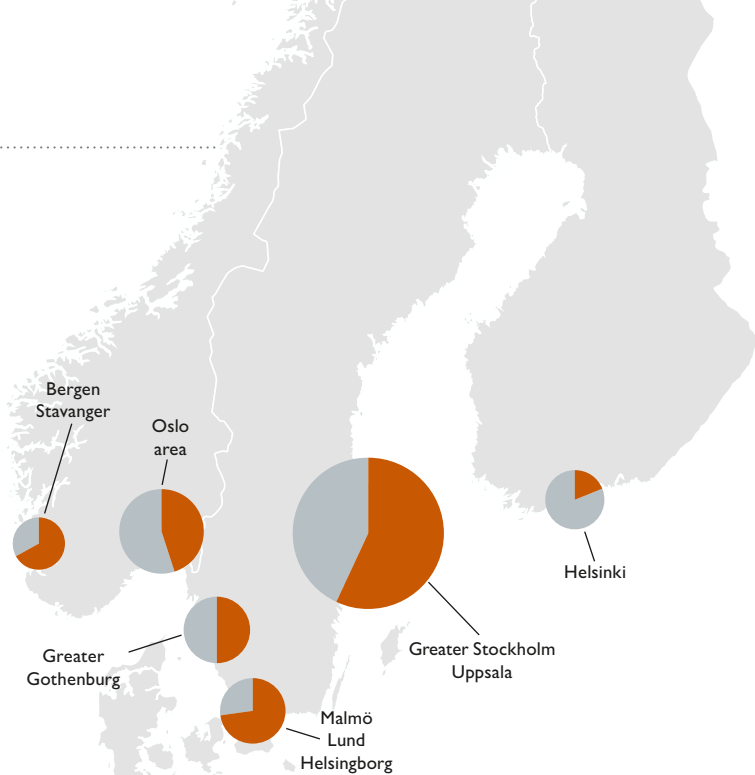
<sup>1)</sup> Number of building rights on the balance sheet.

use, taking costs for possible demolition into account. The market value of these buildings is included in the summary on page 25. The diagrams below show a breakdown of the market value of JM's development properties into different planning phases: General planning, Local planning and Building permit. General planning includes undeveloped land, which is not covered by the General planning. Local planning refers to the time from when the Local planning is started until the application for Building permit. Building permit process starts with the application for 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, Development properties.

About 70 percent of the residential building rights reported in the balance sheet in Sweden are in the Greater Stockholm area. 19 percent of them are located in downtown Stockholm, including Lidingö and Liljeholmskajen, 46 percent in nearby suburbs and 35 percent in outlying suburbs.



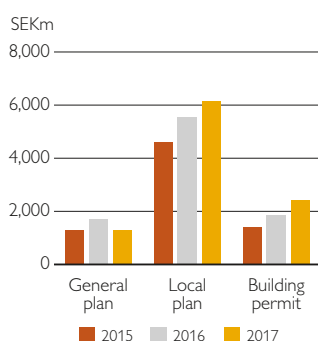
### JM'S AVAILABLE RESIDENTIAL BUILDING RIGHTS

Area	Number of building rights	
	2017	2016
Greater Stockholm (excluding Sigtuna, Upplands Väsby, Vallentuna, Norrtälje)	14,200	13,900
Malmö, Lund, Helsingborg	3,300	3,400
Greater Gothenburg	3,400	2,700
Uppsala, Sigtuna, Upplands Väsby, Vallentuna, Norrtälje, Linköping, Västerås, Örebro	3,400	3,600
Oslo area, Norway	5,500	5,000
Bergen and Stavanger, Norway	2,100	1,700
Helsinki, Finland	2,700	2,000
Brussels, Belgium	200	200
<b>Total</b>	<b>34,800</b>	<b>32,500</b>

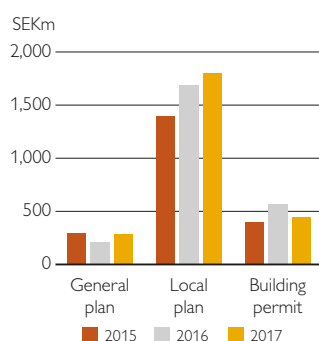
### MARKET VALUE IS BROKEN DOWN AS FOLLOWS:

SEK bn	Market value		Carrying amount	
	2017	2016	2017	2016
Stockholm	9.9	9.1	4.4	4.3
Rest of Sweden	2.5	2.5	1.5	1.4
International	2.3	2.5	1.6	1.4
<b>Total</b>	<b>14.7</b>	<b>14.1</b>	<b>7.5</b>	<b>7.1</b>

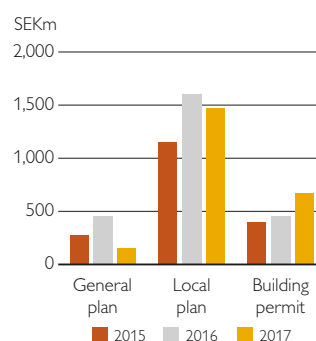
### MARKET VALUE RESIDENTIAL BUILDING RIGHTS GREATER STOCKHOLM



### MARKET VALUE RESIDENTIAL BUILDING RIGHTS REST OF SWEDEN



### MARKET VALUE RESIDENTIAL BUILDING RIGHTS INTERNATIONAL



General planning refers to the time before start of Local planning. Local planning refers to the time from when the local planning is started until the application for Building permit. Building permit process starts with the application for building permit.

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

Project development includes mainly rental units but operations also include the project development of commercial premises as well as residential care units. Project development involving commercial premises mainly takes place in the Stockholm region, and is intended primarily to support residential development projects.

## 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. This strategy also now includes the possibility of building rental units in Gothenburg and Malmö, including housing for students and young adults.

During the year, we started production on a project with 137 rental units, Alba Lilium in Bredäng, Stockholm, and a land allocation agreement was signed with the City of Stockholm for 140 residential units for young adults in

Mäläräng, Skärholmen. JM also continued its ongoing work to build a good building rights portfolio.

## Residential care units

During 2017, local planning work continued for the Kaplanen residential care housing in Uppsala, which will consist of 72 units.

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 continues on the local planning.

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 under management during the year.

	12/31/2017			
MARKET VALUATION – PROJECT PROPERTIES <sup>1)</sup>	Market value, SEK m	Carrying amount, SEK m	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
Properties under development	1,018	837	27	92
Completed rental housing properties	300	224	6	100
Completed commercial properties	25	13	1	100
<b>Total</b>	<b>1,343</b>	<b>1,074</b>	<b>34</b>	<b>95</b>

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

# Industrialization in the construction industry

Structured Project Development is JM's initiative to industrialize and thus streamline the project development of residential units. Uniform processes and components form the foundation that allows us to offer attractive housing at a low total cost.

When the management took on the challenge at the beginning of the 2000s to improve cost control, a successful project was started to standardize both the product and procedures.

This development work has resulted in:

- Large purchasing volumes and reliable deliveries
- Unified working methods in production
- Quality improvements and the transfer of experience.

The next step is the digitalization of procedures and project information, and extensive investment is being made in BIM (Building Information Management). In addition to the ongoing improvement work in production, in 2017 we also focused on project management and the warranty and post-sales phase.

The work on Structured Project Development creates value for customers, owners, employees and society, and it also secures the important structure capital that contributes to the company's success.

## Product

A key aspect of Structured Project Development is JM's Product Policy Procedures (see the illustration on page 29). These procedures include Pre-construction instructions,

JM Original, Framework agreements, including Product descriptions and Logistics terms and conditions, and Work descriptions, including Installation instructions, Method descriptions and Logistics instructions.

Product Policy Procedures contain detailed information about the design and execution of JM's residential units. The content is continuously updated and published once a year, which has created yearly models of JM's residential units.

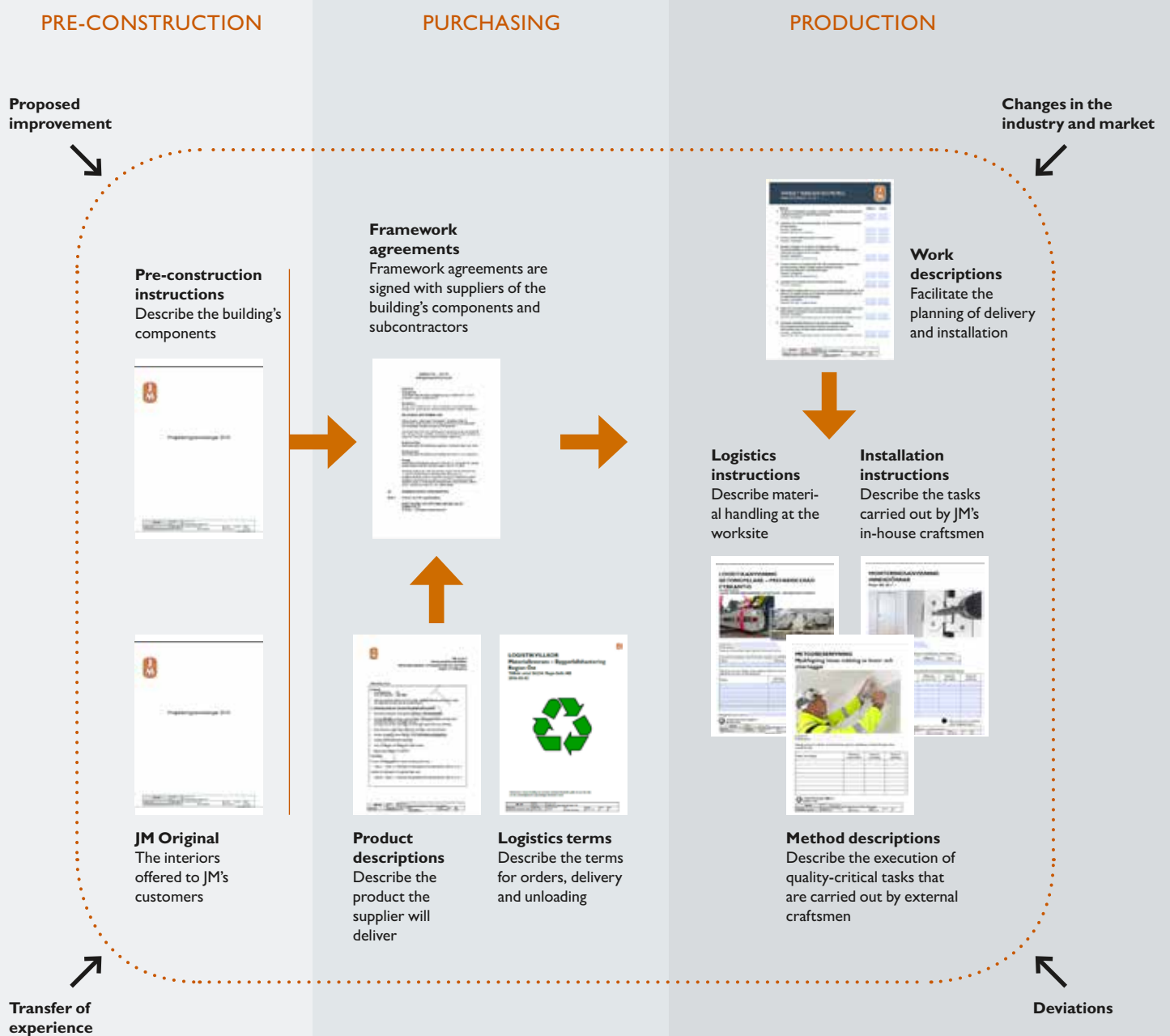
## Procedures

Residential project development is broken down into several primary procedures such as: Property Transactions, Project Design, Production Management and Sales. Activities have been identified and grouped using internal time relationships, and we have developed detailed procedure descriptions with accompanying instructions in the form of documents or applications.

We strive to continuously improve both our processes and our products, thus achieving greater industrialization and more efficiency.



## Product Policy Procedures



# 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, financial and sustainability 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 through the identification and acquisition of 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 creation 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 therefore an integrated part of decision-making at all levels of JM. It is subject to strategic initiatives from the Board and management, and a current risk analysis is regularly presented in the Audit Committee.

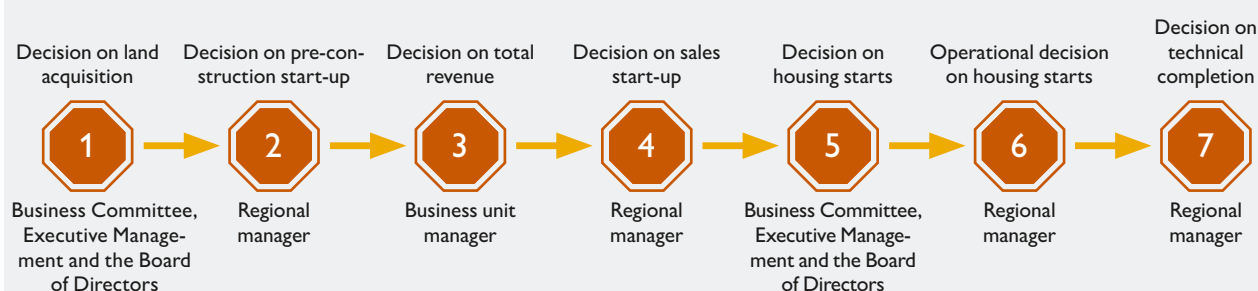
Procedures for project oversight, monitoring and follow-up are designed to reduce business and implementation risks. This applies in particular to the initiatives produced within the framework of Structured Project Development, which help reduce the operational risks in the business. All significant business and project decisions are analyzed with regard to both risk and opportunities.

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

Decision situation	Risks	Opportunities
Land acquisition	Misjudgment of customer demand Modified municipal planning Misjudgment of technical difficulties and soil contamination	Attractive building rights Technical development with regard to management of environmental risks
Pre-construction start-up	Delays, increased costs	Customized design
Sales start-up	State of the economy, interest rate level	Right pricing
Housing starts	Uncertainty related to sales Delays, increased costs Quality deficiencies Work environment	Optimized efficiency in planning and production High level of security and good working climate

In 2017, the most important risks in JM, in addition to the macroeconomic development, were related to the cautious housing market primarily in Stockholm during the second half of the year despite strong GDP growth. Lower sales and reservations level in current production have still

## DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT



resulted in a balanced risk for the operations. Housing starts during the year were slightly limited by both demand and the time required for the planning processes. The situation for 2018 is similar, and business will primarily be dependent on the development of local excess supply of newly produced residential units in Stockholm. 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.

### Balance sheet

The land acquired by JM is entered in 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 of the building right portfolio

One way to reflect the dynamics in the building rights portfolio of building rights in the balance sheet is to perform a sensitivity analysis where all anticipated future cash flows from the portfolio are calculated at present value. This analysis includes a number of simplified assumptions designed to determine via a model the present value of JM's building rights portfolio given a number of assumed revenue levels per square meter. The calculations are not a forecast.

All 18,700 residential building rights JM has in its balance sheet are assumed to be distributed evenly over five years of production. A standard residential unit is assumed to be 80 square meters, the assumed tax cost is 22.0 percent and the discount rate after tax is 6.0 percent. The calculation does not take any inflation into consideration. The calculation includes both the tax charged and the deduction effect from historic land investment of SEK 7,491m.

The tables below show assumed revenue, including loans in tenant-owners associations, and project costs per square meter of apartment space excluding VAT. Using a number of average revenue and cost assumptions, the future cash flows of the entire building rights portfolio are calculated at 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 in particular 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 1,000m, or approximately SEK 14 per share, according to the basis for this calculation.

JM's conditional acquisition or cooperation agreements of 16,100 residential building rights are not included in the sensitivity analysis.

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

Revenue/m <sup>2</sup> , SEK <sup>1)</sup>	46,000	47,000	48,000	49,000	50,000
Cost/m <sup>2</sup> , SEK <sup>1) 2)</sup>					
31,000	15,500	16,500	17,500	18,500	19,500
32,000	14,500	15,500	16,500	17,500	18,500
33,000	13,500	14,500	15,500	16,500	17,500
34,000	12,500	13,500	14,500	15,500	16,500
35,000	11,500	12,500	13,500	14,500	15,500

<sup>1)</sup> Excluding VAT

<sup>2)</sup> Excluding cost of land

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

Revenue/m <sup>2</sup> , SEK <sup>1)</sup>	46,000	47,000	48,000	49,000	50,000
Cost/m <sup>2</sup> , SEK <sup>1) 2)</sup>					
31,000	223	237	251	265	279
32,000	209	223	237	251	265
33,000	195	209	223	237	251
34,000	181	195	209	223	237
35,000	167	181	195	209	223

#### SENSITIVITY ANALYSIS, VARIOUS COST CATEGORIES, PROJECT DEVELOPMENT FOR RESIDENTIAL UNITS

Category	Percentage of cost, % <sup>1)</sup>	Change, %	Effect, SEK m
Salaries/wages	13	+/- 10	+/- 111
Material	14	+/- 10	+/- 122
Land	14	+/- 10	+/- 116
Developer's costs	17	+/- 10	+/- 147
Pre-construction	5	+/- 10	+/- 43
Overhead	7	+/- 10	+/- 64
Subcontracting	30	+/- 10	+/- 258

<sup>1)</sup> Share of cost base for project development of residential units in Sweden was SEK 8.6bn in 2017.

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 2017
<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 but cautious housing market during the second half of 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>Competition 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.	Gradual increase in competition in our main segments with greater supply of newly produced residential units.
<b>Political risks</b>	Political decisions such as conditions for different forms of tenure, investments in infrastructure and municipal planning, etc., can change the prerequisites.	Flexible local plans and decisions on form of tenure as late as possible.	Unchanged political risks, some uncertainty regarding regulatory issues.
<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 local plans not being approved.	Ongoing market and customer surveys and close cooperation with potential home buyers to ensure understanding of customer needs. Reduce risks by acquisitions being on condition that the local plan gains final approval.	Continued risk has been identified for allocating resources to manage planning processes in some municipalities in the long term.
<b>Implementation risk</b>	Lack of planning or analysis leads to delays, excessively high costs and insufficient customization.	Efficiency measures in order to reduce production costs. Required level of sold/reserved residential units before housing start. Stricter procedures for monitoring, oversight and control. Structured Project Development.	Favorable development of efficiency measures in the Group's processes.
<b>Unsold units</b>	Unsold residential units result in lower profitability for the project and undesired tied-up capital in 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 82 repurchased (unsold) units with a carrying amount of SEK 309m in 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.	A cautious market resulted in lower price levels for residential units. Unchanged size in project phases.
<b>FINANCIAL RISKS (see note 23, Financial risk management on page 96)</b>			
<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 local currency 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.
<b>SUSTAINABILITY RISKS</b>			
<b>Environmental</b>	Increasing requirements on decreased environment footprint and energy consumption. Elevated water levels, recurring pelting rain and more humid climate.	JM builds low energy buildings. Local plans are adapted to higher water levels. Materials and technical solutions are selected for greater resistance to moisture. Description of moisture protection prepared in all projects.	JM's low energy buildings are approximately 25 percent below the current standard for energy consumption.
<b>Human Resources</b>	Difficulties attracting, recruiting and keeping competent employees.	Strong value-driven company culture, clear and committed leadership and an important contributor to sustainable urban development of the future.	New framework for leadership, management training in situation-specific leadership, employer branding.
<b>Social conditions</b>	Risks for accidents, physical and psychological occupational injuries and discrimination in the workplace.	Systematic environment work, wellness work, core values, Code of Conduct and incident reporting system.	Implementation of Safety Week, review of the Code of Conduct at yearly performance reviews.
<b>Human rights</b>	Deficiencies in social responsibility and compliance with human rights, work environment, labor law, environmental consideration and work to combat corruption in supply chains.	JM performs sustainability assessments, sustainability analyses and audits of its supply chains. Code of Conduct for suppliers and contractors.	160 conducted sustainability assessments of suppliers. 19 were selected to participate in an in-depth survey about their sustainability work. Sustainability audits of 7 companies.
<b>Anti-corruption</b>	Risk of improper behavior during business deals.	Clear governance, decision-making, transparency and follow-up of business arrangements. Code of Conduct and ethical guidelines.	Review of the Code of Conduct during recruiting and yearly performance reviews. Regular exercises for employees in handling ethical dilemmas.

# Sus- tain- abil- ity

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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 both our responsibility and our ambition.

For us, “sustainable urban planning” refers to financial, social and environmental accountability, which also encompasses the concept of Corporate Social Responsibility (CSR). We strive to strengthen our long-term, value-creating operations and their contributions to sustainable development. An important part is taking responsibility for the impact of our decisions and activities on society, people and the environment. JM’s clear strategic focus has given us good profitability and a leading position in the market. Sustainability work and consideration for the Precautionary Principle are central and integrated parts of our project development. JM’s Sustainability Report has been prepared in accordance with the GRI Standards at the core level. For more information, see pages 125–130.

## Our ambition

JM’s sustainability work is based on our 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 always improve. In order to make an improve-

ment in its operations for each sustainability aspect, we 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 are responsible for the Group’s sustainability work. The Quality and Environmental Council is responsible for the overall governance of the operations, and the Sustainability Council is responsible for coordination within the area of sustainability. The members of the Quality and Environmental Council consist of the managers of the business units and the regions, and the Sustainability Council consists of the Heads of Group Staffs. JM’s CEO and the Head of Sustainability are members of both forums. The Head of Sustainability is responsible for the Environment and Sustainability Department, which conducts and coordinates the sustainability work in the entire Group.

### AMONG OTHER THINGS, IN 2017 WE:

- Decided that, housing projects starting in 2018, throughout the entire Group will meet the Nordic Swan Ecolabel requirements
- Decided to implement stricter energy requirements on residential units in accordance with the Swan Ecolabel
- Decided to use solar panels in housing development
- Started test projects for energy measures in the operations, the use of environmental concrete to reduce the environmental impact and the use of solar panels to turn our residential units into producers of renewable energy
- Decided to implement new material requirements on content of hazardous substances, nanomaterials and emissions
- Decided to restrict the use of PVC, copper, wood from endangered species and pressure-treated wood
- Decided to implement a new process for sustainable material choices, including guidelines, supplier assessments, supplier audits, product category requirements, product assessments, log books and product documentation
- Continue with the Minimizing Waste project to radically reduce the amount of construction waste from the operations
- Implemented a development project to define how JM will work with digital information models (BIM) in its project development
- Remediated 17 properties from pollutants in the ground
- Decided on a new strategy and action plan for equal opportunity and diversity
- Started the first female internal mentoring program at JM
- Started a new internal program for foreign-born engineers
- Decided to implement mandatory use of protective eyewear in construction work as of 2018
- Arranged JM’s Safety Week – an entire week with an extra focus on work environment
- Started a new cooperation with Red Cross and participated in Jobbmentor, a program where JM employees visit high schools to talk about their career-related decisions.

# JM supports UN's global targets for sustainable development



The 17 targets are part of Agenda 2030, an action plan issued by the UN that promotes decent working conditions, protects ecosystems and fights climate change.

“By issuing the global targets, the UN has created a clear agenda for the world’s leaders. JM has included the 12 targets that are relevant for our operations into our work on sustainable development,” says Per Löfgren, Head of Sustainability.

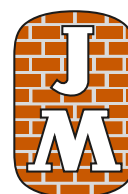
Based on the UN’s targets, we have formulated our own long-term goals up through 2030 – JM’s own Agenda 2030. This clarifies JM’s contributions to the global targets and a more sustainable world.

JM is part of society and active on a global market. Climate change does not follow national borders. The materials we use are produced in part in other countries. We have therefore included 12 of the global targets in our work for sustainable development. The targets that are most relevant for are our operations are: 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15 and 17.









The UN Member nations adopted Agenda 2030 and the 17 Sustainable Development Goals (SDG) on September 25, 2015. It is the most ambitious agreement for sustainable development that the world’s leaders have ever adopted.

The term “sustainable development” integrates three dimensions of sustainability: social, economic and environmental. The UN draws the conclusion that we are the first generation that can extinguish poverty and the last that can fight the climate change.

Naturally, JM is also striving to meet the national environmental targets in the three countries where the company is active – Sweden, Norway and Finland.



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

Material sustainability aspects	Social contributions	Long-term goal 2030	Operational goal	Results		
				2017	2016	2015
<b>Ethics and value creation</b> 	Pursue long-term, responsible and stable housing development  Contributes to the UN SDGs: No. 8: Decent work and economic growth No. 17: Partnerships for the goals	JM has 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  The visible equity ratio should amount to 35% over a business cycle  The average dividend over a business cycle should correspond to 50% of the Group's profit after tax  No ethical breaches based on JM's values	13.9%  40%  35%  0	12.8%  40%  45%  0	11.0%  38%  53%  0
<b>Product responsibility</b> 	Develops sustainable cities and residential environments that meet today's and tomorrow's needs and requirements  Contributes to the UN SDGs: No. 9: Industry, innovation and infrastructure No. 11: Sustainable cities and communities No. 12: Responsible consumption and production No. 15: Life on land	JM develops sustainable residential units and residential areas  JM has the industry's most satisfied residential customers	All projects conduct early sustainability analyses in 2019  Industry's most satisfied customers according to: CSI (Occupancy) Sweden (S), Norway (N)  CSI (Warranty index) Sweden (S), Norway (N)	Work in progress  3rd (S) 3rd (N)  72 (S) 70 (N)	–  2nd (S) 1st (N)  74 (S) 75 (N)	–  2nd (S) 1st (N)  74 (S) 72 (N)
<b>Responsible suppliers</b> 	Works to strengthen labor law, human rights, anti-corruption efforts and environmental responsibility in society  Contributes to the UN SDGs: No. 8: Decent work and economic growth	JM promotes social responsibility in its operations and supply chain	Implemented procedure for ongoing control and status reporting of social responsibility in the supply chain in collaboration with JM's suppliers by 2021	Work in progress	–	–
<b>Work environment</b> 	Develop a workplace with a good and safe work environment  Contributes to the UN SDGs: No. 3: Good health and well-being	JM has the industry's best work environment and no workplace accidents	No accidents with absence due to illness for in-house personnel and subcontractors in 2030 (per million working hours)  Total leaves of absence due to illness from scheduled hours is low (3.5% Sweden, Finland and 5% Norway)	10.2  3.7% (S) 5.4% (N) 3.8% (F)	12.3  3.7% (S) 5.0% (N) 4.8% (F)	13.0  3.4% (S) 5.6% (N) 3.1% (F)
<b>Diversity and equal opportunity</b> 	Develop a workplace that offers diversity and equal opportunity  Contributes to the UN SDGs: No. 5: Gender equality No. 10: Reduced inequalities	JM works towards an even gender distribution and diversity among its employees	Even gender distribution among salaried employees (at least 40/60 women/men) in 2030  20% skilled female workers by 2030	34/66  1.8%	32/68  1.1%	32/68  0.7%
<b>Competence</b> 	Allow people to develop and contribute to long-term value creation  Contributes to the UN SDGs: No. 4: Quality education	JM is one of the commercial market's most attractive employers	The leadership index and team efficiency in the employee survey reach the benchmark values of 77 and 75, respectively, in 2017	80/76	76/74	–
<b>Resource efficiency</b> 	Contribute to greater resource efficiency and reduced environmental impact in society  Contributes to the UN SDGs: No. 12: Responsible consumption and production	Total amount of construction waste reduced to 5 kg/GFA by 2025  JM has an efficient and largely circular flow of materials	Total amount of construction waste reduced to 15 kg/GFA by 2021  Increase in the percentage of construction waste that is sorted into fractions for recycling to 80% by 2019	30 (Sweden) 30 (Norway)	28 (Sweden) 35 (Norway)	29 (Sweden) 33 (Norway)
			Reduction in the percentage of construction waste that is sorted as mixed waste to 2% by 2019 <sup>1)</sup>	8%	9%	5%
			Reduction in the percentage of construction waste that is sorted as burnable waste to 15% by 2019 <sup>1)</sup>	32%	36%	34%
			Reduction in the percentage of construction waste that is sorted as landfill waste to 3% by 2019 <sup>1)</sup>	6%	5%	5%
			Reduction in the percentage of construction waste that is sorted as mixed waste to 20% by 2019 <sup>2)</sup>	20%	30%	28%
<b>Small environmental impact</b> 	Contribute to a society with a small impact on the environment  Contributes to the UN SDGs: No. 7: Affordable and clean energy No. 13: Climate action	JM's operations have climate-affecting emissions close to zero	Calculated energy need for residential units is 25% lower than each country's applicable norm in 2014  Reduction in greenhouse gas emissions of 20% by 2019 compared to 2015	33%  –5%	27%  –2%	26%  Ref. year

<sup>1)</sup> The waste target applies to JM Sweden.

<sup>2)</sup> The waste target applies to JM Norway.

### Governance and follow-up

Sustainability work is governed in the same manner as the rest of the Group's operations, i.e. through the Operations System – JM's management system. Our governance and the improvements we implement in the area of sustainability thus have a direct impact on the entire operations. Governance is then followed up and evaluated on a regular basis through our indicators and key financial figures as well as the internal audit.

### Stakeholder engagement

It is very important for JM to maintain an open dialogue with its stakeholders. The following table lists the stakeholder groups that we have identified as being the most important for us and that are most affected by our operations. Through ongoing stakeholder dialogues with these groups, we capture their expectations and wishes, which then serve as a basis for our internal improvement work.

### Cooperation

JM is part of society. An important part of JM's efforts to contribute to a sustainable development is cooperation – working 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 sector and in society at large toward greater sustainability.

### Stakeholder group

JM has signed the UN's Global Compact initiative, thus taking a clear stance on issues related to human rights, labor law, accountability for the environment and anti-corruption. JM continually monitors these issues as a means of ensuring that nothing in its operations is in conflict with the UN's initiative. However, the risk of such a conflict is judged to be minor since JM operates exclusively in the Nordic countries where these issues are strictly regulated. JM also has a Code of Conduct to guarantee that our suppliers and subcontractors do not operate in conflict with Global Compact.

JM's calculation and reporting of the carbon dioxide emissions from its operations are based on the GHG Protocol (Green House Gas Protocol). We are striving to reduce our emissions in line with the EU's international

targets and Climate Neutrality 2030. This means that our operations must more or less make no contribution to global warming by 2030.

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 and the Ethibel Sustainability Index (ESI) Excellence Europe.

JM reports information about its environment and sustainability work to several external rating agencies, including Sustainable Shareholder Value and the Carbon Disclosure Project (CDP). In 2017, JM received a rating of B in the CDP assessment. Companies that receive a B-level rating are considered to have a structured and active approach to reducing their impact on the climate. In a compilation of how large Swedish companies are reporting their emissions, JM is one of the 17 companies that received the most points.

Sustainability issues are sometimes inherent in the industry, and this work therefore requires broad cooperation between companies in order to be successful. Several examples of organizations in which JM is involved include: **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 hazardous substances. BASTA is an industry initiative to phase out hazardous substances by 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.

**Solelkommissionen** is a network that believes current legislation limits the possibility to produce proprietary solar electricity. The network promotes the use of solar energy and the possibilities for property owners to produce their own electricity using solar panels, independent of the location or ownership form of the properties.

**Fossil-free Sweden** (Fossilfritt Sverige) is a platform for a dialogue between companies, municipalities and other actors who would like to remove fossil fuels from Sweden.

## Stakeholder engagement

Stakeholder group	How we work	Examples of important aspects for stakeholders	How important aspects are handled	Link to JM's material sustainability aspects
<b>Customers – existing and potential</b>	<ul style="list-style-type: none"> <li>• Customer surveys</li> <li>• Customer meetings</li> <li>• Occupancy surveys</li> <li>• Focus groups</li> <li>• At-home interviews</li> <li>• Web panels</li> <li>• Strategic intelligence</li> <li>• Market surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Location</li> <li>• Safety and security</li> <li>• Good public transportation</li> <li>• Attractive green areas</li> <li>• Storage</li> <li>• Kitchen and bathroom</li> <li>• Choice of materials</li> </ul>	<p>These issues are handled in our project development process:</p> <ul style="list-style-type: none"> <li>• During land acquisition</li> <li>• During the planning process</li> <li>• During pre-construction</li> <li>• During purchasing</li> </ul>	<ul style="list-style-type: none"> <li>• Product responsibility</li> <li>• Resource efficiency</li> <li>• Small environmental impact</li> </ul>
<b>Employees – existing</b>	<ul style="list-style-type: none"> <li>• Personal development discussions</li> <li>• Code of Conduct game</li> <li>• Internal training, communication and dialogue</li> <li>• Employee survey</li> <li>• Work Environment Week</li> <li>• Improvement projects</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Company culture and ethics</li> <li>• Skills development</li> <li>• Gender equality</li> <li>• Work environment and job satisfaction</li> <li>• Health</li> <li>• Benefits</li> </ul>	<p>These issues are handled in our HR process:</p> <ul style="list-style-type: none"> <li>• Skills development</li> <li>• Work environment and health</li> <li>• Sustainability policy</li> <li>• JM's Code of Conduct</li> <li>• Ethical guidelines</li> <li>• Gender equality plan</li> <li>• Pension, insurance and other benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Ethics and value creation</li> <li>• Work environment</li> <li>• Diversity and equal opportunity</li> <li>• Skills</li> <li>• Resource efficiency</li> <li>• Small environmental impact</li> </ul>
<b>Employees – potential</b>	<ul style="list-style-type: none"> <li>• Internships</li> <li>• Trainee program</li> <li>• Thesis projects</li> <li>• Cooperation with schools and universities</li> <li>• Labor market days</li> <li>• Recruitment</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability</li> <li>• Company culture and ethics</li> <li>• Skills development</li> <li>• Gender equality</li> <li>• Work environment and job satisfaction</li> <li>• Health</li> <li>• Benefits</li> </ul>	<p>These issues are handled in our HR process:</p> <ul style="list-style-type: none"> <li>• Skills development</li> <li>• Work environment and health</li> <li>• Sustainability policy</li> <li>• JM's Code of Conduct</li> <li>• Ethical guidelines</li> <li>• Gender equality plan</li> <li>• Pension, insurance and other benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Diversity and equal opportunity</li> <li>• Skills</li> <li>• Small environmental impact</li> </ul>
<b>Shareholders and Investors</b>	<ul style="list-style-type: none"> <li>• One-on-one meetings</li> <li>• Telephone meetings</li> <li>• Analyst meetings</li> <li>• Ongoing communication</li> <li>• Capital Markets Day</li> </ul>	<ul style="list-style-type: none"> <li>• Company and product development</li> <li>• Value creation</li> <li>• Investments</li> <li>• Risk management</li> <li>• Work environment</li> <li>• Environment and sustainability</li> <li>• Markets and customers</li> <li>• Business ethics</li> </ul>	<p>These issues are handled in our communications planning</p>	<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 environmental impact</li> </ul>
<b>Partners/Suppliers</b>	<ul style="list-style-type: none"> <li>• Contract meetings</li> <li>• Supplier collaboration</li> <li>• Development projects</li> <li>• Questionnaires</li> <li>• Supplier inspections</li> <li>• Factory inspections</li> <li>• Workshops about the future</li> <li>• Urban Development days</li> </ul>	<ul style="list-style-type: none"> <li>• Social responsibility in the supply chain</li> <li>• Hazardous substances</li> <li>• Resource efficiency</li> <li>• Waste management</li> <li>• Environmental impact</li> <li>• Work environment</li> <li>• Delivery precision</li> <li>• Quality</li> <li>• Cooperation</li> <li>• Development work</li> </ul>	<p>These issues are handled in our purchasing process, our communications work and our process for sustainable supply chains</p>	<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 environmental impact</li> </ul>
<b>Society – Officials and Politicians</b>	<ul style="list-style-type: none"> <li>• Municipal dialogues</li> <li>• Project meetings</li> <li>• Person-to-person meetings</li> <li>• Urban Development days</li> <li>• Mentor Sverige</li> </ul>	<ul style="list-style-type: none"> <li>• Social sustainability</li> <li>• Climate and energy</li> <li>• Transports and logistics</li> <li>• Contaminated soils</li> <li>• Waste management</li> <li>• Green and blue structures</li> <li>• Urban development issues</li> </ul>	<p>These issues are handled in our project development process:</p> <ul style="list-style-type: none"> <li>• During land acquisition</li> <li>• During the planning process</li> <li>• During pre-construction</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 environmental impact</li> </ul>
<b>Special interest organizations</b>	<ul style="list-style-type: none"> <li>• Business networks</li> <li>• Industry forums</li> <li>• Development projects</li> <li>• Membership</li> <li>• Ongoing dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Solar panels</li> <li>• Climate and LCA</li> <li>• Certification and labeling</li> <li>• Chemicals and hazardous substances</li> <li>• Contaminated soils</li> <li>• Environmental issues</li> </ul>	<p>These issues are handled by our cooperation work based on our sustainability policy and our sustainability strategy</p>	<ul style="list-style-type: none"> <li>• Product responsibility</li> <li>• Resource efficiency</li> <li>• Small environmental impact</li> </ul>

# Environmental work – waste, energy and materials in focus

The construction industry is responsible for a significant part of society's consumption of energy and materials. As homebuilders, we shoulder 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
- Remediation of soil contamination.

## How we work

The Group's Environment and Sustainability Department is responsible for coordination, development and support in environmental initiatives. We are continuously conducting various 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 in both the short-term and the long-term. It is about taking on acute environmental problems 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 spacious areas for sorting waste all help lower operating costs for households and generate environmental benefits for society.

## Operations in Sweden

### Residential project development

Residential project development has been a dominant activity at JM for quite some time, which is why we have progressed the most in terms of environmental initiatives in this area.

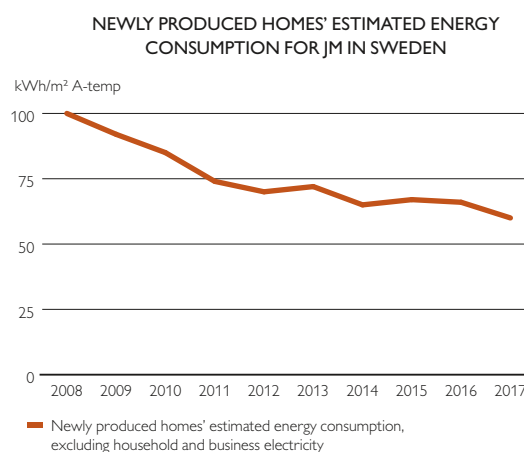
In its role as project developer, JM has a far-reaching responsibility for the environmental impact of the building during its entire life cycle. At the same time, project development work offers great opportunities to manage our operations and products so that their environmental impact is minimized.

## 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 environment. All residential project development initiated by JM in Sweden since 2008 has been based on JM's low-energy housing concept. These buildings are below 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.

JM applies a system for rating energy in residential units 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. To make this system open and transparent, the values and parameters that we have used are available on JM's website, [jm.se/sustainability](http://jm.se/sustainability).



JM uses a standardized method to calculate the energy use of newly produced homes, which enables a comparison over time. The diagram shows the average of housing projects that were completed each year. The calculated energy use has been reduced by around 40 percent since 2008.

**SWAN ECOLABEL FOR RESIDENTIAL UNITS**

JM decided to certify all of the residential units it builds in Sweden, Norway and Finland according to the Nordic Swan Ecolabel requirements. This decision applies to all building projects that enter into the pre-construction phase on or after 1 January 2018. In order to obtain this environmental certification, we have worked in 2017 to meet all of the criteria and requirements by supplementing, updating and showing our work procedures. The Swan Ecolabel will be very helpful to JM during its communication with municipalities and other stakeholders. It will also generate clear added value for our housing customers.

**Energy consumption**

In 2016, the energy consumption of the entire operations was mapped in accordance with the Energy Mapping in Large Companies Act (2014:266). This mapping includes energy consumption in buildings, the operations and transports over which the company exercises control. The results of the energy mapping were reported to the Swedish National Energy Administration in Q1 2017.

During the fall of 2017, JM decided to implement several test projects for the proposed energy savings measures, such as installation of weather forecast control, phase cancellation systems and solar panels, in both JM's own properties and rented sheds.

JM works proactively to reduce energy use throughout its entire operations. All construction sites have energy-efficient sheds and low-energy lighting with daylight and motion detectors. Energy consumption can be further reduced by using early startup of district heating to heat the house frames during construction. We have also opted to purchase Good Environmental Choice electricity for our entire Swedish operations.

**Choice of materials**

JM's residential units are built using sound, proven and natural materials such as tile and wood. Since the mid-1990s, we have used a system to assess the environmental value of building materials. JM uses the system to check that the material it uses does not contain hazardous substances or in any other way unnecessarily burden 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 construc-

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

**Construction waste**

JM is aiming to reduce its construction waste 50 percent by 2021. In order to reach this target, the Minimizing Waste project was started in 2016. The project continued in 2017 and has settled on 10 focus areas and suggestions for around 165 prioritized measures. These measures endeavor to reduce the total amount of waste generated from our construction 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 128).

Examples of measures to reduce construction waste include:

- Integration of the Ecocycle Council's resource and waste guidelines for waste management during construction and demolition into procedures for all JM projects in Sweden
- Identification of improvement areas based on studies of our construction waste
- Introduction of a waste council in all regions within residential project development in Sweden and Oslo and a central, strategic waste council for the entire Group
- Improved procedures for pallet management at construction sites, for example improved pallet return management
- Efforts to reduce the amount of waste from packaging, material waste from e.g. cement and plaster, 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.

**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
- In order for suppliers to be able to demonstrate that they follow up on their fuel consumption and that they

take measures to decrease their consumption, we are testing and assessing consolidated shipments of material, the degree of utilization in trucks and the right type of delivery vehicle at the work sites

- In the agreements JM signs with transportation companies, we have implemented strict requirements that are in line with the QIII system, a tool that was designed by the Swedish Transport Administration. The aim is to become a better purchaser of transportation in terms of the work environment, road safety and the outer environment.

### Business travel

To decrease our environmental impact from business travel, we have implemented the following procedures:

- JM business trips shall be conducted in such a manner as to minimize the impact on the environment and the climate
- All company cars are green cars (according to the definition in the Road Traffic Tax Act)
- Train travel is prioritized over air travel, and public transit is encouraged
- JM offsets carbon emissions from air travel (via Plan Vivo)
- Video conferencing equipment is used at the office to reduce the number of business trips.

### Contaminated soil

There are many laws, regulations and requirements that must be followed when developing contaminated soil, and JM has two specialists who help the organization handle this work optimally. The authorities have sharply increased their focus on proper handling of contaminated material, drainage water and groundwater pollution. Strict requirements are placed on investigations, reporting and controls. It is common for JM not to receive a go-ahead decision until we have been able to prove that the soil is suitable for residential purposes.

JM has worked a lot with framework agreements in order to be able to ensure good follow-up. Being able to obtain statistics for our reporting directly from the landfills is a major assurance for both us and the environmental office. JM helps the environment significantly by remediating old industrial land and transforming it into new residential areas. Due to the increased demand for new housing combined with enhanced governmental requirements, JM has strengthened its soil remediation group with an additional staff member.

### JM Construction

The JM Entreprenad subsidiary carries out contracting work within residential construction, commercial projects and civil engineering for external clients as well as JM AB in the Greater Stockholm area.

JM Entreprenad is certified according to OHSAS 18001 Work Environment, ISO 9001 Quality and ISO 14001 Environment. 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.

JM Entreprenad strives to use products and chemicals that have as small of an impact on health and the environment as possible, which is why goods and chemical products are checked in the environmental goods database, *Byggsvarubedomningen*. Construction machinery and transports must meet the requirements set out in the Swedish Transport Administration's general environmental requirements when procuring contract work. JM Entreprenad performs ongoing land remediation for both JM and external clients. It is the company's intention to always and systematically improve its sustainability work, which resulted during the year in JM Entreprenad conducting a self-declaration of social responsibility in accordance with ISO 26000.

### JM Property Development

JM Fastighetsutveckling's environmental program is very similar to the program implemented within JM Residential's development of residential units. 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 Fastighetsutveckling is choosing to obtain environmental certification for its buildings from 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 Fastighetsutveckling develops residential care and rental units. Residential care projects, which include both housing and commercial premises, are environmentally certified according to the Swedish Green Building Council's classification system. Starting in 2018, JM will certify all its residential projects according to Swan Ecolabel, regardless of whether the projects consist of rental units, tenant-owned units or freehold units.

### Operations in Norway

#### Residential project development

A growing focus on sustainability issues and a genuine interest in making strides in the area is discernible in JM Norway. During the year, environmental work between JM Sweden and JM Norway became more integrated, and this project will continue during 2018.

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



Myrvoll stasjon in Oslo, Norway.

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 used district heating. Estimated delivered energy for heating is 70–80 kWh/sqm and year. If the heating used 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 percent. 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 percent 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 per square meter 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

Environmental awareness on the Finnish market has not changed dramatically in the past year. The Finnish market does not have the same environmental awareness and requirements as in other markets, such as Sweden and Norway, but there are some positive examples within environmental certification and digitalization.

In 2017, JM Finland concentrated on certifying its production of residential units according to the Nordic Swan Ecolabel. As a result, JM Finland will implement JM Group's environmental targets into its operational system. The goal of this implementation is also to bring the Finnish processes more in line with the Group's expectations.

Changes to the follow-up of waste volumes was implemented in Finland, so that they are comparable to the Group's waste work. All of the construction sites' power contracts were also changed to more environmentally friendly alternatives.

# 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, so we focused during the year on recruitment and skills development. At the end of the year, JM had 2,529 employees, of which 999 were wage-earners and 1,530 were salaried employees. Of these, 94 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. We prepared new long-term targets and a strategic plan during the year with concrete measures for our work on gender equality. By 2030 JM should have: 20 percent skilled female workers, 40/60 distribution between women and men in all salaried positions, 40/60 distribution in the management groups at Group, business area and regional level. We worked during the year, among other initiatives, on our program for foreign-born engineers, and we started an apprentice program for women.

In order to further improve gender equality, JM's employees in Sweden on parental leave were offered compensation for loss of income for up to 12 months.

Today, 34 percent of the salaried employees are women, while the corresponding figure among skilled workers is approximately 2 percent.

As a means of attracting future employees, JM cooperates extensively with schools and universities at the locations where we are active. We participated in around 10 Labor Market Days during the year, and President Johan Skoglund also visited colleges and universities to meet with students. We talk about the road in to JM, the opportunities available for internships, thesis projects and our trainee program and the "Welcome – Recruitment Campaign" for new graduates who would like to become tomorrow's leaders.

In August 2017, we started our eighth consecutive trainee program for the JM Group 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.

## Structured supply of Competence

We are continuing with our efforts to establish a structured supply of skills that provides the right development initiatives and has the aim of creating conditions for all our employees to succeed in their assignments at JM.

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 percent of learning and development occurs in the employee's day-to-day tasks through, for example, challenging goals, 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 tailored e-learning courses. We see this as an excellent opportunity to quickly provide new employees with an introduction and prepare them for classroom training. It is also 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. During the year, we began to work on a common structure for introduction in JM Competence that will support the manager and the employee during the entire introduction period. New employees participate in a number of e-learning courses, attend a basic training course in production or project development and meet 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. Starting in January 2018, we also implement performance reviews for wage-earners.

### Involved leadership

Clear and involved leadership paves the way for high performance and job satisfaction levels among our staff. We have implemented our updated guidelines for leadership

skills during the year 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.

In connection with the implementation of our Involved Leadership framework, we trained approximately 750 managers and leaders in Situation-specific Leadership during the year. This is one of many tools for Involved Leadership, and by offering it to all managers and leaders at JM, we create a common language for how leadership affects involvement and performance of employees.

## COMPETENCE

MUST BE USED AND DEVELOPED

**JM's processes and products are developing at a faster rate, which places higher demands on both employees and managers.**

"As the general manager for 750 employees in production, I want to make it possible for them to do a good job. In order to do this, and to also create clear paths for development, HR Skills Development, and employees from the organization established a structure/platform for skills development.

We can perform a skills gap analysis of what we are missing and where JM needs to invest. This means that we can quickly take action and raise the skills level where needed.

We began by defining requirements and the need for skills in various positions at JM. For example, the skills needed for foremen.

Foremen who would like to take the next step and become a site manager can easily see what needs to be improved. We capture development needs during performance reviews,

which are held annually with salaried employees and wage-earners.

Job descriptions are updated on an ongoing basis based on new skills requirements. This assures delivery of the proper quality, but also maintains our competitiveness over time.

Since JM uses standardized processes and work methods, it is easy to link training courses to them. One example of this is the requirement we introduced on training in projects that have water pressure in ground construction. This training leads to JM certification and has resulted in both time and cost savings.

E-learning has become a strong aid since we are able to tailor our training courses. It is possible, for example, for employees to watch a short video and refresh their knowledge prior to quality-critical tasks in an installation."

"A good work environment and personal development – that is what those of us at JM consider to be important. They are two of the factors of success of attractive employers."



Anders Wimmerstedt  
Production Manager,  
JM Residential Stockholm

### 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". Every week JM Competence presents a "dilemma of the week" for groups to discuss during department meetings or coffee breaks. This is one way to help us maintain our values about how we would like to behave.

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 the training courses we develop.

Among other things, in 2017 we:

- Developed more professional and leadership courses tailored to JM's needs, including Installation Techniques, JM's Production Schedule, MER Training, Customer Interaction, Stucco and Sheet Metal and Leading Effective Teams. We currently offer 65 classroom courses in our course catalogue
- Produced additional e-learning courses, including Blue Beam, Call-off System and JM Competence. We currently have around 30 e-learning courses in our course catalogue



- Started an internal mentorship program for female production employees with the goal of helping more women develop and stay in production at JM
- Conducted a Safety Week throughout the JM Group as part of our proactive focus on the work environment. Theme: Protective Eyewear and Performance & Recovery.



### Our work environment

JM's goal is for its worksites 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 injuries or illnesses.

The two most common near-accidents during the year were being hit by falling or flying objects and elevated falls. The most common accidents at our construction sites were contact with sharp objects and same-level falls.

Wear-and-tear afflictions are one of the construction industry's recurring development areas that generally has not undergone improvements.

JM has decided to focus over a two-year period on ergonomics training for both craftsmen and their managers. We believe this will lead to a reduction in the number of wear-and-tear-related afflictions and the development of new working methods.

### 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 absence due to illness is 3.7 percent in Sweden, and short-term absence due to illness is 2.1 percent. We have noted that there has been an increase primarily in the short-term absence due to illness of wage-earners.

JM works closely with occupational health services on both rehabilitation and more preventive efforts, e.g. training courses in ergonomics. JM offers employees regular physical examinations through the occupational health services.

As part of JM's proactive efforts, morning exercise is held every morning at the construction sites. This offers a

good start to the day and acts as a warm-up, thus preventing 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. Wellness activities are also planned throughout the year for all employees, such as participation in the Midnattsslop-pet race, where JM was represented by 150 employees.

### 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 Work Environment app, which was produced in-house, clarifies JM's Regulations and Safety Rules and 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.

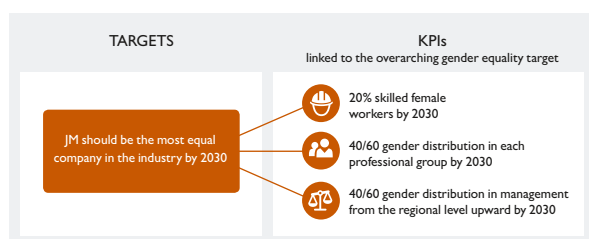
### EMPLOYEE STRUCTURE – GROUP

	2017	2016	2015
Number of employees as of Dec. 31	2,529	2,422	2,316
– number of salaried employees	1,530	1,399	1,306
– number of wage-earners	999	1,023	1,010
Average age, salaried employees	43	43	42
Average age, wage-earners	39	39	40
Percentage of women among salaried employees, %	34	32	32

### AVERAGE NUMBER OF EMPLOYEES PER COUNTRY

	2017	2016	2015
Sweden	2,090	1,994	1,919
Norway	400	365	353
Finland	48	40	31
Denmark	–	1	4
Belgium	–	–	9
<b>Total</b>	<b>2,538</b>	<b>2,400</b>	<b>2,316</b>

### JM's GENDER EQUALITY KPIs



## OCCUPATIONAL HEALTH AND GENDER EQUALITY

### A more equal organization creates conditions for a better work environment.

For Katarina Sjölander, HR Partner at JM Entreprenad AB, gender equality has been a main theme since she began working at JM.

"I did an internship at JM in the fall of 2016 and completed a project related to gender equality and the working situation for skilled female workers. When I then began working at JM in 2017, I had the opportunity to help create JM's Equal Opportunity Plan, which focuses a lot on gender equality."

– What are the challenges related to gender equality within the construction

industry today? "We are all aware that the construction industry is influenced by masculine norms and professional ideals. As a result, strength, endurance, the ability to withstand pain and practical skills are important factors. This affects the mixed use of language and attitudes to safety and the work environment."

"To reduce the number of accidents, we need to work more with gender-based strategies that prevent accidents. We need to work with norms and attitudes, and by having women in positions that are traditionally masculine, we can challenge and change the gender structure. JM works actively to improve gender equality, and we have



a strategic plan to increase the number of women. For example, we have an apprenticeship program for women and gender equality targets in all management groups."

Katarina Sjölander  
HR Partner, JM Entreprenad AB

# 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, more than 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. Approximately 90 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 operations via our system support in 2017. A business intelligence solution has provided us with improved traceability of our suppliers' performance, and Central Purchasing has transitioned entirely to digital procurement.

Our Call-off System enables us to measure that our call-offs are in accordance with agreed lead times. We are primarily able to measure our suppliers' delivery precision, which is a crucial KPI for being able to continue our work on logistics development.

All framework agreement suppliers are regularly monitored to ensure that both parties are following 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". These assessments provide a good foundation for active coaching of suppliers. A low Satisfied Purchaser Index triggers action plans.

## Risk management

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

## Logistics

Logistical challenges are inherent in the construction industry, and these challenges are an important part of the relationship between JM and its suppliers.

In 2017, we intensified the work on our logistics development. The operations and suppliers together identified and implemented solutions that enable more efficient and safer handling at our worksites. More complete data on delivery precision created transparency in the logistics flows, which enabled targeted initiatives together with suppliers and freight forwarders. Clear requirement specifications and follow-up creates better conditions for more efficient production.

## Sustainable supply chains

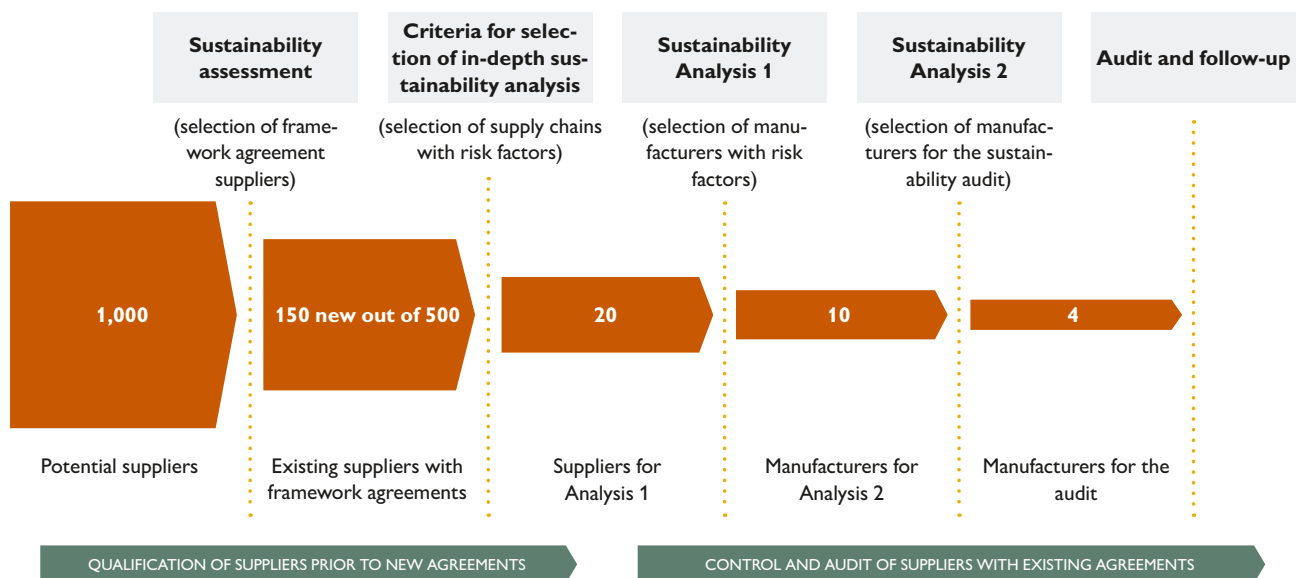
As an important actor in the urban planning sector, JM's operations use large amounts of building materials and construction goods. These materials and goods are produced in many different places throughout the world. As a large and material-intensive downstream user of building materials, JM has both the opportunity and the responsibility to ensure that its supply chains are economically, socially and environmentally sustainable.

JM has therefore created a process to ensure that its operations have access to sustainable supply chains. A cornerstone of this work is JM's Supplier Code of Conduct, which was developed to ensure that suppliers share our fundamental values. It addresses issues such as labor law, safety, discrimination and corruption. All of JM's framework agreement suppliers must sign the Code and commit to compliance with it. JM's Supplier Code of Conduct was updated in 2017 and is now more descriptive and detailed than before.

All of JM's framework agreement suppliers 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.

### JM'S PROCESS FOR SUSTAINABLE SUPPLIER CHAINS

(the numbers in the figure refer to JM's target for sustainability evaluations and audits)



**As part of JM's process for sustainable supply chains,** around 20 suppliers are selected each year for an in-depth sustainability analysis. 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 in-depth sustainability analysis is conducted in two stages, the first of which is a detailed

questionnaire containing questions about human rights, labor law, the environment and anti-corruption. In the second stage, the questionnaire is then followed up with on-site audits in selected factories upstream in the supply chain. The audits verify compliance with UN Global Compact and JM's Supplier Code of Conduct. In the event deficiencies are identified during the factory visits, the manufacturer must prepare plans

to rectify the deficiency. The company must carry out these plans in order to continue to be a supplier to JM. In some cases, the follow-up has resulted in JM stopping delivery of materials from a certain factory. In 2017, the entire procedure for this work was reviewed and clarified. A new method of working with more ongoing audits will be introduced in 2018.

# Responsible decisions at all levels

Business ethics was identified in the materiality analysis as a significant sustainability aspect. JM's ethical guidelines have served as the foundation of our work on ethics for many years.

There is a Code of Conduct for employees that supplements JM's ethical guidelines. The aim is to define our values and ensure proper behavior in our day-to-day activities. The Code of Conduct clarifies the values we believe in at JM. In order to achieve high penetration within the organization in terms of knowledge and understanding for the content, the Code is used in all recruitment and at all annual performance reviews. All employees also regularly work on handling ethical dilemmas by playing a game based on the Code of Conduct.

Ethical issues do not always have an obvious solution. Therefore, JM established an Ethical Council that consists of members of the company's management team. This Council can provide guidance regarding ethical matters. 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 creating homes, a product that is important for society, that focus on quality and the environment. Employees who are 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 established a management method that prevents risks and ensures compliance with our ethical guidelines.

One example of this method in practice is our management of 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.



## All JM homes will be certified according to the Swan Ecolabel



In 2017, JM applied for basic licenses for the Nordic Swan Ecolabel certification. This means that, as of January 1, 2018, homes that enter into the pre-construction phase will be certified in accordance with this certification. The basic licenses apply in Sweden, Norway and Finland. JM is thus the first construction company that certifies all its homes in the entire Group according to the Swan Ecolabel.

This certification means that the Swan Ecolabel verifies and guarantees that our environmental work is credible, for

example our choice of sound materials that create a healthy interior environment. It also verifies that we use moisture-safe building methods, have good ventilation and good access to daylight, and it guarantees that the energy consumption in our buildings is low, thus resulting in a smaller environmental footprint. JM has been building homes since 2008 that use 25 percent less energy than the level stipulated by government authorities.

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The Group applies IFRIC 15 *Agreements for the Construction of Real Estate* to the income statement and balance sheet prepared according to IFRS. This means that revenue and profit/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 using the *percentage of completion method*.

## Reclassification of project financing in JM International – IFRS:

The accounting of project financing in JM International has been reclassified. Project financing was previously reported against costs incurred in the balance sheet item "Work in progress", but as of Q3 2017 it is being reported as interest-bearing and non-interest-bearing liabilities. Comparative figures have been restated.

The reclassification has not resulted in any changes to the segment reporting, project management or risk profile in JM's international operations. The effects are presented in a restatement table, which is available at [jm.se/investors](http://jm.se/investors).

See the accounting principles on pages 82–85.

## CONSOLIDATED INCOME STATEMENT – SEGMENT REPORTING

SEK m	NOTE	2017	2016
Revenue	1, 2	17,008	15,752
Production and operating costs	3, 4	–13,648	–12,821
<b>Gross profit</b>		<b>3,360</b>	<b>2,931</b>
Selling and administrative expenses	3, 4, 5	–1,005	–935
Gains/losses on the sale of property	6	14	15
<b>Operating profit</b>		<b>2,369</b>	<b>2,011</b>
Financial income	7	279	17
Financial expenses	7	–69	–77
<b>Profit before tax</b>		<b>2,579</b>	<b>1,951</b>
Taxes		–385	–411
<b>Profit for the year</b>		<b>2,194</b>	<b>1,540</b>
Other comprehensive income		–10	53
<b>Total comprehensive income for the year</b>		<b>2,184</b>	<b>1,593</b>
Diluted earnings per share, SEK	9	31.00	21.20
Average number of shares, diluted	9	70,844,023	72,725,820
Proposed dividend per share, SEK	9	11.00	9.50

## Comments

## Revenue

(2017: SEK 17,008m, 2016: SEK 15,752m)  
Consolidated income during the year increased by 8 percent to SEK 17,008m (15,752), of which SEK 13,279m refers to Sweden and SEK 3,729m refers to JM's international operations. The increase in revenue compared to the previous year is primarily attributable to the business units JM Residential Sweden and JM International.

Revenue 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.

## Operating profit

(2017: SEK 2,369m, 2016: SEK 2,011m)  
Operating profit increased by 18 percent to SEK 2,369m. The increase in operating profit compared to the previous year is primarily attributable to the business units JM Residential Stockholm, JM Residential Sweden and JM International.

## Financial income and expenses

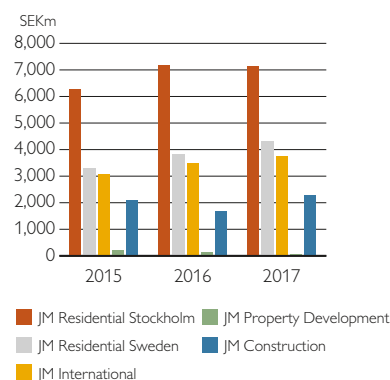
(2017: SEK 210m, 2016: SEK –60m)  
The sale of the participations in the housing developer, Småa AB, during the first quarter 2017 resulted in gains of SEK 275m. Excluding this sale, net financial items decreased by SEK 5m compared to the previous year, which is primarily due to dividends not received during 2017 from Småa AB as a result of the completed sale.

## Taxes

(2017: SEK –385m, 2016: SEK –411m)  
Reported tax expense in 2017 amounts to 15 percent (21).

The difference between reported tax and the nominal tax rate for 2017 is primarily due to the utilization of a previously unutilized loss carry-forward from JM's closed Danish operations and non-taxable revenue in connection with the sale of Småa AB.

## REVENUE BY BUSINESS SEGMENT



## CONSOLIDATED BALANCE SHEET – SEGMENT REPORTING

SEK m	NOTE	12/31/2017	12/31/2016
<b>ASSETS</b>	2		
<b>Non-current assets</b>			
Goodwill	10	176	185
Machinery and equipment	11	15	12
Participations in joint operations and associated companies	12, 13	1	15
Financial assets	14, 21	17	18
<b>Total non-current assets</b>		<b>209</b>	<b>230</b>
<b>Current assets</b>			
Project properties	15	1,074	602
Development properties	15	7,543	7,121
Participations in tenant-owners associations, etc.	16	309	233
Accounts receivable	23	1,124	999
Other current receivables	18	471	320
Prepaid expenses and accrued income		41	19
Recognized revenue less progress billings	19	2,062	1,804
Cash and cash equivalents	20, 21	2,572	1,520
<b>Total current assets</b>		<b>15,196</b>	<b>12,618</b>
<b>TOTAL ASSETS</b>		<b>15,405</b>	<b>12,848</b>
<b>EQUITY AND LIABILITIES</b>	2		
<b>Equity attributable to shareholders of the Parent Company<sup>1)</sup></b>			
Share capital		71	73
Other capital contributions		892	881
Reserves		–113	–63
Profit carried forward (including net profit for the year)		5,328	4,267
<b>Total shareholders' equity</b>		<b>6,178</b>	<b>5,158</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	21, 22, 23	203	282
Other non-current liabilities	22, 23	273	168
Provisions for pensions and similar obligations	21, 24	1,251	1,239
Other non-current provisions	25	689	320
Deferred tax liabilities		716	738
<b>Total non-current liabilities</b>		<b>3,132</b>	<b>2,747</b>
<b>Current liabilities</b>			
Accounts payable	22, 23	842	668
Current interest-bearing liabilities	22, 23	332	438
Other current liabilities	22, 23	868	541
Current tax liabilities		277	114
Progress billings in excess of recognized revenue	27	2,141	1,798
Accrued expenses and deferred income	28	1,526	1,283
Current provisions	25	109	101
<b>Total current liabilities</b>		<b>6,095</b>	<b>4,943</b>
<b>Total liabilities</b>		<b>9,227</b>	<b>7,690</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,405</b>	<b>12,848</b>
<b>Pledged assets and contingent liabilities</b>	29		

<sup>1)</sup> See Consolidated Statement of Changes in Equity, page 58.

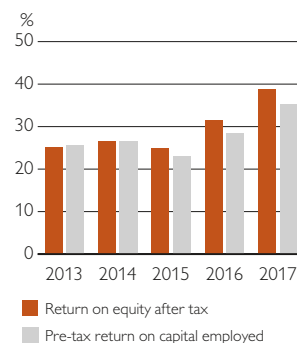
CONSOLIDATED ASSETS  
12/31/2017

- Projects properties, 7% (5)
- Development properties, 49% (57)
- Other current receivables, 3% (3)
- Recognized revenue less progress billings/work in progress, 13% (10)
- Cash and cash equivalents, 17% (12)
- Other assets, 11% (13)

CONSOLIDATED CAPITAL STRUCTURE  
12/31/2017

- Shareholders' equity, 40% (40)
- Other non-current liabilities, 2% (1)
- Provisions for pensions and similar commitments, 8% (10)
- Progress billings in excess of recognized revenue, 14% (14)
- Interest-bearing liabilities, 3% (6)
- Other liabilities and provisions, 33% (29)

RETURN ON EQUITY AND CAPITAL EMPLOYED



## Comments

### Goodwill

(2017: SEK 176m, 2016: SEK 185m)

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

The change in 2017 refers exclusively to a change in the foreign exchange rate.

### Project properties

(2017: SEK 1,074m, 2016: SEK 602m)

The portfolio consists of smaller commercial properties and a completed rental unit project in the Stockholm area. It also refers to four projects under construction in the Stockholm area that are intended for rental units and student housing.

The externally appraised market value was estimated to be SEK 1,343m (863) with a surplus value of SEK 269m (261).

### Development properties

(2017: SEK 7,543m, 2016: SEK 7,121m)

In 2017, JM acquired development properties at the same rate as in the previous year. During the year, JM acquired development properties for SEK 2,017m (1,903), while development properties for SEK -1,534m (-1,896) 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 7.2bn (7.0).

In all, JM has 18,700 building rights (17,900) in the balance sheet.

### Participations in tenant-owners associations, etc.

(2017: SEK 309m, 2016: SEK 233m)

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. There are 82 (64) unsold residential units in the balance sheet.

### Recognized revenue less progress billings

(2017: SEK 2,062m, 2016: SEK 1,804m)

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

### Pension provisions

(2017: SEK 1,251m, 2016: SEK 1,239m)

The increase in the liability was reduced during the year primarily due to the switch to the most current life expectancy table. This is the primary reason for the actuarial gains in 2017 of SEK 43m.

### Deferred tax liabilities

(2017: SEK 716m, 2016: SEK 738m)

The deferred tax liabilities item refers in part 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.

### Non-current interest-bearing liabilities

(2017: SEK 203m, 2016: SEK 282m)

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

(2017: SEK 332m, 2016: SEK 438m)

Refers primarily to current 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

(2017: SEK 868m, 2016: SEK 541m)

This item primarily consists of current promissory notes in conjunction with the acquisition of development property. The item refers to the liability for unconditional agreements that were entered into with deferred payment.

### Progress billings in excess of recognized revenue

(2017: SEK 2,141m, 2016: SEK 1,798m)

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

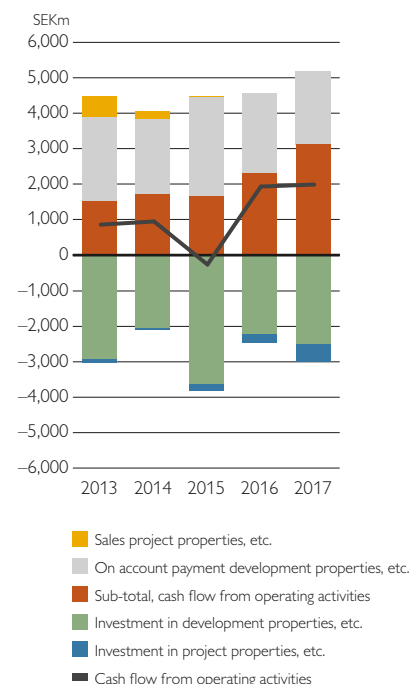
## CONSOLIDATED CASH FLOW STATEMENT – SEGMENT REPORTING

SEK m	NOTE	2017	2016
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		2,369	2,011
Depreciation and amortization		7	8
Other non-cash items		754	294
<b>Sub-total, cash flow from operating activities</b>		<b>3,130</b>	<b>2,313</b>
Interest received		2	5
Dividends received		–	9
Interest paid and other financial expenses		–37	–34
Paid tax		–361	–413
<b>Cash flow from operating activities before change in working capital</b>		<b>2,734</b>	<b>1,880</b>
Investment in development properties, etc.		–2,494	–2,215
Payment on account for development properties, etc.		2,038	2,255
Increase/decrease in accounts receivable		–124	–53
Increase/decrease in other current receivables, etc.		–357	30
Increase/decrease in accounts payable		184	52
Increase/decrease in other current operating liabilities		516	249
<b>Cash flow before investments and sales of project properties</b>		<b>2,497</b>	<b>2,198</b>
Investment in project properties, etc.		–490	–242
Sale of project properties, etc.		6	1
<b>Cash flow from operating activities</b>		<b>2,013</b>	<b>1,957</b>
<b>INVESTING ACTIVITIES</b>			
Investment in property, plant, and equipment		–11	–1
Property, plant, and equipment sold		0	–
Change in financial assets <sup>1)</sup>		311	–5
<b>Cash flow from investing activities</b>		<b>300</b>	<b>–6</b>
<b>FINANCING ACTIVITIES</b>	21		
Loans raised		214	299
Amortization of debt		–298	–910
Redeemed options		–	1
Buy-back of shares		–500	–500
Dividend		–675	–602
<b>Cash flow from financing activities</b>		<b>–1,259</b>	<b>–1,712</b>
<b>Cash flow for the year</b>		<b>1,054</b>	<b>239</b>
<b>Cash and cash equivalents, January 1</b>		<b>1,520</b>	<b>1,275</b>
Exchange rate difference in cash and cash equivalents		–2	6
<b>Cash and cash equivalents, December 31</b>		<b>2,572</b>	<b>1,520</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	21		
Interest-bearing liabilities and provisions		1,786	1,959
Cash and cash equivalents and interest-bearing receivables		–2,576	–1,524
<b>Interest-bearing net liabilities (+)/receivables (–), December 31</b>		<b>–790</b>	<b>435</b>

<sup>1)</sup> Of which SEK 310m refers to the sale of the participations in Småa AB.

OTHER NON-CASH ITEMS		Note	2017	2016
Gains/losses on the sale of property	6		-14	-15
Changes in pension liability			12	110
Other provisions, etc.			756	199
<b>Total</b>			<b>754</b>	<b>294</b>
INVESTMENT IN DEVELOPMENT PROPERTIES, ETC.			2017	2016
Investment in development properties	15		-2,017	-1,889
Acquisition of participations in tenant-owners associations	16		-619	-282
Change in promissory notes			142	-44
<b>Total</b>			<b>-2,494</b>	<b>-2,215</b>
PAYMENT ON ACCOUNT FOR DEVELOPMENT PROPERTIES, ETC.			2017	2016
Payment on account for development properties	15		1,534	1,896
Sale of development properties	6		18	102
Change in receivables, development properties sold, etc.			-57	-29
Sale of participations in tenant-owners associations	16		543	286
<b>Total</b>			<b>2,038</b>	<b>2,255</b>
INVESTMENT IN PROJECT PROPERTIES, ETC.			2017	2016
Investment in project properties	15		-490	-242
<b>Total</b>			<b>-490</b>	<b>-242</b>
SALE OF PROJECT PROPERTIES, ETC.			2017	2016
Sale of project properties	6		6	1
<b>Total</b>			<b>6</b>	<b>1</b>

## CASH FLOW FROM OPERATING ACTIVITIES



## Comments

### Operating activities

(2017: SEK 2,013m, 2016: SEK 1,957m)

Cash flow from operating activities is in line with the previous year. Cash flow is burdened by net investments in development properties, project properties and repurchased residential units of SEK -940m.

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

(2017: SEK 3,130m, 2016: SEK 2,313m)

Operating activities, before interest and tax, contributed SEK 3,130m, which is an increase of SEK 817m 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 changes in working capital

(2017: SEK 2,734m, 2016: SEK 1,880m)

Net interest and dividends paid and received increased from SEK -20m in 2016 to SEK -35m in 2017 primarily due to dividends not received in 2017 from Småa as a result of the completed sale of shares in the company.

Taxes paid decreased from SEK -413m in 2016 to SEK -361m in 2017.

### Net development properties, etc.

(including participations in tenant-owners associations)

(2017: SEK -456m, 2016: SEK 40m)

JM acquired development properties for SEK 2,017m (1,889). At the same time, SEK 1,534m (1,896) went into production in conjunction with housing starts. Changes in holdings of repurchased residential units resulted in a cash flow of SEK -80m (-26).

### Current receivables and liabilities

(2017: SEK 219m, 2016: SEK 278m)

Current receivables and liabilities had a total impact on cash flow of SEK 219m (278), which is a change compared to the previous year of SEK 59m.

### Net project properties

(2017: SEK -484m, 2016: SEK -241m)

The cash flow from net project properties refers to investments in project properties in 2017.

### Financing activities

(2017: SEK -1,259m, 2016: SEK -1,712m)

During the year, cash dividends of SEK 675m were paid to shareholders, and buy-back of own shares amounted to SEK 500m. Interest-bearing liabilities decreased net by SEK 185m.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – SEGMENT REPORTING**

SEK m	2017	2016
<b>Opening balance, January 1</b>	<b>5,158</b>	<b>4,652</b>
Total comprehensive income for the year	2,184	1,593
Dividend to equity holders of the Parent Company	–675	–602
Conversion of convertible loan	10	13
Equity component of convertible debentures	1	2
Buy-back of shares	–500	–500
<b>On December 31</b>	<b>6,178</b>	<b>5,158</b>

## Comments

### Equity

(2017: SEK 6,178m, 2016: SEK 5,158m)

Shareholders' equity increased by SEK 1,020m compared to the end of 2016. Consolidated equity as at December 31, 2017, totaled SEK 6,178m (5,158), which corresponds to SEK 89 (72) per share. Return on equity was 38.7 percent (31.4).

### Total comprehensive income for the year

See the comments to the Consolidated Income Statement – Segment Reporting, page 53.

### Dividend to Parent Company shareholders

The dividend to shareholders of the Parent Company totaled SEK 675m (602), corresponding to SEK 9.50 (8.25) per share.

### Conversion of convertible loan

During the year, 51,543 shares were converted in the 2013 and 2014 Convertible Programs and the 2013 Warrant Program. Share capital has thus increased by SEK 0m and other capital contributions by SEK 10m.

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

During the year 1,916,611 shares were bought back for a total of SEK 500m. At the beginning of September, the AGM resolution on the reduction of share capital regarding 2,044,847 shares was taken into effect. Holdings of own shares totaled 1,476,421 at the end of 2017. The number of outstanding shares, excluding holdings of own shares, totaled 69,583,262.

# Greater supply on the housing market in Stockholm

## Market

Average prices on the existing home market leveled off during the first six months of 2017 and then decreased during the second half of the year. The supply of new residential units in relation to long-term demand in the Stockholm area increased.

Competition for well-situated land for housing is judged to have decreased at the end of the year at the same time as the supply of properties for housing development increased. However, prices of building rights are still at a level that requires selective acquisition.

The willingness to sign a reservation contract in new projects has been normal, although customers are cautious about signing a contract early in the process.

Strong demand at the beginning of the year meant that, despite the cautious market at the end of the year, 1,152 residential units (1,552) were sold.

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

Business segment revenue amounted to SEK 7,151m (7,162). Operating profit increased to SEK 1,438m (1,295), and the operating margin increased to 20.1 percent (18.1), which was stable growth for the operations. Cash flow during the year is in balance taking into consideration the increase in development properties.

## Building rights

During the year, building rights equivalent to approximately 1,090 residential units (970) were acquired in Huddinge, Solna, Stockholm, Sundbyberg, Upplands Bro and Österåker.

## Housing starts

During the year, production started on 1,443 residential units (1,745). 1,392 (1,682) were units in apartment buildings, including 41 on Ekerö, 104 in Huddinge, 234 in Järfälla, 223 in Nacka, 618 in Stockholm, 54 in Upplands Bro and 118 in Österåker. Production was started on 51 (63) single-family homes in Österåker.

## 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.



SEK m	January–December	
	2017	2016
Revenue	7,151	7,162
Operating profit <sup>1)</sup>	1,438	1,295
Operating margin, %	20.1	18.1
Average operating capital	4,450	4,388
Return on operating capital, %	32.3	29.5
Operating cash flow	1,603	1,558
Carrying amount, development properties	4,406	4,286
Number of available building rights	13,400	13,000
– of which building rights in the balance sheet	7,800	8,000
Number of residential units sold	1,152	1,552
Number of housing starts	1,443	1,745
Number of residential units in current production	3,842	3,786
Number of employees	877	859
– of which salaried employees	475	445
– of which wage-earners	402	414
<sup>1)</sup> Of which property sales	6	–



Solstrålen in Älvsjöstaden, Stockholm.

# Strong demand on all markets

## Market

Average prices on the business segment's existing markets did not change or increased slightly during the year with the exception for Uppsala and Örebro. A slight slow-down was noted at the end of the year, and the supply on some local markets increased. Competition for land for housing is tough. Interest in JM's projects is good, and customers' willingness to sign a contract early in the process is at a normal level.

Good demand resulted in strong sales during the year of 1,302 residential units (1,318).

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 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

The business segment's revenue increased to SEK 4,309m (3,820), and operating profit increased to SEK 669m (480). The operating margin increased to 15.5 percent (12.6). Cash flow during the year is in balance, at the same time as it was burdened by greater holdings of development properties.

## Building rights

During the year, building rights corresponding to approximately 1,100 (1,250) residential units were acquired in Malmö, Lund, Vellinge, Mölndal, Partille, Kungälv, Västerås, Örebro and Uppsala.

## Housing starts

During the year, production started on 1,411 residential units (1,336); 1,391 (1,217) were units in apartment buildings, including 602 in Skåne (496 in Malmö, 50 in Lund and 56 in Lomma), 155 in Gothenburg, 137 in Kungälv, 114 in Linköping, 152 in Västerås, 44 in Upplands Väsby and 187 in Uppsala.

Production started on 20 (119) single-family homes, including 17 in Staffanstorps in Skåne and 3 in Kungsbacka.

## 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.

REVENUE

25%

OPERATING PROFIT

28%

NUMBER OF EMPLOYEES

23%

January–December

SEK m	2017	2016
Revenue	4,309	3,820
Operating profit <sup>1)</sup>	669	480
Operating margin, %	15.5	12.6
Average operating capital	892	1,085
Return on operating capital, %	75.0	44.2
Operating cash flow	616	720
Carrying amount, development properties	1,540	1,350
Number of available building rights	10,100	9,700
– of which building rights in the balance sheet	6,100	5,500
Number of residential units sold	1,302	1,318
Number of housing starts	1,411	1,336
Number of residential units in current production	2,351	2,240
Number of employees	590	586
– of which salaried employees	347	324
– of which wage-earners	243	262
<sup>1)</sup> Of which property sales	–	37



Kvibergs Esplanad in Gothenburg.

# Good demand in Finland and cautious market in Norway

## Earnings trend

Business segment revenue increased to SEK 3,729m (3,477), and operating profit increased to SEK 281m (204). The operating margin increased to 7.5 percent (5.9). Cash flow during the year is in balance taking into consideration the increase in development properties.

## Norway

The price level on the existing home market in Norway decreased slightly during the year. Customers are more cautious and time to closing has increased. JM's largest markets are Oslo, Tønsberg and its surroundings and Bergen. There are large projects in Grefsen and Lörenskog in Oslo, Semsbyen in Tønsberg and Loddefjord in Bergen.

During the year 472 residential units (705) were sold and production began on 621 units (643). The number of residential units in current production amounts to 1,193 (1,203). Building rights corresponding to around 750 residential units (1,300) were acquired. Available building rights correspond to 7,600 residential units (6,700).

## Finland

The housing market in the Helsinki region improved during the year. The turnover rate and prices have been increasing.

During the year 172 residential units (254) were sold and production began on 261 units (234). The number of residential units in current production amounts to 261 (277).

During the year, JM purchased building rights corresponding to approximately 360 residential units (40). Available building rights correspond to 2,700 residential units (2,000).

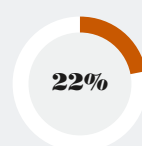
## Belgium

JM closed its operations in Belgium in Q1 2017. JM is still the owner of one development property and five residential units that are for sale. Available building rights correspond to 200 residential units (200).

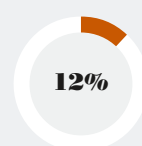
## JM INTERNATIONAL

The business segment develops residential projects primarily in Norway and Finland. Contracting operations are also conducted to a limited extent in Norway. Contracting operations are reported in the JM Construction business segment as of 2018.

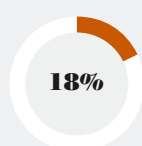
REVENUE



OPERATING PROFIT



NUMBER OF EMPLOYEES



	January–December	
SEK m	2017	2016
Revenue	3,729	3,477
– of which JM Norway	3,244	3,056
Operating profit <sup>1)</sup>	281	204
– of which JM Norway	273	227
Operating margin, %	7.5	5.9
– of which JM Norway	8.4	7.4
Average operating capital	2,147	1,997
Return on operating capital, %	13.1	10.2
Operating cash flow	156	153
Carrying amount, development properties	1,545	1,401
Carrying amount, project properties	7	13
Number of available building rights	10,500	8,900
– of which building rights in the balance sheet	4,600	4,300
Number of residential units sold	646	973
Number of housing starts	882	877
Number of residential units in current production	1,454	1,542
Number of employees	467	420
– of which salaried employees	312	281
– of which wage-earners	155	139
<sup>1)</sup> Of which property sales	0	–23

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



Løypetona, Meland outside of Bergen.

# Several projects with rental units

## Earnings trend

Business segment revenue decreased to SEK 60m (142), including contracting revenue of SEK 19m (117) and rental income of SEK 41m (25). Operating profit was SEK 27m (30).

Net rental income for project properties was SEK 24m (5). The profit from construction contracts was SEK 13m (45) and gains from property sales were SEK 8m (1). Cash flow during the year was negative due to ongoing investments in project properties.

## Project development

### JM Rental Housing

Production continued in 2017 on three rental projects in JM's own balance sheet. The Tjartunnan project in Stureby, Stockholm, consists of 187 rental units, and occupancy is planned for 2017-2018. The Spaken project in Hägernäs, Täby, consists of 136 rental units, and occupancy is planned for 2018. The Alphyddan project in Sickla, Nacka, is a tower block with 93 student apartments, and occupancy is planned for 2018. During the last quarter of the year, one additional rental project was started in JM's own balance sheet: the Alba Liliun project in Bredäng, Stockholm, consisting of 137 rental units and planned occupancy in 2019.

### Residential care units

In 2017, JM pursued local planning for a residential care facility in Uppsala, Kaplanen. The project includes 72 residential units.

## Management

At Bolinder Strand, Järfälla, commercial premises adjacent to JM's residential project are under development. The occupancy rate was 92 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 91 percent at the end of the year.

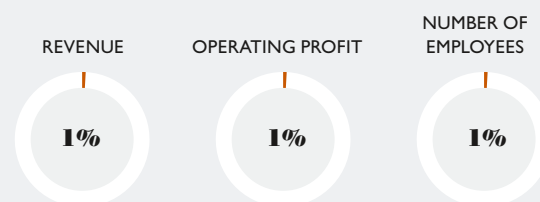
The rental apartment building in the Dalénium area of Lidingö that was completed in 2016 and has 97 rental apartments was fully occupied at the end of the year.

## Building rights

JM's building rights for project development of rental units and residential care units amount to 4,000 square meters. The carrying amount is SEK 10m (12).

## 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.



SEK m	January–December	
	2017	2016
Revenue	60	142
Operating profit <sup>1)</sup>	27	30
Average operating capital	800	508
Return on operating capital, %	3.4	5.9
Operating cash flow	–416	–101
Carrying amount, development properties	10	35
Carrying amount, project properties	1,067	589
Number of available building rights <sup>2)</sup>	800	900
– of which building rights in the balance sheet	200	100
Number of residential units sold <sup>2)</sup>	–	–
Number of housing starts <sup>2)</sup>	137	229
Number of residential units in current production <sup>2)</sup>	553	416
Number of employees	35	31
– of which salaried employees	27	22
– of which wage-earners	8	9
<sup>1)</sup> Of which property sales	8	1

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



Alba Liliun, Bredäng in Stockholm.

# 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.

## Earnings trend

Business segment revenue increased to SEK 2,284m (1,655), and operating profit decreased to SEK 1m (43). The operating margin decreased to 0.0 percent (2.6). Profit includes gains from the sale of property totaling SEK 31m (0). Profit/loss was burdened by the major revaluation of three current projects. A long-term project is underway in the business segment to raise profitability. Cash flow during the year is in balance.

## Projects

The largest ongoing projects are a new operational area at Arlanda Airport (Swedavia), new production of a school (Vallentuna Municipality), new production of apartment buildings in Norra Djurgårdsstaden (HSB and Riksbyggen) and new production of apartment buildings in Tyresö (Småa and Riksbyggen).

During the year, JM Construction also completed work related to the renovation of Slussen (City of Stockholm), new production of an office building in Danderyd (Skandia Fastigheter) and new production of apartment buildings in Gröndal (Aros Bostad).

Assignments for internal orderers include land and foundation work in Årsta and development work in the Dalénum area of Lidingö.

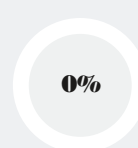
## JM CONSTRUCTION

The business segment carries out construction work for external and internal customers in the Greater Stockholm area. Contracting operations conducted in Norway are reported in the JM Construction business segment as of 2018.

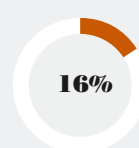
REVENUE



OPERATING PROFIT



NUMBER OF EMPLOYEES



SEK m	January–December	
	2017	2016
Revenue <sup>1)</sup>	2,284	1,655
Operating profit	1	43
Operating margin, %	0.0	2.6
Operating cash flow	49	32
Carrying amount, development properties	42	49
Number of employees	401	393
– of which salaried employees	211	194
– of which wage-earners	190	199
<sup>1)</sup> Of which internal	525	514



Arlanda Airport.

**GROUP – QUARTERLY OVERVIEW – SEGMENT REPORTING**

Amounts in SEK m unless stated otherwise.

INCOME STATEMENT	2017					2016				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	17,008	4,551	3,813	4,399	4,245	15,752	4,296	3,729	3,970	3,757
Production and operating costs	-13,648	-3,659	-3,047	-3,513	-3,429	-12,821	-3,447	-3,045	-3,233	-3,096
<b>Gross profit</b>	<b>3,360</b>	<b>892</b>	<b>766</b>	<b>886</b>	<b>816</b>	<b>2,931</b>	<b>849</b>	<b>684</b>	<b>737</b>	<b>661</b>
Selling and administrative expenses	-1,005	-254	-223	-282	-246	-935	-252	-200	-266	-217
Gains/losses on the sale of property	14	0	–	14	–	15	0	37	-23	1
<b>Operating profit</b>	<b>2,369</b>	<b>638</b>	<b>543</b>	<b>618</b>	<b>570</b>	<b>2,011</b>	<b>597</b>	<b>521</b>	<b>448</b>	<b>445</b>
Financial income and expenses	210	-17	-15	-17	259	-60	-25	-12	-7	-16
<b>Profit before tax</b>	<b>2,579</b>	<b>621</b>	<b>528</b>	<b>601</b>	<b>829</b>	<b>1,951</b>	<b>572</b>	<b>509</b>	<b>441</b>	<b>429</b>
Taxes	-385	-15	-117	-130	-123	-411	-98	-114	-102	-97
<b>Profit for the period</b>	<b>2,194</b>	<b>606</b>	<b>411</b>	<b>471</b>	<b>706</b>	<b>1,540</b>	<b>474</b>	<b>395</b>	<b>339</b>	<b>332</b>
<b>BALANCE SHEET</b>	12/31/2017 09/30/2017 06/30/2017 03/31/2017					12/31/2016 09/30/2016 06/30/2016 03/31/2016				
<b>ASSETS</b>										
<b>Non-current assets</b>		<b>209</b>	<b>211</b>	<b>213</b>	<b>215</b>		<b>230</b>	<b>233</b>	<b>219</b>	<b>212</b>
Project properties		1,074	878	791	688		602	554	495	437
Development properties		7,543	6,984	6,892	6,922		7,121	6,547	6,534	6,769
Participations in tenant-owners associations, etc.		309	267	269	205		233	240	247	233
Current receivables		3,698	3,524	3,477	3,173		3,142	3,672	3,523	3,320
Cash and cash equivalents		2,572	2,557	2,211	2,619		1,520	1,177	1,282	1,182
<b>Total current assets</b>		<b>15,196</b>	<b>14,210</b>	<b>13,640</b>	<b>13,607</b>		<b>12,618</b>	<b>12,190</b>	<b>12,081</b>	<b>11,941</b>
<b>TOTAL ASSETS</b>		<b>15,405</b>	<b>14,421</b>	<b>13,853</b>	<b>13,822</b>		<b>12,848</b>	<b>12,423</b>	<b>12,300</b>	<b>12,153</b>
<b>EQUITY AND LIABILITIES</b>										
<b>Equity</b>		<b>6,178</b>	<b>5,653</b>	<b>5,381</b>	<b>5,725</b>		<b>5,158</b>	<b>4,740</b>	<b>4,455</b>	<b>4,886</b>
Non-current interest-bearing liabilities		203	333	223	259		282	352	343	375
Other non-current liabilities		273	150	150	150		168	169	152	151
Non-current provisions		2,656	2,405	2,371	2,321		2,297	2,390	2,276	2,131
<b>Total non-current liabilities</b>		<b>3,132</b>	<b>2,888</b>	<b>2,744</b>	<b>2,730</b>		<b>2,747</b>	<b>2,911</b>	<b>2,771</b>	<b>2,657</b>
Current interest-bearing liabilities		332	204	435	334		438	267	368	408
Other current liabilities		5,654	5,564	5,184	4,932		4,404	4,403	4,612	4,113
Current provisions		109	112	109	101		101	102	94	89
<b>Total current liabilities</b>		<b>6,095</b>	<b>5,880</b>	<b>5,728</b>	<b>5,367</b>		<b>4,943</b>	<b>4,772</b>	<b>5,074</b>	<b>4,610</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>15,405</b>	<b>14,421</b>	<b>13,853</b>	<b>13,822</b>		<b>12,848</b>	<b>12,423</b>	<b>12,300</b>	<b>12,153</b>
<b>CASH FLOW STATEMENT</b>										
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
From operating activities	2,013	145	574	293	1,001	1,957	368	102	886	601
From investing activities	300	-3	-1	-3	307	-6	-1	-2	-3	0
From financing activities	-1,259	-128	-225	-697	-209	-1,712	-25	-207	-784	-696
<b>Total cash flow for the period</b>	<b>1,054</b>	<b>14</b>	<b>348</b>	<b>-407</b>	<b>1,099</b>	<b>239</b>	<b>342</b>	<b>-107</b>	<b>99</b>	<b>-95</b>
<b>Cash and cash equivalents at end of the period</b>	<b>2,572</b>	<b>2,572</b>	<b>2,557</b>	<b>2,211</b>	<b>2,619</b>	<b>1,520</b>	<b>1,520</b>	<b>1,177</b>	<b>1,282</b>	<b>1,182</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	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	435	-727	-274	-778	435	1,198	737	656	741	1,198
Change in interest-bearing net liabilities/receivables	-1,225	-63	-453	504	-1,213	-763	-302	81	-85	-457
Interest-bearing net liabilities (+)/receivables (-) at end of period	-790	-790	-727	-274	-778	435	435	737	656	741
<b>DEVELOPMENT PROPERTIES</b>	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Carrying amount at beginning of period	7,121	6,984	6,892	6,922	7,121	7,067	6,547	6,534	6,769	7,067
New purchases	2,017	803	477	382	355	1,903	966	562	125	250
Transferred to production	-1,534	-228	-379	-388	-539	-1,896	-408	-594	-344	-550
Other	-61	-16	-6	-24	-15	47	16	45	-16	2
Carrying amount at the end of the period	7,543	7,543	6,984	6,892	6,922	7,121	7,121	6,547	6,534	6,769
<b>HOUSING PRODUCTION</b>	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Number of available building rights	34,800	34,800	34,800	34,600	33,600	32,500	32,500	30,900	30,400	30,800
Number of residential units sold	3,100	684	681	871	864	3,843	925	960	1,031	927
Number of housing starts	3,873	1,183	971	906	813	4,187	1,357	1,058	916	856
Number of residential units in current production	8,200	8,200	7,739	7,641	7,901	7,984	7,984	7,793	7,081	7,550
Sold residential units in current production, %		58	62	65	66		65	67	66	67
Reserved residential units in current production, %		7	9	10	12		12	15	17	19
Sold/reserved residential units in current production, %		65	71	75	78		77	82	83	86
<b>KEY RATIOS</b>	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Operating margin, %	13.9	14.0	14.2	14.0	13.4	12.8	13.9	14.0	11.3	11.8
Debt/equity ratio, multiple	–	–	–	–	–	0.1	0.1	0.2	0.1	0.2
Equity/assets ratio, %	40	40	39	39	41	40	40	38	36	40
Earnings per share, SEK	31.00	8.60	5.80	6.70	9.90	21.20	6.60	5.50	4.60	4.50

**GROUP – FIVE-YEAR OVERVIEW – SEGMENT REPORTING**

Amounts in SEK m unless stated otherwise.

<b>INCOME STATEMENT</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Revenue	17,008	15,752	14,447	13,869	12,652
Production and operating costs	–13,648	–12,821	–12,047	–11,405	–10,361
<b>Gross profit</b>	<b>3,360</b>	<b>2,931</b>	<b>2,400</b>	<b>2,464</b>	<b>2,291</b>
Selling and administrative expenses	–1,005	–935	–866	–773	–739
Gains/losses on the sale of property	14	15	56	25	24
<b>Operating profit</b>	<b>2,369</b>	<b>2,011</b>	<b>1,590</b>	<b>1,716</b>	<b>1,576</b>
Financial income and expenses	210	–60	–72	–75	–59
<b>Profit before tax</b>	<b>2,579</b>	<b>1,951</b>	<b>1,518</b>	<b>1,641</b>	<b>1,517</b>
Taxes	–385	–411	–358	–409	–374
<b>Net profit for the year</b>	<b>2,194</b>	<b>1,540</b>	<b>1,160</b>	<b>1,232</b>	<b>1,143</b>

**INCOME STATEMENT BY FUNCTION****Production**

Recognized revenue	16,808	15,577	14,325	13,743	12,480
Production costs	–13,513	–12,707	–11,948	–11,316	–10,253
<b>Profit from production operations</b>	<b>3,295</b>	<b>2,870</b>	<b>2,377</b>	<b>2,427</b>	<b>2,227</b>

**Development properties**

Rental revenue	159	150	99	98	101
Operating expenses	–82	–71	–56	–47	–41
Property tax	–37	–23	–28	–22	–25
<b>Profit from development properties</b>	<b>40</b>	<b>56</b>	<b>15</b>	<b>29</b>	<b>35</b>

**Project properties**

Rental revenue	41	25	23	28	71
Operating expenses	–15	–18	–14	–19	–39
Property tax	–1	–2	–1	–1	–3
<b>Profit from project properties</b>	<b>25</b>	<b>5</b>	<b>8</b>	<b>8</b>	<b>29</b>

<b>Gross profit</b>	<b>3,360</b>	<b>2,931</b>	<b>2,400</b>	<b>2,464</b>	<b>2,291</b>
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<b>Selling and administrative expenses</b>	<b>–958</b>	<b>–894</b>	<b>–821</b>	<b>–728</b>	<b>–691</b>
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**Property sales**

Sales values	21	86	572	102	623
Carrying amounts	–7	–71	–516	–77	–599

<b>Gains/losses on the sale of property</b>	<b>14</b>	<b>15</b>	<b>56</b>	<b>25</b>	<b>24</b>
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Group-wide expenses	–47	–41	–45	–45	–48
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<b>Operating profit</b>	<b>2,369</b>	<b>2,011</b>	<b>1,590</b>	<b>1,716</b>	<b>1,576</b>
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<b>BALANCE SHEET</b>	<b>12/31/2017</b>	<b>12/31/2016</b>	<b>12/31/2015</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
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**ASSETS**

<b>Non-current assets</b>	<b>209</b>	<b>230</b>	<b>209</b>	<b>220</b>	<b>230</b>
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Project properties	1,074	602	378	230	244
Development properties	7,543	7,121	7,067	6,802	5,988
Participations in tenant-owners associations, etc.	309	233	235	243	325
Current receivables <sup>1)</sup>	3,698	3,142	3,066	2,626	2,222
Cash and cash equivalents	2,572	1,520	1,275	2,424	2,385

<b>Total current assets</b>	<b>15,196</b>	<b>12,618</b>	<b>12,021</b>	<b>12,325</b>	<b>11,164</b>
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<b>TOTAL ASSETS</b>	<b>15,405</b>	<b>12,848</b>	<b>12,230</b>	<b>12,545</b>	<b>11,394</b>
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**EQUITY AND LIABILITIES<sup>2)</sup>**

<b>Equity</b>	<b>6,178</b>	<b>5,158</b>	<b>4,652</b>	<b>4,703</b>	<b>4,594</b>
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Non-current interest-bearing liabilities	203	282	410	374	319
Other non-current liabilities	273	168	160	172	144
Non-current provisions	2,656	2,297	2,107	2,323	2,159

<b>Total non-current liabilities</b>	<b>3,132</b>	<b>2,747</b>	<b>2,677</b>	<b>2,869</b>	<b>2,622</b>
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Current interest-bearing liabilities	332	438	934	659	504
Other current liabilities	5,654	4,404	3,873	4,220	3,584
Current provisions	109	101	94	94	90

<b>Total current liabilities</b>	<b>6,095</b>	<b>4,943</b>	<b>4,901</b>	<b>4,973</b>	<b>4,178</b>
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<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,405</b>	<b>12,848</b>	<b>12,230</b>	<b>12,545</b>	<b>11,394</b>
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<sup>1)</sup> Of which receivables from property sales

	83	72	72	54	113
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<sup>2)</sup> Of which liabilities for property acquisition

	794	654	704	1,329	423
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**GROUP – FIVE-YEAR OVERVIEW – SEGMENT REPORTING**

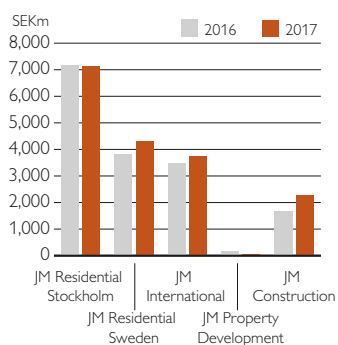
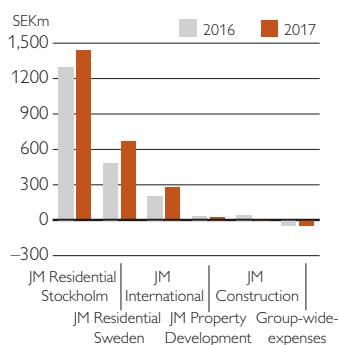
Amounts in SEK m unless stated otherwise.

<b>CASH FLOW STATEMENT</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
From operating activities	2,013	1,957	–230	978	898
From investing activities	300	–6	–11	–20	1
From financing activities	–1,259	–1,712	–902	–920	–987
<b>Total cash flow for the year</b>	<b>1,054</b>	<b>239</b>	<b>–1,143</b>	<b>38</b>	<b>–88</b>
<b>Cash and cash equivalents, December 31</b>	<b>2,572</b>	<b>1,520</b>	<b>1,275</b>	<b>2,424</b>	<b>2,385</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>					
Interest-bearing net liabilities (+)/receivables (–), January 1	435	1,198	–337	–642	–667
Change in interest-bearing net liabilities/receivables	–1,225	–763	1,535	305	25
<b>Interest-bearing net liabilities (+)/receivables (–), December 31</b>	<b>–790</b>	<b>435</b>	<b>1,198</b>	<b>–337</b>	<b>–642</b>
<b>DEVELOPMENT PROPERTIES</b>					
Carrying amount, January 1	7,121	7,067	6,802	5,988	5,769
New purchases	2,017	1,903	2,695	2,273	1,274
Transferred to production	–1,534	–1,896	–1,814	–1,427	–1,017
Other	–61	47	–616	–32	–38
<b>Carrying amount, December 31</b>	<b>7,543</b>	<b>7,121</b>	<b>7,067</b>	<b>6,802</b>	<b>5,988</b>
<b>DEVELOPMENT PROPERTIES</b>					
Market values	14,700	14,100	11,300	9,600	8,400
Carrying amounts	7,500	7,100	7,100	6,800	6,000
Surplus values	7,200	7,000	4,200	2,800	2,400
<b>HOUSING PRODUCTION</b>					
Number of available building rights	34,800	32,500	31,100	29,400	27,700
– of which recognized in the balance sheet	18,700	17,900	18,100	17,500	17,800
Number of residential units sold	3,100	3,843	3,770	3,195	3,265
Number of housing starts	3,873	4,187	3,731	3,445	2,953
Number of residential units in current production	8,200	7,984	7,212	6,375	5,609
Percentage sold residential units in current production, %	58	65	64	57	54
Percentage reserved residential units in current production, %	7	12	22	21	17
Percentage sold and reserved residential units in current production, %	65	77	86	78	71
<b>PROJECT PROPERTIES</b>					
Market values	1,343	863	550	280	294
Carrying amounts	1,074	602	378	230	244
Surplus values	269	261	172	50	50
<b>PERSONNEL</b>					
Average number of employees	2,531	2,422	2,316	2,218	2,247
– of which abroad	467	420	397	398	373
Wages, salaries and remunerations	1,401	1,291	1,219	1,167	1,151
<b>KEY RATIOS</b>					
Operating margin, % <sup>1)</sup>	13.9	12.8	11.0	12.4	12.5
Return on equity after tax, %	38.7	31.4	24.8	26.5	25.1
Pre-tax return on capital employed, %	35.1	28.4	23.0	26.6	25.6
Pre-tax return on total capital, %	18.7	16.1	12.9	14.6	14.0
Equity/assets ratio, % <sup>1)</sup>	40	40	38	37	40
Interest-bearing loan, SEK m	1,786	1,959	2,473	2,087	1,743
Debt/equity ratio, multiple	–	0.1	0.3	–	–
Interest coverage ratio, multiple	38.4	29.7	19.3	17.1	16.0
Interest-bearing liabilities/total assets, %	12	15	20	17	15
Asset turnover rate, multiple	1.20	1.26	1.17	1.16	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.

**REVENUE****OPERATING PROFIT****OPERATING CASH FLOW**

**BUSINESS SEGMENTS QUARTERLY OVERVIEW – SEGMENT REPORTING**

Amounts in SEK m unless stated otherwise.

	2017					2016				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
<b>JM RESIDENTIAL STOCKHOLM</b>										
Revenue	7,151	1,820	1,613	1,878	1,840	7,162	2,018	1,699	1,741	1,704
Operating profit <sup>1)</sup>	1,438	397	331	363	347	1,295	387	308	306	294
Operating margin, %	20.1	21.8	20.5	19.3	18.9	18.1	19.2	18.1	17.6	17.3
Average operating capital	4,450	4,450	4,374	4,354	4,345	4,388	4,388	4,382	4,287	4,229
Return on operating capital, % <sup>2)</sup>	32.3	32.3	32.6	32.3	31.0	29.5	29.5	27.3	26.8	26.2
Operating cash flow	1,603	225	505	375	498	1,558	367	180	551	460
Carrying amount, development properties	4,406	4,406	3,941	4,074	4,121	4,286	4,286	4,117	4,124	4,310
Number of available building rights	13,400	13,400	13,300	13,000	12,800	13,000	13,000	12,400	12,100	12,300
Number of residential units sold	1,152	197	213	388	354	1,552	399	353	403	397
Number of housing starts	1,443	324	365	454	300	1,745	634	456	283	372
Number of residential units in current production	3,842	3,842	3,837	3,598	3,714	3,786	3,786	3,564	3,237	3,801
<sup>1)</sup> Of which property sales	6	–	–	6	–	–	–	–	–	–
<b>JM RESIDENTIAL SWEDEN</b>										
	2017					2016				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	4,309	1,094	916	1,153	1,146	3,820	997	830	986	1,007
Operating profit <sup>1)</sup>	669	181	149	175	164	480	126	135	114	105
Operating margin, %	15.5	16.5	16.3	15.2	14.3	12.6	12.6	16.3	11.6	10.4
Average operating capital	892	892	898	893	967	1,085	1,085	1,150	1,175	1,249
Return on operating capital, % <sup>2)</sup>	75.0	75.0	68.4	67.2	55.7	44.2	44.2	39.7	33.1	28.3
Operating cash flow	616	159	–11	–29	497	720	180	58	308	174
Carrying amount, development properties	1,540	1,540	1,486	1,225	1,322	1,350	1,350	1,096	1,137	1,189
Number of available building rights	10,100	10,100	10,100	10,000	9,800	9,700	9,700	9,400	9,600	9,600
Number of residential units sold	1,302	301	332	348	321	1,318	343	311	345	319
Number of housing starts	1,411	360	372	336	343	1,336	358	331	343	304
Number of residential units in current production	2,351	2,351	2,196	2,279	2,169	2,240	2,240	2,300	2,075	1,962
<sup>1)</sup> Of which property sales	–	–	–	–	–	37	–	37	0	–
<b>JM INTERNATIONAL</b>										
	2017					2016				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	3,729	1,076	824	907	922	3,477	936	874	898	769
Operating profit <sup>1)</sup>	281	93	62	67	59	204	67	63	31	43
Operating margin, %	7.5	8.6	7.5	7.4	6.4	5.9	7.2	7.2	3.5	5.6
Average operating capital	2,147	2,147	2,083	2,060	2,034	1,997	1,997	1,993	2,013	2,093
Return on operating capital, % <sup>2)</sup>	13.1	13.1	12.2	12.4	10.8	10.2	10.2	9.2	7.9	8.4
Operating cash flow	156	–165	156	88	77	153	–114	71	165	31
Carrying amount, development properties	1,545	1,545	1,497	1,533	1,394	1,401	1,401	1,255	1,194	1,191
Carrying amount, project properties	7	7	14	12	13	13	13	38	36	35
Number of available building rights	10,500	10,500	10,500	10,700	10,100	8,900	8,900	7,900	8,000	8,200
Number of residential units sold	646	186	136	135	189	973	183	296	283	211
Number of housing starts	882	362	234	116	170	877	136	271	290	180
Number of residential units in current production	1,454	1,454	1,290	1,348	1,602	1,542	1,542	1,591	1,431	1,449
<sup>1)</sup> Of which property sales	0	0	–	–	–	–23	0	–	–23	–
<b>JM PROPERTY DEVELOPMENT</b>										
	2017					2016				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	60	12	11	19	18	142	46	34	34	28
Operating profit <sup>1)</sup>	27	3	0	17	7	30	18	7	–1	6
Average operating capital	800	800	697	623	550	508	508	455	405	361
Return on operating capital, % <sup>2)</sup>	3.4	3.4	6.0	7.9	5.6	5.9	5.9	7.7	6.9	8.0
Operating cash flow	–416	–203	–65	–77	–71	–101	–49	–56	–65	69
Carrying amount, development properties	10	10	10	10	35	35	35	35	35	35
Carrying amount, project properties	1,067	1,067	864	779	675	589	589	516	459	402
Number of available building rights <sup>3)</sup>	800	800	900	900	900	900	900	1,200	700	700
Number of residential units sold <sup>3)</sup>	–	–	–	–	–	–	–	–	–	–
Number of housing starts <sup>3)</sup>	137	137	–	–	–	229	229	–	–	–
Number of residential units in current production <sup>3)</sup>	553	553	416	416	416	416	416	338	338	338
<sup>1)</sup> Of which property sales	8	–	–	8	–	1	–	–	–	1
<sup>3)</sup> Refers to rental units and residential care units										
<b>JM CONSTRUCTION</b>										
	2017					2016				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	2,284	683	586	578	437	1,665	454	404	447	360
Operating profit	1	–22	6	8	9	43	10	12	11	10
Operating margin, %	0.0	–3.2	1.0	1.4	2.1	2.6	2.2	3.0	2.5	2.8
Operating cash flow	49	–2	101	–82	32	32	47	25	–34	–6
<b>JM OTHER</b>										
	2017					2016				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue (elimination)	–525	–134	–137	–136	–118	–514	–155	–112	–136	–111
Operating profit (Group-wide expenses)	–47	–14	–5	–12	–16	–41	–11	–4	–13	–13

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

**Description of key financial figures in JM's annual report that are not included in the IFRS regulations.**

Segment reporting reflects the economic significance of JM's business. It also correlates well to the Group's internal governance, which is based on the cash flows, risk profile and capital allocation. Use of key figures according to segment reporting thus helps investors and management analyze the trends in and performance of JM.

Amounts in SEK m unless stated otherwise.

**FIVE-YEAR OVERVIEW****Interest-bearing net liabilities (+)/receivables (–)  
(segment reporting)**

	2017	2016	2015	2014	2013
Interest-bearing liabilities (segment reporting)					
Pension provisions	1,251	1,239	1,129	1,054	920
Non-current interest-bearing liabilities	203	282	410	374	319
Current interest-bearing liabilities	332	438	934	659	504
Cash and cash equivalents and interest-bearing receivables	–2,576	–1,524	–1,275	–2,424	–2,385

**Definition**

Interest-bearing liabilities (segment reporting) less cash and cash equivalents and interest-bearing receivables.

**Reason to use the measure**

Measures external financing compared to own cash and cash equivalents

**Interest-bearing net liabilities (+)/receivables (–)  
(segment reporting)**

	–790	435	1,198	–337	–642
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**Operating margin (segment reporting)**

	2017	2016	2015	2014	2013
Operating profit (segment reporting)	2,369	2,011	1,590	1,716	1,576
Revenue (segment reporting)	17,008	15,752	14,447	13,869	12,652

**Operating margin (segment reporting), %**

	13.9	12.8	11.0	12.4	12.5
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**Definition**

Operating profit (segment reporting) in relation to revenue (segment reporting).

**Reason to use the measure**

Measures profitability of the business given the current market conditions

**Return on equity after tax**

	2017	2016	2015	2014	2013
Profit/loss for the period (segment reporting)	2,194	1,540	1,160	1,232	1,143
Average equity (segment reporting)	5,668	4,905	4,678	4,649	4,549
Equity at beginning of period	5,158	4,652	4,703	4,594	4,504
Equity at end of period	6,178	5,158	4,652	4,703	4,594

**Return on equity after tax, %**

	38.7	31.4	24.8	26.5	25.1
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**Definition**

Profit/loss for the period (segment reporting) in relation to average equity (segment reporting).

**Reason to use the measure**

Measures profitability and financial position

**Pre-tax return on capital employed**

	2017	2016	2015	2014	2013
Profit/loss before tax plus financial expenses	2,648	2,019	1,601	1,743	1,618
Average capital employed	7,541	7,121	6,958	6,564	6,325
Capital employed, at beginning of the year	7,117	7,125	6,790	6,337	6,312
Capital employed, at end of the year	7,964	7,117	7,125	6,790	6,337

**Pre-tax return on capital employed, %**

	35.1	28.4	23.0	26.6	25.6
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**Definition**

Profit/loss before tax (segment reporting) plus financial expenses in relation to average capital employed (segment reporting).

**Reason to use the measure**

Measures profitability and capital efficiency

**Capital employed**

	2017	2016	2015	2014	2013
Equity (segment reporting)	6,178	5,158	4,652	4,703	4,594
Interest-bearing loans (segment reporting)					
Transferred to pensions	1,251	1,239	1,129	1,054	920
Non-current interest-bearing liabilities	203	282	410	374	319
Current interest-bearing liabilities	332	438	934	659	504

**Capital employed**

	7,964	7,117	7,125	6,790	6,337
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**Definition**

Equity (segment reporting) plus interest-bearing loans (segment reporting).

**Reason to use the measure**

Measures capital utilization

**Pre-tax return on total capital**

	2017	2016	2015	2014	2013
Profit/loss before tax plus financial expenses	2,648	2,019	1,601	1,743	1,618
Average balance sheet total (segment reporting)	14,127	12,539	12,388	11,970	11,560
Balance sheet total, at beginning of the year	12,848	12,230	12,545	11,394	11,726
Balance sheet total, at end of the year	15,405	12,848	12,230	12,545	11,394

**Pre-tax return on total capital, %**

	18.7	16.1	12.9	14.6	14.0
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**Definition**

Profit/loss before tax (segment reporting) plus financial expenses in relation to the average balance sheet total (segment reporting)

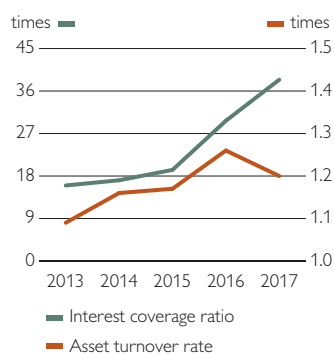
**Reason to use the measure**

Measures profitability and capital efficiency

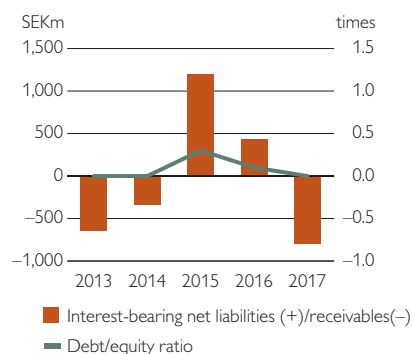
Amounts in SEK m unless stated otherwise.

<b>Equity/assets ratio (segment reporting)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Equity (segment reporting)	6,178	5,158	4,652	4,703	4,594	Equity (segment reporting) in relation to the balance sheet total (segment reporting).
Balance sheet total (segment reporting)	15,405	12,848	12,230	12,545	11,394	
<b>Equity/assets ratio (segment reporting), %</b>	<b>40</b>	<b>40</b>	<b>38</b>	<b>37</b>	<b>40</b>	<b>Reason to use the measure</b> Measures financial position
<b>Debt/equity ratio</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Interest-bearing net liabilities (segment reporting)	-790	435	1,198	-337	-642	Interest-bearing net liabilities (segment reporting) in relation to equity (segment reporting).
Equity (segment reporting)	6,178	5,158	4,652	4,703	4,594	
<b>Debt/equity ratio, multiple</b>	<b>-</b>	<b>0.1</b>	<b>0.3</b>	<b>-</b>	<b>-</b>	<b>Reason to use the measure</b> Measures financial position
<b>Interest coverage ratio</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Profit/loss before tax (segment reporting)	2,579	1,951	1,518	1,641	1,517	Profit/loss before tax (segment reporting) plus financial expenses in relation to financial expenses.
Financial expenses	69	68	83	102	101	
<b>Interest coverage ratio, multiple</b>	<b>38.4</b>	<b>29.7</b>	<b>19.3</b>	<b>17.1</b>	<b>16.0</b>	<b>Reason to use the measure</b> Measures financial position
<b>Interest-bearing liabilities/balance sheet total</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Interest-bearing loans (segment reporting)	1,786	1,959	2,473	2,087	1,743	Interest-bearing loans (segment reporting) in relation to the balance sheet total (segment reporting).
Balance sheet total (segment reporting)	15,405	12,848	12,230	12,545	11,394	
<b>Interest-bearing liabilities/balance sheet total, %</b>	<b>12</b>	<b>15</b>	<b>20</b>	<b>17</b>	<b>15</b>	<b>Reason to use the measure</b> Measures financial position
<b>Asset turnover rate</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Revenue (segment reporting)	17,008	15,752	14,447	13,869	12,652	Revenue (segment reporting) in relation to the average balance sheet total (segment reporting).
Average balance sheet total (segment reporting)	14,127	12,539	12,388	11,970	11,560	
Balance sheet total, at beginning of the year	12,848	12,230	12,545	11,394	11,726	
Balance sheet total, at end of the year	15,405	12,848	12,230	12,545	11,394	
<b>Asset turnover rate, multiple</b>	<b>1.20</b>	<b>1.26</b>	<b>1.17</b>	<b>1.16</b>	<b>1.09</b>	<b>Reason to use the measure</b> Measures financial position

INTEREST COVERAGE RATIO AND  
ASSET TURNOVER RATE



INTEREST-BEARING NET LIABILITIES/  
RECEIVABLES AND DEBT/EQUITY RATIO



## DEFINITIONS AND GLOSSARY

Amounts in SEK m unless stated otherwise.

### JM SHARE

<b>Total return</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Change in share price, SEK	-76.30	10.50	3.70	67.50	65.50	The sum of the change in share price during the year and dividend paid in relation to the share price at beginning of the year.
Dividend paid, SEK	9.50	8.25	8.00	7.25	6.75	
Share price, at beginning of the year, SEK	263.20	252.70	249.00	181.50	116.00	
<b>Total return, %</b>	<b>-25</b>	<b>7</b>	<b>5</b>	<b>41</b>	<b>62</b>	<b>Reason to use the measure</b> Measures total return for the shareholder during a specific period
<b>Dividend yield</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Proposed dividend, SEK	11.00	9.50	8.25	8.00	7.25	Proposed dividend in relation to share price as at end of the period.
Share price, at end of the year, SEK	186.90	263.20	252.70	249.00	181.50	
<b>Dividend yield, %</b>	<b>5.9</b>	<b>3.6</b>	<b>3.3</b>	<b>3.2</b>	<b>4.0</b>	<b>Reason to use the measure</b> Measures return liquidity for the shareholder
<b>Earnings per share, diluted (segment reporting)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Profit/loss for the period after dilution	2,196	1,541	1,161	1,234	1,146	Profit/loss for the period according to the income statement (segment reporting) attributable to shareholders of the Parent Company in relation to weighted average number of shares.
Average number of shares	70,844,023	72,725,820	74,846,482	76,888,597	78,983,735	
<b>Earnings per share, diluted (segment reporting), SEK</b>	<b>31.00</b>	<b>21.20</b>	<b>15.50</b>	<b>16.00</b>	<b>14.50</b>	<b>Reason to use the measure</b> Measures profit per share
<b>Development properties per share, market value</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Development properties, market value	14,700	14,100	11,300	9,600	8,400	Development properties' market value at the end of the period in relation to the number of shares at the end of the period.
Number of shares at end of period	69,583,262	71,448,330	73,594,000	75,471,471	77,550,383	
<b>Development properties per share, market value, SEK</b>	<b>212</b>	<b>197</b>	<b>154</b>	<b>127</b>	<b>108</b>	<b>Reason to use the measure</b> Measures market value of development properties per share disregarding financing
<b>Development properties per share, carrying value</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Development properties, carrying amount	7,543	7,121	7,067	6,802	5,988	Development properties' carrying amount at the end of the period in relation to the number of shares at the end of the period.
Number of shares at end of period	69,583,262	71,448,330	73,594,000	75,471,471	77,550,383	
<b>Development properties per share, carrying value, SEK</b>	<b>108</b>	<b>100</b>	<b>96</b>	<b>90</b>	<b>77</b>	<b>Reason to use the measure</b> Measures carrying amount of development properties per share disregarding financing
<b>Project properties per share, market value</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Project properties, market value	1,343	863	550	280	294	Project properties' market value at the end of the period in relation to the number of shares at the end of the period.
Number of shares at end of period	69,583,262	71,448,330	73,594,000	75,471,471	77,550,383	
<b>Project properties per share, market value, SEK</b>	<b>19</b>	<b>12</b>	<b>7</b>	<b>4</b>	<b>4</b>	<b>Reason to use the measure</b> Measures the market value of project properties per share disregarding financing
<b>Project properties per share, carrying amount</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Project properties, carrying amount	1,074	602	378	230	244	Project properties' carrying amount at the end of the period in relation to the number of shares at the end of the period.
Number of shares at end of period	69,583,262	71,448,330	73,594,000	75,471,471	77,550,383	
<b>Project properties per share, carrying amount, SEK</b>	<b>15</b>	<b>8</b>	<b>5</b>	<b>3</b>	<b>3</b>	<b>Reason to use the measure</b> Measures the carrying amount of project properties per share disregarding financing
<b>Equity per share</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>Definition</b>
Equity (segment reporting)	6,178	5,158	4,652	4,703	4,594	Equity (segment reporting) at the end of the period in relation to the number of shares at the end of the period.
Number of shares at end of period	69,583,262	71,448,330	73,594,000	75,471,471	77,550,383	
<b>Equity per share, SEK</b>	<b>89</b>	<b>72</b>	<b>63</b>	<b>62</b>	<b>59</b>	<b>Reason to use the measure</b> Measures the value of equity per share, net worth

Amounts in SEK m unless stated otherwise.

### DEFINITIONS KEY FINANCIAL FIGURES – IFRS

Interest-bearing net liabilities (+)/receivables (–)	2017	2016	2015	2014	2013	Definition
Interest-bearing liabilities						Interest-bearing liabilities decreased through cash and cash equivalents and interest-bearing receivables.
Pension provisions	1,251	1,239	1,129	1,054	920	
Non-current interest-bearing liabilities	203	517	483	374	319	<b>Reason to use the measure</b>
Current interest-bearing liabilities	1,728	2,055	2,190	1,633	2,046	Measures external financing compared to own cash and cash equivalents
Cash and cash equivalents and interest-bearing receivables	–2,576	–1,524	–1,275	–2,424	–2,385	
<b>Interest-bearing net liabilities (+)/receivables (–)</b>	<b>606</b>	<b>2,287</b>	<b>2,527</b>	<b>637</b>	<b>900</b>	
Equity/assets ratio	2017	2016	2015	2014	2013	Definition
Equity	6,043	4,951	4,521	4,635	4,455	Shareholders' equity in relation to the balance sheet total.
Balance sheet total	16,947	14,332	13,301	13,349	12,692	
<b>Equity/assets ratio, %</b>	<b>36</b>	<b>35</b>	<b>34</b>	<b>35</b>	<b>35</b>	<b>Reason to use the measure</b> Measures financial position
Debt/equity ratio	2017	2016	2015	2014	2013	Definition
Interest-bearing net liabilities	606	2,287	2,527	637	900	Interest-bearing net debt in relation to equity.
Equity	6,043	4,951	4,521	4,635	4,455	<b>Reason to use the measure</b>
<b>Debt/equity ratio, multiple</b>	<b>0.1</b>	<b>0.5</b>	<b>0.6</b>	<b>0.1</b>	<b>0.2</b>	Measures financial position
Interest coverage ratio	2017	2016	2015	2014	2013	Definition
Profit/loss before tax	2,666	1,871	1,427	1,744	1,464	Profit/loss before tax plus financial expenses in relation to financial expenses.
Financial expenses	69	68	83	102	101	
<b>Interest coverage ratio, multiple</b>	<b>39.6</b>	<b>28.5</b>	<b>18.2</b>	<b>18.1</b>	<b>15.5</b>	<b>Reason to use the measure</b> Measures financial position
Earnings per share, diluted	2017	2016	2015	2014	2013	Definition
Profit/loss for the period after dilution	2,261	1,479	1,086	1,308	1,107	Profit/loss for the year attributable to shareholders of the Parent Company in relation to weighted average number of shares.
Average number of shares	70,844,023	72,725,820	74,846,482	76,888,597	78,983,735	
<b>Earnings per share, diluted, SEK</b>	<b>31.90</b>	<b>20.30</b>	<b>14.50</b>	<b>17.00</b>	<b>14.00</b>	<b>Reason to use the measure</b> Measures profit per share

### OTHER DEFINITIONS

	Definition	Reason to use the measure
<b>Revenue (segment reporting)</b>	Revenue and profit in the projects are reported period-by-period, in pace with recognition and sale, providing a direct link between financial reporting and the business conducted during the period.	Measures revenue given completion and current market conditions
<b>Operating profit (segment reporting)</b>	Revenue (segment reporting) minus production and operating expenses minus selling and administrative expenses plus gains from property sales and impairment.	Measures profit/loss given completion and current market conditions
<b>Equity (balance sheet, segment reporting)</b>	Equity (IFRS) adjusted for historic profit recognition according to percentage of completion method for JM International.	Measures equity (segment reporting)
<b>Liabilities (balance sheet, segment reporting)</b>	Liabilities (IFRS) adjusted with recognized revenue according to percentage of completion method for ongoing projects JM International reported net to project financing. Projects under liabilities exceed project financing recognized revenue.	Measures liabilities (segment reporting)
<b>Assets (balance sheet, segment reporting)</b>	Assets (IFRS) adjusted with recognized revenue according to percentage of completion method for ongoing projects JM International instead of capitalized cost (work in progress) reported net to project financing. Projects under assets exceed revenue recognition project financing.	Measures assets (segment reporting)
<b>Development properties</b>	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 for project properties.	Measures assets that in the future will be reclassified to project expense
<b>Project properties</b>	Classified as current assets and comprise large property portfolios for further development and commercial properties. • Properties under development • Completed rental and residential care units • Completed commercial properties	Measures assets that are for sale or can be exchanged for development properties
<b>Operating cash flow (only business segment)</b>	Change in operating capital plus profit for the period adjusted for non-cash items.	Measures cash flow per business segment
<b>Return on operating capital</b>	Operating profit (segment reporting) in relation to average (five measurement points in the past five quarters) operating capital.	Measures profitability and capital efficiency per business segment
<b>Operating capital</b>	Total goodwill, project properties, development properties, participations in tenant-owners associations etc., receivables from property sales, receivables from sold participations in tenant-owners associations, and accounts receivable and revenue less progress billings minus accounts payable, liabilities to tenant-owners associations and progress billings in excess of recognized revenue.	Measures capital utilization per business segment

# 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 2017.

## Market, sales and housing starts

The market in Stockholm was cautious during the second half of 2017. The production volume in Stockholm demonstrated stable growth with good profitability, and housing starts during the fourth quarter were supported by a normal level of reservations.

In the rest of Sweden, demand and interest in JM's projects were stable. The market in Norway was cautious during the year, while demand in Finland improved. Population growth in our main markets, coupled with continued low interest rates, supports demand for housing.

The number of residential units sold in the form of signed contracts was 3,100 (3,843)<sup>1)</sup>. The percentage of sold or reserved homes in relation to current production amounts to 65 percent (77), with an interval of 60–65 percent considered normal. JM Residential Stockholm sold 1,152 residential units (1,552), JM Residential Sweden sold 1,302 (1,318), JM International sold 646 (973) and JM Property Development sold 0 (0).

The number of housing starts was 3,873 (4,187)<sup>2)</sup>. JM Residential Stockholm started production on 1,443 residential units (1,745), JM Residential Sweden on 1,411 (1,336), JM International on 882 (877) and JM Property Development on 137 (229).

In addition to demand, planning processes continue to be an important criterion for the rate of housing starts.

The number of residential units in current production amounted to 8,200 (7,984), of which 553 are rental units and residential care units (416).

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

<sup>2)</sup> Of which 137 rental units and residential care units (229).

## Revenue

Consolidated revenue according to segment reporting for the year increased to SEK 17,008m (15,752). The increase in revenue is primarily attributable to JM Construction, JM Residential Sweden and JM International. Revenue restated according to IFRS increased to SEK 17,275m (15,291).

## Operating profit

Operating profit according to segment reporting increased to SEK 2,369m (2,011) and the operating margin increased to 13.9 percent (12.8). The housing operations in Stockholm, Rest of Sweden and Norway and Finland are reporting increased profits and margins. The greatest improvement was achieved by the housing operations in JM Residential Sweden, with a profit of SEK 669m (480) and a margin of 15.5 percent (12.6). Operating profit restated according to IFRS increased to SEK 2,456m (1,931). The restatement is related to JM International and had an effect on earnings of SEK 87m (–80).

Operating profit for JM Residential Stockholm increased to SEK 1,438m (1,295), of which capital gains from property sales amounted to SEK 6m (0). The operating margin increased to 20.1 percent (18.1).

Operating profit for JM Residential Sweden increased to SEK 669m (480), of which capital gains from property sales amounted to SEK 0m (37). The operating margin increased to 15.5 percent (12.6).

Operating profit for JM International increased to SEK 281m (204), of which capital gains from property sales amounted to SEK 0m (–23). The operating margin increased to 7.5 percent (5.9).

Operating profit for JM Property Development decreased to SEK 27m (30), of which capital gains from property sales amounted to SEK 8m (1).

Operating profit for JM Construction decreased to SEK 1m (43). The operating profit includes gains from property sales of SEK 31m (0). The operating margin was 0.0 percent (2.6).

## BUSINESS SEGMENTS

SEK m	Revenue		Operating profit		Operating margin, %	
	2017	2016	2017	2016	2017	2016
JM Residential Stockholm	7,151	7,162	1,438	1,295	20.1	18.1
JM Residential Sweden	4,309	3,820	669	480	15.5	12.6
JM International	3,729	3,477	281	204	7.5	5.9
JM Property Development	60	142	27	30		
JM Construction	2,284	1,665	1	43	0.0	2.6
Elimination	–525	–514				
Group-wide expenses			–47	–41		
<b>Total (segment reporting)</b>	<b>17,008</b>	<b>15,752</b>	<b>2,369</b>	<b>2,011</b>	<b>13.9</b>	<b>12.8</b>
Restatement JM International	267	–461	87	–80		
<b>Total (IFRS)</b>	<b>17,275</b>	<b>15,291</b>	<b>2,456</b>	<b>1,931</b>	<b>14.2</b>	<b>12.6</b>

## RESIDENTIAL UNITS IN CURRENT PRODUCTION

	12/31/2017	12/31/2016
Number of residential units in current production <sup>1)2)</sup>	8,200	7,984
Percentage of sold residential units in current production, % <sup>3)</sup>	58	65
Percentage reserved residential units in current production, %	7	12
Percentage sold and reserved residential units in current production, %	65	77
<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	553	416
Including residential units in projects where costs incurred are only reported as project properties under construction	553	416

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

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

## UNSOLD UNITS

	12/31/2017	12/31/2016
Completed production, number of unsold units <sup>1)</sup>	72	70
The number of unsold residential units in the balance sheet reported as "Participations in tenant-owners associations, etc."	82	64

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

## Financial income and expenses

The sale of the participations in the housing developer Småa AB during Q1 2017 resulted in gains of SEK 275m. Excluding this sale, net financial items decreased by SEK 5m compared to the previous year primarily due to dividends not received during 2017 from Småa as a result of the completed sale.

SEK m	12/31/2017	12/31/2016
Financial income <sup>1)</sup>	279	17
Financial expenses	-69	-68
Currency effect from the closing down of operations <sup>2)</sup>	-	-9
<b>Financial income and expenses</b>	<b>210</b>	<b>-60</b>
<sup>1)</sup> Of which gains from sales of participations in Småa AB	275	
<sup>2)</sup> Pertains to JM's operations in Denmark.		

## Profit before tax

Profit before tax according to segment reporting increased to SEK 2,579m (1,951). Profit restated according to IFRS increased to SEK 2,666m (1,871).

## Tax and profit for the year

Profit for the year according to segment reporting increased to SEK 2,194m (1,593). Profit for the year restated according to IFRS increased to SEK 2,259m (1,478). Total tax expense was SEK -385m (-411) and according to IFRS SEK -407m (-393), including current tax of SEK -444m and deferred tax of SEK 37m according to IFRS. The low tax cost is attributable to the declared loss deductions for the closed Danish operations, which had a positive tax effect of SEK 118m, and the non-taxable sale of the participations in Småa AB.

A charge of SEK 38m (25) 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 residential building rights increased to 34,800 (32,500), of which 18,700 (17,900) are recognized in the balance sheet. Capital tied up in building rights (development properties in the balance sheet) for residential units amounts to SEK 7,501m (7,047) at the end of the year.

### TOTAL NUMBER OF RESIDENTIAL BUILDING RIGHTS (Including rights carried in the balance sheet as development properties)

	2017		2016	
JM Residential Stockholm	13,400	(7,800)	13,000	(8,000)
JM Residential Sweden	10,100	(6,100)	9,700	(5,500)
JM International	10,500	(4,600)	8,900	(4,300)
JM Property Development	800	(200)	900	(100)
<b>Total</b>	<b>34,800</b>	<b>(18,700)</b>	<b>32,500</b>	<b>(17,900)</b>

The valuation of JM's total development properties with a carrying amount of SEK 7.5bn (7.1) shows a surplus value of SEK 7.2bn (7.0). This valuation was carried out in cooperation with an independent appraisal company. This large surplus value confirms JM's geographic acquisition strategy.

During 2017, JM purchased development properties for residential units for SEK 2,017m (1,894), of which SEK 862m relates to JM Residential Stockholm, SEK 607m to JM Residential Sweden and SEK 548m to JM International. Net investments in development properties during the year totaled SEK 48m (-64).

The building rights portfolio thereafter amounts to SEK 7,543m (7,121). These holdings are essential for JM's residential development projects.

## DEVELOPMENT PROPERTIES (HOUSING)

SEK bn	12/31/2017		12/31/2016	
	Market value	Carrying amount	Market value	Carrying amount
JM Residential Stockholm	9.9	4.4	9.1	4.3
JM Residential Sweden	2.5	1.5	2.5	1.4
JM International	2.3	1.6	2.5	1.4
<b>Total</b>	<b>14.7</b>	<b>7.5</b>	<b>14.1</b>	<b>7.1</b>

## Project properties

Rental income from JM's project properties was SEK 41m (25). Net rental income was SEK 25m (5). Investments in project properties during the year totaled SEK 490m (242). Properties were sold for SEK 6m (1) with gains of SEK 0m (1). The externally appraised market value of JM's project properties was calculated to be SEK 1,343m (863) with a carrying amount of SEK 1,074m (602).

PROJECT PROPERTIES 12/31/2017	Market value, SEK m	Carrying amount, SEK m	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
Properties under development	1,018	837	27	92
Completed rental unit properties	300	224	6	100
Completed commercial properties	25	13	1	100
<b>Total</b>	<b>1,343</b>	<b>1,074</b>	<b>34</b>	<b>95</b>

## Financial items

### Interest-bearing liabilities and average interest rates

As at December 31, 2017, interest-bearing net receivables according to segment reporting totaled SEK 790m (-435). Non-interest-bearing liabilities for completed property acquisitions amounted to SEK 722m (497). Of these liabilities, SEK 449m (329) were current. According to IFRS, interest-bearing net liability amounted to SEK 606m (2,207) after adding project financing in JM International of SEK 1,396m (1,852). Total interest-bearing loans according to segment reporting on December 31, 2017, amounted to SEK 1,786m (1,959), of which the provision for pensions comprised SEK 1,251m (1,239). According to IFRS, total interest-bearing liabilities amounted to SEK 3,182m (3,811). A revaluation of the pension liability as a result of amended life expectancy assumptions and higher inflation assumptions decreased the liability net by SEK -43m (65). At the end of the year, the average interest rate for total interest-bearing loans according to segment reporting and including the pension liability was 2.4 percent (2.4). The average term for fixed-rate loans excluding the pension liability was 0.2 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 during the year from operating activities according to segment reporting was SEK 2,013m (1,957). Net investments in development properties resulted in a cash flow of SEK -376m (66). Holdings of repurchased residential units resulted in a cash

flow of SEK –80m (–26). Consolidated cash flow from project properties (sales minus investment) during the year was SEK –484m (–241). Cash flow from operating activities according to IFRS was SEK 2,403m (1,572). The difference compared to segment reporting is due to reclassified project financing in JM International.

### Liquidity

Consolidated available liquidity was SEK 5,372m (4,320). Aside from cash and cash equivalents of SEK 2,572m (1,520), this includes unutilized overdraft facilities and credit lines totaling SEK 2,800m (2,800), where credit agreements for SEK 2,400m had an average maturity of 2.6 years (1.5).

### Equity

As at December 31, 2017, consolidated equity according to segment reporting amounted to SEK 6,178m (5,158) and translated according to IFRS to SEK 6,043m (4,951). Undistributed earnings according to IFRS amounted to SEK 5,191m (4,064). In 2017 the dividend to shareholders was SEK 9.50 per share (8.25), for a total of SEK 675m (602). Buy-back of own shares during the year was SEK 500m (500). The equity ratio according to segment reporting was 40 percent (40).

### Human Resources

The number of employees increased during 2017 by 5 percent and at the end of the year amounted to 2,531 (2,422). 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 998 (1,023) wage-earners and 1,533 (1,399) salaried employees. The average number of employees during the year was 2,538 (2,400), including 448 (406) employed in JM's foreign subsidiaries. Wages, salaries, and social security expenses totaled SEK 2,119m (1,952), of which social security expenses comprised SEK 718m (661).

### 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.

### Sustainability Report

The Sustainability Report in accordance with the Annual Accounts Act is reported in About the Sustainability Report on page 125.

### Corporate Governance Report

The Corporate Governance Report is a separate part of JM's Annual Report and is found on pages 113–120.

### Work of the Board in 2017

The 2017 Annual General Meeting elected seven members. The employee organizations appointed two members and two deputies. The Board of Directors held twelve meetings. In addition, the Audit Committee held seven meetings, the Compensation Committee four meetings and the Investment Committee six meetings. The most important issues for the Board during 2017 were decisions to start production on large housing projects, major acquisitions of development properties, decisions on the sale of the shares in Småa AB, decisions on the digitalization strategy, the strategic plan, proposed decisions to acquire own shares, proposed decisions regarding the elimination of own shares, proposed short-term and long-term variable remuneration programs and a proposed convertible debenture program for all employees in Sweden. The Board members' participation in meetings can be seen in the chart on page 114. Each year the Chairperson of the Board evaluates the work of the Board with the Directors and reports the results to the Nomination Committee. A description of the committees and members is presented in the Corporate Governance Report on pages 116–117.

### Dividend

Unrestricted equity in the Parent Company amounts to SEK 2,979m. For 2017 the Board of Directors proposes a dividend of SEK 11.00 (9.50) per share, for a total of SEK 765m (675). Remaining unrestricted equity of SEK 2,214m is proposed for carry-forward. The proposed record date for the dividend is April 16, 2018. If the Annual General Meeting resolves to adopt the proposal, the dividend will be sent on Thursday, April 19, 2018.

### Buy-back and holdings of own shares

At the end of August 2017, the Annual General Meeting resolution to reduce the share capital by 2,044,847 shares that the company held was taken into effect.

After the 2017 Annual General Meeting, a total of 1,476,421 shares were bought back for SEK 375m. The number of outstanding shares, excluding holdings of own shares, at December 31, 2017, totals 69,583,262.

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 14, 2018.

JM continued to have a strong financial position and strong liquidity. However, the Board of Directors does not intend to propose a buy-back of own shares to the Annual General Meeting. Neither will JM buy back any of the company's own shares during the first quarter of 2018. The aim is to improve possibilities for larger acquisitions of development properties if the opportunity arises. The strong financial position also supports the priority to start new housing projects.

### Share capital

JM's share capital at December 31, 2017, was SEK 71m (73), represented by 71,059,683 shares, of which 1,476,421 are repurchased shares. All shares carry equal voting rights and equal rights to a share of the Company's equity and have a par value of SEK 1. The issued shares are freely transferable with no restrictions imposed by law or JM's Articles of Association. JM knows of no agreements involving shareholders that may restrict the right to transfer shares.

In the event major changes occur to the ownership structure of JM AB, i.e. more than 30 percent or significant changes to the voting rights in JM AB are transferred to another owner or JM AB is delisted from Nasdaq Stockholm, the credit line of SEK 2,800m can be terminated by the lenders.

### Remuneration to senior executives

The proposal of the Board of Directors 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 2017 Annual General Meeting. The new agreements entered into with senior executives following the 2017 Annual General Meeting have followed the current guidelines.

Within the framework of the guidelines, the Board of Directors has entered an agreement for earlier pension for one person.

### Proposal for 2018 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 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 and is conducted in the following business segments: JM Residential Stockholm, JM Residential Sweden and JM Property Development. Net sales for the Parent Company in 2017 were SEK 11,602m (11,149). The Parent Company's profit before appropriations and tax was SEK 2,349m (1,774). Investments in properties totaled SEK 851m (1,221). The average number of employees was 1,667 (1,598), including 1,300 men (1,276) and 367 women (322). Wages, salaries, and social security expenses totaled SEK 1,369m (1,280). An account of the number of employees and payroll expenses is provided in the Parent Company's notes, Note 2 on page 104.

## CONSOLIDATED INCOME STATEMENT – IFRS

SEKm	NOTE	2017	2016
Revenue	1, 2	17,275	15,291
Production and operating costs	3, 4	–13,828	–12,440
<b>Gross profit</b>		<b>3,447</b>	<b>2,851</b>
Selling and administrative expenses	3, 4, 5	–1,005	–935
Gains/losses on the sale of property	6	14	15
<b>Operating profit</b>		<b>2,456</b>	<b>1,931</b>
Financial income	7	279	17
Financial expenses	7	–69	–77
<b>Profit before tax</b>		<b>2,666</b>	<b>1,871</b>
Taxes	8	–407	–393
<b>Net profit for the year</b>		<b>2,259</b>	<b>1,478</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified as income</i>			
Translation differences from the translation of foreign operations		–44	102
<i>Items that will not be reclassified as income</i>			
Restatement of defined-benefit pensions		53	–81
Tax attributable to other comprehensive income		–12	18
<b>Total comprehensive income for the year</b>		<b>2,256</b>	<b>1,517</b>
Net profit for the year attributable to shareholders of the Parent Company		2,259	1,478
Comprehensive income for the year attributable to shareholders of the Parent Company		2,256	1,517
Earnings per share, basic, attributable to shareholders of the Parent Company, SEK	9	32.00	20.40
Earnings per share, diluted, attributable to shareholders of the Parent Company, SEK	9	31.90	20.30
Proposed dividend per share, SEK	9	11.00	9.50

## CONSOLIDATED BALANCE SHEET – IFRS

SEKm	NOTE	12/31/2017	12/31/2016 <sup>1)</sup>	2016-01-01 <sup>1)</sup>
<b>ASSETS</b>	2			
<b>Non-current assets</b>				
Goodwill	10	176	185	168
Machinery and equipment	11	15	12	18
Participations in joint operations and associated companies	12, 13	1	15	15
Financial assets	14, 21	17	18	8
<b>Total non-current assets</b>		<b>209</b>	<b>230</b>	<b>209</b>
<b>Current assets</b>				
Project properties	15	1,074	602	378
Development properties	15	7,543	7,121	7,067
Participations in tenant-owners associations, etc.	16	309	233	235
Work in progress	17	2,291	2,073	1,644
Accounts receivable	23	1,124	999	927
Other current receivables	18	471	320	301
Prepaid expenses and accrued income		40	19	9
Recognized revenue less progress billings	19	1,314	1,215	1,256
Cash and cash equivalents	20, 21	2,572	1,520	1,275
<b>Total current assets</b>		<b>16,738</b>	<b>14,102</b>	<b>13,092</b>
<b>TOTAL ASSETS</b>		<b>16,947</b>	<b>14,332</b>	<b>13,301</b>
<b>EQUITY AND LIABILITIES</b>	2			
<b>Equity attributable to shareholders of the Parent Company<sup>2)</sup></b>				
Share capital		71	73	75
Other capital contributions		892	881	866
Reserves		–111	–67	–169
Undistributed earnings (including net profit for the year)		5,191	4,064	3,749
<b>Total shareholders' equity</b>		<b>6,043</b>	<b>4,951</b>	<b>4,521</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current interest-bearing liabilities	21, 22, 23	203	517	483
Other non-current receivables	22, 23	273	168	160
Provisions for pensions and similar obligations	21, 24	1,251	1,239	1,129
Other non-current provisions	25	689	320	281
Deferred tax liabilities	26	679	677	659
<b>Total non-current liabilities</b>		<b>3,095</b>	<b>2,921</b>	<b>2,712</b>
<b>Current liabilities</b>				
Accounts payable	22, 23	842	668	602
Current interest-bearing liabilities	21, 22, 23	1,728	2,055	2,190
Other current liabilities	22, 23	1,328	541	611
Current tax liabilities		277	114	89
Progress billings in excess of recognized revenue	27	1,999	1,698	1,472
Accrued expenses and deferred income	28	1,526	1,283	1,010
Current provisions	25	109	101	94
<b>Total current liabilities</b>		<b>7,809</b>	<b>6,460</b>	<b>6,068</b>
<b>Total liabilities</b>		<b>10,904</b>	<b>9,381</b>	<b>8,780</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,947</b>	<b>14,332</b>	<b>13,301</b>

<sup>1)</sup> Comparative figures have been restated because of reclassification of project financing in JM International. The effects are presented in the restatement table below.  
For more information see the document 'Reclassification of project financing in JM International' at [jm.se/investors](http://jm.se/investors).

<sup>2)</sup> Please see the section Consolidated statement of changes in equity, page 80.

Reclassification of project financing in JM International <sup>3)</sup>	12/31/2016	Reclassification	Reclassified 12/31/2016	01/01/2016	Reclassification	Reclassified 01/01/2016
Work in progress	221	1,852	2,073	315	1,329	1,644
Non-current interest-bearing liabilities	282	235	517	410	73	483
Current interest-bearing liabilities	438	1,617	2,055	934	1,256	2,190

<sup>3)</sup> See note 1 Accounting and valuation principles, section Changed accounting principles and methods of calculation.

## CONSOLIDATED CASH FLOW STATEMENT – IFRS

SEKm	NOTE	2017	2016
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		2,456	1,931
Depreciation and amortization		7	8
Other non-cash items		754	294
<b>Sub-total, cash flow from operating activities</b>		<b>3,217</b>	<b>2,233</b>
Interest received		2	5
Dividends received			9
Interest paid and other financial expenses		–37	–34
Paid tax		–361	–413
<b>Cash flow from operating activities before change in working capital</b>		<b>2,821</b>	<b>1,800</b>
Investment in development properties, etc.		–2,494	–2,215
Payment on account for development properties, etc.		2,038	2,255
Increase/decrease in accounts receivable		–124	–53
Increase/decrease in other current receivables, etc.		–480	–245
Increase/decrease in accounts payable		184	52
Increase/decrease in other current operating liabilities		942	219
<b>Cash flow before investments and sales of project properties</b>		<b>2,887</b>	<b>1,813</b>
Investment in project properties, etc.		–490	–242
Sale of project properties, etc.		6	1
<b>Cash flow from operating activities</b>		<b>2,403</b>	<b>1,572</b>
<b>INVESTING ACTIVITIES</b>			
Investment in property, plant, and equipment		–11	–1
Property, plant, and equipment sold		0	0
Change in financial assets		311	–5
<b>Cash flow from investing activities</b>		<b>300</b>	<b>–6</b>
<b>FINANCING ACTIVITIES</b>	21		
Loans raised		214	299
Amortization of debt		–298	–910
Loans raised, project financing		792	923
Amortization of debt, project financing		–1,182	–538
Redeemed options		–	1
Buy-back of shares		–500	–500
Dividend		–675	–602
<b>Cash flow from financing activities</b>		<b>–1,649</b>	<b>–1,327</b>
<b>Cash flow for the year</b>		<b>1,054</b>	<b>239</b>
<b>Cash and cash equivalents, at beginning of the year</b>		<b>1,520</b>	<b>1,275</b>
Exchange rate difference in cash and cash equivalents		–2	6
<b>Cash and cash equivalents, at end of the year</b>		<b>2,572</b>	<b>1,520</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	21		
Interest-bearing liabilities and provisions		3,182	3 811
Cash and cash equivalents		–2,576	–1,524
<b>Interest-bearing net liabilities (+)/receivables (–), at end of the year</b>		<b>606</b>	<b>2 287</b>

<sup>1)</sup> Of which SEK 310m refers to the sale of the participations in Småa AB.

<b>OTHER NON-CASH ITEMS</b>	<b>NOTE</b>	<b>2017</b>	<b>2016</b>
Gains/losses on the sale of property	6	-14	-15
Changes in pension liability		12	110
Other provisions, etc.		756	199
<b>Total</b>		<b>754</b>	<b>294</b>

<b>INVESTMENT IN DEVELOPMENT PROPERTIES, ETC.</b>		<b>2017</b>	<b>2016</b>
Investment in development properties	15	-2,017	-1,889
Acquisition of participations in tenant-owners associations	16	-619	-282
Change in promissory notes		142	-44
<b>Total</b>		<b>-2,494</b>	<b>-2,215</b>

<b>PAYMENT ON ACCOUNT FOR DEVELOPMENT PROPERTIES, ETC.</b>		<b>2017</b>	<b>2016</b>
Payment on account for development properties	15	1,534	1,896
Sale of development properties	6	18	102
Change in receivables, development properties sold, etc.		-57	-29
Sale of participations in tenant-owners associations	16	543	286
<b>Total</b>		<b>2,038</b>	<b>2,255</b>

<b>INVESTMENT IN PROJECT PROPERTIES, ETC.</b>		<b>2017</b>	<b>2016</b>
Investment in project properties	15	-490	-242
<b>Total</b>		<b>-490</b>	<b>-242</b>

<b>SALE OF PROJECT PROPERTIES, ETC.</b>		<b>2017</b>	<b>2016</b>
Sale of project properties	6	6	1
<b>Total</b>		<b>6</b>	<b>1</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – IFRS

SEKm	Attributable to shareholders of the Parent Company				Total shareholders' equity
	Share capital	Other capital contributions	Translation reserves	Undistributed earnings	
<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>
<b>Opening balance, January 1, 2017</b>	<b>73</b>	<b>881</b>	<b>-67</b>	<b>4,064</b>	<b>4,951</b>
Total comprehensive income for the year	–	–	-44	2,300	2,256
Dividend to equity holders of the Parent Company	–	–	–	-675	-675
Conversion of convertible loan	0	10	–	–	10
Equity component of convertible debentures	–	1	–	–	1
Buy-back of shares	–	–	–	-500	-500
Elimination of repurchased shares	-2	–	–	2	–
<b>Closing balance, December 31, 2017</b>	<b>71</b>	<b>892</b>	<b>-111</b>	<b>5,191</b>	<b>6,043</b>

The change for the year amounts to SEK -44m (102), and the accumulated translation difference in closing equity was SEK -111m (-67).

The Swedish krona strengthened slightly against the Norwegian krona and weakened against the Euro during the year.

The dividend to shareholders of the Parent Company totaled SEK 675m (602), corresponding to SEK 9.50 (8.25) per share.

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## note 1 Accounting and valuation principles

Amounts in SEK m unless stated otherwise.

### Company information

The annual report and consolidated financial statements for JM AB were approved by the Board of Directors and the President on February 16, 2018, and will be presented for adoption at the 2018 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, 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 accounts from the date of acquisition, which is the date on which the Parent Company acquires a controlling influence over the company, normally when the Parent Company owns more than 50 percent of the votes, and is included in the consolidated accounts until the date on which the controlling influence in the company ceases. Internal balances and profits and losses from internal transactions are eliminated.

### Changed accounting principles and methods of calculation

The accounting principles and methods of calculation for the Group have not changed compared to the previous year with the exception of the reclassification of project financing and billing on account for customers in JM International. They were previously reported against costs incurred in the balance sheet item "Work in progress", but as of Q3 2017 they are being reported as interest-bearing and non-interest-bearing liabilities, respectively. Comparative figures have been restated, and there is also a restated balance sheet as at January 1, 2016 on page 73.

### New and changed accounting standards and interpretations in 2017

Only a few changes in the IASB standards entered into effect in 2017. None of these changes have altered JM's income statement and balance sheet, but they to some extent impacted the disclosures in the notes.

### New standards going into effect as of 2018

JM will apply the following new standards as of 2018:

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 refers to the recognition of revenue from contracts and the sale of some non-financial assets. The new standard enters into force on January 1, 2018 and replaces the existing revenue recognition standards, IAS 11 Construction Contracts and IAS 18 Revenue. 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 conducted regular evaluations of the work with the new standard.

JM makes the assessment that the revenue recognition of the project development of residential units in Sweden can continue to occur over time with the application of the percentage of completion method. The contracts with the tenant-owners association are entered into simultaneously, are priced as a single unit and are assessed to constitute a performance obligation.

Since JM is contractually obligated to deliver a specific building and during the course of the project is entitled to payment, the assessment is made that revenue must be reported over time, i.e. applying the percentage of completion method.

With regard to corresponding business in Norway and Finland, the assessment is made that there is no entitlement to payment, which means that, in the same manner as today, revenue must be reported at a single point in time, i.e. completion.

The assessment is also made that revenue in JM Construction can continue to be reported over time using the percentage of completion method since the construction is carried out on land that the customer controls.

As a whole, IFRS 15 is not judged to have a material impact on JM's financial statements and no restatement of earlier periods has been needed.

#### IFRS 9 Financial Instruments

IFRS 9 Financial Instruments refers to the reporting of financial instruments. The new standard must be applied as of 2018 and replaces IAS 39. It contains rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. JM analyzed the effects of IFRS 9 and made the assessment that the standard could affect the measurement of some receivables, but the effect is not deemed to be material.

### New standards entering into effect after 2018

#### 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 contracts, with the exception of contracts 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 must be applied as of January 1, 2019. IFRS 16 will affect JM in terms of contracts for the rental of properties in which JM conducts its business. JM is currently also reviewing its contracts with suppliers for equipment rentals, which often have a high service content and normally refer to relatively short periods of time. The analysis and evaluation are ongoing.

### Critical estimates and assessments

The preparation of financial statements requires JM to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses and other information disclosed. The estimates and assessments made are based on what is known at the time of the publication of the annual report. Later assessments and/or actual outcomes may deviate significantly from the assessments being made now, for example if market conditions were to change. The most significant estimates for JM are listed below.

#### Percentage of completion method in current housing and contracting projects

JM applies the percentage of completion method, as part of which the project's revenue and profit/loss are reported gradually over the term of the project based on the forecast completion and the project's actual rate of completion. This requires that the project's income and expenses, and thus the margin, can be reliably estimated. This estimate is based on JM's system for calculations, reporting, follow-up and forecasts. It requires input data in the form of estimates and assessments that are dependent on the knowledge and experience of JM and its employees. However, the final project outcome can deviate from the assessments that were made. See Note 19 and Note 27 for more information.

#### Provisions for pension commitments

The carrying amount of JM's commitments for defined-benefit pension plans are affected by the actuarial assumptions in the form of e.g. the discount rate, inflation, mortality, future wage increases and staff turnover. The assumed discounting rate normally has the greatest impact. See Note 24 and Note 25 for more information, and Note 24 also provides information about assumptions made and a sensitivity analysis for changes to the chosen discount rate.

#### Provisions for warranty commitments

Most of JM's contracts with customers, in terms of both project development of residential units and contracting agreements in JM Construction, contain provisions for warranty commitments for JM from the obligation to rectify faults and deficiencies within a set period of time (in some cases up to ten years) after the completion of the project. The warranty commitments may also be stipulated by law or in some other way. The calculation of the warranty provisions is normally based on the estimated costs for the project concerned or for a group of similar projects and is determined according to a ratio that has historically provided a reliable estimate of these costs. The ratio can be, for example, a proportion of revenue or estimated cost per completed residential unit. The size of the provision is assessed regularly during the warranty period and adjusted as needed based on experience data in general and, where available, specific dam-

ages. Actual outcome may deviate from the provisions that are based on the estimates made. See Note 25 for more information.

#### **Disputes, etc.**

Within the framework for its ongoing business, JM occasionally is involved in disputes and legal proceedings. In these cases, JM's assumptions must be evaluated and the probability for various outcomes assessed. Actual outcomes in the future may deviate from the estimates made now. See Note 23 and Note 29 for more information.

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

Liabilities and provisions are reported as either current or non-current. Current liabilities refer to liabilities that are expected to 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. Current liabilities include assets that are expected to be realized during JM's normal business cycle or, in terms of claims, within twelve months.

#### **Business combinations**

The fair value of identifiable assets and liabilities in the acquired operations is determined at the time of acquisition (and also includes, where relevant, assets, liabilities and provisions, including commitments and claims from outside parties, which are not recognized in the balance sheet of the acquired business). The difference between the cost of the acquisition and the acquired share of identifiable net assets in the acquired business constitutes goodwill and is recognized as an intangible asset in the balance sheet. Transaction costs are expensed directly in the period's profit/loss.

#### **Associated companies**

Associated companies are companies in which the Group holds a significant influence, which normally is assumed to be the case when the holding amounts to at least 20 percent and not more than 50 percent of the voting rights and the ownership is part of a long-term commitment.

#### **Joint arrangements**

Joint arrangements are operations for which the Group, through cooperation agreements with one or more partners, shares the controlling influence. If the arrangements are joint operations, by which the partners are entitled to the assets and obliged by the liabilities of the arrangements, the partners report their assets, liabilities, income and expenses and their participations in joint assets, liabilities, income and expenses. If the partners are entitled to the arrangement's net assets, this is reported in accordance with the equity method.

#### **Translation of foreign operations**

All foreign Group companies conduct their business activities in the local currency of each country, which is the functional currency of the each 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 the closing rate of exchange and all items in the income statement are restated using the exchange rate on the date of the transaction (approximated through the translation to the average exchange rate for the period). The translation difference thus arising is reported, as are any translation differences in the financial instruments held to hedge these net assets, in Other comprehensive income and accumulated in the translation reserve under Equity. In the event of a sale of a foreign business, the accumulated translation difference is returned to 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 translation 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 Operating Segments. 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, who is the chief executive decision-maker, regularly uses reporting from the business segments to allocate resources to the segments and assess the performance of the segments.

JM's segment reporting differs from IFRS in two respects. In its segment reporting, revenue for JM International is recognized using the percentage of completion method.

In addition, JM International's project financing and billing on account for customers are recorded as deduction items to "Revenue less progress billings" or "Progress billings in excess of recognized revenue" and raised/repaid project financing is reported in the cash flow from operating activities. These principles serve in JM's internal governance and follow-up as a basis for the Group's income statements and balance sheets as a whole.

JM makes the assessment that segment reporting most accurately reflects the economic implications of JM's business at the same time as it correlates well with the Group's internal governance, which is based on the Group's cash flows, risk profile and capital allocation.

#### **Recognition of revenue according to IAS 11 and IAS 18 (through 2017)**

##### **Revenue and profit/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 for the transfer of land and the construction of a residential building. JM's business model and agreement structure in respect of orders meet the requirements placed on construction contracts in accordance with IAS 11 Construction Contracts, which allows for the application of the percentage of completion method. According to this method, the performance is met at the rate of the execution of each project. Revenue and profit in the projects 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 the stage of completion, and profit/loss is calculated based on the stage of completion multiplied by the sales rate. The degree of completion is mainly determined by project costs incurred (including land and interest rate expenses) in relation to the total estimated project costs. The sales rate reflects the commitment to take responsibility for the first transfer (sales) of the tenant-owned apartments to the end customer. "Sales" refers to the number of sold residential units in the form of binding contracts between the tenant-owners association and the buyer of the residential unit. 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/loss for the period. Revenue recognition according to the percentage of completion method is carried out from the preliminary stage of the project if reliable estimation of the total income and expenses can be made and continues according to the same principle until the project is completed. Anticipated losses are charged against the profit for the period in full. The difference between recognized revenue and amounts not yet invoiced is reported in the balance sheet as Revenue less progress billings or Progress billing in excess of recognized revenue. Costs for warranty commitments are included in the project costs, and the estimated total warranty cost is included in the project's total expected costs.

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/loss are reported at the time the residential unit is transferred to the customer rather than gradually during project implementation.

##### **Revenue and profit/loss in JM Construction**

JM Construction's revenue is generated primarily from work carried out under construction contracts with customers (orderers). Revenue is recognized in accordance with IAS 11, which means the percentage of completion method is applied as the construction project is completed. The stage of completion is mainly determined using project costs incurred in relation to total estimated project costs. Project revenue is recognized as the contractual original contract total and any additional work, claims for specific compensation and incentives to the extent it is probable such will be approved by the orderer. If the outcome of a project cannot be reliably estimated, revenue is recognized as cost incurred until the point in time a reliable estimate can occur. Anticipated losses are expensed immediately. The difference between recognized revenue and amounts not yet invoiced is reported in the balance sheet as Revenue less progress billings or Progress billing in excess of recognized revenue. Costs for warranty commitments are included in the project costs and the estimated total warranty cost is included in the project's total expected costs.

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

Sales of project properties and development properties that are not the object of project development are usually reported in the income statement for 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.

### Recognition of revenue according to IFRS 15 (as of 2018) Revenue and profit/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 for the transfer of land and the construction of a residential building. JM also undertakes responsibility for the first transfer (sales) of the tenant-owner apartments to the end customer. The contracts with the tenant-owners association are entered into simultaneously, priced as a single unit and assessed to constitute a performance obligation. Since JM is contractually obligated to deliver a specific property and during the course of the project is entitled to payment, the revenue is recognized over time, i.e. applying the percentage of completion method. Revenue and profit/loss in the projects are reported in pace with their recognition and sale, providing a direct link between financial reporting and the performance commitment met by JM during the period. Revenue and profit/loss are based on the stage of completion and calculated using the stage of completion taking into consideration the sales rate. The degree of completion is mainly determined by project costs incurred (including land and interest rate expenses) in relation to the total estimated project costs. The sales rate reflects the commitment to take responsibility for the first transfer (sales) of the tenant-owned apartments to the end customer. "Sales" refers to the number of sold residential units in the form of binding contracts between the tenant-owners association and the buyers of the residential unit. Revaluations (changes in forecasts) of anticipated project revenue lead to adjustment of previously recognized revenue in the projects concerned and are included in the period's reported profit/loss. If, and thus up until such is no longer the case, a reliable estimate of the profit/loss in the projects cannot be made, revenue is recognized as costs incurred. Anticipated losses are expensed immediately and in their entirety against profit/loss for the period. The difference between recognized revenue and amounts not yet invoiced is reported in the balance sheet as Revenue less progress billings (contract asset) or Progress billing in excess of recognized revenue (contract liability). Costs for warranty commitments are included in the project costs and the estimated total warranty cost is included in the project's total expected costs.

There is no right in Norway and Finland to receive payment during the course of the project, which is why income (and cost) is reported at a single point in time, i.e. when the residential unit is completed and turned over to the customer. Until this point, costs incurred in the project are reported in the balance sheet under the item "Work in progress".

### Revenue and profit/loss in JM Construction

JM Construction's revenue is generated primarily from work carried out under construction contracts with customers (orderers). Since the contracting work is carried out on land controlled by the customer, revenue is recognized over time, i.e. applying the percentage of completion method as the contracting project is completed. The stage of completion is mainly determined using project costs incurred in relation to total estimated project costs. Project revenue is recognized as the contractual original contract total and any additional work, claims for specific compensation and incentives to the extent such have been approved by the orderer. If the outcome of a project cannot be reliably estimated, revenue is recognized as costs incurred until the point in time this can occur. Anticipated losses are expensed immediately. The difference between recognized revenue and amounts not yet invoiced is reported in the balance sheet as Revenue less progress billings or Progress billing in excess of recognized revenue. Costs for warranty commitments are included in the project costs and the estimated total warranty cost is included in the project's total expected costs.

### 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 at the point in time when the customer takes control of the property.

### Income tax

The income statement item, Taxes, includes current and deferred income tax. The companies in the Group are liable for tax according to existing legislation in each country. The income tax rate in Sweden was 22.0 percent (22.0) during the year. Current tax is based on reported profit/loss adjusted for permanent differences in the form of additions for non-deductible items and deductions 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, recognition occurs for deferred tax liabilities and assets attributable to temporary differences between carrying amounts and fiscal values of assets and liabilities and, in terms of deferred tax assets, attributable to fiscal deductions. Deferred tax assets are recognized net against deferred tax liabilities to the extent they can be used against deferred tax liabilities. Deferred tax liabilities and tax assets are calculated on the basis of the applicable 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 they will be realized.

Tax attributable to items reported as Other comprehensive income is also reported in Other comprehensive income.

### Goodwill

Goodwill is the difference between the consideration for a business combination and the fair value of the acquired operations' net assets (see Business Combinations above). Goodwill is not subject to annual write-down, but undergoes an impairment test when grounds for such arise or at least once a year. Goodwill is tested for impairment as follows: the goodwill 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 JM's internal governance but that is not a larger unit than a reported segment. JM tests carrying amounts by comparing the estimated recoverable amount, normally by discounting estimated future cash flows, to the carrying amount. If the recoverable amount is less than the carrying amount, a write-down is reported under profit/loss for the period.

### Property, plant, and equipment

Property, plant 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, etc.

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. Project properties are other properties that are classified as neither development properties nor operational/management properties. Project properties and development properties as well as ongoing projects in JM International from an accounting perspective constitute current assets and are valued in accordance with IAS 2 Inventory, which means they are reported at the lowest of cost and net realizable value (see more under "Impairment Losses" below). The cost of JM's project properties and work in progress include both direct costs and a reasonable share of indirect costs. Interest rate expenses for production of project properties and work in progress are capitalized as a part of cost (see more under "Borrowing Costs" below).

Project and development properties are usually recognized as assets from the time the parties enter into a binding acquisition agreement.

### Borrowing costs

Borrowing costs are included in the consolidated accounts in the cost of buildings in progress (project properties) and work in progress (JM International). Interest expenses are included in the 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.

Interest rate expenses for project financing of residential projects are included under the project's other production costs.

### Impairment losses

If there is any indication of impairment of the value of property, plant and equipment or an intangible asset on the balance sheet date, 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. With the exception of goodwill, 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.

Any impairment needs for development properties are tested based on JM's annual market valuation, or if there is any indication of impairment, and where necessary supplemented with internal project assessments that contain assumptions about the project's anticipated income 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 "Goodwill" above.

### 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 by the lessee 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 contractual, fixed fees (premiums) to a separate legal entity and does not have any obligation to pay additional fees. 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. The calculation is based on a number of actuarial assumptions, including expected future wage increases, staff turnover, expected inflation and mortality. The present value of the 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.

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. The effects of deviations in actuarial assumptions are reported under Other comprehensive income.

Taxes payable on pension costs, in JM's case the Swedish payroll tax on pension costs, are taken into account as the difference between a pension commitment calculated in accordance with that above and the pension commitment calculated in accordance with the Swedish Safeguarding of Pension Commitments Act. In the balance sheet, special payroll tax is reported under Other non-current provisions.

### Financial instruments (IAS 39 up to 2017)

Financial assets and financial liabilities are classified into different categories and then recognized and measured according to the principles that apply to each category. JM's financial assets normally consist of accounts receivables and loan receivables that are measured at amortized cost using the effective interest method. Where relevant, current 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 usually 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 against Other comprehensive income and later transferred to offset the hedged item, is not applied. Assets and liabilities are reported net when there is a legally enforceable right of setoff and there is a right and intention to settle on a net basis.

### Financial instruments (IFRS 9 as of 2018)

A financial asset or financial liability is recognized in the balance sheet when the instrument's contractual terms flow to the company. A financial asset should be removed from the balance sheet when the rights specified in the contract are either realized or past due. The same applies for parts of a financial asset. A financial liability is removed from the balance sheet when the obligation in the contract has been discharged or in some other way extinguished. Assets and liabilities are reported net when there is a legally enforceable right of setoff and there is a right and intention to settle on a net basis.

### Classification

JM's financial assets are usually classified as the following measurement categories:

- those measured at amortized cost, which normally applies to JM's assets
- those measured at fair value (normally via the income statement, which applies to the derivatives that JM may occasionally enter into)

JM's financial liabilities are usually classified as the following measurement categories:

- those measured at amortized cost, which normally applies to JM's assets
- those measured at fair value (normally via the income statement, which applies to the derivatives that JM may occasionally enter into)

### Impairment loss

JM estimates the expected credit losses from financial assets and contractual assets that are reported at amortized cost and reports loss risk reserves for loss events that may occur within 12 months. If the credit risk for an asset has increased significantly since it was initially reported, a loss risk reserve is reported for the entire life of the asset. A loss risk reserve is always reported for the entire life of the asset for accounts receivable and contract assets with and without significant financing arrangements.

### Hedge accounting

JM does not apply hedge accounting.

### 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, where it is probable that payments will be required in order to meet the commitment, and it is possible to reliably estimate the amount that will be paid. Estimated future expenditure for warranty commitments are reported as provisions. Most of JM's contracts with customers, in terms of both project development of residential units and contracting agreements in JM Construction, contain provisions for warranty commitments for JM from the obligation to rectify faults and deficiencies within a set period of time (in some cases up to ten years) after the completion of the project. The warranty commitments may also be stipulated by law or in some other way. This calculation is normally 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. Such a ratio can be, for example, a proportion of revenue or estimated cost per completed residential unit. The size of the warranty provision is tested regularly during the warranty period and adjusted where necessary. In the event of damages, and JM can estimate the size of the expense and the time of the rectification with reasonable assurance, the commitment can be classified as an accrued expense.

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 the buying and selling of project and development properties within the framework of JM's development business are included in JM's ongoing operations, these are reported under the corresponding sections of the analysis. Payment on account for development properties refers mainly to payment received for the part of the cost of a housing project that constitutes development property (land). The property is generally transferred to the customer at the start of the project.

Buying and selling of plant, property and equipment are reported under "Investing activities, other". Cash and cash equivalents include cash and bank balances as well as current financial investments that mature 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. Financial instruments reported in the consolidated financial statements at fair value are reported in the Parent Company using the lowest value principle. 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.

As of 2018, the contracting operations in Norway are reported as part of the JM Construction business segment.

### CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT

Group 2017	JM Residential Stockholm	JM Residential Sweden	JM Property Development	JM Construction	Eliminations Sweden	Subtotal Sweden	JM International	Group-wide expenses	Unallocated items, Group <sup>2)</sup>	Total according to segment reporting	Restatement JM International <sup>3)</sup>	Total, Group, according to IFRS
Revenue – external	7,151	4,309	60	1,759	–	13,279	3,729	–	–	17,008	267	17,275
Revenue – internal	–	–	–	525	–525	–	–	–	–	–	–	–
<b>Total revenue</b>	<b>7,151</b>	<b>4,309</b>	<b>60</b>	<b>2,284</b>	<b>–525</b>	<b>13,279</b>	<b>3,729</b>	<b>–</b>	<b>–</b>	<b>17,008</b>	<b>267</b>	<b>17,275</b>
Production and operating costs <sup>1)</sup>	–5,326	–3,389	–23	–2,184	525	–10,397	–3,251	–	–	–13,648	–180	–13,828
<b>Gross profit</b>	<b>1,825</b>	<b>920</b>	<b>37</b>	<b>100</b>	<b>–</b>	<b>2,882</b>	<b>478</b>	<b>–</b>	<b>–</b>	<b>3,360</b>	<b>87</b>	<b>3,447</b>
Selling and administrative expenses <sup>1)</sup>	–393	–251	–18	–99	–	–761	–197	–47	–	–1,005	–	–1,005
Gains/losses on the sale of property	6	–	8	–	–	14	0	–	–	14	–	14
<b>Operating profit</b>	<b>1,438</b>	<b>669</b>	<b>27</b>	<b>1</b>	<b>–</b>	<b>2,135</b>	<b>281</b>	<b>–47</b>	<b>–</b>	<b>2,369</b>	<b>87</b>	<b>2,456</b>
Financial income and expenses									210	210	–	210
<b>Profit before tax</b>									<b>210</b>	<b>2,579</b>	<b>87</b>	<b>2,666</b>
Taxes									–385	–385	–22	–407
<b>Profit for the year</b>									<b>–175</b>	<b>2,194</b>	<b>65</b>	<b>2,259</b>
Operating margin, %	20.1	15.5		0.0			7.5			13.9		
<sup>1)</sup> Of which depreciation of machinery and equipment	–	0	–	–1	–	–1	–4	–2	–	–7	–	–7

#### Group 2016

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>–</b>	<b>15,752</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>–</b>	<b>2,931</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>–</b>	<b>2,011</b>	<b>–80</b>	<b>1,931</b>
Financial income and expenses									–60	–60	–	–60
<b>Profit before tax</b>									<b>–60</b>	<b>1,951</b>	<b>–80</b>	<b>1,871</b>
Taxes									–411	–411	18	–393
<b>Profit for the year</b>									<b>–471</b>	<b>1,540</b>	<b>–62</b>	<b>1,478</b>
Operating margin, %	18.1	12.6		2.6			5.9			12.8		
<sup>1)</sup> Of which depreciation of machinery and equipment	–	0	–	–1	–	–1	–4	–3	–	–8	–	–8

CONSOLIDATED OPERATING CASH FLOW BY BUSINESS SEGMENT	JM Residential Stockholm	JM Residential Sweden	JM Property Development	JM Construction	Eliminations Sweden	Subtotal Sweden	JM International	Group-wide items	Unallocated items, Group	Total according to segment reporting	Reclassification project financing <sup>4)</sup>	Total, Group, according to IFRS
<b>Group 2017</b>												
From operating activities	1,603	616	–416	49	–53	1,799	156	–396	454	2,013	390	2,403
From investing activities	–	–	–	–	–	–	–	–	300	300	–	300
From financing activities	–	–	–	–	–	–	–	–1,259	–	–1,259	–390	–1,649
<b>Total cash flow for the year</b>	<b>1,603</b>	<b>616</b>	<b>–416</b>	<b>49</b>	<b>–53</b>	<b>1,799</b>	<b>156</b>	<b>–1,655</b>	<b>754</b>	<b>1,054</b>	<b>0</b>	<b>1,054</b>
Cash and cash equivalents, at end of the year										2,572		2,572
<b>Group 2016</b>												
From operating activities	1,558	720	–101	32	–44	2,165	153	–433	72	1,957	–385	1,572
From investing activities	–	–	–	–	–	–	–	–	–6	–6	–	–6
From financing activities	–	–	–	–	–	–	–	–1,712	–	–1,712	385	–1,327
<b>Total cash flow for the year</b>	<b>1,558</b>	<b>720</b>	<b>–101</b>	<b>32</b>	<b>–44</b>	<b>2,165</b>	<b>153</b>	<b>–2,145</b>	<b>66</b>	<b>239</b>	<b>0</b>	<b>239</b>
Cash and cash equivalents, at end of the year										1,520		1,520

CONSOLIDATED INTEREST-BEARING NET LIABILITIES/RECEIVABLES	Interest-bearing net liabilities (+)/receivables (-) at end of period according to segment reporting	Reclassification project financing <sup>4)</sup>	Interest-bearing net liabilities (+)/receivables (-) at end of period (IFRS)
2017	-790	1,396	606
2016	435	1,852	2,287

INCOME BY COUNTRY INCLUDING ADJUSTMENT ACCORDING TO IFRS	Sweden	Norway	Finland	Denmark	Belgium	Total
2017	13,279	3,395	580	—	21	17,275
2016	12,275	2,639	228	15	134	15,291

<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 IFRS in relation to segment reporting.

<sup>4)</sup> Reclassification of project financing in JM International in relation to segment reporting.

## CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT

Group 12/31/2017	JM Residential Stockholm	JM Residential Sweden	JM Property Development	JM Construction	Subtotal Sweden	JM International	Unallocated items, Group <sup>1)2)</sup>	Total according to segment reporting	Reclassification project financing <sup>3)</sup>	Restatement JM International <sup>4)</sup>	Total, Group, according to IFRS
<b>ASSETS</b>											
<b>Non-current assets</b>	—	—	—	—	—	176	33	209	—	—	209
Project properties	—	—	1,067	—	1,067	7	—	1,074	—	—	1,074
Development properties	4,406	1,540	10	42	5,998	1,545	—	7,543	—	—	7,543
Participations in tenant-owners associations, etc.	148	96	—	—	244	65	—	309	—	—	309
Work in progress	—	—	—	—	—	—	—	—	1,857	434	2,291
Current receivables	960	435	2	886	2,283	1,092	323	3,698	—	-749	2,949
Cash and cash equivalents	—	—	—	—	—	—	2,572	2,572	—	—	2,572
<b>Total current assets</b>	<b>5,514</b>	<b>2,071</b>	<b>1,079</b>	<b>928</b>	<b>9,592</b>	<b>2,709</b>	<b>2,895</b>	<b>15,196</b>	<b>1,857</b>	<b>-315</b>	<b>16,738</b>
<b>TOTAL ASSETS</b>	<b>5,514</b>	<b>2,071</b>	<b>1,079</b>	<b>928</b>	<b>9,592</b>	<b>2,885</b>	<b>2,928</b>	<b>15,405</b>	<b>1,857</b>	<b>-315</b>	<b>16,947</b>
<b>EQUITY AND LIABILITIES</b>											
Equity	—	—	—	—	—	—	6,178	6,178	—	-135	6,043
Non-current liabilities	—	—	—	—	—	—	3,132	3,132	—	-37	3,095
Current liabilities	780	1,050	23	572	2,425	569	3,101	6,095	1,857	-143	7,809
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>780</b>	<b>1,050</b>	<b>23</b>	<b>572</b>	<b>2,425</b>	<b>569</b>	<b>12,411</b>	<b>15,405</b>	<b>1,857</b>	<b>-315</b>	<b>16,947</b>
<b>Total operating capital by business segment</b>	<b>4,734</b>	<b>1,021</b>	<b>1,056</b>	<b>356</b>	<b>—</b>	<b>2,316</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Investment in machinery and equipment	—	—	—	—	—	—	11	11	—	—	11

## Group 12/31/2016

<b>ASSETS</b>											
<b>Non-current assets</b>	—	—	—	—	—	185	45	230	—	—	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
Work in progress	—	—	—	—	—	—	—	—	1,852	221	2,073
Current receivables	747	402	2	708	1,859	1,076	207	3,142	—	-589	2,553
Cash and cash equivalents	—	—	—	—	—	—	1,520	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>1,727</b>	<b>12,618</b>	<b>1,852</b>	<b>-368</b>	<b>14,102</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>1,772</b>	<b>12,848</b>	<b>1,852</b>	<b>-368</b>	<b>14,332</b>
<b>EQUITY AND LIABILITIES</b>											
Equity	—	—	—	—	—	—	5,158	5,158	—	-207	4,951
Non-current liabilities	—	—	—	—	—	—	2,747	2,747	235	-61	2,921
Current liabilities	697	821	13	353	1,884	541	2,518	4,943	1,617	-100	6,460
<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>10,423</b>	<b>12,848</b>	<b>1,852</b>	<b>-368</b>	<b>14,332</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>	<b>—</b>
Investment in machinery and equipment	—	—	—	—	—	—	1	1	—	—	1

<sup>1)</sup> The assets and liabilities and equity that are not included in JM's definition of operating capital are not allocated by business segment.

<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> Reclassification of project financing in JM International in relation to segment reporting.

<sup>4)</sup> Effect of restatement on revenue and profit and loss according to IFRS in relation to segment reporting.

### note 3 Employees and personnel costs

Average number of employees, by country	2017	Of which men, %	2016	Of which men, %
Sweden	2,090	81	1,994	82
Norway	400	80	365	80
Finland	48	56	40	65
Denmark	—	—	1	50
<b>Total</b>	<b>2,538</b>	<b>80</b>	<b>2,400</b>	<b>82</b>

	2017			2016		
Wages, salaries, other remuneration and social security expenses	Wages, salaries and remuneration	Social security expenses	Total	Wages, salaries and remuneration	Social security expenses	Total
<b>Group</b>	<b>1,401</b>	<b>718</b>	<b>2,119</b>	<b>1,291</b>	<b>661</b>	<b>1,952</b>
(of which pension costs)		(259)			(234)	

	2017			2016		
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	16	1,081	1,097	14	1,011	1,025
(of which variable remuneration)	(5)	(60)	(65)	(3)	(58)	(61)
Norway	3	265	268	2	235	237
(of which variable remuneration)	(1)	(20)	(21)	(1)	(21)	(22)
Finland	3	33	36	4	23	27
(of which variable remuneration)	(1)	(6)	(7)	(2)	(4)	(6)
Denmark	—	—	—	0	2	2
of which variable remuneration	(—)	(—)	(—)	(—)	(—)	(—)
<b>Total, Group</b>	<b>22</b>	<b>1,379</b>	<b>1,401</b>	<b>20</b>	<b>1,271</b>	<b>1,291</b>
(of which variable remuneration)	(7)	(86)	(93)	(6)	(83)	(89)

#### Remuneration to the Board of Directors

JM's Board of Directors consists of seven members elected by the Annual General Meeting. The Chairperson of the Board was paid SEK 420,000 (Fredrik Persson) and SEK 420,000 (Lars Lundquist) in Board fees and Committee fees. The other AGM-elected Board members were paid SEK 2,345,000 (2,380,000). The employee organizations appointed two members and two deputies. No fees are paid to these members.

#### Compensation 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 adopted 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 2017 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 2018 may amount to a maximum of SEK 2,575,000. Total short-term variable remuneration for the 2017 financial year is SEK 2,442,000 (2,733,000) to be paid during the spring of 2018.

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 five monthly salaries, depending on position. The short-term variable compensation for other members of Executive Management for 2018 may amount to a maximum of SEK 5.9m. The outcome of the short-term variable remuneration for other members of Executive Management for the 2017 financial year totals SEK 5.0m (5.0) to be paid during the spring of 2018.

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

The long-term variable salary program launched in 2014 amounted to a maximum of 42 percent of fixed salary and was based on the Group's financial performance in 2016. The outcome was 93 percent of the maximum amount and payment was 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 in the spring of 2018 and amounts to SEK 2,243,000 to the President and SEK 4.1m 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 5.8m to the other members of Executive Management.

The long-term variable salary program launched in 2017 amounts to a maximum of 42 percent of fixed salary and is based on the Group's financial performance in 2019. Payment will be made if appropriate in the spring of 2020, with a maximum of SEK 2,490,000 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 outstanding pension obligations to the President amount to SEK 1,260,000 (1,158,000).

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 and even an enhanced 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. There is also an agreement where a member of Executive Management is entitled to retire at the age of 63 with 80 percent of the basic salary until the day on which the person turns 65. Outstanding pension obligations to other members of Executive Management amount to SEK 28.3m (16.8).

#### 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 twelve 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.

For the other members of Executive Management, the following applies:

A number of members are covered by the Employment Protection Act. All members have, where relevant within the framework of the Employment

Protection Act, six to twelve months' termination period if the termination is initiated by JM and six to twelve months' termination period if the termination is initiated by the member. In addition, two members are entitled to six months' severance pay and one member is entitled to twelve months' severance pay if the termination is initiated by the company.

#### Summary of basic and variable remuneration and pensions to the Board and Executive Management in 2017 and 2016

SEK 000s	2017					Total
	Basic salary/ Board fees <sup>2)</sup>	Short-term variable remuneration <sup>3)</sup>	Long-term variable remuneration <sup>4)</sup>	Other benefits	Pension cost	
<i>Chairperson of the Board of Directors<sup>1)</sup></i>						
Fredrik Persson	420	—	—	—	—	420
Lars Lundquist	420	—	—	—	—	420
<i>Other Board members<sup>1)</sup></i>						
Åsa Söderström Jerring	500	—	—	—	—	500
Kia Orback Pettersson	420	—	—	—	—	420
Kaj-Gustaf Bergh	330	—	—	—	—	330
Eva Nygren	450	—	—	—	—	450
Thomas Thuresson	450	—	—	—	—	450
Olav Line	195	—	—	—	—	195
President	5,960	2,733	2,019	88	2,114	12,914
Other Executive Management <sup>5)</sup>	16,106	5,016	3,639	541	16,187 <sup>6)</sup>	41,489
<b>Total</b>	<b>25,251</b>	<b>7,749</b>	<b>5,658</b>	<b>629</b>	<b>18,301</b>	<b>57,588</b>

<sup>1)</sup> The amounts refer to fees paid including committee work. The fee is paid on a semi-annual basis in arrears.

<sup>2)</sup> The amounts presented in the table do not include the change in the vacation pay liability. At the end of the year, the vacation pay liability for the President amounted to SEK 987,000 and for the other members of Executive Management to a total of SEK 3,021,000.

<sup>3)</sup> The short-term variable remuneration reported in the table relates to amounts paid in 2017. All payments in 2017 are attributable to the 2016 financial year. That amounts attributable to 2017 are presented on page 88 and will be paid in 2018.

<sup>4)</sup> The long-term variable remuneration reported in the table relates to amounts paid in 2017. All payments in 2017 are attributable to the 2014–2016 financial years. Amounts attributable to 2015–2017 are presented on page 88 and will be paid in 2018. Page 88 also contains information about the programs for the financial years 2016–2018 and 2017–2019.

<sup>5)</sup> JM's Executive Management, excluding the President, comprised a total of eight people, six men and two women.

<sup>6)</sup> The increase in cost is primarily due to provisions during the year attributable to the entry into a pension agreement with one of the members of Executive Management.

SEK 000s	2016					Total
	Basic salary/ Board fees <sup>2)</sup>	Short-term variable remuneration <sup>3)</sup>	Long-term variable remuneration <sup>4)</sup>	Other benefits	Pension cost	
<i>Chairperson of the Board of Directors<sup>1)</sup></i>						
Lars Lundquist	830	—	—	—	—	830
<i>Other Board members<sup>1)</sup></i>						
Åsa Söderström Jerring	495	—	—	—	—	495
Kia Orback Pettersson	415	—	—	—	—	415
Johan Bergman	255	—	—	—	—	255
Kaj-Gustaf Bergh	325	—	—	—	—	325
Eva Nygren	445	—	—	—	—	445
Thomas Thuresson	225	—	—	—	—	225
Anders Narvinger	220	—	—	—	—	220
President	5,660	1,589	1,050	79	1,970	10,348
Other Executive Management <sup>5)</sup>	13,859	3,260	1,673	518	7,661	26,971
<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 amounts refer to fees paid including committee work. The fee is paid on a semi-annual basis in arrears.

<sup>2)</sup> The amounts presented in the table do not include the change in the vacation pay liability. At the end of the year, the vacation pay liability for the President amounted to SEK 969,000 and for the other members of Executive Management to a total of SEK 2,910,000.

<sup>3)</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. That amounts attributable to 2016 are presented on page 88 and were paid in 2017.

<sup>4)</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. Amounts attributable to 2014–2016 are presented on page 88 and were paid in 2017. Page 88 also contains information about the programs for the financial years 2016–2018.

<sup>5)</sup> JM's Executive Management, excluding the President, comprised a total of eight people, six men and two women.

#### Convertible debentures for personnel

The 2017 Annual General Meeting resolved to offer all employees in JM 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. 36,000 convertible bonds were issued for a nominal amount of around SEK 14.5m. The loan matures on June 19, 2021, and entitles

the holders to subscribe to one JM share for each debt obligation for SEK 409 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
2013	75,249	135	–75,384	—	—	180.00	6/1/2016–5/19/2017
2014	51,918	—	–5,508	—	46,410	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
2017	35,520	—	—	—	35,520	409.00	6/1/2020–5/18/2021

## note 4 Accumulated depreciation according to plan

	2017	2016
Machinery and equipment	-7	-8
<b>Total</b>	<b>-7</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

PwC (2017)/Ernst & Young (2016)	2017	2016
Auditing services	4.5	4.7
Tax services	0.2	1.2
Other services <sup>1)</sup>	0.9	1.2
<b>Total</b>	<b>5.6</b>	<b>7.1</b>

<sup>1)</sup> All services were provided by PricewaterhouseCoopers AB. The fees refer to SEK 0.1m in statutory add-on services and include, for example, consulting services related to accounting and sustainability matters and services provided to tenant-owners associations where JM is the manager and thus responsible for the cost.

## note 6 Gains/losses on the sale of property

	2017	2016
<b>Sales values</b>		
Project properties	6	1
Development properties	15	85
<b>Total</b>	<b>21</b>	<b>86</b>
<b>Carrying amounts</b>		
Project properties	-6	-
Development properties	-1	-71
<b>Total</b>	<b>-7</b>	<b>-71</b>
<b>Results</b>		
Project properties	0	1
Development properties	14	14
<b>Total</b>	<b>14</b>	<b>15</b>

## note 7 Financial income and expenses

	Financial income	
	2017	2016
Dividend	0	8
Interest income	3	9
Change in value revaluation of debt receivables and currency hedges	1	-
Gains/losses from the sale of shares in associated companies <sup>1)</sup>	275	-
<b>Total</b>	<b>279</b>	<b>17</b>

<sup>1)</sup> Refers to gains from sales of participations in Småa AB.

	Financial expenses	
	2017	2016
Interest expenses attributable to loans, etc.	-37	-36
Interest portion in this year's pension costs	-32	-32
<b>Total</b>	<b>-69</b>	<b>-68</b>
Currency effect from the closing down of operations <sup>2)</sup>	-	-9
<b>Total</b>	<b>-69</b>	<b>-77</b>

<sup>2)</sup> Pertains to JM's operations in Denmark.

## note 8 Taxes

IFRS	2017	2016
<b>Profit before tax</b>		
Sweden	2,309	1,758
International	357	113
<b>Total</b>	<b>2,666</b>	<b>1,871</b>
<b>Current tax</b>		
Sweden	-335	-342
International	-109	-36
<b>Total</b>	<b>-444</b>	<b>-378</b>
<b>Deferred tax</b>		
Sweden	11	-17
International	26	2
<b>Total</b>	<b>37</b>	<b>-15</b>
<b>Total tax</b>		
Sweden	-324	-359
International	-83	-34
<b>Total</b>	<b>-407</b>	<b>-393</b>

Difference between reported tax and nominal tax rate 22 %

	2017	2016
<b>Profit before tax x 22 %</b>	<b>-586</b>	<b>-412</b>
Adjustment of tax from previous years	118	-2
Difference foreign tax	-5	-6
Non-taxable revenue	67	9
Non-deductible expenses	-2	-2
Tax allocation reserve	-1	-2
Revaluation of deferred tax attributable to reduced income tax in 2017 in Norway	0	3
Revaluation deferred tax	2	19
<b>Total</b>	<b>-407</b>	<b>-393</b>

Adjustment of tax from previous years refers to the utilization of a previously unreported loss carry-forward from JM's closed operations in Denmark. The Danish company was merged with the Swedish company in 2016, and according to the Group deduction regulations, previous losses in the Danish operations are deductible from profits in the Swedish operations. While waiting for a final decision from the Swedish tax Agency, JM has not previously reported any deferred tax assets attributable to these loss carry-forwards. Non-taxable revenue refers primarily to the sale of the shares in Småa AB.

The effective tax rate according to IFRS is 15.3 percent (21.0). The effective tax rate according to segment reporting is 14.9 percent (21.0). The difference between the effective tax rate according to segment reporting and the nominal tax rate of 22 percent is primarily explained by the table above.

## note 9 Earnings and dividend per share

	Basic		Diluted	
	2017	2016	2017	2016
<b>Earnings per share, SEK</b>	<b>32.00</b>	<b>20.40</b>	<b>31.90</b>	<b>20.30</b>

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 2017 was based on the net profit for the year of SEK 2,259m (1,478), and on a weighted average of the number of outstanding ordinary shares during 2017 amounting to 70,642,592 (72,526,479).

Number of shares	2017	2016
Total number of outstanding shares, January 1	71,448,330	73,594,000
Conversion and utilization of options	30,741	43,461
Buy-back of shares	-836,479	-1,110,982
<b>Weighted average number of shares during the year, basic</b>	<b>70,642,592</b>	<b>72,526,479</b>

### Diluted earnings per share

The calculation of diluted earnings per share for 2017 was based on the net profit for the year, adjusted for the interest expense for convertible debentures after tax of SEK 2,261m (1,479), and on a weighted average of the number of outstanding ordinary shares adjusted for dilution effects of all outstanding potential ordinary shares in 2017 totaling 70,844,023 (72,725,820). Profit for the year is attributable in its entirety to Parent Company shareholders.

Profit for the year	2017	2016
Profit for the year attributable to shareholders of the Parent Company	2,259	1,478
Adjustment of interest on convertible debentures (after tax)	2	1
<b>Profit for the year attributable to shareholders of the Parent Company, diluted</b>	<b>2,261</b>	<b>1,479</b>

Number of shares	2017	2016
Weighted average number of shares during the year, basic	70,642,592	72,526,479
Estimated number of potential shares for the convertible debenture and warrant program	201,431	199,341
<b>Weighted average of the number of shares during the year, diluted</b>	<b>70,844,023</b>	<b>72,725,820</b>

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

At the end of 2017 JM had 69,583,262 outstanding shares (71,448,330). JM holds a total of 1,476,421 repurchased shares (1,604,657). At the end of August 2017, the Annual General Meeting resolution on the reduction in the share capital by 2,044,847 shares that the company held was taken into effect.

Instruments that may have a potentially dilutive effect in 2017 include JM's five convertible programs (2013, 2014, 2015, 2016 and 2017) and JM's warrant program (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 2013 convertible bond and warrant program is SEK 180. For the 2014 convertible program, the conversion rate is SEK 280, for the 2015 program, SEK 314, for the 2016 program, SEK 289, and for the 2017 program, SEK 409.

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 2017)	2017	2016
– per share, SEK	11.00	9.50
– total, SEK m	765	675

Differences between IFRS and segment reporting occur in the following items:

Segment reporting	Basic		Diluted	
	2017	2016	2017	2016
Earnings per share, SEK	31.10	21.20	31.00	21.20
Profit for the year	2,194	1,540	2,196	1,541

## note 10 Goodwill

	2017	2016
<i>Accumulated acquisition value</i>		
<b>Opening balance, at beginning of the year</b>	<b>185</b>	<b>168</b>
Translation differences	-9	17
<b>At the end of the year</b>	<b>176</b>	<b>185</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, 2017, 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 using discounted cash flows. Cash flow for the first two years, after 2017, 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 8 percent (10), which is based on the JM Group's average cost of capital before tax, while taking operation-specific data into account.

**Sensitivity analysis**

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

If the estimated growth rate used to extrapolate cash flows beyond the strategy period had been 50 percent lower than the basic assumption, the recoverable amount would decrease by 12 percent.

If the estimated average cost of capital applied for the discounted cash flow had been 3 percentage points greater than the basic assumption, the recoverable amount would decrease by 32 percent.

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

	2017	2016
<i>Accumulated acquisition value</i>		
<b>Opening balance, at beginning of the year</b>	<b>97</b>	<b>92</b>
New purchases	11	1
Translation differences	-2	4
Sales	-1	-
<b>At the end of the year</b>	<b>105</b>	<b>97</b>
<i>Accumulated depreciation according to plan</i>		
<b>Opening balance, at beginning of the year</b>	<b>-85</b>	<b>-74</b>
Depreciation for the year	-7	-8
Translation differences	1	-3
Sales	1	-
<b>At the end of the year</b>	<b>-90</b>	<b>-85</b>
<b>Closing residual value at end of year</b>	<b>15</b>	<b>12</b>

## note 12 Participations in associated companies

	2017	2016
<i>Accumulated acquisition value</i>		
<b>Opening balance, at beginning of the year</b>	<b>15</b>	<b>15</b>
New purchases	-	0
Sales	-14	0
<b>At the end of the year</b>	<b>1</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	
					2017	2016
Adolfsbergs Brunn 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	16,834
Exploateringsbolaget Högmora KB <sup>1)</sup>	916643-6254	Stockholm	1	25	31	31
Fastighetsbolaget Glasberga KB <sup>1)</sup>	916643-1842	Södertälje	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	Solna			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	—	—	—	13,854
Södra Centrum Krokslätt HB <sup>1)</sup>	969777-2144	Stockholm	5,200	65	5,200	5,200

#### Carrying amount, at end of the year

<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	
					2017	2016
Fastighets AB Kranlyftet	556829-3251	Lidingö	250	50	135,226	135,226
Fjellgata 30 AS, Norway	997484983	Oslo	100	50	2,002	2,108
Fjellgata 30 KS, Norway	997485009	Oslo	45	45	7,207	7,589
Täby Park Exploatering AB	556833-6555	Stockholm	500	50	161,500	144,500
Grefsen Utvikling AS, Norway	982913209	Oslo	500	50	25,025	26,350
Hans Nielsen Haugesgate 50 AS, Norway	987719427	Oslo	60,000	50	23,420	26,407
Husebyplataet AS, Norway	913864948	Oslo	5,000	50	501	527
Larvik Saneringsselskap AS, Norway	918044051	Larvik	100	50	242	255
Lillestrøm Kvartal 37 AS, Norway	935267269	Lillestrøm	75	50	7,508	7,905
Lillestrøm Kvartal 37 Næring AS, Norway	919196416	Oslo	300	50	30	—
Merbraine, Belgium	450160865	Brussels	625	50	304	283
Noreveien 26 AS, Norway	990351465	Oslo	10	50	88	92
Son Utvikling AS, Norway	990341419	Oslo	23,050	50	12,292	12,943
Spireaveien 6 Utvikling AS, Norway	998015340	Oslo	50	50	2,511	2,643
Spireaveien 6 Utvikling KS, Norway	998015375	Oslo	45	45	9,001	9,478
Strømmen Sentrum AS, Norway	911662256	Strømmen	7,000	50	7,007	7,378
Torstvet Utvikling AS, Norway	959639159	Larvik	5,000	50	11,553	—
<b>Carrying amount, at end of the year</b>					<b>405,417</b>	<b>383,684</b>
Reclassification in the Group					-595,222	-573,489
<b>Carrying amount in the Group, at end of the year</b>					<b>683</b>	<b>14,537</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.

	2017	2016
Revenue	674	588
Expenses	-573	-527
<b>Profit for the period</b>	<b>101</b>	<b>61</b>
Development properties	697	721
Other assets	866	768
Cash and cash equivalents	203	83
<b>Total assets</b>	<b>1,766</b>	<b>1,572</b>
Non-current liabilities	495	417
Current liabilities	273	156
<b>Total liabilities</b>	<b>768</b>	<b>573</b>
<b>Net assets</b>	<b>998</b>	<b>999</b>

## note 14 Financial assets

	2017	2016
<i>Accumulated acquisition value</i>		
<b>Opening balance, at beginning of the year</b>	18	8
Additional receivables	1	10
Settled receivables	-1	-1
Translation differences	-1	1
<b>At end of the year</b>	17	18

Financial assets mainly relate to promissory notes.

## note 15 Project properties and development properties

	Project properties		Development properties	
	2017	2016	2017	2016
<i>Accumulated acquisition value</i>				
<b>Opening balance, at beginning of the year</b>			7,204	7,150
New purchases	602	378	2,017	1,903
Reclassifications	490	242	-34	7
Translation differences	-	-21	-57	111
Transferred to production	-1	3	-1,554	-1,896
Sales	-11	-	-1	-71
<b>At end of the year</b>	1,074	602	7,575	7,204
<i>Accumulated impairment losses</i>				
<b>Opening balance, at beginning of the year</b>	-	-	-83	-83
Reclassification	-	-	31	-
Transferred to production	-	-	20	-
<b>At end of the year</b>	-	-	-32	-83
<b>Closing residual value, at end of year</b>	1,074	602	7,543	7,121
Market value at end of the year	1,343	863	14,700	14,100

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 (104).

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-owners associations, etc.

	2017	2016
<i>Accumulated acquisition value</i>		
<b>Opening balance, at beginning of the year</b>	233	235
New purchases	619	282
Reclassifications	-	-3
Translation difference	0	5
Sales	-543	-286
<b>At end of the year</b>	309	233

The number of unsold homes in the balance sheet amounts to 82 (64).

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

## note 17 Work in progress

	2017	2016
Work in progress	2,291	2,073
<b>Total</b>	2,291	2,073

Work in progress only relates to projects within JM International.

## note 18 Other current receivables

	2017	2016
Receivables from property sales	83	72
Receivables from participations sold in tenant-owner associations	107	60
Deposit investment development properties	154	107
Other	127	81
<b>Total</b>	471	320

## note 19 Recognized revenue less progress billings

IFRS	2017	2016
Recognized revenue in work in progress	6,462	5,489
Accumulated billing on account for work in progress	-5,148	-4,274
<b>Total</b>	1,314	1,215

Segment reporting	2017	2016
Recognized revenue in work in progress	8,756	8,178
Accumulated billing on account for work in progress	-6,694	-6,374
<b>Total</b>	2,062	1,804

## note 20 Cash and cash equivalents

	2017	2016
Cash and bank balances	2,572	1,520
<b>Total</b>	2,572	1,520

## note 21 Cash flow and interest-bearing net liabilities

	Cash and cash equivalents/ Bank overdraft facility	Current loans	Long-term loans <sup>1)</sup>	Total
<b>IFRS</b>				
<b>Net liabilities, December 31, 2016</b>	1,520	-2,055	-517	-1,052
Cash flow	1,054	267	291	1,612
Currency differences	-2	64	9	71
Other non-cash items	-	-4	14	10
<b>Net liabilities, December 31, 2017</b>	2,572	-1,728	-203	641

<sup>1)</sup> Of which SEK -84m refers to promissory notes and is reported as Investment in development properties, etc.

Interest-bearing net liabilities/receivables	2017	2016
Cash and cash equivalents and short-term investments	2,572	1,520
Gross liabilities, fixed interest rate	-20	-
Gross liabilities, variable interest rate	-1,911	-2,572
<b>Liability/receivable</b>	641	-1,052
Cash and cash equivalents	2,572	1,520
Current interest-bearing liabilities	-1,728	-2,055
Non-current interest-bearing liabilities	-203	-517
<b>Liability/receivable</b>	641	-1,052
Transferred to pensions	-1,251	-1,239
Interest-bearing receivables	4	4
<b>Interest-bearing net liabilities (-)/receivables (+)</b>	-606	-2,287

## note 22 Financial liabilities

### IFRS

Non-current interest-bearing liabilities	2017	2016	
Liabilities to credit institutions maturity date 1–5 years from closing day	78	307	
Long-term promissory notes, development properties 1–5 years	72	157	
Convertible loans 1–5 years <sup>1)</sup>	53	53	
<b>Total</b>	<b>203</b>	<b>517</b>	
Current interest-bearing liabilities	2017	2016	
Liabilities to credit institutions, interest-bearing –1 year	1,715	2,047	
Convertible loans – 1 year <sup>1)</sup>	13	8	
<b>Total</b>	<b>1,728</b>	<b>2,055</b>	
Interest-bearing net liabilities/receivables	2017	Change	2016
Current interest-bearing liabilities	1,728	–327	2,055
Non-current interest-bearing liabilities	203	–314	517
Transferred to pensions	1,251	12	1,239
Less cash and cash equivalents and interest-bearing receivables	–2,576	–1,052	–1,524
<b>Interest-bearing net liabilities (+)/ receivables (–), at end of the year</b>	<b>606</b>	<b>–1,681</b>	<b>2,287</b>
Other financial liabilities	2017	2016	
Other long-term liabilities 1–5 years from closing day	273	168	
Accounts payable	842	668	
Short-term promissory notes, development properties	449	329	
Other current liabilities	879	212	
<b>Total</b>	<b>2,443</b>	<b>1,377</b>	
Maturity financial liabilities	2017	2016	
2017	–	3,526	
2018	4,094	335	
2019	210	101	
2020	67	42	
2021	53	41	
<b>Total</b>	<b>4,424</b>	<b>4,045</b>	

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

In Sweden, JM AB initially raises a building loan in its own name for ongoing residential projects when a binding agreement is entered into with the tenant-owners association. At a later date, the building loan is transferred to the customer, the tenant-owners association, without any payment inflows or outflows. The liability is therefore reported net against JM's receivable on the customer and is included in the items, "Recognized revenue less progress billings" or "Progress billings in excess of recognized revenue". As at December 31, 2017, these building loans amount to 2,517m (1,716) and are not included in the interest-bearing liabilities above. The building loans have a short term and are interest-bearing.

### Segment reporting

Segment reporting

Non-current interest-bearing liabilities	2017	2016	
Liabilities to credit institutions maturity date 1–5 years from closing day	78	72	
Long-term promissory notes, development properties 1–5 years	72	157	
Convertible loans 1–5 years <sup>1)</sup>	53	53	
<b>Total</b>	<b>203</b>	<b>282</b>	
Current interest-bearing liabilities	2017	2016	
Liabilities to credit institutions, interest-bearing –1 year	319	430	
Convertible loans – 1 year <sup>1)</sup>	13	8	
<b>Total</b>	<b>332</b>	<b>438</b>	
Interest-bearing net liabilities/receivables	2017	Change	2016
Current interest-bearing liabilities	332	–106	438
Non-current interest-bearing liabilities	203	–79	282
Transferred to pensions	1,251	12	1,239
Less cash and cash equivalents and interest-bearing receivables	–2,576	–1,052	–1,524
<b>Interest-bearing net liabilities (+)/ receivables (–), at end of the year</b>	<b>–790</b>	<b>–1,225</b>	<b>435</b>
Maturity financial liabilities	2017	2016	
2017	–	1,847	
2018	2,206	92	
2019	210	101	
2020	67	42	
2021	53	41	
<b>Total</b>	<b>2,536</b>	<b>2,123</b>	

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

The information in the above tables shows financial liabilities as they are presented in the balance sheet prepared in accordance with segment reporting.

Financial liabilities are divided into long-term and current liabilities, where current liabilities are due within 1 year. Other long-term liabilities relate to promissory notes for property acquisitions that become payable when various terms and conditions are met. See Note 23, Financial risk management and financial derivative instruments.

## note 23 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 30–33 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, if the volume of long-term financing is judged to be significant.

Since the volume of long-term borrowing in 2017 was relatively limited, the Group mainly worked with short time to maturity. The average term for fixed-rate loans excluding pension liabilities on December 31, 2017, was 0.2 years (0.3) according to IFRS and 0.2 years (0.4) according to segment reporting.

Fair value on interest-bearing loans was SEK 1,931m (2,572) according to IFRS and SEK 535m (720) according to segment reporting. 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 12/31/2017.

### Interest risk exposure, including derivatives

IFRS	2017		2016	
	Loan amount, SEK m	Average interest, %	Loan amount, SEK m	Average interest, %
Year for interest conversion				
2017	–	–	2,572	2.8
2018	1,911	2.2	–	–
2020	20	3.5	–	–
Pension liability <sup>1)</sup>	1,251	2.5	1,239	2.5
<b>Total</b>	<b>3,182</b>	<b>2.4</b>	<b>3,811</b>	<b>2.7</b>

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

### Segment reporting

	2017		2016	
	Loan amount, SEK m	Average interest, %	Loan amount, SEK m	Average interest, %
Year for interest conversion				
2017	–	–	720	2.3
2018	515	2.2	–	–
2020	20	3.5	–	–
Pension liability <sup>1)</sup>	1,251	2.5	1,239	2.5
<b>Total</b>	<b>1,786</b>	<b>2.4</b>	<b>1,959</b>	<b>2.4</b>

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

The average interest rate on interest-bearing liabilities as at 12/31/2017 including pension liabilities is 2.4 percent (2.7) according to IFRS and 2.4 percent (2.4) according to segment reporting. A one percent change in the market rate corresponds to an effect on earnings of about SEK 18m according to IFRS and approximately SEK 4m according to segment reporting for the part of the loan portfolio traded in 2018. 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, where applicable, consist of cash and short-term investments. According to JM's financial policy, the company may only invest excess liquidity in liquid instruments issued by issuers with a credit rating of at least A- according to Standard & Poor's or a similar credit rating agency. The investments are short-term with a term of between one day and three months. See Note 20, Cash and cash equivalents.

### 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 IFRS	Total	Over-draft facilities				
			2018	2019	2020	2022
Loan commitments, SEK m	7,211	485	4,574	1,010	92	1,050

Binding loan commitments excluding project financing	Total	Over-draft facilities				
			2018	2019	2020	2022
Loan commitments, SEK m	2,800	400	700	650		1,050

The Group has unutilized approved credit lines according to IFRS of SEK 5,066m. The average maturity for these credit agreements is 1.6 years. Unutilized credit lines, excluding project financing, amounts to SEK 2,800m. The average maturity for these credit agreements is 2.6 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. The outcome in 2017 is 31 percent (28).

### 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. Accounts receivable for the production of residential units amounts to SEK 444m (457).

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 678m (540).

The provision for doubtful receivables amounts to SEK 15.8m (10.5). During the year, the Group utilized SEK 0.0m (0.6) of earlier provisions. Receivables older than 60 days amount to SEK 442m (447) and primarily refer to the ongoing dispute with orderers and where credit risk is not an issue. Also see Note 29. Provision and utilization of the provision for doubtful accounts receivable were recognized in the income statement.

### Aged accounts receivable

12/31/2017 SEK m	Nominal	Not past due	≤ 30 days	31–60 days	61–90 days	> 90 days
Residential development	444	338	54	18	6	28
Contracting	678	248	21	1	2	406
Other	2	2	0	0	0	0
<b>Total</b>	<b>1,124</b>	<b>588</b>	<b>75</b>	<b>19</b>	<b>8</b>	<b>434</b>
Number of invoices	1,207	555	134	81	78	359

12/31/2016 SEK m	Nomi- nal	Not past 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
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

**Credit risk analysis customers**

12/31/2017 Interval	Number of customers	in % of number	in % of the portfolio
Exposure interval < SEK 1m	735	91	6
Exposure interval SEK 1–5m	36	5	7
Exposure interval > SEK 5m	33	4	87
<b>Total</b>	<b>804</b>	<b>100</b>	<b>100</b>

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>

**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, 2017 and 2016. 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 since 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 which the JM Group's financial instruments belong in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

**IFRS**

Financial instruments	Category according to IAS 39 <sup>2)</sup>	12/31/2017 Carrying amount <sup>1)</sup>	12/31/2016 Carrying amount <sup>1)</sup>
<b>Assets</b>			
Financial assets	L&R	17	18
Of which other non-current receivables	L&R	17	18
Of which other non-current securities	AFS	0	0
Accounts receivable	L&R	1,124	999
Other current receivables	L&R/n/a	471	320
Of which derivative instruments <sup>3)</sup>	FAvPL	–	–
Of which receivables from property sales	L&R	83	72
Of which other	n/a	388	248
Cash and cash equivalents	L&R	2,572	1,520
<b>Liabilities</b>			
Non-current interest-bearing liabilities	FLAC	203	517
Of which convertible loan	FLAC	53	53
Of which other non-current interest-bearing loans	FLAC	150	464
Other non-current liabilities	FLAC	273	168
Accounts payable	FLAC	842	668
Current interest-bearing liabilities	FLAC	1,728	2,055
Other current liabilities	FLAC	1,328	541
Of which derivative instruments <sup>3)</sup>	FLvPL	–	–
Of which other current liabilities	FLAC	1,328	541

**Segment reporting**

Differences between IFRS and segment reporting occur in the following items.

**Liabilities**

Non-current interest-bearing liabilities	FLAC	203	282
Current interest-bearing liabilities	FLAC	332	438
Other current liabilities	FLAC	868	541

<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 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 12/31/2017.

**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 shall be at least 35 percent. The equity ratio target is a simplified consequence of a more extensive analysis where shareholders' equity has been allocated to the different asset classes and types of operations in the balance sheet, taking assessed operating risk into account.

## note 24 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 2,774 people, of which 666 are active.

### Defined-contribution plans defined-benefit 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	2017	2016
<b>Pension obligations, unfunded plans</b>	<b>1,251</b>	<b>1,239</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	2017	2016
<b>Opening balance, at beginning of the year</b>	<b>1,239</b>	<b>1,129</b>
Benefits earned during the year	60	50
Interest expenses	32	32
Benefits paid	-37	-37
Actuarial gains (-)/losses (+)	-43	65
<b>At end of the year</b>	<b>1,251</b>	<b>1,239</b>

The actuarial gains/losses in 2017 are explained primarily by a new life expectancy assumption.

Actuarial gains (+)/losses (-)	2017	2016	2015	2014	2013
Total pension commitments	1,251	1,239	1,129	1,054	920
Experience adjustments, percentage of this year's unrecognized actuarial gains (+) and losses (-):					
Pension obligations, SEK m	15	-8	11	8	2
Percent of total value of the pension commitments, %	1.1	0.6	1.0	0.8	0.2

Pension costs	2017	2016
Benefits earned during the year	60	50
Interest on obligations	32	32
<b>Pension costs, defined-benefit plans</b>	<b>92</b>	<b>82</b>
Pension costs, defined-contribution plans	150	138
Social security expenses, defined-benefit and defined-contribution plans	49	46
<b>Total</b>	<b>291</b>	<b>266</b>

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

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

	2018	2019	2020	2021	2022
Pension payouts	-37	-37	-37	-38	-38

### Actuarial assumptions

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

	Sweden	
%	2017	2016
Discount rate	2.50	2.50
Expected salary increases	3.50	3.50
Inflation	1.75	1.50
Income base amount	3.00	3.00
Attrition rate	6.00	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 changed to the DUS14 life expectancy table 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 22 years after retirement and a woman for 24 years.

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

Pension obligations as of December 31, 2017	1,251
The discount rate increases by 0.25 %	1,196
The discount rate decreases by 0.25 %	1,315

## note 25 Other provisions

	Warranty provisions		Special payroll tax on pension liability	
	2017	2016	2017	2016
<b>Opening balance, at beginning of the year</b>	<b>296</b>	<b>272</b>	<b>125</b>	<b>103</b>
Provisions	103	99	-	22
Reclassification	349	-	-	-
Utilized during the year	-66	-75	-	-
Reversed provisions	-4	-4	-3	-
Translation difference	-2	4	-	-
<b>At end of the year <sup>1)</sup></b>	<b>676</b>	<b>296</b>	<b>122</b>	<b>125</b>
<sup>1)</sup> Of which short-term part of warranty provisions	109	101		

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 26 Deferred tax assets and tax liabilities

	2017	2016
Deferred tax liability on tax allocation reserves	519	477
Other deferred tax liabilities *	366	408
<b>Subtotal</b>	<b>885</b>	<b>885</b>
Less deferred tax receivables	-206	-208
<b>Net deferred tax liabilities</b>	<b>679</b>	<b>677</b>
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>* Other deferred tax liabilities are allocated to:</b>		
Development properties <sup>1)</sup>	301	302
Provision for taxation not yet approved	52	55
Other current assets	13	51
<b>Total</b>	<b>366</b>	<b>408</b>

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

Deferred tax assets are attributable primarily to the pension liability, other personnel-related items and warranty risk reserves. In addition to the above, JM has loss carry-forwards and temporary differences in JM International, which are not reported as deferred tax assets, of SEK 237m, including SEK 180m that is time-limited within an interval of 1–10 years.

The difference between IFRS and segment reporting refers only to the item Other current assets and is attributable to the tax effect between the reported profit/loss for JM International according to segment reporting and IFRS, respectively.

## note 27 Progress billings in excess of recognized revenue

IFRS	2017	2016
Accumulated billing on account for work in progress	23,448	23,239
Recognized revenue in work in progress	-21,449	-21,541
<b>Total</b>	<b>1,999</b>	<b>1,698</b>
<b>Segment reporting</b>	<b>2017</b>	<b>2016</b>
Accumulated billing on account for work in progress	23,759	23,340
Recognized revenue in work in progress	-21,618	-21,542
<b>Total</b>	<b>2,141</b>	<b>1,798</b>

## note 28 Accrued expenses and deferred income

	2017	2016
Personnel-related items	510	453
Prepaid rental income	29	27
Other accruals <sup>1)</sup>	987	803
<b>Total</b>	<b>1,526</b>	<b>1,283</b>

<sup>1)</sup> Refers mainly to accrued project costs.

## note 29 Pledged assets and contingent liabilities

	2017	2016
<b>Assets pledged to secure own provisions and liabilities</b>		
Corporate mortgages	100	100
Property mortgages	644	588
<b>Total</b>	<b>744</b>	<b>688</b>
<b>Contingent liabilities</b>		
Guarantee commitments, other	8,180	7,836
Guarantees in connection with assignments	1,713	1,501
Payment and rental guarantees	85	99
Other contingent liabilities	15	15
<b>Total</b>	<b>9,993</b>	<b>9,451</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 relates 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.

In its ongoing business, JM occasionally is involved in disputes and legal proceedings. These disputes and legal proceedings are not expected, individually or as a whole, to have a significant negative effect on JM's financial performance or position.

JM Contracting performed during the period 2013–2016 a contracting project on current account totaling SEK 1.6bn, which in its entirety has undergone final inspection and been approved. As at 12/31/2017, JM's account receivable for the project amounts to SEK 404m excluding penalty interest. In 2015, JM entered into arbitration proceedings in which the counterparty presented significant counter-demands, but only in settlement, which means that the orderer's demands as a maximum can amount to JM's total receivable. The valuation of and provision for the dispute were made within the framework of the project's income statement with support from external advisory services. JM's assessment is that this provision is sufficient for the assessed risk in the project. In the event that the outcome of the dispute would unexpectedly deviate from JM's assessment, however, it is possible that the financial impact may be significant.

## note 30 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.

INCOME STATEMENT – PARENT COMPANY, SEK m	NOTE	2017	2016
Net sales	1	11,602	11,149
Production and operating costs	2	–8,878	–8,863
<b>Gross profit</b>		<b>2,724</b>	<b>2,286</b>
Selling and administrative expenses	2, 3, 4	–699	–648
Gains/losses on the sale of property	5	14	–23
<b>Operating profit</b>		<b>2,039</b>	<b>1,615</b>
<b>Profit/loss from financial items</b>	6		
Profit/loss from Group companies		85	198
Profit/loss from associated companies		275	12
Profit/loss from other financial assets		1	1
Profit/loss from financial current assets		2	1
Interest expenses and similar income statement items		–53	–53
<b>Profit before appropriations and tax</b>		<b>2,349</b>	<b>1,774</b>
Appropriations	7	–167	–147
<b>Profit before tax</b>		<b>2,182</b>	<b>1,627</b>
Taxes	8	–288	–322
<b>Net profit for the year</b>		<b>1,894</b>	<b>1,305</b>
<b>STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY, SEK m</b>		<b>2017</b>	<b>2016</b>
Net profit for the year		1,894	1,305
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>1,894</b>	<b>1,305</b>

<b>BALANCE SHEET – PARENT COMPANY, SEK m</b>	<b>NOT</b>	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>	<b>1</b>		
<b>Non-current assets</b>			
<b>Plant, property, and equipment</b>			
Equipment and other tools	9	5	3
<b>Financial assets</b>	10		
Participations in Group companies	10	1,002	1,016
Participations in joint operations and associated companies		190	204
Non-current receivables in associated companies		17	17
Other non-current receivables		7	7
Deferred tax assets	8	–	–
		<b>1,216</b>	<b>1,244</b>
<b>Total non-current assets</b>		<b>1,221</b>	<b>1,247</b>
<b>Current assets</b>			
Project properties	11	98	80
Development properties	11	4,205	4,045
Participations in tenant-owners associations, etc.	12	244	197
Accounts receivable		161	71
Other current receivables		260	160
Current interest-bearing receivables in Group companies		2,149	1,485
Recognized revenue less progress billings	13	907	816
Prepaid expenses and accrued income		19	10
Cash and cash equivalents	14	2,112	1,327
<b>Total current assets</b>		<b>10,155</b>	<b>8,191</b>
<b>TOTAL ASSETS</b>		<b>11,376</b>	<b>9,438</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity <sup>1)</sup></b>			
Share capital		71	73
<b>Restricted equity</b>		<b>71</b>	<b>73</b>
Share premium reserve		143	132
Undistributed earnings		942	799
Net profit for the year		1,894	1,305
<b>Unrestricted equity</b>	24	<b>2,979</b>	<b>2,236</b>
<b>Total shareholders' equity</b>		<b>3,050</b>	<b>2,309</b>
<b>Untaxed reserves</b>	15	<b>2,360</b>	<b>2,170</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations	16	680	660
Deferred tax liabilities	8	38	38
Warranty provisions and other provisions	17	616	239
		<b>1,334</b>	<b>937</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	18	105	184
Other non-current receivables		235	128
		<b>340</b>	<b>312</b>
<b>Current liabilities</b>			
Accounts payable		406	380
Current interest-bearing liabilities	18	13	8
Other current liabilities	19	519	378
Current interest-bearing liabilities to Group companies	18	711	727
Current tax liabilities		174	84
Progress billings in excess of recognized revenue	20	1,333	1,103
Accrued expenses and deferred income	21	1,136	1,030
		<b>4,292</b>	<b>3,710</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,376</b>	<b>9,438</b>

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

CASH FLOW STATEMENT – PARENT COMPANY, SEK m	NOTE	2017	2016
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		2,039	1,615
Depreciation and amortization		3	3
Other non-cash items		722	296
<b>Sub-total, cash flow from operating activities</b>		<b>2,764</b>	<b>1,914</b>
Interest received		2	2
Dividends received		52	60
Interest paid and other financial expenses		–28	–24
Paid tax		–312	–383
<b>Cash flow from operating activities before change in working capital</b>		<b>2,478</b>	<b>1,569</b>
Investment in development properties, etc.		–1,323	–1,486
Payment on account for development properties, etc.		1,604	1,831
Increase/decrease in other current receivables, etc.		–1,119	18
Increase/decrease in other current operating liabilities		149	–20
<b>Cash flow before investments and sales of project properties</b>		<b>1,789</b>	<b>1,912</b>
Investment in project properties, etc.		–18	–9
Sale of project properties, etc.		0	1
<b>Cash flow from operating activities</b>		<b>1,771</b>	<b>1,904</b>
<b>INVESTING ACTIVITIES</b>			
Change in property, plant, and equipment		–5	0
Investment in Group companies and associated companies, etc.		–131	–57
Change in financial assets <sup>1)</sup>		310	–4
<b>Cash flow from investing activities</b>		<b>174</b>	<b>–61</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		15	22
Amortization of debt		0	–500
Redeemed options		–	1
Buy-back of shares		–500	–500
Dividend		–675	–602
<b>Cash flow from financing activities</b>		<b>–1,160</b>	<b>–1,579</b>
<b>Cash flow for the year</b>		<b>785</b>	<b>264</b>
<b>Cash and cash equivalents, at beginning of the year</b>		<b>1,327</b>	<b>1,063</b>
<b>Cash and cash equivalents, at end of the year</b>		<b>2,112</b>	<b>1,327</b>

<sup>1)</sup> Of which SEK 310m refers to the sale of the participations in Småa AB.

**STATEMENT OF CHANGES IN EQUITY –  
PARENT COMPANY, SEK m**

	Share capital	Share premium reserve	Undistributed earnings	Total share-holders' equity
<b>Opening balance, January 1, 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>
<b>Opening balance, January 1, 2017</b>	<b>73</b>	<b>132</b>	<b>2,104</b>	<b>2,309</b>
Total comprehensive income for the year	–	–	1,894	1,894
Dividend	–	–	–675	–675
Merger Group companies	–	–	11	11
Conversion of convertible loan	0	10	–	10
Equity component of convertible debentures	–	1	–	1
Buy-back of shares	–	–	–500	–500
Elimination of repurchased shares	–2	–	2	–
<b>Closing balance, December 31, 2017</b>	<b>71</b>	<b>143</b>	<b>2,836</b>	<b>3,050</b>

Number of shares (1 vote/share) as of December 31, 2017, amounts to 71,059,683 (73,052,987), of which JM AB repurchased 1,476,421 shares (1,604,657) which do not participate in dividends. Par value per share is SEK 1.

The proposed dividend for 2017 is SEK 11.00 per share (9.50).

## 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 82–85.

## note 2 Employees and personnel costs

	2017	2016
<b>Average number of employees (all in Sweden)</b>	<b>1,667</b>	<b>1,598</b>
of which men, %	(78)	(80)
<b>Wages, salaries, other remuneration and social security expenses</b>		
<b>Board of Directors and President</b>	<b>14</b>	<b>12</b>
(of which variable remuneration)	(5)	(3)
<b>Other employees</b>	<b>881</b>	<b>829</b>
(of which variable remuneration)	(56)	(55)
<b>Total salaries and other remuneration</b>	<b>895</b>	<b>841</b>
(of which variable remuneration)	(61)	(58)
<b>Social security expenses</b>	<b>474</b>	<b>439</b>
(of which pension costs)	(177) <sup>1)</sup>	(159) <sup>1)</sup>
<b>Total Parent Company</b>	<b>1,369</b>	<b>1,280</b>

<sup>1)</sup> Of the Parent Company's pension costs, SEK 2.6m (2.4) pertain to the President. The Company's outstanding pension obligations to the President amount to SEK 0.7m (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 Group Note 3.

## note 3 Accumulated depreciation according to plan

	2017	2016
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 6 Profit/loss from financial items

	Profit/loss from Group companies		Profit/loss from associated companies		Profit/loss from other financial assets		Profit/loss from financial current assets		Interest expenses and similar income statement items		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Dividend	83	206	–	9	–	–	–	–	–	–	83	215
Sales	–	–	275	3	–	–	–	–	–	–	275	3
Share in profits	4	1	–	–	–	–	–	–	–	–	4	1
Impairment loss	–2	–9	–	–	–	–	–	–	–	–	–2	–9
Interest income	–	–	–	–	–	–	1	1	–	–	1	1
Interest income, Group companies	–	–	–	–	1	1	1	0	–	–	2	1
Interest expenses	–	–	–	–	–	–	–	–	–26	–27	–26	–27
Interest portion in this year's pension costs	–	–	–	–	–	–	–	–	–27	–26	–27	–26
<b>Total</b>	<b>85</b>	<b>198</b>	<b>275</b>	<b>12</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>–53</b>	<b>–53</b>	<b>310</b>	<b>159</b>

## note 4 Fees and remuneration to auditors

PwC (2017)/Ernst & Young (2016)	2017	2016
Auditing services	3.2	2.7
Tax services	–	0.4
Other services <sup>1)</sup>	0.9	0.4
<b>Total</b>	<b>4.1</b>	<b>3.5</b>

<sup>1)</sup> See Group Note 5.

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

	2017	2016
<b>Sales amounts</b>		
Development properties	15	47
<b>Total</b>	<b>15</b>	<b>47</b>
<b>Carrying amounts</b>		
Development properties	–1	–70
<b>Total</b>	<b>–1</b>	<b>–70</b>
<b>Results</b>		
Development properties	14	–23
<b>Total</b>	<b>14</b>	<b>–23</b>

## note 7 Appropriations

	2017	2016
Provision to tax allocation reserve	-530	-420
Reversal of previous years' provisions to tax allocation reserve	340	225
Group contribution received	23	48
<b>Total</b>	<b>-167</b>	<b>-147</b>

## note 8 Taxes

	2017	2016
<b>Profit before tax</b>	<b>2,182</b>	<b>1,627</b>
Current tax	-331	-337
Deferred tax	43	15
<b>Total tax</b>	<b>-288</b>	<b>-322</b>

Difference between reported tax and nominal tax rate of 22 percent

<b>Profit before tax x 22%</b>	<b>-480</b>	<b>-358</b>
Adjustment of tax from previous years	118	0
Non-taxable revenue	81	50
Non-deductible expenses	-6	-12
Tax untaxed reserve (tax allocation reserve)	-1	-2
<b>Total</b>	<b>-288</b>	<b>-322</b>

<b>Deferred tax assets and tax liabilities</b>	2017	2016
Deferred taxes attributable to personnel-related provisions and warranty provisions	50	42
Deferred tax liability attributable to temporary differences in project properties and development properties	-88	-80
<b>Net deferred tax liabilities</b>	<b>-38</b>	<b>-38</b>

## note 9 Equipment and other tools

	2017	2016
<i>Accumulated acquisition value</i>		
<b>Opening balance, at beginning of the year</b>	<b>36</b>	<b>36</b>
New purchases	5	0
<b>At end of the year</b>	<b>41</b>	<b>36</b>
<i>Accumulated depreciation according to plan</i>		
<b>Opening balance, at beginning of the year</b>	<b>-33</b>	<b>-30</b>
Depreciation for the year	-3	-3
<b>At end of the year</b>	<b>-36</b>	<b>-33</b>
<b>Closing residual value at end of year</b>	<b>5</b>	<b>3</b>

## note 10 Financial assets

	Participations in Group companies		Participations in joint operations and associated companies		Long-term receivables in associated companies		Long-term receivables		Deferred tax assets		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<i>Accumulated acquisition value</i>												
<b>Opening balance, beginning of the year</b>	<b>1,016</b>	<b>1,318</b>	<b>204</b>	<b>219</b>	<b>17</b>	<b>17</b>	<b>7</b>	<b>3</b>	<b>-</b>	<b>15</b>	<b>1,244</b>	<b>1,572</b>
New purchases	131	74	-	-14	-	-	-	-	-	-	131	60
Additional receivables	-	-	-	-	-	-	-	4	-	-	-	4
Settled receivables	-	-	-	-	-	-	-	-	-	-15	-	-15
Merger	-143	-367	-	-	-	-	-	-	-	-	-143	-367
Sales	-	-	-14	-1	-	-	-	-	-	-	-14	-1
Impairment losses for the year	-2	-9	-	-	-	-	-	-	-	-	-2	-9
<b>At end of the year</b>	<b>1,002</b>	<b>1,016</b>	<b>190</b>	<b>204</b>	<b>17</b>	<b>17</b>	<b>7</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>1,216</b>	<b>1,244</b>

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

Note 10 cont'd.

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	
				2017	2016
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) <sup>1)</sup>	556066-7643	Stockholm	—	—	140,056
Bergshamra Bro AB	559066-5666	Stockholm	50,000	61,425	—
Bo Entreprenad AB <sup>1)</sup>	556807-5328	Stockholm	—	—	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 Vipemö	556855-7580	Stockholm	100,000	95	—
Fastighetsbolaget Bohusmark KB	916443-1125	Gothenburg	1	1,120	1,120
Fastighetsbolaget Metallfabriken i Örebro AB	559077-9582	Stockholm	500	27,562	27,569
Förvaltnings AB Rickomberga Dal	556731-8596	Uppsala	1,000	43,274	4,354
Förvaltningsbolaget Kängen 44:1 AB <sup>1)</sup>	556912-1683	Stockholm	—	—	2,630
Havsprinsen Fastighets AB <sup>1)</sup>	559065-1435	Stockholm	—	—	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 Entreprenad AB	556060-8837	Stockholm	200,000	107,750	107,750
JM Fasad AB	559135-1795	Stockholm	500	50	—
JM Fastighetsutveckling Holding AB	556847-3259	Stockholm	500	50	50
JM Fastighetsutveckling 2 Holding AB	559034-9089	Stockholm	500	50	50
JM Fastighetsutveckling 3 Holding AB	559109-6960	Stockholm	500	50	—
JM Hyresbostäder Holding AB	556977-0471	Stockholm	500	130	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	180,443	175,557
JM Supply AB	559126-3644	Stockholm	500	50	—
JM Värmdöstrand AB	556001-6213	Värmdö	4,400	158,000	158,000
JM@Home AB	559091-8289	Stockholm	1,000	100	100
KB Silverfjädern	969676-7525	Stockholm	—	0	0
Klippljuset Holding AB	556872-0527	Stockholm	500	50	50
Mark i Brändbo 5 AB <sup>1)</sup>	559015-6674	Stockholm	—	—	82
Minimalen Bostad AB (previously SBC Bo AB)	556754-2138	Stockholm	1,000	11,550	13,550
Seniorgården AB	556359-9082	Stockholm	1,000	100	100
Stockholm Pundet 1 AB	556852-1297	Stockholm	500	74,722	74,722
Stora Sköndals Fastighet Tomt 1 AB	559055-3201	Stockholm	500	7,642	—
Stora Sköndals Fastighet Tomt 2 AB	559055-3227	Stockholm	500	17,899	—
<b>Carrying amount, at end of the year</b>				<b>1,001,908</b>	<b>1,015,817</b>

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

## note 11 Project properties and development properties

	Project properties		Development properties	
	2017	2016	2017	2016
<i>Accumulated acquisition value</i>				
<b>Opening balance, January 1</b>	<b>80</b>	<b>71</b>	<b>4,097</b>	<b>4,134</b>
New purchases	18	9	833	1,212
Merger	—	—	443	410
Transferred to production	—	—	-1,135	-1,589
Sales	—	—	-1	-70
<b>On December 31</b>	<b>98</b>	<b>80</b>	<b>4,237</b>	<b>4,097</b>
<i>Accumulated impairment losses</i>				
<b>Opening balance, January 1</b>	<b>—</b>	<b>—</b>	<b>-52</b>	<b>-52</b>
Transferred to production	—	—	20	—
<b>On December 31</b>	<b>—</b>	<b>—</b>	<b>-32</b>	<b>-52</b>
<b>Closing residual value at end of year</b>	<b>98</b>	<b>80</b>	<b>4,205</b>	<b>4,045</b>

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 (99).

## note 12 Participations in tenant-owners associations, etc.

	2017	2016
<i>Accumulated acquisition value</i>		
<b>Opening balance, January 1</b>	<b>197</b>	<b>154</b>
New purchases	550	209
Sales	-503	-166
<b>On December 31</b>	<b>244</b>	<b>197</b>

## note 13 Recognized revenue less progress billings

	2017	2016
Recognized revenue in work in progress	4,736	3,915
Accumulated billing on account for work in progress	-3,829	-3,099
<b>Total</b>	<b>907</b>	<b>816</b>

## note 14 Cash and cash equivalents

	2017	2016
Cash and bank balances	2,112	1,327
<b>Total</b>	<b>2,112</b>	<b>1,327</b>

## note 15 Untaxed reserves

	2017	2016
Tax allocation reserve for 2012 taxation	—	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	350	420
Tax allocation reserve for 2018 taxation	530	—
<b>Total</b>	<b>2,360</b>	<b>2,170</b>

## note 16 Provisions for pensions and similar obligations

	2017	2016
<b>Opening balance, at beginning of the year</b>	<b>660</b>	<b>648</b>
Benefits earned during the period	26	24
Interest expenses	24	23
Pensions paid	–35	–35
Other	5	0
<b>At end of the year</b>	<b>680</b>	<b>660</b>

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

## note 17 Warranty provisions and other provisions

	<b>Warranty provisions</b>	
	2017	2016
<b>Opening balance, at beginning of the year</b>	<b>239</b>	<b>207</b>
Provisions	64	74
Reclassification	349	—
Utilized during the year	–36	–42
<b>At end of the year</b>	<b>616</b>	<b>239</b>

## note 18 Interest-bearing liabilities

<b>Non-current interest-bearing liabilities</b>	2017	2016
Other liabilities 1–5 years from the closing date	52	131
Convertible loans 1–5 years	53	53
<b>Total</b>	<b>105</b>	<b>184</b>
<b>Current interest-bearing liabilities</b>	2017	2016
Convertible loans 1 year	13	8
Liabilities to Group companies	711	727
<b>Total</b>	<b>724</b>	<b>735</b>
<b>Liabilities to credit institutions, confirmed credits</b>	2017	2016
<b>Credit agreements</b>		
Bank overdraft facility	400	400
Granted credit agreement due date within one year	700	800
Granted credit agreement due date greater than one year	1,700	1,600
Unutilized portion	–2,800	–2,800
<b>Utilized credit agreement</b>	<b>0</b>	<b>0</b>

Credit agreements carry fixed interest.

## note 19 Other current liabilities

	2017	2016
Short-term promissory notes, development properties	247	225
Other current liabilities	272	153
<b>Total</b>	<b>519</b>	<b>378</b>

## note 20 Progress billings in excess of recognized revenue

	2017	2016
Accumulated billing on account for work in progress	16,915	16,187
Recognized revenue in work in progress	–15,582	–15,084
<b>Total</b>	<b>1,333</b>	<b>1,103</b>

## note 21 Accrued expenses and deferred income

	2017	2016
Personnel-related items	351	331
Prepaid rental income	17	18
Other accruals	768	681
<b>Total</b>	<b>1,136</b>	<b>1,030</b>

## note 22 Pledged assets and contingent liabilities

	2017	2016
<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>
<b>Contingent liabilities</b>		
Guarantee commitments, other <sup>2)</sup>	8,179	7,836
Guarantees on behalf of Group companies <sup>3)</sup>	1,704	1,590
Guarantees in connection with assignments	263	204
Payment and rental guarantees	0	1
Other contingent liabilities	16	15
<b>Total</b>	<b>10,162</b>	<b>9,646</b>

<sup>1, 2)</sup> See Group Note 29 for comments.

<sup>3)</sup> Guarantees on behalf of Group companies mainly relate to commitments for the 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 Group Note 13.

	2017	2016
Purchase of goods and services from Group companies	525	514
Interest income from Group companies	1	0
Dividend from Group companies	82	206
Share in profits from Group companies	4	1
Dividend from associated companies	0	9
Non-current receivables in associated companies	17	17
Current interest-bearing receivables in Group companies	2,149	1,485
Current interest-bearing liabilities to Group companies	711	727
Guarantees on behalf of Group companies	1,704	1,590

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 1,085,012,796
Net profit for the year	SEK 1,894,124,590
<b>Total</b>	<b>SEK 2,979,137,386</b>

The Board of Directors and the CEO propose:	
that SEK 11.00 per share be paid to shareholders <sup>1)</sup>	SEK 765,415,882
and that the remaining amount be carried forward	SEK 2,213,721,504
<b>Total</b>	<b>SEK 2,979,137,386</b>

<sup>1)</sup> There are 71,059,683 registered shares in the Parent Company on January 31, 2018, of which the number of dividend-bearing shares amounts to 69,583,262.

Stockholm, February 16, 2018

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.

Fredrik Persson  
*Chair of Board*

Kaj-Gustaf Bergh  
*Member*

Eva Nygren  
*Member*

Olav Line  
*Member*

Kia Orback Pettersson  
*Member*

Åsa Söderström Jerring  
*Member*

Thomas Thuresson  
*Member*

Thomas Mattsson  
*Member, employee-appointed*

Jan Strömberg  
*Member, employee-appointed*

Johan Skoglund  
*President and CEO*

Our Auditor's Report was submitted on February 23, 2018.  
PricewaterhouseCoopers AB

Håkan Malmström  
*Authorized Public Accountant  
Auditor-in-charge*

Ann-Christine Hägglund  
*Authorized Public Accountant*

# Auditor's report

To the general meeting of 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 year 2017. The annual accounts and consolidated accounts of the company are included on pages 72–108 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 parent company as of December 31 2017 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 December 31 2017 and its 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 the balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and the consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### 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. This includes that, to the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Other matter

The annual accounts and the consolidated accounts for the year 2016 were audited by another auditor who issued an auditor's report dated February 20 2017 with unmodified opinions in the Report on the annual accounts and consolidated accounts.

### Our audit approach

#### Audit scope

We designed our audit by determining materiality and assessing the risk of material misstatement in the financial statements. We tailored our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the JM group, the accounting processes and controls, and the industry in which JM operates.

In a business such as JMs, our risk assessment is particularly influenced by the impact of the Board of Directors' and management's estimates and judgements on the financial statements. We have assessed the highest risk for misstatements in the financial statements to be the percentage-of-completion revenue recognition in the ongoing projects – in both the residential development business and the construction business. In addition, we have identified a number of other risks that also reflect components of estimates and judgements. Amongst those are warranty provisions, valuation of development and project properties, provisions for pensions and disputes. As in all of our audits, we also addressed the risk of the Board of Directors' and management overriding internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Based on the risk assessment the central audit team developed an audit strategy according to which the group audit has focused on the large components JM Residential Stockholm, JM Residential Sweden, JM Construction and the Norwegian operations within JM International which all have been subject to a so-called full audit. For the Finnish operation within JM International, specific procedures have been performed primarily for ongoing projects. With respect to JM Property Development and the building rights in Belgium, the examination has focused on the book values of project and development properties.

The central audit team performs the audit of the Swedish components and issues, based on the audit strategy, instructions to the Norwegian and Finnish audit teams. JM's signing auditors have also visited JM's Norwegian and Finnish operations and the local audit teams. The central team also audits relevant aspects of and controls over the JM group's common information systems, including SAP ECC. The results of this examination are shared with local teams.

#### Materiality

The scope of our audit is influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### 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 the 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 the consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Key audit matter

#### How our audit addressed the key audit matter

##### *Reclassification of project financing in JM International*

During 2017 JM has adjusted its financial reporting in that project financing in JM International has been reclassified. The project financing was previously accounted for as a reduction of the asset line Work in progress but is from the third quarter accounted for as financial liabilities. In the cash flow statement, project financing raised/repaid is now presented as cash flow from financing activities instead of, as before, cash flow from operating activities. Comparative figures have been restated by the amounts shown in note 2 Segment information.

An adjustment of this kind is by its nature a key audit matter.

See e.g. the sections "Changed accounting principles and methods of calculation" and "Segment reporting" in note 1 Accounting and valuation principles as well as note 2 Segment information.

When examining significant financial statement items we have as applicable evaluated the accounting principles applied in relation to those described in JM's Annual Report and in International Financial Reporting Standards.

Based on our examination we have kept a dialogue in financial reporting matters with management and the audit committee. As indicated, JM has reclassified the project financing in JM International as described. We have examined the reclassified items and evaluated if presentation and disclosure in the annual accounts are appropriate.

In its internal governance and monitoring JM continues to apply the past policy and JM's segment reporting is therefore not impacted by the reclassification.

##### *Recognition of revenue and profits in Swedish residential development projects*

JM's revenue in the Swedish residential development operations are recognised using percentage-of-completion. This means that revenue and profits recognised in ongoing projects are dependent on assumptions and judgements of items included in the forecasts of total revenue and costs. Those forecasts include judgements of costs for, e.g., labour, material, subcontractors and warranty obligations. The latter may from time to time require updated assessments also for projects already completed. Revenue and profit recognition therefore requires sufficient processes for calculations, reporting, analysis and forecasts.

The amounts involved combined with the high impact of estimates and judgements make this a key audit matter. We have paid special attention to the methodology and the judgments forming the basis for determining the margin used in the percentage-of-completion profit recognition, as well as to the principles, methods and assumptions forming the basis for the assessment of warranty obligations recognised.

See e.g. the sections "Critical estimates and assessments", "Recognition of revenue according to IAS 11 and IAS 18" and "Provisions for warranty commitments" in note 1 Accounting and valuation principles as well as note 19 Recognized revenue less progress billings, note 25 Other provisions and note 27 Progress billings in excess of recognized revenue.

In our audit we have evaluated and on a sample basis tested selected controls in JM's project development process, from land purchase to completion. We have also evaluated processes, routines and methodology for calculations and project forecasts.

We have performed analytical procedures of revenue and margins reported, and examined management's routines for follow-up of the projects' financial results. For a selection of projects we have performed simulations of outcome based on different assumptions and we have discussed selected judgement with JM. On a sample basis, we have examined revenue, sales ratio and the recognised project costs forming the basis for the determination of completion ratio.

We have also taken part in several project audits performed by JM's Operational audit and made site visits at certain projects.

We have evaluated principles, processes and routines for determining recognised warranty obligations and the assumption on which those are based. On a sample basis, we have examined calculations made and in one case made our own calculations based on data provided by JM.

We have kept a dialogue with management and the audit committee on judgemental matters and the principles, methods and assumptions on which those are based, as well as communicated our overall view. During this dialogue we have, e.g., expressed the view that methodology and judgments in some cases are based on a cautious view, whereas in other cases the opposite apply.

### Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts and is found on pages 1–71 and pages 121–132. The Board of Directors and the President are responsible for this other information.

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

In connection with our audit of the annual accounts and the consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and the 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 President

The Board of Directors and the President are responsible for the preparation of the annual accounts and the 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 President are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and the 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 President 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 President 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 the 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 ISA 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.

A further description of our responsibility for the audit of the annual accounts and the consolidated accounts is available on Revisorsinspektionen's website [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and the consolidated accounts, we have also audited the administration of the Board of Directors and the President of JM AB (publ) for the year 2017 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 President 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 Responsibility 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 President

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 President shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil 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 President 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.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description is part of the auditor's report.

PricewaterhouseCoopers AB, 113 97 Stockholm, was appointed auditor of JM AB by the general meeting of shareholders on April 27, 2017 and has been the company's auditor since that day.

Stockholm February 23, 2018  
PricewaterhouseCoopers AB

Håkan Malmström  
Authorized Public Accountant  
Auditor-in-charge

Ann-Christine Hägglund  
Authorized Public Accountant

# Corporate governance report for the 2017 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.

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 Annual Report and the 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 Q3 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 2017 Annual General Meeting was held on April 27. A total of 329 shareholders were represented, representing about 45 percent of the total votes. Minutes from the Annual General Meeting can be found on JM's website (jm.se). One of the resolutions made by the 2017 Annual General Meeting was to authorize the Board to decide on the acquisition of own shares. The 2018 Annual General Meeting will be held on April 12.

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 2018 Annual General Meeting in August 2017, and the Committee consists of the following people:

Åsa Nisell, Swedbank Robur Fonder  
Hans Ek, SEB Fonder  
Anders Algotsson, AFA Försäkringar  
Carina Lundberg Markow, Folksam  
Fredrik Persson, Chairperson of the Board of JM.

The Nomination Committee represented approximately 15.5 percent of the total number of JM shares when it was convened. Åsa Nisell is Chairperson of the Nomination Committee. The Nomination Committee held three minuted meetings and also corresponded by email and telephone. Members of the Nomination Committee have not received any compensation from JM.

## Auditors

Following a proposal by the Nomination Committee, the 2017 Annual General Meeting elected PricewaterhouseCoopers AB to be the new auditor. The election covers the period up until the end of the 2018 Annual General Meeting. Auditor-in-charge is Håkan Malmström and the auditor's report is also signed by Ann-Christine Hägglund. They have no other assignments that affect their independence as an auditor for JM. Information about the auditing company's services to JM in addition to auditing is provided in Note 5 on page 90.

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 members of the Board of 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 2017 Annual General Meeting elected the seven members proposed by the Nomination Committee. 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 2017 calendar year is also presented.

Name	Function	Elected	Commit-tee	Atten- dance Board	Atten- dance Comm.
Fredrik Persson <sup>1)</sup>	Chairperson	2017	(Chair) C	8	C 3
Lars Lundquist <sup>2)</sup>	Chairperson	2005	(Chair) C	4	C 1
Kaj-Gustaf Bergh	Member	2013	—	12	—
Olav Line <sup>1)</sup>	Member	2017	I	7	I 5
Eva Nygren	Member	2013	I	12	I 6
			C		C 4
Kia Orback Pettersson	Member	2010	A	12	A 7
Åsa Söderström Jerring	Member	2007	(Chair) I	12	I 6
			A		A 7
Thomas Thuresson	Member	2016	(Chair) A	10	A 7
Thomas Mattsson	Emp. rep.	2012	—	12	
Jan Strömberg	Emp. rep.	2011	—	12	
Peter Olsson	Emp. rep., dep.	2014	—	8 <sup>3)</sup>	
Jonny Ånges	Emp. rep., dep.	2015	—	9 <sup>3)</sup>	

3) Deputy employee representatives do not attend decisions per capsulam.

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.

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.

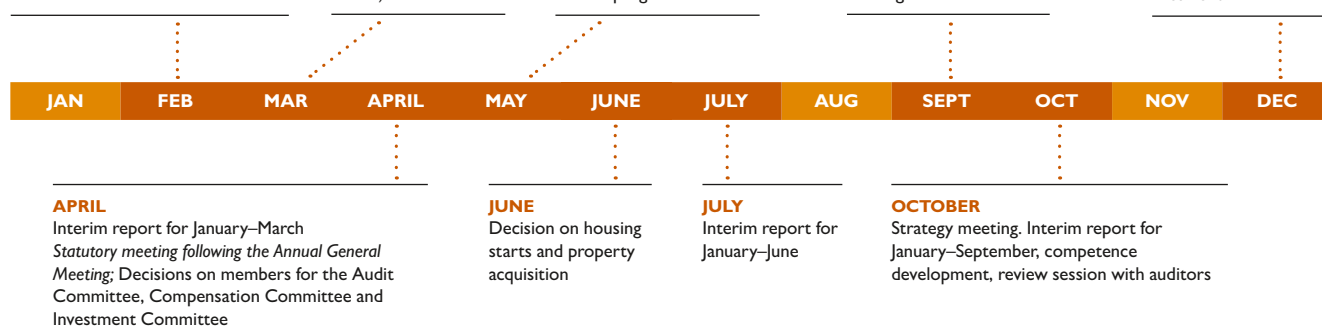
Year-end Report, matters for the Annual General Meeting, review session with auditors, remuneration system, Annual Report. Decisions on housing starts, property acquisition and sale of shares in SMÅA AB

Matters for the Annual  
General Meeting  
(convertible program/  
notice)

Visit at JM Norway and construction sites in Oslo, decision on rules of procedure, decision on policies, trainee program

Decision on housing starts, property acquisitions and submission of tenders for external contracting

Decision on housing starts, evaluation of the Board of Directors and President



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## BOARD OF DIRECTORS AND AUDITORS

**Fredrik Persson**

Chairperson of the Board and Chairperson of the Compensation Committee.

Elected to the Board in 2017  
**Shares in JM:** 2,000

**Born:** 1968

**Education:** MSc. Econ., Stockholm School of Economics.

**Work experience:** Long career at Axel Johnson AB, including as CFO and as President and CEO. Previously at Aros Securities and ABB Financial Services. **Other significant assignments:**

Chairman of the Board of the Confederation of Swedish Enterprise. Board member of Electrolux, Hufvudstaden, Ahlström Capital OY and Nasdaq Stockholm AB's Company Committee. **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 Foreningen Konstsamfundet in Finland. Chairperson of the Board of Sponda, Stockmann, Julius Tallberg and KSF Media. Member of the Board of Ramirent and Wärsilä. **Independent:** The Board member is considered to be independent.

**Olav Line**

Board member and member of the Investment Committee.

Elected to the Board in 2017

**Shares in JM:** 0

**Born:** 1958

**Education:** MSc. Eng, NTH (NTNU), Trondheim.

**Work experience:** 30 years of experience from the property industry in Norway and Scandinavia, such as CEO of Rom Eiendom AS, Steen & Strøm AS and Norwegian Property AS. **Other significant assignments:** CEO of Mustad Eiendom AS. **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, Nobelhuset AB, Tyréns AB and Kvarkenhamnar AB.

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

**Kia Orback Pettersson**

Board member and member of the Audit Committee.

Elected to the Board in 2010

**Shares in JM:** 3,540

**Born:** 1959

**Education:** MSc. Econ., Lund University.

**Work experience:** 20 years of experience from leading positions within retail, real estate and media, including as President of Sturegallerian and VP of Guldfynd/Hallbergs. **Other significant assignments:** Partner of Konceptverkstan. Chairperson of the Board of Directors of Teracom Group AB, Mediaplanet, S.t Eriks VC and Riksdalen. Board member of Kungsleden AB, Odd Molly AB, Visual Art AB and Omegapoint.

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

**Åsa Söderström Jerring**

Member of the Board, Chairperson of the Investment Committee and member of the Audit Committee.

Elected to the Board in 2007

**Shares in JM:** 10,100

**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 Scanmast AB. Member of the Board of Vattenfall AB, OEM International AB, Balco Group AB, FIBO AS and Nordic Home Improvement 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:** MSc. Econ., Lund University. IMD (BPSE).

**Work experience:** 29 years in different positions within the Alfa Laval Group, most recently as CFO. **Independent:** The Board member is considered to be independent.



Shareholdings pertain to personal holdings or a related natural or legal person's holdings of JM AB shares and other financial instruments as at 2/16/2018.

## 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:** 750

**Convertibles:** SEK 0

## AUDITORS – PricewaterhouseCoopers AB

**Håkan Malmström**, Authorized Public Accountant, Auditor-in-charge. Born in 1965. Other assignments: Auditor-in-charge at Axel Johnson, NCC and Nordstjernan and others.

**Ann-Christine Hägglund**, Authorized Public Accountant. Born in 1966. Other assignments: Auditor-in-charge at Business Sweden, Byggmax, Lernia and others.

The Annual General Meeting held in April 2017 elected PwC auditor of JM AB.

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. In 2017, the evaluation consisted of a paper survey that was sent to all Board members. The results of the evaluation were discussed and 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. In 2017, the evaluation consisted of a paper survey that was sent to all Board members. The results of the evaluation of the President were discussed and presented to the Board.

#### **Important matters during 2017**

The Board of Directors made the following decisions and others in 2017:

- The Board of Directors held a separate strategy meeting at which it adopted the strategic plan for the Company and decided on a new vision, business idea and customer promise
- 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 four acquisitions of development properties (one of which is in Finland), which have a purchase sum exceeding the maximum level delegated to the President of SEK 100m
- The Board decided on the sale of the shares in Småa AB
- The Board decided on the digitalization strategy for, among others, BIM
- 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 resolve 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.

#### **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. Verbal accounts are provided at Board meetings about the topics discussed at committee meetings. 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 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 President 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 seven meetings during the calendar year.

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

- Review and analysis of financial statements, interim reports and Annual Report
- 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 of financial reporting
- Recommendation for the election of external auditors in consultation with Executive Management, the Board of Directors and the Nomination Committee prior to the Committee's recommendation for the Annual General Meeting
- Review and monitoring of the auditor's impartiality and independence regarding approval of fees and compensation to the auditors for auditing work as well as advance approval of the auditor's provision of services other than auditing

- Monitored the statutory audit
- 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
- Otherwise completed the tasks placed on the Audit Committee according to applicable laws, ordinances and the Swedish Code of Corporate Governance.

#### *Compensation Committee*

The Compensation Committee has two members: Fredrik Persson (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 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 three members: Åsa Söderström Jerring (Chairperson), Eva Nygren and Olav Line.

The committee held six 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 a nature that the Board can make a well-informed evaluation. The financial reports the Board receives are presented in the Communication and Monitoring section on page 118.

#### **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 30–33.

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 the external auditors and Internal Audit, enabling the Board and its committees to learn about the Company's financial position in different ways. The Audit Committee meets four to five times a year. The external auditors also participate in Board meetings 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. The 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 the work of Audit Committee.

As part of the objective to develop standardized working methods and processes within the Group, work is ongoing to achieve Structured Project Development (see page 28 for more information). JM's management and support processes are regularly reviewed as a means to further systematize JM's structural capital in the form of processes, documentation and systems, thus facilitating the work of all employees.

A Code of Conduct 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 with system support that was 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 allocation of duties between the Board and the President and other bodies the Board establishes, the order of delegation and authorization regulations, instructions for approval powers and accounting and reporting instructions.

##### **Risk assessment**

The Company applies a method or process for risk assessment and risk management to ensure that those risks to which the Company

is exposed are managed within the established frames and that the risks are handled within the framework of existing processes/systems. JM's Operations System, which describes JM's business from a process perspective with established business-critical requirements, along with procedures for control, monitoring and follow-up of projects, comprises an important element of risk management.

### Control activities

The risks identified with respect to financial reporting are managed via the Company's control activities, which are documented in process and procedure descriptions. These are in JM's Operations System, which governs a unified process and the use of a common business system. 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.

### Communication and Follow-up

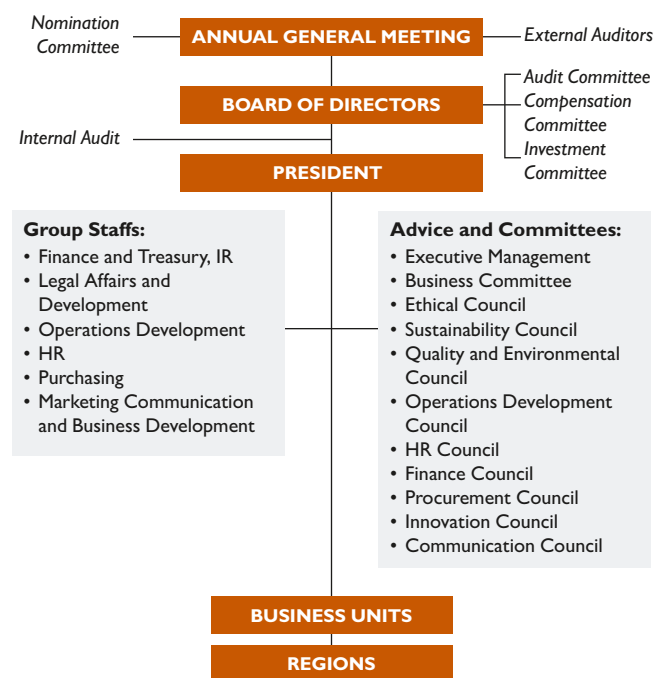
The Company has implemented information and communication channels to encourage completeness and accuracy in financial reporting; for example, by notifying concerned personnel about normative documents such as internal policies, guidelines, manuals and codes for financial reporting through JM's Intranet and Operations System.

The external auditors report their audit of internal control to the Board once a year in connection with the reporting in the third quarter.

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 governance structure can be seen below:



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.

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 the external auditors and in part through the Company's central Internal Audit function. The results of the conducted 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 2017 Annual General Meeting resolved on unchanged fees in accordance with the following:

- 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 each member.

Recommendations for remuneration guidelines for JM's Executive Management will be presented for resolution at the 2018 Annual General Meeting as required by the Swedish Companies Act. 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 70. Information about remuneration to the President and Executive Management can be found in Note 3, page 88 of the Group Notes.

About 500 of JM's managers and leaders, including the President and Executive Management, are covered by a performance-based part of the 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 five 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, work environment targets 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. A long-term variable remuneration program is available to approximately 20 key staff members in addition to the Executive Management.

### 2017 Convertible program

The 2017 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 450,000 convertible debentures aimed at all employees in Sweden.

The purpose of the 2017 Convertible Program is to enhance and strengthen the employee's interest in JM's operations and future financial performance through an ownership commitment. It is the assessment of the Board of Directors that 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 14.5m through the issue of about 35,500 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 2017.

The subscribed convertible bonds may be converted to one ordinary share at a price of SEK 409. Conversion of convertible bonds may occur during the period from June 1, 2020, through May 18, 2021, 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 35,520 through the issue of a maximum of 35,520 ordinary shares, each with a par value of SEK 1. This corresponds to dilution of about 0.1 percent of the shares and votes in the Company.

The convertible debenture loan falls due for payment on June 19, 2021, insofar as conversion has not already been undertaken.

## MANAGEMENT AND COMPANY STRUCTURE

### Order of Delegation – President's right of decision

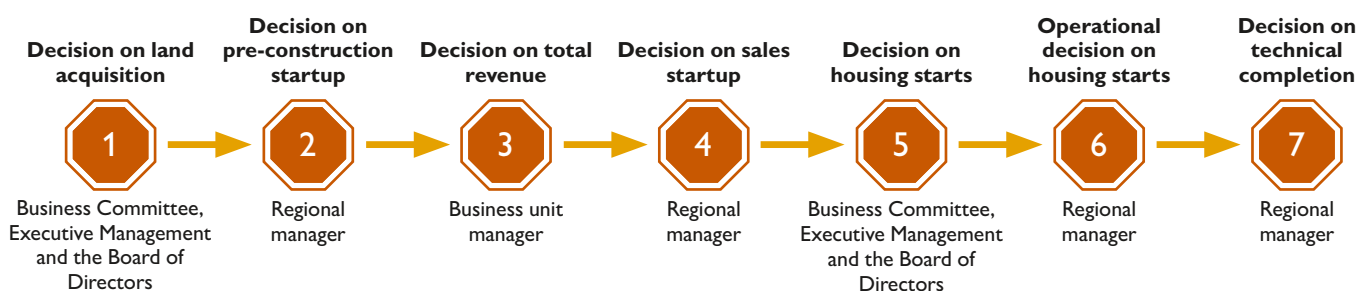
The Board has delegated to the President the right of decision for:

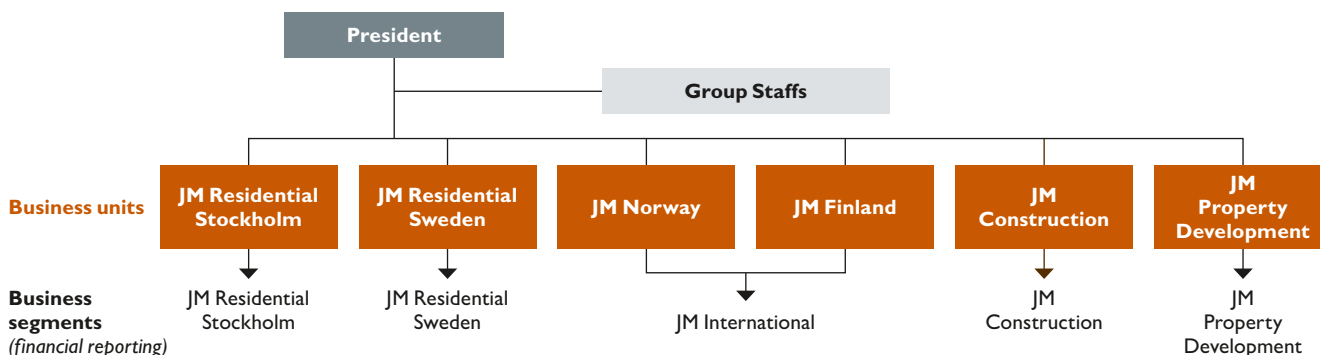
- purchases and sales of development and project properties up to SEK 100m
- investments in existing project property up to SEK 400m for implementation of housing projects, or SEK 200m for implementation of office projects
- housing starts for residential projects, up to a total project expense of SEK 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.

The decision process can be seen below:

### DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT





### Executive Management

JM's business is operationally divided into six business units. Each business unit manager reports directly to the President. In the financial reporting, JM Norway and JM Finland form the JM International business segment.

Executive Management comprises the President, all heads of business units and heads of group staffs, a total of ten 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 16, 2018  
Board of Directors

## Auditor's statement on the Corporate Governance Statement

To the annual meeting of the shareholders of JM AB, corporate identity number 556045-2103.

### Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2017 on pages 113–120 and for that it has been prepared in accordance with the Annual Accounts Act.

### Scope of examination

Our examination has been conducted in accordance with FAR's standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 second paragraph of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, February 23, 2018

PricewaterhouseCoopers AB

Håkan Malmström  
Authorized Public Accountant  
Auditor-in-charge

Ann-Christine Hägglund  
Authorized Public Accountant

# Executive Management

## Johan Skoglund

President and CEO

**Year of employment:** 1986

**Member of Executive Management:** 2000

**Shares in JM:** 46,552

**Convertibles:** SEK 7,428,375

**Material shareholdings or part ownerships in companies with which the Company has material business relationships:** 0

**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, Confederation of Swedish Enterprise 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:** 5,295

**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

Director of Purchasing

**Year of employment:** 1988

**Member of Executive Management:** 2001

**Shares in JM:** 5,000

**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 2007–2017.



## Maria Bäckman

Chief Legal Counsel

Legal Affairs and Development

**Year of employment:** 2000

**Member of Executive Management:** 2012

**Shares in JM:** 750

**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

**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.



## Susanne Persson

Business unit manager

JM Residential Sweden,

**Year of employment:** 2013

**Member of Executive Management:** 2018

**Shares in JM:** 857

**Convertibles:** SEK 147,390

**Born:** 1969

**Education:** MSc Eng. Lund 1992. Bachelor of Science Ecole National de Ponts et Chaussées Paris.

**Work experience:** Skanska Group, PEAB Sweden as regional manager. Regional manager South Region JM Residential Sweden 2013–2017.



## Helena Söderberg

Director Human Resources

**Year of employment:** 2010

**Member of Executive Management:** 2010

**Shares in JM:** 1 300

**Convertibles:** SEK 94,200

**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:** 27,774

**Convertibles:** SEK 6,038,671

**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 and Handicare AB.



## Other senior executives

Mikael Åslund, Stockholm City Region

Annika Berg, Stockholm North Region

Erik Ragnerstam, Stockholm East Region

Elin Blixt, Stockholm South Region

Anne Schöenberg, Sales Residential Stockholm

Lars-Olof Höglund, Acquisition Residential Stockholm

Anders Wimmerstedt, Production Residential Stockholm

Martin Svahn, West Region

Per Johansson, East 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

Henrik Key, Housing and Commercial, JM Entreprenad AB

Hilde Vatne, Oslo Region, JM Norge AS

Svein Sundby, South Region, JM Norge AS

Ole Kristian Ruud, JM Entreprenør, JM Norge AS

Markus Heino, JM Suomi OY

# Stable transfer to shareholders

## Share capital

The JM share is listed on Nasdaq Stockholm, Large Cap segment. The share capital amounts to SEK 71.0m, represented by 71.0 million shares, each with a par value of SEK 1 and equal voting rights.

## Goal for shareholder value

JM's shareholders will receive a higher total return, the total of the 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 2017, the JM share price decreased by –29 percent compared to an increase of 6 percent for SX8630. The general index on the Nasdaq Stockholm Stock Exchange, OMX Stockholm\_PI, increased 6 percent in 2017. The highest listed price for the JM share during the year was SEK 336.50 on May 10 and the lowest was SEK 184.20 on December 27. Dividend yield, proposed dividend in relation to the market price at the end of the year, was 5.9 percent (3.6). Total return in 2017 was –25 percent (7).

Total return, %	2017	Average per year 2013-2017	Average per year 2008-2017
JM	–25	14	9
Nasdaq Stockholm	10	15	9

Total return JM, 2008-2017	%	Index
2017	–25	230
2016	7	308
2015	5	287
2014	41	274
2013	62	194
2012	9	120
2011	–26	109
2010	30	148
2009	186	114
2008	–60	40
1/1/2008	–	100
Average, 5 years	14	
Average, 10 years	9	

## Trading and market capitalization

JM shares were traded for a value of SEK 48.9bn (31.6) in 2017. Average daily trading was about SEK 194m (125). The turnover rate, the liquidity of the share, was 368 percent (165). The Company's market capitalization amounted to SEK 13.0bn (18.8) at the end of the year.

## Ownership structure

The number of shareholders as of December 31, 2017, was 18,269 (20,472). The ten largest Swedish/Norwegian shareholders accounted for 22.6 percent (40.7) of capital and other foreign shareholders for 57.3 percent (37.4).

## 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 2017 amounts to SEK 11.00 (9.50) per share.

The Board of Directors intends to propose to the Annual General Meeting that all holdings of own shares be eliminated through a decrease in the share capital for appropriations to unrestricted equity.

JM continued to have a strong financial position and strong liquidity. However, the Board of Directors does not intend to propose a buy-back of own shares to the Annual General Meeting. Neither will JM buy back any of the Company's own shares during the first quarter of 2018. The aim is to improve possibilities for larger acquisitions of development properties if the opportunity arises. The strong financial position also supports the priority to start new housing projects.

Transfer to shareholders, SEK m	Dividend	Redemption	Buy-back	Total
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
2017	675	–	500	1,175
<b>Total</b>	<b>4,586</b>	<b>992</b>	<b>2,876</b>	<b>8,454</b>

## Shareholders as at December 31, 2017

	% of shares
Swedbank Robur Fonder	8.9
SEB Investment Management	5.2
JM AB	2.1
Nordea Investment Funds	1.9
AFA Försäkringar	1.5
Pensionskassan SHB Försäkringsförening	1.2
Försäkringsaktiebolaget Avanza Pension	1.1
Handelsbanken Fonder	1.0
Folksam	1.0
Foreign shareholders	57.3
Other shareholders	19.0
<b>Total</b>	<b>100.0</b>

Number of shareholders as at 12/31/2017: 18,269

Number of shares as at December 12/31/2017 amounts to 71,059,683

## SHARE DATA – SEGMENT REPORTING

SEK per share	2017	2016	2015	2014	2013
Share price as of 12/31	186.90	263.20	252.70	249.00	181.50
Highest/lowest price paid during the year	336.50/184.20	263.20/179.40	314.80/201.60	256.00/171.00	200.50/118.25
Dividend yield as at 12/31 (%)	5.9	3.6	3.3	3.2	4.0
Market capitalization as at 12/31 (SEK m)	13,005	18,805	18,597	18,792	14,075
Diluted earnings per share	31.00	21.20	15.50	16.00	14.50
Development properties					
Market value	212	197	153	127	108
Carrying amount	108	100	96	90	77
Project properties					
Market value	19	12	7	4	4
Carrying amount	15	8	5	3	3
Shareholders' equity (reported)	89	72	63	62	59
Dividend	11.00 <sup>1)</sup>	9.50	8.25	8.00	7.25
Dividend in % of earnings per share	35	45	53	50	50
P/E ratio as at 12/31	6	12	16	16	13
Number of shares as at 12/31	69,583,262 <sup>2)</sup>	71,448,330 <sup>3)</sup>	73,594,000 <sup>4)</sup>	75,471,471 <sup>5)</sup>	77,550,383 <sup>6)</sup>
Average number of shares, basic	70,642,592	72,526,479	74,601,637	76,542,355	78,445,765
Average number of shares, diluted	70,844,023	72,725,820	74,846,482	76,888,597	78,983,735

<sup>1)</sup> Proposed by the Board of Directors

<sup>2)</sup> 1,476,421 repurchased shares not included

<sup>3)</sup> 1,604,657 repurchased shares not included

<sup>4)</sup> 1,579,524 repurchased shares not included

<sup>5)</sup> 1,610,554 repurchased shares not included

<sup>6)</sup> 2,263,299 repurchased shares not included

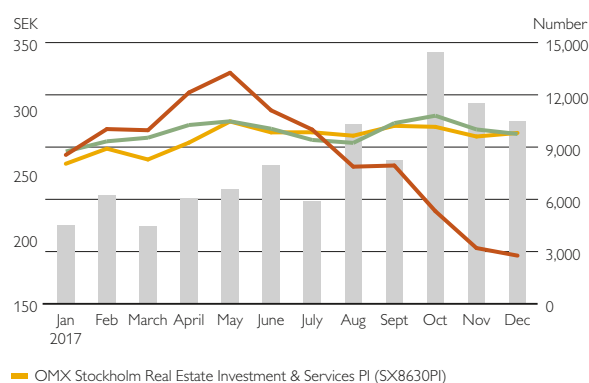
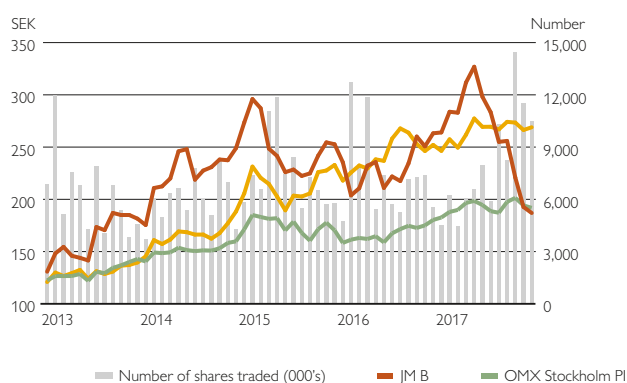
## OWNERSHIP STRUCTURE AS AT 12/31/2017

Size of holding	Number of shareholders	% of all shareholders	Total number of shares owned	% of share capital
1 – 500	14,620	80.0	1,939,886	2.7
501 – 1,000	1,608	8.8	1,326,193	1.9
1,001 – 5,000	1,376	7.5	3,174,933	4.5
5,001 – 20,000	349	1.9	3,510,006	4.9
20,001 – 100,000	177	1.0	8,357,824	11.8
100,001–	139	0.8	52,750,841	74.2
<b>Total</b>	<b>18,269</b>	<b>100.0</b>	<b>71,059,683</b>	<b>100.0</b>

## CHANGE IN SHARE CAPITAL 2013-2017

Year	Redemption repurchased shares, SEK m	Utilization convertible program, SEK m	Number of shares	Par value/share	Share capital, SEK m
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
2017	-2.0	0.0	71,059,683	SEK 1	71.0

## 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 12, 2018, 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 6, 2018, and must have informed the Company of their intention to participate by 4 p.m. on Friday, April 6, 2018, 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 01 551

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 6, 2018. Admission cards to the Annual General Meeting will be sent out.

## Dividend

The Board of Directors proposes that a dividend of SEK 11.00 per share be paid to shareholders. The proposed record date for the dividend is Monday, April 16, 2018. If the Annual General Meeting resolves to adopt the recommendation the dividend will be sent by Euroclear Sweden AB on April 19, 2018.

## Financial Calendar

April 12	Annual General Meeting
April 27	Interim report January–March 2018
July 13	Interim report January–June 2018
October 25	Interim report January–September 2018

The reports are available in Swedish and English at [jm.se/investors](http://jm.se/investors). They can also be ordered from JM AB, Finance and Treasury, Tel. +46 (0)8 782 87 00.

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

## Shareholder information at [jm.se](http://jm.se)

Financial statements and presentations from press and analyst briefings are published on JM's website at [About JM/Investors](http://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.

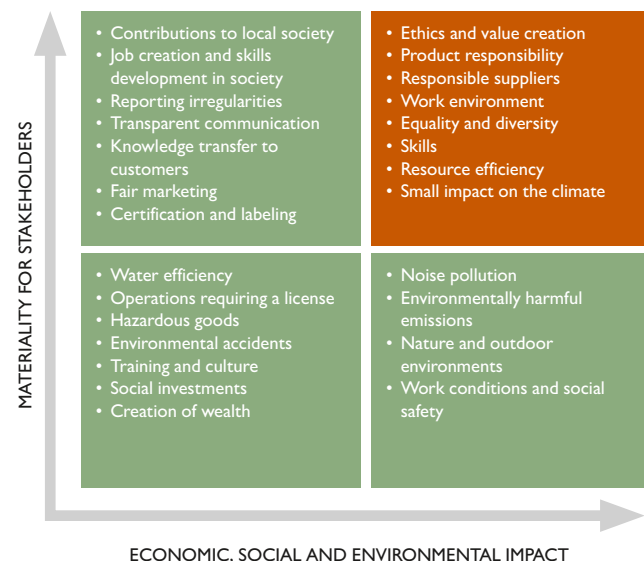
# Accounting principles for sustainability, references and results

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 has been prepared according to both GRI Standards at the core level 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 of the report 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 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 2017 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 our collaborations, for example Global Compact. We perform a materiality analysis to determine the issues that are 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 13 GRI indicators, which are listed with a page reference in a GRI index on pages 128–130.

More detailed information regarding calculation models, standards, limitations and assumptions used in the report are available at [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 for long-term value creation both within JM and in our surroundings. The results of the analysis are called JM's significant sustainability aspects. These form the basis for our sustainability work and what is reported.

## Sustainability Report

JM presents its Sustainability Report for 2017 in accordance with the requirements set out in the Annual Accounts Act according to the following:

<b>The company's business model</b>	Value generation in JM's business (page 22)
<b>Policies</b>	JM's aspects and governance within sustainability (page 126)
<b>Significant risks, risk management</b>	Risks and risk management (page 30–33)
<b>Results</b>	JM's Group-wide targets (page 37), Facts and KPIs (pages 127–128), Holistic approach to purchasing (pages 48–49), Responsible decisions at all levels (page 50)

The Sustainability Report includes all of JM's subsidiaries.

Stockholm, February 16, 2018

Board of Directors

## Auditor's statement on the statutory sustainability report

To the general meeting of the shareholders in JM AB, corporate identity number 556045-2103

## Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on the pages set out above and for that it has been prepared in accordance with the Annual Accounts Act.

## Scope of the examination

Our examination has been conducted in accordance with FAR's recommendation RevR 12 The auditor's statement on the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

## Opinion

A statutory sustainability report has been prepared.

Stockholm, February 23, 2018  
PricewaterhouseCoopers AB

Håkan Malmström  
Authorized Public Accountant  
Auditor-in-charge

Ann-Christine Häggglund  
Authorized Public Accountant

## JM's aspects and targets in sustainability

Material sustainability aspects	Why material	Scope of aspect	Governance	Follow-up	Follow-up through GRI indicator	Scope of GRI indicator
<b>Ethics and value creation (Sustainability governance – financial performance)</b>	JM's long-term profitability is fundamental for long-term value creation in JM	JM creates value and ensures responsibility in the supply chain, in its own operations and at subcontractors	Ethical guidelines Code of Conduct Targets Financial governance Risk management (see Risks and risk management) Incident reporting Tax policy	Economic reporting Incident reporting	201-1 Direct economic value generated and distributed	Value: JM Group Ethics: Entire supplier chain
<b>Product responsibility (Sustainability governance – marketing and labeling)</b>	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	JM has an impact on the design of housing and residential areas. This impact arises in the supply chain, its own operations, at subcontractors and in operations and management	Sustainability policy Quality policy Sustainability targets Quality control Sales staff and interior designers for projects in ongoing dialogue with customers Operational and maintenance instructions Resident information Environmental documentation of material choices Customer surveys are conducted regularly and compiled on an annual basis (see Customer Needs) Aftermarket service that handles customer feedback Customer advocate	JM's operations program and KPIs	417-1 Requirements for product and service information and labeling	Proprietary housing development in the entire Group
<b>Responsible suppliers (Sustainability governance – social assessment of suppliers)</b>	JM buys and uses large quantities of materials and construction goods. It is strategically important that they are manufactured under responsible conditions	JM contributes to the impact in the role of employer and customer. The impact arises in the supply chain and at subcontractors	Sustainability policy Supplier Code of Conduct Sustainability targets JM's purchasing process JM's procedures for its sustainability assessment and sustainability audit	Sustainability assessment Sustainability audits	414-1 New suppliers that were screened using social criteria	Supply chains and subcontractors with framework agreements in the entire Group
<b>Work environment (Sustainability governance – work environment and safety)</b>	JM's building operations consist of a work environment that has many different risks for accidents and work-related injuries	JM is responsible for the design and coordination of its own construction sites, where risks and the impact arise	Employee policy Code of Conduct Sustainability targets JM's systematic work environment measures Environmental product database Anti-drug program at JM's work-places Corporate health care	Accident and injury statistics Neatness and order audit Internal Audit	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Sweden
<b>Equal opportunity and diversity (Sustainability governance – diversity and equal opportunity)</b>	A long-term personnel policy is based on the protection of equal opportunity and diversity	The impact arises in the entire supply chain. JM is responsible for the design of its own operations	Employee policy Code of Conduct Equality plan Sustainability targets Recruiting procedures	Mapping of equality	405-1 Diversity of governance bodies and employees	Sweden and Norway
<b>Competence (Sustainability governance – training)</b>	We believe a long-term employee policy should be a workplace that allows people to develop and contribute to long-term value creation	JM's own operations	Employee policy Code of Conduct Sustainability targets Job structure Procedures for competence development	Registration of skills and skills development	404-2 Programs for upgrading employee skills and transition assistance programs	Entire Group
<b>Resource efficiency (Sustainability governance – waste)</b>	It is strategically important that JM's operations, which are material-intensive, strive to use resources efficiently	The impact arises in the entire supply chain, including contractors and customers. JM is responsible for the governance of its own operations	Environmental policy Sustainability targets JM's procedures for project design, purchasing and production management	Environmental KPIs Waste statistics	306-2 Waste by type and disposal method	Housing development in Sweden
<b>Small climate impact (Sustainability governance – energy and emissions)</b>	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	The impact arises in the entire building's life cycle. JM is responsible for governance of its own operations and indirectly to suppliers and customers	Environmental policy Sustainability targets JM's procedures for project design, purchasing and production management	Environmental KPIs Climate calculations Fuel statistics Energy statistics	305-1 Direct (Scope 1) GHG emissions 305-2 Indirect (Scope 2) GHG emissions 305-3 Indirect (Scope 3) GHG emissions CRE1 Building energy intensity CRE3 Greenhouse gas emissions intensity from buildings CRE4 Greenhouse gas emissions intensity from new construction	Housing development in Sweden

## Facts and KPIs for sustainability

		2017	2016	2015
<b>ETHICS AND VALUE CREATION, Group 201-1</b>				
Direct economic value generated	Revenue (Segment reporting), SEK m	17,008	15,752	14,447
Direct economic value distributed	Production and operating costs, etc., SEK m (Note 2)	-12,520	-11,789	-11,043
	Wages, salaries, other remuneration and pension costs, SEK m (Note 3)	-1,660	-1,525	-1,432
	Financial income, SEK m (Note 7)	279	17	11
	Financial expenses, SEK m (Note 7)	-69	-77	-83
	Expensed tax and social security expenses, SEK m (Note 8)	-844	-838	-740
	Proposed dividend/dividend, SEK m	-765	-675	-602
Direct economic value retained	SEK m	1,429	865	558
<b>RESPONSIBLE SUPPLIERS, 414-1</b>				
Sustainability assessment	Percentage of new suppliers that were screened	100%	100%	100%
<b>WORK ENVIRONMENT, Sweden 403-2</b>				
Injuries <sup>1)</sup>	Number of injuries (that caused at least one day of absence due to illness)	34 (JM) 27 (subcontractors)	40 (JM) 29 (subcontractors)	40 (JM) 26 (subcontractors)
Injury rate	Frequency of work-related injuries relative to the total work hours for all employees	34 of total 417,316 days (JM)	40 of total 405,105 days (JM)	40 of total 385,625 days (JM)
Occupational diseases rate	Frequency of occupational diseases relative to total work hours for all employees	No data	No data	No data
Lost day rate	Total number of leave-of-absence days due to occupational injuries and diseases relative to total number of work days for all employees	572 of total 417,316 days (JM)	602 of total 405,105 days (JM)	917 of total 385,625 days (JM)
Absentee rate	Total number of days of absence relative to the total number of work days for all employees	Women 2,562 (2.6%) Men 16,281 (3.9%) Total 18,845 (3.7%)	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%)
Work-related fatalities	Number	1 (JM) 0 (subcontractors)	0 (JM) 0 (subcontractors)	0 (JM) 0 (subcontractors)
Near-accidents and observations <sup>2)</sup>	Number	2,029	1,762	1,179
<b>DIVERSITY AND EQUAL OPPORTUNITY, Sweden and Norway 405-1</b>				
Age and gender distribution <sup>3) 4)</sup>	Number	Women Men Total	Women Men Total	Women Men Total
	<i>Wage-earners</i>			
	≤ 25 years old	11 180 191	5 199 204	6 182 188
	26–35 years old	3 237 240	3 225 228	1 226 227
	36–45 years old	4 199 203	3 213 216	– 216 216
	46–55 years old	– 223 223	– 228 228	– 221 221
	≥ 56 years old	– 141 141	– 146 146	– 157 157
	Total	18 980 998	11 1,011 1,022	7 1,002 1,009
	<i>Salaried employees</i>			
	≤ 25 years old	23 35 58	15 31 46	13 38 51
	26–35 years old	157 258 415	131 244 375	117 223 340
	36–45 years old	127 206 333	108 213 321	103 207 310
	46–55 years old	101 178 279	90 178 268	86 167 253
	≥ 56 years old	45 129 174	40 131 171	35 120 155
	Total	453 806 1,259	384 797 1,181	354 755 1,109
	<i>Managers</i>			
	≤ 25 years old	– – –	– – –	– – –
	26–35 years old	6 18 24	4 10 14	3 7 10
	36–45 years old	18 63 81	24 44 68	22 38 60
	46–55 years old	27 54 81	23 43 66	19 39 58
	≥ 56 years old	5 26 31	2 20 22	2 23 25
	Total	56 161 217	53 117 170	46 107 153
	<i>Executive Management</i>			
	≤ 25 years old	– – –	– – –	– – –
	26–35 years old	– – –	– – –	– – –
	36–45 years old	1 2 3	1 2 3	1 3 4
	46–55 years old	1 3 4	1 3 4	1 1 2
	≥ 56 years old	– 2 2	– 2 2	– 2 2
	Total	2 7 9	2 7 9	2 6 8
	<i>Board of Directors</i>			
	≤ 25 years old	– – –	– – –	– – –
	26–35 years old	– – –	– – –	– – –
	36–45 years old	– – –	– – –	– – –
	46–55 years old	– 1 1	– – –	– 1 1
	≥ 56 years old	3 3 6	3 3 6	3 3 6
	Total	3 4 7	3 3 6	3 4 7

<sup>1)</sup> The most common causes/risks of injury in 2017 were same-level falls (tripping, slipping) and impacts from falling/flying objects. The most common types of injuries were crushing, squeezing or other soft tissue injuries, sores and sprains, twists or strains.

<sup>2)</sup> The sharp increase in reported near-accidents is due to the digital reporting tool and a strong focus on a proactive approach to the work environment.

<sup>3)</sup> Certain skills, for example architects, consultants and different types of subcontractors, are hired in the development projects.

<sup>4)</sup> Data is obtained from JM's personnel system.

## Facts and KPIs for sustainability, cont.

		2017	2016	2015
<b>RESOURCE EFFICIENCY, Sweden, 306-2</b>				
Construction waste to recycling	Tons	6,465 (55%)	4,980 (50%)	5,301 (51%)
Construction waste to incineration	Tons	3,752 (32%)	3,539 (36%)	3,478 (34%)
Construction waste to landfill	Tons	647 (5%)	529 (5%)	545 (5%)
Unsorted waste	Tons	884 (8%)	898 (9%)	982 (10%)
Hazardous waste	Tons	35 (0,3%)	17 (0,2%)	10 (0,1%)
Total amount of construction waste <sup>1)</sup>	Tons	11,783	9,962	10,317
<b>SMALL ENVIRONMENTAL IMPACT, Sweden</b>				
JM's carbon dioxide emissions, 305-1, 305-2, 305-3	Tons CO <sub>2</sub> e	Scope 1	4,775	4,708
		Scope 2	1,428	1,754
		Scope 3 <sup>2)</sup>	15,729	16,701
		Total	21,931	23,163
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)	1.3	1.7	1.9
Carbon dioxide intensity from new production, CRE4	Tons CO <sub>2</sub> e/produced residential unit	6.23	6.43	6.57
Newly produced homes' estimated energy consumption, CRE1	kWh/m <sup>2</sup> A-temp	60	66	67

<sup>1)</sup> Statistics from our waste contractors. The waste is classified by the waste contractor.

<sup>2)</sup> JM includes in Scope 3 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.

## 2017 GRI Index

The intention of the GRI Index is to provide 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 KPIs 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 2017 Annual Report)	External audit
<b>ORGANIZATIONAL PROFILE</b>			
102-1	Name of the organization	72	
102-2	Activities, brands, products, and services	7–9	
102-3	Location of headquarters	132	
102-4	Location of operations	7–9	
102-5	Ownership and legal form	122–123	Yes
102-6	Markets served	7–8, 59–63	
102-7	Scale of the organization	72–75	Yes
102-8	Information on employees and other workers	47, 88, 127	
102-9	Supply chain	48–49	
102-10	Significant changes to the organization and its supply chain	114	Yes
102-11	Precautionary principle or approach	35, 41–42	
102-12	External initiatives	36, 38	
102-13	Membership of associations	38	
<b>STRATEGY</b>			
102-14	Statement from senior decision-maker	2–3	
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, and norms of behavior	39, 47–50	
<b>GOVERNANCE</b>			
102-18	Governance structure	35, 38, 113–120	Yes

GRI code	Description/indicator	Reference (page number in the 2017 Annual Report)	External audit
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	39	
102-41	Collective bargaining agreements	All employees in Sweden and Finland and 37% in Norway	
102-42	Identifying and selecting stakeholders	39	
102-43	Approach to stakeholder engagement	38–39	
102-44	Key topics and concerns raised	39	
<b>REPORT PRACTICE</b>			
102-45	Entities included in the consolidated financial statements	93	Yes
102-46	Defining report content and topic boundaries	35, 125	
102-47	List of material topics	35, 125	
102-48	Restatements of information	125–126	
102-49	Changes in reporting	125–126	
102-50	Reporting period	72	
102-51	Date of most recent report	Annual Report 2016, published in 2017	
102-52	Reporting cycle	125	
102-53	Contact point for questions regarding the report	Per Löfgren, Head of Sustainability, JM AB	
102-54	Claims of reporting in accordance with the GRI Standards	125	
102-55	GRI content index	128–130	
102-56	External assurance	128–130	
<b>ECONOMIC PERFORMANCE INDICATORS</b>			
<b>GRI 201</b>	<b>Economic performance</b>		
201-1	Direct economic value generated and distributed	76–80	Yes
GRI 103	Management approach	22–23, 35, 38, 126	
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
<b>GRI 302</b>	<b>Energy</b>		
CRE1	Building energy intensity	40–41, 128	
GRI 103	Management approach	22–23, 35, 38, 126	
<b>GRI 305</b>	<b>Emissions</b>		
CRE3	GHG emission intensity from buildings	128	Yes
CRE4	GHG emission intensity from building process	128	Yes
305-1	Direct (Scope 1) GHG emissions	128	Yes
305-2	Direct (Scope 2) GHG emissions	128	Yes
305-3	Other indirect (Scope 3) emissions	128	
GRI 103	Management approach	22–23, 35, 38, 126	
<b>GRI 306</b>	<b>Waste</b>		
306-2	Waste by type and disposal method	40–41, 128	
GRI 103	Management approach	22–23, 35, 38, 126	
<b>SOCIAL PERFORMANCE INDICATORS</b>			
<b>GRI 403</b>	<b>Occupational health and safety</b>		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	127	
CRE6	Use of a work environment management system	42	
GRI 103	Management approach	22–23, 35, 38, 126	
<b>GRI 404</b>	<b>Training and education</b>		
404-2	Programs for upgrading employee skills and transition assistance programs	44–45	
GRI 103	Management approach	22–23, 35, 38, 126	
<b>GRI 405</b>	<b>Diversity and equal opportunity</b>		
405-1	Diversity of governance bodies and employees	44, 115, 121, 127	
GRI 103	Management approach	22–23, 35, 38, 126	

<b>GRI code</b>	<b>Description/indicator</b>	<b>Reference (page number in the 2017 Annual Report)</b>	<b>External audit</b>
<b>GRI 414</b>	<b>Supplier social assessment</b>		
414-1	New suppliers that were screened using social criteria	49–50	
GRI 103	Management approach	22–23, 35, 38, 126	
<b>GRI 417</b>	<b>Marketing and labeling</b>		
417-1	Requirements for product and service information and labeling	126	
GRI 103	Management approach	22–23, 35, 38, 126	

## Global Compact

JM has signed the UN's Global Compact initiative, 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 35, 40–43
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 48–50
10. Work against corruption in all its forms, including extortion and bribery	

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