Background and description

Reasons for the proposal
The Board of Directors of JM AB (“JM”) deems, on condition that the 2007 Annual General Meeting resolves in accordance with the proposal specified below, to establish a long-term incentive program (“2007 Performance Share Program”) covering up to 50 senior executives in the JM Group. The purpose of the 2007 Performance Share Program is to strengthen JM’s ability to retain and recruit the best employees in order to achieve the highest possible return for shareholders, ensure long-term commitment among senior executives, align the interests of senior executives with those of the shareholders, make it possible for senior executives to partake in the value created for shareholders, make it possible to increase the value of the variable portion of the total compensation package for the senior executives, and encourage a shareholder culture while ensuring an incentive structure that is simple, clear and communicable.

Participants in the 2007 Performance Share Program must invest in ordinary shares in JM (“Contribution Shares”), usually during May, 2007. For each Contribution Share acquired within the framework of the 2007 Performance Share Program, the participant is assigned the right (“the Right”) to acquire at a future date one ordinary share in JM (“Performance Share”) at a redemption price of SEK 10. A prerequisite for being able to exercise the Right to acquire Performance Shares is, with certain exceptions, that the participant has been employed by the JM Group for an initial three-year vesting period and that during this period the participant kept all Contribution Shares initially acquired under the Performance Share Program 2007. The Board proposes a seven-year term for the 2007 Performance Share Program,
including the initial three-year vesting period. Similar programs will be established annually on condition of approval to that effect at each Annual General Meeting.

Under the scheme, the maximum number of Contribution Shares that each participant in the 2007 Performance Share Program may acquire is the higher of 100 percent of the participant’s variable pay after tax or 50 percent of the participant’s potential maximum variable pay after tax, divided by the average market value of the JM Share during the last 10 trading days in May 2007. For the 2007 Performance Share Program this calculation is based on the variable salary for 2006. Thus each acquired Contribution Share entitles the Right to acquire one Performance Share. JM Group employees are paid variable salary if they meet certain financial and operational targets, relating to operating profit before tax, earnings per share and the “Satisfied customer index”, for the financial year.

Costs of 2007 Performance Share Program

Costs for long-term share-related salary are reported according to IFRS 2. The value of the Rights to acquire performance shares in the future in accordance with the 2007 Performance Share Program is calculated in accordance with Black-Scholes model and costs based on this valuation are amortized on a straight-line basis and reported in the income statement over the three-year vesting period. Social security costs are calculated and allocated in accordance with the Swedish Emerging Issues Task Force’s statement URA 46, which essentially involves distribution over the three-year vesting period. Both the level and distribution of social security costs are affected, however, by the share price trend and any changes in the level of fee charged. The cost of the 2007 Performance Share Program is estimated at a maximum of SEK 10 million, depending on the allocation of Rights and on the number of program participants. Based on the historical outcome of the established financial targets and expected investment in Contribution Shares, tax costs for the

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1 Calculated according to the latest noted average volume-weighted price paid during the period in question for the JM Share on the official exchange list of the Nordic Stock Exchange.
2007 Performance Share Program are expected to amount to about SEK 5 million.\(^2\)

These costs shall be viewed in relation to JM’s total wage costs, which in 2006 were about SEK 1,298 million including social security expenses.

Since the Rights relate to equity instruments, share capital will increase by an equivalent amount and therefore remain unchanged despite the increased cost according to the income statement.

In addition to costs as stated above, are external administrative expenses, which are deemed to be less than SEK 0.5 million during the term of the 2007 Performance Share Program. These costs are reported during the year they occur.

\textit{Drafting of proposals}

The proposals to the 2007 Annual General Meeting for the 2007 Performance Share Program have been drafted by the Board of Directors and its Remuneration Committee, with the assistance of external advisors and after consultation with major shareholders. The Remuneration Committee consisted of board members Lars Lundquist and Bengt Larsson. At the board meeting on January 22, 2007 the Board was informed about the main features of the intended proposal for the new long-term incentive program. Subsequently the biggest shareholders were informed by Lars Lundquist about the intended proposal suggestion. All of the major shareholders stated that they were in favor of the long-term incentive program. At the board meeting of March 19, 2007, the Board decided that the present proposal for a new long-term incentive program should be proposed to the 2007 Annual General Meeting. Other than the Remuneration Committee and the administrators who prepared the issue for the Remuneration Committee, no employee who could be

\(^2\) According to calculations carried out by an independent expert, the estimated value of each Right is SEK 220. This estimate is based on the closing price on March 9, 2007, statistics pertaining to the share price trend for the JM Share, and the dividend adjustment. The total calculated value of all Rights, based on the historical outcome of the established financial targets and the expected investment in Contribution Shares, as well as staff turnover, amounts to about SEK 4.3 million.
covered by the 2007 Performance Share Program participated in the formulation of the terms and conditions of the program.

Other share price-related incentive programs
The company has not issued any share price-related incentive program at this time.

Effects on important key indicators
The 2007 Performance Share Program will have a negative impact on earnings per share. The negative impact on earnings per share of the Performance Shares that are transferred for SEK 10 to employees in accordance with the 2007 Performance Share Program amounts to a maximum of 0.2 percent, which means that if the 2007 Performance Share Program had been implemented in 2006, JM’s earnings per share would have decreased by 3 öre as a consequence thereof, from SEK 16:40 to SEK 16:37.

Acquisition and transfer of the Company’s shares under the 2007 Performance Share Program
In order to implement the 2007 Performance Share Program in a cost-effective and flexible manner, the Board of Directors proposes that the Annual General Meeting resolve as follows. The Board proposes that the Annual General Meeting resolve to authorize the Board of Directors to approve the acquisition of the Company’s shares on the stock exchange. This authorization shall cover the number of the Company’s shares that later could be transferred under the 2007 Performance Share Program, as well as the number of JM shares that could be transferred to cover social security expenses. The Board also proposes that the authorization include the transfer of JM shares on the stock exchange at a later date to cover costs. Furthermore, the Board proposes that the Annual General Meeting approve the transfer of JM shares to participants in the 2007 Performance Share Program and that the Company’s shares could be transferred free of charge to other employing companies in the JM Group to guarantee the undertaking to cover shares to participants in the 2007 Performance Share Program. Below are the terms and conditions of the Proposal in greater detail.
Dilution

The 2007 Performance Share Program involves a maximum of 42,000 ordinary shares. An additional maximum of 13,000 ordinary shares will be used to cover social security expenses. The 2007 Performance Share Program therefore entails total dilution equivalent to a maximum of about 0.06 percent of shares and votes in the Company.
The Board of Director’s Proposal for Resolution

The Board of Directors proposes that the Annual General Meeting resolve (i) to establish the 2007 Performance Share Program, based on a maximum of 55,000 ordinary shares, including the number of shares necessary to cover social security expenses, mainly in accordance with the terms, conditions and guidelines specified under point A below, (ii) that the Annual General Meeting resolve to authorize the Board of Directors to approve the acquisition and transfer of the Company’s ordinary shares on the stock exchange, in accordance with point B below, and (iii) that the Annual General Meeting resolve to transfer a maximum of 42,000 acquired JM ordinary shares to participants in the 2007 Performance Share Program and that the Company’s shares may be transferred free of charge to other employing companies in the JM Group to ensure the undertaking to provide shares to participants in the 2007 Performance share program, in accordance with point C below.

A. Principal terms and conditions for the 2007 Performance Share Program

a) The term of the 2007 Performance Share Program will be seven years.

b) The Rights issued in the program shall be allotted to up to 50 senior executives in the Company.

c) Allotment of Rights, which takes place without payment of compensation and which requires previous acquisition of Contribution Shares, may normally occur not later than May 31, 2007.

d) Each Right under the program entitles the holder to acquire one Performance Share for a redemption price of SEK 10. The number of Performance Shares that may be acquired pursuant to these Rights shall be adjusted, within the frame of the total number of Performance Shares in the program, for dividends during the vesting and exercise period (until exercise).
e) The number of Performance Shares that may be acquired pursuant to these Rights, as well as the purchase price to be paid for each such share could become subject to adjustment due to intervening bonus issues, splits, preference issues, dividends and/or similar actions.

f) The number of Performance Shares that can be transferred to participants in the 2007 Performance Share Program, will decrease proportionately if the total number of Rights to acquire Performance Shares should result in a number of Performance Shares (including the number of shares required to cover any expenses for social security costs accruing to Performance Shares) that exceeds 55,000 shares, equivalent to about 0.06 of the total number of shares and votes in the Company (dilution ceiling).

g) Rights normally fall due upon termination of employment within the JM Group.

h) Employees may exercise of Rights during a specific period in connection with announcement of the Company’s interim reports, whereby exercise can occur for the first time in conjunction with the announcement of the first interim report for 2010 and the last time in conjunction with the announcement of the first interim report for 2014.

i) In certain specific cases the Board of Directors shall have the right to adjust and close the 2007 Performance Share Program prematurely. The 2007 Performance Share Program has special regulations with respect to termination of employment due to changes in ownership or circumstances attributable to the employee personally, such as death or retirement.

j) Allotment of Rights presumes that such participation is legally possible and that in the opinion of the board, participation is possible with reasonable administrative costs and tax effects for the Company or other company in the JM
Group or for those persons who may be included in the 2007 Performance Share Program.

k) The Board of Directors shall be responsible for the detailed formulation and management of the 2007 Performance share program within the framework of the above specified principal terms, conditions and guidelines.

B. Acquisition and transfer of the Company's own ordinary shares on the stock exchange

Resolution for acquisition and transfer of the Company's own ordinary shares on the stock exchange may occur under the following conditions.

a) The authorization may be used on one or more occasions, though not extending past the 2008 Annual General Meeting.

b) Acquisition of ordinary shares may only take place on the Nordic Exchange.

c) A maximum of 42,000 ordinary shares may be acquired to ensure that shares are available to participants in the 2007 Performance Share Program as proposed by the Board, which corresponds with about 0.05 percent of the total number of shares in the Company.

d) Transfer of ordinary shares may only take place on the Nordic Exchange.

e) A maximum of 13,000 ordinary shares may be acquired and transferred to cover social security expenses attributable to the 2007 Performance Share Program as proposed by the Board of Directors, which corresponds with about 0.01 percent of the total number of shares in the Company.
f) Acquisition and transfer of shares on the Nordic Exchange may only be made within the price interval registered at any time on the Nordic Exchange, by which is meant the interval between the highest purchase price and the lowest selling price.

C. Transfer of acquired ordinary shares in the Company to participants in the 2007 Performance Share Program

Resolution on transfer of the Company’s ordinary shares may occur on the following terms and conditions.

a) Transfer may only be made of ordinary shares in the Company and a maximum of 42,000 shares may be transferred to the participants in the 2007 Performance Share Program.

b) The right to acquire shares shall be granted to persons within the JM Group who are covered by the terms and conditions of the 2007 Performance Share Program. Moreover, subsidiaries shall be entitled to acquire ordinary shares at no cost, whereby such firms shall undertake, under the terms and conditions of the 2007 Performance Share Program 2007, to expeditiously transfer ordinary shares to such persons in the JM Group who participate in the 2007 Performance Share Program.

c) Transfer of ordinary shares shall take place during the period that participants in the 2007 Performance Share Program are entitled to acquire shares under the terms and conditions of the 2007 Performance Share Program, i.e., during specific periods in connection with the announcement of the Company’s interim reports, whereby exercise can occur for the first time in conjunction with the announcement of the first interim report for 2010 and the last time in conjunction with the announcement of the first interim report for 2014.
d) Participants in the 2007 Performance Share Program shall pay for ordinary shares within 5 Banking Days from the day the participant has requested to exercise the right to acquire the share.

E) Participants in the 2007 Performance Share Program shall pay for each ordinary share the price which follows from the terms and conditions of the 2007 Performance share program (as stated above). Such price, and the number of shares, may be subject to recalculation as a result of intervening bonus issues, splits, preference issues, dividends and/or similar actions.

The Board may cite the following reasons for waiver of shareholders’ rights of pre-emption: Transfer of the Company’s ordinary shares is a component of the establishment of the 2007 Performance Share Program. The Board of Directors deems it to be an advantage for JM and its shareholders that the participants in the 2007 Performance Share Program are invited to become JM shareholders.

**Majority requirement and terms and conditions**

The Board’s proposal under A - C above, shall be viewed as one decision, and is valid where supported by shareholders holding no less than nine tenths of both the votes cast and the shares represented at the General Meeting of Shareholders.

JM AB (publ)
Stockholm March 19, 2007

*Board of Directors*