



Ingka Group: transforming and performing in the new world of retail

We are creating a new IKEA in three years and FY19¹⁾ was the first year on that journey. During the year revenue for Ingka Group increased by 5.3% (to EUR 39.1 billion total)²⁾ and total IKEA retail sales increased by 5.0% at constant currency rate³⁾. We're investing more than ever in our business with new city stores, a stronger digital meeting and more affordable service offers to our customers. We have continued to invest in innovative companies that will further our development in retail and sustainability, such as LivSpace, Optoro and Winnow⁴⁾ as well as in renewable energy. Our total capital expenditures amounted to 2.6 billion euro in FY19. All to become even more affordable, accessible and sustainable.

Transforming & performing

We have a strong performance across our three businesses: IKEA Retail, Ingka Investments and Ingka Centres. This performance in FY19 together with a very positive financial net contributed to a net profit for Ingka Group of EUR 1.8 billion (FY18: EUR 1.5 billion).

Strong growth

In challenging times for retail, we continue to grow in three areas: our existing stores, online and new customer meeting points such as planning studios and smaller city stores. Our customer visits to IKEA stores remain strong with 839 million visits in FY19. The number of visits to our existing standard size stores remains stable with revenue in these stores growing

by 0.7%. Online sales growth was close to 50% and is now surpassing 10% of total retail sales.

Focus on costs and affordability

We have a strong and ambitious vision to create a better everyday life for the many people and are more committed than ever to deliver on it. That's why affordability is a priority for us. We are determined not to pass the cost of our transformation on to our customers. We feel very proud of our achievement during FY19. Our better underlying business performance in all three businesses, coupled with a strong focus on lowering our operational cost, means we have been able to offset the cost of business transformation and lower gross profit to a great extent. The decrease in operating income from EUR 2,251 to EUR 2,027 million came mainly from lower gross profit due to increased cost of purchased goods and services. Our FY19 performance is in line with our plans and we feel very satisfied by the great efforts to manage costs and achieve higher sales at the same time.

Creating meeting places of tomorrow

Ingka Centres is on a journey to create the meeting places of tomorrow that will have a positive impact on local communities. Visitation to our meeting places was stable compared to the prior year. Ingka Centres is developing three new meeting places in China: Changsha (planned opening 2021), Shanghai (planned opening 2023) and Xi'an (planned opening 2024).

¹⁾ 1 Sep 2018 – 31 Aug 2019

²⁾ The included financial information is derived from the consolidated financial statements of Ingka Holding B.V. (Ingka Group). This information is prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. An unqualified auditor's report dated 18 November 2019 was issued on these financial statements. Ingka Holding's Annual Report for financial year 2019 is available through the Dutch Chamber of Commerce.

³⁾ 5.0% IKEA Retail Sales growth at constant currency rate and 5.6% growth when including currency effects.

⁴⁾ Winnow announced in FY20.

Investing to transform

In 2019 we have accelerated our venture investments in innovative companies that can help speed up our business transformation in strategic areas like retail services, logistics, digital and circularity. Ingka Investments, the investment part of Ingka Group ⁵⁾, acquired 49% of the shares in Traemand, a kitchen installation company based in the US. In addition, we invested through minority shareholdings in several innovative companies in areas such as mattress recycling, sustainable reverse logistics and robotics furniture for small spaces, to name a few.

A strong financial position

We have a strong balance sheet and we further increased our solvency and liquidity during the year. Total assets amounted to EUR 54.9 billion (FY18: EUR 52.4 billion) and we further strengthened our equity to EUR 42.8 billion (FY18: EUR 40.8 billion). Our operating cash flow increased from EUR 2.6 billion (FY18) to EUR 3.9 billion.

Corporate income tax amounted to EUR 0.7 billion globally, which equals an effective corporate tax rate of 27.2% (30.0% in FY18).⁶⁾

Strenght to invest purposefully, for generations to come

Our founder Ingvar Kamprad used to say that you should earn the money before you spend it, and not rely on external funding. Our history carries a long-term perspective, with more than 75 years of experience and strong financial performance. Together with our unique ownership structure, it allows us to think in generations rather than quarters. Ingka Group was set up in the 80's and is owned by a Dutch foundation, Stichting Ingka Foundation. Stichting Ingka Foundation can only use the profit in two ways, either by re-investing in the business of Ingka Group or for charitable purposes by donations via Stichting IKEA Foundation. Our financial independence is further ensured by the activities of Ingka Investments. Ingka Investments invests, develops and manages financial and other assets to support the growth of IKEA Retail business and to safeguard long term financial strength of Ingka Group.

It's good business to be a good business

With more than 166,000 dedicated co-workers and many committed suppliers around the world, 839 million visits to our stores and 2.6 billion visits online, we have a unique opportunity to enable and inspire even more people to live a better and more sustainable life at home, within the limits of the planet. For us, it has always been important to handle resources in a respectful way, both with a short-term perspective but also for generations to come. We want to be a part of creating solutions for the challenges our planet is facing, and we are taking bold steps securing our ambition to become climate positive by 2030. It is even clearer that financial performance and sustainability go hand in hand, and for us this is how we will grow, stay relevant and remain profitable, long term.

We are meeting an increasing consumer demand for sustainable products and services. And our investments in wind and solar reduce our structural operational costs. In the long term, sustainability enables us to keep costs down and protect

the health and wellbeing of our customers and co-workers.

Becoming energy independent in our own operations

FY19 was a big year for us when it comes to renewable energy, with new investments in solar farms in the US and wind farms in Germany and Romania. Since 2009, we've invested close to EUR 2.5 billion in renewable energy and as a result we own and operate 534 wind turbines and 715,000 solar panels in 14 countries (including committed investments). In addition, in our Retail and Centres businesses we own and operate another 920,000 solar panels that are placed on the roof tops of our stores, office buildings and meeting places. With these investments we are on track to achieve our goal to produce as much energy from renewable sources as we consume in our own operations by 2020.

We also invested in over 26,000 hectares of forestland, mostly in the US and Lithuania, bringing the total ownership of responsibly managed⁷⁾ forests to 208,700 hectares in five countries.

True commitment gives great results

It's amazing to see the result that the organisation has delivered this year, I'm impressed and proud of the level of entrepreneurship and commitment our many colleagues around the world have shown and acted upon. We will continue to test and try new things. At times we will fail and that's ok, as that's part of how we constantly develop and improve our business to better meet the needs of our customers for many years to come.

As part of the business transformation we will continue to accelerate sales growth through online, existing and new stores supported by a growing distribution network and with specific focus on increasing market penetration in city centres. At the same time, we will focus on decreasing operational costs and increasing investments in new ways of meeting changing customer demands throughout Ingka Group.

We have never been more inspired to deliver to our vision of creating a better everyday life for the many people, guided by our culture and values. Most things still remain to be done. A glorious future.



Juvencio Maestu,
CFO & Deputy CEO, Ingka Group

⁵⁾ Ingka Investments, the investment arm of Ingka Group, invests, develops and manages financial (and other) assets to support the growth of IKEA Retail business and to safeguard long term financial strength of Ingka Group. Ingka Investments consists of six portfolios: Business Development Investments, Megacity Real Estate, Venture & Growth Capital, Renewable Energy, Forestland and Financial Market Investments.

⁶⁾ Corporate income tax amounted to EUR 0.7 billion globally (rounded number, breakdown in millions EUR 682 million in FY19, EUR 634 million in FY18), which equals an effective corporate tax rate of 27.2% (30.0% in FY18). Our total tax bill including other taxes and duties amounted to approximately EUR 1.1 billion.

⁷⁾ Ingka Group's top priority is to ensure responsible forest management of its properties. To guarantee that the management meets the highest environmental and social standards, the Ingka Group's forest management is audited by the Forest Stewardship Council (FSC®). In all countries where it operates, the management units hold the FSC certificate for forest management.

Consolidated income statement

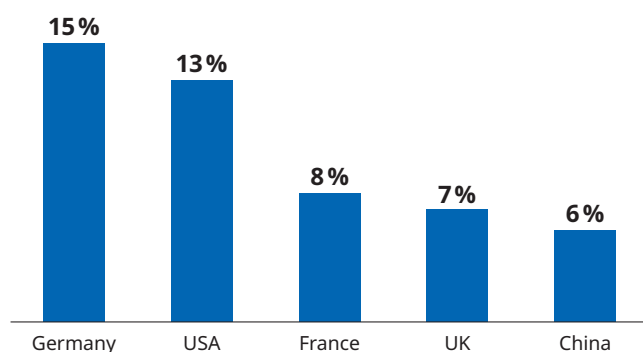
1 September–31 August (in millions of Euros)

	2019	2018
Revenue	39,065	37,093 *
Cost of sales and services	26,634	24,947 *
Gross profit	12,431	12,146
Operating expenses	10,787	10,212 *
Other income	383	317
Operating income	2,027	2,251
Total financial income and expense	483	-138
Income before minority interests and taxes	2,510	2,113
Tax	682	634
Income before minority interests	1,828	1,479
Minority interests	11	11
Net income	1,817	1,468

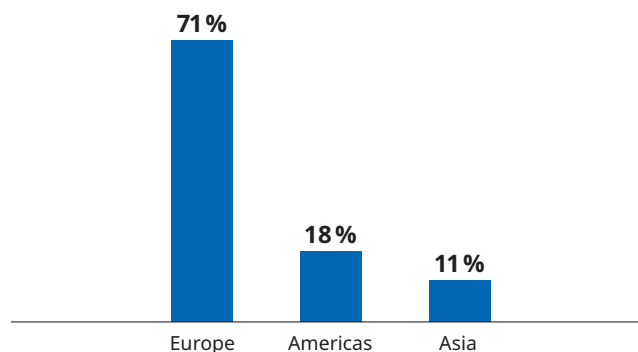
* These comparative numbers are reclassified for comparability purposes.

The included abbreviated financial information is derived from the consolidated financial statements of Ingka Holding B.V. This information is prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. An unqualified auditor's report dated 18 November 2019 was issued on these financial statements. Ingka Holding's Annual Report for financial year 2019 is available through the Dutch Chamber of Commerce. The Ingka Group total revenue includes sales of goods, service income and rental income.

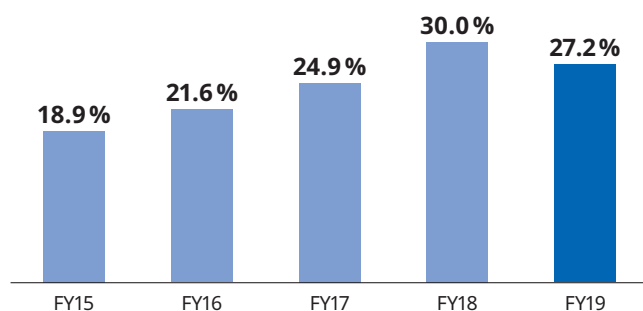
FY19 – Top retail selling countries



FY19 – Retail sales per region



Effective corporate tax rate (ETR) FY15-FY19



In FY19, corporate income tax amounted to EUR 682 million globally, which equals an effective corporate tax rate of 27.2% (30.0% in FY18). In FY19, our total tax bill including other taxes and duties, such as property taxes, environmental taxes and customs duties amounted to approximately EUR 1,140 million.

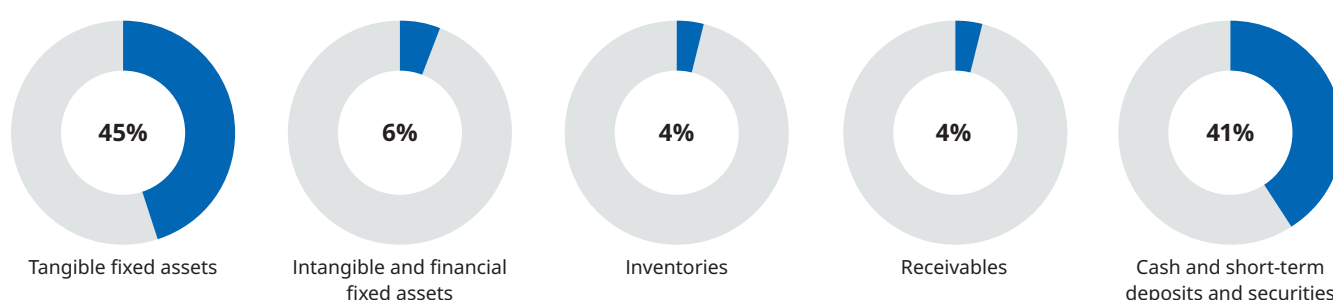
Over the last five years (FY15-FY19), corporate income tax and other taxes and duties amounted to approximately EUR 6,888 million.

Consolidated Balance sheet August 31

Assets (in millions of Euros)

	2019	2018
Intangible fixed assets	2,240	2,124
Tangible fixed assets	24,451	23,565
Financial fixed assets	1,166	846
Total fixed assets	27,857	26,535
Inventories	2,273	2,027
Receivables	2,165	2,544
Securities	21,228	19,697
Cash and short-term deposits	1,366	1,547
Total current assets	27,032	25,815
Total assets	54,889	52,350

FY19 Total assets – EUR 54,889 million

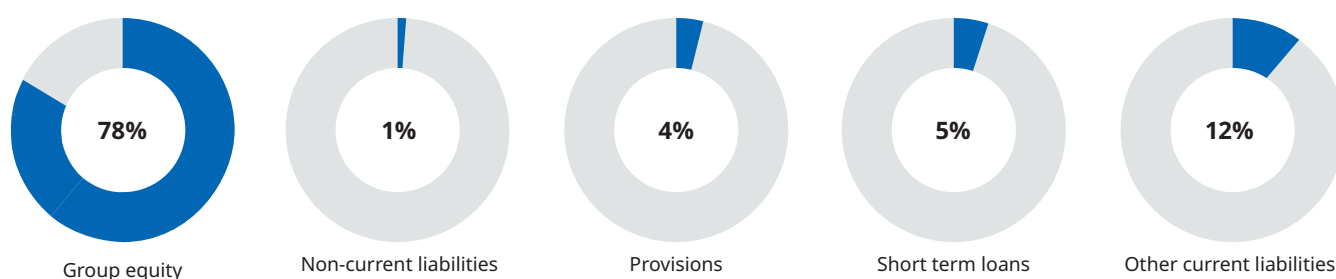


Consolidated Balance sheet August 31

Equity & Liabilities (in millions of Euros)

	2019	2018
Group Equity	42,828	40,822
Provisions	2,275	1,810
Non-current liabilities	529	774
Total non-current liabilities	2,804	2,584
Short term loans	2,711	2,727
Other current liabilities	6,546	6,217
Total current liabilities	9,257	8,944
Total equity and liabilities	54,889	52,350

FY19 Total equity and liabilities – EUR 54,889 million



About Ingka Group

Ingka Group (Ingka Holding B.V. and its controlled entities) is one of 12 different groups of companies that own and operate IKEA retail under franchise agreements with Inter IKEA Systems B.V. Ingka Group has three business areas: IKEA Retail, Ingka Investments and Ingka Centres. Ingka Group is a strategic partner in the IKEA franchise system, operating 374 IKEA stores in 30 countries. These IKEA stores had 839 million visits during FY19 and 2.6 billion visits to IKEA.com. Ingka Group operates business under the IKEA vision - to create a better everyday life for the many people by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible can afford it.