Inter IKEA Group

Annual Report 2012

Consolidated Financial Statements as at 31st December 2012 and Independent Auditor's Report

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The Inter IKEA Group is defined as
Inter IKEA Holding S.A. and its subsidiaries

www.inter.ikea.com

Inter IKEA Holding S.A.
Registered as a société anonyme (public limited company)
under Luxembourg law with a capital of EUR 300,000,000
Registered office: 2, Rue Jean Bertholet
1233 Luxembourg (Luxembourg)
Luxembourg Trade and Companies' Register B38952

Introduction
Inter IKEA Group

Our business in brief

The overall purpose of Inter IKEA Group is to secure continuous improvement and longevity of the IKEA Concept. Since this will require investments in both good and bad times, we strive to be financially independent.

In our effort to live up to the purpose, our business is organised into four divisions, each with a different role:

The Franchise Division is the core of our business. We have found franchising to be the best way to expand the business based on the IKEA Concept, to keep the Concept together and to maintain an entrepreneurial spirit. Inter IKEA Systems B.V. franchises systems, methods and proven solutions to franchisees worldwide for marketing and sale of IKEA products under the IKEA Trademarks. Inter IKEA Systems B.V. is the owner of the IKEA Concept and IKEA Trademarks. They ensure that IKEA Concept know-how is continuously developed, transferred and made available to all IKEA franchisees. This is done in order to serve the many people over generations.

The Retail Centre Division – Inter IKEA Centre Group A/S – invests in, develops and manages retail destinations anchored by IKEA stores. The division strives to create unique retail and entertainment destinations, where the shared location creates synergies benefitting the IKEA store, the retailers in the shopping centre and the end consumers.

The Property Division strives to create long-term value through property investments. The operation includes new property development and active management of portfolio properties.

The Finance Division includes fund management and private equity activities, as well as treasury management. The division seeks to ensure stable returns over time.

Our strategic investments in Retail Centres as well as our asset management investments in the Property and Finance divisions aim to ensure financial stability and create long term value.

Our heritage

The values and culture of Inter IKEA Group reflect the entrepreneurial spirit of our founder Ingvar Kamprad, who was born and grew up in the Småland region of Sweden. Smålanders have a reputation for being thrifty and innovative with a straightforward, no-nonsense approach to problem-solving in general and to business challenges in particular. This 'Småland legacy' is built into Inter IKEA Group culture and values.

In practice, our values encourage a constant desire for renewal and a willingness to make change, as well as a cost-conscious mindset in all areas of operation. Trying new solutions, daring to be different, humbleness in approaching our task and simplicity in our way of doing things are also cornerstones of the Inter IKEA culture.

Our spirit is based on a belief that no method is more effective than a good example. We believe that each co-worker is important, that all of us have a responsibility, and that it is by working together, 'tillsammans' in Swedish, that we really make a difference.

IKEA values have proven to be viable in an international context and we strongly believe that they are one of the most important factors behind our achievements. By keeping them alive and well-rooted, it will help us continue to turn future challenges into opportunities.

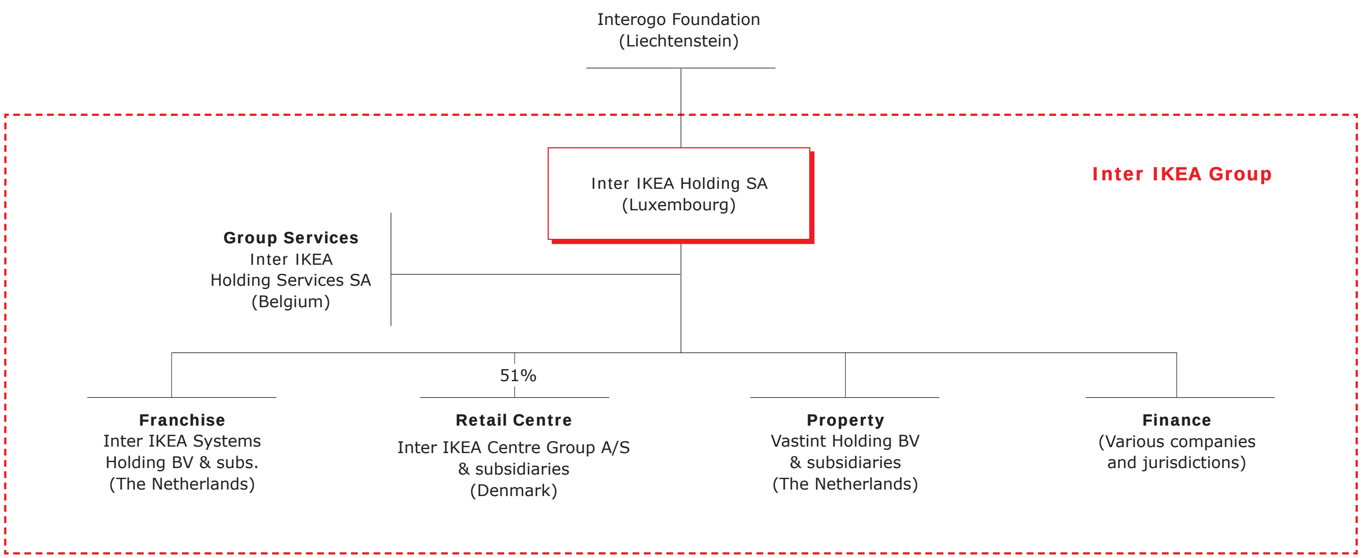
Group Structure

Inter IKEA Holding S.A. is the parent company of Inter IKEA Group. The operations of Inter IKEA are decentralised and organised in divisions with far-reaching responsibility for their operations and business.

Around the globe, a large number of companies operate under the IKEA Trademarks. All IKEA franchisees are separate and independent from Inter IKEA Group. Some of them share the same founder and a common history and heritage, but are independent companies. A large group of franchisees are owned and operated by INGKA Group. Inter IKEA Group and INGKA Group are separate groups of companies and have different owners, board members and managers.

Key figures consolidated (under Lux GAAP)		2012	2011
Total revenues	€mil	2,660	2,432
EBITDA	€mil	959	205
Net profit for the year	€mil	443	87
Total assets	€mil	14,950	5,823
Shareholder's equity (incl. result of the year)	€mil	7,529	3,488
Equity ratio	%	50%	60%
Co-workers (year average)	Nb	1,644	1,578

Financial year starting 1st January and closing 31st December



Corporate Governance

Shareholder

Inter IKEA Holding S.A. is owned by Interogo Foundation, an enterprise foundation (Unternehmensstiftung) registered under Liechtenstein law. Its entire purpose is to support and invest in the expansion of the underlying businesses within Inter IKEA Group in order to secure the independence and the longevity of the Group and the IKEA Concept. According to the statutes, funds can also be used to support IKEA retailers and for grants to certain charitable causes.

The Interogo Foundation is administered by a foundation council (Stiftungsrat), which manages the foundation's assets and represents the foundation towards third parties. The foundation council is supervised and controlled by a foundation committee (Beirat).

As the foundation is intended to exist for an unlimited period of time and external conditions could change, the statutes include regulation on how changes could be adopted in the structure or organisation of the foundation. The aim of this organisational flexibility is to secure the foundation's ability to live up to the purpose even if external conditions or the context changes. The purposes of the foundation however cannot be changed.

Board of Directors

On 31st December 2012, the board of Inter IKEA Group had six non-executive members:

- Per Ludvigsson (Chairman)
- Hans Gydell
- Ingvar Kamprad
- Mathias Kamprad
- Staffan Bohman
- Lennart Sten

During January 2013, an additional board member, Birger Lund, was appointed.

Directors are elected at the general shareholder meeting.

The responsibility for the day-to-day management of the company is delegated to the CEO, Søren Hansen, but the board, which meets four times per year, has a formal schedule of matters reserved for it, including approval of the annual overall budget, significant acquisitions and disposals, and the Group's financial statements.

Divisional Boards

Board of directors meetings are held for each division three times per year. The boards are generally composed of the Group CEO, the managing director for each division, a selected panel of Group executives and external members.

The divisional boards are supported by supervisory boards and investment committees where appropriate.

Audit Committee

The board of directors has assigned an audit committee to oversee financial reporting and disclosure, and to oversee regulatory compliance and corporate governance. The audit committee reports to the board of directors of Inter IKEA Holding S.A. and meets two times per year. The committee is composed of Staffan Bohman (chairman of the committee), Per Ludvigsson and Hans Gydell. The CEO, the CFO and the principle audit partner are permanent invitees.

Management report
Message from the Chairman and CEO

The overall purpose of the Inter IKEA Group is to secure continuous improvement and longevity of the IKEA Concept.

The franchise division is the core of our business. Inter IKEA Systems B.V. is the worldwide franchisor and owner of the IKEA Concept and IKEA Trademarks. During 2012 the Concept showed good strength in a difficult economic climate with increased revenues of around 9%. Seven new stores were opened during the year.

Following the acquisition of the IKEA Trademarks on 1st January 2012, the profitability of the Group greatly improved. This gives us more means to strengthen and develop the IKEA Concept and to expand our other businesses.

The general business climate continued to be challenging in many parts of Europe, where we have the highest concentration of activities. We have seen some improvement in North America and a continued strong growth in Asia Pacific and the Middle East. While most developed economies strive to balance economics and social wellbeing, we will continue to see limited market growth. Uncertainties and lack of visibility will dictate the business climate for some time.

In this climate, creating our own opportunities with a long term value building perspective is more important than ever. Whatever we do moving forward must be guided by sustainability, having a long term perspective on our businesses and focusing on the way we impact society and the environment.

Since fulfilling our purpose will require investments in both good and bad times, we strive to be financially independent.

The expansion of the Retail Centre Division in Europe has slowed down due to market constraints. The establishment plan in Europe will continue to provide a flexible approach and formats. The division is now building its first three centres in China alongside IKEA stores. The first opening on this promising market is expected during 2014.

The Property Division, focussing on developing office, hotel and residential buildings, remains offensive in its development. The division will increase its presence in the hospitality sector, establishing a dedicated organisation to focus on student accommodation and hotel properties.

Good small to medium size companies continue to struggle in financing their expansion. Their needs to finance future expansion create investment opportunities. The Finance Division increased its focus on private equity investments throughout 2012, both to grow good businesses and build value in the long-term.

A key focus of 2012 was to become more active and clear in our communication. A comprehensive annual report was released for the first time, www.inter.IKEA.com was launched and the ownership of the IKEA Trademarks was consolidated. These actions are intended to move us forward and be better understood by our stakeholders, and we will continue along this path.

During December 2012, Inter IKEA Group, through Inter IKEA Systems B.V., donated €29 million to the Kamprad Family Foundation for Entrepreneurship, Research and Charity, based in Växjö, Sweden. This is a follow-up on our commitment to this foundation initiated during 2011.

The result of 2012 increased from €87m in 2011 to €443m in 2012. If we exclude the donation to the Kamprad Family Foundation for both years, the results increased from €187m in 2011 to €472m in 2012. The main increase comes from an increased profitability in the Franchise Division following the acquisition of the IKEA Trademarks. All other divisions have shown better results than previous year, although the rapid expansion in the Retail Centre and Property divisions continued and produced negative effects on the Group result.

Going forward we will be faced with many business challenges. By hard work and working together we will do our outmost to turn those challenges into opportunities. Thank you to all our dedicated co-workers who have made 2012 a good year for Inter IKEA Group.

Per Ludvigsson (Chairman)

Søren Hansen (CEO)

Franchise Division

The business

The Franchise Division includes Inter IKEA Systems B.V., owner of the IKEA Trademarks and worldwide IKEA franchisor. All IKEA stores worldwide, with the exception of the IKEA store in Delft, operate under franchise agreements with Inter IKEA Systems B.V. The division has the overall responsibility to safeguard the continued success of the IKEA Concept throughout the world, in order to benefit the many people over generations. The IKEA Concept rests on a firm foundation: a low-price offer in home furnishings.

As the franchisor, Inter IKEA Systems B.V. performs the following tasks:

- Expand the IKEA business through franchising
- Improve and develop the IKEA Concept
- Transfer IKEA know-how to IKEA franchisees
- Monitor the implementation of the IKEA Concept
- Protect the IKEA Concept

Inter IKEA Systems B.V. also owns and operates the IKEA store in the IKEA Concept Center in Delft, the Netherlands.

IKEA franchisees implement the IKEA Concept by marketing and selling the IKEA product range and operate IKEA stores under franchise agreements with Inter IKEA Systems B.V. The IKEA franchisee has the responsibility to run, manage and develop their local business.

The Franchise Division also includes the following businesses:

- Distribution of IKEA products (on a limited number of markets)
- Media procurement (incl. the IKEA Catalogue)
- Services to IKEA franchisees

Key figures

(under Lux GAAP)		2012	2011
IKEA Stores	Nb	340	333
Markets	Nb	40	40
Total revenues	€mil	2,395	2,226
Co-workers (year average)	Nb	954	953

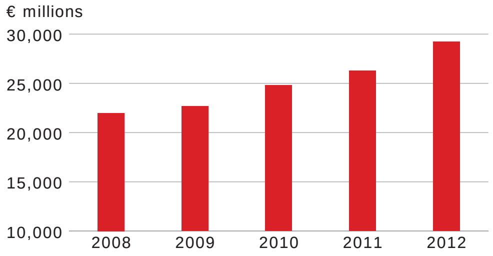
Market conditions & performance

The evolution of revenues is directly linked with the expansion and performance of IKEA franchisees worldwide. A 3% franchise fee on IKEA sales worldwide forms the base for the license revenues. During 2012 licence revenues increased by 8.9%, including a positive currency effect of 2.8% points.

During 2012 seven new stores were opened. Europe and America showed lower growth compared to the previous year, while Russia, the Middle East and Asia continued to grow substantially.

Other businesses have shown mixed performance during 2012. The distribution of IKEA products, mainly in the Middle East and Far East, increased by 8.3%, sales of the IKEA store in Delft decreased by 1% and the media procurement business reduced its print volume by 7%.

IKEA Retail Sales



Key activities

A total of 11 IKEA stores opened in 2012. These comprised seven new IKEA stores and the relocation of four existing stores. Twelve different groups of companies, under franchise agreements with Inter IKEA Systems B.V., own and operate all IKEA stores worldwide, with the exception of the IKEA store in Delft, the Netherlands.

Together with IKEA franchisees, Inter IKEA Systems B.V. continuously works to improve the IKEA Concept to make it relevant for the many people. For example, the 2013 IKEA catalogue was improved with reality features that can be accessed by scanning pages through a smartphone or tablet application. These applications have been downloaded more than 5.7 million times since the launch.

Transfer of IKEA know-how to IKEA franchisees is a key franchisor activity. Over 40 different training programmes are offered online, locally and at the IKEA Concept Center in Delft, the Netherlands. IKEA franchisees also access know-how and best practise through documentation, publications and a web based portal that support implementation and operation of the IKEA Concept. During 2012, over 90,000 manuals were distributed and the web portal was consulted by more than 1 million visitors.

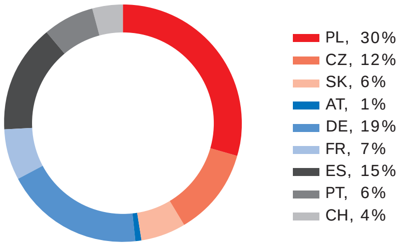
The corporate culture centre, IKEA Tillsammans in Älmhult, Sweden, hosted more than 23,000 visitors during the year. IKEA Tillsammans welcomes and helps IKEA co-workers to learn about and experience the IKEA culture. Part of IKEA Tillsammans, IKEA Through the Ages, is an exhibition detailing the history of the IKEA product range. It is also open to the public.

During the year, Inter IKEA Systems B.V. acquired the IKEA Trademarks for a value of €9 billion from Interogo Foundation, the owner of the Inter IKEA Group. The transaction was financed through a loan of €5.4 billion and equity increase of €3.6 billion. This helped to consolidate and simplify the ownership structure.

More information about Inter IKEA Systems B.V. and the IKEA Concept is available at franchisor.IKEA.com.

Retail Centre Division

Developed square meters 31 Dec. 2012



The business

The Retail Centre Division – Inter IKEA Centre Group A/S (IICG) – was established in 2001 and develops, owns and manages retail destinations for the many people, anchored by IKEA stores. IICG strives to create unique retail and entertainment destinations where both the IKEA store and tenants benefit from the synergy created by the retail centre and the IKEA store being located side by side.

IICG has a clear long-term approach to management and continuity, which means every decision taken focuses on driving long-term value for retail partners and shoppers.

Inter IKEA Group is the majority owner of IICG with a 51% ownership of the company. The remaining 49% is owned by INGKA Group.

Key figures (under Lux GAAP)		2012	2011
Leased retail centres	Nb	33	33
Markets	Nb	9	9
Developed centres	Tm2	1,105	1,110
Centres under development (3 years)	Tm2	635	404
Total assets	€mil	2,394	2,173
Total revenues	€mil	204	150
Co-workers (year average)	Nb	523	470

Market conditions & positioning

The progressive decline of retail sales across Europe, down 0.6% during 2012, has been more pronounced in Southern Europe, while the rest of the European markets have shown a more modest decline. Food sales have decreased more than the non-food retailing.

Multi-channel retail continues to gain market share from the physical stores. Downward pressure on rent has become more widespread in non-prime locations. The retail sector in Europe will most likely continue to face unfavourable conditions in the coming one to two years.

The expansion plan is intrinsically linked with the opening of new IKEA stores in Europe and China. With the IKEA store as an anchor, the division builds and manages retail destinations with a regional scope. Each investment is approved on its own merit. Management believes that in-depth market analysis, a phased development approach and long-term perspective are keys to growth and long-term value creation.

Major milestones

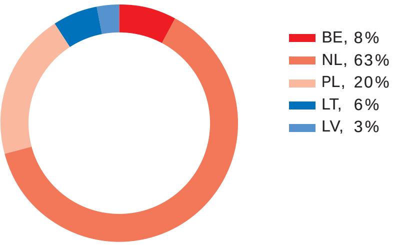
In 2012, the division opened a shopping centre in Valladolid, in Northwestern Spain, and the second phase of the retail park in Jerez in Southern Spain. Both retail destinations benefit from a strong tenant mix, which will strengthen these locations in the long-term. Construction started on a regional shopping centre in Villesse, Italy, as well as an extension of the retail park in Poznan, Poland. Both projects are scheduled to open in the autumn of 2013.

Project development continues at a strong pace in China, where construction is progressing in three cities: Wuxi, Beijing and Wuhan. The organisation grew in number of co-workers during 2012 in order to meet the needs of the current and future projects. The division's first shopping centre in China is scheduled to open in Wuxi in the early part of 2014.

Two shopping centres in Austria (Graz & Linz) were sold and handed over to the new owners during the year. A third property located in Vienna will be sold during 2013. Once that transaction has been completed, the division will cease to operate in Austria.

Property Division

Developed square meters 31 Dec. 2012



The business

The Property Division – Vastint Holding B.V. (Vastint) – was established in 1989 in the Netherlands. The goal of the Property Division is to create long-term value through property investments. The markets are defined in order to achieve critical mass and concentration.

The cornerstones of the operations in the Property Division are the management of portfolio properties and the development of commercial real estate, including residential development and sales. There is no development of IKEA retail stores conducted within the Property Division.

The Property Division actively manages developed properties in six countries: the Netherlands, Poland, Belgium, Lithuania, Latvia and UK.

Key figures (under Lux GAAP)		2012	2011
Leased buildings	Nb	40	28
Markets	Nb	6	5
Developed properties	Tm2	418	318
Under construction	Tm2	42	102
Total assets	€mil	838	751
Total revenues	€mil	43	42
Co-workers (year average)	Nb	84	72

Market conditions & positioning

The uncertainty in the European real-estate market continued throughout 2012. It remains a fragmented market in terms of both economic performance and opportunities. Prime yields have remained stable throughout the year.

The market is characterised by low take-up and reduced investment activities. New supply remains at historically low levels. The weak supply supports stability on rental levels and vacancies.

Prices for site acquisition remain under pressure, especially for large schemes. This again indicates the limited amount of development projects on our core markets.

The hotel industry in our markets continued to show increased revenues per available room. This trend is expected to continue in coming years.

Management maintains its belief that there will be continued opportunities for well-funded real estate companies. Environmentally certified buildings in good locations should outperform the older stock of buildings in terms of leasing, value and transactions.

Development activities

The development activities within the division include land acquisition, masterplanning, detailed design, construction and leasing. In addition to the developed markets, the division holds sites in Romania, Spain and Germany for further development. Currently, over 100 hectares of land is owned for future planning and development.

During 2012, the outline planning permit for a regeneration project in Strand East, East London, was obtained. Eight developments were completed during 2012. In Poland, the buildings for Mera Hotel & SPA, a seaside hotel and SPA resort in Sopot, two office buildings in Szczecin city centre, and the first two buildings of the Business Garden Warsaw, comprising offices and a hotel, were completed. In the Netherlands, the redevelopment of an old office complex into a hotel property (Ramada Apollo Amsterdam Centre) and a hotel school (Hotelschool The Hague) were finalised and occupied by tenants. In Belgium, the refurbishment of an office building in Brussels' rue Royal was completed. In Latvia, the sale of 60 apartments (Futuris in Riga) began, a large majority of which were sold by year end.

For 2013, the planned development activities will focus on tenant adaptations, the construction of five office buildings and three hotel properties.

The division is currently establishing a dedicated organisation that will focus on the hospitality sector developments, such as hotels and student accommodation. It will construct and lease hotels and student accommodation that will be operated by partner operators under their brands.

Sustainability

Environmental and sustainability factors continue to be increasingly important for landlords, tenants and investors. Real estate tenants and investors will place increasingly more emphasis on sustainability in their decision processes and favour such options. Local building legislation will put more emphasis on building sustainability in the future.

All new developments within the division are constructed following recognised national or international environmental standards such as BREEAM, LEED, etc. Pre-certification procedures are an integral part of the design process for new projects.

Finance Division

The business

The Finance Division manages financial assets to deliver a satisfactory risk-adjusted return over the long term.

The division is built on three core areas:

- Fund management
- Private equity fund investments, co-investments or direct investments
- Treasury management

Each asset class is managed by teams with special skill sets and an organisation of its own.

Key figures (under Lux GAAP)		2012	2011
Financial assets under management	€mil	2,081	2,282
Co-workers (year average)	Nb	57	57

Market conditions & focus

The world economic growth dropped to about 3% during 2012, where the most advanced economies grew by only 1.1% and emerging economies by 5.5%. The uncertainty surrounding economic recovery in the most developed economies remains a challenge to any investor.

The larger share of financial assets under management is exposed to the European and North American markets. The exposure to risk has been refocused exclusively to the private equity sector. The remaining assets under management are held in fixed income (bonds, money market funds, deposits, etc.), producing modest returns during 2012.

The private equity portfolio continued to increase during the year. More than ever, good companies have a need of financial support to expand and develop. This provides a relevant investment opportunity in the current economic climate.

Investments in fixed income instruments was reduced by €420 millions to the benefit of other classes of investments, including real estate development managed by other group divisions.

The division is also responsible for the Group treasury management.

Main Risks and Uncertainties

The company faces certain risks associated with its business and sectors in which it operates.

As a global franchisor of the IKEA Retail Concept, franchise fee earnings are closely related to the expansion of the worldwide furniture market and the success of IKEA franchisees on their respective markets. Since the start of the global financial and economic crisis in 2008, furniture markets in Europe and North America declined. Restrictions on consumer credits, increased unemployment and a general contraction on consumers' ability to spend are all factors responsible for this decline. The IKEA Concept has proven to be more resilient in most markets, since market share of IKEA products increased in the most affected regions during that period. The southern European market is likely to see more contractions as austerity measures to reduce public deficits are implemented during 2013 and 2014. Around one third of the franchise fees are earned outside the euro zone, where the euro is the company's reporting currency. As a result, the company is exposed to the foreign exchange risk.

The wholesale business of distributing IKEA products to IKEA franchisees in the Middle East, Far East and Southeast Europe, guarantees yearly prices to its clients for all products contained in the IKEA Catalogue. During the guarantee period, manufacturing or transport prices can fluctuate and affect the profitability of this operation. There is no foreign exchange risk for this activity, because all related currencies are hedged on a yearly basis.

The Retail Centre Division is exposed to the retail performance on European markets where it operates. With the progressive decline of retail sales since 2008, an increasing number of tenants have encountered financial difficulties. Signing new tenants continues to be difficult. Even if the vacancies have not increased over the last year, the level of rent revenues per square meter has been compressed. This situation affected the profitability of centres in operation and consequently the market value of the asset base. An impairment of €20.5 million on tangible assets has been taken during 2012.

The Property Division is mainly exposed to the office market and to a lesser extent to the hotel business and residential sector in Europe. The real estate sector has been greatly affected since 2008, where most property developers have significantly diminished their activities due to difficulties in obtaining financing and a limited demand for new offices. The division was most affected by the difficult letting market in the Netherlands, where 63% of its portfolio is invested. All other countries have offered sustainable conditions for the development of its activities. It is expected that the office market will continue to suffer a lack of demand throughout Europe during 2013 and 2014.

The Finance Division is mainly exposed to the government bond market in Europe. The investment strategy is limited to the highest rating quality amongst a limited number of European countries. The division has also globally invested in private equity funds and a limited number of co-investments or direct investments. Besides the risks inherent to equity investments, a significant portion of the portfolio is invested in USD and SEK. This currency risk is managed through various hedge instruments (currency loans or swaps).

Through a strict financing policy, the Inter IKEA Group has limited exposure to bank financing (less than 5% of total assets).

Consolidated Annual Accounts of Inter IKEA Holding S.A.

Consolidated Balance Sheet as of 31st December 2012

ASSETS	Notes	2012 (€ '000s)	2011 (€ '000s)
Non-current assets			
Intangible assets	4	9,000,000	–
Leased Land	5	210,799	218,415
Property, Plant and equipment		2,218,827	2,187,324
Tangible assets under construction		576,234	407,356
Tangible assets	6	2,795,061	2,594,680
Shares in undertakings linked by virtue of particip. interests	7	55,630	69,087
Total non-current Assets		**12,061,490**	**2,882,182**
Current assets			
Inventories	8	8,049	14,484
Trade receivables		460,334	449,448
Amounts due within one year		460,334	449,448
Amounts due after more than one year		–	–
Other debtors		114,437	104,433
Amounts due within one year		98,601	94,706
Amounts due after more than one year		15,836	9,727
Transferable securities	9	1,964,792	2,165,261
Cash at bank and in hand		312,288	190,917
Total current Assets		**2,859,900**	**2,924,543**
Deferred charges		28,431	16,600
Total Assets		**14,949,821**	**5,823,325**

The accompanying notes form an integral part of these consolidated annual accounts.

EQUITY AND LIABILITIES	Notes	2012 (€ '000s)	2011 (€ '000s)
Equity			
Share capital	12	300,000	300,000
Share Premium	13, 4	4,500,000	900,000
Legal Reserve	11	30,000	30,000
Retained earnings	11	2,238,359	2,151,584
Result of the year	11	442,762	86,775
Currency Transl. Adj.	11	17,667	19,920
Minority interests	14	343,289	280,512
Total Equity		**7,872,077**	**3,768,791**
Provisions			
Provision for deferred taxes	10	30,559	31,916
Other provisions	15	51,855	63,621
Total Provisions		**82,414**	**95,537**
Non-current & current liabilities			
Amounts owed to credit institutions	16	581,776	855,161
due within one year		254,151	308,076
due after more than one year		327,625	547,085
Trade creditors		194,571	127,778
due within one year		194,571	127,778
due after more than one year		–	–
Other creditors		6,199,860	957,918
due within one year		349,488	610,968
due after more than one year		5,850,372	346,950
Total non-current & current liabilities		**6,976,207**	**1,940,857**
Deferred income		19,123	18,140
Total equity and liabilities		**14,949,821**	**5,823,325**

The accompanying notes form an integral part of these consolidated annual accounts.

Consolidated Income Statement for the year ending 31st December 2012

INCOME STATEMENT	Notes	2012 (€ '000s)	2011 (€ '000s)
Net turnover		2,583,982	2,406,539
Other operating income		76,143	25,625
Operating income	**18**	**2,660,125**	**2,432,164**
Use of merchandise, raw material and consumables		(1,328,201)	(1,225,162)
Staff expenses		(167,135)	(173,659)
Value adjustments		(127,000)	(109,087)
In respect of tangible assets		(126,860)	(108,333)
In respect of current assets		(140)	(754)
Other operating charges		(205,509)	(827,015)
Operating result		**832,280**	**97,241**
Financial income	19	146,712	94,278
Financial expenses	20	(454,045)	(109,875)
Share in profit/losses in Associates		(28,264)	–
Profit on ordinary activities		**496,683**	**81,644**
Income tax expense		(57,615)	(18,013)
Profit of the year before minority interest		**439,068**	**63,631**
Attributable to:			
Shareholders of the parent company	11	442,762	86,775
Minority interests		(3,694)	(23,144)

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Inter IKEA Holding S.A. Consolidated Financial Statements

Note 1 General

Inter IKEA Holding S.A. (hereafter "Holding SA") is a company incorporated in Luxembourg on 9th January, 1992 (Luxembourg Trade and Companies' Register B38952) for an unlimited period of time. The consolidated financial statements for the year ending 31st December, 2012 comprise Holding SA, its subsidiaries and its participating interests (hereafter the "Company" or the "Group") accounted for according to the full or equity consolidation methods. The consolidated financial statements are prepared according to Luxembourg Generally Accepted Accounting Principles.

Note 2 Basis for Preparation

The Group accounting year is from 1st January to 31st December.

The consolidated financial statements are presented in thousands of Euros, rounded to the nearest thousand.

The accounting policies set out below are applied consistently to all periods presented in the financial statements.

For comparison reasons, certain reclassifications have been made to the consolidated balance sheet as of 31st December 2011 and consolidated income statement for the year ending 31st December 2011.

Note 3 Group Accounting Policies

Basis for consolidation

Subsidiaries

Subsidiaries are entities controlled by Holding SA. Control exists when Holding SA has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when Holding SA, directly or indirectly through subsidiaries, owns more than half of the voting rights of an entity.

Participating interests

Participating interests are those entities in which Holding SA has a significant influence. Significant influence is presumed to exist when Holding SA owns, directly or indirectly through subsidiaries, between 20 and 50% of the voting rights. The participating interest values include the share owned by Holding SA in the total recognized gains and losses of Participating interests on an equity accounted basis.

Transactions Eliminated on Consolidation

Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Entities included in consolidation

The most significant companies contributing to the Inter IKEA Group consolidation:

Entities	Country	Ownership, %
Inter IKEA Centre Verwaltung Gmbh	AT	51%
Galliford SA	BE	100%
Inter IKEA Systems SA	BE	100%
Inter IKEA Treasury SA	BE	100%
Inter IKEA Centre Switzerland AG	CH	51%
Inter IKEA Centre China Co Ltd	CN	51%
Inter IKEA Distribution Cyprus Ltd	CY	100%
Inter IKEA Holding Ltd*	CY	100%
Inter IKEA Centre Ceska Republica sro	CZ	51%
Inter IKEA Centre Deutschland Gmbh*	DE	51%
Inter IKEA Centre Group A/S*	DK	51%
Colgardie SA	ES	100%
Inter IKEA Centre Espana SL	ES	51%
Inter IKEA Centre France SAS*	FR	51%
I.F.P.M. Ltd	HK	100%
Inter IKEA Centre Hrvatska doo	HR	51%
Inter IKEA Centre Italia Srl*	IT	51%
SIA Larix Property	LT	100%
Inter IKEA Finance SA	LU	100%
UAB Pinus Proprius*	LV	100%
Equity Estate BV*	NL	53%
Inter Hospitality Holding BV*	NL	100%
Inter IKEA Systems BV	NL	100%
Inter IKEA Systems Holding BV*	NL	100%
Landprop Holding BV*	NL	100%
Pronam BV*	NL	100%
Vastint Holding BV*	NL	100%
Inter IKEA Centre Polska SA*	PL	51%

Entities	Country	Ownership, %
Landprop Services Spzoo	PL	100%
SwedeCenter Spzoo	PL	100%
Inter IKEA Centre Portugal SA	PT	51%
Interprime Property SRL	RO	100%
Inter IKEA Centre Serbia d.o.o	RS	51%
Inter IKEA Culture Centre AB	SE	100%
%Inter IKEA Investments AB*	SE	100%
Inter IKEA Systems Services AB	SE	100%
Inter IKEA Distribution Far East Ltd	SG	100%
Inter IKEA Centre Slovensko sro	SK	51%
UK Landprop Services Ltd	UK	100%
Inter IKEA Systems Services inc.	US	100%

* These entities represents sub-groups present in the following jurisdictions; AN, AT, BE, CH, CN, CY, CZ, DE, DK, ES, FR, HK, HR, IT, LT, LU, LV, NL, PL, PT, RO, RS, SE, SG, SK, UK, US, VG.

Reporting Currency

The reporting currency of the Group is the EUR.

Foreign currency transactions

Transactions in foreign currencies other than the reporting currency are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate effective at that date. Foreign exchange differences, arising from the settlement of foreign currency transactions or on translation of monetary assets and liabilities, are recognized in the income statement.

Foreign subsidiaries

The financial statements of foreign subsidiaries are translated into EUR at year-end exchange rates for Balance Sheet and average exchange rates for Profit & Loss Accounts. The Equity accounts are kept at historical cost. Resulting differences are recorded under Currency Translation Adjustment in equity.

Hedging policies

The Group is hedging two kinds of risks:

- Interest rate risk: The risk that the value of a financial instrument or loan will fluctuate due to changes in market interest rates. For example, the value of a fixed rate bond or the NPV of a fixed rate loan may vary with movements in market interest rate.
- Currency risk: The risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates, e.g. the value of financial liabilities such as foreign currency denominated trade payable may vary with movements in the exchange rate. Transfer of this risk could be achieved by the execution of forward exchange contracts, fixing the exchange rates which could be obtained at certain dates in the future.

The accounting treatment is as follow:

- The cost or benefit of the hedge should be deferred, and recognised over the term of the contract.
- Any gain or loss in re-measuring the hedging instrument at fair-value is recorded in the income statement with a corresponding effect on the balance sheet under prepayment/deferred income as positive, negative fair value hedges.
- Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recorded in the income statement.

Intangible Assets

An intangible asset shall be recognised if, and only if: (1) it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and (2) the cost of the asset can be measured reliably.

The probability shall assess expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

An intangible asset shall be measured initially at cost.

Intangible assets with definite useful life are depreciated over their respective useful life period.

An intangible asset with an indefinite useful life shall not be amortised but are investigated for impairment on an annual basis by comparing its recoverable amount with its carrying amount annually, and whenever there is an indication that the intangible asset may be impaired.

Leased Land

A leased land is a long term lease agreement in which the tenant rents and uses the land to erect buildings and infrastructures. The tenant owns the temporary or permanent buildings and infrastructures build upon it.

Leased lands are depreciated over the lease period, which generally ranges from 8,5 to 99 years.

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement from the date the asset is available for use, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

	Maximum period
Buildings – Retail	25 to 40 years
Buildings – Other	33 years
Building installations	15 years
Leasehold improvements/leased equipments	Lease period
IT equipments	5 years
Furniture, fixtures and fittings	10 years

Land is not depreciated.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the First-In-First-Out principle. Inventories include costs incurred in relation to the construction of buildings that are destined to be sold.

Trade and Other Receivables

Trade and other receivables are stated at cost, less bad debt allowance, which are reversed when the reason for which the allowance was made have ceased to exist.

Investments

Liquid investments are measured based on their fair value. Non-liquid investments are measured based on the Lower of Cost or Market (LOCOM) principle.

Gains or losses arising from the change in fair value or losses arising from LOCOM value are recognised in the income statement in the period in which they occur when they are considered by the Board of Directors as permanent.

Deferred charges

Deferred charges are costs relating to a subsequent accounting period that are capitalized as assets until they are actually used. (e.g. insurance premiums, rent, interest charges and sundry costs paid in advance, non-consumed costs, maintenance contract fees).

Share Capital

Legal reserves

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

Dividends

Dividends are recognized in the period in which they are declared by the Board of Directors.

Employee Benefits

Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognized as an expense in the income statement as incurred.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Trade and Other Payables

Trade and other payables are stated at cost.

Revenue recognition

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Rental income

Rental income from the tenants is recognised in the income statement on a straight-line basis over the term of the lease.

Finance income

Finance income comprises interest income on funds invested, dividend income, gains on disposal of financial assets, changes in fair value of financial assets, realized foreign currency gains and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues. Dividend income is recognised when declared by the Board of Directors or Annual General Meeting of the shareholders.

Finance expenses

Finance expenses comprise interest expenses on borrowings, foreign currency losses, changes on fair value of financial assets, impairment losses recognised on financial assets and losses on hedging instruments. All borrowing costs are recognised in the income statement using the effective interest method.

Value adjustments are mainly related to the activities within the financial assets and investments activities. Those adjustments result from the compliance of the fair market value principle applied to financial instruments, such as bonds, shares, warrants, options.

Income Taxes

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Note 4 Intangible assets

In 2012, Inter IKEA Systems BV, franchisor of the IKEA Concept and subsidiary company received from an affiliated company a contribution made of the IKEA Trademark for a value of EUR 9 billion against a share premium issuance of EUR 3.6 billion and a debt of EUR 5.4 billion.

This intangible asset has a indefinite useful life and is therefore not depreciated.

In the opinion of the Management, no permanent diminution in value has occurred and therefore no value adjustment was estimated necessary as at 31st December, 2012.

Note 5 Leased land

(€ '000s)	1 Jan. 2012	Additions	Depreciation	Translation	31 Dec. 2012
China	197,817	107	–5,097	–1,775	191,052
Poland	7,480	–	–80	–	7,400
The Netherlands	13,118	–	–771	–	12,347
Total Leased Land	**218,415**	**107**	**–5,948**	**–1,775**	**210,799**

Note 6 Tangible Assets

(€ '000s)	Land & building	Machinery	Other assets, tools & equipment	Tangible assets under construction	Total
At cost					
As at January 1	2,732,852	64,285	38,062	407,356	3,242,555
Additions	110,412	15,746	9,872	313,417	449,447
Disposals	–191,627	–	–2,967	–4,064	–198,658
Transfers	147,230	–11,071	–787	–135,372	–
Translation adjustment	314	–	99	–5,103	–4,690
As at December 31	2,799,181	68,960	44,279	576,234	3,488,654
Accumulated depreciation					
As at January 1	603,950	20,076	23,849	–	647,875
Additions	119,340	7,263	5,322	–	131,925
Disposals	–91,557	–	–2,402	–	–93,959
Transfers	–3,135	3,136	–1	–	–
Translation adjustment	7,706	–	46	–	7,752
As at December 31	636,304	30,475	26,814	–	693,593
Net book value					
– beginning of year	2,128,902	44,209	14,213	407,356	2,594,680
– end of year	2,162,877	38,485	17,465	576,234	2,795,061

Tangible assets are mainly composed of land and buildings managed and developed by the Retail Centre and Property divisions.

During 2012, the Retail Centre Division opened a shopping centre in Valladolid (Spain) and extended a shopping centre in Bratislava (Slovak Republic) and in Jerez (Spain). This division has 6 projects under construction in Italy, Switzerland, Poland and China.

The Property Division completed 8 projects (constructions and refurbishments) in Poland, The Netherlands, Belgium and Latvia. It has various projects in the early construction phase in Poland at year end.

Disposals of the year relate essentially to the sale of two retail centres in Austria.

Impairment was taken on a retail property in Spain and to land in Croatia during the 2012 for a total of €20.5m.

Note 7 Shares in undertakings linked by virtue of participating interests

(€ '000s)	1 Jan. 2012	Addi- tions	Dis- posal	Trans- lation	31 Dec. 2012
Other invest- ments (gross)	69,383	15,061	–	2,377	86,821
Impairment	–296	–30,895	–	–	–31,191
Total	**69,087**	**–15,834**	**–**	**2,377**	**55,630**

This caption solely comprises investments considered to be permanent in non-consolidated companies.

Note 8 Inventories

(€ '000s)	31 Dec. 2012	31 Dec. 2011
Raw material and consumables	764	637
Finished goods and goods for resale	5,029	6,247
Assets held for sale	2,256	7,600
Total Inventory	**8,049**	**14,484**

Assets held for sale comprise residential apartments being sold in Latvia. Finished goods for resale comprise IKEA products of the IKEA Concept Store in Delft, the Netherlands.

Note 9 Transferable securities

(€ '000s)	31 Dec. 2012	31 Dec. 2011
Hedge funds & non-quoted shares	138,582	148,902
Private Equity investment	846,677	616,044
Government Bonds & equivalent	979,533	1,400,315
Total Transferable Securities	**1,964,792**	**2,165,261**

The reduction in fixed income instruments, from 2011 to 2012, was used for investments and repayment of bank loans.

Note 10 Provision for deferred taxes

Deferred tax liabilities are attributable to the following items:

(€ '000s)	31 Dec. 2012	31 Dec. 2011
Deferred tax liabilities:		
Goodwill	6,253	8,394
Depreciation and amortization	24,306	22,822
Other	–	700
Total deferred tax liabilities	**30,559**	**31,916**

Note 11 Shareholders' equity

The movement in equity during the year can be summarized as follows:

(€ '000s)	Balance at 1 Jan. 2012	Result brought forward	Result of the year	Dividends distributed	Capital increase	Conversion Difference	Balance at 31 Dec. 2012
Share capital	–300,000	–	–	–	–	–	–300,000
Share premium	–900,000	–	–	–	–3,600,000	–	–4,500,000
Legal reserve	–30,000	–	–	–	–	–	–30,000
Retained earnings	–2,151,584	–86,775	–	–	–	–	–2,238,359
Result of the year	–86,775	86,775	–442,762	–	–	–	–442,762
Currency Transl. Adj.	–19,920	–	–	–	–	2,253	–17,667
Total equity	**–3,488,279**	**–**	**–442,762**	**–**	**–3,600,000**	**2,253**	**–7,528,788**

Note 12 Share capital

As at 31st December 2012 and 31st December 2011, the subscribed capital is represented by 10,000,000 shares fully paid-up of EUR 30 each.

Note 13 Share premium

The share premium amounts to EUR 4,500,000,000.

Note 14 Minority interests

The movement in minority interests during the year can be summarized as follow:

(€ '000s)	Balance at 1 Jan. 2012	Result brought forward	Result of the year	Capital increase	Conversion Difference	Balance at 31 Dec. 2012
Minority reserves	303,656	–23,144	–	70,930	–4,459	346,983
Minority result for the year	–23,144	23,144	–3,694	–	–	–3,694
Total	**280,512**	**–**	**–3,694**	**70,930**	**–4,459**	**343,289**

Note 15 Provisions

(€ '000s)	31 Dec. 2012	31 Dec. 2011
Provisions for pensions	13,170	12,013
Other provisions	38,685	51,608
Total Provisions	**51,855**	**63,621**

Other provisions mainly consist of repair and rebuilding costs related to a construction default and other litigations. The reduction of provisions relates to effective repair works engaged during the year, a reassessment of the remaining repair work and settlements in various litigations.

Note 16 Amounts owed to credit institutions

(€ '000s)	31 Dec. 2012	31 Dec. 2011
More than 5 years	121,811	95,104
Between 1 to 5 years	205,814	451,981
Less than one year	254,151	308,076
Total amounts owed to credit institutions	**581,776**	**855,161**

The majority of the long-term loans are secured by the mortgages on properties.

Note 17 Off balance sheet financial commitments

Group companies have issued guarantees towards third parties for a total amount of €20.9m (€1.3m in 2011), the significant increase relates to guarantees resulting from the sale of retail properties for €19m.

As at 31st December 2012, the Company has unrealised gains on spots, swaps and forwards on foreign exchange transactions for a total amount of €5.9m (2011: €5.6m) and unrealised losses amounting to €8.0m (2011: €19.3m). The nominal value of transactions amounts to €1,456m (2011: €814m).

As at 31st December 2012, the Company also has interest payables and receivables related to Interest Rate Swaps: €21.4m (2011: €17.3m) payables and €0.1m (2011: €0.7m) receivables. The nominal value of transactions amounts to €680m (2011: €339m).

The Group also has commitments into conditional land purchase agreement for €126m and long term office lease for €13.5m.

Note 18 Operating income

(€ '000s)	31 Dec. 2012	31 Dec. 2011
Retail sales	155,540	156,622
Wholesales sales	1,174,600	1,059,812
Media sales	199,067	212,662
Franchise fees and licence income	860,841	789,117
Property rental sales	193,934	188,326
Service income	21,557	18,612
Gain on disposal of tangible assets	50,471	5,731
Other	4,115	1,282
Total operating income	**2,660,125**	**2,432,164**

Note 19 Financial income

(€ '000s)	31 Dec. 2012	31 Dec. 2011
Dividend income	5,762	3,793
Interest income	10,987	14,048
Gain on disposal of financial assets	83,816	68,785
Fair value adjustement on current liquid assets	39,251	6,887
Net foreign exchange gain	1,986	–
Other financial income	4,910	765
Total Financial income	**146,712**	**94,278**

Note 20 Financial expenses

(€ '000s)	31 Dec. 2012	31 Dec. 2011
Interest expenses	377,479	55,240
Loss disposal on financial assets	43,265	3,637
Fair value adjustment	26,867	41,309
Net foreign exchange losses	–	3,077
Other	6,434	6,612
Total financial expenses	**454,045**	**109,875**

The variation in the interests expenses compared to 2011 relates to the debt mentioned in note 4.

Note 21 Employees

The average full time number of employees amount to 1,644 in 2012 (1,578 in 2011).

Note 22 Fees information

(€ '000s)	31 Dec. 2012	31 Dec. 2011
Audit fees	1,108	969
Audit related services	28	32
Tax advisory services	334	45
Other services	83	178
Total fees	**1,552**	**1,224**

Ernst & Young has been appointed in 2011 as auditor for the entire Group.

Note 23 Remuneration to the Board of Directors

The remuneration paid in 2012 by the Company and its subsidiaries to members of the Board of Directors amounts to €1,390m (€1,426m in 2011).

Note 24 Subsequent events

On 2nd January 2013 the Group acquired Inter Fund Management SA, a fund management business located in Luxembourg.

Independent Auditor's Report

To the Board of Directors of Inter IKEA Holding S.A

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 25th March, 2012, we have audited the accompanying consolidated accounts of Inter IKEA Holding S.A., which comprise the consolidated balance sheet as at 31st December 2012 and the consolidated profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated accounts and for such internal control as the Board of determines is necessary to enable the preparation and presentation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the financial position of Inter IKEA Holding S.A. as of 31st December 2012, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated accounts.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Luxembourg, 16th May 2013

Jeannot Weyer

Inter IKEA Group

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