

Inter IKEA Group Financial Summary FY17



TRÅDFRI
Smart lighting dimming kit

€ **29.95**

* Price in The Netherlands (may vary per country)

Inter IKEA Group





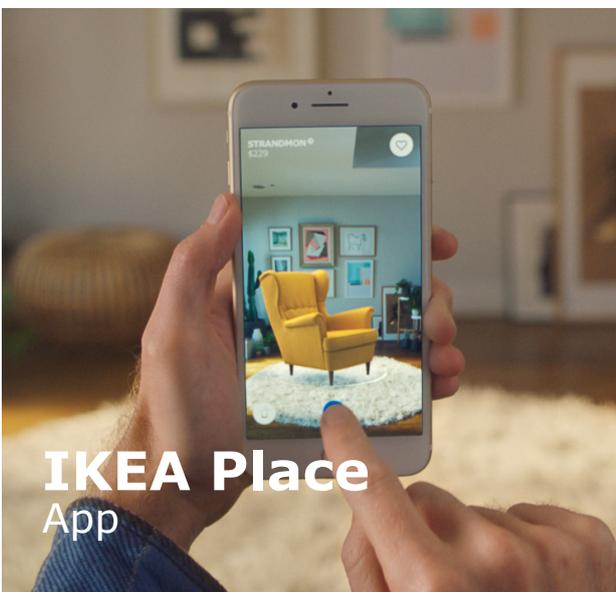
YPPERLIG
Collection

...pick-up and order points, augmented reality, sustainable sourcing, local partnerships, **more affordable, accessible and sustainable products**, new collections, new collaborations, new IKEA stores, new ways to shop...

About last year



20,000,000
trees planted
on Industry forest
leases in Russia



IKEA Place
App



RYET LED
bulb E27
400 lumen
€ 0.99/pcs.

* Price in The Netherlands (price may vary per country)



The world is changing, and the IKEA business is changing with it. But for IKEA one thing will always remain the same: our vision to create a better everyday life for the many people.

IKEA is a franchise business. That means many people and companies with different owners work under one IKEA Brand. FY17 was the first full year we worked together in a simplified and improved franchise system.

On 31 August 2016 we created the new Inter IKEA Group, bringing together three core businesses: Franchise, Range & Supply and Industry. Together we work constantly to improve the IKEA home furnishing offer and make it more accessible for the many people.

Changes in design, technology and urbanisation affect everyone, and people's expectations as a result. To meet and exceed their expectations, we continue to open up the product design process for collaborations with students, scientists and design partners from around the world. One good example is our collaboration with HAY, a Danish design studio. The result is YPPERLIG – a new collection that makes great design affordable. Developed during FY17, it was launched just this autumn.

During much of last year, we also prepared for a new commercial focus: "Make room for life". The living room is the heart of everyday life at home. It's a place for connecting with family and friends, celebrating special occasions, reminding us what matters in life. So we've developed new products and solutions to make living rooms more functional, personal and inspiring. This includes the new EKET cabinet series, which can be stacked, hung and combined endlessly.

These are just a few examples of the new products we introduced last year to make IKEA even more affordable, accessible and sustainable for IKEA customers. They can today meet all these products in many different places. This year IKEA attracted 2.3 billion website visits and 936 million visits to 403 IKEA stores – 14 of which opened in FY17. This included a store in Serbia, a new IKEA market. In FY18, 22 new IKEA stores are planned, which includes the opening of two new markets in India and Latvia. Long-term, we will continue to work with IKEA franchisees to expand even more with a focus on South East Asia and South America.

To support this expansion, we're working with franchisees to test and develop new formats like city-centre stores and IKEA pick-up and order points – convenient locations where IKEA customers can collect their online purchases or place an order. And we launched new ways to meet and interact with IKEA, like IKEA Place, which uses augmented reality to help people visualise IKEA products in their own homes. We're also, together with IKEA franchisees, making significant improvements of the IKEA website and e-commerce capabilities to make shopping from home fun, easy and convenient.

All of this has helped us learn more about how to improve our customer focus and ability to grow. IKEA growth this year was about 4% – lower than previous years. IKEA retail sales (including sales of services) amounted to EUR 38.3 billion across 49 markets.

Inter IKEA Group has also closed a successful FY17. We stayed true to our conservative financial principles, and our stable financial results give us resources to grow. This makes it possible for us to continue to work long-term and independently of economic cycles. In FY17 Inter IKEA Group realised EUR 23 billion revenue – including wholesale product sales to retailers, franchise fees and other income. In addition Inter IKEA Group invested EUR 300 million in the IKEA value chain through new production capacities and distribution set-ups.

Each and every Inter IKEA Group co-worker should be proud of what we accomplished in FY17. Together we've inspired more of the many people than ever before, and we've helped them to live a better, more healthy and sustainable life at home. Ahead we see that people's behaviour and the retail industry will continue to change and evolve. Together with IKEA franchisees we'll meet these challenges to create the IKEA of the future – together.

Torbjörn Lööf
CEO Inter IKEA Group

This is IKEA

403

IKEA stores worldwide

194

IKEA co-workers in thousands

936

IKEA store visits in millions

2.3

IKEA website visits in billions

38.3

IKEA retail sales in billion Euros



Note to reader: Figures are for the financial year that ended 31 August 2017. Retail sales exclude consumption tax and include sales of services

IKEA BY NUMBERS

All over the world people are looking, discussing, comparing, thinking, dreaming and buying IKEA products both online and in IKEA stores. Each year, those needs and dreams amount to the big numbers that make up the IKEA retail business.

E-commerce is available in 42 markets. During FY17, there were 2.3 billion IKEA website visits and 936 million visits to the 403 IKEA stores in 49 different countries. And 203 million copies of the IKEA catalogue – an important guide and source of inspiration for many people – were printed.

From napkins and pillows to complete kitchens, IKEA customers bought home furnishing products, solutions and services for 38.3 billion Euros. And a total co-worker force of 194,000 people took care of IKEA customers either directly on the sales floor or indirectly through the IKEA value chain.

Many customers took home their new sofas, tables or beds directly after purchase. Instant gratification has always been an important part of the IKEA Concept. Others chose to visit a convenient IKEA pick-up and order point close to their home – there are now 46, including three new ones that opened in FY17. That number will definitely keep growing in the future.

It's humbling that so many people all over the world trust IKEA with their needs and dreams for life at home.

THE IKEA FRANCHISE SYSTEM

As the IKEA business was expanding in the early 1980s, IKEA founder, Ingvar Kamprad, realised that he needed to protect the IKEA Concept. After a long search, Ingvar decided that a franchise system would be the best choice for IKEA. It would allow for international expansion while protecting the

underlying concept and stimulating an entrepreneurial spirit.

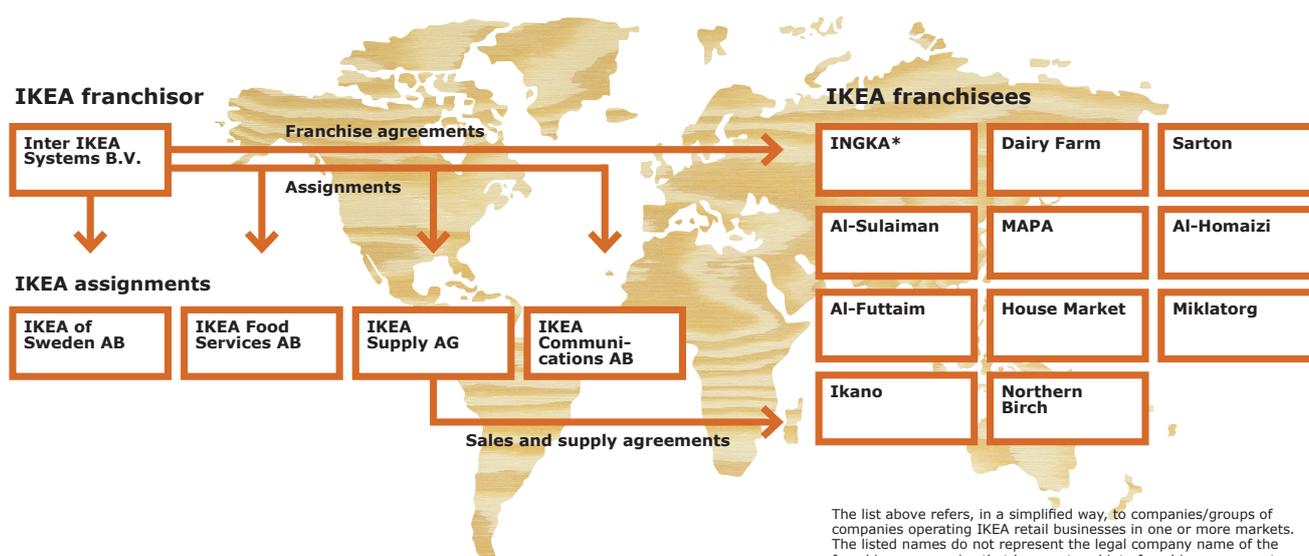
Inter IKEA Systems B.V. is the IKEA franchisor who continuously develops the IKEA Concept and ensures its implementation in all markets. IKEA franchisees run the day-to-day retail business and pay a franchise fee. Together, the companies in the franchise system develop and improve how people discover and interact with IKEA and IKEA products.

Inter IKEA Systems B.V. has assigned other IKEA companies to develop the range, supply and communication. IKEA of Sweden AB develops the IKEA home furnishing product range, IKEA Food Services AB develops the IKEA Food & Beverages product range, IKEA Supply AG manages purchasing and distribution and IKEA Communications AB produces IKEA communication.

The diagram below shows a simplified overview of the IKEA franchise system. Inter IKEA Systems B.V., IKEA of Sweden AB, IKEA Food Services AB, IKEA Supply AG and IKEA Communications AB are companies within the Inter IKEA Group. Inter IKEA Group also includes other companies like IKEA Industry AB.

The IKEA franchise system is people-oriented and encourages everyone to contribute. It forms an interdependent framework and lays a solid foundation for the IKEA Brand while enabling a scalable and dynamic value chain. Last, but not least, it answers Ingvar Kamprad's three desired intentions: allowing and encouraging IKEA to remain entrepreneurial; enabling international growth; and keeping the IKEA Concept strong and consistent.

The IKEA® franchise system a simplified overview



The list above refers, in a simplified way, to companies/groups of companies operating IKEA retail businesses in one or more markets. The listed names do not represent the legal company name of the franchisee companies that have entered into franchise agreements with Inter IKEA Systems B.V.

*INGKA refers to INGKA Holding B.V. and its controlled entities.

BETTER AND BETTER WITH DEMOCRATIC DESIGN

The IKEA business idea is “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”. These words capture the essence of IKEA.

Democratic Design is the IKEA view on how to create products that are worthy of the IKEA Brand and the many people.

Form, function, sustainability, quality and, of course, low price. These are the five dimensions of Democratic Design.

Not every product meets all of the dimensions, but Democratic Design guides IKEA product designers to make things better. It’s the gateway to better products, better homes and a better everyday life for even more of the many people.

THE IKEA VALUE CHAIN – OPEN FOR IDEAS

The word value chain might have a technical ring to it, but the IKEA value chain is all about people.

To begin with, it’s people who design and develop IKEA products. Most of that work is carried out in Älmhult, Sweden, where IKEA was founded. And it’s done in close collaboration with IKEA suppliers. Sharing each other’s expertise strengthens knowledge about design, materials development, sustainability and distribution. This allows IKEA to produce better products at lower prices.

The goal of IKEA range developers is to create products people really need. To understand what those products might be, they have to

reach out to people and make them part of the value chain. Great products that appeal to many people also open up large production volumes and low retail prices. And by asking IKEA customers to do some of the assembly work themselves, prices can be reduced even further.

In the future, IKEA will make the shopping experience even easier and more inspiring by developing new concepts and coming closer to where people live.

From FY18 and onward, the IKEA value chain will become more open and include further collaborations with designers, suppliers and many more of the many people. IKEA customers, startups, students and designers will also get opportunities to co-create innovations to solve the big problems – as well as new products for the IKEA range.

TOWARD A CIRCULAR IKEA

Over the years IKEA companies have made strong contributions to resource and energy independence, sustainable life at home and improved conditions for people in the IKEA value chain. Despite these advancements we still face challenges that are bigger than the actions we take today.

One of our biggest ambitions for the future is to transform IKEA into a “circular” business. Circularity is about prolonging the life of products and materials, using resources in smarter ways and creating as little waste as possible. Kitchens, LED bulbs, coffee – everything is possible.

During FY17, the first IKEA kitchen fronts made from recycled wood and recycled plastic were launched

in IKEA stores and online. The RYET LED bulb was introduced in most markets at a price of around one euro, enabling more people to save energy and money. The product developers looked at everything, from small components to the design and production, in order to streamline and keep costs down – and the quality high.

IKEA also launched PÅTÅR – a new range of coffee that is both UTZ-certified and organic according to EU standards. This is part of the IKEA efforts to ensure food ingredients are from responsible and more sustainable sources, produced with care for people and the planet.



THE MAKING OF MORE ENTREPRENEURS

Throughout the IKEA value chain there are many examples of our constant strive to contribute to a better everyday life for, and together with, the many people. One such example is how we have built long-term partnerships across the world to address social issues and create lasting change in communities. As a result, around 10,500 people have become part of the IKEA value chain – creating and producing IKEA products.

To support this enterprise, IKEA Supply AG started purchasing from Jordan in November 2016. This created jobs for 47 Syrian women refugees and 50 Jordanian women. The first collection from Jordan – TILLTALANDE – will consist of floor cushions, cushions and rugs, all to be made available in the IKEA Amman store in December 2017.

Despite this work, these initiatives do not always reach people in poor communities close to the IKEA value chain. To tackle this situation Inter IKEA Group is launching the IKEA Social

Entrepreneurship Initiative to explore how we can support them through empowering the social entrepreneurs of this group. The IKEA Social Entrepreneurship Initiative will mobilise and empower change makers in highly-challenged areas to strengthen their social entrepreneurial skills and businesses for success and sustainable change.

REACHING OUT TO MORE, IN MORE WAYS

IKEA expansion is now a multi-dimensional operation, and it's not only about opening more stores in more markets. It's also about finding new ways for people to reach and interact with IKEA by coming closer to where they are, and offering new IKEA experiences in more spaces, both physical and digital.

The big stores outside city centres remain important IKEA sales channels. However, in the coming years, city locations will play a more important role. We're also working to make online shopping more inspirational and convenient for IKEA customers. This includes

investments in new e-commerce capabilities and an improved IKEA website where customers can rate and review IKEA products according to the five dimensions of democratic design. And we're exploring the possibility of selling IKEA products via third-party platforms, though no specific platform has been chosen yet.

In FY18, 22 new IKEA stores are planned, including new markets in India and Latvia. Long-term, IKEA will continue to explore new ways to meet customers in existing and potential new markets with a focus on South East Asia and South America.

Inter IKEA Group

9,500

products in the
IKEA range

24

purchasing
offices

1,000

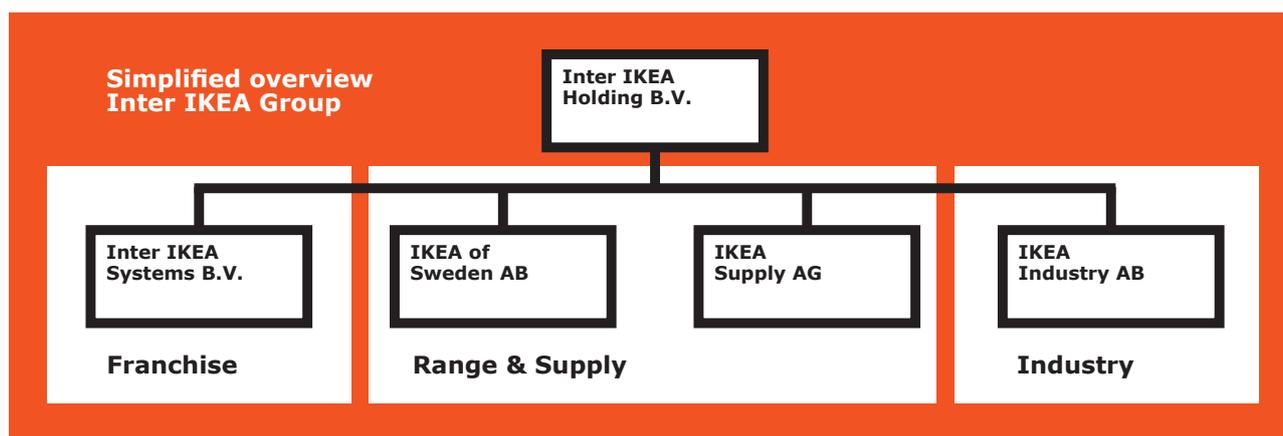
home furnishing
suppliers in 51
countries

40

factories
operated by
IKEA Industry

28

co-workers
in thousands



Note to reader: Figures are for the financial year that ended 31 August 2017. Inter IKEA Group is defined as Inter IKEA Holding B.V. and its controlled entities.

ABOUT INTER IKEA GROUP

Inter IKEA Group consists of three core businesses: Franchise, Range & Supply and Industry. Its main operations are located in The Netherlands (Franchise), Sweden (Range) and Switzerland (Supply). Most Industry activities are based in Poland.

Franchise: Inter IKEA Systems B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor. It offers the IKEA Concept to IKEA franchisees

worldwide, enabling the long-term fulfilment of the IKEA business idea.

Inter IKEA Systems B.V. is continuously developing the IKEA Concept to ensure its successful implementation in new and existing markets. For example, the IKEA Concept is being reviewed with an eye toward re-establishing different aspects to align multichannel retailing. This enables IKEA to remain forward-looking in areas such as brand

development, sustainability, people and environment, social media, market potential and expansion. Planned projects range from repositioning in certain markets to automating goods flow and further digitalisation of the IKEA catalogue.

Franchise is today developing a new IKEA sustainability strategy. Its ambition is to outline common long-term sustainability commitments for everyone in the IKEA franchise system and value

chain. The new strategy will focus on three main areas: healthy and sustainable living, becoming circular and climate positive, and contributing to a fair and equal society.

Range & Supply: Range & Supply is responsible for developing and supplying the global IKEA range. This means working throughout the whole value chain – from supplier to customer. It includes IKEA of Sweden AB, IKEA Communications AB, IKEA Food Services AB, IKEA Supply AG and related businesses. All work under assignment from Inter IKEA Systems B.V.

IKEA of Sweden AB is responsible for developing, designing and producing home furnishing solutions to address the everyday needs of the many people. Product development is based on the belief that even with a thin wallet people should be able to create a beautiful home with functional, safe and healthy products. Every product is designed with the five dimensions of Democratic Design in mind. Each year, 2,000 new products are introduced. The total IKEA range consists of 9,500 products.

IKEA Supply AG is a wholesale company that supplies the IKEA franchisees with IKEA products, and produces and supplies the component solutions used to assemble those products. It also owns the goods in distribution centres located worldwide. There are 24 purchase and logistic service offices to support and develop external suppliers.

IKEA Supply AG uses a large-volume approach that enables investment in efficient industrial

production setups and focuses on affordability, accessibility, quality and sustainability. As volumes increase, the costs decrease. This allows us to offer lower prices to IKEA customers, and lower prices in turn generate higher volumes. IKEA Supply AG also plays a key role in ensuring IKEA suppliers live up to IWAY – the IKEA supplier code of conduct.

IKEA Communications AB is an in-house communication agency that creates and produces IKEA communication for customers and other IKEA organisations. It's best known for the IKEA catalogue – the largest single printed publication in the world. It also produces the IKEA website, apps, brochures, in-store communications, TV commercials, augmented reality and packaging and assembly instructions for all IKEA products. This year IKEA Communications AB played a key role in developing *IKEA Place* – an Apple iPhone app that lets customers virtually place furniture in their homes.

IKEA Food Services AB develops the IKEA Food & Beverages product range sold in the IKEA restaurants, cafés, bistros and Swedish food markets in IKEA stores. Today it is working to develop a world-class food business by increasing the focus on a new product range that more closely meets customer needs and improves operations.

During FY17, Inter IKEA Group acquired the Bring Group, to whom the IKEA Food supply chain management had been outsourced. This allows the establishment of a food wholesaler and investments in operational supply chain capabilities. Through this change,

all key competencies are combined and will strongly contribute to building the future of the IKEA Food business.

Industry: Industry manufactures IKEA home furnishing products. Its ambition is to be the most competitive manufacturer in the home furnishing industry by delivering outstanding customer value. Industry also develops unique IKEA capabilities and capacities in relevant parts of the value chain (e.g. material, manufacturing and distribution).

Industry produces approximately 10-12% of the total IKEA range, with its main focus on furniture. Its operations are conducted through some 40 production units that include forestry, sawmills, and production of board material, wood components and ready furniture. It is the largest producer of wooden furniture in the world.

As an IKEA supplier, Industry strives to create a positive impact on people, society and the planet. Key focus areas include co-worker safety, energy efficiency and water stewardship with increased re-use. This year Industry planted its 20 millionth tree on its forest leases in Tikhvin, Russia.

Key figures FY17

Key consolidated figures Inter IKEA Group FY17

During FY16, Inter IKEA Group changed its financial year to better reflect the IKEA business cycle. That means last year's consolidated income statement covers the eight-month period from 1 January 2016 to 31

August 2016. Additionally, the acquisition of IKEA of Sweden AB, IKEA Supply AG and IKEA Industry AB – and their related businesses – was completed on 31 August 2016. This did not impact the FY16 income statement. FY17 covers a twelve-month period.

Consolidated Income Statement in millions of EUR

	FY17 12 months	FY16 8 months
Sales of goods	20,778	1,337
Franchise fees	1,156	725
Other income	944	114
Total revenue	22,878	2,176
Cost of goods sold	18,688	1,292
Operational cost	2,894	333
Total operating expenses	21,582	1,625
Total operating income	1,296	551
Financial income and expenses	-143	-222
Total income before taxes	1,153	329
Income taxes	-241	-71
Net income	912	258

costs incurred for manufacturing and sourcing the goods sold to the franchisees and in the IKEA store in Delft. Operational costs include spending for development of the IKEA Concept, such as new digital touchpoints, fulfilment solutions and meeting the needs of customers. It also includes costs connected to range development and expansion activities, as well as competence development and learning solutions.

Financial income and expenses relate to interest costs connected to the long-term loans payable to the shareholder, partly offset by positive currency results.

The tax charge for FY17 amounted to EUR 241 million, resulting in an effective tax rate of 21.0% (FY16: 21.6%).

In FY17, IKEA retail sales (including sales of services) by IKEA franchisees rose to EUR 38.3 billion, with increased volumes more than offsetting the lower average retail prices. Most markets showed growth with new stores (14) and e-commerce contributing most. The commercial theme for FY17, "It starts with the food" has been successful,

outperforming others in the range. Higher sales also led to an increase in franchise fees.

Sales of goods include the wholesale revenue from the distribution of goods to our franchisees, plus the sales of goods in the IKEA store in Delft, The Netherlands, which is owned and operated by Inter IKEA Group. The cost of goods sold relate to the

Net income for FY17 is highly impacted by the effect of the acquisition of the range, supply and industry activities. Further impact on the FY18 financial performance will be limited and an increase of net profit is expected.

Consolidated Balance Sheet

in millions of EUR

	31 Aug. 2017	31 Aug. 2016
Intangible fixed assets	8,243	8,932
Tangible fixed assets	1,451	1,336
Financial fixed assets	246	322
Total fixed assets	9,940	10,590
Inventories	3,998	4,284
Receivables	4,435	3,783
Cash and cash equivalents	284	302
Total current assets	8,717	8,369
Total assets	18,657	18,959
Group equity	4,194	4,258
Provisions	497	538
Non-current liabilities	7,861	8,601
Current liabilities	6,105	5,562
Total liabilities	14,463	14,701
Equity and liabilities	18,657	18,959

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.

Tangible fixed assets include 40 factories and the IKEA store in Delft. Inventories for the most part consist of finished IKEA goods, while receivables include money to be received from IKEA retailers regarding franchise fees and IKEA goods sold.

Inventories decreased slightly during FY17, while still maintaining good availability towards the

IKEA retailers. During FY17, a dividend of EUR 1 billion was paid to our shareholder. Provisions are recorded for warranties, pensions and deferred taxes.

An amount of EUR 500 million was repaid on the long-term loans during FY17. Current liabilities include short-term borrowings and amounts payable to our suppliers.

In FY18, Inter IKEA Group will continue to invest in further development and expansion of the IKEA Concept and product 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 2017. An unqualified auditor's report dated 5 December 2017 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.

Inter IKEA Holding's Annual Report for FY17 can be requested through the Inter IKEA Group website.

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



Inter IKEA Group 