



Inter IKEA Group
Financial Summary
FY19

Inter IKEA Group



Introduction

This document summarises Inter IKEA Group's financial performance for financial year 2019 (FY19). FY19 is the period from 1 September 2018 to 31 August 2019.

FY19 has been a [successful year](#) for the IKEA franchise system. Retail sales grew by 6.5% compared to FY18. Total retail sales, which includes sales of IKEA products, food and services to IKEA customers, amounted to EUR 41.3 billion. 12 new IKEA stores opened around the world, and nine markets introduced e-commerce. Around 2.8 billion people visited the IKEA website, and e-commerce sales grew by 43%.

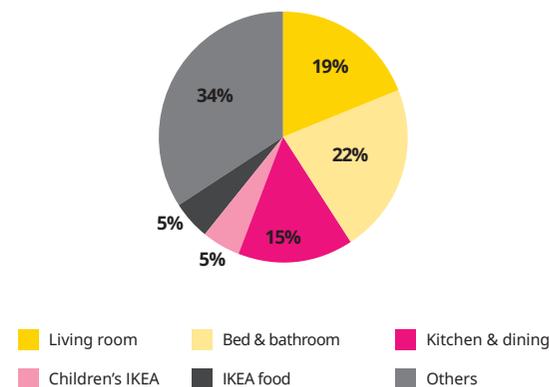
In February a new commercial theme began. "Get ready for life" put the bedroom and bathroom in focus, including lots of new products as well as some old favourites. The PLATSA open wardrobe system and KUNGSBLOMMA bedroom textiles were popular new families. "Get ready for life" continues until August 2020.

Retail sales growth means positive results for Inter IKEA Group, which includes the IKEA franchisor, range, supply and certain industry activities. Inter IKEA Group reached total revenues of EUR 25.3 billion and a net profit of EUR 1.5 billion in FY19.

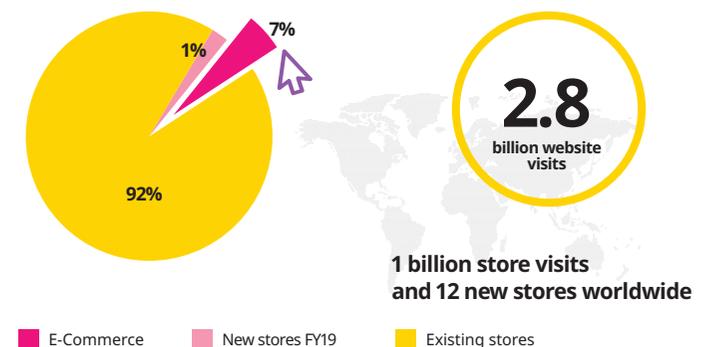
Retail sales



Retail sales per area of the home



Retail sales per type



The IKEA franchise system

IKEA is a franchise business. That means many people and companies with different owners work under one IKEA brand, dedicated to one IKEA vision: to create a better everyday life for the many people.

The diagram on the next page shows a simplified overview. Inter IKEA Systems B.V., IKEA of Sweden AB, IKEA Supply AG and IKEA Communications AB are part of Inter IKEA Group. IKEA Industry – also part of Inter IKEA Group – is not shown since they are an IKEA supplier. IKEA Supply AG works with them and other suppliers to supply the IKEA range.

Franchising is a system that encourages everyone to contribute and collaborate. The franchisor is responsible to continuously develop the IKEA Concept and ensure its implementation in new and existing markets. Franchisees provide valuable input based on consumer and market insights.

The franchise system enables steady growth while developing the IKEA concept and laying a solid foundation for the IKEA Brand. Continuous growth enables greater economies of scale. This makes it possible to keep prices low and ultimately reach many more people around the world.

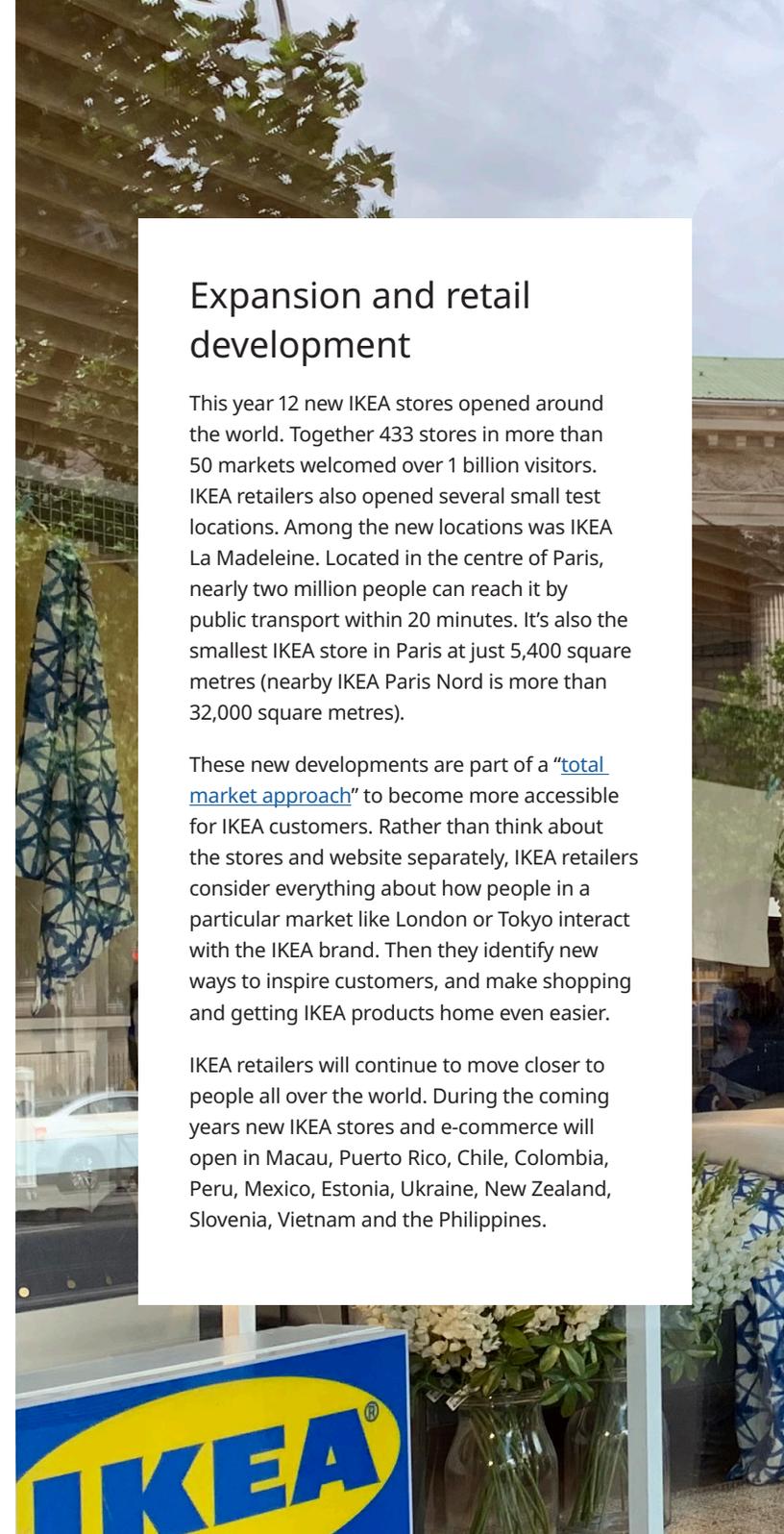
This year the companies in the franchise system worked together to launch more than 2,000 new products, develop new ways to make shopping more convenient, and help more than 800 million people to live healthier, more sustainable lives.

Expansion and retail development

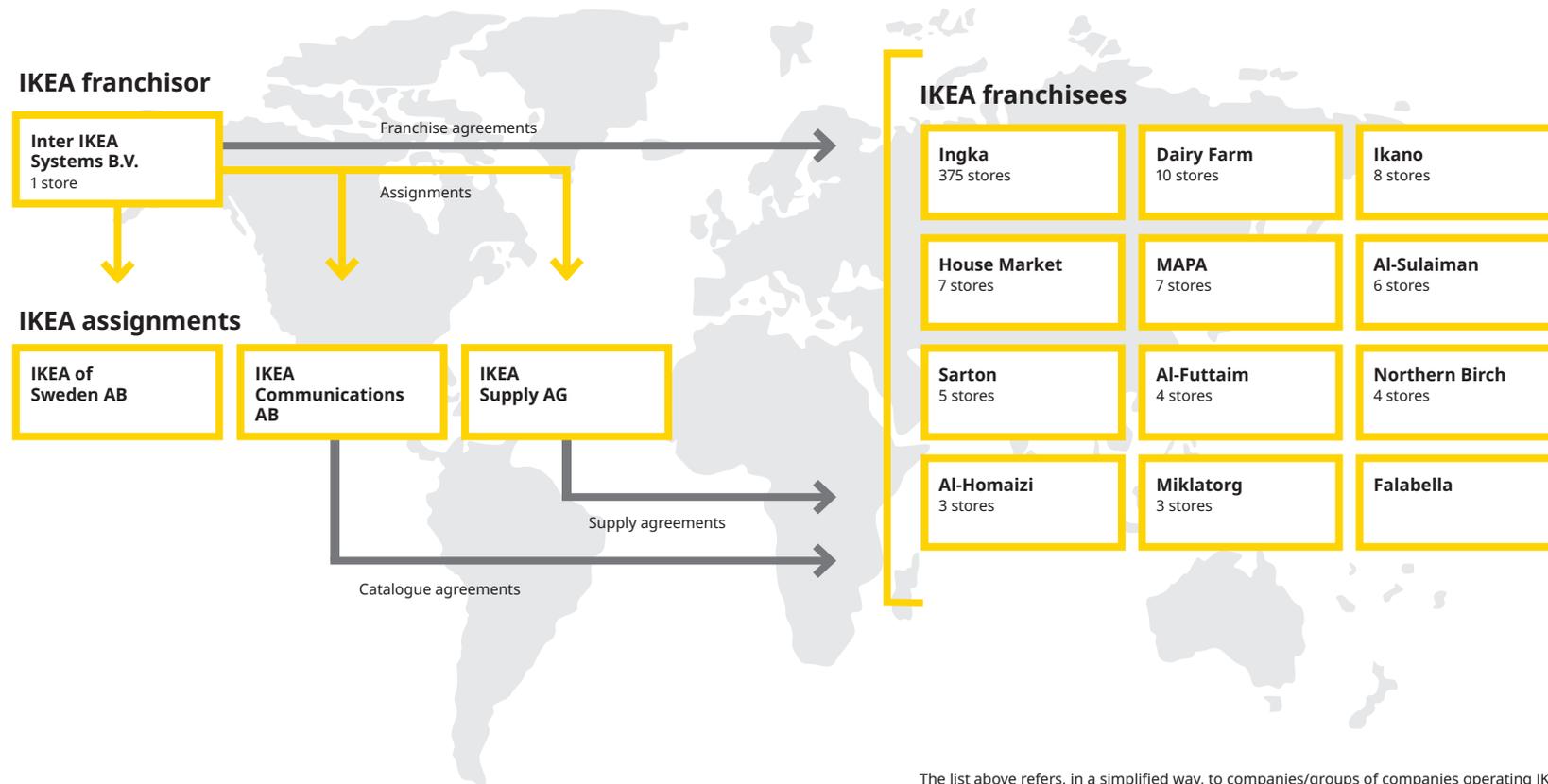
This year 12 new IKEA stores opened around the world. Together 433 stores in more than 50 markets welcomed over 1 billion visitors. IKEA retailers also opened several small test locations. Among the new locations was IKEA La Madeleine. Located in the centre of Paris, nearly two million people can reach it by public transport within 20 minutes. It's also the smallest IKEA store in Paris at just 5,400 square metres (nearby IKEA Paris Nord is more than 32,000 square metres).

These new developments are part of a “[total market approach](#)” to become more accessible for IKEA customers. Rather than think about the stores and website separately, IKEA retailers consider everything about how people in a particular market like London or Tokyo interact with the IKEA brand. Then they identify new ways to inspire customers, and make shopping and getting IKEA products home even easier.

IKEA retailers will continue to move closer to people all over the world. During the coming years new IKEA stores and e-commerce will open in Macau, Puerto Rico, Chile, Colombia, Peru, Mexico, Estonia, Ukraine, New Zealand, Slovenia, Vietnam and the Philippines.

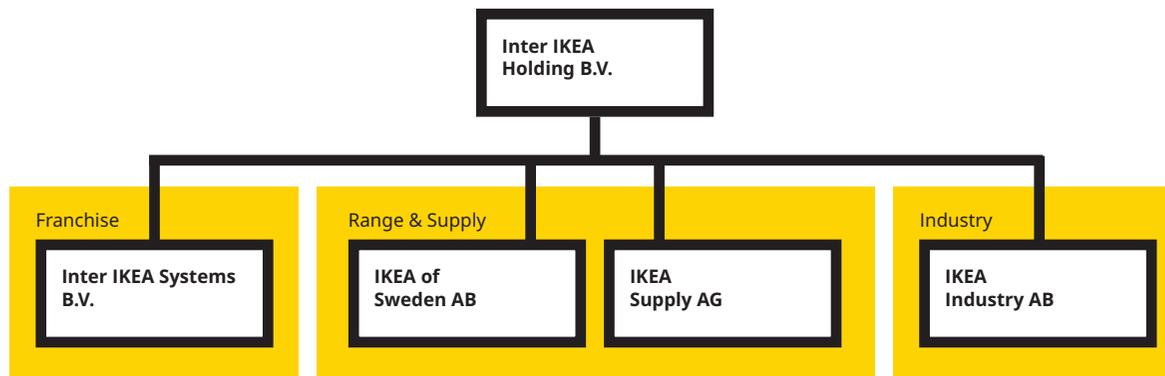


Overview of the IKEA franchise system



The list above refers, in a simplified way, to companies/groups of companies operating IKEA retail businesses in one or more markets. The listed names do not represent the legal company name of the franchisee companies that have entered into franchise agreements with Inter IKEA Systems B.V. Store numbers are correct as per 31 August 2019. In addition to the stores listed above, IKEA franchisees also operate several test locations.

Inter IKEA Group



Inter IKEA Group is the group of companies that connects IKEA franchisees with range development and suppliers, and aligns the overall IKEA strategic direction. All to create a better everyday life for the many people.

IKEA franchisees buy their products from Inter IKEA Group companies, and they pay a franchise fee based on their annual retail sales.

The Group consists of three core businesses: Franchise, Range & Supply and Industry.

The three core businesses work together with franchisees and suppliers to co-create an even better IKEA offer and franchise system. Inter IKEA Group aims to provide the best possible conditions for implementing and operating the IKEA Concept, and to create a strong platform for growth.

Core Business Franchise

Core Business Franchise consists of Inter IKEA Systems B.V. and its subsidiaries. Inter IKEA Systems licenses the IKEA retail system and trademarks to IKEA franchisees worldwide.

Core Business Franchise continuously develops the IKEA Concept to ensure its successful implementation in new and existing markets. This enables IKEA to remain forward-looking in areas such as brand development, sustainability, people and environment, market potential and expansion.

Manufacturing and distribution

This year Inter IKEA Group broke ground on a 100,000 square metre distribution centre in Kuala Lumpur, Malaysia. The new centre will manage an inventory of 7,000 IKEA products annually and serve IKEA operations in Malaysia, Singapore, Thailand, Indonesia and India. It will also have the capacity to serve additional markets in the future, including the planned store in Manila, the Philippines.

In Lithuania, the Inter IKEA Group facility in [Kazlų Rūda](#) is doubling production capacity, and a new components factory in Nantong, China is nearing completion. These factories will incorporate the latest manufacturing technology to improve efficiency, quality and sustainability.

Inter IKEA Group also sold two facilities to improve efficiency and meet changing needs. P3G Industries completed purchase of the Inter IKEA Group factory in Lure, France, in January 2019. The following month Bampton finalized acquisition of the Inter IKEA Group factory in Skoczow, Poland. And in October it was announced that Morgan Olson is to open new production in the Inter IKEA Group facilities in Danville, USA. The handover will take place during early 2020.

Core Business Range & Supply

Core Business Range & Supply is responsible for developing and supplying the global IKEA range.

Range & Supply works throughout the whole value chain. They include IKEA of Sweden AB, IKEA Communications AB, IKEA Supply AG and related businesses.

IKEA of Sweden is responsible for developing and designing the overall IKEA product range – including home furnishings and food. IKEA Communications AB is the communication agency that creates and produces IKEA communication for customers and other IKEA organisations.

IKEA Supply procures IKEA products, and then supplies these products to IKEA retailers around the world.

Core Business Industry

Core Business Industry manufactures IKEA home furnishing products and develops unique IKEA capabilities and capacities in relevant parts of the value chain (e.g. material, manufacturing and distribution).

Industry produces approximately 12% of the total IKEA range, with its main focus on furniture. They operate 38 production units including forestry, sawmills, and production of board material, wood components and ready furniture.

Other functions

To support the core businesses, Inter IKEA Group includes group functions for finance, communication, digital, people and culture. IKEA Älmhult AB, which owns and operates the IKEA Hotel and Museum, is also part of Inter IKEA Group.

Ownership

Inter IKEA Group (Inter IKEA Holding B.V. and all its subsidiaries) is ultimately owned by [Interogo Foundation](#), based in Liechtenstein and established in 1989. Interogo Holding AG is a co-shareholder, contributing capital and loans to Inter IKEA Group. Interogo Foundation is the sole controlling shareholder in Inter IKEA Holding B.V.

Inter IKEA Group FY19 financial results

Inter IKEA Group's financial performance was stable in FY19. Gross profit was slightly less than in FY18 due to higher costs for materials, transport and logistics. Combined with flat operational costs, this resulted in lower operating income. The decrease was offset by improved financial income and expenses. Income taxes increased to 17%, resulting in net income of EUR 1,485 million.

The Inter IKEA Group consolidated income statement shows a simplified overview of this year's financial performance.

Sales of goods

Sales of goods refers to bulk sales of IKEA products to IKEA franchisees. Inter IKEA Group also owns and operates one IKEA store in Delft, the Netherlands. IKEA Delft's retail sales are also included in this line item.

IKEA franchisees purchased more than 39.2 million cubic metres of IKEA products from Inter IKEA Group in FY19, compared to 38.4 million cubic metres in FY18. Together with increased sales prices, this contributed to increased sales of goods.

Consolidated income statement

in millions of EUR	FY19	FY18
Sales of goods	23,986	23,651
Franchise fees	1,195	1,200
Other income	73	68
Total revenues	25,254	24,919
Cost of goods sold	20,703	20,228
Gross profit	4,551	4,691
Operational cost	2,695	2,729
Total operating income	1,856	1,962
Financial income and expense	-65	-257
Total income before taxes	1,791	1,705
Income taxes	-301	-256
Losses from the sale of entities	-5	-
Net income	1,485	1,449

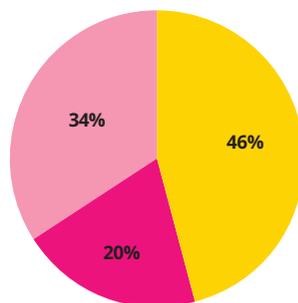
Franchise fees

In a franchise setup, one company pays another *franchise fees* for the right to use their intellectual property. The IKEA franchise offer includes the IKEA trademark and IKEA concept.

IKEA franchisees pay Inter IKEA Group an annual fee of 3% over their net sales. In return, they are authorised to market and sell the IKEA product range and operate IKEA stores and other sales channels.

Although retail sales went up in FY19, franchise fee income remained roughly the same due to fluctuating currencies.

Operational cost per category



■ Staff Costs ■ Depreciation and amortisation ■ Other operating costs

Other income

Other income mainly consists of income from selling the IKEA catalogue and other marketing materials created for IKEA retailers including the IKEA Delft store.

Cost of goods sold

Cost of goods sold describes the total accumulated costs to manufacture and distribute products.

The cost of goods sold relates to both wholesale and Delft store sales. Inter IKEA Group manufactures about 12% of the IKEA range and sources the remaining 88% from nearly 1,000 external suppliers. This includes both home furnishing and food products.

E-commerce sales created increased costs for packaging and logistics in FY19. Increased raw material prices, tariffs and import duties also affected costs, although raw material prices decreased during the second half of the year.

Operational cost

Operational cost includes staff costs, utilities, rent and other costs related to day-to-day operations.

Range development

Smart home products have recently become an important part of the IKEA range. This year Inter IKEA Group introduced smart lighting, blinds and SYMFONISK – a new collection created together with SONOS; on the first day alone more than 30,000 SYMFONISK lamps and speakers had been sold. And in August a [new business unit](#) was established to accelerate smart home product development.

SYMFONISK is one of many collections developed in collaboration with established brands, start-ups, students and social entrepreneurs.

Ori, an American start-up, worked with product developers to create the new ROGNAN robotic furniture, which debuts in Hong Kong and Japan next year. Other collaborations include UNYQ and Area Academy, Greyhound Original Bangkok and Zandra Rhodes.

IKEA product developers and supply specialists have also worked to make the IKEA range climate positive and regenerate resources. For example, the FÖRANDRING and MUSSELBLOMMA collections are respectively made from agricultural waste and recycled plastic (including plastic waste collected in the Mediterranean Sea by Spanish fishermen).

Staff costs mainly consist of salaries, benefits, training and social costs. As per 31 August 2019 Inter IKEA Group employed 26,227 full-time equivalent co-workers, compared to 26,504 in FY18. Changes are mainly due to restructuring and the sales of factories.

Operational costs also include expenses to develop new products and solutions. The costs related to our development and innovation portfolios amounted to EUR 175 million in FY19. Part of this investment went to develop products that help people live more sustainable lives and reduce the IKEA climate footprint.

More than half of the IKEA climate footprint comes from the material in the products and the production process. To transform into a low carbon business, IKEA is moving towards recycled and renewable materials and is pushing for more lightweight construction. In FY19 this required significant investments to transform the supply chain, sourcing and product development.

Inter IKEA Group also worked closely with retailers to develop new and different ways to shop the IKEA product range – online, in remote locations and in city centres (e.g. IKEA La Madeleine in Paris). This includes new locations closer to where people live, work and socialise. It also includes a wider range of flexible and affordable services to make shopping more convenient for IKEA customers.

Financial income and expense

Financial income and expense is revenue and costs regarding loans, investments and positions in foreign currencies. Inter IKEA Group paid less interest following repayment of long-term loans in FY19. Favourable currency developments partly offset the interest expenses.

Income taxes

This year the Inter IKEA Group tax charge was EUR 301 million, around EUR 45 million more than last year. This equals 17% of pre-tax income, compared to 15% in FY18. Inter IKEA Group operates in several countries, with its main activities in the Netherlands, Sweden and Switzerland. As a result most income tax is paid in these countries.

Losses from sales of entities

Losses from sales of entities mainly consists of a loss connected to the sale of the Inter IKEA Group production facility in Lure, France.



Inter IKEA Group balance sheet

The Inter IKEA Group financial position improved during FY19. Inventories and debts went down, and the equity ratio increased from 34% to 39%. The consolidated balance sheet shows an overview of Inter IKEA Group's assets and what is due to shareholders, suppliers, partners and other organisations.

Intangible fixed assets

In general terms, fixed assets are business property intended for long-term use. *Intangible fixed assets* are assets that lack physical form like patents, concepts and intellectual property. Intangible fixed assets form much of Inter IKEA Group overall assets.

Most Inter IKEA Group intangible fixed assets are so-called proprietary rights for the IKEA trademarks, intellectual property and catalogue. Inter IKEA Group purchased these rights for EUR 11.8 billion. As a positive return is expected for a long period, these costs are spread over a period of 45 years, which started in 2012. This common practice, called *amortisation*, makes it easier to compare yearly income with expenses.

Consolidated balance sheet

in millions of EUR	31 Aug 2019	31 Aug 2018
Intangible fixed assets	10,355	10,700
Tangible fixed assets	1,663	1,618
Financial fixed assets	295	256
Total fixed assets	12,313	12,574
Inventories	4,312	4,632
Receivables	4,692	4,046
Cash and cash equivalents	153	230
Total current assets	9,157	8,908
Total assets	21,470	21,482
Group equity	8,298	7,298
Provisions	705	578
Non-current liabilities	6,487	7,068
Current liabilities	5,980	6,538
Total liabilities	13,172	14,184
Equity and liabilities	21,470	21,482

Tangible fixed assets

Tangible fixed assets are things like real estate and equipment that you can physically touch and feel. Inter IKEA Group tangible fixed assets are mainly factories and distribution centres.

Inter IKEA Group owns several offices and distribution centres, the IKEA Delft store, the IKEA Hotell and Museum, and around 40 factories. Most of the factories are in Europe. The majority produce IKEA furniture, and two produce components like screws and wooden dowels used to assemble IKEA furniture.

This year Inter IKEA Group sold two factories and closed one other. In most cases co-workers have remained in the same factories under new ownership or moved to new jobs in other nearby factories with support from the Inter IKEA Group.

Inventories and receivables

Inventories mostly consist of IKEA products in warehouses. Last year inventory levels were higher than normal due to lower than expected sales. Inter IKEA Group took measures this year to lower inventory levels, reducing their overall value.

Receivables is money owed to the Inter IKEA Group by business partners. Most receivables are for franchise fees and products sold and invoiced to IKEA franchisees.

Group equity, provisions and liabilities

Equity is the capital invested by shareholders of the Inter IKEA Group plus accumulated profits over time. Equity increased with EUR 1 billion during FY19.

Of the EUR 1,485 million profit achieved during FY19, EUR 850 million will be distributed as a dividend to Interogo Holding AG. The remaining EUR 635 million will be added to Inter IKEA Group equity.

Provisions are money set aside for pension commitments, deferred taxes and claims. *Liabilities* are money owed to others. Most Inter IKEA Group non-current liabilities, which are due over a long period of time, consist of loans from Interogo Holding AG (a non-controlling shareholder). As in FY19, Inter IKEA Group will continue to repay EUR 500 million each year. *Current liabilities* are short-term loans, money due to suppliers and the current portion of long-term loans from Interogo Holding AG.



Note to reader: the included abbreviated financial statements are an abridged version of the consolidated financial statements of Inter IKEA Holding B.V. as included in the Annual Report for the financial year 2019. An unqualified auditor's report dated 7 November 2019 was issued on these financial statements. Inter IKEA Holding B.V.'s consolidated financial statements, from which these abbreviated financial statements have been derived, have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Inter IKEA Group Financial Summary FY19

In FY19 IKEA retailers saw continued growth despite a challenging and changing retail environment. Strong retail sales mean positive results for Inter IKEA Group. Inside, learn more about IKEA and Inter IKEA Group financial performance for the year that has passed.

For further information visit [About.IKEA.com](https://www.aboutikea.com)

Released 25 September 2019



[IKEA Highlights 2019](#)

Released 8 November 2019



[Inter IKEA Group Financial Summary FY19](#)



[Inter IKEA Group Annual Report FY19](#)



[Inter IKEA Group List of subsidiaries FY19](#)

Coming early 2020



[IKEA Sustainability summary FY19](#)

Inter IKEA Group



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