

Our financial year FY20

Despite the economic and public health challenges posed by Covid-19 in FY20¹, Ingka Group revenue amounted to EUR 37.4 billion (EUR 39.2 billion in FY19), and total IKEA Retail sales amounted to EUR 35.2 billion (EUR 36.7 billion in FY19)².

In FY20, we completed the second year of our three-year business transformation to make IKEA more affordable, accessible and sustainable. We entered the year with a strong starting position and sound underlying business performance across all three businesses (IKEA Retail, Ingka Centres and Ingka Investments) coupled with lower operational costs.

Over the year, we accelerated our digital development and further repurposed our stores into fulfilment centres, implementing click & collect services, with contactless pick-up and drive through options. Despite the fact that 75% of our stores were closed for an average of seven weeks due to the Covid-19 crisis, we maintained a solid performance with a revenue drop for Ingka Group of just 4.8% for the entire year. Online retail sales accelerated during the height of the pandemic in the spring and have remained at a higher growth rate even after the reopening of our stores. In FY20, online sales grew by 60% (FY19: 48%), amounting to about 18% of total sales (FY19: 11%).

During the year, Ingka Group granted EUR 26 million emergency relief to support communities impacted by the coronavirus pandemic. And provided support to IKEA co-workers by securing income stability, extending parental leave and offering flexible work arrangements. In addition, we decided to return the government stimulus support the company had received for co-worker's wages in the beginning of the pandemic. We supported suppliers with liquidity and cash flow, and Ingka Centres waived rents and service fees for some 2,000 tenants during lockdown, as well as offered rent discounts also after reopening. At the same time, we maintained our investment plan for business transformation and sustainability and did not compromise on our commitment for the long term.

Summarising 2020, we continued to transform our business and perform well despite the challenges of Covid-19 in an extraordinary and unprecedented year. With our mitigating crisis measures, strong financial position, dedicated and entrepreneurial co-workers and the acceleration of our fulfilment and online services, we were able to

handle the challenges of the Covid-19 pandemic and perform well in a difficult period. We have become more resilient for the continuation of the Covid-19 pandemic and other future crises – and we are able to continue our transformation, living up to our vision to create a better everyday life for the many.

Ingka Group financial performance

Total Ingka Group revenue for FY20 amounted to EUR 37.4 billion and decreased by 4.8% compared to FY19. Due to currency effects revenue development decreased by 0.4%. Gross profit decreased from 31.8% in FY19 to 31.4% in FY20, which is mainly the result of higher sales price adjustments to handle outgoing articles, restaurant closures, higher distribution costs, as well as the closure of Ingka Centres meeting places.

In response to the Covid-19 pandemic, cost adaptation measures were activated. Operational costs amounted to EUR 10.5 billion, resulting in a cost ratio of 28.0% compared to 27.1% in FY19. The ratio increased as costs could not fully adapt to the lower sales level in the period when the stores were closed, but also due to impairments recognised in FY20. Operating income decreased from EUR 2.0 billion in FY19 to EUR 1.4 billion in FY20.

Due to a weaker performance compared to FY19, our financial markets investments resulted in a financial net result of EUR 0.1 billion compared to EUR 0.5 billion in FY19. Income before tax amounted to EUR 1.6 billion (EUR 2.5 billion in FY19). Corporate income taxes amounted to EUR 0.4 billion (FY19: EUR 0.7 billion), in line with the lower level of sales and other factors due to the impact of the pandemic, corresponding to an effective tax rate of 24.1% (FY19: 27.2%). Net profit was EUR 1.2 billion (FY19: EUR 1.8 billion).

In our second year of transformation, we continued to invest in stores, distribution and customer fulfilment networks, the digital customer experience, shopping centres, renewable energy and forestry, amounting to a capital expenditure of EUR 2.1 billion.

¹ 1 September 2019 to 31 August 2020.

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 2020 was issued on these financial statements. Ingka Holding's Annual Report for financial year 2020 is available through the Dutch Chamber of Commerce.

Total assets amounted to EUR 52.2 billion (FY19: EUR 54.9 billion), and we further strengthened our solvency position to EUR 43.2 billion of equity at year-end (EUR 42.8 billion in FY19), corresponding to 83% of our total balance sheet (FY19: 78%). We are proud to have achieved a positive cash flow from operating activities of EUR 2.9 billion (FY19: EUR 3.9 billion) in this tough year. Total cash flow for FY20 is EUR 2.3 billion negative (FY19: EUR 1.8 billion positive), which includes repayment of external loans amounting to EUR 2.8 billion, as well as cash outflows related to our investing activities amounting to EUR 2.9 billion as we maintained our investment programme.

IKEA Retail

IKEA Retail sales reached EUR 35.2 billion for FY20 (FY19: EUR 36.7 billion), despite the economic and public health challenges posed by Covid-19. This represents a 4.1% decrease compared to FY19. Online sales grew by 60% in FY20 (FY19: 48%). In addition, we saw an increase in delivery services.

As we started to reopen stores with increased and robust safety measures in place, visitation and sales went up substantially and remained high until the end of the financial year. The growing interest in improving life at home led to strong visitation in stores, 706 million (FY19: 839 million), and on IKEA.com, 3.6 billion (FY19: 2.6 billion).

The business transformation of IKEA Retail has accelerated over the year, with big investments to increase our digital capabilities, repurpose stores to fulfilment units and implement new customer distribution services to support further development of online sales.

Over the year, we have invested in both physical and online expansion. We have opened 26 new IKEA locations and closed one location. The new locations are five traditional stores in South Korea and China; smaller formats in Tokyo, Shanghai and Moscow; and Planning Studios in Rome, Tokyo, Oslo and Shanghai. We have also developed a more seamless IKEA experience with new digital solutions and launched e-commerce in Ukraine as a first step into the new market. Ingka Group invested heavily in digital development and home delivery. As a pilot, IKEA opened its first store on a third-party digital platform, Tmall in China.

Ingka Centres

During FY20, Ingka Centres continued operations in 45 experience-oriented shopping centres, called meeting places, in 15 countries in Europe, China and Russia. Ingka Centres is also developing three new meeting places in China: Changsha (planned opening 2021), Shanghai (planned opening 2023) and Xi'an (planned opening 2024). Furthermore, the Kings Mall shopping centre in London was acquired and will, after complete redevelopment, become the first downtown location for a mixed-use meeting place anchored by an IKEA city store.

Except for in the Nordic countries, all meeting places were closed for some time during the year due to the Covid-19 pandemic. Ingka Centres saw total of 370 million visitors in FY20, a decrease of 90 million visitors compared to FY19. By August 2020, all meeting places were open and showed good recovery in terms of visitation. To support tenants during closing, rents and service fees were largely waived. Ingka Centres also continued to support tenants also after reopening by offering rent discounts. As a result, rental income decreased by 19% to EUR 0.7 billion.

Ingka Investments

During FY20, Ingka Investments focused on securing the financial resilience of Ingka Group, while supporting retail operations, transformation and Ingka Group sustainability goals. Most of our liquidity

is invested in low-risk securities to safeguard the long-term financial strength and independence of Ingka Group. The Covid-19 pandemic has led to unanticipated pressure on liquidity for companies across the globe and has demonstrated the importance of a strong and stable liquidity position. Now more than ever, we have been able to benefit from our unique financial approach of the past 77 years, which has allowed us to build up a very strong liquidity position of EUR 20 billion.

In July 2020, as part of supporting our expansion in prioritised cities, we announced to acquire a top retail location on Rue Rivoli in the heart of Paris. This will be our second Paris city store and is planned for opening in FY21. We also supported our digital transformation by acquiring Geomagical Labs, a 3-D and visual AI developer of interactive home furnishing solutions.

We continue our People and Planet Positive sustainability strategy. In FY20, we achieved our goal to produce as much renewable energy as the energy we consume in our operations. In addition, we invested in solar parks in the USA and acquired wind parks in Romania and Finland. We acquired 24,000 hectares of forestland in the United States and increased our ownership of responsibly managed forests to a total of 235,000 hectares. Ingka Group forest management is audited by the Forest Stewardship Council (FSC®). In all countries where we operate, management units hold the FSC certification for forest management.

Looking forward to FY21

Covid-19 will continue to impact the economy and society at large, but we are prepared to navigate this new normal with more agility, based on the lessons learned since the start of the pandemic.

In FY21, we will continue our transformation to make IKEA more affordable, accessible and sustainable, giving customers more reasons to visit IKEA. We expect to accelerate our omnichannel development and continue to invest in growth and our agenda to become People and Planet Positive. We will continue our digital transformation, become more convenient and data-driven, and allow for more agile decision-making and adaptability. We will further transform our cost structure in order to create new opportunities to invest in growth. We will continue our expansion in city centres and further integrate sustainability into our business model. We will also continue our physical expansion and open different formats of stores while developing our omnichannel experience and new service offers that answer customer needs.

Overall, we plan to invest in FY21 at a similar level as in previous years, with investments in existing assets, new city locations, fulfilment capabilities, digital capabilities and renewable energy.

In addition, Ingka Group will accelerate its efforts in sustainability with an investment of EUR 600 million to reach the IKEA ambition to become climate positive by 2030, aimed to speed up the transition to a net-zero carbon economy. This brings our total investments into sustainability, since 2009, to EUR 3.8 billion. We are more determined than ever to be part of solving the climate crisis and recovering and resetting our planet for generations to come. We will continue to integrate sustainability in our business model and measure our performance along four dimensions, looking at the value we create for our customers; people and society; our planet; and the company.

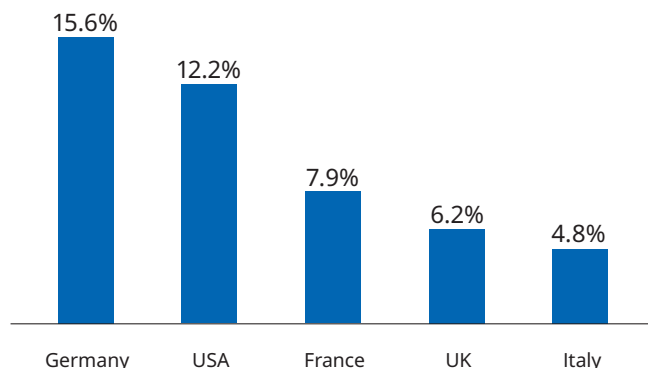
Consolidated income statement 1 September – 31 August (in millions of Euros)

	2020	2019
Revenue	37,368	39,243*
Cost of sales and services	-25,643	-26,779*
Gross profit	11,725	12,464
Operating expenses	-10,454	-10,642*
Other income	160	205*
Operating income	1,431	2,027
Total financial income and expense	141	483
Income before minority interests and taxes	1,572	2,510
Tax	-378	-682
Income before minority interests	1,194	1,828
Minority interests	-5	-11
Net income	1,189	1,817

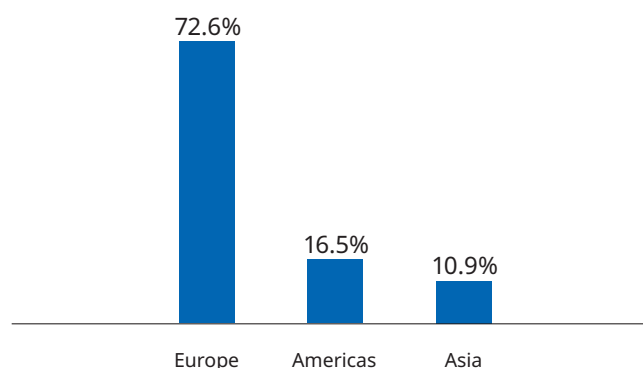
* These comparative numbers are reclassified for comparability purposes. The included abbreviated financial information is derived from the consolidated financial statements of Ingka Holding B.V.

An unqualified auditor's report dated 18 November 2020 was issued on Ingka Holding's Annual Report for financial year 2020, which is available through the Dutch Chamber of Commerce. Ingka Holding B.V. financial statements are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. Ingka Group total revenue includes sales of goods, service income, rental income and renewable energy and forestland income.

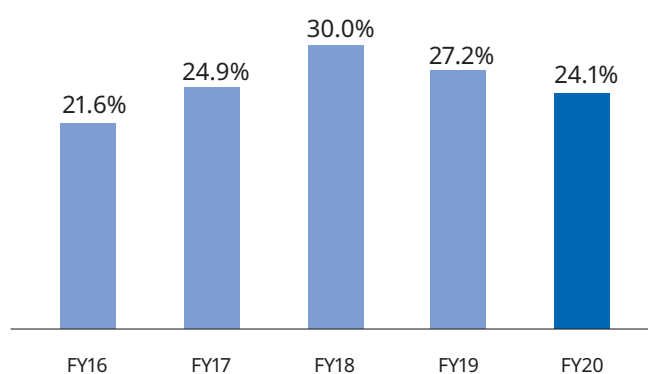
FY20 – Top retail selling countries



FY20 – Retail sales per region



Effective corporate tax rate (ETR) FY16-FY20

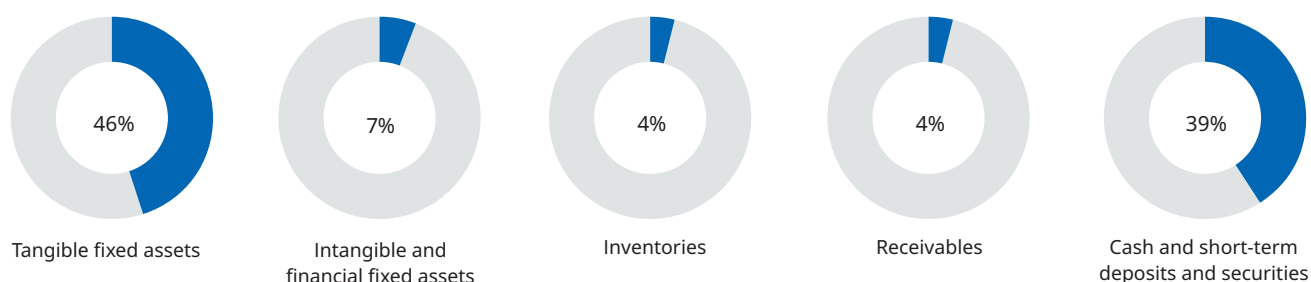


Corporate income tax amounted to EUR 0.4 billion globally, which equals an effective corporate tax rate of 24.1% (27.2% in FY19). Our total tax bill including other taxes and duties amounted to approximately EUR 0.8 billion.

Consolidated Balance sheet August 31 Assets (in millions of Euros)

	2020	2019
Intangible fixed assets	2,217	2,240
Tangible fixed assets	23,887	24,451
Financial fixed assets	1,428	1,166
Total fixed assets	27,532	27,857
Inventories	1,945	2,273
Receivables	2,319	2,165
Securities	19,063	21,228
Cash and short-term deposits	1,347	1,366
Total current assets	24,674	27,032
Total assets	52,206	54,889

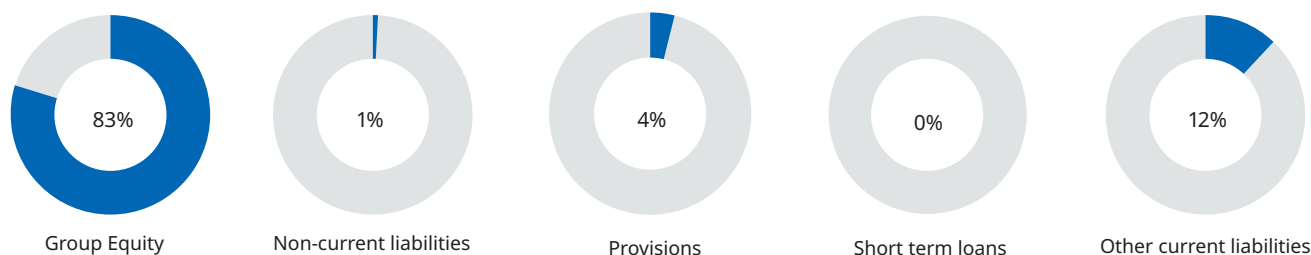
FY20 Total assets - EUR 52,206 million



Consolidated Balance sheet August 31 Equity & liabilities (in millions of Euros)

	2020	2019
Group Equity	43,166	42,828
Provisions	1,890	2,275
Non-current liabilities	511	529
Total non-current liabilities	2,401	2,804
Short term loans	118	2,711
Other current liabilities	6,521	6,546
Total current liabilities	6,639	9,257
Total equity and liabilities	52,206	54,889

FY20 Total equity and liabilities - EUR 52,206 million



¹About the 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 378 IKEA stores in 30 countries. These IKEA stores had 706 million visits during FY20 and 3.6 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.