Annual Report 2018

Interogo Holding AG consolidated

Photo cover:
Courtyard perspective of the Magdalena in Riga, Latvia. Completed by Vastint Latvia in 2018.
Plant growth sequence
Classic stone wall from Småland, a true symbol of longevity and our heritage © Inter IKEA Systems B.V.

www.interogoholding.com

Interogo Holding AG
Registered as a Aktiengesellschaft (corporation limited by share ownership)
Under Swiss law with a capital of CHF 330‘000‘000
Registered office: Bahnhofstrasse 15
8808 Pfäffikon SZ
Switzerland

Company-ID: CHE-416.814.967

Consolidated Financial Statements as at 31 December 2018 and independent auditor's report

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Management report

Message from Chairman and CEO

2018 had a difficult start for us, as Ingvar Kamprad passed away on January 28. His leadership and personality will always inspire and guide us. His thriftiness, his cost consciousness, his hard work, his drive for simplification and the eagerness to doing things in a different way will be deeply missed.

While global growth has remained steady for most of 2018, expectations about business conditions and investment intentions weakened over the second part of the year. The change in conditions was fuelled by the increasing uncertainty about United States trade policy and by increasing uncertainty within the European Union in relation to Brexit.

In this complex market environment, Interogo Holding AG businesses have continued to deliver solid results. Our various investment businesses have taken advantage of a still favourable window of opportunity in 2018 to successfully divest some of their investments. The investment income from our non-listed equity portfolio (participations of Nalka Invest AB and the non-listed equity portfolio managed by Inter Fund Management) together with the gains realized on the disposal of properties by Vastint Group reached EUR 453m (EUR 493m in 2017). Notable disposals in 2018 include the sale of Rivierstaete building in Amsterdam by Vastint Group and the sale of Nordic Modular Group and Svensk Markservice Group by Nalka Invest AB.

The other recurring operating income remained steady at EUR 476m (EUR 479m in 2017). It benefited from a 19% growth of rental income, essentially due to new deliveries of offices and hotels in the Vastint Group but was negatively impacted by the exit of Svensk Markservice Group and Nordic Modular Group in the last quarter of the year.

The agreement through which Interogo Holding AG sold its 51% participation in Inter IKEA Centre Group AS in 2014, included a price adjustment based on the performance of certain underlying assets as of December 31, 2018. This price adjustment resulted in an investment income of EUR 100m.

Despite the more challenging market conditions, we have continued to steadily and carefully invest in different asset classes as we still have a positive outlook for our long-term investment strategy. The investment in tangible assets during 2018 amounted to EUR 492m (EUR 443m in 2017) while the net investment in financial assets reached EUR 204m (EUR 169m in 2017).

Beside these EUR 204m of net investments in financial assets, Interogo Holding AG has made a further investment of EUR 2,800m in the non-voting shares held in its sister company Inter IKEA Holding B.V., consistent with the purpose to secure the independence and longevity of the IKEA Concept.

The net profit for the year amounted to EUR 862m, down from EUR 1,816m in 2017. The decrease is explained by a lower level of dividend from Inter IKEA Holding B.V. which amounted to EUR 500m in 2018 against EUR 1,500m in 2017. The lower dividend and the capital contribution of EUR 2,800m has secured the Inter IKEA Group a strong capital base for its future development and growth.

Looking ahead, there are increasing signs that global growth may have peaked. In several countries, leading indicators point to a reduced economic momentum, amid escalating trade disputes, risks of financial stress and volatility. In these potentially challenging market conditions, Interogo Holding AG's core objectives remain unchanged: continue to create long term value while maintaining financial stability. We strongly believe that remaining rigorous, diligent and patient in our asset allocation and investment strategy will allow to weather short term volatility and continue to create value in the long term.

We will continue to work hard to turn challenges into opportunities, and we are grateful for the efforts and dedication of all our co-workers. Most remain to be done, as Ingvar Kamprad often reminded us of.

Our business in brief

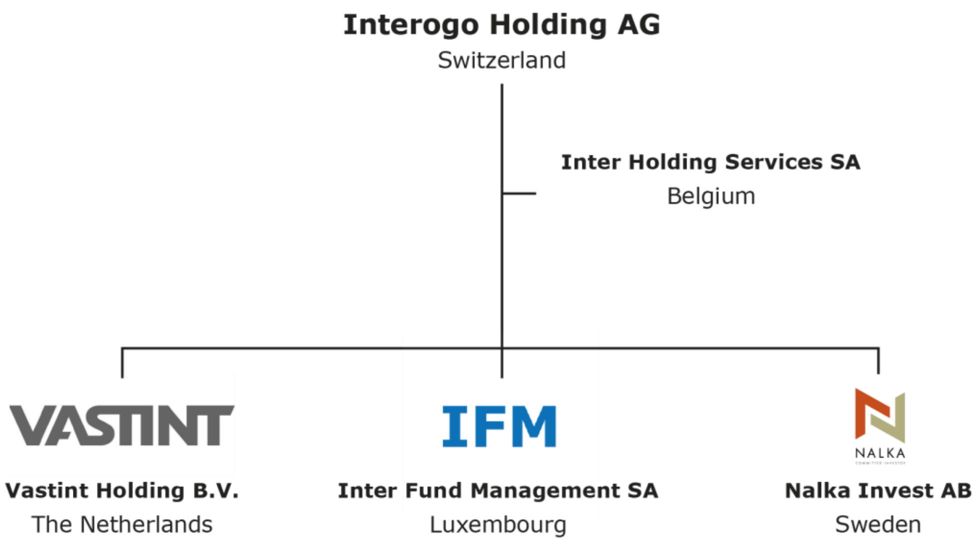
The overall purpose of Interogo Holding AG Group is to manage investments with the aim of creating financial stability and long-term value. This is to support the independence and longevity of our sole shareholder, Interogo Foundation, in its purpose to secure continuous improvement and a long life of the IKEA Concept

To achieve this, our activities are centred on our strategic holding in Inter IKEA Holding BV and the following long-term investment activities:

- Non-listed assets: We strive to build relationships and partnerships with businesses and entrepreneurs with a long-term investment view. We are a committed investor in private companies through direct and indirect investments. These investments are structured through interests in investment funds and co-investments together with fund managers and entrepreneurs or through direct controlling/co-controlling shareholdings in mid-sized companies.
- Real estate: We aim at creating long-term value through property investments by acquiring, developing and managing commercial properties within the office, residential and hotel segments.
- Financial investments: listed securities – mainly equites and fixed income – by acquiring minority liquid positions.

In addition to these investment activities, Interogo Holding AG Group is performing treasury activities, including lending and borrowing, for its own subsidiaries and the Inter IKEA Group.

Our activities are carried out through various business units:



Interogo Holding AG is the holding company and holds non-controlling participation in Inter IKEA Holding BV through non-voting shares, conduct treasury activities and may also hold, directly or indirectly, other financial investments.

The **Vastint Group**, owned by Vastint Holding BV in the Netherlands, leads the real estate investment strategy. The cornerstones of Vastint Group's operations are the management of portfolio properties and the real estate development. Development activities include land acquisition, master planning, design, construction and leasing (see also www.vastint.eu). The Vastint Group portfolio now accounts for 1,051 Tsqm of rentable space, with a further 518 Tsqm of offices, hotels and residential under various phases of development around Europe.

Inter Fund Management SA is a Luxembourg AIFMD regulated fund manager. It manages a variety of specialized investment funds of listed and non-listed equities and bonds (see also www.ifm-sa.eu).

As of December 31, 2018, Inter Fund Management SA managed about EUR 4,6bn of financial assets (mainly equities and fixed income) on behalf of our owner Interogo Foundation.

In addition, Inter Fund Management SA is managing on behalf of the Interogo Holding AG Group a portfolio of non-listed asset held through International SIF SICAV SA, an Alternative Investment Fund focused essentially on indirect investments in private companies through funds and similar investments vehicles.

Each of these investment strategies are advised and managed by dedicated teams with special skill sets within Inter Fund Management.

Nalka Invest AB is a Swedish investment firm focusing on acquiring controlling and co-controlling participation in small and medium size companies in the Nordic region. (see also www.nalka.com)

Sustainability

Caring for people and planet is essential to Interogo Holding. We have a long-term approach to investments and are convinced that responsibility and profitability go hand in hand. Our business model is decentralised, and we believe decisions should be made as close to reality as possible. Each business has far-reaching responsibility for their own operations, including ensuring good sustainable practices.

Vastint Group

Sustainability is at the core of Vastint's daily operations. For instance, societal concerns are central at the planning stage, remediation of polluted sites is prioritized, and buildings are constructed using efficient solutions and supplies which are evaluated based on long-term impact.

During 2018, Vastint focused on four key areas; Performance of properties, Safety of properties, Business ethics and Certification of properties. Amongst other initiatives, Vastint aims at purchasing electricity from renewable sources (i.e. electricity with a so called green certificate) where there is such a possibility on the market and the potential costs are not unreasonable. As per 1 January 2019, contracts for the supply of electricity with a green certificate has been concluded on the following markets: Belgium, The Netherlands, Latvia, Lithuania, Poland, UK and Romania.

All new buildings and refurbishments within Vastint shall have an environmental certification, preferably according to internationally recognised certification systems. During 2018, five properties/projects were certified in accordance with either BREEAM or LEED standards. In addition, the first two apartment buildings of Magdelēnas kvartāls in Riga, Latvia received energy efficiency pre-certification class A.

Inter Fund Management SA

Inter Fund Management SA (IFM) evaluates its investments not only based on sound financial criteria, but also on policies developed to weigh in Environmental, Societal and Governance (ESG) factors. Depending on asset class and management form, IFM has developed a dynamic framework for how to address and approach ESG factors in all its investments.

The International team (IFM's team dedicated to International SIF SICAV SA, see "Our business in brief") has aligned investment processes and routines with the set structure of IFM, ensuring viable long-term sustainable investments. In addition, the International team has separate

ESG procedures supporting its investments to develop towards becoming sustainable businesses. The field of ESG is undergoing rapid changes; during 2018 the entire International team was trained on current ESG practices to continue meet new regulatory requirements but mostly to be part of best practice and initiatives.

Nalka Invest AB

Nalka Invest develops companies with the ambition to help them become independent, competitive and profitable long-term. In this value creation process, corporate responsibility is a key success factor. During 2018, Nalka Invest further developed and formalised its process for screening and evaluating ESG factors for new investments, during ownership and for divestments. Nalka Invest has also launched a policy for sustainable investments and responsible ownership, clarifying Nalka's view on ESG factors as an investor.

Corporate governance

Interogo Holding AG is overseen by a board of six directors:

- Hans Gydell (Chairman)
- Søren Hansen (CEO)
- Jean-Louis Ouellette
- Fredrik Persson
- Lennart Sten
- Urs Wickihalder

Directors are elected at the general shareholder meeting and normally appointed for a period of three years. Board meetings are held three times per year.

The board of directors has assigned an audit committee to oversee financial reporting, regulatory compliance and corporate governance. The audit committee meets two times per year.

Each business unit has a board of directors meeting three times per year. The boards are generally composed of the Group CEO, the managing director of each business unit and a selected panel of Group executives and external members. The boards are supported by advisory and investment committees where appropriate.

Pfäffikon, Switzerland, May 2, 2019

Hans Gydell
Chairman

Søren Hansen
CEO

Consolidated Financial Statements 2018

Consolidated Balance Sheet as of December 31, 2018

Assets in EUR 1,000	**Notes**	**31.12.2018**	**31.12.2017**
Non-current Assets			
Intangible assets	3	326,306	445,740
Leased land and tangible assets	2	2,394,890	2,155,294
Non-current financial assets	5	12,555,177	10,515,357
Other non-current assets		20,137	15,159
Total non-current Assets		**15,296,510**	**13,131,550**
Current Assets			
Inventories	6	119,543	114,279
Trade receivables		94,510	113,985
Other receivables and prepayments		281,917	220,801
Current financial assets	5	3,791,637	3,231,213
Securities	7	1,495,609	1,262,955
Cash and cash equivalent	8	194,027	195,681
Total current Assets		**5,977,243**	**5,138,914**
Total Assets		**21,273,753**	**18,270,464**

Liabilities and Shareholder’s Equity in EUR 1,000	**Notes**	**31.12.2018**	**31.12.2017**
Shareholder's equity			
Share capital		300,000	300,000
Share premium		900,000	900,000
Legal reserve		30,000	30,000
Retained earnings		7,753,465	6,887,988
Non-controlling interests		39,528	72,812
Total shareholder's equity		**9,022,993**	**8,190,800**
Non-current liabilities			
Non-current provisions	9	73,611	51,746
Non-current financial liabilities	10	5,520,546	7,720,943
Other non-current liabilities		1,081	404
Total non-current liabilities		**5,595,238**	**7,773,093**
Current liabilities			
Current financial liabilities	10	6,397,702	2,042,044
Trade payables		80,187	99,462
Other current liabilities		105,204	74,342
Accrued liabilities		72,429	90,723
Total current liabilities		**6,655,522**	**2,306,571**
Total liabilities		**12,250,760**	**10,079,664**
Total liabilities and shareholder's equity		**21,273,753**	**18,270,464**

Consolidated Income Statement
for the year ending December 31, 2018

Income statement in EUR 1,000	**Notes**	**2018**	**2017**
Net sales		625,806	627,546
Cost of goods sold		-395,503	-384,883
Gross profit		**230,303**	**242,663**
Other operating income	13	798,789	729,639
Operating income		**1,029,092**	**972,302**
Personnel expenses	14	-225,462	-233,748
Depreciation on tangible assets	2	-73,322	-66,749
Impairment on tangible assets	2	0	1,831
Amortization of intangible assets	3	-52,865	-64,051
Other operating expenses	16	-224,733	-215,300
Operating result (EBIT)		**452,710**	**394,285**
Financial result	17	460,264	1,477,935
Profit before tax (EBT)		**912,974**	**1,872,220**
Income Taxes	18	-47,412	-18,182
Net profit		**865,562**	**1,854,038**
Attributable to shareholders of the parent company		861,540	1,816,472
Attributable to non-controlling interests		4,022	37,566

Consolidated Statement of Cash-Flows for the year ending December 31, 2018

In EUR 1,000	2018	2017
Net profit	865,562	1,854,038
Depreciation and amortization	126,187	130,800
Impairment on tangible and financial assets	0	-1,831
Gain on disposal of tangible and financial assets	-414,432	-441,833
Change in provisions	2,524	-1,243
Deferred income taxes	30,723	12,605
Other non-cash items	-19,552	158,271
Change in net working capital	-47,913	-130,045
Cash-flow from operating activities	**543,099**	**1,580,762**
Investments in tangible assets	-491,407	-442,626
Disposals of tangible assets	234,941	26,306
Investments in financial assets net	-3,004,389	168,496
Investment in Group companies	-	-130,217
Disposal of Group companies	111,772	97,908
Cash-flow from investment activities	**-3,149,083**	**-280,133**
Change in current financial liabilities	1,994,235	-657,714
Change in non-current financial liabilities	878,605	-200,495
Change in minority shareholders of subsidiaries	-35,856	78
Cash-flow from financing activities	**2,836,984**	**-858,131**
Change in cash and cash equivalents	**231,000**	**442,498**
Opening value of cash accounts	1,458,636	1,016,138
Closing value of cash accounts	**1,689,636**	**1,458,636**

Changes in Shareholders' Equity as of December 31, 2018

In EUR 1,000	Balance 01.01.2017	Result of the year	Dividends distributed	Change of scope	Change in capital	Currency trans-lation	Balance 31.12.2017
Share capital	300,000						300,000
Share premium	900,000						900,000
Legal reserve	30,000						30,000
Retained earnings	5,073,194	1,816,472		5,110			6,894,776
Currency adjustment	-1,541					-5,247	-6,788
Non-controlling interests	41,087	37,566	-5,870	-5,110	5,984	-845	72,812
Total Equity	**6,342,740**	**1,854,038**	**-5,870**	**0**	**5,984**	**-6,092**	**8,190,800**

In EUR 1,000	Balance 01.01.2018	Result of the year	Dividends distributed	Change of scope	Change in capital	Currency trans-lation	Balance 31.12.2018
Share capital	300,000						300,000
Share premium	900,000						900,000
Legal reserve	30,000						30,000
Retained earnings	6,894,776	861,540		-237			7,756,079
Currency adjustment	-6,788					4,174	-2,614
Non-controlling interests	72,812	4,022	-38,915	-877	3,059	-573	39,528
Total Equity	**8,190,800**	**865,562**	**-38,915**	**-1,114**	**3,059**	**3,601**	**9,022,993**

The share capital of the Group is composed as follows:

	Number of shares	Nominal value
At December 31, 2017	330,000	CHF 1,000
At December 31, 2018	330,000	CHF 1,000

All issued registered shares are fully paid in and have equal rights in respect to dividend distributions and capital repayment.

Basis for the Consolidated Financial Statements

General

Interogo Holding AG (hereafter "Holding") is a company incorporated in Switzerland for an unlimited period of time (Canton Schwyz trade register CHE-416.814.967). The consolidated financial statements for the year ending December 31, 2018, comprise the Holding, its subsidiaries and its participating interests (hereafter "Group").

The Group is focussed in investing in real estate, listed and non-listed equities, bonds, fund management and treasury management.

The Board of Directors released the consolidated financial statements for publication on May 2, 2019.

Fundamental accounting and assessment methods

Basis of preparation

The consolidated financial statements have been prepared in accordance with the accounting and reporting recommendations of Swiss GAAP FER according to the principle of "true and fair view". They are based on the financial statements of the Group prepared for the same reporting period using consistent accounting policies.

The Group reporting currency is the Euro ("EUR"). The period comprises twelve months and ends 31 December.

All figures included in these financial statements and notes to the financial statements are rounded to the nearest EUR 1,000, except where otherwise indicated.

Consolidation policies

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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 the Group, directly or indirectly, owns more than half of the voting rights of an entity. The existence and effect of potential voting rights that are currently exercisable or tradable can also determine whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is obtained. They are de-consolidated from the date that control ceases. Subsidiaries are recognised using the purchase method. The consideration encompasses the compensation transferred in exchange for obtaining control over the identifiable assets, liabilities and contingent liabilities of the company acquired. The compensation includes cash payments as well as the fair market value of both the transferred assets, the incurred or assumed liabilities and, in addition, the equity instruments as of the trade date that have been issued by the Group. The net assets acquired comprising identifiable assets, liabilities and contingent liabilities, are recognised at their fair value. Goodwill is recognised as of the acquisition date and is measured as the excess of the consideration transferred as described over and above the fair value of the identified net assets. If the Group does not acquire 100% of the shares of a company, the non-controlling interests is to be disclosed separately in equity.

Transactions, balances and gains on transactions between subsidiaries are eliminated. Losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Associates

Associates are companies that are significantly influenced, but not controlled by the Group. This is generally evidenced when the Group owns between 20% and 50% of a company. Investments in associates are accounted for using the equity method. The Group's investment in associates may include goodwill identified on acquisition.

Foreign currency transactions

Transactions in foreign currencies other than the reporting currency are translated at the foreign exchange rate prevailing at the date of 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 subsidiaries in foreign currency 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.

Derivative financial instruments

Derivative financial instruments are accounted for at fair value. Changes in the fair value are recognized immediately in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and time deposits with a residual term to maturity from the balance sheet date of 90 days at the most. They form the basis of the consolidated statement of cash flows.

Securities

Listed securities, portfolios or hedge funds managed by third parties are recorded at stock market prices at the balance sheet date. Unlisted securities are shown in the balance sheet at acquisition cost less any impairment.

Trade receivables / other receivables

Trade receivables and other receivables are valued at par value less impairment, if any. An allowance is set aside if objective indications show that receivables cannot be collected. Allowances are based on individual valuations.

Prepayments

Prepayments 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).

Inventories

Inventories are measured at cost. Discounts are recognised as a reduction in the purchase price. If the book value exceeds the net market value, an impairment loss is recorded on the income statement in the current period (lower of cost or market principle). Net market value is equivalent to the current market price less the usual sales deductions, marketing costs and administrative costs yet to be incurred. Inventories that cannot be sold are written off in full. The costs of inventories are determined by using the first in first out ("FIFO") method.

Inventories include costs incurred in relation to the construction of buildings that are destined to be sold.

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 built upon it.

Leased land is depreciated over the lease period, which expires between the years 2019 and 2140.

Tangible assets

Tangible assets are carried at acquisition or manufacturing costs, with depreciation calculated using the straight-line method based on the following estimated useful lives:

	Years
Buildings – Retail	25
Buildings – Other	33
Building installations	15
Leasehold improvements and leased equipment	Lease period
IT equipment	5
Furniture, fixtures and fittings	10

Investment property

Investment properties are carried at historical or manufacturing cost less accumulated depreciation and any impairment. The period of depreciation is calculated according to the category of asset.

Intangible assets

Goodwill

Net assets taken over in an acquisition are to be valued at actual values and any surplus of acquisition cost over the newly valued net assets is to be designated as goodwill (purchase price allocation). Goodwill is amortized over the expected useful life period not exceeding 10 years.

Other intangible assets

Other intangible assets include licenses, patents or other rights. Other intangible assets are amortized over the expected useful life period not exceeding 10 years.

Financial assets

Financial assets include associates, related parties, listed investments, non-listed investments in funds, co-investments and direct investments, held for the long-term and valued at historical cost less impairment.

Impairment of assets

All assets are reviewed as of each balance sheet date for indications of impairment. If there are indications that an asset may be impaired, the recoverable amount of the asset is determined and the impairment loss is estimated. Should the estimated recoverable amount of the asset, which is equivalent to the higher of net market value and the useful value of the asset, be lower than the asset's book value, an adjustment is made to the income statement to reduce the book value of the asset to the estimated recoverable amount in the same period in which the impairment was discovered. Net market value is the price obtainable between independent third parties less the associated selling expenses. Useful value is based on the estimated future cash flows resulting from the use of the asset, including any possible cash flow at the end of the useful life, discounted using an appropriate long-term interest rate.

Operating Leases

Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

Financial liabilities

Financial liabilities are measured at amortized costs.

Trade and other payables

Trade and other payables are stated at its nominal amount.

Provisions

Provisions are established when a legal or constructive obligation arising from past events exists that will likely result in a cash outflow and this cash outflow can be reliably estimated. The provisions established represent the best possible estimate of the final obligation. Long-term provisions are discounted to their present values, provided that the impact is material. The subdivision into short-term and long-term provisions is based on whether utilisation is assumed to be probable within one year or at a later time.

Possible obligations whose existence requires confirmation by future events, or obligations whose amount cannot be reliably estimated, are disclosed in the notes to the financial statements as contingent liabilities.

Contingent liabilities

Contingent liabilities are assessed according to the probability and scope of future unilateral contributions and costs, and are disclosed in the Notes.

Pension benefit obligations

The pension benefit obligations of the Group companies in respect of old age, death and disability comply with the statutory provisions and regulations in the respective countries.

An economic benefit is capitalised provided it will be available to reduce the company's future pension expenses. An economic obligation is recognized as a liability if the conditions for establishing a provision are met. Any unconditionally available employer contribution reserves are recognized as assets. The economic impacts of surpluses or deficits in the pension funds on the Group, as well as a change in any employer contribution reserves, are recognized as profit or loss and reported as personnel expenses in addition to the contributions deferred to the reporting period.

Taxes

Income taxes

Current income taxes are calculated at the prevailing tax rates on the basis of the expected fiscal result for the period as per commercial law and according to the respective tax assessment rules. They are disclosed under other current liabilities.

Deferred taxes

Deferred taxes are taken into account on temporary differences between tax bases and the carrying amounts in the consolidated financial statements and are calculated using the liability method based on effective or expected effective local tax rates. Deferred tax assets are recognized for loss carry-forwards where it is highly probable that they can be offset against future taxable income. The changes in deferred tax assets and liabilities are recognized in the consolidated income statement. Taxes on transactions that are reported in equity are also recognized in equity.

Revenue recognition

Net sales

Sales consists of all sales proceeds attained from the delivery of goods to third parties after deducting discounts, rebates, cash discounts and value-added taxes. Sales proceeds are always included in the income statement as soon as the delivery of the goods has taken place and benefit and risk have been transferred to the buyer.

Rental income

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

Service income

Service income consists of services to third parties after deduction of discounts, rebates and value-added tax. Service proceeds are included in the income statement as soon as the service has been rendered.

Gain or loss on disposal of tangible and financial assets

The gain or loss on disposal of tangible and financial assets is recognised when assets are effectively sold. It consists of the sales proceed, net of any selling expenses, minus the net book value including any impairment previously taken on such assets.

Financial result

Financial income

Financial income comprises dividends, interest income, fair value adjustment gains on current liquid assets, realized foreign currency gains and gains on hedging instruments that are recognized in the income statement.

Interest income is recognized in the income statement as it accrues. Dividend income is recognized when declared by the Board of Directors or at the Annual General Meeting of the shareholders.

Financial expenses

Financial expenses comprise interest expenses, fair value adjustment losses on current liquid assets, realized foreign currency losses and losses on hedging instruments that are recognized in the income statement.

All borrowing costs are recognized in the income statement as it accrues.

Value adjustments result from the compliance of the fair market value principle applied to financial instruments, such as bonds, shares, warrants and options.

Notes to the Consolidated Financial Statements

Note 1 Consolidation scope

The most significant companies contributing to the Group consolidation as at December 31, 2018:

Entities	Country	Interest held in capital / votes	Currency	Share capital	Equity contribution
Interogo Holding AG	CH	Parent	TCHF	330,000	996,390
Inter Holding Services SA	BE	100.0%	TEUR	63	-
Vastint Holding BV *	NL	100.0%	TEUR	45,378	594,067
Vastint Netherlands BV *	NL	100.0%	TEUR	40,505	3
Vastint Belgium SA	BE	100.0%	TEUR	16,065	837
Parc Louise SA	BE	100.0%	TEUR	744	-
Vastint Lithuania UAB	LT	100.0%	TEUR	28,965	-
Vastint Latvia SIA	LV	100.0%	TEUR	20,630	-
Vastint Romania SRL	RO	100.0%	TRON	196,060	21
Vastint UK BV	NL	100.0%	TEUR	1,000	83,524
Vastint UK Services Ltd	UK	100.0%	TGBP	50	-
Vastint Land BV	NL	100.0%	TEUR	5,000	-
Vastint Leeds BV	NL	100.0%	TEUR	-	15,000
Vastint Cardiff BV	NL	100.0%	TEUR	-	-
Aurora Vastgoed BV	NL	100.0%	TEUR	18	68,069
Colgardie S.L.	ES	100.0%	TEUR	36,703	9,000
Vastint Poland Spzoo	PL	100.0%	TPLN	177,783	682,120
Vastint Hospitality BV	NL	100.0%	TEUR	1,000	110,000
Hospitality Equipment BV	NL	100.0%	TEUR	100	-
Vastint Hospitality UK Services Ltd	UK	100.0%	TGBP	59	-
Vastint Hospitality Germany Services GmbH	DE	100.0%	TEUR	25	-
Vastint Hospitality Italy Factory SRL	IT	100.0%	TEUR	10	470
Vastint Hospitality Italy srl	IT	100.0%	TEUR	10	670
Vastint Hospitality Poland Spzoo	PL	100.0%	TPLN	5	-
Vastint Hospitality UK Student Home BV	NL	100.0%	TEUR	-	-
Inter Fund Management SA	LU	100.0%	TEUR	1,500	-
Inter Fund Management US Inc.	US	100.0%	TUSD	250	-
Inter STL SA	LU	100.0%	TEUR	50,000	10,900
Inter LTH Investments Holding Ltd	CY	100.0%	TEUR	359	39,490
International Sif / Sicav SA *	LU	91.5%	TEUR	1,250	638
IH Capital AB	SE	100.0%	TSEK	50	1,689,002
IH Capital HC1 AB	SE	100.0%	TSEK	50	1,689,002
Nalka Invest AB *	SE	100.0%	TSEK	60,000	858,418
Hööks Hästsport AB *	SE	81.0%	TSEK	233,550	-
Office Management AB *	SE	91.0%	TSEK	704,274	-
Eson Pac AB *	SE	63.0%	TSEK	84,703	-
Forsbergs Fritidscenter AB *	SE	51.0%	TSEK	52,749	-
Cibes Holding AB *	SE	95.0%	TSEK	21,964	-
Open Air Holding AB *	SE	84.0%	TSEK	8,077	-
Played Top Hold AB	SE	96.0%	TSEK	354,258	-

* Companies having subsidiaries in following countries:
CH, DK, FI, NO, DE, ES, MT, MU, NL, SE, US, UK.

In 2018, Nalka Invest AB sold the investment in Nordic Modular AB and Nordisk Markservice AB.

Note 2 Leased land and tangible assets

In EUR 1,000	Land unde-veloped	Land & building	Leasehold improve-ments	Other assets & equipment	Assets under construction	Total
At cost						
As at January 1, 2017	**447,769**	**1,257,255**	**88,051**	**192,934**	**272,090**	**2,258,099**
Additions	41,115	59,734	11,429	28,430	301,918	442,626
Disposals		-12,967	-3,097	-3,709	-7,065	-26,838
Transfers	-14,413	270,429	-39	287	-238,730	17,534
Scope change		20,894	-3,889	-143		16,862
Translation adjustment		-4,312	-75	-4,941	-324	-9,652
As at December 31, 2017	**474,471**	**1,591,033**	**92,380**	**212,858**	**327,889**	**2,698,631**
Additions	59,163	47,323	15,950	21,865	347,106	491,407
Disposals	-	-107,938	-4,534	-9,767	-	-122,239
Transfers	-18,306	177,435	-25	280	-154,950	4,434
Scope change	-	-34,940	-125	-211,267	-487	-246,819
Translation adjustment	-	-2,904	35	1,016	-640	-2,493
As at December 31, 2018	**515,328**	**1,670,009**	**103,681**	**14,985**	**518,918**	**2,822,921**
Accumulated depreciation						
As at January 1, 2017		**312,255**	**38,609**	**137,611**	**-**	**488,475**
Additions		44,852	8,513	13,384	-	66,749
Disposals		-5,734	-1,386	-4,132	-	-11,252
Impairment		-1,831	-	-	-	-1,831
Transfers		2,801	-	-	-	2,801
Scope change		5,915	-1,943	-143	-	3,829
Translation adjustment		-2,008	-55	-3,371	-	-5,434
As at December 31, 2017		**356,250**	**43,738**	**143,349**	**-**	**543,337**
Additions		51,372	8,833	13,117	-	73,322
Disposals	-	-16,262	-3,839	-7,494	-	-27,595
Impairment	-	-	-	-	-	-
Transfers	-	-491	-9	-61	-	-561
Scope change	-	-20,487	-89	-139,514	-	-160,090
Translation adjustment	-	-935	32	521	-	-382
As at December 31, 2018		**369,447**	**48,666**	**9,918**	**-**	**428,031**
Net book value						
- as at January 1, 2017	**447,769**	**945,000**	**49,442**	**55,323**	**272,090**	**1,769,624**
- as at December 31, 2017	**474,471**	**1,234,783**	**48,642**	**69,509**	**327,889**	**2,155,294**
- as at December 31, 2018	**515,328**	**1,300,562**	**55,015**	**5,067**	**518,918**	**2,394,890**

Additions to tangibles assets mainly relates to the Vastint Group (real estate). The geographical split for real estate development expenditures (residential, hotels, offices) is summarised as follows: UK 32%, PL 28%, RO 10%, LA 6%, NL 5%, DE 4% BE 2%, DK 2% and others.

The disposals relate mainly to the sale of office buildings in the Netherlands. Residential buildings in Latvia have been transferred to asset held for sale (Note 5).

Note 3 Intangible assets

In EUR 1,000	Goodwill	Licenses	Total
At cost			
As at January 1, 2017	**384,147**	**5,771**	**389,918**
Additions	72,934	65,240	138,174
Disposals	-	-392	-392
Scope change	50,224	-257	49,967
Transfers	-	6,772	6,772
Translation adjustment	-11,388	-1,669	-13,057
As at December 31, 2017	**495,917**	**75,465**	**571,382**
Additions	-	8,966	8,966
Disposals	-	-	-
Scope change	-113,999	1,515	-112,484
Transfers	-12,322	5,779	-6,543
Translation adjustment	-12,586	-2,486	-15,072
As at December 31, 2018	**357,010**	**89,239**	**446,249**
Accumulated depreciation			
As at January 1, 2017	**87,583**	**-**	**87,583**
Additions	52,328	11,723	64,051
Disposals	-612	-266	-878
Scope change	-29,599	-27	-29,626
Transfers	-6	6,896	6,890
Translation adjustment	-2,214	-164	-2,378
As at December 31, 2017	**107,480**	**18,162**	**125,642**
Additions	44,426	8,439	52,865
Disposals	-	-	-
Scope change	-49,903	-183	-50,086
Transfers	-7,371	1,740	-5,631
Translation adjustment	-1,969	-878	-2,847
As at December 31, 2018	**92,663**	**27,280**	**119,943**
Net book value			
- as at January 1, 2017	**296,564**	**5,771**	**302,335**
- as at December 31, 2017	**388,437**	**57,303**	**445,740**
- as at December 31, 2018	**264,347**	**61,959**	**326,306**

Intangible assets are mainly composed of goodwill on subsidiaries belonging to the Nalka Invest AB group. The investments in Nordic Modular AB and Nordisk Markservice AB have been sold in 2018.

Note 4 Foreign currencies

	Balance sheet year-end rates		Income statement average rates	
	31.12.2018	31.12.2017	2018	2017
US Dollar (USD)	0.8734	0.8329	0.8495	0.8797
British Pound (GBP)	1.1132	1.1258	1.1292	1.1431
Swedish Krona (SEK)	0.0983	0.1018	0.0971	0.1037

Note 5 Current and non-current financial assets

In EUR 1,000	31.12.2018	31.12.2017
Non-listed investments	5,817,048	2,890,332
Listed investments	210,953	-
Non-current loans receivable	6,527,176	7,625,025
Total non-current financial assets	**12,555,177**	**10,515,357**
Current loans receivables	3,791,637	3,231,213
Total current financial assets	**3,791,637**	**3,231,213**

Non-listed investments includes the participation held in Inter IKEA Holding BV and interests in investment funds and minority stakes in non-listed companies. The increase of EUR 2,927m between 2017 and 2018 is mainly explained by the further investment in the amount of EUR 2,800m made by Interogo Holding AG into Inter IKEA Holding BV. The total participation in Inter IKEA Holding BV amounts to EUR 4,096m.

Note 6 Inventories

In EUR 1,000	31.12.2018	31.12.2017
Raw material and consumables	15,626	15,665
Inventory in progress	1,011	938
Finished goods and goods for resale	89,182	75,559
Assets held for sale	13,723	22,117
Total	**119,542**	**114,279**

Assets held for sale are related to real estate. Other inventories are highly diversified as industrial, wholesale and retail goods.

Note 7 Securities

Securities consist of publicly traded bonds and other instruments held through Money Market funds.

Note 8 Cash and cash equivalents

In EUR 1,000	31.12.2018	31.12.2017
Cash at bank and in hand	113,799	115,517
Short-term deposits	80,228	80,164
Total	**194,027**	**195,681**

Note 9 Provisions

In EUR 1,000	Provisions for employment commitment	Deferred tax liability	Other provisions	Total
As at January 1, 2018	**10,172**	**36,884**	**4,690**	**51,746**
Increase	3,476	26,707	-	30,183
Decrease	-	-	-952	-952
Scope change	-	-5,154	-1,635	-6,789
Transfers		131	-	131
Translation adjustment	-7	-587	-114	-708
As at December 31, 2018	**13,641**	**57,981**	**1,989**	**73,611**

The provision for employment commitment is a potential liability related to past pension obligations, for pension programs no longer in force within the Group.

Note 10 Current and non-current financial liabilities

The current and non-current financial liabilities comprise loans owed to credit institutions and related parties with the following maturity:

In EUR 1,000	31.12.2018	31.12.2017
More than one year	5,520,546	7,720,943
Less than one year	6,397,702	2,042,044
Total	**11,918,248**	**9,762,987**

The majority of the non-current loans are granted by related parties (see Note 11).

Note 11 Transactions with related parties

Balance sheet In EUR 1,000	31.12.2018	31.12.2017
Non-current financial assets	10,573,836	8,882,910
Other receivables and prepayments	2,083	1,427
Current financial assets	3,737,116	3,230,775
Assets	**14,313,035**	**12,115,112**
Non-current financial liabilities	5,400,000	7,500,000
Current financial liabilities	6,362,458	1,611,449
Liabilities	**11,762,458**	**9,111,449**

Income statement In EUR 1,000	2018	2017
Other operating revenues	10,636	14,136
Service expenses	-146	-232
Dividend income	500,000	1,500,000
Interest income	370,071	409,326
Interest expense	-346,647	-389,857

Related parties are defined as subsidiaries of Interogo Foundation, the ultimate owner, who are not part of the Interogo Holding AG consolidation scope.

Any rendering of services and lending to and from related parties are entered at market conditions.

Note 12 Sales

Sales are composed of diversified activities such as industrial, wholesale and retail goods.

Note 13 Other operating income

In EUR 1,000	2018	2017
Rental income	158,472	132,775
Service income	82,096	100,631
Investment income	409,624	490,676
Gain on sales of tangible assets	142,951	1,166
Other	5,646	4,391
Total	**798,789**	**729,639**

Rental income is defined as leased properties and modular constructions; Service income relates to fund management and maintenance activities; Investment income relates to net realised gains, interest income and dividends on actively managed non-listed investments and net realised gains on disposal of participations (Note 21).

Interest income from non-listed investments in the amount of TEUR 15,945 (2017: TEUR 35,459) has been transferred from interest income (Note 17) to investment income (Note 13). The previous year figures have been adjusted accordingly.

Note 14 Personnel expenses

In EUR 1,000	2018	2017
Wages and salaries	166,053	174,249
Social security expenses	39,024	43,736
Pension expenses	10,860	10,777
Other	9,525	4,986
Total	**225,462**	**233,748**

Note 15 Employee pensions

The Group provides post-employment benefits to its employees, in the form of defined contribution pension plans, in most countries where it operates and in line with country legislation.

Note 16 Other operating expenses

In EUR 1,000	2018	2017
Consultancy, advisory and investment fees	71,806	72,976
Impairment on non-current financial assets	42,885	27,842
Property maintenance, repairs and utilities	32,377	35,968
Marketing and communication	11,823	13,591
Loss on disposal of tangible assets	50	368
Other operating expenses	65,792	64,555
Total	**224,733**	**215,300**

Note 17 Financial result

In EUR 1,000	2018	2017
Dividend income	500,000	1,500,000
Net foreign exchange gains or losses	1,037	5,814
Fair value adjustments on securities	-	2,727
Interest income and expenses	-40,487	-30,612
Other financial income and expenses	-286	6
Total	**460,264**	**1,477,935**

Interest income from private equity investments in the amount of TEUR 15,945 (2017: TEUR 35,459) has been transferred from interest income (Note 17) to investment income (Note 13). The previous year figures have been adjusted accordingly.

Note 18 Income taxes

In EUR 1,000	2018	2017
Current income taxes	17,087	20,889
Deferred income taxes	30,325	-2,707
Total	**47,412**	**18,182**

The deferred tax asset of EUR 6.0m (2017: EUR 12.4m) arises from tax losses carried forward and temporary differences. The average tax rate of to calculate the deferred tax assets and liabilities was 20.9%. The tax losses carried forward not recognised amount to EUR 56m (2017: EUR 68m).

Note 19 Contingent liabilities

Group companies have issued guarantees towards third parties for a total amount of EUR 0.7m (2017: EUR 1.3m). The Group also has commitments into conditional land purchase agreements for EUR 17.2m (2017: EUR 20.2 million).

The Company has foreign exchange contracts and interest rate swaps outstanding as of December 31, 2018. These contracts were entered into in order to hedge the intercompany and related party loans. The Company has unrealised gains on spots, swaps and forwards on foreign exchange transactions for a total amount of EUR 34.9 million (2017: EUR 26.4 million) and unrealised losses amounting to EUR 9.8 million (2017: EUR 9.6 million). The nominal value of foreign exchange transactions amounts to EUR 2,839 million. (2017: EUR 2,452 million). The nominal value of the interest rate swaps amounts to EUR 82 million (2017: EUR 95 million).

Note 20 Contractual obligations

Future leasing obligations amount to EUR 159.5m (2017: EUR 134.5m) from land leases and other rental arrangements.

Note 21 Subsequent events

The agreement through which Interogo Holding AG sold its 51% participation in Inter IKEA Centre Group AS in 2014, included a price adjustment based on the performance of certain underlying assets as of December 31, 2018. This price adjustment (EUR 99.6m) was finalized and settled in March 2019. This investment income and the related receivable were recognized as of December 31, 2018 based on the terms of the agreement.

From the balance sheet date until the consolidated financial statements were approved by the Board of Directors on May 2, 2019, no other major events occurred which could adversely affect the validity of the annual financial statements for 2018 or which would have to be disclosed.

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To the General Meeting of

Interogo Holding AG, Freienbach

Zurich, 2 May 2019

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Interogo Holding AG, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of cash-flows, changes in shareholders' equity and notes to the consolidated statements, for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law and the consolidation and valuation principles as set out in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. 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 financial statements for the year ended 31 December 2018 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Willy Hofstetter Licensed audit expert (Auditor in charge)	Pascal Solér Licensed audit expert

Enclosure

- Consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of cash-flows, changes in shareholders' equity and notes to the consolidated financial statements)

Interogo Holding AG

For further information, please visit
the Interogo Holding AG website
www.interogoholding.com