



Inter IKEA Group Financial Summary FY21

Introduction

This document summarises Inter IKEA Group’s financial performance for financial year 2021 (FY21). FY21 is the period from 1 September 2020 to 31 August 2021. Since Inter IKEA Group’s financial performance is very closely connected to the retail sales performance of our franchisees, we begin the financial summary there.

In FY21, the continuing effects of the global pandemic forced a large number of IKEA stores to shut. Some were closed for even longer periods in FY21 compared to FY20. When most stores re-opened in late spring, customers returned and in FY21 IKEA stores welcomed 775 million visitors. This is below FY20 (825 million visits), causing a store sales decline of 8%.

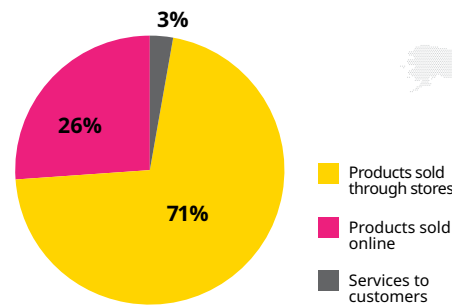
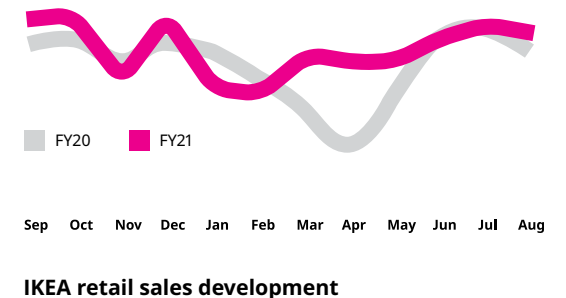
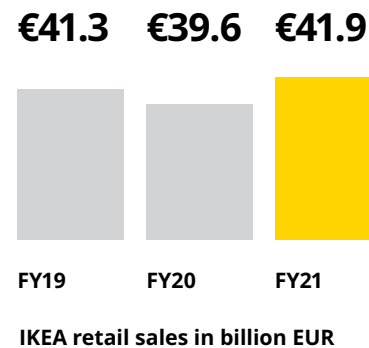
Despite lower store sales, total retail sales for FY21 were 5.8% higher compared to FY20, driven by online sales and increased interest in home furnishing. Online sales increased with 73%, and there was high demand for office furniture and other multifunctional solutions for the home.

FY21 resulted in total IKEA retail sales of EUR 41.9 billion (including sales of IKEA products, food and services by IKEA franchisees) compared to EUR 39.6 billion in FY20.

Keeping IKEA stores and warehouses stocked has been a challenge. Supply chain disruptions led to a substantial drop in the availability of products that we have yet to recover from. We expect this will continue far into FY22. Across the IKEA value chain, great efforts will continue to be made to keep our most popular products in stock.

Another challenge in FY21 was the steep global rise in transport and raw material prices. This created additional costs for the whole IKEA value chain.

Inter IKEA Group recorded total revenues of EUR 25.6 billion, including wholesale sales to IKEA retailers, franchise fees and retail sales from the IKEA Delft store, and a net profit of EUR 1.4 billion for FY21.



Retail development

Inter IKEA Group works closely with IKEA franchisees to bring the IKEA retail experience closer to people – wherever they work, live or socialise. This means new locations in large cities or metropolitan areas, complemented by an omnichannel offering that meets customer needs and provides a seamless and unique customer experience.

IKEA franchisees continue to test new ways of meeting customers in inner cities with smaller compact stores. Inter IKEA Systems B.V., the owner of the IKEA Concept and worldwide IKEA franchisor, has added IKEA plan and order points to its menu of conceptualised customer meeting points. This means testing is complete and IKEA retailers can implement IKEA plan and order points in their markets. In FY21, franchisees opened six such locations with plans to launch many more globally. In total, around 45 new IKEA locations opened in FY21.

FY21 also saw the last worldwide publication of the iconic IKEA catalogue after 70 years. Moving beyond the catalogue allows us to focus our time and resources on a better omnichannel experience for IKEA customers.

The IKEA franchise system

IKEA is a franchise business. That means many people and many companies with different owners work under one IKEA brand – all dedicated to creating a better everyday life for the many people.

The diagram on the next page shows a simplified overview of the IKEA franchise system. Inter IKEA Systems B.V., IKEA of Sweden AB, IKEA Marketing & Communication AB, IKEA Supply AG and IKEA Industry AB are part of Inter IKEA Group.

Franchising is a system that encourages everyone to contribute and collaborate. The franchisor has the responsibility 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.

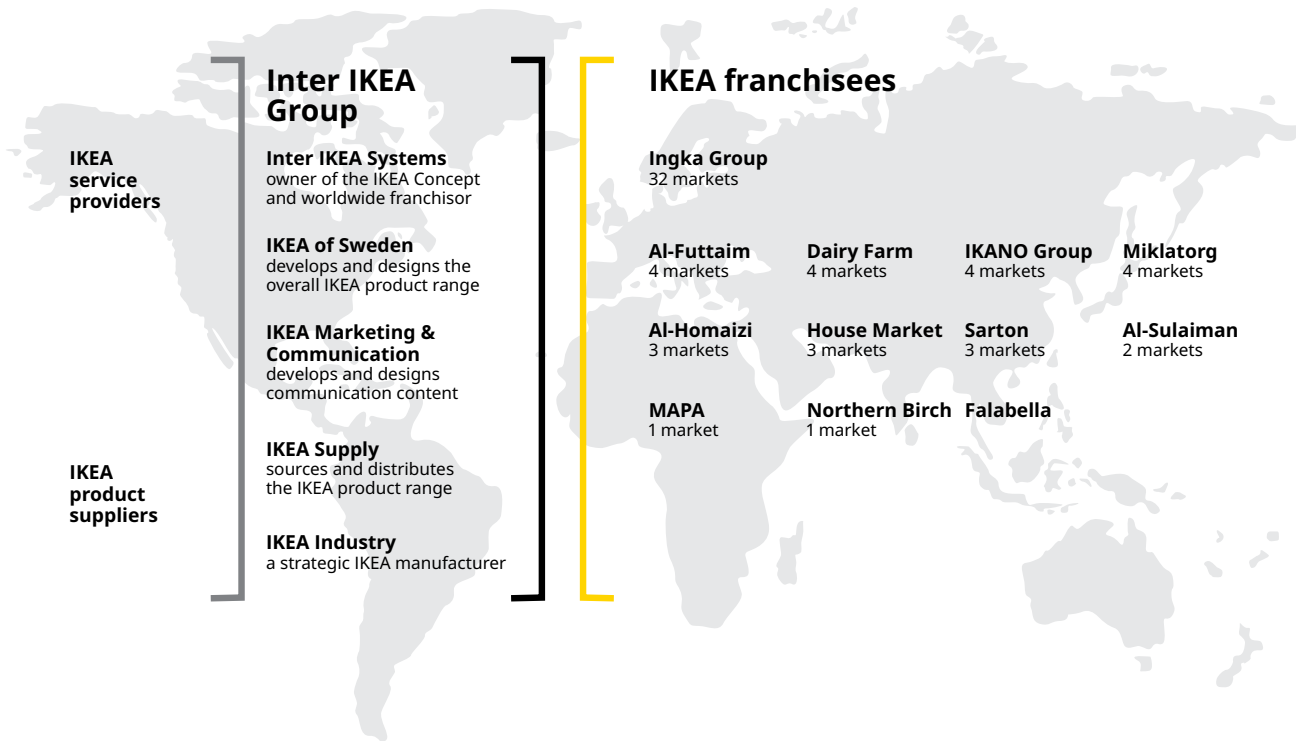
The IKEA franchise system enables continuous growth and is built on a model that focuses on lowering costs, creating lower prices and allowing for higher volumes.

With the global rise in raw material prices and other costs related to sourcing and supplying products, securing low prices is a big challenge, but we continue to do our utmost to deliver on our affordability ambitions.



More IKEA facts & figures for FY21 can be found on [about.ikea.com](https://www.about.ikea.com)

IKEA franchise system and value chain



This diagram shows a simplified overview of key organisations in the IKEA franchise system and value chain (excluding subsidiaries) The IKEA retail business operates in 61 markets through a franchise system. This infographic shows a simplified overview. Market information is accurate as of 31 August 2021. For more detailed information, please visit inter.ikea.com or about.ikea.com

Expansion

Between FY19 and the end of FY23, IKEA is expanding into 17 new markets and opening an average of 50 new locations per year (including test locations). All, so customers can touch and try IKEA products before they buy. At the end of FY21 IKEA franchisees operated 458 traditional IKEA stores in 61 markets as well as several test locations.

Although expansion plans and openings in new markets were influenced by the pandemic, IKEA franchisees have continued to meet new customers in adapted and safe ways. In FY21 they opened a mix of traditional IKEA stores, new smaller formats, e-commerce and test locations.

In FY21 IKEA entered two new markets: Mexico and Slovenia. The biggest milestone next year will be the opening of IKEA Chile in Santiago, which will bring IKEA to the many people in South America.

In FY22 IKEA franchisees will enter three more new markets: Puerto Rico, Philippines and Oman.

Inter IKEA Group

Inter IKEA Holding B.V. is the holding company of the Inter IKEA Group.

Inter IKEA Group has three core businesses: Franchise, Range and Supply. The core businesses work together with franchisees and suppliers to co-create the 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.

Franchise

Franchise consists of Inter IKEA Systems B.V. and its subsidiaries, including IKEA Marketing & Communication AB. Inter IKEA Systems B.V. is the worldwide IKEA franchisor and the owner of the IKEA Concept (which includes the IKEA Brand). Inter IKEA Systems B.V. continuously develops the IKEA Concept and ensures 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. IKEA Marketing & Communication AB develops and creates IKEA communication content.

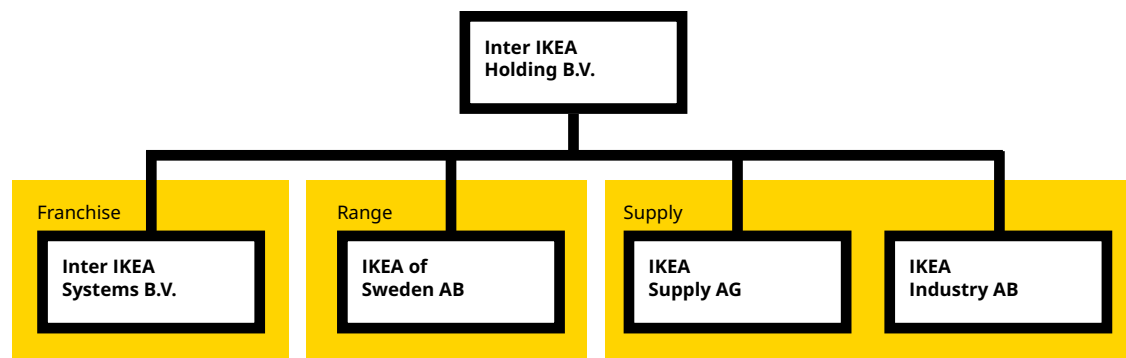
Range

Range includes IKEA of Sweden AB and related businesses. It is responsible for designing and developing the overall IKEA product range, including home furnishings, food and packaging solutions, under assignment of Inter IKEA Systems B.V.

Supply

Supply includes IKEA Supply AG, IKEA Industry AB, IKEA Components AB and related businesses. Inter IKEA Systems B.V. assigns IKEA Supply AG to source and distribute IKEA products to IKEA franchisees.

Most IKEA products (89%) are sourced from external suppliers across the globe. IKEA Supply AG manages and operates the IKEA supply chain together with its wholesale subsidiaries and external business partners, such as transport service providers, warehouse providers and customs brokers.



Overview of Inter IKEA Group

Manufacturing and distribution

Inter IKEA Group is constantly looking for new ways to make production more sustainable and energy-efficient. Almost two-thirds of the IKEA climate footprint is directly connected to the supply chain, including production at suppliers.

In FY21, a new programme was launched to accelerate the transition of 1,600 suppliers to 100% renewable energy. The programme will first roll out in three of our largest purchasing countries: Poland, China and India. Achieving 100% renewable electricity with IKEA suppliers in these countries will save 670,000 tonnes of CO₂ emissions per year, equivalent to approximately 3% of the total climate footprint of the IKEA value chain.

IKEA Industry signed an agreement with Meva Energy for green electricity production. The technology by Meva Energy generates both electricity and heating from wood waste currently not possible to recycle and is today either landfilled or incinerated resulting in air pollution. Compared to conventional technology, it not only has an increased electricity output, but also minimises any air pollution – contributing to clean air.

IKEA Industry AB is a strategic IKEA manufacturer owned by Inter IKEA Group that produces IKEA home furnishing products and develops unique IKEA manufacturing capabilities in relevant parts of the supply chain. IKEA Industry produces approximately 11% of the IKEA product range, with a main focus on wood-based furniture.

IKEA Components AB develops, sources, packs and supplies components, such as screws and wooden dowels that are used to assemble IKEA furniture.

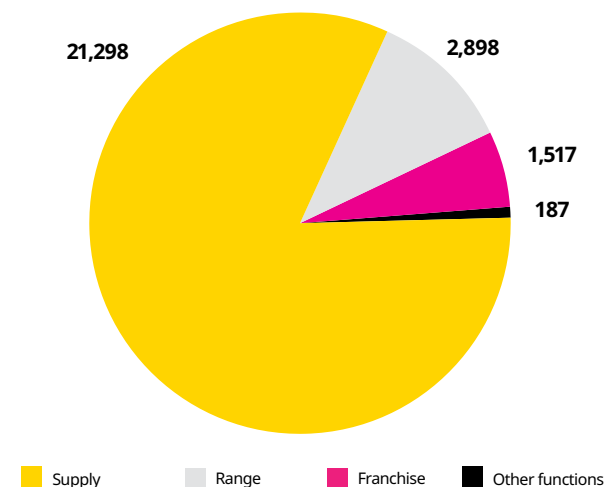
Other functions

To support the core businesses, Inter IKEA Group includes group functions for People & Culture, Communication, Risk, Finance, Legal and other activities.

IKEA Älmhult AB, which owns and operates the IKEA Hotell and IKEA Museum, is also part of Inter IKEA Group.

Ownership

Inter IKEA Group is ultimately owned by Interogo Foundation, based in Liechtenstein. 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.



FY21 full-time equivalent co-workers per core business

Inter IKEA Group FY21 financial results

The global pandemic affected our operating income in FY21. The biggest cause was the steep increase in transport and raw material prices in the second half of the financial year. The full impact of this can be seen in the increased *costs of goods sold* which reflects the cost of sourcing, handling and distribution of IKEA products.

After financial income and expense, and income taxes, net income of EUR 1,433 million was substantially lower compared to FY20. 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 wholesale 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.

As IKEA franchisees' retail sales increased in FY21, Inter IKEA Group wholesale sales went up as well. However, the global transport crisis challenged us to keep IKEA stores well-supplied throughout the year.

Consolidated income statement

In millions of EUR	FY21	FY20
Sales of goods	24,282	22,387
Franchise fees	1,273	1,162
Other income	60	64
Total revenues	25,615	23,613
Costs of goods sold	21,137	18,860
Gross profit	4,478	4,753
Operational cost	2,622	2,529
Total operating income	1,856	2,224
Financial income and expense	-151	-201
Result before tax	1,705	2,023
Income taxes	-272	-295
Results from the sale of entities	-	3
Net income	1,433	1,731

Franchise fees

In a franchise setup, one company pays another *franchise fees* for the right to use its intellectual property. The IKEA franchise offer includes the IKEA trademarks 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.

As retail sales increased in FY21, franchise fee income rose accordingly.

Other income

Other income mainly consists of income from selling the IKEA catalogue (final edition) and other marketing materials created for IKEA franchisees.

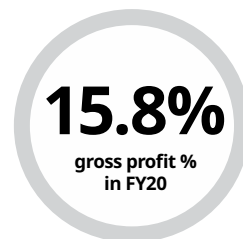
Cost of goods sold

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 11% of the IKEA product range and sources the remaining 89% from nearly 1,000 external suppliers. This includes both home furnishing and food products.

Raw material prices increased dramatically in the second half of FY21 following an unfavourable combination of scarcity and high demand. This resulted in higher purchasing costs in FY21.

In addition, transport costs went up due to the limited availability of containers and carriers as a result of the pandemic. To support low prices to customers in accordance with our affordability ambition, Inter IKEA Group did not increase wholesale prices to the IKEA franchisees, which led to a lower gross margin.

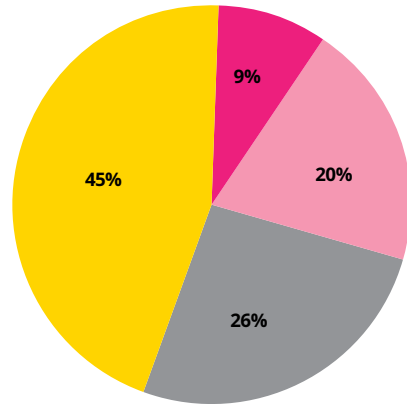


Range development

The healthy IKEA Food range was expanded in FY21 with the addition of **LÄTTLAGAT**. Aimed at people who are in a rush or with little time to cook, it offers tasty, well-made food, carefully composed in both flavour and nutritional content. The ready-prepared meals give a taste of homemade cooking that is served in minutes. Choose between various plant-based and meat-based balls that can be enjoyed at home or at work.

LOKALT is a vibrant collection of handmade textiles and ceramics where local traditions meet traditional handicraft. It is the result of a collaboration with contemporary local designers and social entrepreneurs in Jordan, Thailand and India. Every cushion cover, rug, basket and bowl creates equality, inclusion and livelihoods in regions where it is most needed. LOKALT is a collection from IKEA Social Entrepreneurship, which aims to create long-term job opportunities and livelihoods for vulnerable groups in a business partnership.

We identified the millions of enthusiastic gamers across the world as a truly cross-demographic group who have long been overlooked from a life-at-home perspective. So to design the new **IKEA** gaming range we teamed up with Republic of Gamers to create the perfect gaming setup solutions and comfortable ergonomic furniture, including all the accessories, for a high-performance gaming experience at affordable prices.



FY21 operational cost per category

Operational cost

Operational cost includes co-worker costs, utilities, rent and other costs related to day-to-day operations. This total went up slightly in FY21 to EUR 2,622 million.

Costs rose for recruiting additional staff to handle a complex transport and shipping environment in efforts to secure the availability of products in IKEA markets. Further additional costs came from building up and securing capabilities to address the necessary strategic and transformational changes to improve the whole IKEA value chain.

Investments were also made to improve the online IKEA sales experience and the performance of our retail platforms. The increases are partly offset by improved efficiency of our operations and lower travel costs due to global travel restrictions.

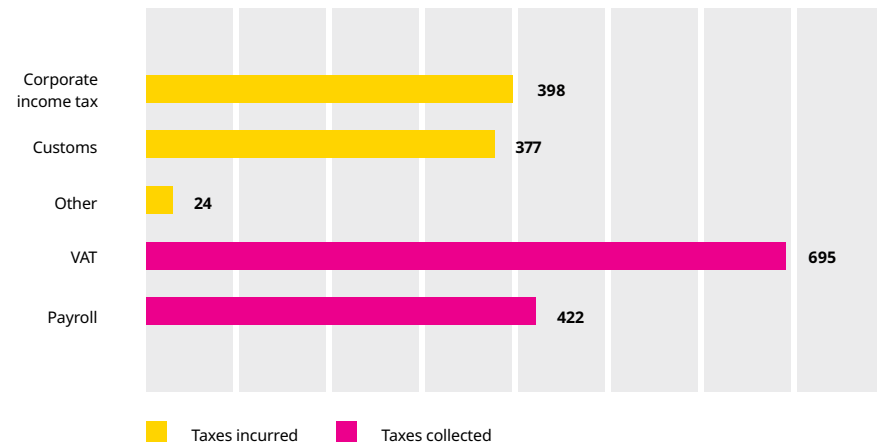
Financial income and expense

Financial income and expense are revenue and costs regarding loans, investments and positions in foreign currencies. Favourable currency developments partly offset the interest expenses.

Taxation

In FY21 the Inter IKEA Group tax charge was EUR 272 million – equal to 16.0% of pre-tax income, compared to 14.6% in FY20. This resulted from lower supply chain profitability due to increased raw material prices and transport costs.

Inter IKEA Group's total tax contribution amounted to EUR 1,916 million and mainly consisted of corporate income tax, custom duties, VAT and payroll taxes.



FY21 total tax contribution by type of tax in million EUR

Inter IKEA Group balance sheet

The Inter IKEA Group balance sheet positions have not changed significantly compared to 31 August 2020. Receivables went up, liabilities went down, and the equity ratio increased from 45% to 47%, demonstrating financial strength.

The consolidated balance sheet shows an overview of Inter IKEA Group's assets, equity and what is due to 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, trademarks, copyrights, and other intellectual property. Intangible fixed assets form much of Inter IKEA Group's overall assets.

Most Inter IKEA Group intangible fixed assets are trademark rights and other intellectual property rights. Inter IKEA Group purchased these rights for EUR 11.8 billion in 2012. As a positive return is expected for a long period, these costs are spread over a period of 45 years.

Consolidated balance sheet

In millions of EUR	31 Aug 2021	31 Aug 2020
Intangible fixed assets	9,711	10,004
Tangible fixed assets	1,702	1,691
Financial fixed assets	251	250
Total fixed assets	11,664	11,945
Inventories	3,752	3,661
Receivables	5,831	5,276
Cash and cash equivalents	160	225
Total current assets	9,743	9,162
Total assets	21,407	21,107
Group equity	10,115	9,541
Provisions	255	322
Non-current liabilities	5,429	5,979
Current liabilities	5,608	5,265
Total liabilities	11,292	11,566
Equity and liabilities	21,407	21,107

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. A new distribution centre in Malaysia went operational in FY21.

Inter IKEA Group owns several offices and distribution centres, the IKEA Delft store, the IKEA Hotell and IKEA Museum, and around 42 factories. Most of the factories are in Europe. The majority produce IKEA furniture, while two manufacture components, such as screws and wooden dowels used to assemble IKEA furniture.

Inventories and receivables

Inventories mostly consist of IKEA products in warehouses. Inventory levels went down in FY20 and remained low during FY21. Transport constraints in combination with high customer demand created a challenge to replenish inventory to a desired level.

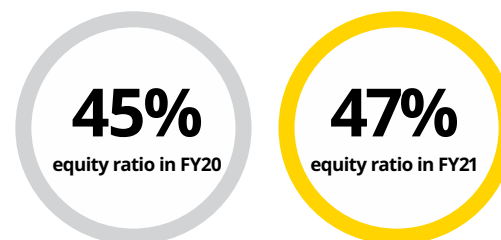
Receivables is money owed to the Inter IKEA Group by business partners. Most receivables relate to franchise fees and products sold and invoiced to IKEA franchisees.

Group equity, provisions and liabilities

Equity is the capital invested by shareholders of Inter IKEA Group plus accumulated profits over time. Equity increased by EUR 600 million during FY21.

Of the EUR 1,433 million profit achieved during FY21, EUR 1,000 million will be distributed as a dividend to Interogo Holding AG, a holding company that is fully owned by the Interogo Foundation. The remaining EUR 433 million will be added to the 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 a loan from Interogo Holding AG (a non-controlling shareholder). 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 2021. An unqualified auditor's report dated 28 October 2021 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.

For further information, please visit [Inter.IKEA.com](https://www.inter.ikea.com)

Released 14 October 2021



IKEA Facts & Figures FY21

Released 3 November 2021



Inter IKEA Group Financial Summary FY21



Inter IKEA Group Annual Report FY21



Inter IKEA Group List of subsidiaries FY21



Inter IKEA Group Tax Report FY21

Coming early 2022



IKEA Sustainability Report

Inter IKEA Group 

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