Inter IKEA Group
Financial Summary
FY16

LISABO
Table, ash veneer
€129.-
* Dutch price (price may vary per country)
The IKEA vision is to create a better everyday life for the many people. IKEA is one brand represented by many companies and many people all over the world. Together we make our vision come to life.

FY16 has been a busy year for IKEA. Retail sales exceeded 36.4 billion euros, 14 new stores opened their doors, and we simplified the IKEA franchise system to improve customer focus and our ability to grow.

People visited the 389 IKEA stores in 48 countries more than 915 million times. The IKEA website had a record year with 2.1 billion visits. To further improve the customer experience we have invested in e-commerce and new ways to make shopping, browsing and getting inspired easier. One example is our new pick-up and order points. Customers can order online, then pick their products up somewhere nearby. Or place an order in one of the stores or pick-up and order points with help from a co-worker.

We’re also investing in the IKEA product range. We’ve developed new collections in collaboration with some of the world’s foremost designers. This includes Tom Dixon, Walter van Beirendonck and Danish Design Brand Hay. We also constantly strive to minimise the amount of resources used to reduce our environmental impact. Together with our biggest textile supplier, we have recently introduced a new fibre dyeing technique that reduces water consumption by 80%. And we’re constantly experimenting with new materials. We may soon offer sofas and chairs made from paper, and bench tops and table legs made from bamboo.

We’re humbled that people have recognised our efforts. For example, IKEA products won three Red Dot Design Awards in 2016.

One of the focus areas in IKEA this year was food, which is a key part of our offer. In 2016, the newly-added veggie ball contributed to 30% sales growth
Veggie balls

A portion of 10 IKEA veggie balls includes 30% of your daily recommended fibre intake.

in the meatball family range, which also includes chicken balls and traditional meatballs. They’ve since become a customer favourite. In addition, the IKEA seafood range achieved ASC and MSC certification.

IKEA continues to expand on existing and new markets. In 2016 the first IKEA store opened in Zenata, Morocco, and new IKEA stores will soon open in Serbia, India and the Philippines. Yet on most IKEA markets the IKEA presence is limited, and in most countries IKEA is not even present.

To continue to develop IKEA in a rapidly changing retail environment, we decided to simplify and improve the IKEA franchise system. This will help us create even stronger customer focus and create better conditions for future expansion and growth. For many years, range and supply activities have been outsourced to the INGKA Group, the largest IKEA franchisee. During FY16 the new Inter IKEA Group decided to insource these assignments and acquired related companies and IKEA industrial companies for 5.3 billion euros.

This is a summary of the new Inter IKEA Group’s Annual Report. To learn more about IKEA activities, visit IKEA Highlights at IKEA.com. There you’ll find stories from the many companies behind the IKEA Brand.

The GLÖDANDE limited edition collection consisting of pre-cut fabrics, stationery, shopping bags, rugs, porcelain and pillows was co-created with Belgian designer, Walter van Beirendonck.

IKEA people define success by our ability to live up to the IKEA vision. We have been successful in reaching people and making the IKEA Brand known and loved by many people across the world. We have been inspired by people’s everyday lives at home and people have, in return, been inspired by our ideas, our solutions, our products, our catalogue, our website and our stores.

I am proud of the work all 183,000 IKEA people around the world have done this year. It’s their passion and commitment that truly brings the IKEA vision to life. We’ve accomplished a lot this year, but there’s plenty left to do.

As IKEA founder Ingvar Kamprad once said, "Most things remain to be done".

Torbjörn Lööf
CEO Inter IKEA Group
IKEA® – one vision, one brand, many companies and many people

389
IKEA stores worldwide

915
IKEA store visits in millions

2.1
IKEA website visits in billions

36.4
IKEA retail sales in billion Euros

183
IKEA co-workers in thousands

1.3
Million kitchens sold worldwide

The IKEA franchise system was developed to secure the IKEA vision, to create a better everyday life for the many people, and the IKEA business idea, to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. In 1983, Inter IKEA Systems B.V. was established and started to develop the IKEA Concept, and is the worldwide franchisor. For the rights to use the IKEA systems, methods and trademarks, every IKEA franchisee pays a franchise fee to Inter IKEA Systems B.V. As of 31 August 2016 there were 13 franchisees operating 389 stores in 48 countries.
Inter IKEA Group

The IKEA Concept is built upon the IKEA way of designing, developing, producing and distributing the IKEA product range. These activities had historically been assigned to the INGKA Group through various agreements. On 31 August 2016, Inter IKEA Holding B.V. acquired the companies working under these agreements in order to strengthen the franchise system and create a strong platform for future growth.

To prepare for this transaction, a restructuring of the Inter IKEA Group took place in May 2016. This divided the Group into one entity for the IKEA related business and a second entity for the investment business. Both groups have separate holding companies, boards and management. Inter IKEA Holding B.V. owns the IKEA related business and is referred to as the Inter IKEA Group. Interogo Holding AG is the owner of the investment business and a non-controlling shareholder of Inter IKEA Holding B.V. Interogo Foundation is the controlling shareholder of both groups.

Inter IKEA Holding B.V. acquired IKEA of Sweden AB, IKEA Supply AG, IKEA Industry and certain other connected businesses from INGKA Holding B.V. for a total amount of EUR 5.3 billion. Inter IKEA Group now consists of three core businesses: Franchise, Range & Supply and Industry.

Franchise
Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor. Inter IKEA Systems B.V. develops the IKEA Concept and ensures its successful implementation in existing and new markets. The IKEA Concept consists of the IKEA product range, the IKEA retail system and the IKEA trademarks. The franchisor offers this concept to IKEA retailers worldwide and enables the long-term fulfilment of the IKEA business idea.

The IKEA business model places the home furnishing offer in the centre with a strong connection to the way it is sourced and developed, as well as positioned and communicated to IKEA customers. Inter IKEA Systems B.V. granted assignment agreements as follows:

- to develop the IKEA product range and communication solutions connected to the range – IKEA of Sweden AB
- to develop the IKEA Food & Beverage range – IKEA Food Services AB
- to produce creative content connected to the range – IKEA Communications AB
- to source, sell and distribute the range to certain IKEA retailers and other authorised distribution companies – IKEA Supply AG.

These companies now form part of the Inter IKEA Group.
Range & Supply
IKEA of Sweden AB has the responsibility to develop, design and produce home furnishing solutions and make them available to address everyday home furnishing needs. The foundation of all product development is the belief that even with a thin wallet people should still be able to create a beautiful home with functional, safe and healthy products. IKEA of Sweden uses innovations in material and production techniques to become less dependent on raw materials. Each year 2,000 new products are introduced in the IKEA stores. The total range consists of almost 10,000 products.

IKEA Communications AB is an in-house communication agency creating and producing IKEA communication for customers and other IKEA organisations. Its best-known product is the IKEA catalogue, which is the largest distributed single printed publication in the world delivered to households globally. Another major production is the IKEA website which attracts 2.1 billion visits a year. Other work includes brochures, in-store communication, TV commercials, 3D technology and packaging and assembly instructions for all IKEA products. IKEA Communications AB brings together media professionals from around the world to make the IKEA home furnishing knowledge and product range come alive.

IKEA Food Services AB develops the IKEA Food & Beverages product range that is sold in the IKEA restaurants, cafés, bistro and Swedish food markets found in all IKEA stores. The food offer supports the Swedish roots of the IKEA Brand yet also allows for familiar products and dishes well known in the national or local market. All food and beverages are reliably sourced, nutritious and offer customers good value for money.

IKEA Supply AG is a wholesale company with the responsibility to supply IKEA retailers with IKEA products. The company owns the goods in distribution centres located worldwide. Furthermore, there are 25 purchasing offices to support and develop external suppliers. The core business also includes the production and supply of component solutions for assembling the furniture.

Industry
IKEA Industry manufactures IKEA products and secures production capacities for growth in strategically important categories with the aim to create outstanding customer value in terms of quality and price, while always keeping sustainability in mind. The core business produces approximately 10-12% of the total IKEA product range with the focus on furniture. Its operations conducted through 43 factories include forestry, sawmills, board materials, wood components and furniture production.
Inter IKEA Group has changed its financial year to better reflect the IKEA business cycle. The consolidated income statement therefore covers a period of eight months in 2016, as opposed to a twelve-month period in 2015. The acquisition of IKEA of Sweden AB, IKEA Supply AG and IKEA Industry AB and the related businesses has no impact on the income statement in 2016 since the acquisition was completed at year-end. FY17 will show the full effect of the acquisition in the income statement.

### In the full year FY16, IKEA retail sales by our franchisees rose 8% to EUR 36.4 billion as a result of growth in existing stores, new stores (14) and e-commerce. This has also led to an increase of franchise fee income with 7%.

Sale of goods includes the wholesale revenue from the distribution of goods to certain franchisees and the sale of goods in the Delft store in the Netherlands, which is owned and operated by Inter IKEA Group. The cost of goods sold relate to both wholesale and retail income.

Operational cost includes spending for the maintenance and development of the IKEA Concept, such as developing multi-channel retailing (including pick-up and order points) and automated storage and picking solutions. It also includes costs connected to markets and expansion as well as competence development and learning solutions.

Financial income and expense mostly relate to costs connected to the long-term loans payable to the shareholder.

The effective tax rate for FY16 is up 3% to 22% (FY15: 19%).

Net income for the 8-month period ended August 2016 was in line with the prior year’s performance.

The income statement will change significantly in FY17 when the costs for range development and wholesale sales to all IKEA retailers will be included, as well as the financial performance of IKEA Industry. This results in an increase of the profitability of Inter IKEA Group.

### Consolidated Income Statement

<table>
<thead>
<tr>
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<th>FY16 8 months</th>
<th>FY15 12 months</th>
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<tbody>
<tr>
<td>Sale of goods</td>
<td>1,337</td>
<td>2,038</td>
</tr>
<tr>
<td>Franchise fees</td>
<td>725</td>
<td>1,089</td>
</tr>
<tr>
<td>Other income</td>
<td>114</td>
<td>145</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td><strong>2,176</strong></td>
<td><strong>3,272</strong></td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>1,292</td>
<td>1,955</td>
</tr>
<tr>
<td>Operational cost</td>
<td>333</td>
<td>455</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>1,625</strong></td>
<td><strong>2,410</strong></td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td><strong>551</strong></td>
<td><strong>862</strong></td>
</tr>
<tr>
<td>Financial income and expense</td>
<td>-222</td>
<td>-325</td>
</tr>
<tr>
<td><strong>Total income before tax</strong></td>
<td><strong>329</strong></td>
<td><strong>537</strong></td>
</tr>
<tr>
<td>Income taxes</td>
<td>-71</td>
<td>-103</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td><strong>258</strong></td>
<td><strong>434</strong></td>
</tr>
</tbody>
</table>

*In the full year FY16, IKEA retail sales by our franchisees rose 8% to EUR 36.4 billion as a result of growth in existing stores, new stores (14) and e-commerce. This has also led to an increase of franchise fee income with 7%.*
Non-controlling shareholder. Non-current liabilities are mainly due to the non-controlling shareholder.
Provisions are recorded for pensions and deferred taxes.
Current liabilities include short-term borrowings, trade creditors and current portion of shareholder loans.

In FY17 Inter IKEA Group will focus on the further expansion and development of the IKEA Concept, including the range, while continuing to produce and supply low-priced products to the IKEA retailers.

**Note to reader:** The included abbreviated financial statements are an abridged version of the consolidated financial statements of Inter IKEA Holding B.V. as included in the Annual Report for the financial year 2016. An unqualified auditor’s report dated 1 December 2016 was issued on these financial statements. Inter IKEA Holding B.V.’s consolidated financial statements, from which these abbreviated financial statements have been derived, have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### Consolidated Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>31 Aug. 2016</th>
<th>31 Dec. 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible fixed assets</td>
<td>8,880</td>
<td>8,281</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>1,346</td>
<td>76</td>
</tr>
<tr>
<td>Financial fixed assets</td>
<td>364</td>
<td>73</td>
</tr>
<tr>
<td><strong>Total fixed assets</strong></td>
<td><strong>10,590</strong></td>
<td><strong>8,430</strong></td>
</tr>
<tr>
<td>Inventories</td>
<td>4,284</td>
<td>15</td>
</tr>
<tr>
<td>Receivables</td>
<td>3,634</td>
<td>648</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>302</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>8,220</strong></td>
<td><strong>690</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>18,810</strong></td>
<td><strong>9,120</strong></td>
</tr>
</tbody>
</table>

| Group equity                    | 4,258        | 3,247        |
| Provisions                      | 530          | 4            |
| Non-current liabilities         | 8,601        | 5,405        |
| Current liabilities             | 5,421        | 464          |
| **Total liabilities**           | **14,552**   | **5,873**    |

| Equity and liabilities          | **18,810**   | **9,120**    |

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The transaction resulted in an increase in balance sheet totals from EUR 9 billion to EUR 19 billion.

Intangible fixed assets mainly relate to Proprietary Rights. These rights include the IKEA trademarks, protection rights, intellectual property rights and the rights to the IKEA catalogue. The rights are amortised to the income statement over 45 years. This item also includes goodwill and other intangibles from the transaction.

Tangible fixed assets include 43 production units as well as the Delft store. Inventories mostly consist of finished IKEA goods while receivables mostly comprise trade debtors on IKEA retailers regarding franchise fees and IKEA goods sold.

At the time of the acquisition, the balance sheets of the acquired entities were accounted for at fair value. This has resulted in an increase in value, mainly on inventory and re-acquired rights combined with a balance of goodwill. These components will be amortised starting in FY17.

The acquisition is financed with a EUR 1 billion capital contribution and loans, both received from the non-controlling shareholder.
Inter IKEA Group

Financial Summary

FY16

Inter IKEA Holding’s Annual Report for FY16 can be ordered through the Inter IKEA Group website.

For further information, please visit the Inter IKEA Group website at www.inter.IKEA.com