

ANNUAL REPORT

2018



JM AB

# 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 16 billion, and the company has around 2,600 employees. JM AB is a public limited company listed on Nasdaq Stockholm, Large Cap segment.

GEOGRAPHIC DISTRIBUTION OF REVENUE, %



- Stockholm, 47% (53)
- Rest of Sweden, 27% (25)
- International, 26% (22)



We are convinced that society will progress where people are happy and feel good. Continuing to develop sustainable life environments is what we do.

Just like in all our projects, it all begins with a piece of land that we have developed. Not for our sake. But for the people who live and work there today. Because we know that how we live affects our quality of life.

*We are laying the foundation for a better life.*  
It is what we did yesterday, it is what we are doing today, and it is what we will do tomorrow.

# Positive sales development during the year – good level of housing starts

**Revenue** decreased to SEK 16,161m (17,008) and the operating profit decreased to SEK 1,886m (2,369). The operating margin decreased to 11.7 percent (13.9)

**Profit before tax** decreased to SEK 1,817m (2,579)<sup>1)</sup>. Profit after tax decreased to SEK 1,438m (2,194)<sup>1)</sup>

**Return on equity** for the past twelve months decreased to 22.2 percent (38.7)<sup>1)</sup>. Earnings per share during the year decreased to SEK 20.60 (31.00)<sup>1)</sup>

**Consolidated cash flow** including net investment in properties was SEK –473m (2,013)

**The number of residential units sold** decreased to 2,463 (3,100) and housing starts decreased to 3,135 (3,873)

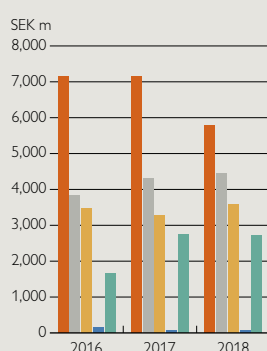
**Surplus value of development properties** was SEK 7.0bn (7.2)

**Dividend** for 2018. The Board of Directors proposes a dividend of SEK 12.00 (11.00)

<sup>1)</sup> Including gains from sale of participations in Småa of SEK 275m in 2017.

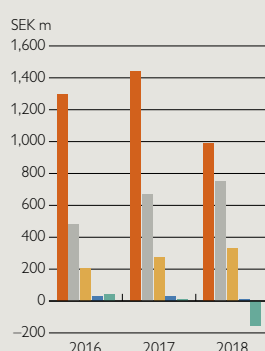
*Unless otherwise specified, the amounts and comments on pages 21, 57–70 are based on JM's segment reporting. For an overview of the difference between segment reporting and IFRS, see Segment reporting on page 83. For definitions, see pages 67–70.*

REVENUE BY BUSINESS SEGMENT



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

OPERATING PROFIT BY BUSINESS SEGMENT



ACCORDING TO SEGMENT REPORTING

SEK m	2018	2017	2016
Revenue	16,161	17,008	15,752
Operating profit	1,886	2,369	2,011
Operating margin, %	11.7	13.9	12.8
Profit before tax	1,817	2,579	1,951
Cash flow from operating activities	–473	2,013	1,957
Return on equity, %	22.2	38.7	31.4
Equity/assets ratio, %	41	40	40
Earnings per share, SEK	20.60	31.00	21.20
Number of residential units sold	2,463	3,100	3,843
Number of housing starts	3,135	3,873	4,187
Number of residential units in current production	7,835	8,200	7,984
Revenue according to IFRS	15,680	17,275	15,291
Operating profit according to IFRS	1,876	2,456	1,931
Earnings per share according to IFRS, SEK	20.40	31.90	20.30

# Good conditions for sustainable housing

For JM, 2018 has been a challenging year with a cautious market and decreased sales, but there continues to be strong interest in our residential units.

## SALES AND HOUSING STARTS

In general, the housing market in Stockholm continued to be cautious, in particular with regard to new production with a long time to occupancy. The residential units we sold in the Stockholm area largely have estimated occupancy in one to two years. We were pleased to see here that customers' willingness to sign a contract early in the process increased slightly during the second half of the year as the market stabilized.

The housing market in the rest of Sweden was cautious, particularly in Uppsala, but demand was primarily stable in other markets in the business segment. The average prices on the existing home markets in Sweden and Norway were more or less the same or decreased slightly during the year. In Norway, the activity level on the housing market was good, and the housing market in Finland was stable. However, the amount of time to sign a contract on these markets was slightly longer than in previous years. Despite a more positive development in demand at the end of the year, total sales in the Group decreased to 2,463 residential units sold compared to 3,100 the year before.

In addition to demand, planning processes continue to be an important criterion for the rate of housing starts. We started production on more than 3,100 residential units, a reduction of around 700 compared to the year before. The decrease was largest in Stockholm, where profitability in the current production volume continued to be good despite price adjustments. Including around 600 rental units in current production, we ended the year with continued high capacity utilization even in our operations in Stockholm. Norway and Finland represent a significant part of the year's housing starts. At the end of the year, we had just over 7,800 residential units in current production.

I am pleased overall with the development in JM, that despite the challenges we faced we were able to maintain a relatively high level of housing starts and that we are continuing to see strong interest in JM's projects.

## LAND FOR FUTURE PRODUCTION

We acquire land at the same pace that we put land into production. The supply of properties for residential development in Stockholm is relatively high, and we could acquire interesting development properties if the price is right.

JM has a total of 35,900 available building rights relatively evenly distributed between Stockholm, the rest of Sweden and our international operations.

## EFFECTIVE MANAGEMENT WITH JM@HOME

In 2018, we built up the operations in JM@home in the Stockholm region, and the ambition in the long term is to expand the operations. JM@home has management packages within both technical and economic management for newly built tenant-owners associations, but it also offers services to properties previously built by JM. The feedback has been very positive, and the initiative is meeting a current need. Many boards of tenant-owners associations are in need of this type of qualitative service.

To ensure worry-free accommodation after occupancy, JM@home also offers time-saving housing services, for example cleaning subscriptions, IT, caretakers and various handyman services. All services are environmentally certified and quality-certified by JM.

The offers and processes are based on digital solutions that are at the forefront of the market, and experienced managers ensure a proactive and reliable delivery. I also believe that we can be even better in our project development and production by reconnecting via JM@home.

## TENANT-OWNED APARTMENT PROJECTS

The tenant-owned apartment plays an important role in Sweden in a functional housing market, and JM is one of several participants on the market who have seen a need for transparency, comparability and responsibility for tenant-owners associations and their finances. Trygg Bostadsrättsmarknad i Sverige (Trygg Brf – an industry initiative to promote transparency on the tenant-owned apartment market) was formed during the year to strengthen consumer protection. Companies that choose to join this initiative and have their tenant-owned apartment projects approved undertake to report critical KPIs. I consider this step to be very important for JM as a serious project developer, and I am convinced that the possibility of being able to compare different tenant-owners associations will ultimately lead to greater security for the customer.

## SUPPORT FOR RESIDENTIAL PROJECT DEVELOPMENT

Looking at the contracting operations, competition for assignments in the housing operations increased, and profitability has been weak for a long period of time. We are now opting to gradually refocus the operations to clearly support the Group's residential project development.



*“The Swan Ecolabel certification and ‘Trygg Brf’ make it easier to make a decision when choosing a new home.”*



The civil engineering operations in JM Construction, however, continue to appear to be stable, and in addition to assignments for JM projects there are also several ongoing projects for external customers. One example is the detailed planning of streets and a square in Norra Djurgårdsstaden for the City of Stockholm. A project that was awarded Lidingö's 2018 Urban Environment Award is the attractive quay we built next to the Dalénium project on Lidingö. Customers should not only enjoy spending time in their new home – the immediate surroundings, including grassy areas, playgrounds, streets and quays, are also important.

#### 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 JM, our customers, 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 were started as of 2018 will be certified in accordance with the Swan Ecolabel. The idea is that the efforts we have made over a period of years to create a reduced environmental impact and sustainable development will be more visible for housing customers. In the section Sustainable Urban Planning, we describe the advantages of living in a newly built residential unit, now with Swan Ecolabel certification.

#### EMPLOYEESHIP AT JM

At JM, all employees shall be able to do a good, safe job and experience new, challenging work tasks. We have had good results from the professional and management training courses that were tailored to JM, including courses in finance for project managers, business knowledge and a coaching approach. With good values and respect for the individual, we will continue to build effective teams.

#### STRONG FINANCIAL POSITION

Good profitability helped us reach our financial targets; the operating margin was 11.7 percent (target 10 percent) and the equity/assets ratio was 41 percent (target 35 percent over a business cycle).

JM continues to have a strong balance sheet, and during the year we distributed SEK 765m to shareholders as the regular dividend for 2017.

#### GOOD CONDITIONS MOVING FORWARD

Population growth in our main markets, coupled with continued low interest rates, still supports demand for housing. Our business in our international operations continued to show good development, and we are now gradually broadening the geographic coverage of our housing operations. The development in the Swedish operations outside of Stockholm continues to show good profitability. We have also made several good land acquisitions here. Depending on the market conditions, we can choose to start more rental projects in JM's own balance sheet.

The strong balance sheet and the stability in our business allows for an increased dividend to our shareholders for 2018.

Stockholm, February 2019

Johan Skoglund  
CEO and President

FOCUSING ON THE

# Customer

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.





# External factors affect the customer's needs and wishes

JM should be the customer's first choice when buying a new home.  
We focus on the customer's needs and have good customer insight. This gives JM one of its most important competitive advantages.

## TRENDS THAT INFLUENCE DEMAND

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 globalization, digitalization, urbanization, the aging population and a firmer focus on the environment and sustainability.

### **Globalization is contributing to the increased competition for where people will live, work and invest**

Throughout the world, the distance between countries is shrinking through economic and technological networks, where trade is the key to continued strong growth. Our welfare increases with globalization and generates greater demand for qualified labor primarily in the Nordic region within research, innovations and development. A dynamic business environment and a strong economy increase the opportunities to export highly technological goods and services that will be the backbone for economic growth in the future.

All of this affects where investments are made and how the flows in the labor and housing markets will develop in the future. Improved economic welfare and the creation of more highly qualified jobs increases demand for residential units in central locations.

### **The urbanization trend is strong. People are seeking freedom of choice and diversity**

In environments that naturally foster interaction between and contact with other people, society and business will grow. The downtown areas are becoming more densely populated, which places greater demands on investments in, for example, housing, infrastructure and local services. For housing developers, this means that we can use the land in a different way by, for example, building more high-rise buildings and offering more space-efficient residential units. We are also noting that metropolitan areas and commuting distances are growing, which makes new residential areas attractive.

### **Demographic changes, an aging population and a large generation of young people that need somewhere to live**

As a result of the combination of more people working until they are older and the increase in immigration, the number of people available for work is held relatively constant. However, a larger share of the hours worked will be carried out by highly educated labor since both demand for and the supply of this kind of staff are increasing. The situation for groups who are new on the housing market continues to be challenging.

Another trend is the change in life phases, where traditional major life events occur increasingly later in life, e.g. marriage, children, and the purchase of the first home.

### **Sustainability from a broader perspective permeates urban planning, products and people**

A few years ago, sustainability primarily meant the environment and included everything from traceability, built-in chemicals and waste. Today, this term has been expanded to include many more components that benefit the climate, social interaction, and economic growth.

The ecological perspective for the housing development industry focuses primarily on using energy- and climate-efficient building methods, making sound material choices and protecting our natural resources in the long run. From a social perspective, the focus is on diversity efforts and the creation of a society with high levels of tolerance where equality is a central tenet. This requires that people trust one another and that they take an active role in society's development. Finally, economic sustainability is about meeting the needs of people today without threatening the opportunities of future generations.

### Digitalization and the sharing economy changes society fundamentally

One visible effect of digitalization is the ever-present cell phone, but at a more hidden level a revolution is underway in everything from the labor market to healthcare, housing and education. Another revolutionary trend is the sharing economy's growth, which changes the economic drivers.

The Internet of Things (IoT) means that units and devices are linked to one another and the Internet, and pretty much everything can be possible in the future. Machines, vehicles, appliances, furniture, and people in particular can be linked together and to the Internet. One example of this is a floral stick that announces when the soil is dry and needs watering.

### The home is becoming an increasingly important place for recovery and harmony in a society with rising uncertainty and stress

In a constantly connected and performance-based society, the home becomes increasingly more important for recovery. Several surveys show that a greater percentage of people want less pressure in their life, and a new favorite past time is to do absolutely nothing.

The home should offer harmony and simplicity but also be transformable into spaces that promote social interaction.

### 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, and customer and market surveys.

### Trends

The need for simplicity and harmony in the housing environment is clearly evident, and we are therefore focusing on creating well-planned designs in the residential unit as well as the common spaces outside. By focusing on flexibility, smart storage, open social spaces, calming rooms and spaces for recovery, we have the industry's best homes – according to our customers. The annual industry customer satisfaction survey measures

the category housing, which includes housing standard, housing planning, craftsmanship and storage spaces. JM is leading the category by a good margin (*source: Prognoscentret*).

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, founded the company. Since then, JM has taken on an increasingly greater role as it transitioned from home builder to project developer of sustainable communities. Our high demands and genuine commitment permeate throughout the entire company and guide us in our work today and in the future.

### 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 strives 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 a number of areas where they can be active and have an impact; for example, proposing the design of the home and desirable services in the neighborhood or alternative ways to use common areas.

### IMPORTANT CHALLENGES FOR JM

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

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

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

In all, JM started production on 3,135 residential units in 2018, compared with 3,873 residential units the previous year. Sweden had 2,220 housing starts; 96 percent were units in apartment blocks (1,822 tenant-owned apartments and 320 rental units) and 4 percent were single-family homes. Norway had a total of 634 housing starts; 86 percent were apartments and 14 percent were single-family homes. In Finland, production was started on 281 apartments.

## SWEDEN

Demand for residential units was heavily influenced by macro-economic factors, such as the economy, the buying power of consumers and population growth. Sweden continued to experience strong growth in 2018, even if the forecast was revised downward during the second half of the year, partly due to a surprisingly weak third quarter.

After the price fall on the Swedish housing market in 2017, which was primarily the result of stricter credit restrictions for households, the market stabilized in 2018. Housing investments, which had previously driven the economy forward, were at historically high levels at the beginning of 2018. Investments then stagnated due to the fall in house prices and the decrease in the number of housing starts.

Employment growth was strong during the year, and unemployment was 6.2 percent in November. In December, the Riksbank raised the repo rate from -0.50 percent to -0.25 percent. At the same time, the interest rate forecast was revised downward, and the Executive Board of the Riksbank indicated that additional increases would occur first during the second half of 2019.

JM is considered to have a market-leading position in Sweden. The largest markets are the large metropolitan areas of Stockholm, Uppsala, Malmö/Lund and Gothenburg.

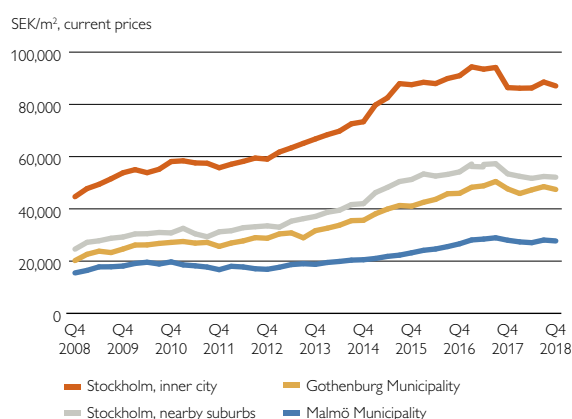
## Stockholm

The economy in the Stockholm region continued to be strong, even if it cooled slightly in 2018, and the labor market continues to be strong.

Prices for tenant-owned apartments in downtown Stockholm and the immediate suburbs basically stood still during the year. Housing construction in Stockholm fell sharply in 2018.

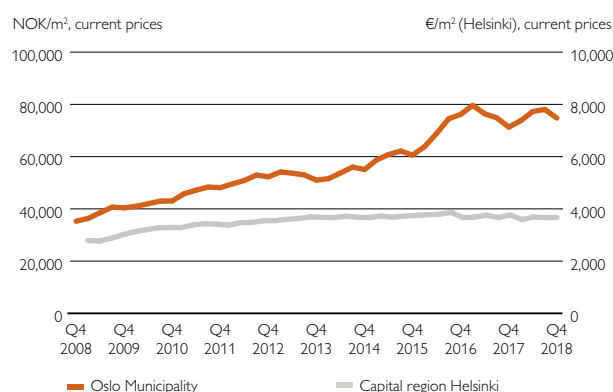
During the first three quarters, production began on approximately 3,200 new residential units in downtown Stockholm and the immediate suburbs, which is less than half compared to the same period the previous year. The number of completed residential units is at approximately the same level as the previous year, approximately 5,100 in downtown Stockholm and the immediate suburbs.

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



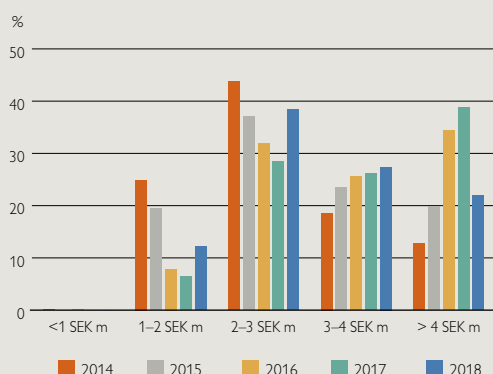
Source: Mäklarstatistik. Compiled by WSP Advisory.

APARTMENT PRICES IN OSLO AND HELSINKI OVER THE PAST 10 YEARS

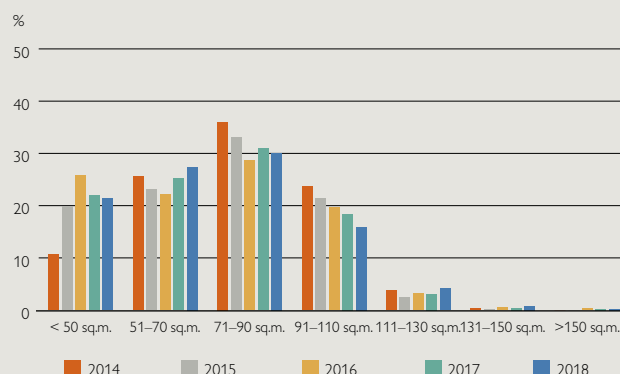


Source: The statistics bureau of each country. Compiled by WSP Advisory.

PERCENTAGE OF JM'S TENANT-OWNED APARTMENTS AVAILABLE FOR SALE IN DIFFERENT PRICE INTERVALS 2014–2018, SWEDEN



PERCENTAGE OF JM'S TENANT-OWNED APARTMENTS AVAILABLE FOR SALE IN DIFFERENT SIZE INTERVALS 2014–2018, SWEDEN



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

### Gothenburg

The Gothenburg region was in several respects the metropolitan region that grew the fastest during the year, even if growth slowed during the fall. The region's economy was booming, which led to an increase in employment. Population growth in the Gothenburg region was stable at around 1.5 percent on an annual basis during the first three quarters, which is high from a historical perspective. The trend of falling house prices stabilized at year-end 2018/2019. Prices of tenant-owned apartments in downtown Gothenburg decreased by around 1.5 percent but increased in the immediate suburbs by just over 2.5 percent.

### Malmö/Lund

The Malmö region had weaker growth than the other metropolitan regions. Population growth in the Malmö region continues to be high from a historical perspective, at around 1.5 percent on an annual basis. In central Malmö, tenant-owned apartment prices increased by 1.5 percent during the year, while prices in the suburbs decreased by 0.7 percent. In Lund, tenant-owned apartment prices increased by an impressive 9 percent.

### Uppsala, Linköping, Västerås and Örebro

Economic growth continued to be strong in the Uppsala region, while employment fell. Population growth in the Uppsala region is approximately 2 percent on an annual basis.

Tenant-owned apartment prices in Uppsala decreased by 7.5 percent during the year, and in Västerås they basically stood still. In Linköping, prices decreased by almost 14 percent, while the negative trend in Örebro stopped at around –4 percent.

### NORWAY

Norway's mainland economy continued to grow, albeit at a slower rate than before, and population growth was 0.7 percent. Employment also increased during the year. After the slow-down on the housing market in the fall of 2017, house prices stabilized and moved laterally during the year. As

a result of last year's fall in prices, housing investments decreased sharply between the fall of 2017 and the summer of 2018, but there were signs of stabilization during the latter part of 2018. The number of residential units in production also increased, which indicates a more favorable development in the future.

In September 2018, Norway's central bank increased the key rate from 0.5 to 0.75 percent. This was the first increase in seven years.

JM's largest markets are Oslo, Tønsberg and its surroundings and Bergen.

### FINLAND

Growth in the Finnish economy was strong in 2018. The export-dependent economy grew by 2.7 percent despite international uncertainty, largely due to both a recovery in the export industry and household buying power, which was boosted by higher employment and low interest rates.

Unemployment decreased but is still high. Population growth was 1.6 percent during the period January–November and was driven by net immigration.

The housing market in Finland has been stable in recent years, and house prices increased slightly in 2018. Housing construction continued to increase from already high levels.

JM's operations are located in the Capital region.

### BELGIUM

JM closed its operations in Belgium in Q1 2017.

#### MAJOR COMPETITORS, PRIVATE HOUSING MARKET

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

<sup>1)</sup> Capital region

**RESIDENTIAL CONSTRUCTION – NUMBER OF HOUSING STARTS**

Country	2018	2017	2016
Sweden	51,600	63,200	60,800
Norway	31,900	35,300	36,530
Finland	47,100	44,800	36,662

Source: The statistics agency in each country, compiled by VVSP Advisory.  
Figures for 2018 are preliminary and will be finalized during spring of 2019.

**JM'S SOLD RESIDENTIAL UNITS**

Country	2018	2017	2016
Sweden	1,768	2,454	2,870
Norway	525	472	705
Finland	165	172	254
Belgium	5	2	14
<b>Total</b>	<b>2,463</b>	<b>3,100</b>	<b>3,843</b>

**JM'S HOUSING STARTS**

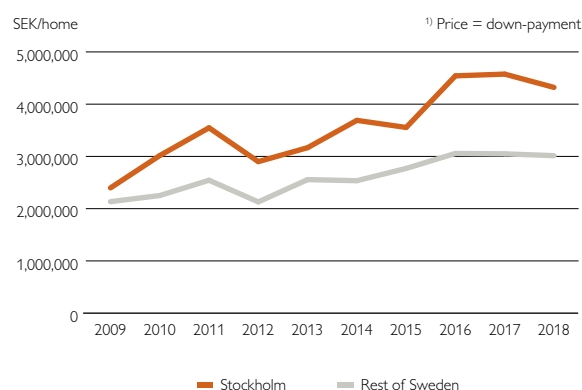
Country	2018	2017	2016
Sweden	2,220	2,991	3,310
Norway	634	621	643
Finland	281	261	234
Belgium	–	–	–
<b>Total</b>	<b>3,135</b>	<b>3,873</b>	<b>4,187</b>

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

	12/31/2018	12/31/2017
Number of residential units in current production <sup>1) 2)</sup>	7,835	8,200
Percentage of sold residential units in current production, % <sup>3)</sup>	51	58
Percentage reserved residential units in current production, %	6	7
Percentage sold and reserved residential units in current production, %	57	65
1) 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	593	553
Includes residential units in projects where costs incurred are only reported as project properties under construction	583	553

<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.

**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 KNOWLEDGE AND  
NEW CONSTRUCTION

# Advantages

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.



# All JM residential units will now meet Swan Ecolabel requirements

JM is contributing to the development toward a sustainable society. Swan Ecolabel certification places demands on environmental certification for documentation of materials used in construction.

All our residential units planned as of January 1, 2018 will be certified in accordance with the Swan Ecolabel. A building that is certified by Swan Ecolabel must meet high environmental standards, and it is unique for an entire Group to meet these requirements. JM is the first Nordic construction company to certify the entire production of its own residential units in accordance with the Swan Ecolabel.

To purchase a home is to plan for the future. We would like to create the best conditions for the environment and an improved quality of life for the residents of our buildings. This is embedded in our DNA. Sustainability is nothing new for JM.

## TARGETS HELP US THINK CREATIVELY

We have worked with environmental and sustainability issues for a long time, but our approach is now more structured. This applies to everything from working conditions at our subcontractors and the materials we use in production to the gender distribution among our own employees and how we travel. And, naturally, to how we design new residential units.

If we are to be able to meet the extensive challenges facing not only us but society as a whole, it will not be enough to use what is already available. By setting the bar high, JM and all of its employees must think “outside the box”. We must find new paths and new ways to think and react. Demanding targets help us do this. Read more about our sustainability targets on page 37.

## TÄBY PARK – A SUSTAINABLE CITY

JM is one of several companies chosen to develop Täby Park, and the Nor project, which began in 2018, is one of the first in the Group that will be certified under Swan Ecolabel. Täby Municipality



is planning to build 6,000 residential units and 5,000 work places in this new neighborhood on the old racing field. The goal is to build an urban environment that offers life and activity and is environmentally, socially and economically sustainable.

One noticeable difference in the Nor project is that materials, which undergo an environmental assessment already in the pre-construction phase, must be entered into a logbook. When the building is completed, JM must be able to prove that we meet Swan Ecolabel's strict requirements on not only energy and the indoor environment but also materials, and that we have conducted the required controls and have the required documentation.

Customers will be able to see more advantages to living in a home certified by Swan Ecolabel. For example, Swan Ecolabel will make it possible for customers to receive a lower mortgage rate from mortgage institutions that offer green financing and green mortgages for climate-smart housing.

*“JM's sustainability targets sometimes sound unrealistically high, but that is kind of the point. We are striving to create homes that make it easy for people to live climate-smart lives, and when we build new areas we make it possible for people to live healthy lives, both socially and physically.”*

PER LÖFGREN, HEAD OF SUSTAINABILITY





# Product development and JM Labs

This primarily focuses on what we can do for our customers, but also how we can improve our operations internally.

Trends and the knowledge shared by suppliers, employees and customers are processed and summarized into different proposals for prioritized development areas. 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 and sustainable 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 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.

## INNOVATIVE SOLUTION

JM Labs is an innovation lab that has the goal of engaging employees in an ongoing and transparent idea workshop on how we can find innovative solutions, simplify life for our customers and meet the challenges of the future. The results have exceeded our expectations. There is a pent-up need among employees to be able to share more ideas and lessons learned and co-create the products and services of the future. Promising concepts are presented for Executive Management, and, if they are considered relevant, are adopted into the regular development processes to be included in JM's products or services.

For example, we have developed a prototype JM app to check the entire home, create greater security for residents and serve as a hub for cooperation between neighbors. JM will offer several different standardized solutions based on the needs and wishes of the customer.

## FOCUS AREAS FOR THE FUTURE

One of the most important areas is to simplify the everyday life of both customers and JM's employees through structured work with innovation. The smart home and the types of services JM is able to deliver in this area are one focus area.

### INNOVATION FOR A BETTER LIFE

- JM Labs also supports JM's operations by working faster with development, innovation and learning.
- The goal is to offer standardized solutions for smart homes, ultimately to simplify the everyday life of our customers.



# Five reasons to choose new production and JM

## SUSTAINABLE IN THE LONG RUN

Newly built residential units meet very high environmental and energy demands and work environment requirements both during the construction period and in the completed final product. These high demands lead to less of an environmental impact and less energy consumption since the buildings are better sealed and the appliances use less energy. The reduced energy consumption to heat the home and for household appliances also leads to lower regular housing expenses.

**Advantage of JM's new production:** Our efforts to achieve sustainable development, which we have been committed to for many years, and the benefits for our customers becomes clearer with the Swan Ecolabel certification. The ambitious sustainability targets and our deliveries are presented on page 37.

## A SAFE TRANSACTION AND SAFE LIVING ENVIRONMENT

Trygg Bostadsrättsmarknad i Sverige is an industry initiative to strengthen consumer protection on the tenant-owner apartment market. JM is one of several established market participants who has seen the need for transparency and comparability for housing associations and their economy. Companies that choose to join this association and have their tenant-owned apartment projects approved undertake to report critical KPIs, for example loans per m<sup>2</sup> and residential unit, that the tenant-owners association only has one clear counterpart and the composition of the tenant-owners association's board of directors.

This initiative benefits households, serious housing producers and lenders and contributes to the development of an efficient market for newly produced homes.

**Advantage of JM's new production:** JM offers a security package that for example protects the home buyer from double housing costs if they have not successfully sold their previous home prior to occupancy. We also want our customers to feel secure in their home, in the immediate vicinity and with our delivery of a finished home. We are therefore working with good lighting in the immediate surroundings and open and bright common spaces that foster social contact, while also having a very structured production that ensures high delivery precision.

The annual customer satisfaction survey<sup>1)</sup> in the housing development industry measures our ability to be able to fulfill our promises. 70 percent of all housing customers in the industry feel that housing developers fulfill their commitments, and 81 percent of JM's customers believe that we fulfill our promises (more than 40 housing developers in Sweden participated in Prognoscentret's survey 2018).



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



#### NEW AND MAINTENANCE-FREE

One major advantage of purchasing a new production is that no one has lived there before and everything is new and fresh. No renovations will be required in the next few years, which can be a relief.

**Advantage of JM's new production:** At JM, quality awareness permeates the entire company. With well-planned design, high housing quality and an attractive finish to our craftsmanship, we deliver homes where our customers enjoy spending time. Clear evidence of this is that we once again are at the top of the list among our customers in both Sweden and Norway in the annual industry customer satisfaction survey<sup>1)</sup> that started in 2009. This is the seventh time we have finished in first place in Sweden and the fourth time in Norway.

#### SMART AND CONNECTED

Smart technology and connected homes are becoming more common in today's society to save time and money. Many housing developers already offer solutions for smart homes or have them in their development plans.

**Advantage of JM's new production:** The ambition is to be the industry leader within digitalization. We have therefore developed new smart-home functions. One example is Bällsta Park in Vallentuna, where 50 single-family homes with smart functions can be controlled via a smartphone app. Examples of functions that can be controlled in the home include indoor lamps, outdoor lighting, smoke detectors and add-on functions such as wall plugs, cameras and motion detectors.



#### SELECTING THE INTERIOR DESIGN

One of the many advantages of new production is being able to choose how your future home will look.

**Advantage of JM's new production:** All interior design is carefully chosen by our interior experts, who apply a holistic approach, search for materials that will last and strive for harmony in the design of the home. Everything is included – you do not need to buy anything extra to get a really good product. If there are personal preferences for something other than what is included, these can be purchased separately.

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



# Focus on people

JM's residential units create homes for people in different phases of life; they make it possible to realize dreams and lay the foundation for new lives.

## EASY ONLINE RESERVATIONS

For many people, purchasing a home will be their life's biggest investment. This does not mean it has to be difficult. All information is available at [jm.se](http://jm.se). We guide customers through the different steps – from submitting an interest notification for the home to move-in day. And we help not only to explain all terms, whether technical or legal, but also with reservations, preliminary contracts and final payment.

Customers who also choose to become VIP customers get to see JM's and Borätt's residential units before they are released for sale to the general public.



It is possible to reserve our residential units in Sweden easily and conveniently online.

- 1 Fill in the intended financing for the new home, your personal details and information about your current housing.
- 2 Sign the reservation contract using BankID.
- 3 Pay the reservation fee by credit card or Swish.
- 4 You have now preliminarily reserved your home, and it is no longer available for others.



## Freedom in his first apartment

As a navigating officer, Tilly Nersäter sails all over the world. Despite all of the exciting places he is able to visit, it is his newly built JM apartment in Kungsladugård in Gothenburg where he has found a home.

"It is so fantastic not to have parents at home! That is how I feel every day when I come home to my apartment. Living with my mom and dad at the age of 26... I didn't dare invite anyone over or even mention where I live! I now have furniture in my apartment, so it looks like someone lives here. I have put up lamps, gotten my bedroom closet in order with extra shelving and found my dream sofa on the Internet."

"I submitted an interest notification for the apartment when I was still studying to be a navigation officer. I liked the building because the facade was going to be similar to the protected Governor's Building in the Majorna district. And I also liked the spacious layout."

"After I graduated, the building was still not slated to be finished for another two years. In other words, I had two years to save the money for the downpayment – 15 percent – and a little more if I wanted to make any changes to the apartment."

# JM's largest projects



We build all our homes in locations that are not only close to cities, nature or water but are also close to public transport. It is also important for there to be service and schools in the area. Some of JM's largest projects are presented below.



## 1. Liljeholmskajen, Stockholm

*Development period:* 2001-2026

*Housing type:* apartment buildings

*Number of residential units:*

– in total approx. 4,300, started 3,286

– housing starts in 2018: 0

*Number of building rights left:* approx. 1,000

*Location:* central, 5 km from downtown Stockholm



## 2. Täby Park, Täby

*Development period:* 2018-2035

*Housing type:* apartment buildings

*Number of residential units:*

– in total approx. 2,500<sup>1)</sup>, started 132<sup>1)</sup>

– housing starts in 2018: 132

*Number of building rights left:* approx. 2,370

*Location:* 20 km from downtown Stockholm

<sup>1)</sup> Production also started on 128 rental units.



## 3. Norra Älvstranden, Gothenburg

*Development period:* 1998-2022

*Housing type:* apartment buildings

*Number of residential units:*

– in total approx. 2,050, started 1,704

– housing starts in 2018: 0

*Number of building rights left:* approx. 400

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



#### 4. Söderdalen, Järfälla

Development period: 2013-2030

Housing type: apartment buildings

Number of residential units:

- in total approx. 1,400<sup>1)</sup>, started 493<sup>1)</sup>

- housing starts in 2018: 0

Number of building rights left: approx. 900

Location: approx. 20 km to downtown

Stockholm

<sup>1)</sup> Production is also started on 192 rental units.



#### 5. Kvarnholmen, Nacka

Development period: 2010-2030

Housing type: apartment buildings

Number of residential units:

- in total approx. 1,400, started 611

- housing starts in 2018: 0

Number of building rights left: approx. 800

Location: central, 6 km to downtown

Stockholm



#### 6. Kungsängen, Uppsala

Development period: 2003-2022

Housing type: apartment buildings

Number of residential units:

- in total approx. 1,400, started 1,048

- housing starts in 2018: 0

Number of building rights left: approx. 350

Location: close to the city center



#### 7. Dockan area, Malmö

Development period: 2003-2022

Housing type: apartment buildings

Number of residential units:

- in total approx. 1,250, started 1,074

- housing starts in 2018: 0

Number of building rights left: approx. 170

Location: close to the city center, by the sea



#### 8. Lomma Strandstad, Lomma

Development period: 2003-2023

Housing type: apartment buildings/single-family homes

Number of residential units:

- in total approx. 1,150, started 845,

of which 85 single-family homes

- housing starts in 2018: 58

Number of building rights left: approx. 300

Location: close to the sea, 8-10 km to Lund/downtown Malmö



#### 9. Dalén, Lidingö

Development period: 2010-2022

Housing type: apartment buildings

Number of residential units:

- in total approx. 800<sup>1)</sup>, started 771<sup>1)</sup>

- housing starts in 2018: 230

Number of building rights left: approx. 50

Location: central, 9 km to downtown Stockholm

<sup>1)</sup> Production also started on 243 rental units.



#### 10. Älvsjö, Stockholm

Development period: 2016-2024

Housing type: apartment buildings

Number of residential units:

- in total approx. 800, started 444

- housing starts in 2018: 0

Number of building rights left: approx. 350

Location: approx. 10 km to downtown

Stockholm



#### 11. Myrsvoll Stasjon, Akershus

Development period: 2017-2027

Housing type: apartment buildings/single-family homes

Number of residential units:

- in total approx. 615, started 194

- housing starts in 2018: 89

Number of building rights left: approx. 520

Location: 20 km to downtown Oslo



#### 12. Puustellinkallio, Esbo, Finland

Development period: 2018-2027

Housing type: apartment buildings

Number of residential units:

- in total approx. 870, started 121

- housing starts in 2018: 121

Number of building rights left: approx. 750

Location: approx. 11 km to downtown

Helsinki





### Dalénum – a new district on Lidingö

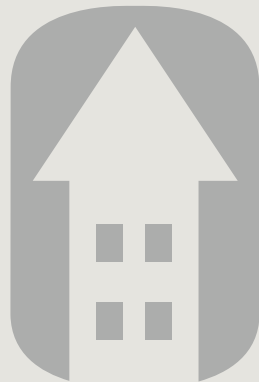
JM is building residential units with different forms of tenure as well as commercial premises. In total, around 1,000 tenant-owned apartments, freehold apartments, and rental units. We are also the proud builders of Dalénum quay, which won Lidingö's 2018 Urban Environmental Award.



OUR STRATEGY FOR

# Profitability

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



# Business concept, 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. JM@home offer economic and technical management as well as housing-related services.

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.

## 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 portfolio's value will be realized through sale or exchange, and the size of the portfolio can vary over a 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

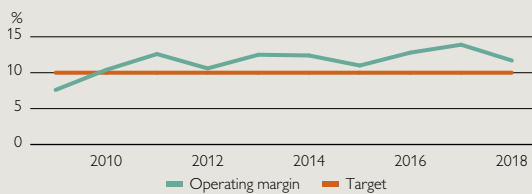
As a means of ensuring long-term value generation, JM has formulated general targets. JM's financial targets are defined based on segment reporting.

## FINANCIAL TARGETS

### Operating margin

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

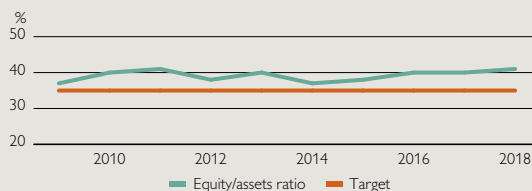
**Outcome:** In 2018, the operating margin decreased to 11.7 percent. During the 5-year period of 2014–2018, the operating margin was an average of 12.4 percent.



### Equity/assets ratio

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

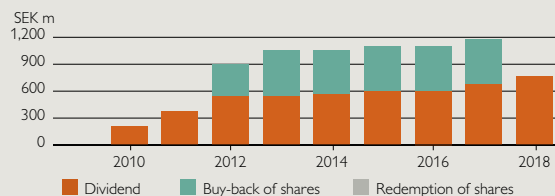
**Outcome:** The equity/assets ratio was 41 percent on December 31, 2018. During the five-year period of 2014–2018 the equity/assets ratio on average was 39 percent.



### 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 12.00 per share. During the five-year period of 2014–2018 the average dividend pay-out ratio was 49 percent.



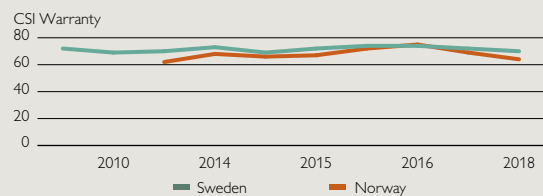
## NON-FINANCIAL TARGETS

### 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 2018:** Sweden 70/66, Norway 64/65.

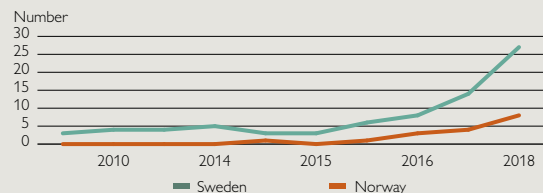


### Employees

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

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

**2018:** Sweden 4.5, Norway 8.0 times.

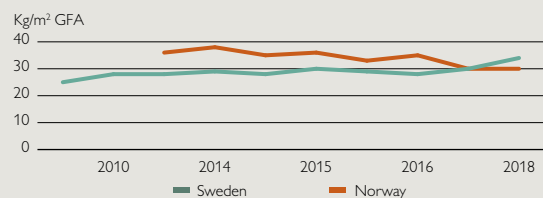


### Environment

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.

**2018:** Sweden 34, Norway 30 kg/m<sup>2</sup> Gross floor area (GFA).



For the ten-year period 2009–2018, JM shares gave a total return of 19 percent (average). The corresponding figure for the five-year period 2014–2018 was 3 percent.

# Value generation in JM's core business

Our 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. We have developed effective construction processes and accumulated sound experience in carrying out large and complex projects.

From the very start in 1945, JM has worked to develop residential projects, which 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.

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 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 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.

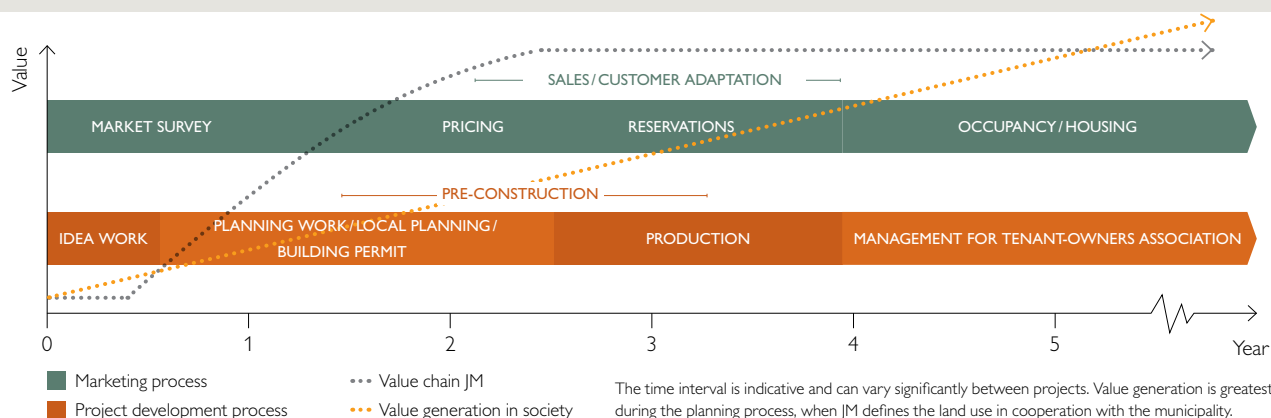
## REQUIRED RATE OF RETURN FOR PROJECTS

Value generation requires each investment to generate returns that exceeds its cost of capital. 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 of return for projects.

- **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
- **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 2009–2018 was an average of 24.1 percent, and an average of 28.7 percent for the 5-year period of 2014–2018.

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

## Value generation in society



### INDEPENDENT TENANT-OWNERS ASSOCIATIONS BUILD CONFIDENCE IN THE LONG TERM

JM's residential project development in Sweden consists primarily of JM developing and selling tenant-owned properties where JM enters into agreements, with tenant-owners associations as the orderer, for a total undertaking to deliver a turn-key residential property. The individual home buyers enter into a purchase agreement with the tenant-owners associations. It is fundamental for JM's business that the tenant-owners associations are independent.

JM's success is largely based on ensuring long-term confidence for the business in relation to our stakeholders. This applies in particular to ensuring that individual buyers of tenant-owned apartments are confident in JM as a long-term, stable and secure housing developer. To create this kind of confidence, it is necessary during the production phase for the board of directors that represents the individual buyers of the tenant-owned apartments to be independent from JM and enter into agreements that protect the buyers' interests. In order to protect not only these interests but also JM's business-related interest in interacting with a professional orderer, the association's members of the board of directors must have relevant experience and competence. This is also important for the members' responsibility as laid down by association law. Therefore, the tenant-owners associations are formed by board members who are independent of JM and have extensive experience and competence in all areas that are relevant for a tenant-owners association. According to the by-laws of the association, the majority of the board of directors during the entire production phase must be appointed by a party that is independent of JM. JM has no right to appoint the association's board of directors and never has any representation on the board.

The tenant-owners association's board of directors makes important decisions about and enters into agreements with JM for the production and provision of a turnkey residential property on behalf of the association and the individual buyers of tenant-owned apartments.

Furthermore, JM's business model, on a detailed level, is adapted to allow good governance and follow-up with a high level of business requirements. 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 can be summarized by the following:

- The tenant-owners association's statutes stipulate the appointment of JM-independent board members in the association, where JM is not entitled to appoint the board
- All significant and relevant decisions are made independently by the board of directors in the tenant-owners association
- Agreements on a total undertaking, where JM delivers a turn-key property, are entered into by the independent board in the tenant-owner association prior to production start
- The tenant-owners association has its own financing through a construction loan, including the tenant-owners association's property as collateral. JM pledges a temporary surety as a partial credit enhancement
- An independent real estate agent sells the tenant-owned apartments based on a direct agreement with the tenant-owners association.

These main criteria are central from both a legal perspective and from a financial and accounting perspective, with transparent follow-up over the project's lifecycle, both internally and externally. Systematic follow-up includes current performance, risk and market changes and modified revenue and cost assessments in the projects. The entire project process, from agreement with the tenant-owners association on JM's total undertaking to deliver a turn-key property to the transfer agreement with the final buyers of the residential units and the completion of the projects, is consistently processed in financial reporting with a high degree of precision over time. The issue of independence, which is fundamental for the business, serves also as a basis for the housing associations not just from a legal perspective but also from an accounting perspective being viewed as independent and thus are a customer of JM. See Note 1 on pages 82–85 for more information.

## PROJECT DEVELOPMENT AND VALUE GENERATION TAKE PLACE IN THE DIFFERENT PHASES



### 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.



### 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, Showrooms, Big Open House Days, social channels, etc.



### 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.



### 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.



### PRODUCTION - SECURE AND EFFECTIVE PROCESSES

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



### OCCUPANCY, 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 35,900 available residential building rights (34,800). Capital tied up in building rights (development properties in the balance sheet) for residential units amounts to SEK 8,267m (7,501) 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 BUILDING RIGHTS PORTFOLIO COMPRISES TWO TYPES OF BUILDING RIGHTS:

- building rights in the balance sheet, 20,700 (18,700), corresponding to seven years of production at the current rate of production
- building rights available through conditional acquisitions or cooperation agreements, 15,200 (16,100). 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 appraisals were based on the location, attractiveness, scope and type of building planned, the stage in the planning process and the time remaining until production starts.

The assessed market value of JM's residential development properties amounts to SEK 15.3bn (14.7). The corresponding carrying amount is SEK 8.3bn (7.5). The 20,700 residential units available through conditional acquisitions were not included in the assessment.

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



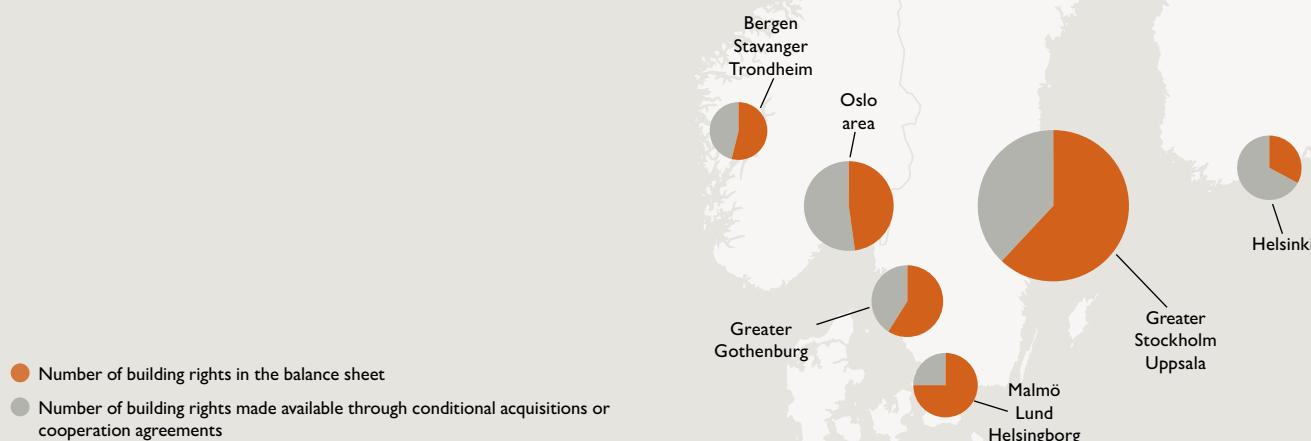
The general plan refers to the period before the work on local planning has begun.

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.





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 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.

#### JM'S AVAILABLE RESIDENTIAL BUILDING RIGHTS

Geographic area	Number of building rights	
	2018	2017
Greater Stockholm (excluding Sigtuna, Upplands Väsby, Vallentuna, Norrtälje)	14,200	14,200
Malmö, Lund, Helsingborg	3,000	3,300
Greater Gothenburg	3,700	3,400
Uppsala, Sigtuna, Upplands Väsby, Vallentuna, Norrtälje, Linköping, Västerås, Örebro	3,800	3,400
Oslo area, Norway	4,300	4,200
Tønsberg, Drammen, Larvik and Skien, Norway	1,500	1,300
Bergen, Stavanger and Trondheim, Norway	2,400	2,100
Helsinki and Esbo, Finland	3,000	2,700
Brussels, Belgium	—	200
<b>Total</b>	<b>35,900</b>	<b>34,800</b>

#### GEOGRAPHIC DISTRIBUTION OF AVAILABLE RESIDENTIAL BUILDING RIGHTS

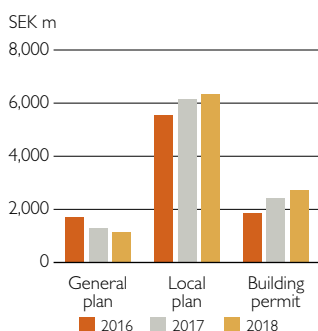
Building rights refer to land that can be developed for future production; they are recognized as assets on the consolidated balance sheet under the heading, Development properties.

About 63 percent of the residential building rights reported in the balance sheet in Sweden are in the Greater Stockholm area. 25 percent of them are located in downtown Stockholm, including Lidingö and Liljeholmskajen, 42 percent in nearby suburbs and 33 percent in outlying suburbs.

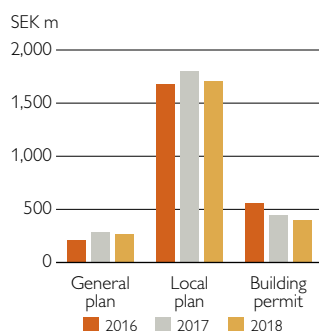
#### MARKET VALUE IS BROKEN DOWN AS FOLLOWS:

SEK bn	Market value		Carrying amount	
	2018	2017	2018	2017
Stockholm	10.2	9.9	5.0	4.4
Rest of Sweden	2.4	2.5	1.4	1.5
International	2.7	2.3	1.9	1.6
<b>Total</b>	<b>15.3</b>	<b>14.7</b>	<b>8.3</b>	<b>7.5</b>

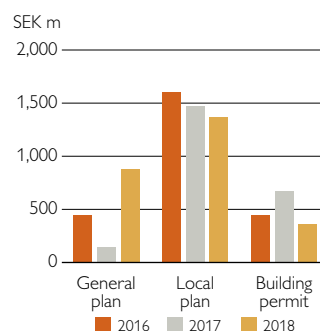
#### MARKET VALUE RESIDENTIAL BUILDING RIGHTS GREATER STOCKHOLM



#### 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.

# Rental units, management and housing services

Project development occurs mainly for rental units. The operations also include project development of commercial premises and residential care units.

Project development involving commercial premises mainly takes place in the Stockholm region and is intended primarily to support residential development projects. Management and housing services are offered in JM@home.

## JM RENTAL HOUSING

JM's strategy is to have continuous and long-term production of rental housing, including housing for students and young adults, primarily in the Stockholm region. This strategy also includes the possibility of building rental units in Uppsala, Gothenburg and Malmö.

Two projects were completed during the year: Tjärtunnan with 187 rental units in Stureby, Stockholm, and Alphyddan with 93 student residential units in Nacka. Two projects were also started: Manegen with 128 rental units in Täby Park and Havreflingan with 192 rental units in Söderdalen, Järfälla.

During the year JM also continued its ongoing work to build a good building rights portfolio for future projects.

## RESIDENTIAL CARE UNITS

During 2018, local planning work continued for the Kaplanen residential care housing in Uppsala, which will consist of 72 units.

## COMMERCIAL PROPERTIES

In 2015 JM was allocated land for its new Group head offices in Karlberg from Solna Municipality. Work is continuing on the local planning, and the project was submitted for consultation in the fall of 2018.

The development of commercial buildings in Dalénium on Lidingö and Kallhäll in Järfälla progressed during the year with a focus on rentals.

## JM@HOME

JM@home meets JM customers' demand for both technical and financial management and aids the boards of directors of tenant-owner associations in areas where extra help and knowledge are needed. It offers residents time-saving services such as cleaning and handyman services to help create worry-free accommodation.

The operations were established in 2018, primarily with a focus on the Stockholm region.

JM@home AB widens JM's offer, and valuable experiences are connected back to our project development organization.



MARKET VALUATION – PROJECT PROPERTIES <sup>1)</sup>	12/31/2018			
	Market value, SEK m	Carrying amount, SEK m	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
Properties under development	1,069	816	24	92
Completed rental unit properties	914	808	22	100
Completed commercial properties	19	11	1	89
<b>Total</b>	<b>2,002</b>	<b>1,635</b>	<b>47</b>	<b>98</b>

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

# Streamlining within the construction industry

Structured Project Development is JM's initiative to streamline the project development of residential units.

A development project has been ongoing within the Group for many years to standardize both the processes and the product. This has resulted in unified working methods in production, quality improvement and the transfer of experience as well as large purchasing volumes and reliable deliveries.

Since 2018 we have been working with the digitalization of processes and project information, and extensive investment is being made in BIM (Building Information Management).

Uniform processes and components continue to form the foundation that allows us to offer attractive housing at a low total cost.

## PROCEDURES AND JM'S MANAGEMENT SYSTEM

The Operations System is JM's management system and steers both procedures and product design. With clear governance and follow-up in the projects, the risk of non-compliance with legal or internal requirements on, for example, sustainability is small, and if it does still occur it can quickly be captured and handled at an early stage. The primary procedures are Product Development, Building Rights Development, Project Development and Management.

A foundation has been laid within Product Development to speed up the development of JM's products. Other primary procedures include detailed procedure maps for JM's main business, namely project development of residential units,

from acquisitions of development land to warranty and liability periods. The procedures contain activities, which are grouped using internal time relationships, and detailed procedure descriptions with accompanying instructions in the form of documents or applications. As a whole, all of the levels in the system ensure that business-critical requirements are fulfilled. The structure that is used, Process Classification Framework, complies with an international standard entitled APQC (American Productivity & Quality Centre).

## PRODUCT

JM's Product Policy Procedures (see the illustration on page 29) serve as the base in Structured Project Development. These include Pre-Construction Instructions, JM Original, Framework Agreements, 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 updated with increasing frequency, which is steered by the Operations System's primary procedure, Product Development.

We strive to continuously improve both our processes and our products, thus achieving more efficiency. Via the Operations System, we ensure the important structure capital that contributes to JM's success.

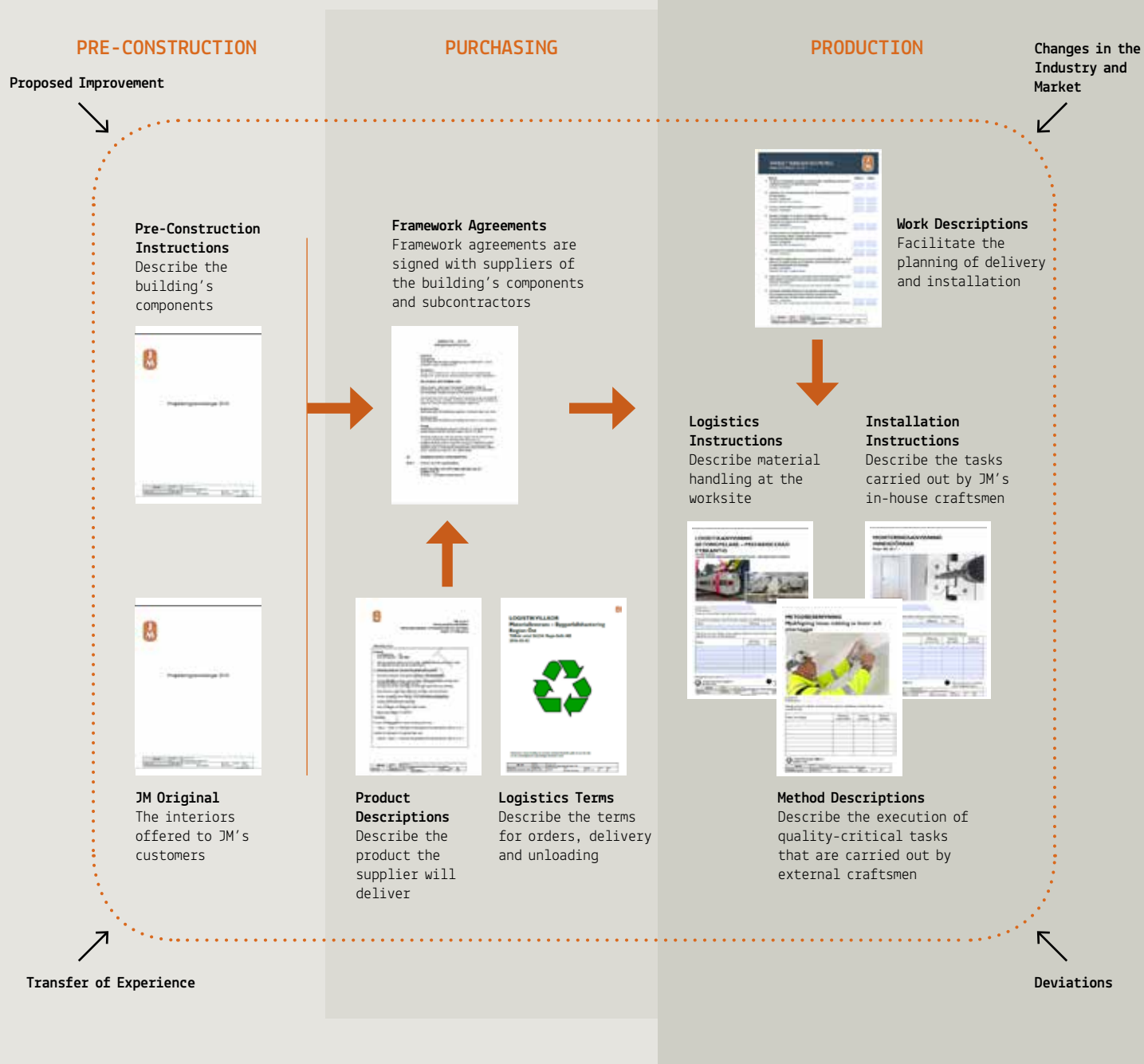


Liljeholmskajen in Stockholm



The Operations System's primary procedures, and management and support processes

## 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.

In 2018, the most important risks in JM, in addition to the macroeconomic development, were related to the cautious housing market primarily in Stockholm during the year, with gradual stabilization. Lower sales and reservations level in current production have still resulted in a balanced risk for the

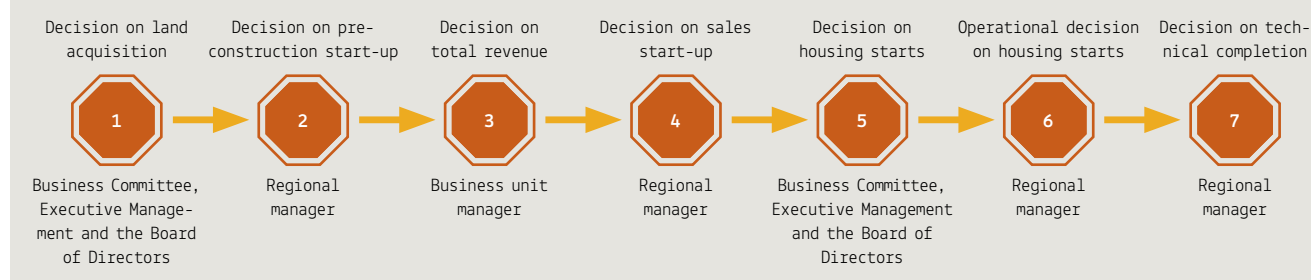
### ANALYSIS OF RISKS AND OPPORTUNITIES IN THE DIFFERENT PHASES OF PROJECT DEVELOPMENT – EXAMPLES

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

operations. Housing starts during the year were slightly limited by both demand and the time required for the planning processes. A more detailed description of risks JM faces and how we are managing them is provided in the Board of Directors' Report on page 75.

The situation for 2019 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.

### DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT



## 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 tenant-owners association, which is invoiced regularly while the project is underway according to an agreed payment plan.

## 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 20,700 residential building rights JM has in its balance sheet are assumed to be distributed evenly over eight years of production. A standard residential unit is assumed to be 80 square meters, the assumed tax cost is 21.4 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 8,257m.

The tables on page 32 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 15,200 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

#### 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	266	280
32,000	208	223	237	251	266
33,000	194	208	223	237	251
34,000	180	194	208	223	237
35,000	165	180	194	208	223

<sup>1)</sup> Excluding VAT

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

#### IMPLICIT VALUE OF CONDITIONAL BUILDING RIGHTS

JM had 15,200 available building rights at the end of the year through conditional building rights in Sweden, Norway and Finland. Normally, JM pays for these building rights when the

local planning has gained final approval. The building rights are then recognized in JM's balance sheet at acquisition cost as a development property. The acquisition price is normally based on the market value for the building rights at the time the terms of the agreement are met and the transfer occurs. The value of the development properties thereafter varies depending on price development of residential units and market valuations can be conducted based on prices in the area and specific project conditions.

It is normally not possible to sell conditional building rights, and the agreements have different periods of validity depending on the pre-conditions and agreement structure. Even if the conditional building rights normally do not have market prices, they still constitute secured continuation for JM's ongoing addition of building rights to be taken into production for residential project development.

With the conditional agreements as a basis, an implicit net present value can also be calculated for future cash flows in the conditional part of the building rights portfolio. Under the assumption that the conditional portfolio of 15,200 building rights is taken into production over a period of eight years, meets the target requirement of 10 per cent of the operating margin, and has an acquisition cost for building rights that approximately corresponds to the current average market value in the balance sheet, the net present value after tax amounts to SEK 3.6bn at a discount rate of 6.0 percent. In other words, this can be viewed as an implicit value in JM's project development, in addition to the market value of the development properties JM has recognized in the balance sheet in accordance with the above sensitivity analysis, assuming that the projects can be carried out operationally.

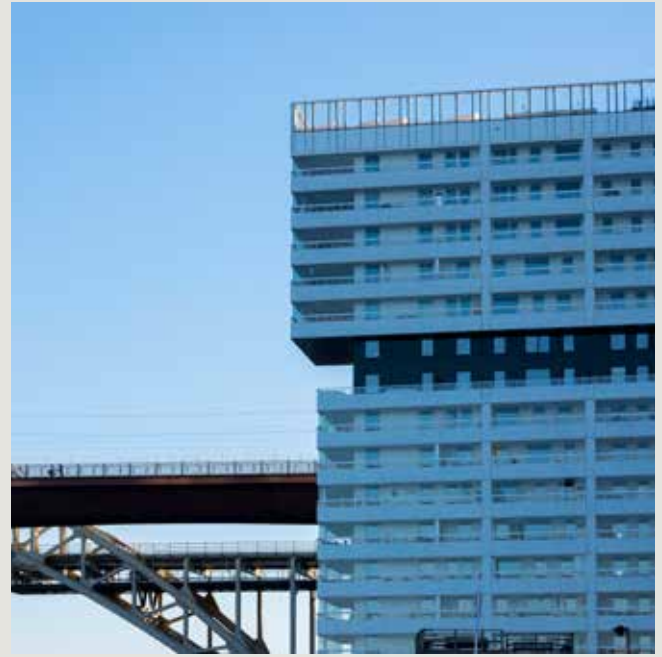
#### SENSITIVITY ANALYSIS, VARIOUS COST CATEGORIES, PROJECT DEVELOPMENT FOR RESIDENTIAL UNITS

Category	2018			2017
	Percentage of cost, % <sup>1)</sup>	Change, %	Effect, SEK m	Percentage of cost, %
Salaries/wages	14	+/- 10	+/- 112	13
Material	16	+/- 10	+/- 122	14
Land	14	+/- 10	+/- 110	14
Developer's costs	13	+/- 10	+/- 102	17
Pre-construction	6	+/- 10	+/- 42	5
Overhead	8	+/- 10	+/- 63	7
Subcontracting	29	+/- 10	+/- 225	30

<sup>1)</sup> Share of cost base for project development of residential units in Sweden was SEK 7.8bn in 2018.

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.





### Brohuset at Liljeholmskajen in Stockholm

Brohuset is one of about 20 building projects in Sweden that has been nominated for Building of the Year 2019, a competition arranged by the Byggindustrin magazine and Business Arena. Located next to the Årstabro bridge, the building gives closure to the Liljeholmskajen quay. Brohuset, which features a glass facade, was drawn by architect Gert Wingårdh.



OUR WORK WITH

# Sustainability

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



# Sustainable and responsible urban planning

JM helps create 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 127–133.

## OUR AMBITION

JM’s sustainability work is based on our values, which include sustainability, staff and work environment policies, codes of conduct and ethical guidelines. These documents describe the commitments and ambitions of the Group within 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 improvement in our operations, we have prepared for each sustainability aspect long-term goals for 2030, which is in line with both the UN’s sustainable development goals and 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. The CEO and the Head of Sustainability are members of both forums. The Head of Sustainability is responsible for the Environment and Sustainability Department, which supports the environmental work, drives development and coordinates

the sustainability work in the entire Group. Environmental responsibility is distributed between different roles in the building projects and is supported by regional quality and environmental coordinators.

## 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. This system steers both procedures and product design to secure long-term value creation for customers, owners, employees and society. The Operations System covers all project development, from property transactions, project management, project design, purchasing, production management, sales, the customer’s interior selections, management and rental unit management all the way to the post-sales market. 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 operation’s most important stakeholders have been identified through our materiality analysis, and this list is updated regularly. The identified stakeholder groups are both most important for us and 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. For more information about materiality analysis and stakeholders’ engagement, see pages 127–128.

## COOPERATION

An important part of JM’s work revolves around cooperation, achieving together with other organizations a greater change in society in line with No. 17 of the UN Sustainable Development Goals: revitalizing the global partnership for sustainable development. We therefore actively participate in several different initiatives, both within and outside of the construction sector, to drive development toward greater sustainability.

### Among other things, in 2018 we:

- Received basic licenses from the Swan Ecolabel for JM in Sweden, Norway and Finland
- Continued to pursue work to implement the requirements of the Swan Ecolabel in the operations
- Developed new incentive programs for waste sorting at the worksites
- Started development of a project tool for follow-up of the projects' waste work
- Initiated cooperation with actors that take care of and reuse left-over construction material
- Started LCA calculations for one of our housing projects with the aim of preparing a climate statement
- Started test projects with the aim of further streamlining energy consumption at our construction sites
- Started work to establish higher environmental requirements on transports and construction machinery
- Established solar panels arrangements for two tenant-owner associations to test the technology
- Introduced new guidelines and reviewed the environmental requirements for JM's company cars
- Started test projects on climate-reduced factory cement and pre-fabricated cement
- Started work to implement digital log books for all building products used in the building projects
- Introduced new guidelines for representation and discrimination
- Started a new apprentice program for women
- Carried out JM Safety Week with a focus on workplace planning and alcohol and drugs.

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 and a process for sustainable supplier chains to guarantee that our suppliers and subcontractors do not operate in conflict with Global Compact.

JM's calculations and reporting of the carbon dioxide emissions from its operations are based on the Green House Gas Protocol. We are striving to reduce emissions in line with the UN's, the EU's and the Nordic countries' climate targets and to have an environmental footprint of more or less zero by 2030. For us, this means phasing out fossil fuels, streamlining energy consumption, using building materials with better environmental characteristics and lowering greenhouse gas emissions by 85 percent compared to 2010 for the emissions on which we have a direct impact.

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.

We report information about our environment and sustainability work to several external rating agencies, including Sustainable Shareholder Value and the Carbon Disclosure Project.















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**, a network in which JM is one of the initiators. The aim is to reduce greenhouse gas 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

- **Solelkommissionen**, 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), a platform for a dialogue between companies, municipalities and other actors who would like to remove fossil fuels from Sweden
- **Swedish Cycling Cities** (Svenska Cykelstäder), an association composed of municipalities, regions and organizations dedicated to working for increased and safer cycling
- **BASTA** – the construction sector's shared system for phasing out hazardous substances. 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
- **Mentor Sweden** (Mentor Sverige), a non-profit organization that works with mentors for youth. The organization arranges personal mentors as well as work mentors, professional mentors and other cooperations with schools
- **The Red Cross**, the world's leading catastrophe organization. When JM closes its Showrooms, the Red Cross takes over the interior, either using it itself or selling it for the benefit of the organization's operations
- **The Clean Soil Network** (Nätverket Renare Mark), a forum to promote development within the remediation of pollutants in the ground and water. The goal is to increase communication between different groups in society that are affected by the problem, drive relevant issues and cooperate with Nordic and European networks with the aim of promoting development within remediation.

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

Material sustainability aspects	Social contributions	Long-term goal 2030	Operational goal	Results		
				2018	2017	2016
<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	11.7%  41%  58%  0	13.9%  40%  35%  0	12.8%  40%  45%  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)	Tested in project  1st (S) 1st (N)  70 (S) 64 (N)	Work in progress  3rd (S) 3rd (N)  72 (S) 70 (N)	–  2nd (S) 1st (N)  74 (S) 75 (N)
<b>Responsible suppliers</b> 	Works to strengthen labor law, human rights, anti-corruption efforts and environment 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	Implemented	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 (number per million working hours)  Total leaves of absence due to illness from scheduled hours is low (3.5% Sweden, Finland and 5% Norway)	15.4  3.6% (S) 5.6% (N) 3.8% (F)	10.2  3.7% (S) 5.4% (N) 3.8% (F)	12.3  3.7% (S) 5.0% (N) 4.8% (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  The number of women among JM's wage-earners is targeted to increase by a factor of 10 between 2015 and 2021	35/65  3.4%  4.5 (S) 8.0 (N)	34/66  1.8%  2.3 (S) 4.0 (N)	32/68  1.1%  1.3 (S) 3.0 (N)
<b>Skills</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	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 Reduction in the percentage of construction waste that is sorted as mixed waste to 2% by 2019 <sup>1)</sup> Reduction in the percentage of construction waste that is sorted as burnable waste to 15% by 2019 <sup>1)</sup> Reduction in the percentage of construction waste that is sorted as landfill waste to 3% by 2019 <sup>1)</sup> Reduction in the percentage of construction waste that is sorted as residual waste to 20% by 2019 <sup>2)</sup>	34 (S) 30 (N)  59% (S) 76% (N)  4%  31%  4%  16%	30 (S) 30 (N)  55% (S) 80% (N)  8%  32%  6%  18%	28 (S) 35 (N)  50% (S) 70% (N)  9%  36%  5%  30%
<b>Small impact on the climate</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. The Swan Ecolabel energy requirements replace the targets in projects in Sweden and Finland that entered the pre-construction stage as of 2018.  Reduction in greenhouse gas emissions of 20% by 2019 compared to 2015 <sup>3)</sup>	33%  0%	31%  –3%	27%  –2%

<sup>1)</sup> The waste target applies to JM Sweden. <sup>2)</sup> The waste target applies to JM Norway. <sup>3)</sup> The target is measured in tons CO<sub>2</sub>e/produced residential unit.



# Environmental work of the operations

We have extensive possibilities for steering the operations and our products to reduce their environmental footprint.

## CLIMATE

### Energy consumption in the operations

JM works proactively to reduce energy consumption throughout the entire operations. For example, all construction sites have energy-efficient sheds and low-energy lighting with daylight and motion detectors. We have also opted to purchase Good Environmental Choice electricity for our entire Swedish operations.

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 use in buildings, the operations and transports over which the company exercises control. Decisions were made in 2017 and 2018 to implement several of the energy savings measures that were identified in the mapping, both in JM's own buildings and in rented builder's sheds.

### 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 the logistics procedures together with these suppliers. JM also has projects underway to increase the opportunities to take control over deliveries to and from our construction sites.

*Examples of measures to reduce our environmental impact from transports, machinery and business travel:*

- JM applies the Swedish Transport Administration and the major cities' joint requirements on construction for 2018
- Demands on the fuel that suppliers use
- Demands on age, Euro class and the maximum greenhouse gas emissions from vehicles
- Demands that suppliers are able to show they monitor their fuel consumption and they are taking measures to reduce this consumption
- All company cars are green cars (according to the Government's definition)

- Train travel should be prioritized over air travel, and public transit is encouraged

- JM offsets carbon emissions from air travel (via Plan Vivo)

- Digital meetings and video conferencing at the offices are encouraged to reduce the number of business trips.

## HAZARDOUS SUBSTANCES, HANDLING AND CHOICE OF MATERIALS

### Choice of materials

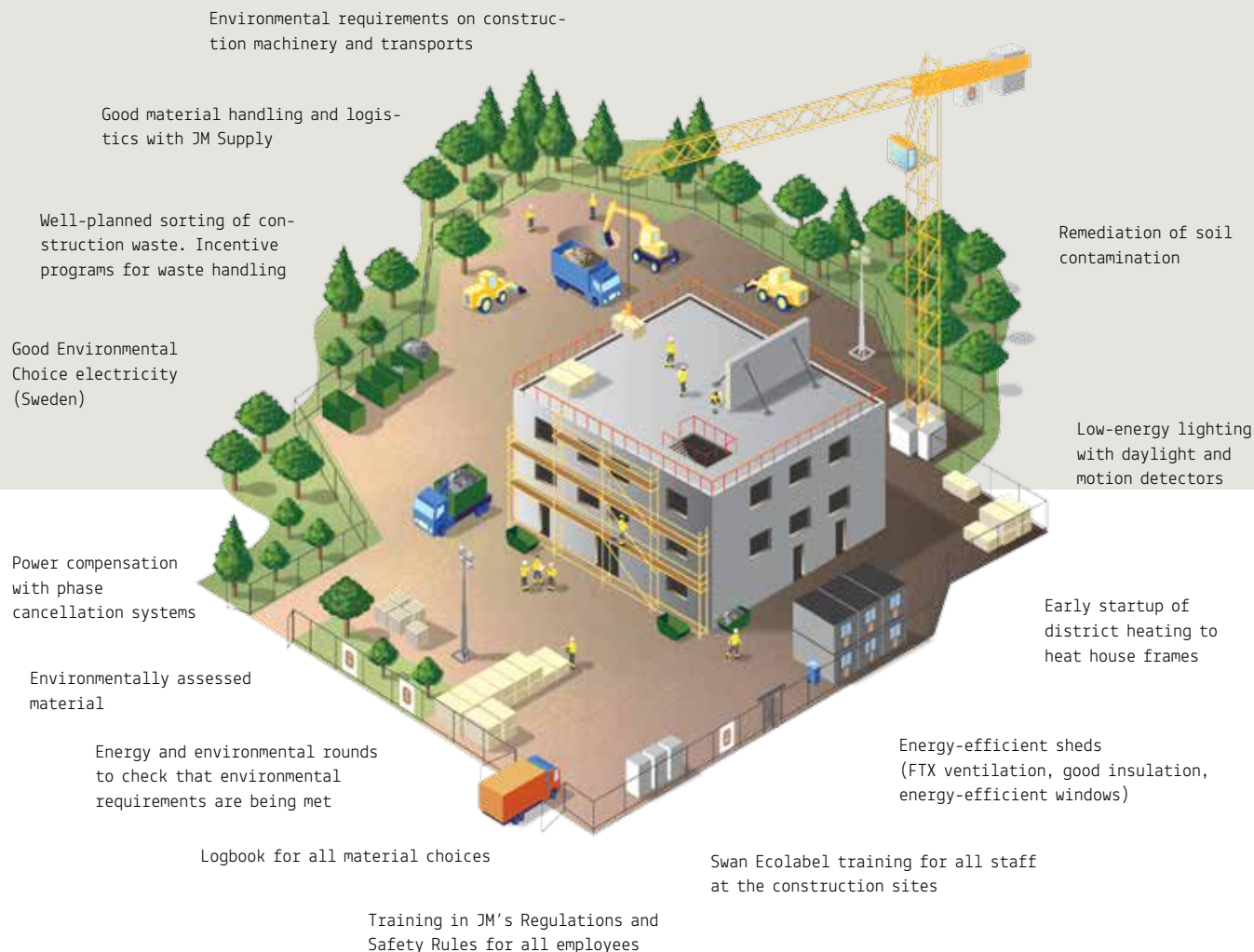
JM's residential units are built using sound, proven and natural materials such as tile and wood. We have had procedures in place for a long time for the environmental assessment of building material to check that the materials we use do not contain hazardous substances or in any other way unnecessarily 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 requirements on environmental assessment are adapted to the market's leading systems – BASTA, Byggarubedömningen and Sunda Hus. The Swan Ecolabel places additional demands on the choice of material and database registration.

### Moisture protection

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

### Contaminated land, water and buildings

JM helps the environment significantly by remediating contaminated areas so they meet the strict environmental requirements and regulations in place today. Remediating land is a condition for receiving permits to build new residential buildings on old industrial land. JM's environmental work also includes demolition and



remediation of buildings and the handling of drainage water, groundwater and contaminated material. The authorities' focus on these matters has recently increased sharply, which means increasingly stricter requirements on investigations, risk assessments, assessments of implemented measures, water rulings, controls and reporting. The task of the ground environment experts at JM is to ensure that the remediation process meets the governmental requirements and that the remediation is as environmentally friendly and cost-efficient as possible.

## RESOURCE EFFICIENCY

### Construction waste

JM is aiming to reduce its construction waste 50 percent by 2021. The project is currently working on investigation into and implementation of around 165 prioritized measures with the aim of reducing the amount of construction waste. This work is carried out in collaboration with our suppliers and waste management companies and by offering internal training courses.

*Examples of measures to reduce construction waste include:*

- Reuse agreements for products and construction material
- Adapted standard selection for some types of products (for example dimensions of tiles so they fit between the counter and the cupboards without needing to be cut)

- Developed rental solutions for temporary constructions, for example fall protection instead of building our own in wood
- Improved procedures for pallet management at construction sites, for example improved pallet return management.

*JM will also increase the percentage of construction waste that is sorted into recycling fractions to 80 percent by 2019. To achieve this goal, JM is working on:*

- 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. An equivalent recycling guide has been produced in Norway in collaboration with JM's partner for construction waste handling
- Introduction of waste responsible persons at the construction sites, waste councils in all regions within residential project development in Sweden and Norway, and a central, strategic waste council for the entire Group
- A follow-up and forecast tool during production.

The work is conducted in close cooperation with JM's purchasing department and our suppliers.



# Swan Ecolabel for residential units

## LIVING IN A SWAN ECOLABEL BUILDING

JM has always worked with sustainable construction. As of 2018, we have also begun to certify all of the residential units we build according to the Nordic Swan Ecolabel requirements. This makes us the first Nordic construction company to certify its production of residential units in the entire Group according to the Swan Ecolabel. The idea is that the efforts the Group has made over a period of years to create a healthy environment and sustainable development should be more visible for housing customers.

*“Because we have had a structured approach to our environmental work for so many years, it was a relatively uncomplicated process to adapt the operations to the requirements of the Swan Ecolabel.”*

PER LÖFGREN, HEAD OF SUSTAINABILITY

Certifying JM's buildings in accordance with Swan Ecolabel means that the Swan Ecolabel's organizations in Sweden, Norway and Finland review and verify that JM meets very strict environmental requirements.

The certification applies to all buildings that enter the pre-construction process, i.e. are being planned, as of 1 January 2018. Since JM has applied a methodological approach to its environmental work since the beginning of the 1990s, previous residential units have basically the same environmental and energy performance.

That we now meet all of the requirements for the Swan Ecolabel certification is good for the environment, the climate and, in particular, the people in our residential units. But what does the Swan Ecolabel mean for people living in a JM building?

## HEALTHY INDOOR ENVIRONMENT

In the Nordic regions, we spend approximately 90 percent of our time indoors. A large part of the Swan Ecolabel certification focuses on creating a healthy indoor environment. This means that the buildings are built from robust and healthy construction materials. Construction panels, parquet flooring, insulation, paint, adhesives, and putty do not contain chemicals that are hazardous for the environment or our health. The Swan Ecolabel also checks that JM builds moisture-resistant buildings

Bicycle storage and bicycle parking

Buildings, entrances and courtyards designed to promote social interaction

Environmental rooms with packaging recycling

Green courtyards

with a minimal risk for mold and that the buildings have good and tested ventilation systems.

## LOW ENERGY CONSUMPTION

Since 2008, JM has built buildings that consume much less energy than the requirements set out in each country's building regulations. Our Swan Ecolabel buildings are naturally also energy-efficient, which decreases both the operating costs and the environmental footprint.

The residential units are fitted with energy-efficient appliances and low flow faucets and shower heads. The lighting in the common areas is need-based to save electricity.

## SUSTAINABLE FORESTRY

The wood in our Swan Ecolabel buildings comes from sustainable forestry, and a number of endangered tree species are forbidden.

*“We are the first Nordic construction company to certify the entire Group's production of its own residential units in accordance with the Swan Ecolabel. This is a natural step in our efforts to be a market leader in sustainable housing.”*

JOHAN SKOGLUND, PRESIDENT AND CEO



*“That JM now meets the Swan Ecolabel criteria and is constructing buildings in all Nordic countries where it is present that are certified in accordance with the Swan Ecolabel is an enormous advancement for sustainable Nordic construction.”*

RAGNAR UNGE, CEO OF ECOLABELLING SWEDEN

We do not allow wood that has been impregnated with fungicidal agents and germicides.

#### LIVING SUSTAINABLY

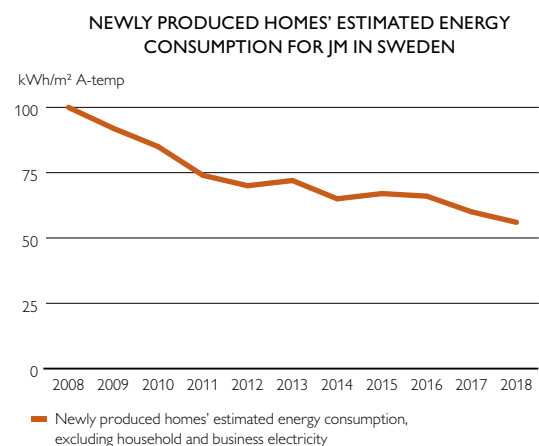
We want to make it easy to live a sustainable life in our buildings. This is why all our buildings have an area to sort recycling. Apartment buildings also have an environmental room for recycling additional types of material, light bulbs, electronics and batteries. Parking areas are prepped for the installation of charging stations for electric cars. Every tenth parking space has a charging station at occupancy. Bicycling parking is placed under a roof.

#### CLIMATE

All project development of residential units that JM has started in Sweden since 2008 has followed JM's concept for low-energy buildings – buildings that use significantly less energy than required by governmental authorities.

JM uses an energy rating system for its residential units. The rating system is similar to the one used for major appliances, and it indicates a residential unit's energy consumption. The system is based on Swedish Standard SS-24300 and JM's guidelines. To make this system open and transparent, the

values and parameters that we use are available on JM's website, [jm.se/sustainability](http://jm.se/sustainability). Starting in 2018, the requirement on energy rating will gradually be replaced by the Swan Ecolabel certification and its energy requirements.



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.

# Competence must be used and developed

Everyone at JM participates in the progression of the company, and together we build the societies of the future. Here, you should be able to perform, pursue a career and have new, challenging work tasks when you have outgrown the old ones.

Knowledgeable and committed employees are vital to JM's 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.

At the end of the year we were 2,630 employees, of which 1,029 wage-earners and 1,601 salaried employees. Of these, 96 percent were permanent employees.

## EMPLOYEES TODAY AND TOMORROW

We always strive for a good balance between male/female and senior-/junior-level employees. JM's goal is by 2030 to reflect the ethnic diversity in society, to have 20 percent of its wage-earners be female, to have gender-neutral groups among salaried workers and to have gender-neutral groups from the regional level upward.

These goals are important for securing our long-term skills supply and being an attractive employer for more skilled employees, and we know that employees are happier at worksites with gender equality.

The foundation for our work to become more equal is our Equal Opportunity Plan. The objective of this plan is to counteract discrimination and promote equal rights and opportunities with regard to employment, working conditions and development possibilities regardless of gender, cross-gender identity or expression, ethnicity, religion or any other beliefs, disability, sexual preference or age. The plan specifies measures and activities that should be carried out to create conditions for reaching our gender equality targets. During the year, for example, we started another apprentice program for women and produced new guidelines to prevent discrimination.

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

Today, 35 percent of the salaried employees are women, and the corresponding figure among wage-earners is approximately 3 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 ten 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 2018, we started JM's Group-wide trainee program for the ninth consecutive year. It is a certified trainee program where participants take on different roles within JM over a period of two years in order to gain a holistic perspective to our operations. The program, which focuses on JM's project development operations, is an important part of our strategic investment in skilled labor. Its overall aim is to secure in the long run a pool of skilled staff and managers.

We are also continuing our well-established cooperation with IVA/Tekniksprånget, which is another initiative related to JM's future supply of skilled labor. By offering internships to students directly after high school, we give them a glimpse of the construction industry with the objective of attracting more to choose higher technical education.

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 SKILLS

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. 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 in order to have more of an impact on the participant. As part of our efforts





to enhance the learning effect, we have implemented digital tools that make it possible to send micro-courses via SMS, both in preparation for a course but also as reminders and repetition exercises following a completed course.

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.

Competence needs to be continuously maintained. This places demands on us to adopt more of a Just In Time approach to our development initiatives in different ways. Moving out of the classroom and finding digital learning methods.

A structured introduction process is important for providing employees with the right conditions for succeeding in their new position and becoming part of JM. Today there is 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. These reviews are held every year with all employees in the Group. In conjunction with this we also initiated Startup and Close-down Reviews between site managers and wage-earners with the aim of establishing a relationship early in the project and ensuring that there is a qualitative follow-up on how well the cooperation functioned in the project.

#### INVOLVED LEADERSHIP

Clear and involved leadership paves the way for high performance and job satisfaction levels among our staff. We are continuing to work within our Involved Leadership framework to ensure that it serves as a basis for recruitment, internal advancement and all leadership training we create and implement. These guidelines describe the behavior expected from managers in order for them to succeed as a manager and leader 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.

Situation-specific Leadership is one of many tools that we make sure all managers and leaders at JM have been trained in. The goal is to create a joint language for how leadership affects involvement and performance among employees.

#### EMPLOYEE STRUCTURE – GROUP

	2018	2017	2016
Number of employees as of Dec. 31	2,630	2,529	2,422
– number of salaried employees	1,601	1,530	1,399
– number of wage-earners	1,029	999	1,023
Average age, salaried employees	42	43	43
Average age, wage-earners	40	39	39
Percentage of women among salaried employees, %	35	34	32

#### AVERAGE NUMBER OF EMPLOYEES PER COUNTRY

	2018	2017	2016
Sweden	2,070	2,090	1,994
Norway	433	400	365
Finland	59	48	40
Denmark	–	–	1
<b>Total</b>	<b>2,562</b>	<b>2,538</b>	<b>2,400</b>



*“All employees must have a good physical, organizational and social work environment that also promotes a good balance between work and free time.”*

## 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.

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 2018 we:

- Developed more professional and leadership courses tailored to JM's needs, including Finance for Project Managers, Business Knowledge, New Supervisor Program, Coaching Approach, Written Rhetoric, Computer Training for Employees with Limited Computer Skills, and Concrete, Stone and Asphalt Cutting. We currently offer around 100 classroom courses in our course catalogue
- Produced additional e-learning courses, including Feedback, GDPR and Swan Ecolabel, and updated several existing courses. We currently have around 30 e-learning courses in our course catalogue
- Built up JM Competence for Finland
- Implemented an internal mentorship program for female production employees with the goal of helping more women develop and stay in production at JM. We believe in the type of development initiatives where an exchange of experience with a colleague in a similar position provides great value for both the mentor and the novice
- Conducted a Safety Week throughout the JM Group as part of our proactive focus on the work environment. Theme alcohol and drugs. In 2019, alcohol and drug test will be conducted at the projects, and any problems related to substance abuse will be handled in collaboration with occupational health services.

## 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.

JM's work environment measures are an integral part of the Operations System. Important normative documents include framework agreements, project instructions, logistics references and installation manuals. These are kept up-to-date based on current legislation. Installation manuals are used for preparatory meetings and risk assessments and are reviewed with all employees before risky tasks are performed. The manuals use pictures to describe both the work procedure and the mandatory protective equipment. When new installation manuals are created, an independent expert always conducts a risk investigation. If installation manuals are not available for individual tasks, a separate preparatory meeting is held with affected employees.

Within the projects, risk assessments related to the work environment are conducted for planning and pre-construction as well as execution. During the entire pre-construction process, the Building Work Environment Coordinator for Construction Planning and Pre-Construction, BAS-P, identifies in collaboration with all involved project members the risks during both the construction stage and the future usage stage. Identified risks are either eliminated or minimized in the design stage. Outstanding risks are transferred to the Building Work Environment Coordinator for Construction Execution, BAS-U, who via the project's work environment plan ensures the risks are managed in the best possible way. Tasks that cannot be executed safely may not be executed at all, and employees are encouraged to stop work that they do not consider to be safe. All projects are subject to surprise inspections twice a year, at which time JM's work environment experts review compliance of the projects with the work environment requirements. Positive results are lifted and emphasized.

Management is encouraged to report observations, near-accidents and accidents via the electronic system, BIA, which is provided by AFA Försäkring. Improvement suggestions are submitted via a portal on the intranet. The goal is to give quick feedback to everyone who submitted a report in order to create involvement in work environment risks and build a safety culture. By analyzing what is coming in and taking the right measures, the goal is a falling number of accidents and illnesses.



Examples of measures could include changed procedures for which tools or protective equipment that should be used. To inform the organization about incidents, near-accidents or accidents that have occurred, information is sent immediately about the accident and identified measures to eliminate or reduce the risk that a similar accident would occur again. The document is posted on the info boards at the workplaces and is reviewed with the employees.

JM has an agreement for corporate health care. Wage-earners are called to a health examination every second year. This examination consists of a discussion about life habits and health risks, conditioning test, blood test, hearing test, screening for vibration damages in the hands and simpler function tests. Salaried employees at JM receive the same offer for a health examination everything third year, but without the screening for vibration damages and function tests. Ergonomists have trained both wage-earners and salaried workers within production on how to prevent strain injuries.

JM has regional work environment committees where issues related to the work environment are raised when the projects are not able to reach a resolution. Issues that are not resolved at the regional level are escalated to the central safety committee. This committee includes a safety representatives, managers and work environment managers. The central safety committee meets four times a year. Because its members are managers with the requisite authorizations, the committee is able to make comprehensive change decisions.

JM Competence is utilized to ensure that all employees undergo sufficient training to be able to safely carry out their work tasks. The course selection includes more than 100 courses in everything from first aid to how to safe lifting and hot work. There are also more than 80 e-learning courses on topics such as our conduct and safety regulations.

To reach JM's work environment target of having injury-free worksites by 2030, it is crucial that all employees comply with JM's work environment policy – that only work which can be carried out safely may be performed.

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

JM should be a safe, secure and healthy workplace with sustainable employees. As part of this work, JM has developed new guidelines during the year for alcohol and drug prevention efforts at JM. JM's worksites should be alcohol- and drug-free zones. The goals of the new guidelines are to increase knowledge on this topic, identify alcohol and drug issues as early as possible and help struggling employees receive fast and effective help.

JM works closely with occupational health services on rehabilitation, physical examinations and educational initiatives. For example, a wide-spread initiative was implemented to provide training courses in ergonomics for production employees. JM offers employees regular physical examinations through the occupational health services. As part of JM's proactive efforts, warm-up exercises are held every morning at the construction sites. The objective of the warm-up is to prevent injury. One appreciated benefit is the wellness subsidy, which helps many employees participate in wellness activities.

#### 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.



# Diversity and equal opportunity

Birgitta Rönquist is HR Manager and responsible for the Traditional Apprenticeship Program for Women, which in 2018 was expanded to include all of Sweden.

“The challenge is still that the construction industry is a traditional industry with structures that do not support gender equality everywhere in society. Changes occur slowly, just like in the rest of society. As a result, we have turned outward and sought competence outside of the industry. For example, women who started working for JM this year have experience from restaurants, health care, mining and transport.”

The apprenticeship program is an individual, paid training course that lasts 3.5 years. Under the guidance of a supervisor, the apprentices learn the different tasks that are needed to receive a professional license. Regardless of which specialty the participants choose, they participate in creating a home from the ground up.

To reach out and market the program, JM utilized a podcast entitled Snickarpodden, where our first female apprentices shared their everyday experiences as skilled laborers. The podcast has drawn a lot of attention and is very popular.

*“JM is striving for an even gender distribution and diversity among its employees. One of the activities we are working with to increase diversity and to achieve, for example, the goal of having 20 percent female wage-earners by 2030, is an apprenticeship program for women that was initiated in the fall of 2017 in Stockholm.”*

“What has been positive is that the women have felt that they were warmly welcomed. Their colleagues have been supportive, and it has been easy for the women to join the group in a good way.”

Birgitta also mentions that a more even gender distribution will lead to a lot of other improvements. JM’s work on gender equality focuses on promoting women and men’s equal rights with regard to work, employment and other labor conditions. For example, we have reviewed our sheds to ensure that we have separate changing rooms for women and men and our working methods, for example for heavy lifting, to prevent work-related injuries.

“The program also makes it possible to change your direction later in life and fulfill a dream,” concludes Birgitta. “It is important for JM to continue this strategic work, so we can reach our goal of having 20 percent female wage-earners by 2030.”

JM’s gender equality KPIs

TARGETS JM’s overarching gender equality target	KPIs linked to the overarching gender equality target
JM should be the most equal company in the industry by 2030	20% female wage-earners by 2030
	40/60 gender distribution in each professional group by 2030
	40/60 gender distribution in management from the regional level upward by 2030

Birgitta Rönquist  
HR Manager, Production Stockholm





# Purchasing and sustainable supply chains

Corporate Purchasing is responsible for the Group's framework agreements. The supplier base consists of manufacturers, wholesalers, contractors and consultants. The majority of the suppliers are based in our countries of operation, but the percentage of suppliers outside the Nordic region 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. More than 90 percent of material purchases in Sweden and 73 percent in Norway 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. A Business Intelligence solution has provided us with improved traceability of our suppliers' performance and development. Our new purchasing system allows Corporate Purchasing to conduct digital procurement and sign agreements.

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.

The operations and suppliers together identified and implemented solutions that enable more efficient and safer handling at our worksites during the year. 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 create better conditions for more efficient production, resulting in shorter lead times.

## 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.

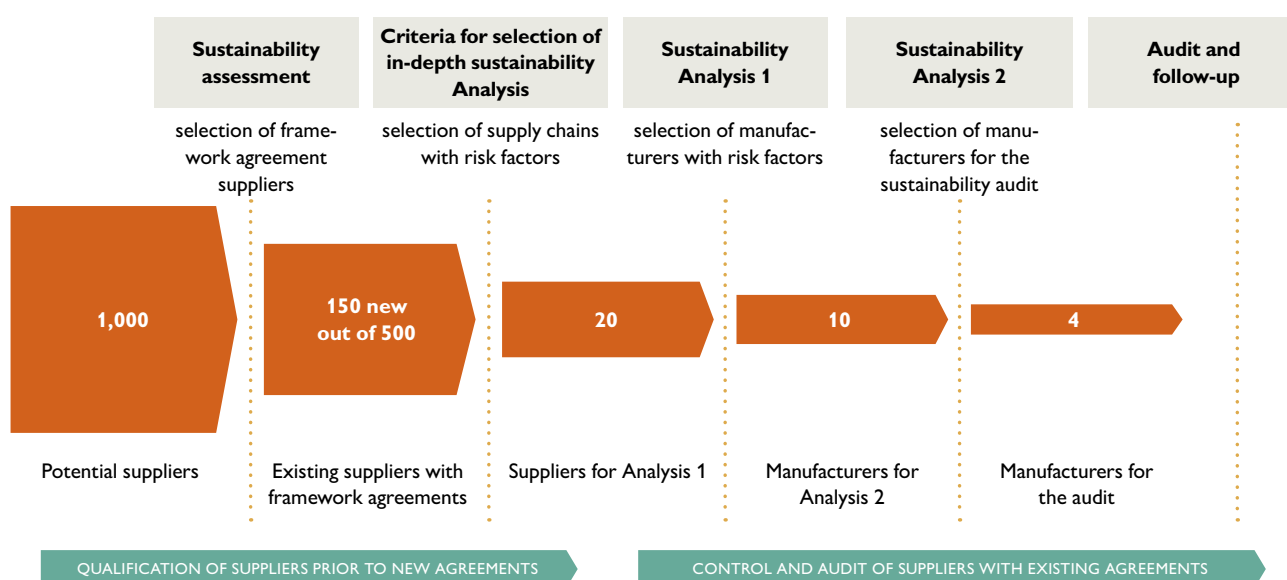
*"As a large and material-intensive downstream user of building materials, JM has both the opportunity and the responsibility to ensure that its supply chains are economically, socially and environmentally sustainable."*

JM has therefore created a process to ensure that its operations have access to sustainable supply chains. A cornerstone in this work is JM's Supplier Code of Conduct. This code was developed to ensure that our suppliers share our core values and address matters related to labor law, safety, discrimination and corruption. All of JM's framework agreement suppliers must sign the Code and commit to compliance with it.

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)



**JM's process for sustainable supplier chains** entails that all framework agreement suppliers must pass a pre-qualification process during which a first sustainability assessment is conducted. Of the firms with which JM has a framework agreement, and which thus have committed to following JM's Supplier Code of Conduct, approximately 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 of material suppliers is normally conducted in two stages, the first of which consists of 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. Alternatively, a contract can be signed under the condition that an in-depth audit will take place within a certain period of time. Another variation is that we conduct an unannounced audit of a framework agreement

contractor at one of JM's worksites. The audit verifies compliance with UN Global Compact, JM's Supplier Code of Conduct, ID06 and completed training courses. In the event deficiencies are identified during the audit, the supplier must prepare a Corrective Action Plan. The supplier must carry out the action plan 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.

# 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.

In addition to JM's ethical guidelines, there is also a Code of Conduct for employees. 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.

JM's ethical guidelines and Code of Conduct were supplemented during the year with new guidelines for representation. These specify the rules for the JM Group with regard to benefits and gifts, external representation, study trips, conferences and conflicts of interest. The objective of the guidelines is to prevent bribes and corruption and avoid unlawful influence.

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. Reports are made to a security company that is independent of JM.

## 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 sustainability. 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.

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 good management could be our 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.



### Grefsen Stasjon

This project is centrally located and close to nature in Oslo, and it is one of JM's largest projects in Norway with more than 500 residential units.



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For the Group's income statement and balance sheet in accordance with IFRS, IFRS 15 *Revenue from Contracts with Customers* and other standards are applied. 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 the percentage of completion method for JM International as well.

For other differences between IFRS and segment reporting, see page 83.

## **Reclassification of project financing in JM Residential Stockholm and JM Residential Sweden – IFRS:**

The accounting of the initial project financing in JM Residential Stockholm and JM Residential Sweden has been reclassified. It was previously recognized as recognized revenue in the balance sheet items "Recognized revenue less progress billing" and "Progress billings in excess of recognized revenue", but as of Q4 2018 it is recognized as an interest-bearing liability. 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 Swedish housing operations.

The effects are presented in a restatement table, see "Reclassification of part of the project financing in JM Residential Stockholm and JM Residential Sweden" at [jm.se/investors](http://jm.se/investors).

See the accounting principles on pages 82–85.



# Stabilized prices on the housing market in Stockholm

## Market

Average prices on the existing home market in Stockholm were unchanged during 2018. 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 of customers to sign a contract at an early stage increased gradually during the year. Residential units available for sale largely have estimated occupancy in 2020/2021, and the majority in 2020.

Cautious demand at the beginning of the year and a positive development at the end of the year resulted in sales of 851 residential units (1,152).

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, Södertälje/Järfälla, Täby Park/Täby and Dalén/Lidingö.

## Revenue and profit/loss

Business segment revenue decreased to SEK 5,786m (7,151). Operating profit decreased to SEK 989m (1,438) and the operating margin was 17.1 percent (20.1). Profitability continues to be good in current production volumes despite price adjustments in a number of projects.

Cash flow during the year is in balance taking into consideration the increase in development properties and the temporary increase in residential units in the balance sheet.

## Building rights

During the year, building rights equivalent to approximately 890 residential units (1,090) were acquired in Järfälla, Solna, Stockholm and Täby.

## Housing starts

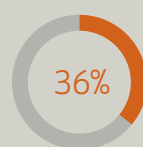
During the year, production started on 857 residential units (1,443). Housing starts were supported by a normal reservation level.

826 (1,392) were units in apartment buildings, including 108 in Danderyd, 63 in Järfälla, 230 on Lidingö, 113 in Solna, 30 in Stockholm, 94 in Södertälje, 132 in Täby and 56 on Värmdö. 31 (51) were single-family homes in Solna.

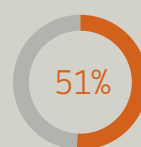
## JM RESIDENTIAL STOCKHOLM

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

REVENUE  
Percentage of the Group



OPERATING PROFIT  
Percentage of the Group



NUMBER OF EMPLOYEES  
Percentage of the Group



### January–December

SEK m	2018	2017
Revenue	5,786	7,151
Operating profit <sup>1)</sup>	989	1,438
Operating margin, %	17.1	20.1
Average operating capital	5,447	4,450
Return on operating capital, %	18.2	32.3
Operating cash flow	334	1,603
Carrying amount, development properties	5,048	4,406
Number of available building rights	13,400	13,400
– of which building rights in the balance sheet	8,600	7,800
Number of residential units sold	851	1,152
Number of housing starts	857	1,443
Number of residential units in current production	3,115	3,842
Number of employees	936	877
– of which salaried employees	492	475
– of which wage-earners	444	402
<sup>1)</sup> Of which property sales	0	6



Råsunda 101 in Solna.

# Stable demand in the rest of Sweden

## Market

Average prices on the business segment's existing home markets remained the same or decreased slightly during the year. The market was more cautious, and the supply during the year increased on some local markets.

Competition for land for housing is at an average level. Interest in JM's projects is stable, and customers' willingness to sign a contract early in the process is at a normal level. Sales decreased to 917 residential units (1,302), but demand is mainly good.

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 Kungshälsan and Norra Luthagen in Uppsala, Östermalm and Öster Mälarstrand in Västerås and Vasastan in Örebro.

## Revenue and profit/loss

Business segment revenue amounted to SEK 4,456m (4,309), and operating profit increased to SEK 751m (669). The operating margin increased to 16.9 percent (15.5). Income and the margin improved due to good demand and an increase in prices in previous years. Cash flow during the year is in balance.

## Building rights

During the year, building rights corresponding to approximately 1,250 (1,100) residential units were acquired in Lund, Staffanstorp, Helsingborg, Gothenburg, Kungälv, Linköping, Örebro, Upplands Väsby and Uppsala.

## Housing starts

During the year, production started on 1,043 residential units (1,411); 966 (1,391) were units in apartment buildings, including 320 in Skåne (57 in Malmö, 205 in Lund and 58 in Lomma), 195 in Gothenburg, 61 in Kungälv, 83 in Linköping, 42 in Örebro, 60 in Västerås, 140 in Uppsala and 65 in Norrtälje.

Production started on 77 (20) single-family homes, including 33 in Staffanstorp, 27 in Helsingborg and 17 in Kungsbacka.

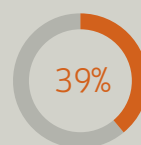
## JM RESIDENTIAL SWEDEN

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  
Percentage of the Group



OPERATING PROFIT  
Percentage of the Group



NUMBER OF  
EMPLOYEES  
Percentage of the Group



### January–December

SEK m	2018	2017
Revenue	4,456	4,309
Operating profit <sup>1)</sup>	751	669
Operating margin, %	16.9	15.5
Average operating capital	1,008	892
Return on operating capital, %	74.5	75.0
Operating cash flow	722	616
Carrying amount, development properties	1,388	1,540
Number of available building rights	10,500	10,100
– of which building rights in the balance sheet	6,800	6,100
Number of residential units sold	917	1,302
Number of housing starts	1,043	1,411
Number of residential units in current production	2,418	2,351
Number of employees	598	590
– of which salaried employees	369	347
– of which wage-earners	229	243

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

1

–



Kvarnparken in Luthagen, Uppsala.

# Good demand in Norway and stable market in Finland

## Revenue and profit/loss

Business segment revenue increased to SEK 3,580m (3,262), and operating profit increased to SEK 331m (271). The operating margin increased to 9.2 percent (8.3). Cash flow during the year is in balance taking into consideration the increase in development properties.

## Norway

Prices on the existing home market in Norway increased during the year, and the market was stable. Supply and the activity level were good. The amount of time to sign a contract is slightly longer than in previous years. JM's largest markets are Oslo, Tønsberg and its surroundings and Bergen. Major ongoing projects include Asker, Oppegård and Lørenskog in the Oslo area and Loddefjord in Bergen.

During the year 525 residential units (472) were sold and production began on 634 units (621). The number of residential units in current production amounts to 1,288 (1,193). JM acquired building rights corresponding to around 1,570 residential units (750). Available building rights correspond to 8,200 residential units (7,600).

## Finland

The housing market in the Helsinki region is in balance, and activity is good. The turnover rate and prices have been increasing.

During the year 165 residential units (172) were sold and production began on 281 units (261). The number of residential units in current production amounts to 421 (261). Major ongoing projects are located in Alberga and Kungälv in the Greater Helsinki region.

During the year, JM purchased building rights corresponding to around 600 residential units (360). Available building rights correspond to approximately 3,000 residential units (2,700).

## Belgium

JM closed its operations in Belgium in 2017. Belgium will no longer be reported as a market as of 2019. During the year, 5 residential units (1) were sold. There are no more residential units to sell.

## JM INTERNATIONAL

The business segment develops residential projects in Norway and Finland. Operations include acquisitions of development properties, planning, pre-construction, production and sales of residential units. Revenue recognition is reported using the percentage of completion method. Contracting operations are also conducted to a limited extent in Norway, and as of 2018 they are reported under the JM Construction business segment. Comparative figures have been restated.



## January–December

SEK m	2018	2017
Revenue	3,580	3,262
– of which JM Norway	2,987	2,777
Operating profit <sup>1)</sup>	331	271
– of which JM Norway	297	263
Operating margin, %	9.2	8.3
– of which JM Norway	9.9	9.5
Average operating capital	2,723	2,175
Return on operating capital, %	12.2	12.5
Operating cash flow	–41	119
Carrying amount, development properties	1,821	1,545
Carrying amount, project properties	4	7
Number of available building rights	11,200	10,500
– of which building rights in the balance sheet	5,100	4,600
Number of residential units sold	695	646
Number of housing starts	915	882
Number of residential units in current production	1,709	1,454
Number of employees	458	406
– of which salaried employees	310	278
– of which wage-earners	148	128
<sup>1)</sup> Of which property sales	12	0

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



Bergerløkka in Vestre Billingstad, Asker.

# Several ongoing rental unit projects

## Revenue and profit/loss

Business segment revenue increased to SEK 73m (60), including contracting revenue of SEK 8m (19) and rental income of SEK 65m (41). Operating profit was SEK 10m (27). The operating profit is burdened by startup costs for the new business operations, JM@home.

Net rental income for project properties was SEK 42m (24). Cash flow during the year was negative due to ongoing investments in project properties.

## Project development

### JM Rental Housing

During the year, two rental unit projects were completed: Tjärtunnan in Stureby, Stockholm, and Alphyddan in Nacka. Production was ongoing for another two rental unit projects in JM's own balance sheet: Spaken in Hägernäs, Täby, with 136 residential units, and Alba Liliun in Bredäng, Stockholm, with 137 residential units and planned occupancy in 2019.

In addition, two projects were started in JM's own balance sheet: Manegen with 128 rental units in Täby Park and Havreflingan with 192 rental units in Söderdalen, Järfälla.

### Residential care units

In 2018, JM pursued local planning for a residential care facility in Uppsala, Kaplanen. The project includes 72 residential units.

### Project properties

Development of the commercial premises continues for the project properties in Kallhäll in Järfälla and Dalénium on Lidingö with the goal of reducing vacancies. The occupancy rate for the remaining commercial buildings that will not be torn down amounted at the end of the year in Kallhäll to 94 percent and in Dalénium to 91 percent.

The portfolio of rental units at the end of the year included three fully rented and occupied projects: the rental unit property in the Dalénium area on Lidingö with 97 rental units, Tjärtunnan in Stureby, Stockholm, with 187 rental units, and Alphyddan in Sickla, Nacka, with 93 student apartments.

### JM@home

The operations have focused on establishing the management business in the Stockholm region with several closed transactions and a delivery organization in place for both technical and economic management. Several pilot projects with housing services were carried out during the year. More information about the services, see pages 2 and 27.

## 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. This business segment also includes JM@home as of January 1, 2018, which offers economic and technical management services to tenant-owners associations as well as housing services.



SEK m	January–December	
	2018	2017
Revenue	73	60
Operating profit <sup>1)</sup>	10	27
Average operating capital	1,314	800
Return on operating capital, %	0.8	3.4
Operating cash flow	–557	–416
Carrying amount, development properties	10	10
Carrying amount, project properties	1,631	1,067
Number of available building rights <sup>2)</sup>	800	800
– of which building rights in the balance sheet	200	200
Number of residential units sold <sup>2)</sup>	–	–
Number of housing starts <sup>2)</sup>	320	137
Number of residential units in current production <sup>2)</sup>	593	553
Number of employees	53	35
– of which salaried employees	40	27
– of which wage-earners	13	8
<sup>1)</sup> Of which property sales	–	8
<sup>2)</sup> Refers to rental units and residential care units.		

## 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 (10).



Täby Park, Manegen.



# Engineering and building contracting

## Market

Demand in the contracting market in Stockholm is at a good level in terms of the civil engineering market. With regard to the housing operations, competition for assignments has increased. Demand in the contracting market in Oslo is also good.

## Revenue and profit/loss

Business segment revenue amounted to SEK 2,716m (2,751), of which the operations in Norway amounted to SEK 589m (467), and the operating profit decreased to SEK –156m (11). The operating margin decreased to –5.7 percent (0.4). Income was negatively affected by major revaluations in current projects, where major delays are generating an increase in costs. There are still risks in these projects.

Cash flow during the year is burdened by an increase in the working capital.

Given the weak profitability over a long period of time, the operations in JM Construction were assessed with regard to future focus and scope. The Company is taking measures to refocus the operations to more clearly support the Group's residential project development. The decided measures will entail some restructuring costs in 2019.

## Projects

The largest ongoing projects are a new operational area at Arlanda Airport (Sweden), groundwork in the Stockholm Norvik goods harbor in Nynäshamn (Ports of Stockholm), 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).

The largest ongoing project in the Norwegian operations is the new production of residential units in apartment buildings in Strømmen, Oslo (JM Norway).

During the year, JM Construction also carried out the renovation of Slussen (City of Stockholm) and engineering work in Norra Skuru (Nacka Municipality).

Assignments for internal orderers include land and foundation work in Årsta and development work in the Dalén area of Lidingö and Söderdalen, Järfälla.

## JM CONSTRUCTION

The business segment conducts construction work for external and internal customers in the Greater Stockholm and Oslo areas. Contracting operations conducted in Norway are reported in the JM Construction business segment as of January 1, 2018. Comparative figures have been restated.

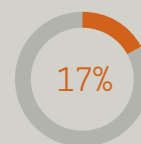
REVENUE  
Percentage of the Group



OPERATING PROFIT  
Percentage of the Group



NUMBER OF  
EMPLOYEES  
Percentage of the Group



### January–December

SEK m	2018	2017
Revenue <sup>1)</sup>	2,716	2,751
Operating profit	–156	11
Operating margin, %	–5.7	0.4
Operating cash flow	–184	86
Carrying amount, development properties	39	42
Number of employees	437	462
– of which salaried employees	242	211
– of which wage-earners	195	190
<sup>1)</sup> Of which internal	450	525



Hagaskolan in Vallentuna north of Stockholm.



**CONSOLIDATED INCOME STATEMENT – SEGMENT REPORTING**

SEK m	NOTE	2018	2017
Revenue	1, 2	16,161	17,008
Production and operating costs	3, 4	–13,247	–13,648
<b>Gross profit</b>		<b>2,914</b>	<b>3,360</b>
Selling and administrative expenses	3, 4, 5	–1,041	–1,005
Gains/losses on the sale of property	6	13	14
<b>Operating profit</b>		<b>1,886</b>	<b>2,369</b>
Financial income	7	10	279
Financial expenses	7	–79	–69
<b>Profit/loss before tax</b>		<b>1,817</b>	<b>2,579</b>
Taxes		–379	–385
<b>Profit for the year</b>		<b>1,438</b>	<b>2,194</b>
Other comprehensive income		–56	–10
<b>Total comprehensive income for the year</b>		<b>1,382</b>	<b>2,184</b>
Diluted earnings per share (SEK)	9	20.60	31.00
Average number of shares, diluted	9	69,865,418	70,844,023
Proposed dividend per share, SEK	9	12.00	11.00

## Comments

### Revenue

(2018: SEK 16,161m, 2017: SEK 17,008m)

Consolidated revenue during the year decreased by 5 percent to SEK 16,161m (17,008). Of the revenue, SEK 12,061m refers to Sweden and SEK 4,100m refers to JM's international operations. The decrease in revenue compared to the previous year is primarily attributable to the JM Residential Stockholm business unit.

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

(2018: SEK 1,886m, 2017: SEK 2,369m)

Operating profit decreased by 20 percent to SEK 1,886m. The decrease in the operating profit compared to the previous year is primarily attributable to the JM Residential Stockholm business unit.

### Financial income and expenses

(2018: SEK –69m, 2017: SEK 210m)

The sale of the participations in the housing developer, Småa AB, during 2017 resulted in gains of SEK 275m. Excluding this sale, net financial items decreased by SEK 4m compared to last year.

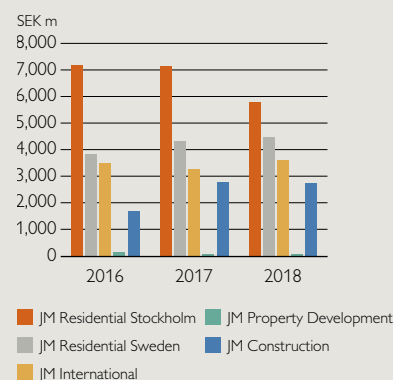
### Taxes

(2018: SEK –379m, 2017: SEK –385m)

Reported tax expense in 2018 amounts to 21 percent (15).

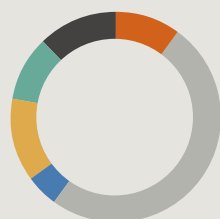
The difference between reported tax and nominal tax for 2018 is attributable in part to a remeasurement of deferred tax liabilities due to a change in the tax rates in Sweden and Norway. Otherwise, differences in measurements of deferred tax are attributable to previous years' sales of properties where income tax was not paid. The corresponding difference in 2017 is primarily due to a utilization of a previously unreported loss carry-forward from JM's closed operations in Denmark and non-taxable revenue in conjunction with the sale of participations in Småa AB.

### REVENUE BY BUSINESS SEGMENT

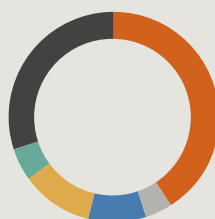


## CONSOLIDATED BALANCE SHEET – SEGMENT REPORTING

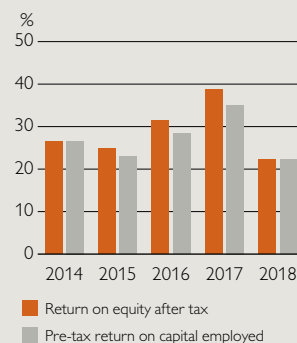
SEK m	NOTE	12/31/2018	12/31/2017
<b>ASSETS</b>	2		
<b>Non-current assets</b>			
Goodwill	10	180	176
Machinery and equipment	11	19	15
Participations in joint operations and associated companies	12, 13	1	1
Financial assets	14, 21	14	17
<b>Total non-current assets</b>		<b>214</b>	<b>209</b>
<b>Current assets</b>			
Project properties	15	1,635	1,074
Development properties	15	8,306	7,543
Participations in tenant-owners associations, etc.	16	567	309
Accounts receivable	23	1,090	1,124
Other current receivables	18	814	471
Prepaid expenses and accrued income		42	41
Recognized revenue less progress billings	19	2,137	2,062
Cash and cash equivalents	20, 21	1,682	2,572
<b>Total current assets</b>		<b>16,273</b>	<b>15,196</b>
<b>TOTAL ASSETS</b>		<b>16,487</b>	<b>15,405</b>
<b>EQUITY AND LIABILITIES</b>	2		
<b>Equity attributable to shareholders of the Parent Company</b>			
Share capital		70	71
Other capital contributions		895	892
Reserves		–79	–113
Profit carried forward (including net profit for the year)		5,912	5,328
<b>Total shareholders' equity</b>		<b>6,798</b>	<b>6,178</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	21, 22, 23	146	203
Other non-current liabilities	22, 23	696	273
Provisions for pensions and similar obligations	21, 24	1,388	1,251
Other non-current provisions	25	935	689
Deferred tax liabilities		714	716
<b>Total non-current liabilities</b>		<b>3,879</b>	<b>3,132</b>
<b>Current liabilities</b>			
Accounts payable	22, 23	902	842
Current interest-bearing liabilities	22, 23	694	332
Other current liabilities	22, 23	869	868
Current tax liabilities		146	277
Progress billings in excess of recognized revenue	27	1,762	2,141
Accrued expenses and deferred income	28	1,315	1,526
Current provisions	25	122	109
<b>Total current liabilities</b>		<b>5,810</b>	<b>6,095</b>
<b>Total liabilities</b>		<b>9,689</b>	<b>9,227</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,487</b>	<b>15,405</b>
<b>Pledged assets and contingent liabilities</b>	29		

CONSOLIDATED ASSETS  
12/31/2018

- Projects properties, 10% (7)
- Development properties, 50% (49)
- Other current receivables, 5% (3)
- Recognized revenue less progress billings/work in progress, 13% (13)
- Cash and cash equivalents, 10% (17)
- Other assets, 12% (11)

CONSOLIDATED CAPITAL STRUCTURE  
12/31/2018

- Shareholders' equity, 41% (40)
- Other non-current liabilities, 4% (2)
- Provisions for pensions and similar commitments, 9% (8)
- Progress billings in excess of recognized revenue, 11% (14)
- Interest-bearing liabilities, 5% (3)
- Other liabilities and provisions, 30% (33)

RETURN ON EQUITY AND CAPITAL  
EMPLOYED

## Comments

### Project properties

(2018: SEK 1,635m, 2017: SEK 1,074m)

The portfolio consists of smaller commercial properties and three completed rental unit projects in the Stockholm area. It also refers to three 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 2,002m (1,343) with a surplus value of SEK 367m (269).

### Development properties

(2018: SEK 8,306m, 2017: SEK 7,543m)

In 2018, JM's rate of acquisition increased compared to the previous year. During the year, JM acquired development properties for SEK 2,402m (2,017), while development properties for SEK -1,517m (-1,534) were transferred to production. The majority of the acquisitions consist of development properties intended for residential units.

The market value of the development properties shows a surplus value of SEK 7.0bn (7.2).

In all, JM has 20,700 building rights (18,700) in the balance sheet.

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

(2018: SEK 567m, 2017: SEK 309m)

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 125 (82) unsold residential units in the balance sheet.

### Recognized revenue less progress billings

(2018: SEK 2,137m, 2017: SEK 2,062m)

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

(2018: SEK 1,388m, 2017: SEK 1,251m)

The liability increased during the year primarily due to changes in two actuarial assumptions: the discount rate and inflation. This is the main reason for the actuarial loss in 2018 of SEK 85m.

### Other non-current provisions

(2018: SEK 935m, 2017: SEK 689m)

Refers to non-current provisions for warranty commitments related to expenses that may arise during the warranty period. The amount of the provisions is primarily based on the number of residential units per project and is charged to the project upon completion. The majority of the warranty provisions have a duration of around two to three years after the project is started.

The item also contains provisions for special payroll tax, which is calculated to be 24.26 percent of the difference between pension liability in a legal person measured using IAS 19 and reported pension liability in a legal person.

### Deferred tax liabilities

(2018: SEK 714m, 2017: SEK 716m)

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

### Non-current interest-bearing liabilities

(2018: SEK 146m, 2017: SEK 203m)

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

(2018: SEK 694m, 2017: SEK 332m)

Refers primarily to current interest-bearing liabilities in connection with acquisitions of development properties. The change is due to increased debt to credit institutions in the foreign companies.

### Other current liabilities

(2018: SEK 869m, 2017: SEK 868m)

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

(2018: SEK 1,762m, 2017: SEK 2,141m)

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

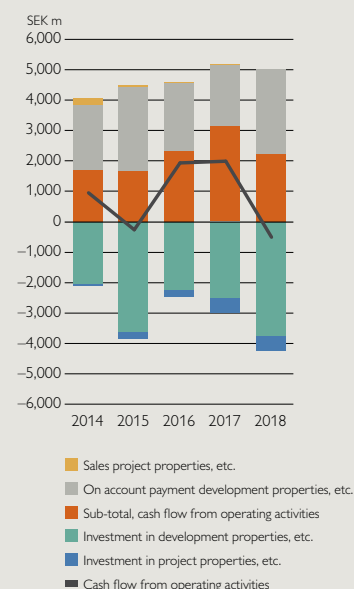
## CONSOLIDATED CASH FLOW STATEMENT – SEGMENT REPORTING

SEK m	NOTE	2018	2017
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,886	2,369
Depreciation and amortization		8	7
Other non-cash items		315	754
<b>Sub-total, cash flow from operating activities</b>		<b>2,209</b>	<b>3,130</b>
Interest received		9	2
Interest paid and other financial expenses		–43	–37
Paid tax		–697	–361
<b>Cash flow from operating activities before change in working capital</b>		<b>1,478</b>	<b>2,734</b>
Investment in development properties, etc.		–3,728	–2,494
Payment on account for development properties, etc.		2,804	2,038
Increase/decrease in accounts receivable		40	–124
Increase/decrease in other current receivables, etc.		9	–357
Increase/decrease in accounts payable		52	184
Increase/decrease in other current operating liabilities		–606	516
<b>Cash flow before investments and sales of project properties</b>		<b>49</b>	<b>2,497</b>
Investment in project properties, etc.		–524	–490
Sale of project properties, etc.		2	6
<b>Cash flow from operating activities</b>		<b>–473</b>	<b>2,013</b>
<b>INVESTING ACTIVITIES</b>			
Investment in property, plant, and equipment		–11	–11
Property, plant, and equipment sold		–	0
Change in financial assets <sup>1)</sup>		3	311
<b>Cash flow from investing activities</b>		<b>–8</b>	<b>300</b>
<b>FINANCING ACTIVITIES</b>	21		
Loans raised		623	214
Amortization of debt		–270	–298
Buy-back of shares		–	–500
Dividend		–765	–675
<b>Cash flow from financing activities</b>		<b>–412</b>	<b>–1,259</b>
<b>Cash flow for the year</b>		<b>–893</b>	<b>1,054</b>
<b>Cash and cash equivalents, January 1</b>		<b>2,572</b>	<b>1,520</b>
Exchange rate difference in cash and cash equivalents		3	–2
<b>Cash and cash equivalents, December 31</b>		<b>1,682</b>	<b>2,572</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	21		
Interest-bearing liabilities and provisions		2 228	1,786
Cash and cash equivalents and interest-bearing receivables		–1,682	–2,576
<b>Interest-bearing net liabilities (+)/receivables (–), December 31</b>		<b>546</b>	<b>–790</b>

<sup>1)</sup> Of which SEK 310m refers to the sale of the participations in Småa AB in 2017.

OTHER NON-CASH ITEMS		NOTE	2018	2017
Gains/losses on the sale of property	6		-13	-14
Changes in pension liability			137	12
Other provisions, etc.			191	756
<b>Total</b>			<b>315</b>	<b>754</b>
INVESTMENT IN DEVELOPMENT PROPERTIES, ETC.			2018	2017
Investment in development properties	15		-2,417	-2,017
Acquisition of participations in tenant-owners associations	16		-1,682	-619
Change in promissory notes			371	142
<b>Total</b>			<b>-3,728</b>	<b>-2,494</b>
PAYMENT ON ACCOUNT FOR DEVELOPMENT PROPERTIES, ETC.			2018	2017
Payment on account for development properties	15		1,517	1,534
Sale of development properties	6		114	18
Change in receivables, development properties sold, etc.			-253	-57
Sale of participations in tenant-owners associations	16		1,426	543
<b>Total</b>			<b>2,804</b>	<b>2,038</b>
INVESTMENT IN PROJECT PROPERTIES, ETC.			2018	2017
Investment in project properties	15		-524	-490
<b>Total</b>			<b>-524</b>	<b>-490</b>
SALE OF PROJECT PROPERTIES, ETC.			2018	2017
Sale of project properties	6		2	6
<b>Total</b>			<b>2</b>	<b>6</b>

## CASH FLOW FROM OPERATING ACTIVITIES



## Comments

### Operating activities

(2018: SEK -473m, 2017: SEK 2,013m)

Cash flow from operating activities is lower than in the previous year. Cash flow is burdened by net investments in development properties, project properties and repurchased residential units of SEK -1,446m.

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

(2018: SEK 2,209m, 2017: SEK 3,130m)

Operating activities, before interest and tax, contributed SEK 2,209m, which is a decrease of SEK 921m after elimination of non-cash items. Cash flow from operating activities decreased compared to the previous year mainly due to lower revenue and a lower operating margin.

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

(2018: SEK 1,478m, 2017: SEK 2,734m)

Net interest and dividends paid and received decreased from SEK -35m in 2017 to SEK -34m in 2018.

Taxes paid increased from SEK -361m in 2017 to SEK -697m in 2018.

### Net development properties, etc.

(including participations in tenant-owners associations)

(2018: SEK -924m, 2017: SEK -456m)

JM acquired development properties for SEK 2,417m (2,017). At the same time, SEK 1,517m (1,534) were taken into production in conjunction with housing starts. Changes in holdings of repurchased residential units resulted in a cash flow of SEK -396m (-80).

### Current receivables and liabilities

(2018: SEK -505m, 2017: SEK 219m)

Current receivables and liabilities had a total impact on cash flow of SEK -505m (219), which is a change compared to the previous year of SEK 724m.

### Net project properties

(2018: SEK -522m, 2017: SEK -484m)

The cash flow from net project properties refers to investments in project properties in 2018.

### Financing activities

(2018: SEK -412m, 2017: SEK -1,259m)

During the year, dividends to shareholders were paid totaling SEK 765m. Interest-bearing liabilities increased net by SEK 305m.



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

SEK m	2018	2017
<b>Opening balance at beginning of the year</b>	<b>6,178</b>	<b>5,158</b>
Total comprehensive income for the year	1,382	2,184
Dividend to equity holders of the Parent Company	–765	–675
Conversion of convertible loan	–	10
Equity component of convertible debentures	3	1
Buy-back of shares	–	–500
<b>Closing balance at the end of the year</b>	<b>6,798</b>	<b>6,178</b>

## Comments

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### Equity

(2018: SEK 6,798m, 2017: SEK 6,178m)

Shareholders' equity increased by SEK 620m compared to the end of 2017. Consolidated equity as at December 31, 2018, totaled SEK 6,798m (6,178), which corresponds to SEK 98 (89) per share. Return on equity was 22.2 percent (38.7).

### Dividend to Parent Company shareholders

The dividend to shareholders of the Parent Company totaled SEK 765m (675), corresponding to SEK 11.00 (9.50) per share.

### Conversion of convertible loan

During the year, no shares were converted in the outstanding Convertible Programs.

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

During the year, no shares were bought back. At the end of August, the AGM resolution on the reduction of share capital regarding 1,476,421 shares was taken into effect. The company has thereafter no holdings of treasury shares. The number of outstanding shares at the end of the year amounted to 69,583,262.

**GROUP – QUARTERLY OVERVIEW – SEGMENT REPORTING**

Amounts in SEK m unless stated otherwise

INCOME STATEMENT	2018					2017				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	16,161	4,150	3,832	4,125	4,054	17,008	4,551	3,813	4,399	4,245
Production and operating costs	-13,247	-3,456	-3,202	-3,324	-3,265	-13,648	-3,659	-3,047	-3,513	-3,429
<b>Gross profit</b>	<b>2,914</b>	<b>694</b>	<b>630</b>	<b>801</b>	<b>789</b>	<b>3,360</b>	<b>892</b>	<b>766</b>	<b>886</b>	<b>816</b>
Selling and administrative expenses	-1,041	-254	-218	-297	-272	-1,005	-254	-223	-282	-246
Gains/losses on the sale of property	13	3	-1	0	11	14	0	-	14	-
<b>Operating profit</b>	<b>1,886</b>	<b>443</b>	<b>411</b>	<b>504</b>	<b>528</b>	<b>2,369</b>	<b>638</b>	<b>543</b>	<b>618</b>	<b>570</b>
Financial income and expenses	-69	-13	-21	-19	-16	210	-17	-15	-17	259
<b>Profit before tax</b>	<b>1,817</b>	<b>430</b>	<b>390</b>	<b>485</b>	<b>512</b>	<b>2,579</b>	<b>621</b>	<b>528</b>	<b>601</b>	<b>829</b>
Taxes	-379	-71	-87	-108	-113	-385	-15	-117	-130	-123
<b>Profit for the period</b>	<b>1,438</b>	<b>359</b>	<b>303</b>	<b>377</b>	<b>399</b>	<b>2,194</b>	<b>606</b>	<b>411</b>	<b>471</b>	<b>706</b>
<b>BALANCE SHEET</b>	12/31/2018 09/30/2018 06/30/2018 03/31/2018					12/31/2017 09/30/2017 06/30/2017 03/31/2017				
<b>ASSETS</b>										
<b>Non-current assets</b>		<b>214</b>	<b>221</b>	<b>226</b>	<b>221</b>		<b>209</b>	<b>211</b>	<b>213</b>	<b>215</b>
Project properties		1,635	1,423	1,335	1,193		1,074	878	791	688
Development properties		8,306	8,509	8,869	8,607		7,543	6,984	6,892	6,922
Participations in tenant-owners associations, etc.		567	224	322	309		309	267	269	205
Current receivables		4,083	3,904	3,813	3,828		3,698	3,524	3,477	3,173
Cash and cash equivalents		1,682	1,854	2,078	2,564		2,572	2,557	2,211	2,619
<b>Total current assets</b>		<b>16,273</b>	<b>15,914</b>	<b>16,417</b>	<b>16,501</b>		<b>15,196</b>	<b>14,210</b>	<b>13,640</b>	<b>13,607</b>
<b>TOTAL ASSETS</b>		<b>16,487</b>	<b>16,135</b>	<b>16,643</b>	<b>16,722</b>		<b>15,405</b>	<b>14,421</b>	<b>13,853</b>	<b>13,822</b>
<b>EQUITY AND LIABILITIES</b>										
<b>Equity</b>		<b>6,798</b>	<b>6,520</b>	<b>6,285</b>	<b>6,664</b>		<b>6,178</b>	<b>5,653</b>	<b>5,381</b>	<b>5,725</b>
Non-current interest-bearing liabilities		146	204	255	220		203	333	223	259
Other non-current liabilities		696	700	686	700		273	150	150	150
Non-current provisions		3,037	2,994	2,850	2,846		2,656	2,405	2,371	2,321
<b>Total non-current liabilities</b>		<b>3,879</b>	<b>3,898</b>	<b>3,791</b>	<b>3,766</b>		<b>3,132</b>	<b>2,888</b>	<b>2,744</b>	<b>2,730</b>
Current interest-bearing liabilities		694	816	762	336		332	204	435	334
Other current liabilities		4,994	4,780	5,682	5,831		5,654	5,564	5,184	4,932
Current provisions		122	121	123	125		109	112	109	101
<b>Total current liabilities</b>		<b>5,810</b>	<b>5,717</b>	<b>6,567</b>	<b>6,292</b>		<b>6,095</b>	<b>5,880</b>	<b>5,728</b>	<b>5,367</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,487</b>	<b>16,135</b>	<b>16,643</b>	<b>16,722</b>		<b>15,405</b>	<b>14,421</b>	<b>13,853</b>	<b>13,822</b>
	2018					2017				
<b>CASH FLOW STATEMENT</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>
From operating activities	-473	-17	-234	-204	-18	2,013	145	574	293	1,001
From investing activities	-8	-8	3	-2	-1	300	-3	-1	-3	307
From financing activities	-412	-138	11	-286	1	-1,259	-128	-225	-697	-209
<b>Total cash flow for the period</b>	<b>-893</b>	<b>-163</b>	<b>-220</b>	<b>-492</b>	<b>-18</b>	<b>1,054</b>	<b>14</b>	<b>348</b>	<b>-407</b>	<b>1,099</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,682</b>	<b>1,682</b>	<b>1,854</b>	<b>2,078</b>	<b>2,564</b>	<b>2,572</b>	<b>2,572</b>	<b>2,557</b>	<b>2,211</b>	<b>2,619</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>
<b>Interest-bearing net liabilities (+)/receivables (-) at beginning of period</b>	<b>-790</b>	<b>541</b>	<b>240</b>	<b>-748</b>	<b>-790</b>	<b>435</b>	<b>-727</b>	<b>-274</b>	<b>-778</b>	<b>435</b>
Change in interest-bearing net liabilities/receivables	1,336	5	301	988	42	-1,225	-63	-453	504	-1,213
<b>Interest-bearing net liabilities (+)/receivables (-) at end of period</b>	<b>546</b>	<b>546</b>	<b>541</b>	<b>240</b>	<b>-748</b>	<b>-790</b>	<b>-790</b>	<b>-727</b>	<b>-274</b>	<b>-778</b>
<b>DEVELOPMENT PROPERTIES</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>
<b>Carrying amount at beginning of period</b>	<b>7,543</b>	<b>8,509</b>	<b>8,869</b>	<b>8,607</b>	<b>7,543</b>	<b>7,121</b>	<b>6,984</b>	<b>6,892</b>	<b>6,922</b>	<b>7,121</b>
New purchases	2,402	154	191	661	1,396	2,017	803	477	382	355
Transferred to production	-1,517	-219	-512	-411	-375	-1,534	-228	-379	-388	-539
Other	-122	-138	-39	12	43	-61	-16	-6	-24	-15
<b>Carrying amount at the end of the period</b>	<b>8,306</b>	<b>8,306</b>	<b>8,509</b>	<b>8,869</b>	<b>8,607</b>	<b>7,543</b>	<b>7,543</b>	<b>6,984</b>	<b>6,892</b>	<b>6,922</b>
<b>HOUSING PRODUCTION</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>
Number of available building rights	35,900	35,900	36,700	36,000	34,900	34,800	34,800	34,800	34,600	33,600
Number of residential units sold	2,463	751	613	619	480	3,100	684	681	871	864
Number of housing starts	3,135	1,038	680	847	570	3,873	1,183	971	906	813
Number of residential units in current production	7,835	7,835	8,243	7,814	7,672	8,200	8,200	7,739	7,641	7,901
Sold residential units in current production, %	51	53	52	54	54	58	62	65	66	66
Reserved residential units in current production, %	6	6	6	7	7	7	9	10	12	12
Sold/reserved residential units in current production, %	57	59	58	61	61	65	71	75	78	78
<b>KEY RATIOS</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>	<b>Full-year</b>	<b>Q 4</b>	<b>Q 3</b>	<b>Q 2</b>	<b>Q 1</b>
Operating margin, %	11.7	10.7	10.7	12.2	13.0	13.9	14.0	14.2	14.0	13.4
Debt/equity ratio, multiple	0.1	0.1	0.1	0.0	-	-	-	-	-	-
Equity/assets ratio, %	41	41	40	38	40	40	40	39	39	41
Earnings per share, SEK	20.60	5.20	4.30	5.40	5.70	31.00	8.60	5.80	6.70	9.90

## GROUP – FIVE-YEAR OVERVIEW – SEGMENT REPORTING

Amounts in SEK m unless stated otherwise.

INCOME STATEMENT	2018	2017	2016	2015	2014
Revenue	16,161	17,008	15,752	14,447	13,869
Production and operating costs	–13,247	–13,648	–12,821	–12,047	–11,405
<b>Gross profit</b>	<b>2,914</b>	<b>3,360</b>	<b>2,931</b>	<b>2,400</b>	<b>2,464</b>
Selling and administrative expenses	–1,041	–1,005	–935	–866	–773
Gains/losses on the sale of property	13	14	15	56	25
<b>Operating profit</b>	<b>1,886</b>	<b>2,369</b>	<b>2,011</b>	<b>1,590</b>	<b>1,716</b>
Financial income and expenses	–69	210	–60	–72	–75
<b>Profit before tax</b>	<b>1,817</b>	<b>2,579</b>	<b>1,951</b>	<b>1,518</b>	<b>1,641</b>
Taxes	–379	–385	–411	–358	–409
<b>Net profit for the year</b>	<b>1,438</b>	<b>2,194</b>	<b>1,540</b>	<b>1,160</b>	<b>1,232</b>

## INCOME STATEMENT BY FUNCTION

<b>Production</b>					
Recognized revenue	15,935	16,808	15,577	14,325	13,743
Production costs	–13,109	–13,513	–12,707	–11,948	–11,316
<b>Profit from production operations</b>	<b>2,826</b>	<b>3,295</b>	<b>2,870</b>	<b>2,377</b>	<b>2,427</b>
<b>Development properties</b>					
Rental revenue	160	159	150	99	98
Operating expenses	–88	–82	–71	–56	–47
Property tax	–26	–37	–23	–28	–22
<b>Profit from development properties</b>	<b>46</b>	<b>40</b>	<b>56</b>	<b>15</b>	<b>29</b>
<b>Project properties</b>					
Rental revenue	66	41	25	23	28
Operating expenses	–22	–15	–18	–14	–19
Property tax	–2	–1	–2	–1	–1
<b>Profit from project properties</b>	<b>42</b>	<b>25</b>	<b>5</b>	<b>8</b>	<b>8</b>
<b>Gross profit</b>	<b>2,914</b>	<b>3,360</b>	<b>2,931</b>	<b>2,400</b>	<b>2,464</b>
<b>Selling and administrative expenses</b>	<b>–1,002</b>	<b>–958</b>	<b>–894</b>	<b>–821</b>	<b>–728</b>
<b>Property sales</b>					
Sales values	116	21	86	572	102
Carrying amounts	–103	–7	–71	–516	–77
<b>Gains/losses on the sale of property</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>56</b>	<b>25</b>
Group-wide expenses	–39	–47	–41	–45	–45
<b>Operating profit</b>	<b>1,886</b>	<b>2,369</b>	<b>2,011</b>	<b>1,590</b>	<b>1,716</b>

BALANCE SHEET	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>214</b>	<b>209</b>	<b>230</b>	<b>209</b>	<b>220</b>
Project properties	1,635	1,074	602	378	230
Development properties	8,306	7,543	7,121	7,067	6,802
Participations in tenant-owners associations, etc.	567	309	233	235	243
Current receivables <sup>1)</sup>	4,083	3,698	3,142	3,066	2,626
Cash and cash equivalents	1,682	2,572	1,520	1,275	2,424
<b>Total current assets</b>	<b>16,273</b>	<b>15,196</b>	<b>12,618</b>	<b>12,021</b>	<b>12,325</b>
<b>TOTAL ASSETS</b>	<b>16,487</b>	<b>15,405</b>	<b>12,848</b>	<b>12,230</b>	<b>12,545</b>
<b>EQUITY AND LIABILITIES<sup>2)</sup></b>					
<b>Equity</b>	<b>6,798</b>	<b>6,178</b>	<b>5,158</b>	<b>4,652</b>	<b>4,703</b>
Non-current interest-bearing liabilities	146	203	282	410	374
Other non-current liabilities	696	273	168	160	172
Non-current provisions	3,037	2,656	2,297	2,107	2,323
<b>Total non-current liabilities</b>	<b>3,879</b>	<b>3,132</b>	<b>2,747</b>	<b>2,677</b>	<b>2,869</b>
Current interest-bearing liabilities	694	332	438	934	659
Other current liabilities	4,994	5,654	4,404	3,873	4,220
Current provisions	122	109	101	94	94
<b>Total current liabilities</b>	<b>5,810</b>	<b>6,095</b>	<b>4,943</b>	<b>4,901</b>	<b>4,973</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>16,487</b>	<b>15,405</b>	<b>12,848</b>	<b>12,230</b>	<b>12,545</b>
<sup>1)</sup> Of which receivables from property sales	53	83	72	72	54
<sup>2)</sup> Of which liabilities for property acquisition	1,040	794	654	704	1,329

## GROUP – FIVE-YEAR OVERVIEW – SEGMENT REPORTING

Amounts in SEK m unless stated otherwise.

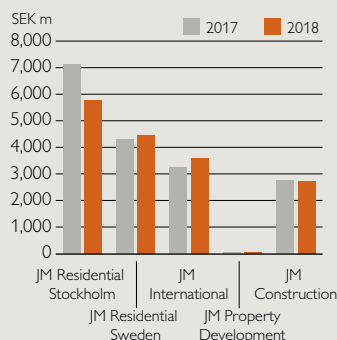
CASH FLOW STATEMENT	2018	2017	2016	2015	2014
From operating activities	–473	2,013	1,957	–230	978
From investing activities	–8	300	–6	–11	–20
From financing activities	–412	–1,259	–1,712	–902	–920
<b>Total cash flow for the year</b>	<b>–893</b>	<b>1,054</b>	<b>239</b>	<b>–1,143</b>	<b>38</b>
<b>Cash and cash equivalents, December 31</b>	<b>1,682</b>	<b>2,572</b>	<b>1,520</b>	<b>1,275</b>	<b>2,424</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>					
Interest-bearing net liabilities (+)/receivables (–), January 1	–790	435	1,198	–337	–642
Change in interest-bearing net liabilities/receivables	1,336	–1,225	–763	1,535	305
<b>Interest-bearing net liabilities (+)/receivables (–), December 31</b>	<b>546</b>	<b>–790</b>	<b>435</b>	<b>1,198</b>	<b>–337</b>
<b>DEVELOPMENT PROPERTIES</b>					
Carrying amount, January 1	7,543	7,121	7,067	6,802	5,988
New purchases	2,402	2,017	1,903	2,695	2,273
Transferred to production	–1,517	–1,534	–1,896	–1,814	–1,427
Other	–122	–61	47	–616	–32
<b>Carrying amount, December 31</b>	<b>8,306</b>	<b>7,543</b>	<b>7,121</b>	<b>7,067</b>	<b>6,802</b>
<b>DEVELOPMENT PROPERTIES</b>					
Market values	15,300	14,700	14,100	11,300	9,600
Carrying amounts	8,300	7,500	7,100	7,100	6,800
Surplus values	7,000	7,200	7,000	4,200	2,800
<b>HOUSING PRODUCTION</b>					
Number of available building rights	35,900	34,800	32,500	31,100	29,400
– of which recognized in the balance sheet	20,700	18,700	17,900	18,100	17,500
Number of residential units sold	2,463	3,100	3,843	3,770	3,195
Number of housing starts	3,135	3,873	4,187	3,731	3,445
Number of residential units in current production	7,835	8,200	7,984	7,212	6,375
Percentage sold residential units in current production, %	51	58	65	64	57
Percentage reserved residential units in current production, %	6	7	12	22	21
Percentage sold and reserved residential units in current production, %	57	65	77	86	78
<b>PROJECT PROPERTIES</b>					
Market values	2,002	1,343	863	550	280
Carrying amounts	1,635	1,074	602	378	230
Surplus values	367	269	261	172	50
<b>PERSONNEL</b>					
Average number of employees	2,562	2,538	2,422	2,316	2,218
– of which abroad	492	448	420	397	398
Wages, salaries and remunerations	1,482	1,401	1,291	1,219	1,167
<b>KEY RATIOS</b>					
Operating margin, % <sup>1)</sup>	11.7	13.9	12.8	11.0	12.4
Return on equity after tax, %	22.2	38.7	31.4	24.8	26.5
Pre-tax return on capital employed, %	22.3	35.1	28.4	23.0	26.6
Pre-tax return on total capital, %	11.9	18.7	16.1	12.9	14.6
Equity/assets ratio, % <sup>1)</sup>	41	40	40	38	37
Interest-bearing loan, SEK m	2,228	1,786	1,959	2,473	2,087
Debt/equity ratio, multiple	0.1	–	0.1	0.3	–
Interest coverage ratio, multiple	24.0	38.4	29.7	19.3	17.1
Interest-bearing liabilities/total assets, %	14	12	15	20	17
Asset turnover rate, multiple	1.01	1.20	1.26	1.17	1.16

<sup>1)</sup> Financial targets:

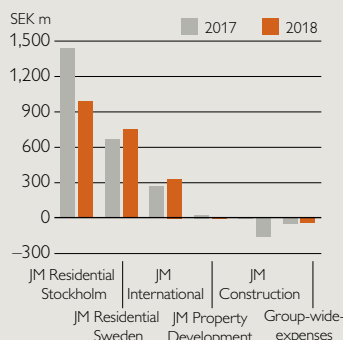
The operating margin should amount to 10 percent, including gains/losses from property sales.

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

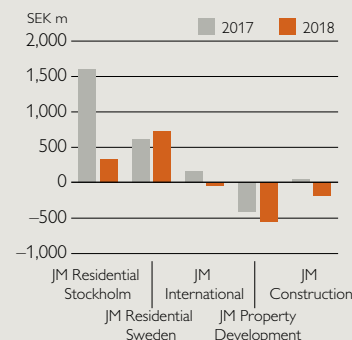
## REVENUE



## OPERATING PROFIT



## OPERATING CASH FLOW



## BUSINESS SEGMENTS QUARTERLY OVERVIEW – SEGMENT REPORTING

Amounts in SEK m unless stated otherwise.

	2018					2017				
	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	5,786	1,352	1,429	1,530	1,475	7,151	1,820	1,613	1,878	1,840
Operating profit <sup>1)</sup>	989	232	233	250	274	1,438	397	331	363	347
Operating margin, %	17.1	17.2	16.3	16.3	18.6	20.1	21.8	20.5	19.3	18.9
Average operating capital	5,447	5,447	5,139	4,919	4,663	4,450	4,450	4,374	4,354	4,345
Return on operating capital, % <sup>2)</sup>	18.2	18.2	22.5	25.5	29.3	32.3	32.3	32.6	32.3	31.0
Operating cash flow	334	-61	187	285	-77	1,603	225	505	375	498
Carrying amount, development properties	5,048	5,048	5,002	5,185	5,229	4,406	4,406	3,941	4,074	4,121
Number of available building rights	13,400	13,400	13,500	13,600	13,300	13,400	13,400	13,300	13,000	12,800
Number of residential units sold	851	286	223	225	117	1,152	197	213	388	354
Number of housing starts	857	195	207	240	215	1,443	324	365	454	300
Number of residential units in current production	3,115	3,115	3,447	3,387	3,510	3,842	3,842	3,837	3,598	3,714
<sup>1)</sup> Of which property sales	0	-	-	0	-	6	-	-	6	-
<b>JM RESIDENTIAL SWEDEN</b>										
	2018					2017				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	4,456	1,202	920	1,065	1,269	4,309	1,094	916	1,153	1,146
Operating profit <sup>1)</sup>	751	201	156	181	213	669	181	149	175	164
Operating margin, %	16.9	16.7	17.0	17.0	16.8	15.5	16.5	16.3	15.2	14.3
Average operating capital	1,008	1,008	1,000	949	897	892	892	898	893	967
Return on operating capital, % <sup>2)</sup>	74.5	74.5	73.1	76.3	80.0	75.0	75.0	68.4	67.2	55.7
Operating cash flow	722	186	44	260	232	616	159	-11	-29	497
Carrying amount, development properties	1,388	1,388	1,404	1,476	1,394	1,540	1,540	1,486	1,225	1,322
Number of available building rights	10,500	10,500	10,400	10,300	10,200	10,100	10,100	10,100	10,000	9,800
Number of residential units sold	917	239	227	207	244	1,302	301	332	348	321
Number of housing starts	1,043	260	230	267	286	1,411	360	372	336	343
Number of residential units in current production	2,418	2,418	2,471	2,280	2,210	2,351	2,351	2,196	2,279	2,169
<sup>1)</sup> Of which property sales	1	1	-	-	0	-	-	-	-	-
<b>JM INTERNATIONAL</b>										
	2018					2017				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	3,580	1,094	912	864	710	3,262	926	721	808	807
Operating profit <sup>1)</sup>	331	110	85	83	53	271	84	63	66	58
Operating margin, %	9.2	10.1	9.3	9.6	7.5	8.3	9.1	8.7	8.2	7.2
Average operating capital	2,723	2,723	2,580	2,444	2,273	2,175	2,175	2,106	2,074	2,028
Return on operating capital, % <sup>2)</sup>	12.2	12.2	11.8	11.6	11.7	12.5	12.5	12.0	12.0	10.3
Operating cash flow	-41	164	-48	-249	92	119	-207	179	69	78
Carrying amount, development properties	1,821	1,821	2,054	2,156	1,932	1,545	1,545	1,497	1,533	1,394
Carrying amount, project properties	4	4	5	5	8	7	7	14	12	13
Number of available building rights	11,200	11,200	12,100	11,400	10,600	10,500	10,500	10,500	10,700	10,100
Number of residential units sold	695	226	163	187	119	646	186	136	135	189
Number of housing starts	915	391	243	212	69	882	362	234	116	170
Number of residential units in current production	1,709	1,709	1,644	1,466	1,399	1,454	1,454	1,290	1,348	1,602
<sup>1)</sup> Of which property sales	12	2	-1	0	11	0	0	-	-	-
<b>JM PROPERTY DEVELOPMENT</b>										
	2018					2017				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	73	24	19	15	15	60	12	11	19	18
Operating profit <sup>1)</sup>	10	5	4	-1	2	27	3	0	17	7
Average operating capital	1,314	1,314	1,160	1,036	910	800	800	697	623	550
Return on operating capital, % <sup>2)</sup>	0.8	0.8	0.7	0.4	2.4	3.4	3.4	6.0	7.9	5.6
Operating cash flow	-557	-210	-82	-156	-109	-416	-203	-65	-77	-71
Carrying amount, development properties	10	10	10	10	10	10	10	10	10	35
Carrying amount, project properties	1,631	1,631	1,418	1,330	1,185	1,067	1,067	864	779	675
Number of available building rights <sup>3)</sup>	800	800	700	700	800	800	800	900	900	900
Number of residential units sold <sup>3)</sup>	-	-	-	-	-	-	-	-	-	-
Number of housing starts <sup>3)</sup>	320	192	-	128	-	137	137	-	-	-
Number of residential units in current production <sup>3)</sup>	593	593	681	681	553	553	553	416	416	416
<sup>1)</sup> Of which property sales	-	-	-	-	-	8	-	-	8	-
<sup>3)</sup> Refers to rental units and residential care units										
<b>JM CONSTRUCTION</b>										
	2018					2017				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue	2,716	586	663	769	698	2,751	833	689	677	552
Operating profit	-156	-95	-61	0	0	11	-13	5	9	10
Operating margin, %	-5.7	-16.2	-9.2	0.0	0.0	0.4	-1.6	0.7	1.3	1.8
Operating cash flow	-184	-41	-49	60	-154	86	40	78	-63	31
<b>JM OTHER</b>										
	2018					2017				
	Full-year	Q 4	Q 3	Q 2	Q 1	Full-year	Q 4	Q 3	Q 2	Q 1
Revenue (elimination)	-450	-108	-111	-118	-113	-525	-134	-137	-136	-118
Operating profit (Group-wide expenses)	-39	-10	-6	-9	-14	-47	-14	-5	-12	-16

<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 cash flow, risk profile and capital allocation. Use of key figures according to segment reporting 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)**

	2018	2017	2016	2015	2014
Interest-bearing liabilities (segment reporting)					
Pension provisions	1,388	1,251	1,239	1,129	1,054
Non-current interest-bearing liabilities	146	203	282	410	374
Current interest-bearing liabilities	694	332	438	934	659
Cash and cash equivalents and interest-bearing receivables	–1,682	–2,576	–1,524	–1,275	–2,424

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

	546	–790	435	1,198	–337
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**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

**Operating margin (segment reporting)**

	2018	2017	2016	2015	2014
Operating profit (segment reporting)	1,886	2,369	2,011	1,590	1,716
Revenue (segment reporting)	16,161	17,008	15,752	14,447	13,869

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

	11.7	13.9	12.8	11.0	12.4
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**Definition**

Operating profit (segment reporting) divided by revenue (segment reporting)

**Reason to use the measure**

Measures profitability of the business given the current market conditions

**Return on equity after tax**

	2018	2017	2016	2015	2014
Profit/loss for the period (segment reporting)	1,438	2,194	1,540	1,160	1,232
Average equity (segment reporting)	6,488	5,668	4,905	4,678	4,649
Equity at beginning of period	6,178	5,158	4,652	4,703	4,594
Equity at end of period	6,798	6,178	5,158	4,652	4,703

**Return on equity after tax, %**

	22.2	38.7	31.4	24.8	26.5
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**Definition**

Profit/loss for the period (segment reporting) divided by average equity (segment reporting)

**Reason to use the measure**

Measures profitability and financial position

**Pre-tax return on capital employed**

	2018	2017	2016	2015	2014
Profit/loss before tax plus financial expenses	1,896	2,648	2,019	1,601	1,743
Average capital employed	8,495	7,541	7,121	6,958	6,564
Capital employed, at beginning of the year	7,964	7,117	7,125	6,790	6,337
Capital employed, at end of the year	9,026	7,964	7,117	7,125	6,790

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

	22.3	35.1	28.4	23.0	26.6
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**Definition**

Profit/loss before tax (segment reporting) plus financial expenses divided by average capital employed (segment reporting)

**Reason to use the measure**

Measures profitability and capital efficiency

**Capital employed**

	2018	2017	2016	2015	2014
Equity (segment reporting)	6,798	6,178	5,158	4,652	4,703
Interest-bearing loans (segment reporting)					
Transferred to pensions	1,388	1,251	1,239	1,129	1,054
Non-current interest-bearing liabilities	146	203	282	410	374
Current interest-bearing liabilities	694	332	438	934	659

**Capital employed**

	9,026	7,964	7,117	7,125	6,790
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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**

	2018	2017	2016	2015	2014
Profit/loss before tax plus financial expenses	1,896	2,648	2,019	1,601	1,743
Average balance sheet total (segment reporting)	15,946	14,127	12,539	12,388	11,970
Balance sheet total, at beginning of the year	15,405	12,848	12,230	12,545	11,394
Balance sheet total, at end of the year	16,487	15,405	12,848	12,230	12,545

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

	11.9	18.7	16.1	12.9	14.6
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**Definition**

Profit/loss before tax (segment reporting) plus financial expenses divided by average balance sheet total (segment reporting)

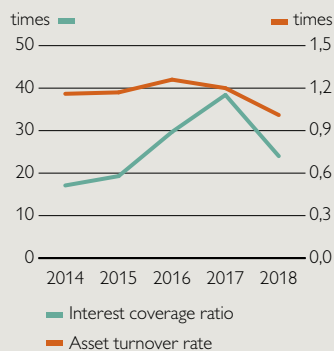
**Reason to use the measure**

Measures profitability and capital efficiency

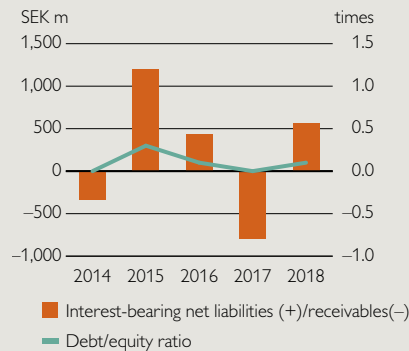
Amounts in SEK m unless stated otherwise.

<b>Equity/assets ratio (segment reporting)</b>						<b>Definition</b>
2018	2017	2016	2015	2014		
Equity (segment reporting)	6,798	6,178	5,158	4,652	4,703	Equity (segment reporting) divided by the balance sheet total (segment reporting)
Balance sheet total (segment reporting)	16,487	15,405	12,848	12,230	12,545	
<b>Equity/assets ratio (segment reporting), %</b>	<b>41</b>	<b>40</b>	<b>40</b>	<b>38</b>	<b>37</b>	<b>Reason to use the measure</b>
						Measures financial position
<b>Debt/equity ratio</b>						<b>Definition</b>
2018	2017	2016	2015	2014		
Interest-bearing net liabilities (segment reporting)	546	-790	435	1,198	-337	Interest-bearing net liabilities (segment reporting) divided by equity (segment reporting)
Equity (segment reporting)	6,798	6,178	5,158	4,652	4,703	
<b>Debt/equity ratio, multiple</b>	<b>0.1</b>	<b>-</b>	<b>0.1</b>	<b>0.3</b>	<b>-</b>	<b>Reason to use the measure</b>
						Measures financial position
<b>Interest coverage ratio</b>						<b>Definition</b>
2018	2017	2016	2015	2014		
Profit/loss before tax (segment reporting)	1,817	2,579	1,951	1,518	1,641	Profit/loss before tax (segment reporting) plus financial expenses divided by financial expenses
Financial expenses	79	69	68	83	102	
<b>Interest coverage ratio, multiple</b>	<b>24.0</b>	<b>38.4</b>	<b>29.7</b>	<b>19.3</b>	<b>17.1</b>	<b>Reason to use the measure</b>
						Measures financial position
<b>Interest-bearing liabilities/balance sheet total</b>						<b>Definition</b>
2018	2017	2016	2015	2014		
Interest-bearing loans (segment reporting)	2,228	1,786	1,959	2,473	2,087	Interest-bearing loans (segment reporting) divided by balance sheet total (segment reporting)
Balance sheet total (segment reporting)	16,487	15,405	12,848	12,230	12,545	
<b>Interest-bearing liabilities/total assets, %</b>	<b>14</b>	<b>12</b>	<b>15</b>	<b>20</b>	<b>17</b>	<b>Reason to use the measure</b>
						Measures financial position
<b>Asset turnover rate</b>						<b>Definition</b>
2018	2017	2016	2015	2014		
Revenue (segment reporting)	16,161	17,008	15,752	14,447	13,869	Revenue (segment reporting) divided by average balance sheet total (segment reporting)
Average balance sheet total (segment reporting)	15,946	14,127	12,539	12,388	11,970	
Balance sheet total, at beginning of the year	15,405	12,848	12,230	12,545	11,394	<b>Reason to use the measure</b>
Balance sheet total, at end of the year	16,487	15,405	12,848	12,230	12,545	
<b>Asset turnover rate, multiple</b>	<b>1.01</b>	<b>1.20</b>	<b>1.26</b>	<b>1.17</b>	<b>1.16</b>	Measures financial position

INTEREST COVERAGE RATIO AND  
ASSET TURNOVER RATE



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



Amounts in SEK m unless stated otherwise.

## JM SHARE

Total return	2018	2017	2016	2015	2014
Change in share price, SEK	-13.90	-76.30	10.50	3.70	67.50
Dividend paid, SEK	11.00	9.50	8.25	8.00	7.25
Share price, at beginning of the year, SEK	186.90	263.20	252.70	249.00	181.50
<b>Total return, %</b>	<b>-2</b>	<b>-25</b>	<b>7</b>	<b>5</b>	<b>41</b>

### Definition

The sum of change in share price during the year and dividend paid divided by share price at beginning of the year

### Reason to use the measure

Measures total return for the shareholder during a specific period

Dividend yield	2018	2017	2016	2015	2014
Proposed dividend, SEK	12.00	11.00	9.50	8.25	8.00
Share price, at end of the year, SEK	173.00	186.90	263.20	252.70	249.00
<b>Dividend yield, %</b>	<b>6.9</b>	<b>5.9</b>	<b>3.6</b>	<b>3.3</b>	<b>3.2</b>

### Definition

Proposed dividend divided by share price as at end of the period

### Reason to use the measure

Measures return liquidity for the shareholder

Earnings per share, diluted (segment reporting)	2018	2017	2016	2015	2014
Profit/loss for the period after dilution	1,441	2,196	1,541	1,161	1,234
Average number of shares	69,865,418	70,844,023	72,725,820	74,846,482	76,888,597
<b>Earnings per share, diluted (segment reporting), SEK</b>	<b>20.60</b>	<b>31.00</b>	<b>21.20</b>	<b>15.50</b>	<b>16.00</b>

### Definition

Profit/loss for the period according to income statement (segment reporting) attributable to shareholders of the Parent Company divided by weighted average number of shares

### Reason to use the measure

Measures profit per share

Development properties per share, market value	2018	2017	2016	2015	2014
Development properties, market value	15,300	14,700	14,100	11,300	9,600
Number of shares at end of period	69,583,262	69,583,262	71,448,330	73,594,000	75,471,471
<b>Development properties per share, market value, SEK</b>	<b>220</b>	<b>212</b>	<b>197</b>	<b>154</b>	<b>127</b>

### Definition

Development properties' market value at the end of the period divided by number of shares at end of the period

### Reason to use the measure

Measures market value of development properties per share disregarding financing

Development properties per share, carrying value	2018	2017	2016	2015	2014
Development properties, carrying amount	8,306	7,543	7,121	7,067	6,802
Number of shares at end of period	69,583,262	69,583,262	71,448,330	73,594,000	75,471,471
<b>Development properties per share, carrying value, SEK</b>	<b>119</b>	<b>108</b>	<b>100</b>	<b>96</b>	<b>90</b>

### Definition

Development properties' carrying amount at end of the period divided by number of shares at end of the period

### Reason to use the measure

Measures carrying amount of development properties per share disregarding financing

Project properties per share, market value	2018	2017	2016	2015	2014
Project properties, market value	2,002	1,343	863	550	280
Number of shares at end of period	69,583,262	69,583,262	71,448,330	73,594,000	75,471,471
<b>Project properties per share, market value, SEK</b>	<b>29</b>	<b>19</b>	<b>12</b>	<b>7</b>	<b>4</b>

### Definition

Project properties' market value at the end of the period divided by number of shares at end of the period

### Reason to use the measure

Measures the market value of project properties per share disregarding financing

Project properties per share, carrying amount	2018	2017	2016	2015	2014
Project properties, carrying amount	1,635	1,074	602	378	230
Number of shares at end of period	69,583,262	69,583,262	71,448,330	73,594,000	75,471,471
<b>Project properties per share, carrying amount, SEK</b>	<b>23</b>	<b>15</b>	<b>8</b>	<b>5</b>	<b>3</b>

### Definition

Project properties' carrying amount at the end of the period in relation to the number of shares at the end of the period

### Reason to use the measure

Measures the carrying amount of project properties per share disregarding financing

Equity per share	2018	2017	2016	2015	2014
Equity (segment reporting)	6,798	6,178	5,158	4,652	4,703
Number of shares at end of period	69,583,262	69,583,262	71,448,330	73,594,000	75,471,471
<b>Equity per share, SEK</b>	<b>98</b>	<b>89</b>	<b>72</b>	<b>63</b>	<b>62</b>

### Definition

Equity (segment reporting) at the end of the period divided by number of shares at end of the period

### Reason to use the measure

Measures the value of equity per share, net worth

Interest-bearing net liabilities per share	2018	2017	2016	2015	2014
Interest-bearing net liabilities (segment reporting)	546	-790	435	1,198	-337
Number of shares at end of period	69,583,262	69,583,262	71,448,330	73,594,000	75,471,471
<b>Interest-bearing net liabilities per share</b>	<b>8</b>	<b>-11</b>	<b>6</b>	<b>16</b>	<b>-4</b>

### Definition

Interest-bearing net liabilities (segment reporting) at end of the period divided by number of shares at end of the period

### Reason to use the measure

Measures the value of interest-bearing net liabilities per share

Amounts in SEK m unless stated otherwise.

### DEFINITIONS KEY FINANCIAL FIGURES – IFRS

Interest-bearing net liabilities (+)/receivables (–)	2018	2017 <sup>1)</sup>	2016	2015	2014	Definition
Interest-bearing liabilities						Interest-bearing liabilities less cash and cash equivalents and interest-bearing receivables
Pension provisions	1,388	1,251	1,239	1,129	1,054	
Non-current interest-bearing liabilities	146	203	517	483	374	
Current interest-bearing liabilities	4,968	4,331	2,055	2,190	1,633	
Cash and cash equivalents and interest-bearing receivables	–1,682	–2,576	–1,524	–1,275	–2,424	
	<b>4,820</b>	<b>3,209</b>	<b>2,287</b>	<b>2,527</b>	<b>637</b>	
<b>Equity/assets ratio</b>	<b>2018</b>	<b>2017<sup>1)</sup></b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>Definition</b>
Equity	6,644	6,043	4,951	4,521	4,635	Shareholders' equity divided by balance sheet total
Balance sheet total	20,648	19,111	14,332	13,301	13,349	
<b>Equity/assets ratio, %</b>	<b>32</b>	<b>32</b>	<b>35</b>	<b>34</b>	<b>35</b>	<b>Reason to use the measure</b>
						Measures financial position
<b>Debt/equity ratio</b>	<b>2018</b>	<b>2017<sup>1)</sup></b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>Definition</b>
Interest-bearing net liabilities	4,820	3,209	2,287	2,527	637	Interest-bearing net liabilities divided by equity
Equity	6,644	6,043	4,951	4,521	4,635	
<b>Debt/equity ratio, multiple</b>	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.1</b>	<b>Reason to use the measure</b>
						Measures financial position
<b>Interest coverage ratio</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>Definition</b>
Profit/loss before tax	1,807	2,666	1,871	1,427	1,744	Profit/loss before tax plus financial expenses divided by financial expenses
Financial expenses	79	69	68	83	102	
<b>Interest coverage ratio, multiple</b>	<b>23.9</b>	<b>39.6</b>	<b>28.5</b>	<b>18.2</b>	<b>18.1</b>	<b>Reason to use the measure</b>
						Measures financial position
<b>Earnings per share, diluted</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>Definition</b>
Profit/loss for the period after dilution	1,427	2,261	1,479	1,086	1,308	Profit/loss for the year attributable to shareholders of the Parent Company divided by weighted average number of shares
Average number of shares	69,865,418	70,844,023	72,725,820	74,846,482	76,888,597	
<b>Earnings per share, diluted, SEK</b>	<b>20.40</b>	<b>31.90</b>	<b>20.30</b>	<b>14.50</b>	<b>17.00</b>	<b>Reason to use the measure</b>
						Measures profit per share

<sup>1)</sup> Comparative figures for 2017 have been restated due to reclassification of project financing in JM Residential Stockholm and JM Residential Sweden.

### 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 of sales, providing a direct link between financial reporting and operations conducted during the period.	Measures revenue given completion and current market conditions
<b>Operating profit (segment reporting)</b>	Revenue (segment reporting) less production and operating expenses less 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>Assets/Liabilities (segment reporting)</b>	Assets/Liabilities as per IFRS adjusted for: • Reclassification of project financing within the segments JM Residential Stockholm, JM Residential Sweden and JM International. • Adjustment of income between "Progress billing in excess of recognized revenue" (liability) and "Revenue less progress billing" (asset) • Revaluation of ongoing projects according to the contract completion method within the JM International segment.	Measures assets/ liabilities (segment reporting)
<b>Development properties</b>	Refers mainly to land that can be developed for future projects; classified as current assets. • Land with residential building rights • Land with commercial building rights • Land developed for residential projects or further development for project properties.	Measures assets that may be reclassified to project expense in the future
<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) divided by average (five measurement points in the past five quarters) operating capital.	Measures profitability and capital efficiency by 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 2018.

## Market, sales and housing starts

The housing market in Stockholm was cautious during the year but slowly stabilized. Housing starts in Stockholm were supported by a normal level of reservations, where profitability continued to be good in current production volumes despite price adjustments in a number of projects.

The housing operations in the rest of Sweden continued to show good profitability in a primarily stable market, where sales were stable during the year.

There was good activity on the housing market in Norway with prices increasing slightly during the year, and the housing market in Finland was stable. The geographic coverage of JM's housing operations is slowly increasing.

Population growth in our main markets, in conjunction with continued low interest rates, supports demand for housing.

The number of residential units sold in the form of signed contracts decreased to 2,463 (3,100)<sup>1)</sup>, and sales gradually improved during the year. The percentage of sold or reserved homes in relation to current production amounts to 57 percent (65), with an interval of 60–65 percent considered normal. This percentage is in line with the previous quarters during the year. JM Residential Stockholm sold 851 residential units (1,152), JM Residential Sweden sold 917 (1,302), JM International sold 695 (646) and JM Property Development sold 0 (0).

The number of housing starts decreased to 3,135 (3,873)<sup>2)</sup>, but housing starts increased significantly at the end of the year. JM Residential Stockholm started production on 857 residential units (1,443), JM Residential Sweden on 1,043 (1,411), JM International on 915 (882) and JM Property Development on 320 (137).

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 decreased to 7,835 (8,200), of which 593 are rental units and residential care units (553).

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

<sup>2)</sup> Of which 320 rental units and residential care units (137).

## Revenue

Consolidated revenue according to segment reporting for the year decreased to SEK 16,161m (17,008). The decrease in revenue is attributable to JM Residential Stockholm, while revenue increased in JM Residential Sweden and JM International. Revenue restated according to IFRS decreased to SEK 15,680m (17,275).

## Operating profit

Operating profit according to segment reporting decreased to SEK 1,886m (2,369), and the operating margin decreased to 11.7 percent (13.9). The housing operations in the rest of Sweden, Norway and Finland are reporting increased profits and margins. The largest improvement is in the housing operations in the rest of Sweden. Profit/loss includes a loss within JM Construction of SEK –156m (11) primarily due to negative revaluations in current external residential projects in Stockholm. Operating profit restated according to IFRS decreased to SEK 1,876m (2,456). The restatement is related to JM International and had an effect on earnings of SEK –10m (87).

Operating profit for the JM Residential Stockholm business segment decreased to SEK 989m (1,438), and the operating margin decreased to 17.1 percent (20.1). Operating profit for JM Residential Sweden increased to SEK 751m (669), and the operating margin increased to 16.9 percent (15.5).

Operating profit for JM International increased to SEK 331m (271), of which capital gains from property sales amounted to SEK 12m (0). The operating margin increased to 9.2 percent (8.3).

Operating profit for JM Property Development decreased to SEK 10m (27), of which gains from property sales amounted to SEK 0m (8).

Operating profit/loss for JM Construction decreased to SEK –156m (11). The operating profit includes gains from property sales of SEK 0m (31). The operating margin was –5.7 percent (0.4). Income was negatively affected by major revaluations in current projects, where major delays are generating an increase in costs. There are still risks in these projects.

Given the weak profitability over a long period of time, the operations in JM Construction were assessed with regard to future focus and scope. The Company is taking measures to gradually refocus the operations to more clearly support the Group's residential project development. The decided measures will entail some restructuring costs in 2019.

## BUSINESS SEGMENTS

SEK m	Revenue		Operating profit		Operating margin, %	
	2018	2017	2018	2017	2018	2017
JM Residential Stockholm	5,786	7,151	989	1,438	17.1	20.1
JM Residential Sweden	4,456	4,309	751	669	16.9	15.5
JM International	3,580	3,262	331	271	9.2	8.3
JM Property Development	73	60	10	27		
JM Construction	2,716	2,751	–156	11	–5.7	0.4
Elimination	–450	–525				
Group-wide expenses			–39	–47		
<b>Total (segment reporting)</b>	<b>16,161</b>	<b>17,008</b>	<b>1,886</b>	<b>2,369</b>	<b>11.7</b>	<b>13.9</b>
Restatement JM International	–481	267	–10	87		
<b>Total (IFRS)</b>	<b>15,680</b>	<b>17,275</b>	<b>1,876</b>	<b>2,456</b>	<b>12.0</b>	<b>14.2</b>



**RESIDENTIAL UNITS IN CURRENT PRODUCTION**

	12/31/2018	12/31/2017
Number of residential units in current production <sup>1) 2)</sup>	7,835	8,200
Percentage of sold residential units in current production, % <sup>3)</sup>	51	58
Reserved residential units in current production, %	6	7
Sold/reserved residential units in current production, %	57	65
1) 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	593	553
Including residential units in projects where costs incurred are only reported as project properties under construction	593	553

<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**

	12/31/2018	12/31/2017
Completed production, number of unsold units <sup>1)</sup>	140	72
The number of unsold residential units in the balance sheet reported as "Participations in tenant-owners associations, etc".	125	82

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

**Financial income and expenses**

Net financial items are slightly lower than the previous year, excluding the sale in 2017 of participations in Småa AB, primarily due to a higher interest-bearing debt.

SEK m	12/31/2018	12/31/2017
Financial income <sup>1)</sup>	10	279
Financial expenses	-79	-69
<b>Financial income and expenses</b>	<b>-69</b>	<b>210</b>
1) Of which gains from the sale of participations in Småa AB	-	275

**Profit/loss before tax**

Profit before tax according to segment reporting decreased to SEK 1,817m (2,579). Operating profit restated according to IFRS decreased to SEK 1,807m (2,666).

**Tax and profit for the year**

Profit for the year according to segment reporting decreased to SEK 1,438m (2,194). Profit for the year restated according to IFRS decreased to SEK 1,423m (2,259). Total tax expense was SEK -379m (-385) and according to IFRS SEK -384m (-407), including current tax of SEK -415m and deferred tax of SEK 31m according to IFRS. Revaluation of deferred tax attributable to non-taxable revenue had a positive impact on the tax expense.

The low tax expense for 2017 is attributable to the utilized loss deductions for the closed Danish operations and the non-taxable sale of the participations in Småa AB.

A charge of SEK 27m (38) 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 at the end of the year amounted to 35,900 (34,800), of which 20,700 (18,700) are recognized in the balance sheet. Capital tied up in building rights (development properties in the balance sheet) for residential units amounts to SEK 8,267m (7,501).

**TOTAL NUMBER OF RESIDENTIAL BUILDING RIGHTS**

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

	2018		2017	
JM Residential Stockholm	13,400	(8,600)	13,400	(7,800)
JM Residential Sweden	10,500	(6,800)	10,100	(6,100)
JM International	11,200	(5,100)	10,500	(4,600)
JM Property Development	800	(200)	800	(200)
<b>Total</b>	<b>35,900</b>	<b>(20,700)</b>	<b>34,800</b>	<b>(18,700)</b>

The valuation of JM's total development properties with a carrying amount of SEK 8.3bn (7.5) shows a surplus value of SEK 7.0bn (7.2). This valuation was carried out in cooperation with an independent appraisal company. This large surplus value confirms JM's geographic acquisition strategy.

During 2018, JM purchased residential development properties for SEK 2,402m (2,017), of which SEK 1,395m relates to JM Residential Stockholm, SEK 327m to JM Residential Sweden and SEK 680m to JM International. Net investments in development properties during the year totaled SEK 528m (376). The building rights portfolio thereafter amounts to SEK 8,306m (7,543). These holdings are essential for JM's residential development projects.

**DEVELOPMENT PROPERTIES (HOUSING)**

SEK bn	12/31/2018		12/31/2017	
	Market value	Carrying amount	Market value	Carrying amount
JM Residential Stockholm	10.2	5.0	9.9	4.4
JM Residential Sweden	2.4	1.4	2.5	1.5
JM International	2.7	1.9	2.3	1.6
<b>Total</b>	<b>15.3</b>	<b>8.3</b>	<b>14.7</b>	<b>7.5</b>

**Project properties**

Rental income from JM's project properties was SEK 66m (41). Net rental income was SEK 42m (25). Investments in project properties during the year totaled SEK 524m (490). Properties were sold for SEK 2m (6) with a loss of SEK -1m (0). The externally appraised market value of JM's project properties was estimated to be SEK 2,002m (1,343) with a carrying amount of SEK 1,635m (1,074).

PROJECT PROPERTIES 12/31/2018	Market value, SEK m	Carrying amount, SEK m	Area (000) m <sup>2</sup>	Occupancy rate annual rent, %
Properties under development	1,069	816	24	92
Completed rental unit properties	914	808	22	100
Completed commercial properties	19	11	1	89
<b>Total</b>	<b>2,002</b>	<b>1,635</b>	<b>47</b>	<b>98</b>

**Financial items****Interest-bearing liabilities and average interest rates**

As at December 31, 2018, interest-bearing net liabilities according to segment reporting totaled SEK 546m (-790). Non-interest-bearing liabilities for completed property acquisitions amounted to SEK 1,020m (722). Of these liabilities, SEK 324m (449) were current. According to IFRS, interest-bearing net liability amounted to SEK 4,820m (3,209) after the addition of project financing within JM International of SEK 1,884m (1,396) and part

of the project financing within JM Residential Stockholm and JM Residential Sweden of SEK 2,390m (2,603). Total interest-bearing loans according to segment reporting on December 31, 2018, amounted to SEK 2,228m (1,786), of which the provision for pensions comprised SEK 1,388m (1,251). According to IFRS, total interest-bearing liabilities amounted to SEK 6,502m (5,785). A revaluation of the pension liability as a result of changed assumptions regarding the discount rate and inflation increased the liability by SEK 85m (–43). 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 2.5 percent (2.4). The average term for fixed-rate loans excluding the pension liability was 0.2 years (0.2). Since the volume of long-term borrowing is relatively limited, the Group works mainly with short term credit facilities.

### Cash flow

Cash flow during the year from operating activities according to segment reporting was SEK –473m (2,013). Net investments in development properties resulted in a cash flow of SEK –528m (–376). Holdings of repurchased residential units resulted in a cash flow of SEK –396m (–80). Consolidated cash flow from project properties (sales minus investment) during the year was SEK –522m (–484).

Cash flow from operating activities according to IFRS was SEK –3,615m (–3). The difference in comparison to segment reporting is due to reclassified project financing within JM International, JM Residential Stockholm and JM Residential Sweden. Also see comments to the cash flow statement on page 78.

### Liquidity

Consolidated available liquidity was SEK 4,482m (5,372). Aside from cash and cash equivalents of SEK 1,682m (2,572), 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 4.0 years (2.6).

### Equity

As at December 31, 2018, consolidated equity according to segment reporting amounted to SEK 6,798m (6,178) and adjusted according to IFRS to SEK 6,644m (6,043). Undistributed earnings according to IFRS amounted to SEK 5,760m (5,191). In 2018 the dividend to shareholders was SEK 11.00 per share (9.50), for a total of SEK 765m (675). The equity ratio according to segment reporting was 41 percent (40). The equity ratio according to IFRS was 32 percent (32).

### Risks and risk management

A description of significant risks and uncertainty factors that JM faces is presented on page 75.

### Human Resources

The number of employees increased during 2018 by 4 percent and amounted to 2,630 (2,531) at the end of the year. Current staffing is considered well-balanced for the current project volume, and adjustments are made on a regular basis. Demand on the labor market is strong for qualified project development

skills. There were 1,029 (998) wage-earners and 1,601 (1,533) salaried employees. The average number of employees during the year was 2,562 (2,538), including 492 (448) employed in JM's foreign subsidiaries. Wages, salaries, and social security expenses totaled SEK 2,212m (2,119), of which social security expenses comprised SEK 730m (718).

### Environmental program

How JM treats the environment today will leave its mark long into the future. Environment initiatives require a businesslike approach both in the short term and in the 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 127.

### Corporate Governance Report

The Corporate Governance Report is on pages 113–121.

### Work of the Board in 2018

The 2018 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 four meetings, the Compensation Committee five meetings and the Investment Committee six meetings. The most important issues for the Board during 2018 were decisions to start production on large housing projects, major acquisitions of development properties, the strategic plan, proposed decisions regarding the elimination of treasury 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 pages 116–117. The performance of the Board of Directors is evaluated every fall. The results of the evaluation were presented to and discussed by the Board and the Nomination Committee. A description of the committees and members is presented in the Corporate Governance Report on pages 115–118.

### Dividend

Unrestricted equity in the Parent Company amounts to SEK 3,420m. For 2018 the Board of Directors proposes a dividend of SEK 12.00 (11.00) per share, for a total of SEK 835m (765). Remaining unrestricted equity of SEK 2,585m is proposed for carry-forward. The proposed record date for the dividend is Monday, April 1, 2019. If the Annual General Meeting resolves to adopt the proposal, the dividend will be sent on Thursday, April 4, 2019.

### Outstanding shares

At the end of August 2018, the Annual General Meeting resolution to reduce the share capital by SEK 1,476,421 for 1,476,421 shares that the company held was taken into effect. The Company thereafter holds no treasury shares.

The number of outstanding shares on December 31, 2018, amounts to 69,583,262. One shareholder, OBOS BBL, has a shareholding in the Company representing at least one-tenth of the voting rights for all shares in the Company. OBOS holds 20.6 percent of the Company's shares on February 12, 2019.

### Share capital

JM's share capital on December 31, 2018, amounted to SEK 70m (71) represented by 69,583,262 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 that 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 2018 Annual General Meeting. The new agreements entered into with senior executives following the 2018 Annual General Meeting have followed the current guidelines.

### Proposal for 2019 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 2018 were SEK 10,397m (11,602). The Parent Company's profit before appropriations and tax was SEK 1,701m (2,349). Investments in properties totaled SEK 1,449m (851). The average number of employees was 1,675 (1,667), including 1,290 men (1,300) and 385 women (367). Wages, salaries, and social security expenses totaled SEK 1,442m (1,369). An account of the number of employees and payroll expenses is provided in the Parent Company's notes, Note 2 on page 104.

### Accounting for housing development in Sweden

In 2018, Nasdaq Stockholm AB (the Stock Exchange) sent questions to JM and a number of other housing developers regarding the implementation of *IFRS 15 Revenue from Contracts with Customers* and the basis for the assessment of whether tenant-owners associations are independent. JM answered the Stock Exchange's questions. On December 10, JM received the Stock Exchange's final decision in the form of a letter and an appended memorandum. With regard to the matter of whether or not tenant-owners associations are independent, and thus whether they must be consolidated, the memorandum states that the Stock Exchange, when taking into consideration all relevant facts and circumstances, finds that it is possible for different companies to reach different conclusions. It also states that there are differences between the companies' operational, business and contractual structures, which may be considered to have an impact on this matter. In its letter, the Stock Exchange states that JM does not consolidate the tenant-owners associations, that there is not enough transparency surrounding the grounds on which JM has made this assessment and that there thus is no clear account of the facts and circumstances that led to JM's conclusion. The Stock Exchange has therefore criticized JM, which is why we are providing expanded and clearer disclosure regarding the grounds for JM's assessment and conclusion in Note 1 on pages 82–83. The Stock Exchange must also inform Finansinspektionen (FI) about such matters, and on January 9, 2019, FI informed JM that it will investigate the matter.

# 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 2018
<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.	GDP growth but cautious housing market in Stockholm during the year. Gradual stabilization. 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 purchased 125 (unsold) units with a carrying amount of SEK 567m 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 buildings use significantly less energy than what is required by the government authorities. In 2019, we will be investigating the possibilities to begin working with climate-related business risks using the Taskforce for Climate-related Financial Disclosures.
<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.	220 conducted sustainability assessments of suppliers. 4 were selected to participate in an in-depth survey about their sustainability work. Sustainability audits of 4 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.

## CONSOLIDATED INCOME STATEMENT – IFRS

SEK m	NOTE	2018	2017
Revenue	1, 2	15,680	17,275
Production and operating costs	3, 4	–12,776	–13,828
<b>Gross profit</b>		<b>2,904</b>	<b>3,447</b>
Selling and administrative expenses	3, 4, 5	–1,041	–1,005
Gains/losses on the sale of property	6	13	14
<b>Operating profit</b>		<b>1,876</b>	<b>2,456</b>
Financial income	7	10	279
Financial expenses	7	–79	–69
<b>Profit before tax</b>		<b>1,807</b>	<b>2,666</b>
Taxes	8	–384	–407
<b>Net profit for the year</b>		<b>1,423</b>	<b>2,259</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified as income</i>			
Translation differences from the translation of foreign operations		30	–44
<i>Items that will not be reclassified as income</i>			
Restatement of defined-benefit pensions		–105	53
Tax attributable to other comprehensive income		15	–12
<b>Total comprehensive income for the year</b>		<b>1,363</b>	<b>2,256</b>
Net profit for the year attributable to shareholders of the Parent Company		1,423	2,259
Comprehensive income for the year attributable to shareholders of the Parent Company		1,363	2,256
Earnings per share, basic, attributable to shareholders of the Parent Company, SEK	9	20.50	32.00
Earnings per share, diluted, attributable to shareholders of the Parent Company, SEK	9	20.40	31.90
Proposed dividend per share, SEK	9	12.00	11.00



## CONSOLIDATED BALANCE SHEET – IFRS

SEK m	NOTE	12/31/2018	12/31/2017 <sup>1)</sup>	01/01/2017 <sup>1)</sup>
<b>ASSETS</b>	2			
<b>Non-current assets</b>				
Goodwill	10	180	176	185
Machinery and equipment	11	19	15	12
Participations in joint operations and associated companies	12, 13	1	1	15
Financial assets	14, 21	14	17	18
<b>Total non-current assets</b>		<b>214</b>	<b>209</b>	<b>230</b>
<b>Current assets</b>				
Project properties	15	1,635	1,074	602
Development properties	15	8,306	7,543	7,121
Participations in tenant-owners associations, etc.	16	567	309	233
Work in progress	17	2,958	2,291	2,073
Accounts receivable	23	1,090	1,124	999
Other current receivables	18	814	471	320
Prepaid expenses and accrued income		42	40	19
Recognized revenue less progress billings	19	3,340	3,478	2,984
Cash and cash equivalents	20, 21	1,682	2,572	1,520
<b>Total current assets</b>		<b>20,434</b>	<b>18,902</b>	<b>15,871</b>
<b>TOTAL ASSETS</b>		<b>20,648</b>	<b>19,111</b>	<b>16,101</b>
<b>EQUITY AND LIABILITIES</b>	2			
<b>Equity attributable to shareholders of the Parent Company</b>				
Share capital		70	71	73
Other capital contributions		895	892	881
Reserves		-81	-111	-67
Undistributed earnings (including net profit for the year)		5,760	5,191	4,064
<b>Total shareholders' equity</b>		<b>6,644</b>	<b>6,043</b>	<b>4,951</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current interest-bearing liabilities	21, 22, 23	146	203	517
Other non-current receivables	22, 23	696	273	168
Provisions for pensions and similar obligations	21, 24	1,388	1,251	1,239
Other non-current provisions	25	935	689	320
Deferred tax liabilities	26	681	679	677
<b>Total non-current liabilities</b>		<b>3,846</b>	<b>3,095</b>	<b>2,921</b>
<b>Current liabilities</b>				
Accounts payable	22, 23	902	842	668
Current interest-bearing liabilities	21, 22, 23	4,968	4,331	4,080
Other current liabilities	22, 23	1,325	1,328	541
Current tax liabilities		146	277	114
Progress billings in excess of recognized revenue	27	1,380	1,560	1,442
Accrued expenses and deferred income	28	1,315	1,526	1,283
Current provisions	25	122	109	101
<b>Total current liabilities</b>		<b>10,158</b>	<b>9,973</b>	<b>8,229</b>
<b>Total liabilities</b>		<b>14,004</b>	<b>13,068</b>	<b>11,150</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,648</b>	<b>19,111</b>	<b>16,101</b>

<sup>1)</sup> Comparative figures have been restated due to reclassification of part of the project financing in JM Residential Stockholm and JM Residential Sweden. The effects are presented in the restatement table below.

Reclassification of project financing within JM's residential development in Sweden <sup>2)</sup>	12/31/2017	Reclassified	Restated 12/31/2017	01/01/2017	Reclassified	Restated 01/01/2017
Recognized revenue less progress billings	1,314	2,164	3,478	1,215	1,769	2,984
Current interest-bearing liabilities	1,728	2,603	4,331	2,055	2,025	4,080
Progress billings in excess of recognized revenue	1,999	-439	1,560	1,698	-256	1,442

<sup>2)</sup> See note 1 Accounting and valuation principles, section Changed accounting principles and methods of calculation.

## CONSOLIDATED CASH FLOW STATEMENT – IFRS

SEK m	NOTE	2018	2017
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,876	2,456
Depreciation and amortization		8	7
Other non-cash items <sup>1)</sup>		-1,533	-729
<b>Sub-total, cash flow from operating activities</b>		<b>351</b>	<b>1,734</b>
Interest received		9	2
Interest paid and other financial expenses		-43	-37
Paid tax		-697	-361
<b>Cash flow from operating activities before change in working capital</b>		<b>-380</b>	<b>1,338</b>
Investment in development properties, etc.		-3,728	-2,494
Payment on account for development properties, etc. <sup>1)</sup>		1,685	859
Increase/decrease in accounts receivable		331	132
Increase/decrease in other current receivables, etc.		-583	-480
Increase/decrease in accounts payable		52	184
Increase/decrease in other current operating liabilities		-470	942
<b>Cash flow before investments and sales of project properties</b>		<b>-3,093</b>	<b>481</b>
Investment in project properties, etc.		-524	-490
Sale of project properties, etc.		2	6
<b>Cash flow from operating activities <sup>1)</sup></b>		<b>-3,615</b>	<b>-3</b>
<b>INVESTING ACTIVITIES</b>			
Investment in property, plant, and equipment		-11	-11
Property, plant, and equipment sold		-	0
Change in financial assets <sup>2)</sup>		3	311
<b>Cash flow from investing activities</b>		<b>-8</b>	<b>300</b>
<b>FINANCING ACTIVITIES</b>	21		
Loans raised		623	214
Amortization of debt		-270	-298
Loans raised, project financing <sup>1)</sup>		4,398	3,454
Amortization of debt, project financing <sup>1)</sup>		-1,256	-1,438
Buy-back of shares		-	-500
Dividend		-765	-675
<b>Cash flow from financing activities</b>		<b>2,730</b>	<b>757</b>
<b>Cash flow for the year</b>		<b>-893</b>	<b>1,054</b>
<b>Cash and cash equivalents, at beginning of the year</b>		<b>2,572</b>	<b>1,520</b>
Exchange rate difference in cash and cash equivalents		3	-2
<b>Cash and cash equivalents, at end of the year</b>		<b>1,682</b>	<b>2,572</b>
<b>INTEREST-BEARING NET LIABILITIES/RECEIVABLES</b>	21		
Interest-bearing liabilities and provisions		6,502	5,785
Cash and cash equivalents		-1,682	-2,576
<b>Interest-bearing net liabilities (+)/receivables (-), at end of the year</b>		<b>4,820</b>	<b>3,209</b>

<sup>1)</sup> JM sometimes recognizes initial project financing for Swedish residential projects where the financing is later taken over by the customer. The take-over occurs without any incoming or outgoing payments, and when the debt is settled there is no impact on the cash flow statement; there is neither a negative item (amortization) in the financing activities nor a positive item in the operating activities.

<sup>2)</sup> Of which SEK 310m refers to the sale of the participations in Småa AB during 2017.

OTHER NON-CASH ITEMS		NOTE	2018	2017
Gains/losses on the sale of property	6		-13	-14
Changes in pension liability			137	12
Project financing within JM Residential Stockholm and JM Residential Sweden <sup>1)</sup>			-1,848	-1,483
Other provisions, etc.			191	756
<b>Total</b>			<b>-1,533</b>	<b>-729</b>
<b>INVESTMENT IN DEVELOPMENT PROPERTIES, ETC.</b>			<b>2018</b>	<b>2017</b>
Investment in development properties	15		-2,417	-2,017
Acquisition of participations in tenant-owners associations	16		-1,682	-619
Change in promissory notes			371	142
<b>Total</b>			<b>-3,728</b>	<b>-2,494</b>
<b>PAYMENT ON ACCOUNT FOR DEVELOPMENT PROPERTIES, ETC.</b>			<b>2018</b>	<b>2017</b>
Payment on account for development properties	15		398	355
Sale of development properties	6		114	18
Change in receivables, development properties sold, etc.			-253	-57
Sale of participations in tenant-owners associations	16		1,426	543
<b>Total</b>			<b>1,685</b>	<b>859</b>
<b>INVESTMENT IN PROJECT PROPERTIES, ETC.</b>			<b>2018</b>	<b>2017</b>
Investment in project properties	15		-524	-490
<b>Total</b>			<b>-524</b>	<b>-490</b>
<b>SALE OF PROJECT PROPERTIES, ETC.</b>			<b>2018</b>	<b>2017</b>
Sale of project properties	6		2	6
<b>Total</b>			<b>2</b>	<b>6</b>

<sup>1)</sup> JM sometimes recognizes initial project financing for Swedish residential projects where the financing is later taken over by the customer. The take-over occurs without any incoming or outgoing payments, and when the debt is settled there is no impact on the cash flow statement; there is neither a negative item (amortization) in the financing activities nor a positive item in the operating activities.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – IFRS

SEK m	Attributable to shareholders of the Parent Company				
	Share capital	Other capital contributions	Translation reserves	Undistributed earnings	Total shareholders' equity
<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>
<b>Opening balance, January 1, 2018</b>	<b>71</b>	<b>892</b>	<b>-111</b>	<b>5,191</b>	<b>6,043</b>
Total comprehensive income for the year	–	–	30	1,333	1,363
Dividend to equity holders of the Parent Company	–	–	–	-765	-765
Conversion of convertible loan	–	3	–	–	3
Elimination of repurchased shares	-1	–	–	1	–
<b>Closing balance, December 31, 2018</b>	<b>70</b>	<b>895</b>	<b>-81</b>	<b>5,760</b>	<b>6,644</b>

The change for the year amounts to SEK 30m (–44), and the accumulated translation difference in closing equity was SEK –81m (–111).  
The Swedish krona weakened against the Norwegian krona and the Euro during the year.

The dividend to shareholders of the Parent Company totaled SEK 765m (675), corresponding to SEK 11,00 (9,50) per share.

# Notes to financial statements

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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 12, 2019, and will be presented for adoption at the 2019 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. In addition, 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 the Group's accounting principles 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.

### Changes in accounting principles and methods of calculation

As of 2018, JM applies IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments as described below. 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 initial project financing recognized by JM Residential Stockholm and JM Residential Sweden. It was previously recognized as recognized revenue under the balance sheet items "Recognized revenue less progress billings" and "Progress billings in excess of recognized revenue", but as of Q4 2018 it is recognized as an interest-bearing liability. Comparative figures have been restated.

### JM applies the following new standards as of 2018.

#### IFRS 15 Revenue from Contracts with Customers

IFRS 15 refers to the recognition of revenue from contracts with customers and the sale of some non-financial assets. It replaces the previous standard IAS 11 Construction Contracts and IAS 18 Revenue.

JM makes the assessment that the revenue recognition from the project development of residential units in Sweden should 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. according to 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 before, revenue must be reported at a single point in time, i.e. completion.

In JM Construction assessment is made that revenue should continue to be reported using the percentage of completion method since the construction is carried out on land controlled by the customer.

As a whole, IFRS 15 does not change JM's revenue recognition.

### IFRS 9 Financial Instruments

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

### New standards entering into effect as of 2019

#### 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 will, in all material aspects, remain the same. The standard must be applied as of January 1, 2019, and JM will use the simplified transition approach, which means that identified leases will not be restated retroactively. This means that comparative figures for periods prior to 2019 will not be affected. For JM, the new standard at the start of 2019 is judged on a preliminary basis to result in one right-of-use asset and one lease liability in the balance sheet of around SEK 600m each. These assets consist primarily of rental of properties in which JM conducts its operations, the rental of vehicles used in operations and rental of land. The effect on JM's income statement in 2019 is preliminary judged to result in an improvement in the operating profit of SEK 18m and a reduction in net financial items by a corresponding amount. IFRS 16 will not be applied in the segment reporting.

#### Other changes to IFRS

Other changes to IFRS which will be applied in 2019 are expected to have no or very little impact on JM's financial reporting.

### Important estimates and assessments

The preparation of financial statements requires JM to make assessments, estimates and assumptions which affect the reported amounts of assets and liabilities, the reported amounts of revenue and expenses and other information disclosed. These estimates and assessment reflect what JM considers to be reasonable and legitimate at the time the annual report is presented. Other assessments, assumptions or estimates could lead to other results, and assessments made at a later point in time and/or the actual outcome may differ significantly from the assessments made now, i.e. given events that occurred later or modified global factors. JM must also make assessments regarding the application of the Group's accounting principles.

### IMPORTANT ASSESSMENTS WHEN APPLYING ACCOUNTING PRINCIPLES

In Sweden, JM enters into agreements with tenant-owners associations to construct turn-key residential properties. JM does not consider itself to have control of these tenant-owners associations in accordance with IFRS 10 Consolidated Financial Statements, and they are therefore not consolidated. The associations are thus viewed as customers of JM.

The activities of a tenant-owners association can be divided into two different phases. The first, the production phase, consists of the phase during which the association is formed and purchases the property in which individual buyers acquire residential units made available as tenant-owned apartments. When the property is completed, the activity transitions into a management phase. During the production phase, relevant activities include signing an agreement with a firm for the production and provision of a turn-key residential property.

The tenant-owners associations are formed by JM-independent professionals within the property and tenant-owned apartment sector, and according to the association's statutes the majority of the board members must be appointed by a JM-independent party during the entire production phase. JM has no right to appoint the associations' boards of directors, and JM never has any representation on these boards.

The boards of the tenant-owners associations evaluate JM's offer and make the decision that is relevant and important for the activities of the production phase to enter into an agreement with JM for the production and provision of a turn-key residential property. The associations also enter into agreements with independent real estate agents, who sell the association's tenant-owned units.

Through the agreement, JM and the tenant-owners associations agree on what will be delivered by JM and when. In other words, JM is hired to deliver a turn-key residential property in exchange for compensation at market rates and cannot influence the relevant activities in the tenant-owners associations during the production phase.

JM also considered other contract terms that could be of significance for the assessment. For example, during the production phase, JM provides surety for the portion of the tenant-owners associations' building loans that exceed the value of the mortgage deed in the property the association pledges as collateral, and JM is obligated to acquire units that are not sold as tenant-owned apartments from the associations after a certain period of time following the final inspection, thus

bearing the non-impactable risk that prices may fall (see Note 29). JM also undertakes according to the agreement, in exchange for compensation at market rates, economic management as well as other management during the production phase and compensate the associations for their day-to-day costs. The surety commitment is a temporary, partial credit enhancement that largely is pledged to reduce the cost of issuing the mortgage deed, which is advantageous for both parties. The commitments to acquire unsold apartments occur in several other industries, and the same applies to agreements where transaction prices vary depending on the market price on any given day. JM considers this commitment to have an impact on the assessment of revenue recognition and not the assessment of whether there is any control<sup>1)</sup>. The described additional services have been agreed purely for administrative reasons and are judged to be unimportant for the order placed with JM by the association for the total undertaking of providing a turn-key residential property.

Given an overall assessment of all the facts and circumstances, JM does not consider the above conditions, which are reported in accordance with IFRS<sup>1)</sup>, to change JM's conclusion. JM cannot direct the relevant activities of the tenant-owners associations during the production phase, but rather is hired to deliver a turn-key residential property in exchange for compensation at market rates. JM therefore does not consider itself to have power over the associations in accordance with IFRS 10, and thus JM does not have control over the associations.

If JM instead had assessed that it has control, the tenant-owners associations would have been consolidated. JM's customers would then constitute individual buyers of tenant-owned apartments, which means that the revenue would not be reported over time (gradually) but rather at the point in time the buyers of the tenant-owned apartments take occupancy. Based on what JM considers to be reasonable assumptions, under such a scenario it is estimated that JM's revenue and profit/loss for 2018 would have amounted to approximately SEK 14.7bn (SEK -1.1bn compared to reported revenue) and approximately SEK 2.0bn (SEK +0.2bn compared to reported profit/loss), respectively, and equity on December 31, 2018, would have amounted to approximately SEK 5.9bn (SEK -0.7bn compared to reported equity).

JM has no contractual or legal basis for taking part of the financial statements for the tenant-owners association with which JM has an ongoing construction agreement. However, JM has compiled data about these associations' utilized construction loans, which as at December 31, 2018 amount to approximately SEK 6.5bn.

<sup>1)</sup> The commitment to acquire unsold apartments is considered when determining the transaction price within the framework of IFRS 15's rules regarding variable consideration. JM discloses the surety commitment in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, while, according to the same standard, the reporting of the income statement and balance sheet is first relevant in a situation where it is judged to be probable that the commitment will be met.

## Important sources of uncertainty in estimates

**REVENUE RECOGNITION OVER TIME (PERCENTAGE OF COMPLETION METHOD) IN CURRENT RESIDENTIAL AND CONTRACTING PROJECTS**  
JM applies the percentage of completion method, where 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 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 assessments made earlier. 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 actuarial assumptions such as the discount rate, inflation, mortality, future wage increases and staff turnover. The assumed discount 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 both of project development of residential units as well as 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 pro-

portion 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 damages. Actual outcome may deviate from the provisions based on estimates made. See Note 25 for more information.

## DISPUTES, ETC.

Within the framework of its ongoing business, JM is occasionally 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 today. 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 assets 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 of 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 profit/loss for the period.

## Associated companies

Holdings in associated companies are reported using the equity method and include companies in which the Group has a significant influence, which normally is assumed to be the case when the holding amounts to at least 20 percent but not exceeding 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 according to 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 each company. Balance sheets and income statements are translated into the Group's reporting currency (SEK) using 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 within 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 applied on the balance sheet date. Exchange rate differences are reported in profit/loss for the period.

## Segment reporting

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

In addition, recognized project financing within JM International, JM Residential Stockholm and JM Residential Sweden is recorded as a deduction item 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 control, and 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.

## Revenue recognition

### REVENUE AND PROFIT/LOSS FROM RESIDENTIAL PROJECT DEVELOPMENT

JM's residential project development in Sweden is primarily conducted by JM entering a contract with a tenant-owners association as the orderer of a total commitment consisting of the transfer of land and the construction of a residential property. 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 JM's commitment to acquire from the association the residential units that were not sold as tenant-owned apartments within a certain period of time following the final inspection. This commitment introduces an element of variable remuneration which is based on experience data and considered when setting the transaction price. "Sales" refers to the number of residential units sold 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 of the projects cannot be made, revenue is recognized in level with 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.

In Norway and Finland there is no right 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 as "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 these have been approved by the orderer. If the outcome of a project cannot be reliably estimated, revenue is recognized in level with 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/COMMERCIAL PROPERTY DEVELOPMENT

Sales of project properties and development properties in existing conditions (normally only land) and that are thus not the object of project development are recognized in the income statement at the point in time when the customer receives control of the property.

During agreements for commercial property development, JM is invariably bound to deliver a specific property and thus never has an alternative use for the property. If JM is entitled to payment during the course of the project, the

revenue is recognized over time (gradually). If this is not the case, the revenue is recognized at a single point in time, i.e. at completion. Whether JM is entitled to payment is dependent on the terms of the agreement and/or applicable legislation, and an assessment is made on an agreement-by-agreement basis.

## 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 state income tax rate was 22.0 percent (22.0) in Sweden during the year, 23 percent (24) in Norway and 20 percent (20) in Finland. Current tax is based on reported profit/loss adjusted for permanent differences such as 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 for the years during which the items are expected to be realized. The effects of changes in applicable tax rates are taken against income in the period the change becomes law. Deferred tax assets attributable to loss carry-forwards 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 within 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 constitute current assets from an accounting perspective 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 included 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 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, actual average borrowing cost is used. In other cases, 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 executing a sale.

Potential impairment of 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. Projects (development properties) having a discounted present value lower than their carrying value, are subject to 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 linearly, by the lessee, 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 primarily 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/loss 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 according to definition 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

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 to offset and there is a right and intention to settle on a net basis.

### CLASSIFICATION

JM's financial assets are usually classified in 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 in 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 of 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 likely 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 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. The 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 when 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, for example, to payment received for the part of the cost of a residential project that constitutes development property (land).

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 in Norway and Finland.
- 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 and Oslo areas.

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.

Financial expenses, financial income and income tax 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. Comparative figures have been restated.

### CONSOLIDATED INCOME STATEMENT BY BUSINESS SEGMENT

Group 2018	JM Residential Stockholm	JM Residential Sweden	JM International	JM Property Development	JM Construction	Eliminations	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	5,786	4,456	3,580	73	2,266	–	–	–	16,161	–481	15,680
Revenue – internal	–	–	–	–	450	–450	–	–	–	–	–
<b>Total revenue</b>	<b>5,786</b>	<b>4,456</b>	<b>3,580</b>	<b>73</b>	<b>2,716</b>	<b>–450</b>	<b>–</b>	<b>–</b>	<b>16,161</b>	<b>–481</b>	<b>15,680</b>
Production and operating costs <sup>1)</sup>	–4,384	–3,456	–3,073	–35	–2,749	450	–	–	–13,247	471	–12,776
<b>Gross profit</b>	<b>1,402</b>	<b>1,000</b>	<b>507</b>	<b>38</b>	<b>–33</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,914</b>	<b>–10</b>	<b>2,904</b>
Selling and administrative expenses <sup>1)</sup>	–413	–250	–188	–28	–123	–	–39	–	–1,041	–	–1,041
Gains/losses on the sale of property	–	1	12	–	–	–	–	–	13	–	13
<b>Operating profit</b>	<b>989</b>	<b>751</b>	<b>331</b>	<b>10</b>	<b>–156</b>	<b>–</b>	<b>–39</b>	<b>–</b>	<b>1,886</b>	<b>–10</b>	<b>1,876</b>
Financial income and expenses	–	–	–	–	–	–	–	–69	–69	–	–69
<b>Profit/loss before tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–69</b>	<b>1,817</b>	<b>–10</b>	<b>1,807</b>
Taxes	–	–	–	–	–	–	–	–379	–379	–5	–384
<b>Profit for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–448</b>	<b>1,438</b>	<b>–15</b>	<b>1,423</b>
Operating margin, %	17.1	16.9	9.2	–	–5.7	–	–	–	11.7	–	–
<sup>1)</sup> Of which depreciation of machinery and equipment	–	0	–4	–	–1	–	–3	–	–8	–	–8

#### Group 2017

Revenue – external	7,151	4,309	3,262	60	2,226	–	–	–	17,008	267	17,275
Revenue – internal	–	–	–	–	525	–525	–	–	–	–	–
<b>Total revenue</b>	<b>7,151</b>	<b>4,309</b>	<b>3,262</b>	<b>60</b>	<b>2,751</b>	<b>–525</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	–2,811	–23	–2,624	525	–	–	–13,648	–180	–13,828
<b>Gross profit</b>	<b>1,825</b>	<b>920</b>	<b>451</b>	<b>37</b>	<b>127</b>	<b>–</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	–180	–18	–116	–	–47	–	–1,005	–	–1,005
Gains/losses on the sale of property	6	–	0	8	–	–	–	–	14	–	14
<b>Operating profit</b>	<b>1,438</b>	<b>669</b>	<b>271</b>	<b>27</b>	<b>11</b>	<b>–</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/loss before tax</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</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>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–175</b>	<b>2,194</b>	<b>65</b>	<b>2,259</b>
Operating margin, %	20.1	15.5	8.3	–	0.4	–	–	–	13.9	–	–
<sup>1)</sup> Of which depreciation of machinery and equipment	–	0	–4	–	–1	–	–2	–	–7	–	–7

<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 the completed contract method (IFRS) in relation to segment reporting.

#### REVENUE

	JM Residential Stockholm	JM Residential Sweden	JM International	JM Property Development	JM Construction	Eliminations	Total Group
<b>Revenue 2018</b>							
Revenue according to IFRS	5,786	4,456	3,099	73	2,716	–450	<b>15,680</b>
Revenue (segment reporting)	5,786	4,456	3,580	73	2,716	–450	<b>16,161</b>
<b>Revenue 2017</b>							
Revenue according to IFRS	7,151	4,309	3,529	60	2,751	–525	<b>17,275</b>
Revenue (segment reporting)	7,151	4,309	3,262	60	2,751	–525	<b>17,008</b>
<b>Point in time for revenue recognition (IFRS)</b>							
Over time	•	•	•	•	•	•	
At a specific point in time			•	•			

Revenue in JM Residential Stockholm, JM Residential Sweden and JM Construction are reported over time (gradually), which is reflected when the customer payments are made. They normally occur in the form of advance payment during the term of the agreement. JM International's revenue is reported at a specific point in time (at completion), which normally also coincides with the point in time for the primary payment from the customer.

On December 31, 2018, JM had entered into customer agreements where the performance commitment of approximately SEK 20bn had not yet been met. JM expects these performance commitments to be materially met, and revenue is thus recognized primarily in 2019 and 2020 with a smaller portion in 2021.



CONSOLIDATED OPERATING CASH FLOW BY BUSINESS SEGMENT	JM Residential Stockholm	JM Resi- dential Sweden	JM Interna- tional	JM Property Develop- ment	JM Con- struc- tion	Elimina- tions	Group- wide items	Unallocated items, Group	Total according to segment reporting	Reclassifi- cation project financing <sup>1)</sup>	Total, Group, according to IFRS
<b>Group 2018</b>											
From operating activities	334	722	-41	-557	-184	7	-731	-23	-473	-3,142	-3,615
From investing activities	-	-	-	-	-	-	-	-8	-8	-	-8
From financing activities	-	-	-	-	-	-	-412	-	-412	3,142	2,730
<b>Total cash flow for the year</b>	<b>334</b>	<b>722</b>	<b>-41</b>	<b>-557</b>	<b>-184</b>	<b>7</b>	<b>-1,143</b>	<b>-31</b>	<b>-893</b>	<b>0</b>	<b>-893</b>
Cash and cash equivalents, December 31									1,682		1,682
<b>Group 2017</b>											
From operating activities	1,603	616	119	-416	86	-53	-396	454	2,013	-2,016	-3
From investing activities	-	-	-	-	-	-	-	300	300	-	300
From financing activities	-	-	-	-	-	-	-1,259	-	-1,259	2,016	757
<b>Total cash flow for the year</b>	<b>1,603</b>	<b>616</b>	<b>119</b>	<b>-416</b>	<b>86</b>	<b>-53</b>	<b>-1,655</b>	<b>754</b>	<b>1,054</b>	<b>0</b>	<b>1,054</b>
Cash and cash equivalents, December 31									2,572		2,572

## CONSOLIDATED BALANCE SHEET BY BUSINESS SEGMENT

Group 12/31/2018	JM Residential Stockholm	JM Residen- tial Sweden	JM Interna- tional	JM Property Develop- ment	JM Construc- tion	Unallocated items, Group <sup>2) 3)</sup>	Total according to segment reporting	Reclassifica- tion project financing <sup>1)</sup>	Restate- ment JM Interna- tional <sup>4)</sup>	Total, Group, according to IFRS
<b>ASSETS</b>										
<b>Non-current assets</b>	<b>-</b>	<b>-</b>	<b>180</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>214</b>	<b>-</b>	<b>-</b>	<b>214</b>
Project properties	-	-	4	1,631	-	-	1,635	-	-	1,635
Development properties	5,048	1,388	1,821	10	39	-	8,306	-	-	8,306
Participations in tenant- owners associations, etc.	449	92	26	-	-	-	567	-	-	567
Work in progress	-	-	-	-	-	-	-	2,340	618	2,958
Current receivables	1,001	751	1,062	2	856	411	4,083	2,003	-800	5,286
Cash and cash equivalents	-	-	-	-	-	1,682	1,682	-	-	1,682
<b>Total current assets</b>	<b>6,498</b>	<b>2,231</b>	<b>2,913</b>	<b>1,643</b>	<b>895</b>	<b>2,093</b>	<b>16,273</b>	<b>4,343</b>	<b>-182</b>	<b>20,434</b>
<b>TOTAL ASSETS</b>	<b>6,498</b>	<b>2,231</b>	<b>3,093</b>	<b>1,643</b>	<b>895</b>	<b>2,127</b>	<b>16,487</b>	<b>4,343</b>	<b>-182</b>	<b>20,648</b>
<b>EQUITY AND LIABILITIES</b>										
Equity	-	-	-	-	-	6,798	6,798	-	-154	6,644
Non-current liabilities	-	-	-	-	-	3,879	3,879	-	-33	3,846
Current liabilities	663	1,215	317	23	560	3,032	5,810	4,343	5	10,158
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>663</b>	<b>1,215</b>	<b>317</b>	<b>23</b>	<b>560</b>	<b>13,709</b>	<b>16,487</b>	<b>4,343</b>	<b>-182</b>	<b>20,648</b>
<b>Total operating capital by business segment</b>	<b>5,835</b>	<b>1,016</b>	<b>2,776</b>	<b>1,620</b>	<b>335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Investment in machinery and equipment	-	-	-	-	-	11	11	-	-	11
<b>Group 12/31/2017</b>										
<b>ASSETS</b>										
<b>Non-current assets</b>	<b>-</b>	<b>-</b>	<b>176</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>209</b>	<b>-</b>	<b>-</b>	<b>209</b>
Project properties	-	-	7	1,067	-	-	1,074	-	-	1,074
Development properties	4,406	1,540	1,545	10	42	-	7,543	-	-	7,543
Participations in tenant- owners associations, etc.	148	96	65	-	-	-	309	-	-	309
Work in progress	-	-	-	-	-	-	-	1,857	434	2,291
Current receivables	960	435	1,057	2	921	323	3,698	2,164	-749	5,113
Cash and cash equivalents	-	-	-	-	-	2,572	2,572	-	-	2,572
<b>Total current assets</b>	<b>5,514</b>	<b>2,071</b>	<b>2,674</b>	<b>1,079</b>	<b>963</b>	<b>2,895</b>	<b>15,196</b>	<b>4,021</b>	<b>-315</b>	<b>18,902</b>
<b>TOTAL ASSETS</b>	<b>5,514</b>	<b>2,071</b>	<b>2,850</b>	<b>1,079</b>	<b>963</b>	<b>2,928</b>	<b>15,405</b>	<b>4,021</b>	<b>-315</b>	<b>19,111</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	487	23	654	3,101	6,095	4,021	-143	9,973
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>780</b>	<b>1,050</b>	<b>487</b>	<b>23</b>	<b>654</b>	<b>12,411</b>	<b>15,405</b>	<b>4,021</b>	<b>-315</b>	<b>19,111</b>
<b>Total operating capital by business segment</b>	<b>4,734</b>	<b>1,021</b>	<b>2,363</b>	<b>1,056</b>	<b>309</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Investment in machinery and equipment	-	-	-	-	-	11	11	-	-	11

<sup>1)</sup> Reclassification of project financing within JM Residential Stockholm, JM Residential Sweden and JM International according to IFRS in relation to segment reporting.<sup>2)</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>3)</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>4)</sup> Effect of restatement of current projects according to the completed contract method (IFRS) in relation to segment reporting.

### note 3 Employees and personnel costs

Average number of employees, by country	2018	Of which men, %	2017	Of which men, %
Sweden	2,070	79	2,090	81
Norway	433	77	400	80
Finland	59	59	48	56
<b>Total</b>	<b>2,562</b>	<b>78</b>	<b>2,538</b>	<b>80</b>

	2018			2017		
Wages, salaries, other remuneration and social security expenses	Wages, salaries and remunerations	Social security expenses	Total	Wages, salaries and remunerations	Social security expenses	Total
<b>Group</b> (of which pension costs)	<b>1,482</b>	<b>730</b> (256)	<b>2,212</b>	<b>1,401</b>	<b>718</b> (259)	<b>2,119</b>

	2018			2017		
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	17	1,128	1,145	16	1,081	1,097
(of which variable remuneration)	(5)	(58)	(63)	(5)	(60)	(65)
Norway	3	294	297	3	265	268
(of which variable remuneration)	(1)	(21)	(22)	(1)	(20)	(21)
Finland	3	37	40	3	33	36
(of which variable remuneration)	(1)	(3)	(4)	(1)	(6)	(7)
<b>Total, Group</b> (of which variable remuneration)	<b>23</b> (7)	<b>1,459</b> (82)	<b>1,482</b> (89)	<b>22</b> (7)	<b>1,379</b> (86)	<b>1,401</b> (93)

#### Remuneration to the Board of Directors

JM's Board of Directors consists of seven members elected by the Annual General Meeting. SEK 870,000 (840,000) was paid to the Chair of the Board of Directors for Board and Committee fees. The other AGM-elected Board members were paid SEK 2,585,000 (2,345,000). 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 2018 financial year is built as follows: 60 percent on the financial result for the Group, 30 percent on earnings per share and 10 percent on JM's Customer Satisfaction Index (CSI). The short-term variable remuneration for the President for 2019 may amount to a maximum of SEK 2,650,000. The outcome of the short-term variable remuneration for the 2018 financial year is SEK 200,000 (2,442,000) to be paid during the spring of 2019.

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 remuneration for other members of Executive Management for 2019 may amount to a maximum of SEK 5.8m. The outcome of the short-term variable remuneration for other members of Executive Management for the 2018 financial year totals SEK 1.7m (5.0), to be paid during the spring of 2019.

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

The long-term variable salary program launched in 2015 amounted to a maximum of 42 percent of fixed salary and was based on the Group's financial performance in 2017. The outcome was 100 percent of the maximum possible amount, and payment was made in the spring of 2018 totaling SEK 2,243,000 for the President and SEK 4.1m for 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 in the spring of 2019 and amounts to SEK 1,834,000 to the President and SEK 4.4m 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. Eventual payment will be made in the spring of 2020, amounting to a maximum of SEK 2,490,000 to the President and SEK 5.8m to the other members of Executive Management.

The long-term variable salary program launched in 2018 amounts to a maximum of 42 percent of fixed salary and is based on the Group's financial performance in 2020. Eventual payment will be made in the spring of 2021, amounting to a maximum of SEK 2,596,000 to the President and SEK 5.8m 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 1,369,000 (1,260,000).

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 50,000–210,000. The pension 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. Outstanding pension obligations to other members of Executive Management amount to SEK 34.7m (28.3).

### 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 2018 and 2017.

SEK 000s	2018					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	870	—	—	—	—	870
<i>Other Board members<sup>1)</sup></i>						
Åsa Söderström Winberg	503	—	—	—	—	503
Kia Orback Pettersson	422	—	—	—	—	422
Kaj-Gustaf Bergh	363	—	—	—	—	363
Eva Nygren	452	—	—	—	—	452
Thomas Thuresson	452	—	—	—	—	452
Olav Line	393	—	—	—	—	393
President	6,429	2,443	2,243	90	2,202	13,407
Other Executive Management <sup>5)</sup>	20,927 <sup>6)</sup>	4,960	4,101	748	10,784	41,520
<b>Total</b>	<b>30,811</b>	<b>7,403</b>	<b>6,344</b>	<b>838</b>	<b>12,986</b>	<b>58,382</b>

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 Winberg	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 779,000 and in aggregate for the other members of Executive Management to SEK 4,578,000.

<sup>3)</sup> The short-term variable remuneration reported in the table refers to amounts paid in 2018. All payments in 2018 are attributable to the 2017 financial year. Amounts attributable to 2018 are presented on page 88 and will be paid in 2019.

<sup>4)</sup> The long-term variable remuneration reported in the table refers to amounts paid in 2018. All payments in 2018 are attributable to the 2015–2017 financial years. Amounts attributable to 2016–2018 are presented on page 88 and will be paid in 2019. 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 nine people, six men and three women.

<sup>6)</sup> The amount includes severance pay for a member of Executive Management of SEK 1,880,000, of which SEK 1,650,000 is reserved.

<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 refers to amounts paid in 2017. All payments in 2017 are attributable to the 2016 financial year. 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 refers 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.

### Convertible debentures for personnel

The 2018 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 195,900 convertible bonds were issued for a nominal amount of around SEK 45m. The loan matures on May 18, 2022, and entitles the holders to subscribe

to one JM share for each debt obligation for SEK 229 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 redeemed convertibles	Number of convertibles due	Total	Strike price	Conversion Period
2014	51,918	–5,508	–46,410	—	280	6/1/2017–5/18/2018
2015	57,885	—	—	57,885	314	6/1/2018–5/17/2019
2016	77,724	—	—	77,724	289	6/1/2019–5/18/2020
2017	35,520	—	—	35,520	409	6/1/2020–5/18/2021
2018	195,930	—	—	195,930	229	6/1/2021–5/18/2022

## note 4 Accumulated depreciation according to plan

	2018	2017
Machinery and equipment	-8	-7
<b>Total</b>	<b>-8</b>	<b>-7</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	2018	2017
Auditing services	4.6	4.5
Tax services	0.1	0.2
Other services <sup>1)</sup>	1.4	0.9
<b>Total</b>	<b>6.1</b>	<b>5.6</b>

<sup>1)</sup> Of these services, SEK 1.1m were provided by PricewaterhouseCoopers AB, including SEK 0.1m for statutory add-on services. This includes, for example, consulting services related to accounting 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

	2018	2017
<b>Sales values</b>		
Project properties	2	6
Development properties	114	15
<b>Total</b>	<b>116</b>	<b>21</b>
<b>Carrying amounts</b>		
Project properties	-3	-6
Development properties	-100	-1
<b>Total</b>	<b>-103</b>	<b>-7</b>
<b>Results</b>		
Project properties	-1	0
Development properties	14	14
<b>Total</b>	<b>13</b>	<b>14</b>

## note 7 Financial income and expenses

	Financial income	
	2018	2017
Dividend	–	0
Interest income	9	3
Change in value revaluation of debt receivables and liabilities	1	1
Gains/losses from the sale of shares in associated companies <sup>1)</sup>	–	275
<b>Total</b>	<b>10</b>	<b>279</b>

<sup>1)</sup> Refers to gains from sales of participations in Småa AB in 2017.

	Financial expenses	
	2018	2017
Interest expenses attributable to loans, etc.	-47	-37
Interest portion in this year's pension costs	-32	-32
<b>Total</b>	<b>-79</b>	<b>-69</b>

## note 8 Taxes

IFRS	2018	2017
<i>Profit/loss before tax</i>		
Sweden	1,493	2,309
International	314	357
<b>Total</b>	<b>1,807</b>	<b>2,666</b>
<i>Current tax</i>		
Sweden	-349	-335
International	-66	-109
<b>Total</b>	<b>-415</b>	<b>-444</b>
<i>Deferred tax</i>		
Sweden	37	11
International	-6	26
<b>Total</b>	<b>31</b>	<b>37</b>
<i>Total tax</i>		
Sweden	-312	-324
International	-72	-83
<b>Total</b>	<b>-384</b>	<b>-407</b>

Difference between reported tax and nominal tax rate (22 %)

	2018	2017
<b>Profit before tax x 22 %</b>	<b>-398</b>	<b>-586</b>
Adjustment of tax from previous years	-1	118
Difference foreign tax	-2	-5
Non-taxable revenue	2	67
Non-deductible expenses	-8	-2
Tax allocation reserve	-2	-1
Revaluation of deferred tax attributable to reduced income tax in 2018 and 2017	-1	0
Revaluation deferred tax	26	2
<b>Total</b>	<b>-384</b>	<b>-407</b>

Revaluation of deferred tax for 2018 consists of dissolution of deferred tax liabilities attributable to revenue for previous years where the assessment is made that the tax will not be applicable, which has a positive tax effect. Adjustment of tax from previous years for 2017 referred to a utilization of previously unreported loss carry-forwards 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 had not previously reported any deferred tax assets attributable to these loss carry-forwards. Non-taxable revenue for 2017 referred primarily to the sale of the shares in Småa AB.

The effective tax rate according to IFRS is 21.2 percent (15.3). The effective tax rate according to segment reporting is 20.9 percent (14.9). 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	
	2018	2017	2018	2017
<b>Earnings per share, SEK</b>	<b>20.50</b>	<b>32.00</b>	<b>20.40</b>	<b>31.90</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 2018 was based on the net profit for the year of SEK 1,423m (2,259) and on a weighted average of the number of outstanding ordinary shares during 2018 amounting to 69,583,262 (70,642,592).

Number of shares	2018	2017
Total number of outstanding shares, January 1	69,583,262	71,448,330
Conversion and utilization of options	—	30,741
Buy-back of shares	—	—836,479
<b>Weighted average number of shares during the year, basic</b>	<b>69,583,262</b>	<b>70,642,592</b>

### Diluted earnings per share

The calculation of diluted earnings per share for 2018 was based on the net profit for the year, adjusted for the interest expense for convertible debentures after tax of SEK 1,425m (2,261), and on a weighted average of the number of outstanding ordinary shares adjusted for dilution effects of all outstanding potential ordinary shares in 2018 totaling 69,865,418 (70,844,023). Profit for the year is attributable in its entirety to Parent Company shareholders.

Profit for the year	2018	2017
Profit for the year attributable to shareholders of the Parent Company	1,423	2,259
Adjustment of interest on convertible debentures (after tax)	2	2
<b>Profit for the year attributable to shareholders of the Parent Company, diluted</b>	<b>1,425</b>	<b>2,261</b>
Number of shares	2018	2017
Weighted average number of shares during the year, basic	69,583,262	70,642,592
Estimated number of potential shares for the convertible debenture and warrant program	282,156	201,431
<b>Weighted average of the number of shares during the year, diluted</b>	<b>69,865,418</b>	<b>70,844,023</b>

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

At the end of 2018 JM had 69,583,262 outstanding shares (69,583,262). JM holds a total of 0 repurchased shares (1,476,421). At the end of August 2018, the Annual General Meeting resolution to reduce the share capital by 1,476,421 shares that the company held was taken into effect.

Instruments that may have a potentially dilutive effect in 2018 include JM's five convertible programs (2014, 2015, 2016, 2017 and 2018).

When calculating earnings per share, JM's convertible programs dilute the number of shares. However, the effect is limited. For the 2014 convertible program, the conversion rate is SEK 280; for the 2015 program, SEK 314; for the 2016 program, SEK 289; for the 2017 program, SEK 409; and for the 2018 program, SEK 229.

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

Cash dividend (proposed by the Board for 2018)	2018	2017
— per share, SEK	12.00	11.00
— total, SEK m	835	765

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

Segment reporting	Basic		Diluted	
	2018	2017	2018	2017
Earnings per share, SEK	20.70	31.10	20.60	31.00
Profit for the year	1,438	2,194	1,440	2,196



## note 10 Goodwill

	2018	2017
<i>Accumulated acquisition value</i>		
<b>Opening balance, January 1</b>	<b>176</b>	<b>185</b>
Translation differences	4	-9
<b>On December 31</b>	<b>180</b>	<b>176</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, 2018, 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 2018, 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 (8), 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 25 percent (21) before the need for impairment would arise.

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

## note 11 Machinery and equipment

	2018	2017
<i>Accumulated acquisition value</i>		
<b>Opening balance, January 1</b>	<b>105</b>	<b>97</b>
New purchases	11	11
Translation differences	2	-2
Sales	-	-1
<b>On December 31</b>	<b>118</b>	<b>105</b>
<i>Accumulated depreciation according to plan</i>		
<b>Opening balance, January 1</b>	<b>-90</b>	<b>-85</b>
Depreciation for the year	-8	-7
Translation differences	-1	1
Sales	-	1
<b>On December 31</b>	<b>-99</b>	<b>-90</b>
<b>Closing residual value, at end of year</b>	<b>19</b>	<b>15</b>

## note 12 Participations in associated companies

	2018	2017
<i>Accumulated acquisition value</i>		
<b>Opening balance, January 1</b>	<b>1</b>	<b>15</b>
Sales	-	-14
<b>On December 31</b>	<b>1</b>	<b>1</b>

## note 13 Participations in joint operations and associated companies

### Specification of Parent Company's shares and participation in joint operations and associated companies

Company	CIN	Domicile	Number of shares and participations	% of capital	Carrying amount, SEK 000's	
					2018	2017
Adolfsbergs Brunns AB <sup>1)</sup>	556303-8685	Örebro	340	33	34	34
Dockan Exploatering AB <sup>1)</sup>	556594-2645	Malmö	50,000	33	16,834	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
Södra Centrum Krokslätt HB <sup>1)</sup>	969777-2144	Stockholm	5,200	65	5,200	5,200
<b>Carrying amount, December 31</b>					<b>190,488</b>	<b>190,488</b>

<sup>1)</sup> Joint operations

<sup>2)</sup> Unlimited liability

### Specification of the Group's other holdings of shares and participations in joint operations and associated companies

Company	CIN	Domicile	Number of shares and participations	% of capital	Carrying amount, SEK 000's	
					2018	2017
Fastighets AB Kranlyftet	556829-3251	Lidingö	250	50	135,226	135,226
Fjellgata 30 AS, Norway	997484983	Oslo	100	50	307	2,002
Fjellgata 30 KS, Norway	997485009	Oslo	45	45	1,106	7,207
Täby Park Exploatering AB	556833-6555	Stockholm	500	50	421,473	161,500
Grefsen Utvikling AS, Norway	982913209	Oslo	500	50	25,600	25,025
Hans Nielsen Haugesgate 50 AS, Norway	987719427	Oslo	60,000	50	23,958	23,420
Husebyplatået AS, Norway	913864948	Oslo	5,000	50	512	501
Larvik Saneringsselskap AS, Norway	918044051	Larvik	100	50	248	242
Lillestrøm Kvartal 37 AS, Norway	935267269	Lillestrøm	75	50	7,680	7,508
Lillestrøm Kvartal 37 Næring AS, Norway	919196416	Oslo	300	50	31	30
Merbraine, Belgium	450160865	Brussels	625	50	318	304
Noreveien 26 AS, Norway	990351465	Oslo	10	50	90	88
Son Utvikling AS, Norway	990341419	Oslo	23,050	50	12,575	12,292
Spireaveien 6 Utvikling AS, Norway	998015340	Oslo	50	50	520	2,511
Spireaveien 6 Utvikling KS, Norway	998015375	Oslo	45	45	1,835	9,001
Strømmen Sentrum AS, Norway <sup>1)</sup>	911662256	Strømmen	–	–	–	7,007
Torstvet Utvikling AS, Norway	959639159	Larvik	5,000	50	11,818	11,553
<b>Carrying amount, December 31</b>					<b>643,297</b>	<b>405,417</b>
Reclassification in the Group					–642,614	–595,222
<b>The participations' carrying amount in the Group, at end of the year</b>					<b>683</b>	<b>683</b>

<sup>1)</sup> During the year, 100% of the shares were acquired in JM Norway AS, Norway.

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. The amounts include intra-Group transactions.

	2018	2017
Revenue	652	674
Expenses	–536	–573
<b>Profit for the period</b>	<b>116</b>	<b>101</b>
Development properties <sup>1)</sup>	663	697
Other assets	1,070	866
Cash and cash equivalents	143	203
<b>Total assets</b>	<b>1,876</b>	<b>1,766</b>
Non-current liabilities	217	495
Current liabilities	512	273
<b>Total liabilities</b>	<b>729</b>	<b>768</b>
<b>Net assets</b>	<b>1,147</b>	<b>998</b>

<sup>1)</sup> Includes Group surplus values.

## note 14 Financial assets

	2018	2017
<i>Accumulated acquisition value</i>		
<b>Opening balance, January 1</b>	17	18
Additional receivables	2	1
Settled receivables	-6	-1
Translation differences	1	-1
<b>On December 31</b>	<b>14</b>	<b>17</b>

Financial assets mainly relate to promissory notes.

## note 15 Project properties and development properties

	Project properties		Development properties	
	2018	2017	2018	2017
<i>Accumulated acquisition value</i>				
<b>Opening balance, January 1</b>	<b>1,074</b>	<b>602</b>	<b>7,575</b>	<b>7,204</b>
New purchases	524	490	2,402	2,017
Reclassifications	39	—	-57	-34
Translation differences	1	-1	35	-57
Transferred to production	—	-11	-1,517	-1,554
Sales	-3	-6	-100	-1
<b>On December 31</b>	<b>1,635</b>	<b>1,074</b>	<b>8,338</b>	<b>7,575</b>
<i>Accumulated impairment losses</i>				
<b>Opening balance, January 1</b>	<b>—</b>	<b>—</b>	<b>-32</b>	<b>-83</b>
Reclassification	—	—	—	31
Transferred to production	—	—	—	20
<b>On December 31</b>	<b>—</b>	<b>—</b>	<b>-32</b>	<b>-32</b>
<b>Closing residual value, at end of year</b>	<b>1,635</b>	<b>1,074</b>	<b>8,306</b>	<b>7,543</b>
Market value at end of the year	2,002	1,343	15,300	14,700

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.

	2018	2017
<i>Accumulated acquisition value</i>		
<b>Opening balance, January 1</b>	<b>309</b>	<b>233</b>
New purchases	1,682	619
Translation difference	2	0
Sales	-1,426	-543
<b>On December 31</b>	<b>567</b>	<b>309</b>

There are 125 (82) unsold residential units in the balance sheet.

The item includes show apartments for coming residential phases measured at cost.

## note 17 Work in progress

	2018	2017
Work in progress	2,958	2,291
<b>Total</b>	<b>2,958</b>	<b>2,291</b>

Work in progress only relates to projects within JM International.

## note 18 Other current receivables

	2018	2017
Receivables from property sales	53	83
Receivables from participations sold in tenant-owners associations	392	107
Deposit investment development properties	178	154
Other	191	127
<b>Total</b>	<b>814</b>	<b>471</b>

## note 19 Recognized revenue less progress billings

IFRS	2018	2017
Recognized revenue in work in progress	12,693	8,307
Accumulated billing on account for work in progress	-9,353	-4,829
<b>Total</b>	<b>3,340</b>	<b>3,478</b>
<b>Segment reporting</b>	<b>2018</b>	<b>2017</b>
Recognized revenue in work in progress	13,948	8,756
Accumulated billing on account for work in progress	-11,811	-6,694
<b>Total</b>	<b>2,137</b>	<b>2,062</b>

For additional disclosures on JM's revenue, see Note 27.

## note 20 Cash and cash equivalents

	2018	2017
Cash and bank balances	1,682	2,572
<b>Total</b>	<b>1,682</b>	<b>2,572</b>

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

IFRS	Cash and cash equivalents/ Bank overdraft facility	Current loans	Non-current loans <sup>1)</sup>	Current liabilities, project financing	Total
<b>Net liabilities, December 31, 2017</b>	<b>2,572</b>	<b>-331</b>	<b>-203</b>	<b>-4,000</b>	<b>-1,962</b>
Cash flow	-893	-340	36	-3,142	-4,339
Currency differences	3	-39	-4	22	-18
Other non-cash items <sup>2)</sup>	-	16	25	2,846	2,887
<b>Net liabilities, December 31, 2018</b>	<b>1,682</b>	<b>-694</b>	<b>-146</b>	<b>-4,274</b>	<b>-3,432</b>
<b>Net liabilities, December 31, 2016</b>	<b>1,520</b>	<b>-203</b>	<b>-517</b>	<b>-3,877</b>	<b>-3,077</b>
Cash flow	1,054	-128	291	-2,011	-794
Currency differences	-2	4	9	60	71
Other non-cash items <sup>2)</sup>	-	-4	14	1,828	1,838
<b>Net liabilities, December 31, 2017</b>	<b>2,572</b>	<b>-331</b>	<b>-203</b>	<b>-4,000</b>	<b>-1,962</b>

<sup>1)</sup> Of which SEK -52m (-84) refers to promissory notes and is reported as Investment in development properties, etc.

<sup>2)</sup> JM sometimes recognizes initial project financing for Swedish residential projects where the financing in most cases is taken over by the customer at a later point in time. The take-over occurs without any incoming or outgoing payments, and when the debt is settled there is no impact on the cash flow statement in the financing activities.

Interest-bearing net liabilities/receivables	2018	2017
Cash and cash equivalents and short-term investments	1,682	2,572
Gross liabilities, fixed interest rate	-20	-20
Gross liabilities, variable interest rate	-5,094	-4,514
<b>Liability/receivable</b>	<b>-3,432</b>	<b>-1,962</b>
Cash and cash equivalents	1,682	2,572
Current interest-bearing liabilities	-4,968	-4,331
Non-current interest-bearing liabilities	-146	-203
<b>Liability/receivable</b>	<b>-3,432</b>	<b>-1,962</b>
Transferred to pensions	-1,388	-1,251
Interest-bearing receivables	-	4
<b>Interest-bearing net liabilities (-)/receivables (+)</b>	<b>-4,820</b>	<b>-3,209</b>

## note 22 Financial liabilities

### IFRS

Non-current interest-bearing liabilities		2018	2017
Liabilities to credit institutions maturity date 1–5 years from closing day		48	78
Non-current promissory notes, development properties 1–5 years		20	72
Convertible loans 1–5 years <sup>1)</sup>		78	53
Total		146	203
Current interest-bearing liabilities		2018	2017
Liabilities to credit institutions, interest-bearing –1 year		4,950	4,318
Convertible loans – 1 year <sup>1)</sup>		18	13
Total		4,968	4,331
Interest-bearing net liabilities/receivables	2018	Change	2017
Current interest-bearing liabilities	4,968	637	4,331
Non-current interest-bearing liabilities	146	–57	203
Transferred to pensions	1,388	137	1,251
Less cash and cash equivalents and interest-bearing receivables	–1,682	894	–2,576
Interest-bearing net liabilities (+)/receivables (–), December 31	4,820	1,611	3,209
Other financial liabilities		2018	2017
Other non-current liabilities 1–5 years from closing day <sup>2)</sup>		696	273
Accounts payable		902	842
Short-term promissory notes, development properties		324	449
Other current liabilities		1,001	879
Total		2,923	2,443
Maturity financial liabilities		2018	2017
2018		–	6,714
2019		7,279	210
2020		710	67
2021		41	53
2022		95	–
Total		8,125	7,044

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

<sup>2)</sup> Refer primarily to promissory notes for completed property acquisitions.

### Segment reporting

Non-current interest-bearing liabilities				2018	2017
Liabilities to credit institutions maturity date 1–5 years from closing day				48	78
Non-current promissory notes, development properties 1–5 years				20	72
Convertible loans 1–5 years <sup>1)</sup>				78	53
Total				146	203
Current interest-bearing liabilities				2018	2017
Liabilities to credit institutions, interest-bearing –1 year				676	319
Convertible loans – 1 year <sup>1)</sup>				18	13
Total				694	332
Interest-bearing net liabilities/receivables		2018	Change	2017	
Current interest-bearing liabilities		694	362	332	
Non-current interest-bearing liabilities		146	–57	203	
Transferred to pensions		1,388	137	1,251	
Less cash and cash equivalents and interest-bearing receivables		–1,682	894	–2,576	
Interest-bearing net liabilities (+)/receivables (–), December 31		546	1,336	–790	
Maturity financial liabilities		2018	2017		
2018		–	2,206		
2019		2,484	210		
2020		710	67		
2021		41	53		
2022		95	–		
Total		3,330	2,536		

<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 non-current and current liabilities, where current liabilities are due within 1 year. Other non-current liabilities relate to promissory notes for property acquisitions that become payable when various terms and conditions are met. See Note 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 30–32 and 75 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 2018 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, 2018, was 0.2 (0.2) according to IFRS and 0.2 (0.2) according to segment reporting.

Fair value on interest-bearing loans was SEK 5,114m (4,534) according to IFRS and SEK 840m (535) 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 12/31/2018.

### Interest risk exposure, including derivatives

IFRS	2018		2017	
	Loan amount, SEK m	Average interest, %	Loan amount, SEK m	Average interest rate, %
Year for interest conversion				
2018	–	–	4,514	1.6
2019	5,094	2.0	–	–
2020	20	3.5	20	3.5
2021	–	–	–	–
Pension liability <sup>1)</sup>	1,388	2.4	1,251	2.5
<b>Total</b>	<b>6,502</b>	<b>2.0</b>	<b>5,785</b>	<b>1.8</b>

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

### Segment reporting

	2018		2017	
	Loan amount, SEK m	Average interest, %	Loan amount, SEK m	Average interest rate, %
Year for interest conversion				
2018	–	–	515	2.2
2019	820	2.6	–	–
2020	20	3.5	20	3.5
2021	–	–	–	–
Pension liability <sup>1)</sup>	1,388	2.4	1,251	2.5
<b>Total</b>	<b>2,228</b>	<b>2.5</b>	<b>1,786</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 12/31/2018 including pension liabilities is 2.0 percent (1.8) according to IFRS and 2.5 percent (2.4) according to segment reporting. A one percent change in the market rate corresponds to an effect on earnings of about SEK 46m according to IFRS and approximately SEK 12m according to segment reporting for the part of the loan portfolio traded in 2019. The calculation is an approximation and is based on the assumption of a simultaneous change in all interest rate curves.

tion 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.

### 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 normally be 1.5 to 2.5 years.

### Binding loan commitments

Year due	Total	Over-draft facility	2019	2020	2021	2022	2023
Loan commitments, SEK m	11,647	487	7,156	1,353	401	1,050	1,200

### Binding loan commitments excluding project financing

Year due	Total	Over-draft facility	2019	2020	2021	2022	2023
Loan commitments, SEK m	2,800	400	150	–	–	1,050	1,200

The Group has unutilized approved credit lines according to IFRS of SEK 6,720m. The average maturity for these credit lines excluding the overdraft facility is 1.6 years. Unutilized credit lines, excluding project financing, amount to SEK 2,800m, where credit agreements for SEK 2,400m had an average maturity of 4.0 years.

The Group should maintain cash and cash equivalents, together with approved, unutilized credit lines, of at least 15 percent of JM's revenue according to segment reporting in order for the Group to handle investments and current payments. The outcome in 2018 is 28 percent (32).

### 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. 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 (444).



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 644m (678).

The provision for doubtful receivables amounts to SEK 5.0m (15.8). During the year, the Group utilized SEK 10.7m (0.0) of earlier provisions. Receivables older than 60 days amount to SEK 452m (442) and primarily refer to a previous dispute with orderers and where credit risk has not been an issue. JM has entered into a settlement agreement for an outstanding account receivable, and the settlement of SEK 320m will be made during Q1 2019. There is no issue of credit risk for other receivables, either.

Provision and utilization of the provision for doubtful accounts receivable were recognized in the income statement. The accounting principles are described in Note 1, Financial instruments, Impairment, on page 85.

#### Aged accounts receivable

12/31/2018 SEK m	Nomi- nal	Not past due	≤ 30 days	31–60 days	61–90 days	> 90 days
Residential development	444	215	91	44	8	86
Contracting	644	179	34	73	3	355
Other	2	2	0	0	0	0
<b>Total</b>	<b>1,090</b>	<b>396</b>	<b>125</b>	<b>117</b>	<b>11</b>	<b>441</b>
Number of invoices	1,372	566	121	85	30	570

12/31/2017 SEK m	Nomi- nal	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

#### Credit risk analysis customers

12/31/2018 Interval	Number of customers	in % of number	in % of the portfolio
Exposure interval < SEK 1m	873	91	11
Exposure interval SEK 1–5m	57	6	13
Exposure interval > SEK 5m	25	3	76
<b>Total</b>	<b>955</b>	<b>100</b>	<b>100</b>

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>

#### 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, 2018 and 2017. 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 table in the right column shows the carrying amount and information about the category which the JM Group's financial instruments belong in accordance with IFRS 9 Financial Instruments (IAS 39).

IFRS	Category according to IFRS 9 <sup>3)</sup>	Category according to IAS 39 <sup>2)</sup>	12/31/2018 Carrying amount <sup>1)</sup>	12/31/2017 Carrying amount <sup>1)</sup>
<b>Financial Instruments</b>				
<b>Assets</b>				
Financial assets	FAAC	L&R	14	17
Of which other non-current receivables	FAAC	L&R	14	17
Of which other non-current securities	FAAC	AFS	0	0
Accounts receivable	FAAC	L&R	1,090	1,124
Other current receivables	FAAC/n/a	L&R/n/a	814	471
Of which derivative instruments <sup>4)</sup>	FAD	FAVPL	–	–
Of which receivables from property sales	FAAC	L&R	53	83
Of which other	n/a	n/a	761	388
Cash and cash equivalents	FAAC	L&R	1,682	2,572
<b>Liabilities</b>				
Non-current interest-bearing liabilities	FLAC	FLAC	146	203
Of which convertible loan	FLAC	FLAC	78	53
Of which other non-current interest-bearing loans	FLAC	FLAC	68	150
Other non-current liabilities	FLAC	FLAC	696	273
Accounts payable	FLAC	FLAC	902	842
Current interest-bearing liabilities	FLAC	FLAC	4,968	4,331
Other current liabilities	FLAC	FLAC	1,325	1,328
Of which derivative instruments <sup>4)</sup>	FLVPL	FLVPL	–	–
Of which other current liabilities	FLAC	FLAC	1,325	1,328

#### Segment reporting

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

<b>Liabilities</b>				
Non-current interest-bearing liabilities	FLAC	FLAC	146	203
Current interest-bearing liabilities	FLAC	FLAC	694	332
Other current liabilities	FLAC	FLAC	869	868

<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 at amortized cost
FLVPL	Financial liabilities at fair value through profit or loss
n/a	IAS 39 is not applicable

<sup>3)</sup> Classification in accordance with IFRS 9, explanation of abbreviations:

FAAC	Financial assets measured at amortized cost
FAD	Derivative instruments at fair value through profit or loss
FLAC	Financial liabilities at amortized cost
FLVPL	Financial liabilities at fair value through profit or loss
n/a	IFRS 9 is not applicable

<sup>4)</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 derivatives as at 12/31/2018.

#### 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 according to segment reporting. 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 2,826 people, of which 667 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	2018	2017
<b>Pension obligations, unfunded plans</b>	<b>1,388</b>	<b>1,251</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	2018	2017
<b>Opening balance, January 1</b>	<b>1,251</b>	<b>1,239</b>
Benefits earned during the year	58	60
Interest expenses	32	32
Benefits paid	-38	-37
Actuarial gains (-)/losses (+)	85	-43
<b>On December 31</b>	<b>1,388</b>	<b>1,251</b>

The actuarial loss in 2018 is primarily attributable to a change in the discount rate and inflation.

Actuarial gains (+)/losses (-)	2018	2017	2016	2015	2014
Total pension commitments	1,388	1,251	1,239	1,129	1,054
Experience adjustments, percentage of this year's unrecognized actuarial gains (+) and losses (-):					
Pension obligations, SEK m	30	15	-8	11	8
Percent of total value of the pension commitments, %	2.2	1.1	0.6	1.0	0.8

Pension costs	2018	2017
Benefits earned during the year	58	60
Interest on obligations	32	32
<b>Pension costs, defined-benefit plans</b>	<b>90</b>	<b>92</b>
Pension costs, defined-contribution plans	151	150
Social security expenses, defined-benefit and defined-contribution plans	47	49
<b>Total</b>	<b>288</b>	<b>291</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

	2019	2020	2021	2022	2023
Pension payouts	-38	-38	-38	-39	-39

### Actuarial assumptions

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

	Sweden	
%	2018	2017
Discount rate	2.40	2.50
Expected salary increases	3.50	3.50
Inflation	1.90	1.75
Income base amount	3.00	3.00
Attrition rate	6.00	6.00

The determined discount rate takes into consideration the market return on mortgage bonds and swap interest rates and a premium of a longer maturity has been 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 applies 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

	2018	2017
Pension obligations as of December 31, 2018	1,388	1,251
The discount rate increases by 0.25 %	1,325	1,196
The discount rate decreases by 0.25 %	1,460	1,315

## note 25 Other provisions

	Warranty provisions		Special payroll tax on pension liability	
	2018	2017	2018	2017
<b>Opening balance, January 1</b>	<b>676</b>	<b>296</b>	<b>122</b>	<b>125</b>
Warranty provisions	356	103	23	-
Reclassification	-30	349	-	-
Utilized during the year	-88	-66	-	-
Reversed provisions	-2	-4	-	-3
Translation difference	0	-2	-	-
<b>On December 31 <sup>1)</sup></b>	<b>912</b>	<b>676</b>	<b>145</b>	<b>122</b>
<sup>1)</sup> Of which short-term part of warranty provisions	122	109		

Provisions for guarantee commitments relate to costs that could arise during the guarantee period and that are reported as non-current and current liabilities in the balance sheet.

The amount of the provision is primarily based on the number of residential units per project and is charged to the project upon conclusion. The majority of the warranty provisions have a duration of around two to three years after the start of the project.

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

	2018	2017
Deferred tax liability on tax allocation reserves	526	519
Other deferred tax liabilities *	379	366
<b>Subtotal</b>	<b>905</b>	<b>885</b>
Less deferred tax receivables	-224	-206
<b>Net deferred tax liabilities</b>	<b>681</b>	<b>679</b>
<b>Deferred tax assets</b>	<b>-</b>	<b>-</b>
<b>* Other deferred tax liabilities are allocated to:</b>		
Development properties <sup>1)</sup>	315	301
Provision for taxation not yet approved	28	52
Other current assets	36	13
<b>Total</b>	<b>379</b>	<b>366</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 216m, including SEK 149m 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	2018	2017
Accumulated billing on account for work in progress	14,306	21,164
Recognized revenue in work in progress	-12,926	-19,604
<b>Total</b>	<b>1,380</b>	<b>1,560</b>
Segment reporting	2018	2017
Accumulated billing on account for work in progress	16,447	23,759
Recognized revenue in work in progress	-14,685	-21,618
<b>Total</b>	<b>1,762</b>	<b>2,141</b>

The closing balance for full-year 2017 has been closed and recognized as revenue in 2018.

During 2018 JM recognized revenue of around SEK 1.3bn attributable to performance commitments met during previous years.

## note 28 Accrued expenses and deferred income

	2018	2017
Personnel-related items	547	510
Prepaid rental income	18	29
Other accruals <sup>1)</sup>	750	987
<b>Total</b>	<b>1,315</b>	<b>1,526</b>

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

## note 29 Pledged assets and contingent liabilities

	2018	2017
<b>Assets pledged to secure own provisions and liabilities</b>		
Corporate mortgages	100	100
Property mortgages	376	644
<b>Total</b>	<b>476</b>	<b>744</b>
<b>Contingent liabilities</b>		
Guarantee commitments, other	6,777	8,180
Guarantees in connection with assignments	1,773	1,713
Payment and rental guarantees	127	85
Other contingent liabilities	16	15
<b>Total</b>	<b>8,693</b>	<b>9,993</b>

The corporate mortgage relates to the pension liability that JM Sweden has with PRI. Property mortgages are only granted to a limited extent for financing with credit institutions.

During a tenant-owners association's production period, the JM Group provides guarantees for the part of the short-term financing in a bank that exceeds an association's future long-term loans. Guarantee commitments, other 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, residential units that have not been sold as tenant-owned apartments at the end of the most recent quarter following an approved final inspection.

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 normally 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.

## 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	2018	2017
Net sales	1	10,397	11,602
Production and operating costs	2	–8,025	–8,878
<b>Gross profit</b>		<b>2,372</b>	<b>2,724</b>
Selling and administrative expenses	2, 3, 4	–717	–699
Gains/losses on the sale of property	5	0	14
<b>Operating profit</b>		<b>1,655</b>	<b>2,039</b>
<b>Profit/loss from financial items</b>	6		
Profit/loss from Group companies		101	85
Profit/loss from associated companies		–	275
Profit/loss from other financial assets		1	1
Profit/loss from financial current assets		0	2
Interest expenses and similar income statement items		–56	–53
<b>Profit before appropriations and tax</b>		<b>1,701</b>	<b>2,349</b>
Appropriations	7	–175	–167
<b>Profit before tax</b>		<b>1,526</b>	<b>2,182</b>
Taxes	8	–323	–288
<b>Net profit for the year</b>		<b>1,203</b>	<b>1,894</b>
<b>STATEMENT OF COMPREHENSIVE INCOME – PARENT COMPANY, SEK m</b>		<b>2018</b>	<b>2017</b>
Net profit for the year		1,203	1,894
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>1,203</b>	<b>1,894</b>

BALANCE SHEET – PARENT COMPANY, SEK m	NOTE	31/12/2018	31/12/2017 <sup>1)</sup>	01/01/2017 <sup>1)</sup>
<b>ASSETS</b>	1			
<b>Non-current assets</b>				
<b>Plant, property, and equipment</b>				
Equipment and other tools	9	11	5	3
<b>Financial assets</b>	10			
Participations in Group companies	10	1,256	1,002	1,016
Participations in joint operations and associated companies		190	190	204
Non-current receivables in associated companies		17	17	17
Other non-current receivables		9	7	7
		<b>1,472</b>	<b>1,216</b>	<b>1,244</b>
<b>Total non-current assets</b>		<b>1,483</b>	<b>1,221</b>	<b>1,247</b>
<b>Current assets</b>				
Project properties	11	208	98	80
Development properties	11	5,032	4,205	4,045
Participations in tenant-owners associations, etc.	12	541	244	197
Accounts receivable		174	161	71
Other current receivables		565	260	160
Current interest-bearing receivables in Group companies		2,291	2,149	1,485
Recognized revenue less progress billings	13	3,001	3,071	2,585
Prepaid expenses and accrued income		20	19	10
Cash and cash equivalents	14	1,313	2,112	1,327
<b>Total current assets</b>		<b>13,145</b>	<b>12,319</b>	<b>9,960</b>
<b>TOTAL ASSETS</b>		<b>14,628</b>	<b>13,540</b>	<b>11,207</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital		70	71	73
<b>Restricted equity</b>		<b>70</b>	<b>71</b>	<b>73</b>
Share premium reserve		146	143	132
Undistributed earnings		2,071	942	799
Net profit for the year		1,203	1,894	1,305
<b>Unrestricted equity</b>	24	<b>3,420</b>	<b>2,979</b>	<b>2,236</b>
<b>Total shareholders' equity</b>		<b>3,490</b>	<b>3,050</b>	<b>2,309</b>
<b>Untaxed reserves</b>	15	<b>2,390</b>	<b>2,360</b>	<b>2,170</b>
<b>Provisions</b>				
Provisions for pensions and similar obligations	16	713	680	660
Deferred tax liabilities	8	47	38	38
Warranty provisions and other provisions	17	823	616	239
		<b>1,583</b>	<b>1,334</b>	<b>937</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current interest-bearing liabilities	18	78	105	184
Other non-current receivables		644	235	128
		<b>722</b>	<b>340</b>	<b>312</b>
<b>Current liabilities</b>				
Accounts payable		474	406	380
Current interest-bearing liabilities	18	2,838	2,616	2,033
Other current liabilities	19	679	519	378
Current interest-bearing liabilities to Group companies	18	731	711	727
Current tax liabilities		13	174	84
Progress billings in excess of recognized revenue	20	781	894	847
Accrued expenses and deferred income	21	927	1,136	1,030
		<b>6,443</b>	<b>6,456</b>	<b>5,479</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>14,628</b>	<b>13,540</b>	<b>11,207</b>

<sup>1)</sup> Comparative figures have been restated due to reclassification of project financing in JM Residential Stockholm and JM Residential Sweden. The effects are presented in the restatement table below.

Reclassification of project financing within JM's residential development in Sweden <sup>2)</sup>	12/31/2017	Reclassified	Restated 12/31/2017	01/01/2017	Reclassified	Restated 01/01/2017
Recognized revenue less progress billings	907	2,164	3,071	816	1,769	2,585
Current interest-bearing liabilities	13	2,603	2,616	8	2,025	2,033
Progress billings in excess of recognized revenue	1,333	–439	894	1,103	–256	847

<sup>2)</sup> See note 1 Accounting and valuation principles, section Changed accounting principles and methods of calculation.



CASH FLOW STATEMENT – PARENT COMPANY, SEK m	NOTE	2018	2017
	1		
<b>OPERATING ACTIVITIES</b>			
Operating profit		1,655	2,039
Depreciation and amortization		3	3
Other non-cash items <sup>1)</sup>		–1,672	–825
<b>Sub-total, cash flow from operating activities</b>		<b>–14</b>	<b>1,217</b>
Interest received		1	2
Dividends received		83	52
Interest paid and other financial expenses		–26	–28
Paid tax		–574	–312
<b>Cash flow from operating activities before change in working capital</b>		<b>–530</b>	<b>931</b>
Investment in development properties, etc.		–2,056	–1,323
Payment on account for development properties, etc. <sup>1)</sup>		1,206	488
Increase/decrease in other current receivables, etc.		–561	–863
Increase/decrease in other current operating liabilities		–236	150
<b>Cash flow before investments and sales of project properties</b>		<b>–2,177</b>	<b>–617</b>
Investment in project properties, etc.		–110	–18
Sale of project properties, etc.		0	0
<b>Cash flow from operating activities <sup>1)</sup></b>		<b>–2,287</b>	<b>–635</b>
<b>INVESTING ACTIVITIES</b>			
Change in property, plant, and equipment		–8	–5
Investment in Group companies and associated companies, etc.		–445	–131
Change in financial assets <sup>2)</sup>		–2	310
<b>Cash flow from investing activities</b>		<b>–455</b>	<b>174</b>
<b>FINANCING ACTIVITIES</b>			
Loans raised		44	15
Amortization of debt		–12	0
Loans raised, project financing <sup>1)</sup>		2,967	2,662
Amortization of debt, project financing <sup>1)</sup>		–291	–256
Buy-back of shares		–	–500
Dividend		–765	–675
<b>Cash flow from financing activities</b>		<b>1,943</b>	<b>1,246</b>
<b>Cash flow for the year</b>		<b>–799</b>	<b>785</b>
<b>Cash and cash equivalents, at beginning of the year</b>		<b>2,112</b>	<b>1,327</b>
<b>Cash and cash equivalents, at end of the year</b>		<b>1,313</b>	<b>2,112</b>

<sup>1)</sup> JM sometimes recognizes initial project financing for Swedish residential projects where the financing in most cases is taken over by the customer at a later point in time. The take-over occurs without any incoming or outgoing payments, and when the debt is settled there is no impact on the cash flow statement, neither as a negative item (amortization) in the financing activities nor as a positive item in operating activities.

<sup>2)</sup> Of which SEK 310m refers to the sale of the participations in Småa AB during 2017.

<b>STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY, SEK m</b>	<b>Share capital</b>	<b>Share premium reserve</b>	<b>Undistributed earnings</b>	<b>Total share- holders' equity</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>
<b>Opening balance, January 1, 2018</b>	<b>71</b>	<b>143</b>	<b>2,836</b>	<b>3,050</b>
Total comprehensive income for the year	–	–	1,203	1,203
Dividend	–	–	–765	–765
Merger Group companies	–	–	–1	–1
Equity component of convertible debentures	–	3	–	3
Elimination of repurchased shares	–1	–	1	–
<b>Closing balance, December 31, 2018</b>	<b>70</b>	<b>146</b>	<b>3,274</b>	<b>3,490</b>

Number of shares (1 vote/share) as of December 31, 2018, amounts to 69,583,262 (71,059,683), of which JM AB repurchased 0 shares (1,476,421) which do not participate in dividends. Par value per share is SEK 1.

The proposed dividend for 2018 is SEK 12.00 per share (11.00).

## note 1 Accounting and valuation principles

Amounts in SEK m unless stated otherwise.

For the Parent Company's accounting policies, please refer to the Group's accounting and valuation principles on pages 82–85.

## note 2 Employees and personnel costs

	2018	2017
<b>Average number of employees (all in Sweden)</b> (of which men, %)	<b>1,675</b> (77)	<b>1,667</b> (78)
<b>Wages, salaries, other remuneration and social security expenses</b>		
<b>Board of Directors and President</b> (of which variable remuneration)	<b>15</b> (5)	<b>14</b> (5)
<b>Other employees</b> (of which variable remuneration)	<b>931</b> (56)	<b>881</b> (56)
<b>Total salaries and other remuneration</b> (of which variable remuneration)	<b>946</b> (61)	<b>895</b> (61)
<b>Social security expenses</b> (of which pension costs)	<b>496</b> (186) <sup>1)</sup>	<b>474</b> (177) <sup>1)</sup>
<b>Total Parent Company</b>	<b>1,442</b>	<b>1,369</b>

<sup>1)</sup> Of the Parent Company's pension costs, SEK 2.7m (2.6) pertain to the President. The Company's outstanding pension obligations to the President amount to SEK 0.7m (0.7). 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

	2018	2017
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	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dividend	119	83	–	–	–	–	–	–	–	–	119	83
Sales	–	–	–	275	–	–	–	–	–	–	–	275
Share in profits	5	4	–	–	–	–	–	–	–	–	5	4
Impairment loss	–23	–2	–	–	–	–	–	–	–	–	–23	–2
Interest income	–	–	–	–	–	–	0	1	–	–	0	1
Interest income, Group companies	–	–	–	–	1	1	–	1	–	–	1	2
Interest expenses	–	–	–	–	–	–	–	–	–28	–26	–28	–26
Interest portion in this year's pension costs	–	–	–	–	–	–	–	–	–28	–27	–28	–27
<b>Total</b>	<b>101</b>	<b>85</b>	<b>–</b>	<b>275</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>–56</b>	<b>–53</b>	<b>46</b>	<b>310</b>

## note 4 Fees and remuneration to auditors

PwC	2018	2017
Auditing services	3.1	3.2
Tax services	–	–
Other services <sup>1)</sup>	1.1	0.9
<b>Total</b>	<b>4.2</b>	<b>4.1</b>

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

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

	2018	2017
<b>Sales values</b>		
Development properties	125	15
Project properties	13	–
<b>Total</b>	<b>138</b>	<b>15</b>
<b>Carrying amounts</b>		
Development properties	–125	–1
Project properties	–13	–
<b>Total</b>	<b>–138</b>	<b>–1</b>
<b>Results</b>		
Development properties	0	14
Project properties	0	–
<b>Total</b>	<b>0</b>	<b>14</b>

## note 7 Appropriations

	2018	2017
Provision to tax allocation reserve	-380	-530
Reversal of previous years' provisions to tax allocation reserve	350	340
Group contribution received	-	23
Group contribution paid	-145	-
<b>Total</b>	<b>-175</b>	<b>-167</b>

## note 8 Taxes

	2018	2017
<b>Profit/loss before tax</b>	<b>1,525</b>	<b>2,182</b>
Current tax	-343	-331
Deferred tax	20	43
<b>Total tax</b>	<b>-323</b>	<b>-288</b>

Difference between reported tax and nominal tax rate of 22 percent.

<b>Profit before tax x 22%</b>	<b>-336</b>	<b>-480</b>
Adjustment of tax from previous years	-1	118
Non-taxable revenue	29	81
Non-deductible expenses	-13	-6
Tax untaxed reserve (tax allocation reserve)	-2	-1
<b>Total</b>	<b>-323</b>	<b>-288</b>

<b>Deferred tax assets and tax liabilities</b>	2018	2017
Deferred taxes attributable to personnel-related provisions and warranty provisions	52	50
Deferred tax liability attributable to temporary differences in project properties and development properties	-99	-88
<b>Net deferred tax liabilities</b>	<b>-47</b>	<b>-38</b>

See Group Note 8.

## note 10 Financial assets

	Participations in Group companies		Participations in joint operations and associated companies		Non-current receivables in associated companies		Other non-current receivables		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
<i>Accumulated acquisition value</i>										
<b>Opening balance, January 1</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>1,216</b>	<b>1,244</b>
New purchases	445	131	-	-	-	-	-	-	445	131
Additional receivables	-	-	-	-	-	-	2	-	2	-
Merger	-168	-143	-	-	-	-	-	-	-168	-143
Sales	-	-	-	-14	-	-	-	-	-	-14
Impairment losses for the year	-23	-2	-	-	-	-	-	-	-23	-2
<b>On December 31</b>	<b>1,256</b>	<b>1,002</b>	<b>190</b>	<b>190</b>	<b>17</b>	<b>17</b>	<b>9</b>	<b>7</b>	<b>1,472</b>	<b>1,216</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	
				2018	2017
AB Borätt	556257-9275	Stockholm	500	1,978	1,978
AB Garantihus	556073-0524	Stockholm	5,000	1,000	1,000
AB IG 1&3	559147-3698	Gothenburg	500	20,788	–
AB Konvertibelhus	559001-7025	Stockholm	500	50	50
Bergshamra Bro AB	559066-5666	Stockholm	50,000	61,425	61,425
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
Fastighet 4 DPL 4 AB	556767-7538	Stockholm	1,000	125,191	–
Fastighets AB Vipemö <sup>1)</sup>	556855-7580	Stockholm	–	–	95
Fastighetsbolaget Bohusmark KB	916443-1125	Gothenburg	1	1,120	1,120
Fastighetsbolaget Metallfabriken i Örebro AB	559077-9582	Stockholm	500	27,562	27,562
Förvaltnings AB Rickomberg Dal	556731-8596	Uppsala	1,000	43,274	43,274
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 Entreprenør AS, Norway <sup>2)</sup>	920379559	Oslo	30,000	7,444	–
JM Fasad AB	559135-1795	Stockholm	500	50	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	50
JM Hyresbostäder Holding AB	556977-0471	Stockholm	500	130	130
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	120,243	127,687
JM Stombyggnad AB	556173-0564	Stockholm	1,000	113	113
JM Suomi OY, Finland	1974161-8	Helsinki	1,000	314,395	180,443
JM Supply AB	559126-3644	Stockholm	500	50	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
Minimalen Bostad AB (previously SBC Bo AB)	556754-2138	Stockholm	1,000	11,550	11,550
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 <sup>1)</sup>	559055-3201	Stockholm	–	–	7,642
Stora Sköndals Fastighet Tomt 2 AB <sup>1)</sup>	559055-3227	Stockholm	–	–	17,899
<b>Carrying amount, December 31</b>				<b>1,256,203</b>	<b>1,001,908</b>

<sup>1)</sup> Group companies that have merged with JM AB.<sup>2)</sup> Group companies that have been demerged from JM Norge AS.

## note 11 Project properties and development properties

	Project properties		Development properties	
	2018	2017	2018	2017
<i>Accumulated acquisition value</i>				
<b>Opening balance, January 1</b>	<b>98</b>	<b>80</b>	<b>4,237</b>	<b>4,097</b>
New purchases	110	18	1,339	833
Merger	–	–	665	443
Reclassification	13	–	–17	–
Transferred to production	–	–	–1,035	–1,135
Sales	–13	–	–125	–1
<b>On December 31</b>	<b>208</b>	<b>98</b>	<b>5,064</b>	<b>4,237</b>
<i>Accumulated impairment losses</i>				
<b>Opening balance, January 1</b>	<b>–</b>	<b>–</b>	<b>–32</b>	<b>–52</b>
Transferred to production	–	–	–	20
<b>On December 31</b>	<b>–</b>	<b>–</b>	<b>–32</b>	<b>–32</b>
<b>Closing residual value at end of year</b>	<b>208</b>	<b>98</b>	<b>5,032</b>	<b>4,205</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 (104).

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

	2018	2017
<i>Accumulated acquisition value</i>		
<b>Opening balance, January 1</b>	<b>244</b>	<b>197</b>
New purchases	1,662	550
Sales	–1,365	–503
<b>On December 31</b>	<b>541</b>	<b>244</b>

## note 13 Recognized revenue less progress billings

	2018	2017
Recognized revenue in work in progress	8,688	6,581
Accumulated billing on account for work in progress	–5,687	–3,510
<b>Total</b>	<b>3,001</b>	<b>3,071</b>

## note 14 Cash and cash equivalents

	2018	2017
Cash and bank balances	1,313	2,112
<b>Total</b>	<b>1,313</b>	<b>2,112</b>



## note 15 Untaxed reserves

	2018	2017
Tax allocation reserve for 2013 taxation	—	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	350
Tax allocation reserve for 2018 taxation	530	530
Tax allocation reserve for 2019 taxation	380	—
<b>Total</b>	<b>2,390</b>	<b>2,360</b>

## note 16 Provisions for pensions and similar obligations

	2018	2017
<b>Opening balance, January 1</b>	<b>680</b>	<b>660</b>
Benefits earned during the period	29	26
Interest expenses	25	24
Pensions paid	–36	–35
Other	15	5
<b>On December 31</b>	<b>713</b>	<b>680</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>	
	2018	2017
<b>Opening balance, January 1</b>	<b>616</b>	<b>239</b>
Warranty provisions	305	64
Reclassification	–30	349
Utilized during the year	–68	–36
<b>On December 31</b>	<b>823</b>	<b>616</b>

## note 18 Interest-bearing liabilities

<b>Non-current interest-bearing liabilities</b>	<b>2018</b>	<b>2017</b>
Other liabilities 1–5 years from the closing date	0	52
Convertible loans 1–5 years	78	53
<b>Total</b>	<b>78</b>	<b>105</b>
<b>Current interest-bearing liabilities</b>	<b>2018</b>	<b>2017</b>
Convertible loans 1 year	18	13
Other liabilities 1 year	2,820	2,603
Liabilities to Group companies	731	711
<b>Total</b>	<b>3,569</b>	<b>3,327</b>
<b>Liabilities to credit institutions, confirmed credits</b>	<b>2018</b>	<b>2017</b>
<b>Credit agreements</b>		
Bank overdraft facility	400	400
Granted credit agreement due date within one year	150	700
Granted credit agreement due date greater than one year	2,250	1,700
Unutilized portion	–2,800	–2,800
<b>Utilized credit agreement</b>	<b>0</b>	<b>0</b>

Credit agreements carry fixed interest. See Group Note 22 for comments.

## note 19 Other current liabilities

	2018	2017
Short-term promissory notes, development properties	266	247
Other current liabilities	413	272
<b>Total</b>	<b>679</b>	<b>519</b>

## note 20 Progress billings in excess of recognized revenue

	2018	2017
Accumulated billing on account for work in progress	10,370	14,631
Recognized revenue in work in progress	–9,589	–13,737
<b>Total</b>	<b>781</b>	<b>894</b>

## note 21 Accrued expenses and deferred income

	2018	2017
Personnel-related items	357	351
Prepaid rental income	5	17
Other accruals	565	768
<b>Total</b>	<b>927</b>	<b>1,136</b>

## note 22 Pledged assets and contingent liabilities

	2018	2017
<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>	6,777	8,179
Guarantees on behalf of Group companies <sup>3)</sup>	1,754	1,704
Guarantees in connection with assignments	238	263
Payment and rental guarantees	0	0
Other contingent liabilities	16	16
<b>Total</b>	<b>8,785</b>	<b>10,162</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.

	2018	2017
Purchase of goods and services from Group companies	381	525
Interest income from Group companies	1	1
Dividend from Group companies	119	82
Share in profits from Group companies	5	4
Dividend from associated companies	—	0
Non-current receivables in associated companies	17	17
Current interest-bearing receivables in Group companies	2,291	2,149
Current interest-bearing liabilities to Group companies	731	711
Guarantees on behalf of Group companies	1,754	1,704

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 2,217,076,082
Net profit for the year	SEK 1,203,070,751
<b>Total</b>	<b>SEK 3,420,146,833</b>
The Board of Directors and the CEO propose:	
that SEK 12.00 per share be paid to shareholders <sup>1)</sup>	SEK 834,999,144
and that the remaining amount be carried forward	SEK 2,585,147,689
<b>Total</b>	<b>SEK 3,420,146,833</b>

<sup>1)</sup> There are 69,583,262 registered shares in the Parent Company on January 31, 2019, of which the number of dividend-bearing shares amounts to 69,583,262.

Stockholm, February 12, 2019

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*

Olav Line  
*Member*

Eva Nygren  
*Member*

Kia Orback Pettersson  
*Member*

Åsa Söderström Winberg  
*Member*

Thomas Thuresson  
*Member*

Peter Olsson  
*Member, employee-appointed*

Jan Strömberg  
*Member, employee-appointed*

Johan Skoglund  
*President and CEO*

Our Auditor's Report was submitted on February 21, 2019.  
PricewaterhouseCoopers AB

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

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*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 2018. The annual accounts and consolidated accounts of the company are included on pages 71–108 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 the parent company as of December 31 2018 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 2018 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.

### 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 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. 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

#### Recognition of revenue and profits in Swedish residential development projects

JM's revenue in the Swedish residential development operations are recognised over time, i.e., applying percentage-of-completion taking into account also so-called sales ratio. This means that revenue and profits recognised in ongoing projects are dependent on assumptions and estimates of items included in the forecasts of total revenue and costs. Those forecasts include estimates 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 degree 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 "Important sources of uncertainty in estimates", "Revenue and profit/loss from residential project development" 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.

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 decisions on calculations and for project forecasts.

We have performed analytical review 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 estimates 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 tested mathematical accuracy in the calculation of percentage-of-completion.

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 discussed, with management and the audit committee, those methods, estimates and assumptions on which JM's judgements are based.

#### Reclassification of project financing in JM Residential Stockholm and JM Residential Sweden

During 2018 JM has adjusted its financial reporting in that project financing raised by JM Residential Stockholm and JM Residential Sweden has been reclassified. The project financing was previously accounted for against recognised revenue in the balance sheet items "Recognized revenue less progress billing" and "Progress billings in excess of recognized revenue", but is now presented as interest-bearing debt. In the cash flow statement, project financing raised 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 the group's and the parent company's balance sheets.

An adjustment of this kind is by its nature a key audit matter.

See the sections "Changes in accounting principles and methods of calculation" in note 1 Accounting and valuation principles, as well as the group's and the parent company's balance sheets and cash flow statements.

During our examination we have kept a dialogue with management and the audit committee on the application of International Financial Reporting Standards. As a part of that dialogue, we have communicated our observations, reflections and their implications on, amongst other, this reclassification matter.

We have evaluated the basis for the reclassification, examined the items reclassified and evaluated whether 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.

### Accounting for the Swedish residential project development operations

During 2018 Nasdaq Stockholm AB (the Stock Exchange) has asked JM and other companies questions on amongst other, the basis for the assessment of the tenant-owners associations' independence. The Stock Exchange's final decision in December states that, amongst other things, there are differences between various companies' business and contract structures that must be considered to have bearing on the matter, and that there is room for different companies to reach different conclusions. The Stock Exchange notes that JM does not consolidate the tenant-owners associations, that the basis for JM's assessment is not clear enough and thus that there is no clear description of the facts and circumstances forming the basis for JM's conclusion. The Stock Exchange therefore criticises JM and as a result JM has provided expanded and clearer disclosure on the basis for the assessment that tenant-owners associations are independent and therefore should not be consolidated.

We consider this kind of communication to be, by its nature, a key audit matter.

See the statutory administration report (page 74) and the section "Important assessments when applying accounting principles" in note 1 Accounting and valuation principles.

### Ongoing construction contracts in JM Construction

JM Construction's (JME) revenue is recognised over time, i.e., applying percentage-of-completion. This means that revenue and profits recognised in ongoing projects are dependent on assumptions and estimates of items included in the forecasts of total revenue and costs. Those forecasts include estimates of costs for, e.g., labour, material, subcontractors and warranty obligations.

JME's projects are not repetitive in the same manner as are JM's residential development projects and the former's complexity are normally greater than the latter's. As described in the statutory administration report, JME's profits have been negatively impacted in certain projects in which there are also remaining risks.

These projects complexity combined with the high degree of estimates and judgements make this a key audit matter.

See e.g. the sections "Important sources of uncertainty in estimates", "Revenue and profit/loss in JM Construction in note 1 Accounting and valuation principles as well as note 19 Recognized revenue less progress billings and note 27 Progress billings in excess of recognized revenue.

We have read and evaluated the written communication the Stock Exchange has provided to JM during 2018, as well as the answers and other written communication provided by JM to the Stock Exchange.

We have kept a dialogue with management and the audit committee and, in connection with this, communicated our observations, reflections and their implications.

We have examined the expanded and clearer disclosure JM has provided in note 1 on the basis for its assessment and conclusion that the tenant-owners associations are independent and therefore should not be consolidated. The examination has also encompassed an evaluation as to the whether the disclosure is appropriate and in accordance with IAS 1 *Presentation of financial statements*.

We have evaluated and on a sample basis tested selected controls in JME's project process, from tender to completion. We have also evaluated processes, routines and methodology for decisions on calculations and for project forecasts.

We have performed analytical review 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 more in-depth procedures including reading contract excerpts, review of project forecasts, and discussion with project leaders on judgments, assumptions and estimates.

On a sample basis, we have examined revenue and the recognised project costs forming the basis for the determination of completion ratio. We have also tested mathematical accuracy in the calculation of percentage-of-completion.

We have also taken part in several project audits performed by JM's Operational audit and made site visits at certain projects.

We have kept a dialogue with management and the audit committee on judgemental matters and the basis for those. We have communicated that in some projects, assumptions and estimated risks do not appear to have fully taken care of all remaining risks. Also in general, these matters require difficult judgements.

### 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 1–70 and pages 122–135. 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, and the Annual Accounts Act. 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 2018 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 (publ) by the general meeting of shareholders on April 12, 2018 and has been the company's auditor since April 27, 2017.

Stockholm February 21, 2019  
PricewaterhouseCoopers AB

Håkan Malmström  
Authorized Public Accountant  
Auditor-in-charge

Ann-Christine Hägglund  
Authorized Public Accountant

# Corporate governance report for the 2018 financial year

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## 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.

## SHAREHOLDERS AND ANNUAL 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.

### Annual General Meeting

The 2018 Annual General Meeting was held on April 12. A total of 286 shareholders were represented, representing about 37 percent of the total votes. Minutes from the Annual General Meeting can be found on JM's website ([jm.se](http://jm.se)). The 2019 Annual General Meeting will be held on March 28.

### Major shareholders

One shareholder, OBOS BBL, has a shareholding in the Company representing at least one-tenth of the voting rights for all shares in the Company. OBOS's holdings of the Company's shares amounted to 20.6 percent on February 12, 2019. 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.

## BOARD MEETINGS 2018

## JANUARY (ONE MEETING)

Year-end Report, review session with auditors, remuneration system, decisions on property acquisition, sustainable urban planning and production costs

## MARCH (ONE MEETING)

Notification and other matters for the Annual General Meeting

## MAY (ONE MEETING)

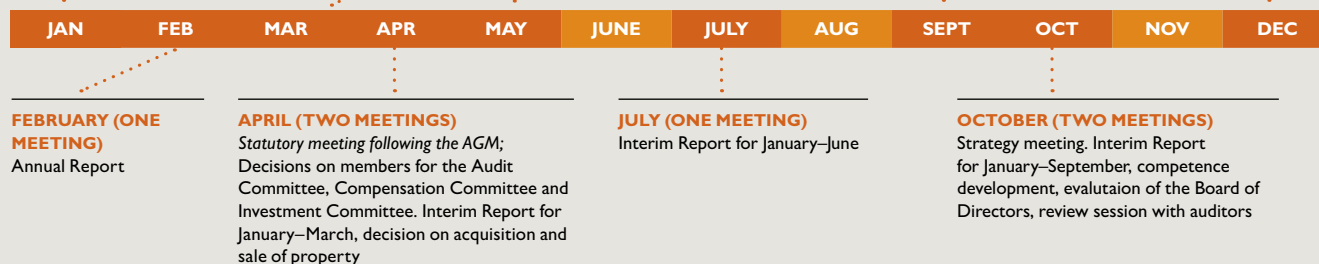
Visit at South Region and construction sites, decision on rules of procedure and policies, succession planning, decision on housing starts, JM Construction

## SEPTEMBER (TWO MEETINGS)

Decision on housing starts

## DECEMBER (ONE MEETING)

Decision on housing starts and property acquisition, evaluation of the President



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

## 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 2019 Annual General Meeting in August 2018, and the Committee consists of the following people:

Åsa Nisell, Swedbank Robur Fonder  
Daniel Kjørberg Siraj, OBOS BBL  
Hans Ek, SEB Investment Management  
Eva Gottfridsdotter Nilsson, Länsförsäkringar Fondförvaltning AB  
Fredrik Persson, Chairperson of the Board of JM.

The Nomination Committee represents approximately 29.1 percent of the total number of JM shares. Åsa Nisell is Chairperson of the Nomination Committee. The Nomination Committee held four 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 2018 Annual General Meeting elected PricewaterhouseCoopers AB (PwC) to be the new auditor. The election covers the period up until the end of the 2019 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.

Fees and remuneration to PwC	2018	2017
Auditing services	4.6	4.5
Tax services	0.1	0.2
Other services	1.4	0.9
<b>Total</b>	<b>6.1</b>	<b>5.6</b>

Information about the auditing company's services to JM in addition to auditing is provided in Note 5 on page 90.

## BOARD OF DIRECTORS

## Composition

According to the Articles of Association, JM's Board of Directors shall consist of a minimum of five and a maximum of nine members. No deputies shall be appointed. The 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 Nomination Committee has applied Code Rule 4.1 as its diversity policy for the Board. The Nomination Committee determined the following in its reasoned statement prior to the 2018 Annual General Meeting: The Nomina-

tion Committee considers JM to have a well-functioning Board of Directors and that the current composition of the Board, given the Company's operations, development stage and circumstances in general, is appropriate and features diversity and breadth with regard to the members' competence, experience and background. The Nomination Committee has applied Code Rule 4.1 as its diversity policy. It can be noted that JM has had an even gender distribution in its Board of Directors for many years, and the members proposed to the Annual General Meeting include three women and four men (43 percent and 57 percent, respectively). The proposal thus fulfills the requirements of the Code for an even gender distribution. The Board has extensive experience and skills, including for relevant sustainability aspects, within areas that are important for JM, such as project development and construction activities, architecture, marketing, brand issues, finance and good knowledge of geographic markets that are relevant for the Company. Three of the Board's seven members were elected at the two most recent Annual General Meetings.

Given this background, the Nomination Committee proposed re-election of all members, and the 2018 Annual General Meeting resolved to re-elect the seven members proposed by the Nomination Committee.

The employee organizations appointed two members and two deputies. The composition of the Board of Directors is presented 116–117, as is participation by the members elected by the Annual General Meeting in committees (A = Audit Committee, C = Compensation Committee, I = Investment Committee). Attendance during the 2018 calendar year is also presented.

The Board of Directors held twelve meetings. The Audit Committee held four meetings. The Compensation Committee held five meetings. The Investment Committee held six meetings.

## Independence

All Board members elected at the Annual General Meeting are considered independent in relation to the Company and all are independent in relation to the shareholders.

## Duties/Responsibilities

The Board's duties concern strategic issues such as JM's business concept, key policies, the market, finance and financial position, internal control and risk management, personnel, leadership and decisions concerning production starts of projects, acquisition and sale of development properties and project properties.

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

The most important governing documents are:

- Strategic focus
- Articles of Association
- Rules of Procedure for the Board of Directors, Instructions for the Allocation of Duties between the Board and the President, and Instructions for Financial Reporting
- JM's policies (Sustainability Policy, Data Protection Policy, Employee Policy, Work Environment Policy, Communication Policy, Financial Policy, Tax Policy and Purchasing Policy)
- JM's ethical guidelines, JM's Code of Conduct, guidelines to prevent discrimination, guidelines for communication and guidelines for purchasing.

### **Duties of the Chairperson of the Board of Directors**

The Chairperson of JM's Board of Directors bears the 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 2018, 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 2018, 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 2018**

The Board of Directors made the following decisions and others in 2018:

- The Board of Directors held a separate strategy meeting at which it adopted the strategic plan for the Company
- The Board of Directors decided on housing starts for five residential projects, which have an estimated total project expense exceeding the maximum level delegated to the President of either SEK 400m in the total project expense or SEK 400m in project expense per phase
- The Board of Directors decided on six acquisitions of development properties, which have a purchase sum exceeding the maximum level delegated to the President of SEK 100m
- The Board decided on the sale of a property
- The Board decided to propose to the Annual General Meeting that the Meeting resolve on the elimination of treasury 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 and adopted a Data Protection Policy.

### **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.

All Board members elected by the Annual General Meeting are also members in one or several 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 Winberg.

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 Winberg and Kia Orback Pettersson. The Committee held four meetings during the calendar year.

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

- 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
- Initiation of in-depth initiatives within select areas
- Progress reporting and review of areas or projects of special interest
- Reporting and presentation to the Board of Directors of observations noted during review sessions with auditors and management
- 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 three members: Fredrik Persson (Chairperson), Eva Nygren and Kaj-Gustaf Bergh.

The Committee held five meetings during the calendar year.

# Board of Directors, CEO and Auditors



Fredrik Persson



Kaj-Gustaf Bergh



Olav Line



Eva Nygren

<b>BORN</b>	Born in 1968	Born in 1955	Born in 1958	Born in 1955
<b>NATIONALITY</b>	Swedish	Finnish	Norwegian	Swedish
<b>SIZE OF HOLDING*</b>	Shares in JM: 2,000	Shares in JM: 2,500	Shares in JM: 800	Shares in JM: 1,000
<b>IN JM AS</b>	<ul style="list-style-type: none"> <li>Board of Directors, Chair Elected to the Board in 2017</li> <li>Compensation Committee, Chair</li> <li>Attendance: 12 of 12 5 of 5</li> <li>Total annual fees: SEK 870,000</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors, Member Elected to the Board in 2013</li> <li>Compensation Committee, Member</li> <li>Attendance: 12 of 12 3 of 5</li> <li>Total annual fees: SEK 363,000</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors, Member Elected to the Board in 2017</li> <li>Investment Committee, Member</li> <li>Attendance: 12 of 12 6 of 6</li> <li>Total annual fees: SEK 393,000</li> </ul>	<ul style="list-style-type: none"> <li>Board of Directors, Member Elected to the Board in 2013</li> <li>Investment Committee, Member</li> <li>Compensation Committee, Member</li> <li>Attendance: 12 of 12 6 of 6 5 of 5</li> <li>Total annual fees: SEK 452,000</li> </ul>
<b>MEMBER'S INDEPENDENCE</b>	The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.	The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.	The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.	The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.
<b>EDUCATION</b>	MSc. Econ., Stockholm School of Economics.	LL.M. and B.Sc. Econ.	MSc. Eng, NTH (NTNU), Trondheim.	Architect, Chalmers University of Technology.
<b>WORK EXPERIENCE</b>	Long career at Axel Johnson AB, including as CFO and then as President and CEO. Previously at Aros Securities and ABB Financial Services.	15 years at Gyllenberg and SEB. CEO of Föreningen Konstsfundet in Finland.	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.	Thirty-seven 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.
<b>OTHER SIGNIFICANT ASSIGNMENTS</b>	Chairman of the Board of the Confederation of Swedish Enterprises. Board member of AB Electrolux, Hufvudstaden AB, Interogo Holding AG, ICA Gruppen AB and Ahlström Capital OY.	Member of the Board of Stockmann, Ramirent and Wartsila.	CEO of Mustad Eiendom AS.	Chairperson of Brandkonsulten AB. Member of the Board of Upponor OY, Troax Group AB, Ballingslöv International AB, Nye Veier AS, Nobelhuset AB, Tyréns AB, Diös AB and NRC Group.

\* Shareholdings pertain to personal holdings or a related natural or legal person's holdings of JM AB shares and other financial instruments as at 2/12/2019.

## Employee representatives



**Jan Strömberg**  
Employee representative  
Born: 1959. MSc. Eng.  
Member since 2015  
Shares in JM: 5,000  
Convertibles: SEK 1,194,217  
Attendance: 12 of 12



**Peter Olsson**  
Employee representative  
Born in 1977. Carpenter.  
Deputy since 2014, Member since April 2018  
Shares in JM: 0 | Convertibles: SEK 0  
Attendance: 10 of 12



**Jonny Änges**  
Employee representative  
Born in 1962. Construction engineer.  
Deputy since 2015  
Shares in JM: 0  
Convertibles: SEK 0  
Attendance: 10 of 12





Kia Orback Pettersson

Born in 1959

Swedish

Shares in JM: 3,540

● Board of Directors, Member Elected to the Board in 2010  
 ● Audit Committee, Member  
 Attendance: ● 12 of 12 ● 4 of 4  
 Total annual fees: SEK 422,000

The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.

MSc. Econ., Lund University.

20 years of experience from leading positions within retail, real estate and media, including as President of Sturegallerian and VP of Guldfynd/Hallbergs.

Partner of Konceptverkstan. Chairperson of the Board of Mediaplanet and Friskis & Svettis. Member of the Board of Knowit AB, Odd Molly AB, Karolinska Universitetssjukhuset and Visual Art AB.



Åsa Söderström Winberg

Born in 1957

Swedish

Shares in JM: 12,100

● Board of Directors, Member Elected to the Board in 2007  
 ● Investment Committee, Chair  
 ● Audit Committee, Member  
 Attendance: ● 12 of 12 ● 6 of 6 ● 4 of 4  
 Total annual fees: SEK 503,000

The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.

MSc. Econ., Stockholm University.

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 SWEKO Theorells.

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.



Thomas Thuresson

Born in 1957

Swedish

Shares in JM: 500

● Board of Directors, Member Elected to the Board in 2016  
 ● Audit Committee, Chair  
 Attendance: ● 12 of 12 ● 4 of 4  
 Total annual fees: SEK 452,000

The Board member is considered to be independent in relation to the Company and its management as well as major shareholders in the Company.

MSc. Econ., Lund University. IMD (BPSE).

29 years in different positions within the Alfa Laval Group, most recently as CFO.

President of Tetra Laval Real Estate AB. Member of the Board of Proact IT Group AB (publ), Solix Group AB and Skiold A/S.



Johan Skoglund

Born in 1962

Swedish

Shares in JM: 50,000.  
Convertibles in JM: SEK 9,986,763

President and CEO of JM AB.

MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1986;  
 MSc. Program, Stockholm School of Economics, 1998.

Thirtytwo years in various positions at JM, such as site engineer, project manager, regional manager and business unit manager. President and CEO since 2002.

Member of the Board of Castellum AB, Infranord AB, Confederation of Swedish Enterprise and Mentor Sverige.



Per Petersén

Employee representative  
 Born in 1970. Bricklayer.  
 Deputy since April 2018  
 Shares in JM: 0  
 Convertibles: SEK 0  
 Attendance: 9 of 9

Thomas Mattsson was an employee representative until March 2018 and attended two Board meetings in 2018.

## Secretary to the Board

Maria Bäckman

Chief Legal Counsel at JM AB  
 Born in 1973.  
 Secretary to the Board of Directors since 2012.  
 Shares in JM: 750  
 Convertibles: SEK 1,471,554

## Auditors PricewaterhouseCoopers AB

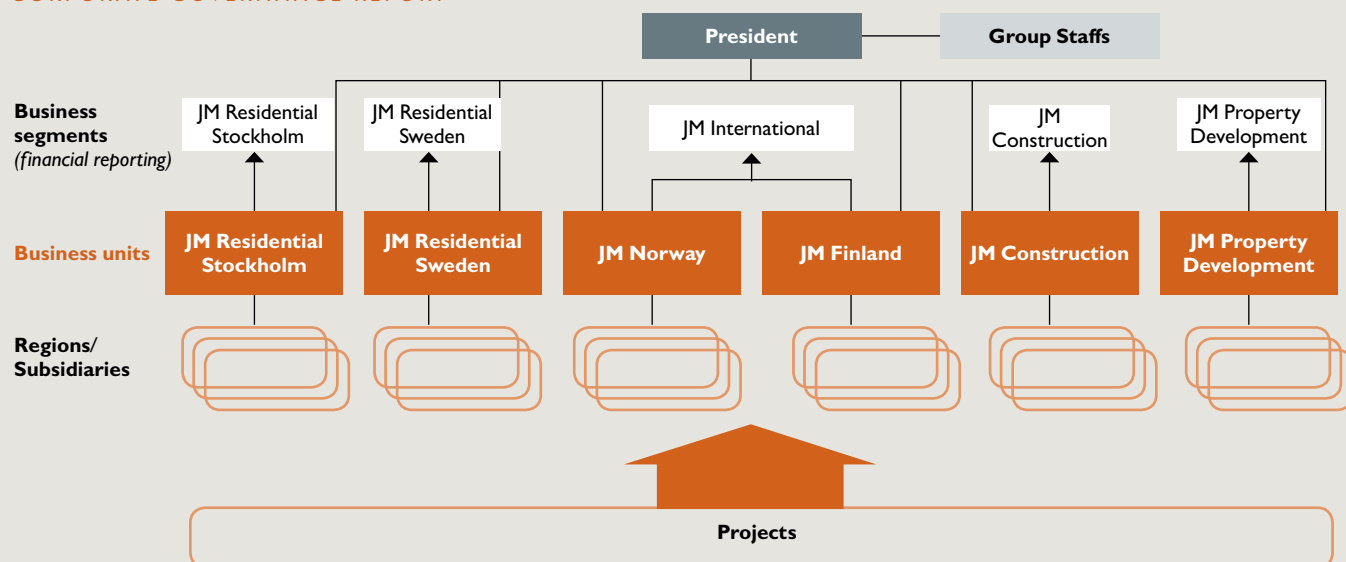
Håkan Malmström

Authorized Public Accountant,  
 Auditor-in-charge. Born in 1965. Other assignments: Auditor-in-charge at Axel Johnson, NCC, Nordstjernan and others.

The Annual General Meeting held in April 2018 elected PwC auditor of JM AB.

Ann-Christine Hägglund

Authorized Public Accountant.  
 Born in 1966. Other assignments: Auditor-in-charge at Business Sweden, Byggmax, Lernia and others.



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 Winberg (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.

#### MANAGEMENT AND COMPANY STRUCTURE

##### 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.

The report structure is presented above.

##### 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.

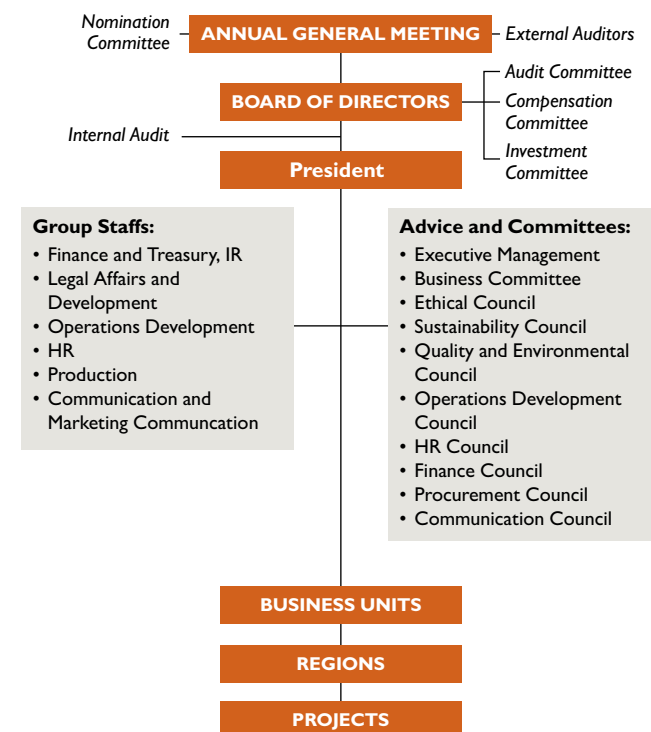
Every project is run by a project manager who is responsible for the project's revenue and expenses. The project manager reports to the regional manager who is directly subordinate to the business unit manager. All these people have profit responsibility. The business unit manager is responsible for 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.

The governance structure can be seen below:



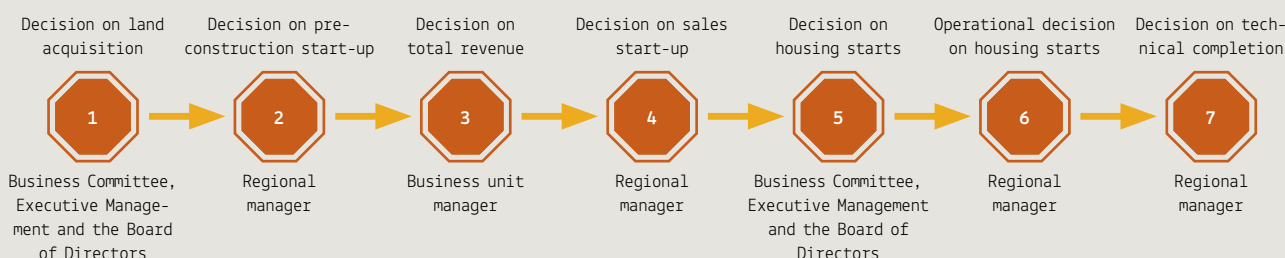
##### Order of Delegation – President's right of decision

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

The decision process can be seen below:

#### DECISION GATES IN STRUCTURED PROJECT DEVELOPMENT



- 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 operations as well as its governance and report structure are presented above.

#### CONTROL FRAMEWORK

##### 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 120.

##### 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 30–32 and 75.

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 facilitates closer contact between the Board and 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. The Incident Reporting System ensures that suspected irregularities can be reported, and the Ethical Council provides guidance in the event of difficulties interpreting the ethical guidelines and JM's Code of Conduct.

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, CFO, head of the Internal Audit, business unit managers and regional managers/subsidiary managers 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 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 estimates regarding acquisition and project 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 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. The Board of Directors also receives the opinions from the Company's external auditors.

#### **REMUNERATION PRINCIPLES**

##### **Remuneration to the Board of Directors and Executive Management**

Following a proposal from the Nomination Committee, the 2018 Annual General Meeting decided on fees to the Board Members who are not employed by the Company as follows:

- Remuneration will be SEK 840,000 to the Chairperson of the Board of Directors and SEK 335,000 to regular Board members who are not employed by the Company
- 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 2019 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 74. Information about remuneration to the President and Executive Management can be found in Note 3 on 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.

### 2018 Convertible program

The 2018 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 640,000 convertible debentures aimed at all employees in Sweden. The purpose of the 2018 Convertible Program is to enhance and strengthen the employee's interest in JM's operations and future financial performance through an ownership commitment. Increased employee motivation and participation in JM's operations is in the interest of the Company, the employees and existing shareholders.

Upon expiry of the subscription period, the loan amounts to about SEK 45m through the issue of about 195,900 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 June 2018.

The subscribed convertible bonds may be converted to one ordinary share at a price of SEK 229. Conversion of convertible bonds may occur during the period from June 1, 2021, through May 18, 2022, 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 195,930 through the issue of a maximum of 195,930 ordinary shares, each with a par value of SEK 1. This corresponds to dilution of about 0.3 percent of the shares and votes in the Company.

The convertible debenture loan falls due for payment on June 6, 2022, insofar as conversion has not already been undertaken.

Stockholm, February 12, 2019  
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

The Board of Directors is responsible for the corporate governance statement for the year 2018 on pages 113–121 and for its preparation in accordance with the Annual Accounts Act.

#### Scope of the 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 21, 2019

PricewaterhouseCoopers AB

Håkan Malmström  
Authorized Public Accountant  
Auditor-in-charge

Ann-Christine Hägglund  
Authorized Public Accountant



# Executive Management



Johan Skoglund



Martin Asp



Maria Bäckman



Per Lundquist



Sören Bergström

<b>AT JM AS</b>	President and CEO	Business Unit Manager JM Norway and JM Finland. President of JM Norge AS.	Chief Legal Counsel, Legal Affairs and Development	Director of Operations Development	Acting Business Unit Manager JM Construction and President of JM Entreprenad AB
<b>EMPLOYED IN</b>	1986	1996	2000	2016	1988
<b>JOINED EXECUTIVE MANAGEMENT</b>	2000	2011	2012	2016	2001
<b>SHARES IN JM*</b>	50,000	6,295	750	3,000	5,000
<b>CONVERTIBLES IN JM</b>	SEK 9,986,763	SEK 1,471,554	SEK 1,471,554	SEK 1,471,554	SEK 1,144,542
<b>BORN</b>	1962	1973	1973	1967	1956
<b>TRAINING AND EDUCATION</b>	MSc. Eng., KTH Royal Institute of Technology, Stockholm, 1986; MSc. Program, Stockholm School of Economics, 1998.	MSc. Eng., LTU, 1997. MSc. Program, Stockholm School of Economics, 2000. BA Economics, Stockholm University, 2010.	LL.B., Stockholm University, 1997.	MSc. Eng., Institute of Technology at Linköping University, Applied Physics and Electrical Engineering, 1993.	MSc. Eng., KTH Royal Institute of Technology. MSc. Program, Stockholm School of Economics, 1996. Executive Management Program, Stockholm School of Economics, 2001.
<b>PREVIOUS POSITIONS</b>	Thirtytwo years in various positions at JM, such as site engineer, project manager, regional manager and business unit manager. President and CEO since 2002.	Foreman, pre-construction manager and project manager at JM and President of Kvarnholmen Utveckling AB.	Trainee Lawyer, Advokatfirman Lindahl. Clerk, District Court of Uppsala.	Senior Vice President Operations at Cramo AB. Toyota Material Handling Europe and Toyota Industries.	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. Director of Purchasing 2018.
<b>OTHER SIGNIFICANT ASSIGNMENTS</b>	Member of the Board of Castellum AB, Infranord AB, Confederation of Swedish Enterprise and Mentor Sverige.				

\* Shareholdings as of 2/12/2019.

Peter Neuberg, Business Unit Manager for JM Construction and President of JM Entreprenad AB was member of the Executive Management during January to November 2018.



Susanne Persson

Business Unit Manager  
JM Residential Sweden



Helena Söderberg

Director Human Resources



Pär Vennerström

Business Unit Manager  
JM Residential Stockholm and  
Business Unit Manager, JM  
Property Development



Anders Wimmerstedt

Production Director  
(Production, Central  
Purchasing, Logistics and  
Work Environment)



Claes Magnus Åkesson

Chief Financial Officer and  
Head of Investor Relations

2013	2010	2001	1984	1998
2018	2010	2014	2018	1998
1,857	1,300	3,750	0	27,774
SEK 339,750	SEK 195,189	SEK 0	SEK 817,530	SEK 6,167,905
1969	1967	1974	1964	1959
MSc Eng., Faculty of Engineering LTH at Lund University, 1992. Bachelor of Science Ecole National de Ponts et Chaussées Paris.	Degree in Human Resources, Uppsala University, 1991.	MSc. Eng., KTH Royal Institute of Technology, Roads and Water, 1999. Executive Management Program, Stockholm School of Economics, 2015.	Construction engineer. Executive Management Program, Stockholm School of Economics 2017.	MSc. Econ., Stockholm School of Economics, 1984. Advanced Management Programme, INSEAD, France.
Skanska Group as trainee, project engineer and regional manager. PEAB Sweden as regional manager. Regional Manager, South Region, JM Residential Sweden, 2013–2017.	Nordic HR Director Alstom Transport and various HR positions within the Skanska Group.	Project Manager, Regional Manager Stockholm North-west, 2008–2009, Regional Manager Stockholm South, 2009–2014.	Thirtyfour years in various positions at JM, including project manager, work supervisor and production manager. Since 2011 the Head of Residential Production Stockholm with overall responsibility for the development of production operations in JM Residential.	Ericsson Group, 1987–1998: Senior Controller Asia, Head of Finance and Treasury Malaysia and Regional Controller Asia.
				Board member of Concentric AB and Handicare AB.

# Gradually raised dividend to shareholders

## Share capital

The JM share is listed on Nasdaq Stockholm, Large Cap segment. The share capital amounts to SEK 69.6m, represented by 69.6 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 2018, the JM share price decreased by –7 percent compared to an increase of 10 percent for SX8630. The general index on the Nasdaq Stockholm Stock Exchange, OMX Stockholm PI, decreased by –8 percent in 2018. The highest listed price for the JM share during the year was SEK 212.60 on January 16 and the lowest was SEK 144.55 on October 25. Dividend yield, proposed dividend in relation to the market price at the end of the year, was 6.9 percent (5.9). Total return in 2018 was –2 percent (–25).

## Trading and market capitalization

JM shares were traded for a value of SEK 31.9bn (48.9) in 2018. Average daily trading was about SEK 128m (194). The turnover rate, the liquidity of the share, was 260 percent (368). The Company's market capitalization amounted to SEK 12.0bn (13.0) at the end of the year.

## Ownership structure

The number of shareholders as of December 31, 2018, was 20,607 (18,269). The ten largest shareholders accounted for 46.5 percent (28.6) of capital. Foreign shareholders represent 54.6 percent (57.3) and Swedish shareholders 45.4 percent (42.7) of the capital.

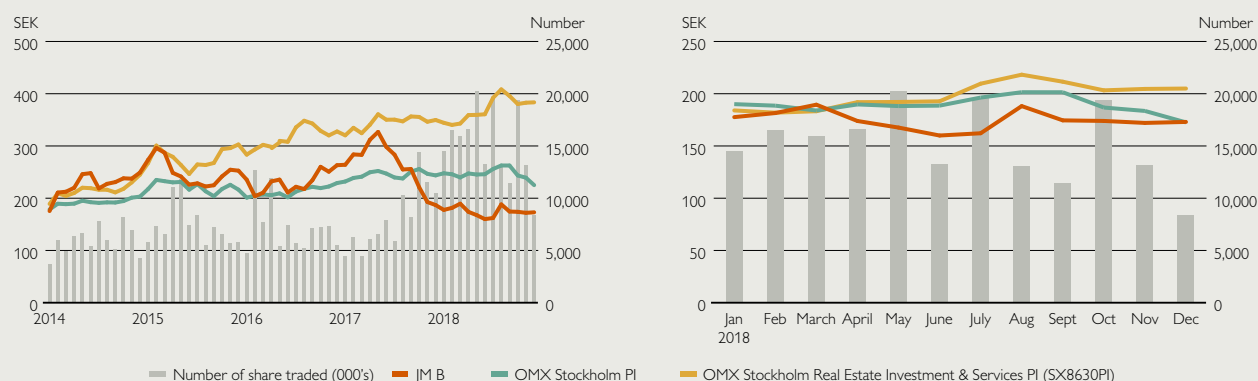
## Dividend policy

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 2018 amounts to SEK 12.00 (11.00) per share.

Total return, %	2018	Average per year 2014–2018	Average per year 2008–2018
JM	–2	3	19
Nasdaq Stockholm	–4	8	14
<b>Total return JM, 2009–2018</b>		<b>%</b>	<b>Index</b>
2018		–2	570
2017		–25	579
2016		7	776
2015		5	722
2014		41	690
2013		62	489
2012		9	301
2011		–26	275
2010		30	372
2009		186	286
1/1/2009		–	100
Average, 5 years		3	
Average, 10 years		19	

Transfer to shareholders, SEK m	Dividend	Buy-back	Total
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
2018	765	–	765
<b>Total</b>	<b>4,862</b>	<b>2,876</b>	<b>7,738</b>

## SHARE PRICE DEVELOPMENT



## SHARE DATA – SEGMENT REPORTING

SEK per share	2018	2017	2016	2015	2014
Share price as of 12/31	173.00	186.90	263.20	252.70	249.00
Highest/lowest price paid during the year	212.60/144.55	336.50/184.20	263.20/179.40	314.80/201.60	256.00/171.00
Dividend yield as at 12/31 (%)	6.9	5.9	3.6	3.3	3.2
Market capitalization as at 12/31 (SEK m)	12,038	13,005	18,805	18,597	18,792
Diluted earnings per share	20.60	31.00	21.20	15.50	16.00
Development properties					
Market value	220	212	197	153	127
Carrying amount	119	108	100	96	90
Project properties					
Market value	29	19	12	7	4
Carrying amount	23	15	8	5	3
Interest-bearing net liabilities	8	-11	6	16	-4
Shareholders' equity (reported)	98	89	72	63	62
Dividend	12.00 <sup>1)</sup>	11.00	9.50	8.25	8.00
Dividend in % of earnings per share	58	35	45	53	50
P/E ratio as at 12/31	8	6	12	16	16
Number of shares as at 12/31	69,583,262	69,583,262 <sup>2)</sup>	71,448,330 <sup>3)</sup>	73,594,000 <sup>4)</sup>	75,471,471 <sup>5)</sup>
Average number of shares, basic	69,583,262	70,642,592	72,526,479	74,601,637	76,542,355
Average number of shares, diluted	69,836,391	70,844,023	72,725,820	74,846,482	76,888,597

<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

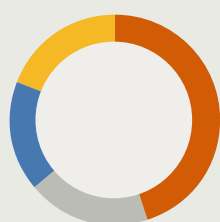
## OWNERSHIP STRUCTURE AS AT 12/31/2018

Size of holding	Number of share-holders	% of all share-holders	Total number of shares owned	% of share capital
1 – 500	16,745	81.3	2,085,849	3.0
501 – 1,000	1,883	9.1	1,543,001	2.2
1,001 – 5,000	1,538	7.5	3,465,827	5.0
5,001 – 20,000	290	1.4	2,910,962	4.2
20,001 – 100,000	87	0.4	4,047,962	5.8
100,001–	64	0.3	55,529,661	79.8
<b>Total</b>	<b>20,607</b>	<b>100.0</b>	<b>69,583,262</b>	<b>100.0</b>

## CHANGE IN SHARE CAPITAL 2014–2018

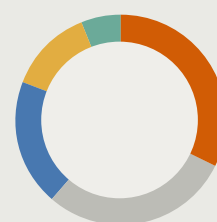
Year	Redemption repurchased shares, SEK m	Utilization convertible program, SEK m	Number of shares	Par value/share	Share capital, SEK m
2014	-2.8	0.1	77,082,025	SEK 1	77.1
2015	-2.1	0.1	75,173,524	SEK 1	75.2
2016	-2.2	0.0	73,052,987	SEK 1	73.0
2017	-2.0	0.0	71,059,683	SEK 1	71.0
2018	-2.4	0.0	69,583,262	SEK 1	69.6

DISTRIBUTION OF OWNERSHIP BY COUNTRY



- Sweden, 45%
- USA, 19%
- Norway, 17%
- Other/Anonymous, 19%

DISTRIBUTION OF OWNERSHIP BY CATEGORY



- Foreign institutional investors, 32.4%
- Swedish institutional investors, 29.1%
- Other shareholders<sup>1)</sup>, 19.5%
- Swedish private persons, 12.9%
- Anonymous ownership, 6.1%

<sup>1)</sup> Of which approximately 16% foreign ownership

## LARGEST SHAREHOLDERS

	Share capital, %
OBOS BBL	15.1
Swedbank Robur Fonder	7.1
BlackRock	5.0
Dimensional Fund Advisors	3.5
SEB Fonder	3.4
Länsförsäkringar Fonder	3.1
Vanguard	2.6
AFA Försäkring	2.5
Pensionskassan SHB Försäkringsförening	2.2
Janus Henderson Investors	2.0
Other shareholders	53.5
<b>Total</b>	<b>100.0</b>

Source: Monitor by Modular Finance AB. Compiled and processed data from various sources including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen) as at December 31, 2018.

The numbers have been rounded.

Number of shareholders: 20,607

Number of shares: 69,583,262

As per December 31, 2018, approximately 54 percent of the total share capital was owned by foreign investors.

# 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, March 28, 2019, 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, March 22, 2019, and must have informed the Company of their intention to participate by Friday, March 22, 2019, 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, March 22, 2019. Admission cards to the Annual General Meeting will be sent out.

## Dividend

The Board of Directors proposes that a dividend of SEK 12.00 per share be paid to shareholders. The proposed record date for the dividend is Monday, April 1, 2019. If the Annual General Meeting resolves to adopt the recommendation the dividend will be sent by Euroclear Sweden AB on Thursday, April 4, 2019.

## Financial Calendar

March 28	Annual General Meeting
April 26	Interim report January–March 2019
May 21	Capital Markets Day
July 12	Interim report January–June 2019
October 24	Interim report January–September 2019

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.

# 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 2018 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 131–133.

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 2018 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 129)
<b>Significant risks, risk management</b>	Risks and risk management (pages 30–32, 75)
<b>Results</b>	JM's Group-wide targets (page 37), Facts and KPIs (pages 130–131), Holistic approach to purchasing (pages 47–48), Responsible decisions at all levels (page 49)

The Sustainability Report includes all of JM's subsidiaries.

Stockholm, February 12, 2019  
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 2018 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 21, 2019  
PricewaterhouseCoopers AB

Håkan Malmström  
Authorized Public Accountant  
Auditor-in-charge

Ann-Christine Hägglund  
Authorized Public Accountant





## Stakeholder engagement

Stakeholder group	How we work	Examples of important aspects	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>

**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: Entire 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 workplaces Corporate health care	Accident and injury statistics Neatness and order audit Internal Audit	403-9 Types of injury and rates of injury, lost days, and absenteeism, and number of work-related fatalities	Sweden and Norway
<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	Entire Group
<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

		2018	2017	2016
<b>ETHICS AND VALUE CREATION, Group 201-1</b>				
Direct economic value generated	Revenue (Segment reporting), SEK m	16,161	17,008	15,752
Direct economic value distributed	Production and operating costs, etc., SEK m (Note 2)	-12,063	-12,520	-11,789
	Wages, salaries, other remuneration and pension costs, SEK m (Note 3)	-1,738	-1,660	-1,525
	Financial income, SEK m (Note 7)	10	279	17
	Financial expenses, SEK m (Note 7)	-79	-69	-77
	Expensed tax and social security expenses, SEK m (Note 8)	-853	-844	-838
	Proposed dividend/dividend, SEK m	-835	-765	-675
Direct economic value retained	SEK m	603	1,429	865
<b>RESPONSIBLE SUPPLIERS, 414-1</b>				
Sustainability assessment	Percentage of new suppliers that were screened	100 %	100%	100%
<b>WORK-RELATED INJURIES, Sweden, Norway, 403-9</b>				
Injuries <sup>1)</sup>	Number of work-related injuries (regardless of absence due to illness)	375 (JM) 126 (subcontractors)	270 (JM) 101 (subcontractors)	297 (JM) 95 (subcontractors)
Injury rate <sup>1)</sup>	Frequency of work-related injuries (regardless of absence due to illness) per million working hours	92.9 (JM) No statistics (subcontractors)	71.2 (JM) No statistics (subcontractors)	78.4 (JM) No statistics (subcontractors)
Lost day rate <sup>2)</sup>	Total number of leave-of-absence days due to occupational injuries relative to total number of work days for all employees	569 of total 504,692 days (JM)	572 of total 417,316 days (JM)	602 of total 405,105 days (JM)
Absentee rate	Total number of days of absence relative to the total number of work days for all employees	Women 3,407 (3.0%) Men 15,374 (3.7%) Total 18,781 (3.6%)	Women 2,564 (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%)
Work-related fatalities	Number	0 (JM) 0 (subcontractors)	1 (JM) 0 (subcontractors)	0 (JM) 0 (subcontractors)
Near-accidents and observations <sup>3)</sup>	Number	2,714	2,569	1,762
<b>DIVERSITY AND EQUAL OPPORTUNITY, Sweden, Norway and Finland 405-1</b>				
Age and gender distribution <sup>4) 5)</sup>	Number	Women Men Total	Women Men Total	Women Men Total
	<i>Wage-earners</i>			
	≤ 25 years old	16 159 175	11 180 191	5 199 204
	26–35 years old	11 270 281	3 237 240	3 225 228
	36–45 years old	7 200 207	4 199 203	3 213 216
	46–55 years old	1 222 223	– 223 223	– 228 228
	≥ 56 years old	– 146 146	– 141 141	– 146 146
	Total	35 997 1,032	18 980 998	11 1,011 1,022
	<i>Salaried employees</i>			
	≤ 25 years old	27 33 60	23 35 58	15 31 46
	26–35 years old	164 290 454	157 258 415	131 244 375
	36–45 years old	133 211 344	127 206 333	108 213 321
	46–55 years old	110 188 298	101 178 279	90 178 268
	≥ 56 years old	55 137 192	45 129 174	40 131 171
	Total	489 859 1,348	453 806 1,259	384 797 1,181
	<i>Managers</i>			
	≤ 25 years old	– – –	– – –	– – –
	26–35 years old	6 19 25	6 18 24	4 10 14
	36–45 years old	20 58 78	18 63 81	24 44 68
	46–55 years old	31 68 99	27 54 81	23 43 66
	≥ 56 years old	6 33 39	5 26 31	2 20 22
	Total	63 178 241	56 161 217	53 117 170
	<i>Executive Management</i>			
	≤ 25 years old	– – –	– – –	– – –
	26–35 years old	– – –	– – –	– – –
	36–45 years old	1 2 3	1 2 3	1 2 3
	46–55 years old	2 1 3	1 3 4	1 3 4
	≥ 56 years old	– 3 3	– 2 2	– 2 2
	Total	3 6 9	2 7 9	2 7 9
	<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 4 7	3 3 6

<sup>1)</sup> The key financial figures changed to work-related injuries regardless of absence due to illness. The most common causes/risks of injury in 2018 were same-level falls (tripping, slipping), contact with sharp objects and injuries from self-handled objects. The most common types of injury in 2018 were crushing, squeezing or other soft tissue injuries, sores and sprains, twists or strains.

<sup>2)</sup> The number of leave-of-absence days due to occupational injuries has gone down despite the increase in the number of injuries, which means that injuries have become milder in nature.

<sup>3)</sup> The sharp increase in reported near-accidents is due to the digital reporting tool (online deviation system for building industry BIA).

<sup>4)</sup> Certain skills, for example architects, consultants and different types of subcontractors, are hired in the development projects.

<sup>5)</sup> Data is obtained from JM's personnel system.

## Facts and KPIs for sustainability, cont.

		2018		2017		2016	
RESOURCE EFFICIENCY, Sweden, 306-2							
Construction waste to recycling	Tons (Part of)	6,277	(58%)	6,465	(55%)	4,980	(50%)
Construction waste to incineration	Tons (Part of)	3,073	(29%)	3,752	(32%)	3,539	(36%)
Construction waste to landfill	Tons (Part of)	439	(4%)	647	(5%)	529	(5%)
Unsorted waste	Tons (Part of)	925	(9%)	884	(8%)	898	(9%)
Hazardous waste	Tons (Part of)	37	(0.3%)	35	(0,3%)	17	(0.2%)
Total amount of construction waste <sup>1)</sup>	Tons	10,751		11,783		9,962	
SMALL ENVIRONMENTAL IMPACT, Sweden							
JM's carbon dioxide emissions, 305-1, 305-2, 305-3	Tons CO <sub>2</sub> e	Scope 1	4,241	4,775	4,708		
		Scope 2	1,481	1,428	1,754		
		Scope 3 <sup>2)</sup>	13,161	16,138	16,701		
		Total	18,883	22,341	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	2	4	4			
Carbon dioxide intensity from new production, CRE4	Tons CO <sub>2</sub> e/turnover (SEK m)	1.2	1.3	1.5			
Carbon dioxide intensity from new production, CRE4	Tons CO <sub>2</sub> e/produced residential unit	6.58 <sup>3)</sup>	6.35	6.43			
Newly produced homes' estimated energy consumption, CRE1	kWh/m <sup>2</sup> A-temp	56	60	66			

<sup>1)</sup> Statistics from our waste contractors. The waste is classified by the waste contractor and reported in fractions in accordance with the guidelines of the Ecocycle Council.

<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.

The emissions in Scope 3 in 2017 were corrected after review by a third party.

<sup>3)</sup> The total carbon dioxide emissions were reduced, but the number of produced residential units is lower than in previous years, which affects the key financial figures.

## 2018 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 2018 Annual Report)	External audit
<b>ORGANIZATIONAL PROFILE</b>			
102-1	Name of the organization	71	
102-2	Activities, brands, products, and services	7–14	
102-3	Location of headquarters	136	
102-4	Location of operations	7–9	
102-5	Ownership and legal form	124–125	Yes
102-6	Markets served	52–56	
102-7	Scale of the organization	71–75	Yes
102-8	Information on employees and other workers	42–46, 88, 130	
102-9	Supply chain	47–48	
102-10	Significant changes to the organization and its supply chain	47–48	
102-11	Precautionary principle or approach	35	
102-12	External initiatives	35–36	
102-13	Membership of associations	36	
<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	47–49	
<b>GOVERNANCE</b>			
102-18	Governance structure	35, 113–121	Yes

GRI code	Description/indicator	Reference (page number in the 2018 Annual Report)	External audit
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	128	
102-41	Collective bargaining agreements	All employees in Sweden and Finland and 37% in Norway	
102-42	Identifying and selecting stakeholders	35, 128	
102-43	Approach to stakeholder engagement	35	
102-44	Key topics and concerns raised	128	
<b>REPORT PRACTICE</b>			
102-45	Entities included in the consolidated financial statements	93	Yes
102-46	Defining report content and topic boundaries	35, 127, 129	
102-47	List of material topics	127–129	
102-48	Restatements of information	–	
102-49	Changes in reporting	–	
102-50	Reporting period	71	
102-51	Date of most recent report	Annual Report 2017, published in 2018	
102-52	Reporting cycle	127	
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	127	
102-55	GRI content index	131–133	
102-56	External assurance	127	
<b>ECONOMIC PERFORMANCE INDICATORS</b>			
<b>GRI 201</b>	<b>Economic performance</b>		
201-1	Direct economic value generated and distributed	76–80, 130	Yes
GRI 103	Management approach	22–23, 35, 129	
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
<b>GRI 302</b>	<b>Energy</b>		
CRE1	Building energy intensity	41, 131	
GRI 103	Management approach	22–23, 35, 129	
<b>GRI 305</b>	<b>Emissions</b>		
CRE3	GHG emission intensity from buildings	131	Yes
CRE4	GHG emission intensity from building process	131	Yes
305-1	Direct (Scope 1) GHG emissions	131	Yes
305-2	Direct (Scope 2) GHG emissions	131	Yes
305-3	Other indirect (Scope 3) emissions	131	Yes
GRI 103	Management approach	22–23, 35, 129	
<b>GRI 306</b>	<b>Waste</b>		
306-2	Waste by type and disposal method	39–41, 131	
GRI 103	Management approach	22–23, 35, 129	
<b>SOCIAL PERFORMANCE INDICATORS</b>			
<b>GRI 403</b>	<b>Occupational health and safety</b>		
403-1, CRE6	Occupational health and safety management system	44–45	
403-2	Hazard identification, risk assessment, and incident investigation	44–45	
403-3	Occupational health service	44–45	
403-4	Worker participation, consultation, and communication on occupational health and safety	44–45	
403-5	Worker training on occupational health and safety	44–45	
403-6	Promotion of worker health	44–45	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	44–45	
403-9	Work-related injuries	45, 130	
GRI 103	Management approach	22–23, 35, 129	

GRI code	Description/indicator	Reference (page number in the 2018 Annual Report)	External audit
<b>GRI 404</b>	<b>Training and education</b>		
404-2	Programs for upgrading employee skills and transition assistance programs	42–45	
GRI 103	Management approach	22–23, 35, 129	
<b>GRI 405</b>	<b>Diversity and equal opportunity</b>		
405-1	Diversity of governance bodies and employees	42, 116–117, 122–123, 130	
GRI 103	Management approach	22–23, 35, 129	
<b>GRI 414</b>	<b>Supplier social assessment</b>		
414-1	New suppliers that were screened using social criteria	47–48	
GRI 103	Management approach	22–23, 35, 129	
<b>GRI 417</b>	<b>Marketing and labeling</b>		
417-1	Requirements for product and service information and labeling	40–41, 47–48	
GRI 103	Management approach	22–23, 35, 129	



# 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 47–49
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 42–49
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, 38–41
7. Support a precautionary approach to environmental challenges	
8. Undertake initiatives to promote greater environmental responsibility	
9. Encourage the development and diffusion of environmentally friendly technologies	
<b>ANTI-CORRUPTION</b>	Pages 47–49
10. Work against corruption in all its forms, including extortion and bribery	

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