Inter IKEA Holding B.V. Annual Report FY23

Inter IKEA Group

Contents

REPORT FROM THE MANAGEMENT BOARD

The Management Board of Inter IKEA Holding B.V. presents its Annual Report for the 12-month period ended 31 August 2023.

General

Inter IKEA Group
Inter IKEA Holding B.V. ('the Company') is the ultimate parent company of the Inter IKEA Group ('the Group'). The Company is fully owned and controlled by Inter IKEA Foundation. During the year, a restructuring took place, through which ownership and control of the Company was transferred from Interogo Foundation and Interogo Holding AG to Inter IKEA Foundation. Inter IKEA Foundation is at balance sheet date the Company's 100% shareholder and ultimate owner.

The Group consists of three core businesses: Franchise, Range and Supply. The three core businesses work together with franchisees and suppliers to co-create an even better IKEA offer and franchise system. The aim is to provide franchisees with best possible conditions for implementing and operating the IKEA Concept, and to create a strong platform for future expansion and growth.

As at 31 August 2023, 12 franchisees operate more than 600 IKEA customer meeting points, including traditional stores, small stores and pick-up points, plus several test formats. Franchisees implement the IKEA Concept by marketing and selling the IKEA product range. With the exception of the IKEA Delft store in the Netherlands, all IKEA customer meeting points operate under franchise agreements with Inter IKEA Systems B.V. Each franchisee has the responsibility to run, manage and develop its local business. All franchisees are independent from and unrelated to Inter IKEA Group.

Franchise
Franchise includes Inter IKEA Systems B.V. – owner of the IKEA Concept and the IKEA franchisor – and its related businesses. Inter IKEA Systems B.V. 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, retail methods, sustainability, market potential and expansion. Franchise also includes IKEA Marketing & Communication AB, a company that creates and produces IKEA communication content for customers and other IKEA organisations.

Range
Range includes IKEA of Sweden AB and related businesses. Range works under assignments from Inter IKEA Systems B.V. and is mainly responsible for developing and designing the overall IKEA product range, including home furnishings and food.

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, sell and distribute IKEA products to IKEA franchisees. The majority of IKEA products (approximately 90%) is sourced from external suppliers across the globe. The operational relationships with these suppliers are operated through purchasing offices, located close to where the suppliers are. IKEA Supply AG manages and operates the IKEA supply chain together with its wholesale subsidiaries and external business

partners, such as transporters, warehouse providers and custom brokers. Wholesale subsidiaries buy IKEA products from internal and external suppliers and sell them to IKEA franchisees.

IKEA Industry is a strategic IKEA manufacturer that produces IKEA home furnishing products and develops unique IKEA capabilities and capacities in relevant parts of the value chain (e.g. material and manufacturing). IKEA Industry produces approximately 10% of the total IKEA range, with its main focus on wood-based furniture. Its operations are conducted through 33 production units that include forestry, sawmills, as well as production of board material, wood components and furniture.

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

Governance structure

The Group's governance is also organised through the three core businesses with the risk management structures, internal control and compliance tailored to their specific business needs and characteristics. The Group's governance structure is based on two main considerations: to secure the growth and development opportunities of the IKEA Brand and the IKEA Concept, and to guarantee the Group's independence and ability to maintain a long-term perspective. The legal structure follows along the lines of governance with separate parent companies for each of the core businesses. The Company has two main governing bodies: the Management Board and the Supervisory Board.

Financial information

These financial statements cover the 12-month period from 1 September 2022 to 31 August 2023 ('FY23'). Comparative figures reflect the 12-month period from 1 September 2021 to 31 August 2022 ('FY22').

Profit and loss account

Total operating income in FY23 amounts to EUR 29.1 billion (+5.4% compared to FY22), mainly generated through charged franchise fees and sales of goods to IKEA franchisees. Operating income development is directly linked to the retail sales of all IKEA franchisees worldwide since these sales drive the Group's wholesale activities and form the basis for the franchise fees.

In FY23, IKEA retail operations were much less impacted by measures related to the Corona virus and most IKEA stores remained open without (severe) restrictions. Nonetheless, while sales in value increased, sales in volumes and number of products have not grown. Higher cost of living due to inflation and energy prices leads to thinner wallets, which means fewer people can afford to shop at IKEA.

Most of our operating expenses comprise of cost of raw materials and consumables relating to the manufacturing and procurement of finished goods. Cost of raw materials and consumables also include transport, storage and handling cost. In FY23 – contrary to FY21 and FY22 – the inflation of these costs has stabilised and a downward trend is visible towards the end of the financial year. This resulted in a moderate increase of cost of raw materials and consumables (+1.8% cost increase compared to FY22), whereas in FY22, these costs rose with 10.7% compared to the year before. Following this trend, in FY23, the Group has started lowering sales prices to IKEA franchisees, which should positively affect affordability for retail customers. Also the availability of products for our customers improved over the financial year.

The remaining operating expenses include salary cost, utilities, fixed asset depreciation, rent and other costs related to day-to-day operations. Not considering the impairments recorded in FY22 – mostly related to closing down operations in Russia and Belarus – these expenses have remained at the same level in FY23. Recruitment stops and organisational restructurings have supported in stabilising salary cost and other operating cost. During FY23, the Group's co-worker base (measured in average FTE) reduced from 27,331 in FY22 to 24,944 in FY23. The reduction is mostly visible in IKEA Industry, following divestment of the Russian activities.

In February 2022, subsequent to the Russian invasion into Ukraine, the international community imposed economic sanctions (with the aim to stop most business interactions with Russia). In June 2022, Inter IKEA Group announced to scale down all business and operations in Russia and Belarus. This resulted in all import and export to and from Russia and Belarus being stopped and the two purchasing and logistics offices in Moscow and Minsk closed permanently. In FY23, IKEA Industry divested its 4 Russian production units, concluding this process at the end of March 2023.

As a result of the above, tangible fixed assets, supplier financing loans and inventories relating to the Russian operations were already impaired in FY22 and costs were provided for. In FY23, the sale of the Russian factories leads to a gain, consisting of multiple items such as the sale proceeds offset by closing costs and large currency effects. This gain should be viewed in combination with the impairments and costs recorded in FY22, resulting in an accumulated net loss.

Financial income comprises income from hedging activities and favourable currency translation effects. Financial expenses comprise interest expenses connected to long- and short-term loans as well as unfavourable currency translation effects.

The effective tax rate for FY23 is 15.8%, following the nominal tax rates in the Netherlands, Sweden and Switzerland where the majority of the Group's businesses are located. The effective tax rate decreased by 7.9% compared to the previous year, mainly due to our Supply business returning to their normal profit level. The effective tax rate is now back in line with the effective tax rate in FY21 of 16.0%.

In December 2017, the European Commission opened a formal investigation, with their Opening Decision published on 6 April 2018 which was complemented by their Decision published on 10 July 2020, to examine whether decisions by the tax authorities in The Netherlands with regard to the corporate income tax paid by one of our subsidiaries, Inter IKEA Systems B.V., comply with European Union rules on state aid. The Company co-operates and responds to questions which the European Commission has in relation to this investigation.

At this moment, although management considers the risk of a cash out flow unlikely, it is not possible to assess a financial impact, if any, of the outcome of this EC investigation. The aforementioned outcome is not expected to have a material adverse impact on the financial position of The Company. The Company is actively monitoring and addressing these developments and believes that its corporate income tax position is appropriately reflected in the financial statements.

Net profit for the year amounts to EUR 1.6 billion (FY22: EUR 0.7 billion). The increase versus previous year is primarily the result of the high purchasing and transportation costs in FY22 which were absorbed in our financial results at that time to limit sales price increases as much as possible. The FY23 net profit brings us back to profit levels we have had in the years prior to FY22.

Balance sheet

Most of the Group's balance sheet positions as per 31 August 2023 have not changed significantly when compared to 31 August 2022. The largest impact on balance sheet positions resulted from the restructuring through which ownership and control of the Company was transferred from Interogo Foundation and Interogo Holding AG to Inter IKEA Foundation on 31 August 2023. Subsequent to this transfer of ownership and control, Inter IKEA Foundation performed a capital contribution to the Company of EUR 8.3 billion. This capital contribution consisted of the outstanding loan receivable on Inter IKEA Systems B.V. (EUR 5.4 billion) with the remaining amount received in cash (EUR 2.8 billion).

Fixed assets primarily comprise the IKEA Proprietary Rights ("IP Rights"), relating to the IKEA trademark, protection rights, intellectual property rights and the rights to the IKEA catalogue, with a book value of EUR 9.1 billion.

The Group owns several property buildings, offices and distribution centres across the world, including the IKEA Delft store. Additionally, the Group owns 33 IKEA furniture production units, mostly located in Europe, as well as two factories that produce furniture components (screws, plugs, etc.). In FY23, investments were made in extending or improving existing production units, and a new distribution centre in South China was taken into operation. The process of finding new ownership for the 4 Russian production units was finalised end of March 2023, when these assets were divested.

Inventories mostly consist of IKEA products located in, or underway to distribution centres. Inventory levels were particularly low during FY20 and FY21 as transport constraints in combination with high customer demand posed a challenge in replenishing inventory to a desired level. During FY22, the Group's inventory levels increased due to continued supply chain challenges and efforts made to secure a better availability of products for our customers. This increase in combination with high purchasing costs led to a large increase in value in prior year. Inventory values at the FY23 balance sheet date have come down following corrective measures and strong focus on working capital management.

Receivables mainly relate to IKEA retailers for franchise fees and IKEA products sold and invoiced. In prior years, the Group held receivables on related parties (Interogo Holding AG). Due to the shareholder restructuring as described above, these receivables are now classified as third party receivables.

Group equity increased from EUR 9.8 billion to EUR 17.8 billion. Main movements during the year were a EUR 1.9 billion dividend distribution to our former shareholder (Interogo Holding AG), a capital contribution of EUR 8.3 billion from our new shareholder (Inter IKEA Foundation), and net profit addition of EUR 1.6 billion. The Group's equity ratio has improved from 40% in FY22 to 77% in FY23.

Provisions are recognized for deferred taxes, legal disputes, product related claims, and organisational restructuring costs. In prior years, the non-current liabilities comprised of a EUR 5.4 billion loan received from Interogo Holding AG. During the shareholder restructuring, this loan was injected by means of a capital contribution from Inter IKEA Foundation which reduced the non-current liabilities almost completely to nil. Current liabilities consist of short-term loans, trade payables and tax payables.

Cash flows
The decrease in inventory levels in combination with the regular profitability of our business has led to a positive cash flow from operating activities during FY23. This development has reduced the need for short-term financing considerably. The cash generated by operating activities was mainly used for investments into tangible fixed assets, and to distribute dividends to Interogo Holding AG.

The Group monitors its cash position by using a cash flow forecast model to ensure the cash position is always sufficient to meet the financial obligations towards staff members, creditors, tax authorities and other third parties.

Risk management

Approach
The Group is committed to protect the IKEA Concept and Brand, co-workers, visitors, customers, business partners and assets. Steering documents, frameworks, tools and working methods are in place, embedding risk management and compliance activities into day-to-day operations:

- IKEA forever parts (vision, business idea, culture & values) are the foundation. The Group Code of Conduct and Policy House define Group-wide business requirements.
- Business requirements are further specified in core business steering documents and implemented in day-to-day operations as suitable in local regulatory contexts.
- Requirements imposed on IKEA franchisees and business partners are reflected in corresponding agreements, IConduct and IWAY.
- A common risk management methodology is used to identify and assess key risks, resulting in risk registers and action plans.
- Key internal control and compliance requirements are assessed across three lines of defence, using self-assessments, compliance reviews and internal audits. These requirements are also directed at preventing and detecting fraud.
- A Raising Concern Line, incident- and crisis management processes are designed to detect and manage issues as they occur, and evaluations are performed to enable learning and continuous improvement.

The Ethics Committee supervises and advises on the response to critical ethical dilemmas and handling of (potential) critical breaches of the IKEA business requirements. Legal entity Boards, the Inter IKEA Group Management Team (incl. Management Board) and the Audit Committee keep oversight and periodically discuss consolidated risk registers and compliance status.

Key risks
The Group's overall risk appetite is low. In areas such as product quality & safety, business ethics, health and safety & security, the risk appetite is very low. Key risks are categorised in the categories described below. Detailed risk registers are in place to describe, prioritise and monitor the risks on core business and group levels. The risks are mitigated by a variety of measures as described under "Approach" above.

Business transformation
The Group is on a journey to transform the business in an omnichannel reality. This transformation will enable us to meet changing customer expectations and digital development, which is ever more important in an increasingly challenging environment, with expanding multichannel offerings, pure online players, price competitiveness and economic

slowdown. Affordability and volume growth are important aspects of the Group's operating business model in responding to these challenges.

Wellbeing & co-worker engagement
Co-worker wellbeing, engagement and leadership has been heavily challenged and stretched in the past few years due to high inflation, organisational changes and operational supply chain challenges. During FY23, organisational restructurings were announced and partly executed with the aim to reduce management layers and to create a better and more focused franchise system. This has dominated the agenda, putting pressure on many resources as we continue to drive business performance and transformation together.

Geopolitics, supply chain disruptions & resource scarcity
The pandemic, the war in Ukraine, resource scarcity, and increasing cost of raw materials have severely dominated and disrupted our supply chain during the past few years. From a risk perspective, the external environment stabilised at an elevated risk level with existing crises and geopolitical uncertainties remaining to pose serious threats to our business. Additionally, social and regulatory scrutiny of human rights and ethical sourcing across the supply chain reach new levels. All examples of risks that require collaboration efforts to prioritise and enable agility, sustainability, traceability and resilience across the value chain.

Sustainability
The IKEA sustainability strategy is built around three global sustainability challenges: climate change, workplace inequality and unsustainable consumption. The potential effects of these challenges are becoming increasingly visible in our business operations, for example through resource scarcity.

There is also an increasing (legal) demand for companies to demonstrate their environmental and social contributions in a more comparable and quantifiable way. The EU has issued a new Corporate Sustainability Reporting Directive ('CSRD') that requires companies to publicly report on their ESG goals and impact, and to disclose the financial risks of climate change. CSRD will be applicable to the Group as from FY26. With the world facing increasing environmental challenges, growing public opinion expect that a company's success should be steered towards positive outcomes for people and planet, rather than financial growth and profits only. Failing to meet the requirements of laws, policies and treaties such as the Paris Agreement primarily poses the risk of brand and reputation damage. In some cases non-compliance can lead to business restrictions and financial exposures.

More information around these topics is included in the IKEA Sustainability Report and the IKEA Climate Report.

Digital, information security & data privacy
Adoption of new (digital) ways of working accelerated quickly during the past few years, such as the use of new technologies in our range development, more digital interaction and information sharing with customers and suppliers in an omnichannel reality, and more remote working between co-workers. At the same time, cybersecurity threats continue evolving; lower barriers to entry for cyberthreat actors and more aggressive attack methods are all aggravating the risk. Protecting the business is a complex challenge with many technical, legal, organisational dimensions that require continuous focus. We are on a journey to transform our digital capabilities by making significant IT investments and embracing the opportunities from data and technology while continuously working on improving the way we protect and secure data.

Business ethics, safety & security and regulatory compliance
The Group operates in an international environment where practices vary in different local settings and, therefore, it is important to conduct business in an ethical manner in accordance with our code of conduct. Product safety is a top priority and an important basis to build customer trust. We are committed to sustainable and safe home furnishing and food products for our customers, safe and secure working environments for our co-workers across the value chain, and compliance with all regulatory requirements in any of our markets. In close cooperation with our franchisees and suppliers, the Group has clear processes in place to guarantee compliance with regulatory requirements in all markets. Despite having the highest standards we recognise the inherent risk to a breach in any of the above.

Finance: Reporting & compliance risks
The Group faces financial (reporting & compliance) risks, such as foreign currency exchange, commodity price increases, credit and tax risks. Increased attention on taxation of multinational companies is addressed through our Group-wide tax control framework, simplifying the Group structure and keeping tax, including transfer pricing and transparency high on the Group's agenda. The resilience of our financial operations and controls are being stress-tested in times of supply chain disruptions, pandemic and transformation, further complicated by ever increasing regulations. It is critical to continue to invest in sustainable financial infrastructures and capabilities while staying focused on delivery and control of running business. For more details on the risks regarding financial instruments, we refer to section 15 of the financial statements.

Sustainability

People & Planet Positive strategy
The IKEA sustainability agenda is described in the sustainability strategy "People & Planet Positive". The strategy includes sustainability ambitions and commitments leading up to 2030, addressing the entire IKEA franchise system and value chain.

The IKEA sustainability strategy secures a common sustainability agenda for all stakeholders in the IKEA value chain with a long-term perspective on the business. Profitability and responsibility are not opposing forces, on the contrary, they are interdependent. Long-term profitability can only be ensured by acting in a way that creates positive impact and trust among all stakeholders.

The People & Planet Positive strategy provides a common framework for all trademark users and units to develop and integrate sustainability tactics and actions into their own business plans, but gives flexibility for local, market relevant approaches and solutions. Progress on the People & Planet Positive strategy is communicated through the IKEA Sustainability Report and a separate IKEA Climate Report.

Suppliers
The Group has a responsibility to secure good social, environmental and working conditions for the many people in the IKEA supply chain. The supplier code of conduct IWAY sets out our minimum requirements on environmental, social and working conditions. It is a starting point for developing shared values and expectations with our suppliers. Since its inception in 2000, IWAY has been regularly updated to address emerging social and environmental risks. IWAY entails a set of requirements applicable to every supplier. IKEA suppliers are responsible for communicating the content of the IKEA Supplier code of conduct to their employees and sub-suppliers and ensuring that all required measures are implemented at their own operations.

Co-workers
With the base of IKEA values and leadership, together with compensation and benefits, co-workers are provided with a safe working environment. The Inter IKEA Group code of conduct applies to all co-workers within the Group and can be found on our website.

The Group has presence in many different countries. Equality, inclusion and diversity increase our understanding of each other. That is why the Group recruits for and embraces diversity – to engage with co-workers of all ages, backgrounds, mind-sets and perspectives. In an environment of openness where everyone is important, and feels comfortable to experiment and try new ways. All aspects of diversity, equality and inclusion are actively pursued across the whole Group.

At Inter IKEA Group, we have a large representation of women in our co-worker and manager base, as we want to be an equal, diverse, and inclusive business. Specifically, in response to the Dutch legislation in respect of gender diversity in corporate boards, Inter IKEA Holding B.V. and Inter IKEA Systems B.V. have set a target of at least 40% of the least represented gender (male or female) in the respective Management Boards and the Supervisory Boards by the end of 2030. Both companies have defined the sub-top as the managers that are part of the respective management teams (which include the management board members) and aim to have equal representation (50%) of female and male for these bodies by the end of 2030.

In FY23, the Management Board of both companies was 100% male. The Supervisory Board of Inter IKEA Holding B.V. had 2 female board members out of 6 members (33%), while Inter IKEA Systems B.V. did not yet have a Supervisory Board in FY23. There were no changes to the board composition in FY23. The Inter IKEA Group management team consisted of 10 members of which 4 are female (40%). The management team of Inter IKEA Systems B.V. had 6 female members out of 12 members in total (50%) in FY23.

In general, targets are within reach while recognising the required focus on Management Board positions in both companies. A specific action plan has been prepared to build long-term female leadership succession and to map a succession pipeline. In addition, regular actions ensure the gender balance on other levels.

Environmental issues
No material environmental issues occurred during FY23. Especially within the production units, much attention is given to compliance with environmental regulations through regular equipment verification and condition checks, and through active air emission monitoring and documentation.

Development and innovation

The Group continues to invest significant resources to make IKEA more affordable, accessible and sustainable for customers everywhere with the ambition to reach and interact with 3 billion people. To make that happen, the Group invests in new ways to shop, more sustainable ways of working, and an inspiring, functional and affordable IKEA product range.

Meeting the customer
The Group works closely with IKEA franchisees to bring the IKEA retail experience closer to where people live, work or socialise. This means locations in large cities or metropolitan areas, and an omnichannel offering that meets customer needs and provides a seamless and unique customer experience.

In FY23, our expansion focused on better accessibility for our customers in existing IKEA markets. IKEA retailers opened more than 70 customer meeting points around the world. To complement and improve online sales channels, a majority of these new customer meeting points were small format stores and plan & order points in urban areas, such as Madrid, Almeria, Rome, Surabaya, Bavaro, Cabo, San Francisco and Toronto. The latest addition was a small store in the centre of Copenhagen tailored to local needs, both in terms of better accessibility for the city's many cyclists as well as changing urban consumer behaviour. Furthermore, we continue expanding into new markets, with preparations to open the first IKEA store in Colombia, and a groundbreaking event in Auckland, New Zealand, where we expect to start retail operations in late 2025.

There is a strong desire among consumers to change their lifestyles for the better and the Group wants to make healthier and more sustainable living possible for the many people. Many IKEA stores have implemented the Sustainable living shop which presents solutions and services to make changes in lifestyle that are easy and affordable, with focus on saving energy, water and waste, on prolonging the life of products, and on healthy and delicious alternative food options.

Range development
IKEA product range development delivered many new products this year. Some highlights are described below.

FY23 marked 80 years since Ingvar Kamprad founded IKEA in 1943. To celebrate 80 years of design, we returned to our treasure chest to rediscover customers' favourite designs. Iconic products were reimagined in fresh, joyful colours and new materials using the latest production techniques and materials in a collection called Nytillverkad.

In line with our vision to create a better everyday life for the many people, we believe a safer life is a better life. VIHALS chest of drawers is the first globally available product with Anchor and Unlock – a stability feature to help reduce the risk of furniture tip-overs and a proof point to the innovations journey on clothing storage furniture stability. The Anchor and Unlock feature works as an incentive for customers to secure their chests or dressers: only when attached to a wall the unlock mechanism is enabled and multiple drawers of a chest can be opened simultaneously. Before the furniture is anchored, only a limited number of drawers can be used at a time. To reduce tip-over incidents and support people to live a safer life at home, we strongly believe in collaboration. For this reason, we have made a patent pledge that defines the requirements under which other can adopt the Anchor and Unlock innovation. By making this pledge, we hope to encourage other furniture manufacturers to consider this approach as well.

Manufacturing and distribution
The 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 June 2021, the Group launched a programme that enables our supply partners to consume 100% renewable electricity through bundled frame agreements or Power Purchase Agreements that the Group takes part in. Due to the high interest from suppliers in the pilot countries, and the contribution to limiting carbon footprint, the programme will be extended to suppliers in Czech Republic, Germany, Italy, Sweden, Turkey, Lithuania, Portugal, Romania, Slovakia, and Vietnam.

Finding new glue solutions is one of the main approaches to reducing the IKEA climate footprint, and most glue consumption is used in board production. As a result of innovation and several years of investigation, IKEA is now switching to bio-based alternatives to reduce fossil-based glue usage by 40%. Switching from fossil-based to bio-based glue solutions will be a stepwise approach, and the goal is to have most board-producing factories in the IKEA supply chain using glues that have lower climate footprints by FY30. In Kazlu Ruda, Lithuania, the first IKEA Industry factory is now using a glue system made of technical starch from corn in large-scale production. Technical starch is made from industrially grown plants that are separated from the food value chain. In parallel, multiple trials with other glue systems are being conducted.

Outlook for financial year FY24

The clear turnaround in purchasing and transportation costs continues into FY24 and we expect to further reduce sales prices to IKEA franchisees, which should increase affordability for retail customers. The expectation is that retail sales will grow modestly in FY24, directly contributing to the Group's wholesale revenues and franchise fee income. The Group will be profitable in FY24.

In FY24, we expect to experience the benefits from the restructuring program as the organisation is now put in place and co-workers are finding their new roles and responsibilities. Even more focus on and prioritisation of key initiatives that create the most impact for our business is needed to secure delivery.

During FY24, while remaining prudent and cost conscious, investments in research activities and development by the core businesses Franchise, Range and Supply will continue. The Group will finance these investments from its own funds.

MANAGEMENT BOARD

Jon Abrahamsson Ring (Chairman)

Martin van Dam

Henrik Elm

Delft, 2 November 2023

CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2023

(before profit appropriation, in millions of EUR)

	FY23	FY22
Fixed assets		
Intangible fixed assets (4)	9,094	9,369
Tangible fixed assets (5)	1,742	1,661
Financial fixed assets (6)	337	270
Total fixed assets	**11,173**	**11,300**
Current assets		
Inventories (7)	4,772	6,294
Trade and other receivables (8)	6,887	6,906
Cash and cash equivalents (9)	169	184
Total current assets	**11,828**	**13,384**
TOTAL ASSETS	**23,001**	**24,684**
Group equity (10)	**17,758**	**9,847**
Provisions (11)	**118**	**124**
Non-current liabilities (13)	**86**	**5,533**
Current liabilities (14)	**5,039**	**9,180**
TOTAL EQUITY AND LIABILITIES	**23,001**	**24,684**

(See accompanying notes)

CONSOLIDATED PROFIT AND LOSS ACCOUNT FY23

(in millions of EUR)

	FY23	**FY22**
Net turnover	29,109	27,345
Change in inventory of finished goods	(152)	204
Other operating income	106	29
Total operating income (17)	**29,063**	**27,578**
Cost of raw materials and consumables	23,824	23,404
Cost of outsourced work and other external costs	239	247
Salaries and wages	999	954
Social charges	236	235
Pension expenses	98	105
Depreciation and amortisation (4,5)	460	477
Impairments of tangible and intangible fixed assets (4,5)	-	149
Other operating expenses	961	973
Total operating expenses (18)	**26,817**	**26,544**
Operating result	**2,246**	**1,034**
Financial income	211	250
Financial expense	511	353
Financial income and expense (19)	**(300)**	**(103)**
Result before tax	**1,946**	**931**
Income tax (20)	307	221
Net result	**1,639**	**710**

(See accompanying notes)

CONSOLIDATED CASH FLOW STATEMENT FY23

(in millions of EUR)

	FY23	FY22
Operating result	**2,246**	**1,034**
Adjusted for:		
- Depreciation / amortisation (4,5)	460	477
- Impairments (4,5)	-	149
- Other value adjustments (4,5)	64	-
- Changes in provisions (11)	(6)	(127)
- Changes in financial fixed assets (6)	(3)	(15)
- Changes in working capital	1,243	(2,066)
Cash flow from business operations	*4,004*	*(548)*
Interest received	93	9
Interest paid	(507)	(351)
Income tax paid	(299)	(322)
Cash flow from operating activities	**3,291**	**(1,212)**
Investments in:		
- Intangible fixed assets (4)	-	(3)
- Tangible fixed assets (5)	(347)	(233)
Disposals of:		
- Tangible fixed assets (5)	7	13
Issuance of debt (6)	(56)	(16)
Repayment of borrowings (6)	4	33
Cash flow from investing activities	**(392)**	**(206)**
Repayment of long term financing (13)	(27)	(556)
Disbursement of long term financing (13)	-	115
Short term financing (8,14)	(3,867)	2,882
Dividend paid (10)	(1,850)	(1,000)
Capital contribution (10)	2,846	-
Cash flows from financing activities	**(2,898)**	**1,441**
Net cash flow	**1**	**23**
Exchange rate and translation differences on cash	(16)	1
Changes in cash and cash equivalents	**(15)**	**24**
Cash and cash equivalents at beginning	184	160
Cash and cash equivalents at end	169	184
Net movement in cash	**(15)**	**24**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FY23

(in millions of EUR)

	FY23	FY22
Net result	1,639	710
Change in unrealised derivatives	(109)	(25)
Remeasurements of defined benefit pensions plans	(6)	7
Exchange rate differences	(97)	38
Realized exchange rate results	38	
Other	(4)	3
Total comprehensive income	**1,461**	**733**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Inter IKEA Holding B.V. ('the Company'), was incorporated on 30 September 1992, is a private limited liability company under Dutch law and is registered as a financial holding under number 27163852 in the trade register and has its corporate seat at Olof Palmestraat 1 in Delft. Inter IKEA Holding B.V. is the ultimate parent of a group of companies that together form the Inter IKEA Group ('the Group').

On 31 August 2023, ownership and control of the Company was transferred from Interogo Foundation and Interogo Holding AG to Inter IKEA Foundation. The impact of this transfer of ownership and control on the Group's financial statements have been disclosed in note 13 of the consolidated financial statements and in note 5 of the Company financial statements.

The Company has issued 1 class A share and 125 class B shares. All shares are held by Inter IKEA Foundation as the 100% shareholder and ultimate owner. Shares entitle Inter IKEA Foundation to voting rights in the General Meeting as well as full rights to the distributable profits and reserves.

These financial statements cover the 12-month period which ended at 31 August 2023 ('FY23'). Comparative figures reflect the 12-month period which ended at 31 August 2022 ('FY22').

2. BASIS OF PREPARATION

Both the consolidated financial statements and the company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. The accounting policies applied for measurement of assets and liabilities and the determination of results are based on the historical cost convention, unless otherwise stated in the further accounting principles.

Application of Section 402, Book 2 of the Dutch Civil Code

The Company's financial information is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Netherlands Civil Code, the separate profit and loss account of the Company exclusively states the share of the result of participating interests after tax and the other results after tax.

Going Concern

The financial statements have been prepared on the basis of the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

General

Assets and liabilities are measured at historical cost, unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits, that are attributable to the asset, will flow to the Company and the cost or value of the asset can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets. A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably. Provisions are included in the liabilities of the company. Liabilities that are not recognized in the balance sheet are considered off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability.

An asset or liability is derecognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction. If assets are recognised of which the Company does not have the legal ownership, this fact will be disclosed.

Functional and presentation currency
The financial statements are presented in euros ('EUR'), which is also the Company's functional currency. All financial information in euros has been rounded to the nearest million, unless stated otherwise.

Use of estimates
The preparation of the financial statements requires management to form opinions and to make estimates and assumptions that have an impact on the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. Estimates and the underlying assumptions are constantly assessed. Revisions to estimates are recognised prospectively.

The following accounting policies are in the opinion of management the most critical for the purpose of presenting the financial position and require estimates and assumptions.

- The useful life of fixed assets;
- Obsolescence of stock;
- Impairments;
- Provisions; and
- Taxation (including uncertain tax positions).

Refer to the accounting policies of the respective balance sheet items for details on the assumptions made.

Consolidation scope
The consolidated financial statements include the financial information of the Company and its subsidiaries. Subsidiaries are participating interests in which the Company (and/or one or more of its subsidiaries) can exercise more than half of the voting rights in the general meeting, or can appoint or dismiss more than half of the managing directors or supervisory directors.

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of, remain included in the consolidation until the date of loss of this influence.

For an overview of all subsidiaries included in the Group, reference is made to the listing of subsidiaries that has been filed by the Company at the Chamber of Commerce.

Business combinations
A business combination is a transaction whereby the Group obtains control over the assets and liabilities and the activities of the acquired party. Business combinations are accounted for using the 'purchase accounting' method on the date that control is transferred to the Group (the acquisition date). The transaction price is the cash consideration or equivalent agreed as part of the acquisition, or the fair value of the consideration transferred at the acquisition date. Transaction costs that are directly attributable to the business combination are allocated to the transaction price. In case of deferred payment of the consideration, the transaction price is the discounted value of the consideration.

The Group recognises the identifiable assets and liabilities of the acquired party at the acquisition date. These assets and liabilities are recognised individually at their fair values, provided that it is probable that future economic benefits will flow to the Group (assets) or settlement will result in an outflow of resources embodying economic benefits (liabilities), and the cost or fair value thereof can be measured with reliability.

Consolidation principles
The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of the result of the Group.

In the consolidated financial statements, intragroup shareholdings, liabilities, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the Group and no impairment loss is applicable.

Translation of foreign currencies
At initial recognition, transactions denominated in a foreign currency are translated into the Company's functional currency at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date into the functional currency at the spot exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in profit and loss in the period in which the exchange difference occurs. Exempt from this are exchange differences on monetary items that are part of a net investment in a foreign operation.

Non-monetary assets and liabilities denominated in foreign currency that are measured based on historical cost, are translated into the functional currency at the exchange rates as at the date of the transactions.

The assets and liabilities that are part of the net investment in a foreign operation are translated into the functional currency at the exchange rate prevailing on the reporting date. The income and expenses of a foreign operation are translated into euros at the average exchange rate for the year. Currency translation differences are recognised in the translation reserve within equity.

Financial instruments

Financial instruments include trade and other receivables, cash, loans and other financing commitments, trade payables, other amounts payable and derivative financial instruments.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate. Financial instruments are derecognised if a transaction results in a considerate part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial and non-financial contracts may contain terms and conditions that meet the definition of derivative financial instruments. Such an agreement is separated from the host contract and accounted as a stand-alone derivative if its economic characteristics and risks are not closely related to those of the host contract, a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value with changes in fair value recognised in the profit and loss account. Financial instruments embedded in contracts that are not separated from the host contract are recognised in accordance with the host contract. Derivatives separated from the host contract are, in accordance with the measurement policy for derivatives for which no cost price hedge accounting is applied, measured at cost or lower fair value.

A purchase or sale of non-derivative financial assets according to standard market conventions is, by class of financial assets and financial liabilities, systematically recognised or derecognised in the balance sheet on the settlement date (date of transfer).

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account at the initial recognition. After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account. Purchases and sales of financial assets that belong to the category loans granted and other receivables are accounted for at the transaction date.

Trade and other receivables

Receivables are measured after their initial recognition at amortised cost (except for derivatives) less allowance for uncollectible amounts.

Non-current and current liabilities and other financial commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the profit and loss account.

Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.

Derivatives and hedge accounting
Derivatives are measured at fair value with recognition of all changes in value in the profit and loss account, except where hedge accounting is used to hedge the variability of future cash flows that affect the profit and loss account (cash flow hedge accounting).

Cash flow hedge
If cash flow hedge accounting is used, the effective portion of the fair value changes of the derivatives is initially recognised in other comprehensive income. As soon as the expected future transactions lead to the recognition of gains or losses in the profit and loss account, the respective amounts are transferred from the hedging reserve of other comprehensive income to the profit and loss account. The net result of these gains and losses is recognised as financial income and expenses.

If a derivative no longer meets the conditions for hedge accounting, expires or is sold, or if the Company has decided to no longer apply hedge accounting, the hedging relationship is terminated. The deferred gains or losses recognised at the time of the termination of the hedging relationship remain in equity until the expected future transaction takes place. If the transaction is no longer expected to take place, the deferred gain or loss on the hedge recognised in equity is transferred to the profit and loss account.

Conditions for hedge accounting
The Company uses hedge accounting documentation, documenting the specific hedge relationships in the dedicated treasury management system and regularly assesses the effectiveness of the hedging relationships by establishing whether the hedge is effective or that there is no over-hedging.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items as well as its risk management objective and strategy for undertaking hedge transactions together with methods selected to assess hedge effectiveness. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in future cash flows (the hedged items). The effectiveness test is performed by comparing the critical attributes of the hedging instrument with the hedged item, namely currency pair, maturity date and notional amount. If there is an over-hedge, the related value based on the lower of cost or fair value is recognised directly in the profit and loss account.

Impairment of financial assets
Financial assets (e.g. long-term loans receivable) are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost. All individually significant assets are assessed individually for impairment.

An impairment loss in respect of a financial asset stated at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate.

Impairment losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original amortised cost).

Offsetting financial instruments
A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

Intangible fixed assets
Intangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Intangible fixed assets are measured at acquisition or development cost, less accumulated amortisation and impairment losses.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included to the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

The accounting principles for the recognition of an impairment are included under the section ‘Impairment of fixed assets’.

Proprietary Rights
The Proprietary Rights include the IKEA trademark, protection rights, intellectual property rights and the rights to the IKEA catalogue.

The IKEA Brand and IKEA Concept have shown strong income and cash flow performance over the last decades. We have the intent and ability to support the IKEA Brand with marketplace spending for the foreseeable future. Applicable Dutch accounting principles require us to amortise these Proprietary Rights based on expected economic life. Determining an expected economic life of the Proprietary Rights requires management assessment and is based on a number of factors, including: expected usage of the IKEA Brand and IKEA Concept, development of our market share, expectations on market development, consumer awareness and anticipated future expansion. Based on these factors, the expected economic life is set at 45 years.

At the end of each financial year, the recoverable amount of the Proprietary Rights is assessed for impairment, even if there is no indication of impairment.

Accounting for emission rights
The group recognizes emissions certificates as current intangible assets. Emissions certificates are received from the government and traded on the market are initially measured at cost. This follows the same principle as for the intangible fixed assets set above.

Development costs
Internally developed software is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method and starts when the software is ready for usage. Internally developed software is capitalized if the following conditions are met: the intention exists to complete the asset and after completion to use or sell it (including the availability of adequate technical, financial and other resources to achieve this), it is probable that the asset will generate future economic benefits, and the costs during the development phase can be determined reliably. The useful life differs per software platform. A legal reserve is formed for the capitalised development costs that have not yet been amortised.

Tangible fixed assets
Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of that asset can be measured reliably.

Land and buildings, machinery and equipment, construction in progress and other fixed operating assets are stated at cost less accumulated depreciation and impairment losses. The cost comprises the price of acquisition or manufacturing, plus other costs that are necessary to bring the assets to their location and in condition for their intended use. Investment grants are deducted from the cost of the assets to which the grants relate. Expenditure is only capitalised when it extends the useful life of the asset. Costs of major rebuilding, repairs or maintenance are capitalised at cost, when incurred and if the recognition criteria are met, using the component approach. All other repair and maintenance costs are charged directly to the profit and loss account.

The Company applies the component approach for tangible fixed assets if important individual components of a tangible fixed asset can be distinguished from each other. Taking into account differences in useful life or expected pattern of use, these components are depreciated separately.

Depreciation is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of each item of the tangible fixed assets, taking into account any estimated residual value of the individual assets. Depreciation starts as soon as the asset is available for its intended use, and ends at decommissioning or divestment. No depreciation is recognised on land.

Financial fixed assets

Long-term loans receivable

The accounting policies for Long-term loans receivable are included under the heading 'Financial instruments'

Deferred tax assets

The valuation of deferred tax assets is explained under the heading 'Corporate income tax'.

Impairment of fixed assets

Tangible and intangible fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable amount for an individual asset, the recoverable amount is assessed for the cash-generating unit (CGU) to which the asset belongs.

When the carrying amount of an asset or CGU exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount. If there is an impairment loss for a CGU, the loss is first allocated to goodwill allocated to the CGU. Any residual loss is allocated to the other assets of the unit pro rata to their book values.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or CGU is estimated.

Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or CGU) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or CGU).

Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet;
- intangible assets that are amortised over a useful life of more than 20 years (counting from the moment of initial operation/use).

Disposal of fixed assets

Fixed assets available for sale are measured at the lower of their carrying amount and net realisable value.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes the expenses for acquisition or manufacturing, plus other expenditure to bring the inventories to their present location and condition. Net realisable value is based on the most reliable estimate of the sales proceeds the inventories will generate, less costs still to make. Valuation of purchased goods is calculated based on the 'first in – first out' (FIFO) method which assumes that the goods purchased first, are the first goods to be sold.

Other receivables
The accounting policies applied for the valuation of other receivables are disclosed under the heading ‘Financial instruments’.

Cash and cash equivalents
Cash and cash equivalents are measured at nominal value. If cash and cash equivalents are not readily available, this is taken into account in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate valid at that date. Reference is made to the accounting policies for foreign currencies.

Shareholders’ equity
Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders’ equity. Payments to holders of these instruments are deducted from the shareholders’ equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recognised in the profit and loss as financial income or expense.

Share Premium
Amounts contributed by the shareholder(s) of the Company in excess of the nominal share capital, are accounted for as share premium. This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire shares of the Company.

Translation reserve
Exchange gains and losses arising from the translation of the functional currency of foreign operations to the reporting currency of the parent are accounted for in this legal reserve. In the case of the sale of a foreign operation, the associated accumulated exchange differences are transferred from the translation reserve to the profit and loss account.

Legal reserve
Other legal reserves consist of a legal reserve for capitalised development costs and a legal reserve for non-distributable profits.

Provisions
A provision is recognised if the following applies:
1. the Company has a legal or constructive obligation arising from a past event;
2. and the amount of the liability can be estimated reliably;
3. and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

If the time value of money is material and the period over which the cash outflows are discounted is more than one year, provisions are measured at the present value of the best estimate of the cash outflows that are expected to be required to settle the liabilities and losses. The provisions are measured at nominal value if the time value of money is not material or If the period over which the cash outflows are discounted is no longer than one year.

Provision for deferred tax liabilities
The valuation of deferred tax liabilities is explained under the heading 'Corporate income tax'.

Pensions and other post-employment benefits
The Company operates a number of pension plans, which have been established in accordance with the regulations and practices of the individual countries. The plans include both defined contribution plans and defined benefit plans. Accounting standard RJ 271 "Employee Benefits" offers the possibility to apply IFRS EU standards relating to the accounting treatment of pensions (IAS 19 "Employee Benefits") in financial statements that have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. This makes the IFRS standard for pension obligations a factual part of the Dutch guidelines (RJ 271.101). The Company applies IAS 19 to all post-employment benefits.

Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans
The net obligations in respect of defined benefit plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('asset ceiling'). To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provision for claims, disputes and lawsuits
A provision for claims, disputes and lawsuits is established when it is expected that the Company will be sentenced in legal proceedings. The provision represents the best estimate of the amount for which the claim can be settled, including the costs of litigation.

Non-current liabilities
The valuation of non-current liabilities is explained under the heading 'Financial instruments'.

Revenue recognition
The company usually recognizes revenue at the level of separate contracts. If it is necessary to reflect economic reality, revenue is recognized at the level of a group of contracts, for example where the Company has entered into several separate contracts, which have been negotiated as a total, separating the individual contracts in terms of pricing and profit margin that are closely related and are performed simultaneously or immediately after each other.

Amounts that the Company receives for its own account (as principal) are recognized as revenue. Amounts that the Company receives for third parties (as an agent) are not recognized as revenue. Revenues only include the gross increases in economic potential that the Company has received or has receivable for its own account.

The Company recognizes revenue for the amount to which the Company expects to be entitled in exchange for transferring promised goods, which is the transaction price. This amount excludes amounts received on behalf of third parties.

Revenue is recognized per separate performance obligation. A performance obligation is a commitment in a contract to supply:

- a distinct good or service or a combination of goods or services which are collectively distinguishable from other commitments in the contract; or
- a range of distinct services that are largely the same.

A promised good or promised service can be distinguished if the following criteria are met:

- the buyer can use the benefits of the goods or services independently, whether or not jointly with resources that the buyer has or can obtain; and
- the commitment to provide the goods or services is distinct from the other commitments contained in the contract.

If a contract contains two or more commitments to provide goods or services which are separately distinguishable, the commitments are combined into a combination of goods or services that are collectively distinct from other commitments in the agreement.

In the event of multiple performance obligations in a contract, the total transaction price is allocated to the performance obligations in proportion to the value of the performance obligations. The value is based on the stand-alone selling price per performance obligation. If the standalone sales price is not known, the Company uses estimates.

Sale of goods
Revenue from the sale of goods is accounted for in net turnover at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue from the sale of goods is recognised in the profit and loss account when the

significant risks and rewards of ownership have been transferred to the buyer, the amount of the revenue can be determined reliably, recovery of consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods.

Franchise fees
Franchise fees are received for the use of the IKEA trademarks, patents and software. Revenue is recognised when the amount of the consideration receivable can be determined reliably and recovery is probable.

Change in inventory of finished goods
Changes in inventories of finished products is related to the manufacturing activities of Supply.

Revenue and expenses are allocated to the period to which they relate.

Expenses
Expenses, including interest, are determined with due observance of the aforementioned accounting policies and allocated to the year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognised if known before the financial statements are prepared and provided all other conditions for the recognition of a provision are met.

Employee benefits
Employee benefits are charged to the profit and loss account in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Company.

For benefits with accumulating rights and bonuses, the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the profit and loss account.

The liability for benefits during employment is measured at present value of the expenditure expected to be required to settle the obligation.

Leasing

The Company may enter into finance and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

At inception of an arrangement, the Company assesses whether the lease classifies as a finance or operating lease.

If the Company acts as lessee in an operating lease, the leased property is not capitalised. Benefits received as an incentive to enter into an agreement are recognised as a reduction of rental expense over the lease term. Lease payments and benefits regarding operating leases are recognised to the profit and loss account on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the benefits from the use of the leased asset.

Financial income and expenses

Financial income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Financial expenses and similar expenses are recognised in the period to which they belong. Hedge results are recorded in financial income and expense on a net basis.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. If the carrying amounts of assets and liabilities for financial reporting differ from their values for tax purposes (tax base), this results in temporary differences. For taxable temporary differences, a provision for deferred tax liabilities is recognised.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences relating to group companies, foreign branches, associates and joint ventures, a deferred tax liability is recognised, unless it is probable that the temporary difference will not reverse in the foreseeable future. The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

Cash flow statement
The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without a significant risk of changes in value. Cash flows in foreign currency are translated into euros using the weighted average exchange rate for the reporting period. Currency translation differences with regard to cash and cash equivalents are presented separately in the cash flow statement.

Receipts and payments of interest and income taxes are presented within the cash flows from operating activities. Payments of dividends are presented within the cash flows from financing activities.

Cash flows from derivative financial instruments that are accounted for as fair value hedges or cash flow hedges, are classified in the same category as the cash flows from the hedged balance sheet items and are part of change working capital. Cash flows from derivative financial instruments whereby hedge accounting is no longer applied, are classified in accordance with the nature of the instrument, from the date at which hedge accounting is ended.

Determination of fair value
The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

- The fair value of listed financial instruments is determined on the basis of the exit price.
- The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.
- The fair value of derivatives involving the exchange of collateral is determined without the credit or liquidity surcharges since this risk is mitigated by the collateral exchange.

Related parties and related party transactions
Transactions with related parties are assumed when a relationship exists between the Company and a natural person or entity that is affiliated with the Company. This includes, amongst others, the relationship between the Company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

Subsequent events
Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements. Events that provide no further information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects are disclosed in the financial statements.

4. INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets were as follows:

	Proprietary rights	Developm. costs	Other	Total
Balance as at 1 September 2022:				
Purchase price	11,800	216	5	12,021
Accumulated amortisation and impairment	(2,437)	(215)	-	(2,652)
Carrying amount	**9,363**	**1**	**5**	**9,369**
Changes in carrying amount:				
Amortisation	(273)	(1)	(1)	(275)
Other	1	-	(1)	-
Balance	**9,091**	**-**	**3**	**9,094**
Balance as at 31 August 2023:				
Purchase price	11,800	216	5	12,021
Accumulated amortisation and impairment	(2,709)	(216)	(2)	(2,927)
Carrying amount closing	**9,091**	**-**	**3**	**9,094**
Estimated useful life (years)	45	5	3-5	

Proprietary Rights

In 2011 the Company (through its subsidiary Inter IKEA Systems B.V.), acquired the beneficial interest of the IKEA Proprietary Rights ("IP Rights") from Interogo Foundation for a total consideration of EUR 11,800 million. These Rights include the IKEA trademark, protection rights, intellectual property rights and the rights to the IKEA catalogue.

Development costs

Development costs relate to various internally developed software to gain economic benefits. The expected useful life is aligned with the expected economic benefits.

5. TANGIBLE FIXED ASSETS

Movements in tangible fixed assets were as follows:

	Land and buildings	Mach. and equip.	Constr. in progress	Other	Total
Balance as at 1 September 2022:					
Purchase price	1,472	1,182	190	111	2,955
Accumulated depreciation and impairment	(473)	(731)	(3)	(87)	(1,294)
Carrying amount	**999**	**451**	**187**	**24**	**1,661**
Changes in carrying amount:					
Investments	14	17	311	5	347
Disposals	(1)	(6)	-	-	(7)
Translation differences	(59)	(2)	(7)	(1)	(69)
Transfers	110	64	(180)	6	-
Depreciation	(69)	(105)	-	(11)	(185)
Other	(6)	3	(1)	(1)	(5)
Balance	**988**	**422**	**310**	**22**	**1,742**
Balance as at 31 August 2023:					
Purchase price	1,530	1,258	313	120	3,221
Accumulated depreciation and impairment	(542)	(836)	(3)	(98)	(1,479)
Carrying amount	**988**	**422**	**310**	**22**	**1,742**
Estimated useful life (years)	0-25	3-15	N/A	Various	

Tangible fixed assets carried at cost do not include capitalised interest charges.

Tangible fixed assets include an amount of EUR 15 million (FY22: EUR 18 million), which is pledged for debts to credit institutions.

Construction in progress is mainly related to the factories and office buildings in Älmhult.

6. FINANCIAL FIXED ASSETS

Movements in financial fixed assets were as follows:

	Deferred tax asset	LT loans receivable	Other	Total
Balance as at 1 September 2022:	**185**	**44**	**41**	**270**
Changes in carrying amount:				
Investments	-	-	3	3
Additions	87	-	-	87
New loans	-	56	-	56
Used	(22)	-	-	(22)
Released	(9)	-	-	(9)
Repayments	-	(4)	-	(4)
Other	(8)	8	(3)	(3)
From long-term to current portion	-	(3)	-	(3)
Reclassification of assets	(11)	-	-	(11)
Write-off	-	(27)	-	(27)
Balance	**37**	**30**	**-**	**67**
Balance as at 31 August 2023:	**222**	**74**	**41**	**337**

The deferred tax assets relate to deductible temporary differences. It is expected EUR 33 million will be offset within one year.

The long term loans receivable mainly encompass supplier financing with a gross amount of EUR 126 million (FY22: EUR 87 million), off-set by a provision of EUR 95 million (FY22: EUR 68 million) and a loan to one of our associates. The current part of the long term loans receivable has been presented under Receivables which is the gross outstanding amount.

Other financial fixed assets relate to investments in associates.

7. INVENTORIES

	FY23	FY22
Raw materials	257	295
Work in progress	72	67
Finished goods	384	536
Trade goods	4,059	5,396
Total	**4,772**	**6,294**

A limited part of the trade goods is valued at the net realizable value. All other inventories are valued at cost.

The movement in the provision for obsolescence for inventories is as follows:

	FY23	FY22
Balance as at 1 September 2022:	131	137
Addition, charged to the profit and loss account	151	32
Write-offs charged against the provision	(27)	(3)
Release, credited to the profit and loss account	(10)	(35)
Balance as at 31 August 2023:	**245**	**131**

8. TRADE AND OTHER RECEIVABLES

	FY23	FY22
Trade receivables	3,142	3,326
Current portion of long-term loans receivable	81	131
Income tax receivable	88	71
Indirect tax receivable	182	237
Receivable on related parties	-	2,889
Receivable on Interogo Holding AG	3,230	-
Derivatives assets	15	70
Prepaid expenses and accrued income	84	104
Other receivables	65	78
Total	**6,887**	**6,906**

The trade and other receivables all have an estimated maturity shorter than one year.

The carrying values of the recognised receivables approximate their respective fair values, given the short maturities of the positions and the fact that allowances for doubtful debts have been recognised, if necessary.

	FY23	FY22
Amortised cost of outstanding receivables	3,142	3,336
Less: allowance for doubtful debts	-	(10)
Trade Receivables	**3,142**	**3,326**

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include an amount of EUR 15 million (FY22: EUR 19 million) relating to guarantees that are not immediately accessible.

10. GROUP EQUITY

For details on shareholders’ equity, refer to note 5 in the Company financial statements.

11. PROVISIONS

Movements in provisions can be specified as follows:

	Pension	Deferred tax liability	Restructuring	Legal Claims	Other	Total
Balance as at 1 September 2022:	**6**	**51**	**-**	**21**	**46**	**124**
Changes:						
- Provisions made during the year	14	3	51	-	10	**78**
- Provisions used during the year	(2)	(13)	(7)	-	(8)	**(30)**
- Provisions released during the year	(1)	(1)	-	(3)	(18)	**(23)**
- Reclassification to assets / liabilities	-	(11)	(12)	-	-	**(23)**
- Other	1	(4)	-	-	(5)	**(8)**
Balance as at 31 August 2023:	**18**	**25**	**32**	**18**	**25**	**118**

The Company has recognised a provision for deferred taxes for differences between valuation principles for financial reporting purposes and for tax purposes. It is expected EUR 8 million will be offset within one year.

For details on the provision for pensions commitments in, the Netherlands and Switzerland refer to note 12. The remaining amount is divided over several countries.

The provision in respect of claims, disputes and lawsuits mainly relates to product infringement claims and product liability involving the Company and/or its group companies.

The provision for Other consists of different types of smaller provisions. The largest provision relating to tax expenses recorded for potential unfavourable outcomes in tax audits and disputes has been released in FY23 for an amount of EUR 12 million.

12. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

	FY23	FY22
Defined benefit obligation - funded plans	187	163
Defined benefit obligation - unfunded plans	65	58
Fair value on plan assets	(273)	(248)
Effect of asset ceiling	24	23
Net defined benefit liability	**3**	**(4)**

The Group has a number of defined benefit pension plans in the Netherlands and Switzerland.

There are minimum funding requirements applicable for the pension plans in the Netherlands and Switzerland as set out by local legislation.

For most salaried employees in Sweden, the ITP 2 plan's defined-benefit pension commitments for old-age and family pensions are secured through insurance with Alecta. According to IAS 19, the pension plan ITP 2 financed through insurance with Alecta is a defined benefit plan that covers multiple employers. For the financial year ending 31 August 2023, the company has not had access to information in order to be able to report its proportional share of the plan's obligations, plan assets and costs, which meant that the plan was not possible to report as a defined benefit plan. The ITP 2 pension plan that is secured through insurance with Alecta is therefore reported as a defined contribution plan. Premiums for the defined-benefit old-age and family pensions are calculated individually and are dependent on, among other things, salary, previously earned pension and expected remaining period of service.

The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial methods and assumptions. The collective consolidation level should normally be allowed to vary between 125 and 175 percent. In order to strengthen the level of consolidation if it is deemed to be too low, one measure may be to increase the agreed price for new subscriptions and changes of existing benefits. If the consolidation level exceeds 150 percent, premium reductions can be introduced. At the end of June 2023, Alecta's surplus in the form of the collective consolidation level amounted to 175 percent (FY22: 185 percent).

Movement in Net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2023	2022	2023	2022	2023	2022
Balance at 1 September	**221**	**378**	**(248)**	**(272)**	**(4)**	**106**
Included in profit or loss						
Current service cost	13	20	-	-	13	20
Past service cost	-	1	-	-	-	1
(Gain) / loss on settlements	-	(14)	-	-	-	(14)
Interest cost / (income)	7	4	(8)	(3)	(1)	1
	20	**11**	**(8)**	**(3)**	**12**	**8**
Included in OCI						
Remeasurements of defined benefit pensions plans:						
- Actuarial loss (gain) arising from:						
- demographic assumptions	1	2	-	-	1	2
- financial assumptions	(7)	(103)	-	-	(7)	(103)
- experience adjustment	2	10	-	-	2	10
- Return on plan assets excluding interest income		-	20	60	20	60
Effect of movements in exchange rates	2	7	(2)	(9)	-	(2)
Effect of asset ceiling		-	-	-	1	23
	(2)	**(84)**	**18**	**51**	**17**	**(10)**
Other						
Contributions paid by the employer	-	(1)	(20)	(16)	(20)	(17)
Settlement payments by the employer	-	(91)	-	-	-	(91)
Settlement payments from plan assets	1	2	(1)	(2)	-	-
Participation contribution	9	7	(9)	(7)	-	-
Other	3	(1)	(5)	1	(2)	-
	13	**(84)**	**(35)**	**(24)**	**(22)**	**(108)**
Balance at 31 August	**252**	**221**	**(273)**	**(248)**	**3**	**(4)**

The present value of the defined benefit liability is detailed as below:

Plan assets

The major categories of plan assets of the fair value of the total plan assets are, as follows:

	FY23	FY22
Cash and cash equivalents	3	4
Equity instruments	94	88
Debt instruments	125	113
Real estate	45	40
Other	6	3
Total	**273**	**248**

The plan assets do not include investments in shares, issued debt or property owned by the Company. Total plan assets with a quoted market prices amounts to EUR 268 million (FY22: EUR 248 million).

Defined benefit obligation

Actuarial assumptions

The principal weighted-average assumptions used in determining the defined benefit obligations are shown below:

	FY23	FY22
Discount rate	3.2%	3.1%
Future salary increase rate	2.4%	2.2%

The pre-retirement mortality assumption has been calculated per country, based on generally accepted mortality tables, such as DUS14 for Sweden and BVG2020 Generational for Switzerland.

The average duration of the defined benefit plan obligation at 31 August 2023 is 20 years (FY22: 20 years).

The Company expects to contribute EUR 20 million to its defined benefit pension plans in FY24.

Sensitivity analysis

Sensitivity analyses (in- and decrease by 0.5%) have been performed on both the discount rate and the salary increase rate, calculating the present value of the defined benefit obligation as at 31 August 2023.

	Discount rate		Salary increases	
	+50 bp	-50 bp	+50 bp	-50 bp
Present value defined benefit obligation	231	276	254	250

13. NON-CURRENT LIABILITIES

	FY23	FY22
Debts to related party	-	5,414
Other debts	86	119
Closing Balance	**86**	**5,533**

Debts to related party in FY22 related to a loan granted by Interogo Holding AG for the acquisition of the Proprietary Rights; EUR 5,400 million. In FY23, this loan was contributed by means of a capital contribution.

The movements in non-current liabilities can be specified as follows:

	FY23	FY22
Principal amount	8,716	8,606
Repaid until 31 August	(3,169)	(2,625)
Outstanding principal amount as per 1 September	*5,547*	*5,981*
Contribution	(5,400)	-
Repayments	(27)	(556)
Additions	-	110
Difference in foreign currency translation	(15)	12
Outstanding principal amount as at 31 August	*105*	*5,547*
Current as at 31 August	(19)	(14)
Non-current as at 31 August	**86**	**5,533**

14. CURRENT LIABILITIES

	FY23	FY22
Current portion of long term debt	19	14
Short-term borrowings	127	164
Payable related parties	-	5,791
Payable Interogo Holding AG	2,265	-
Accounts payable trade	1,796	2,422
Income taxes payable	124	52
Indirect tax payable	212	217
Payable staff	160	144
Derivatives liabilities	28	17
Accrued liabilities and deferred income	194	240
Other Liabilities	114	119
Total	**5,039**	**9,180**

Short-term borrowings at different finance institutions bear market interest rates according to local conditions for currencies involved.

Other liabilities relate mainly to regular notional account borrowing from Interogo Holding AG. In FY22, when Interogo Holding AG was a Company shareholder, these accounts were presented as Payable related parties.

All current liabilities have an estimated maturity shorter than one year.

15. FINANCIAL INSTRUMENTS

General

During the normal course of business, the Company uses various financial instruments that expose it to currency, interest, cash flow, fair value, market, credit and liquidity risks. To control these risks, the Company has instituted a policy including a code of conduct and procedures that are intended to limit the risks of unpredictable adverse developments in the financial markets and thus for the financial performance of the Company.

Credit risk
Credit risk arises principally from the Company's loans and receivables presented under financial fixed assets, trade and other receivables and cash and cash equivalents. The maximum amount of credit risk that the Company incurs is EUR 7,393 million (FY22: EUR 7,360 million), consisting of EUR 337 million (FY22: EUR 270 million) financial fixed assets, EUR 6,887 million (FY22: EUR 6,906 million) trade and other receivables and EUR 169 million (FY22: EUR 184 million) cash and cash equivalents. The credit risk is concentrated to trade receivables for EUR 3,142 million (FY22: EUR 3,326 million) which mainly consists of 12 franchisees. Long standing relationships exist with these counterparties. Furthermore, the Company holds notional account receivables of EUR 3,230 million (FY22: EUR 2,889 million) on Interogo Holding AG.

Credit risk mitigating aspects
For derivatives traded with banking partners, there is a collateral management process where the net asset or liability value is exchanged in the form of cash collateral with each counterparty. At year-end 2023, EUR 139 million was received as collateral against the positive value of derivative contracts, EUR 256 million was delivered as collateral against the negative value of derivative contracts.

Interest rate risk and cash-flow risk
The Company runs an interest rate risk on interest bearing assets and liabilities. For assets and liabilities with variable interest rate agreements, the Company runs a risk of future cash flows relating to the interest element. For fixed interest rate loans the Company runs a fair value risk.

The Company has liabilities and receivables with the following interest rates:

- Receivable on Interogo Holding AG EUR 3,230 million (daily floating %, currency specific base rate minus 5 basis points with a floor of 0%);
- Payable Interogo Holding AG EUR 2,265 million via notional account (daily floating %, currency specific base rate plus 60 basis points).

Currency risk
The Company is exposed to currency risk on:

- Franchise fees: the franchise fees are partly earned outside of the Euro zone, where the euro is the Company's reporting currency. From a reporting perspective, the Company is therefore exposed to the volatility of foreign exchange market. The currency risk run on the positions is limited, considering the amounts involved and regular settlements combined.
- Goods flows: the Company is exposed to foreign exchange rate risks arising from purchase and sales of goods, freight and indirect materials and services transactions. The currencies in which these transactions primarily are denominated are CNY, PLN, GBP and USD. The Company's exchange rate risk is actively managed by using derivatives contracts.

At year-end 2023, the total net fair value of the derivatives used to manage exchange risk is EUR 134 million negative (FY22: EUR 228 million positive).

Hedge accounting is applied with the impact of effective hedging taken to other comprehensive income of EUR 160 million gain (FY22: EUR 51 million loss). The results of derivatives which did not meet the hedging criteria are directly reported under result from hedges in the profit and loss account and amount to EUR 4 million loss (FY22: EUR 265 million gain).

The strategy to mitigate the currency risk is centralised and managed by the separate Treasury function within the Group, which is responsible for mitigating the Group's financial risks. Based on the forecasted business plan, the Treasury function determines and is responsible for the risk management strategy. As a consequence, the Company has opted to recognise the realised hedge results (gains and losses) in financial income and expenses.

The Company applies derivatives, including currency options and forward exchange contracts to control its risks. A minimum of 80% of the forecasted foreign exchange exposure should be hedged within 2 months of setting fixed rates.

In FY23, the result from hedging recognised in the profit and loss account amounted to a gain of EUR 118 million (FY22: gain of EUR 216 million).

Liquidity Risk
The Company monitors its cash position by using liquidity planning. Management ensures that the cash position and facilities are sufficient to meet the company's financial obligations towards creditors.

A non-collaterised credit facility from Interogo with a headroom of EUR 1.3 BEUR is available to the Company. At balance sheet date the credit facility is not being used.

Fair value
The fair value of most of the financial instruments stated on the balance sheet, including receivables, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount.

16. COMMITMENTS AND CONTINGENT LIABILITIES

The commitments can be detailed as follows:

Purchase commitments
The Group has entered into purchase agreements with external suppliers for a total value of EUR 3,714 million at 31 August 2023 (FY22: EUR 5,556 million). These agreements have different remaining periods, ranging up to 9 years.

IT Services commitments
The Group has entered into IT services agreements. This agreement includes both 'Agreed Services', such as maintenance, operations and infrastructure and 'Consultancy Services". The commitment for the coming year for these agreements amounts to approximately EUR 62 million (FY22: EUR 77 million).

Distribution Services Commitments
The Group has entered into agreements covering the services for distribution. These agreements have different remaining periods, ranging from 1 to 10 years. The commitment for the coming years for the distribution services amounts to approximately EUR 2,993 million (FY22: EUR 3,092 million).

Construction commitments
Commitments for the construction of tangible fixed assets amount to EUR 2 million at 31 August 2023 (FY22: EUR 49 million.)

Operating leases – Group as lessee
The Company and its subsidiaries have entered into several other lease and rental agreements for various periods. Future minimum rental payable under non-cancellable operating leases as at 31 August 2023 is as follows:

	FY23	FY22
< 1 year	10	17
1-5 years	13	15
> 5 years	1	38
Total	**24**	**70**

Lease payments recognised as expenses in FY23 amount to EUR 25 million (FY22: EUR 23 million).

The contingent liabilities can be detailed as follows:

Guarantees
Issued guarantees towards external parties amounted to EUR 193 million at 31 August 2023 (FY22: EUR 194 million), mainly relating to VAT receivable positions with the Italian tax authority.

Litigation
The Company is or may become involved in legal proceedings, as well as in investigations (see also note 11) and disputes with respect to (f.e.) tax, product liability and safety incidents. When no estimate can be made of the financial consequences, if any, or if the risk of a future cash outflow is less than probable, no provisions have been recognised in the balance sheet. Management believes, based on legal advice, that no pending litigation to which the Company is a party will have a material adverse effect on the financial position or the results from operations.

Uncertain tax positions
We refer to note 20 of the financial statements.

17. OPERATING INCOME

The breakdown of operating income by revenue categories is as follows:

	FY23	FY22
Sales of goods	27,443	26,148
Franchise fees	1,406	1,285
Other revenue	214	145
Total	**29,063**	**27,578**

The geographical distribution of operating income is as follows:

	FY23	FY22
The Netherlands	1,246	1,013
European Union	14,545	13,477
Rest of the world	13,272	13,088
	29,063	**27,578**

18. OPERATING EXPENSES

Salaries and wages

During FY23, the average number of staff employed with the Group, converted into full-time equivalents, amounted to 24,944 people (FY22: 27,331 people) of which 23,888 (FY22: 26,325) were employed outside the Netherlands.

The staffing level can be divided into the following staff categories:

	FY23	FY22
Franchise	2,219	2,034
Range	3,083	2,956
Supply	19,452	22,168
Other functions	190	173
	24,944	**27,331**

Other operating expenses

The main categories within the other operating expenses are IT (EUR 449 million), general administrative expenses (EUR 189 million), rent, maintenance and utilities (EUR 126 million), and other staff expenses (EUR 91 million).

19. FINANCIAL INCOME AND EXPENSE

The financial income and expense can be specified as follows:

	FY23	FY22
Interest income	93	9
Result from hedges	118	216
Other financial income	-	25
Total	**211**	**250**
Interest expense	507	351
Other financial expense	4	2
Total	**511**	**353**

20. INCOME TAXES

The applicable weighted average tax rate is 15.8% (FY22: 23.7%), following the nominal tax rates in the Netherlands, Sweden and Switzerland where the majority of the Group's businesses are located. The effective tax rate decreased by 7.9% compared to the previous year. This is mainly due to increased profitability in Switzerland (which has a lower nominal tax rate) compared to the previous year when profitability was adversely impacted by sharp sourcing and logistic cost increases in the supply chain. The tax rate is in line with the effective tax rate in FY21 (16.0%.)

The tax expense recognised in the profit and loss account for FY23 amounts to EUR 307 million (FY22: EUR 221 million).

The reconciliation between the applicable and the effective tax rate is as follows:

	FY23	FY22
Result before tax	1,946	931
Income tax using the applicable tax rate in the Netherlands	502	240
Tax effect of:		
- Other applicable tax rates abroad	(158)	(62)
- Exempt income	(27)	(5)
- Non-deductible expenses	20	9
(De)recognition of tax losses	(14)	36
Adjustment for prior periods	(20)	(12)
Changes in tax rates	(2)	2
Non-reclaimable withholding tax	13	19
Other	(7)	(6)
Tax expenses	**307**	**221**

The Group has unrecognised tax loss carry forwards available related to losses incurred in several countries for approximately EUR 51 million (FY22: EUR 157 million). No deferred tax asset has been recognised for these tax loss carry forwards due to uncertainty with respect to availability of taxable profits in the future within the limitations imposed in enacted tax legislation.

Uncertain tax positions
Corporate income tax is actively addressed by international institutions and local governments and the taxation of large multinational companies receives continued media attention. The Company is also subject to tax audits in various geographies, and is working pro-actively with local tax authorities.

In December 2017, the European Commission opened a formal investigation, with their Opening Decision published on 6 April 2018 which was complemented by their Decision published on 10 July 2020, to examine whether decisions by the tax authorities in The Netherlands with regard to the corporate income tax paid by one of our subsidiaries, Inter IKEA Systems B.V., comply with European Union rules on state aid. The Company co-operates and responds to questions which the European Commission has in relation to this investigation. At this moment, although management considers the risk of a cash out flow unlikely, it is not possible to assess a financial impact, if any, of the outcome of this EC investigation. The aforementioned outcome is not expected to have a material adverse impact on the financial position of The Company.

The Company is actively monitoring and addressing these developments and believes that its corporate income tax position is appropriately reflected in the financial statements.

21. TRANSACTIONS WITH RELATED PARTIES

Related party transactions not on an arm's length basis have not occurred.

Shareholder
Transactions between the Company and its shareholder(s) during the year have all occurred at arm's length. As per 31 August 2023 the shareholder changed from Interogo Foundation and Interogo Holding AG to Inter IKEA Foundation. Significant transactions have been disclosed in notes 8, 13 and 19 of the consolidated financial statements and in note 5 of the Company financial statements. Over the course of FY23 411 MEUR of net interest was paid to the previous shareholders relating notional accounts and the shareholder loan. In FY23 1,850 MEUR of dividend was paid to the previous shareholders.

Group companies
Since the company exercises influence on the business and financial policy, all companies belonging to the Group are treated as related parties.

The remuneration of the managing directors and supervisory directors is included in note 7 of the Company financial statements.

22. AUDITOR'S FEES

The following fees were charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Netherlands Civil Code.

EUR x 1,000	KPMG Accountants N.V.	Other KPMG Network	Total KPMG
Audit of financial statements	1,711	2,029	3,740
Other audit engagements	582	158	740
Tax-related advisory	-	242	242
Other non-audit services	246	258	504
	2,539	**2,687**	**5,226**

The fees mentioned in the table for the audit of the FY23 financial statements relate to the total fees for the audit of the FY23 financial statements, irrespective of whether the activities have been performed during FY23.

23. SUBSEQUENT EVENTS

There are no significant subsequent events.

COMPANY BALANCE SHEET AS AT 31 AUGUST 2023

(before profit appropriation, in millions of EUR)

	FY23	FY22
Fixed assets		
Financial fixed assets (3)	12,069	11,565
Total fixed assets	**12,069**	**11,565**
Current assets		
Receivables (4)	5,695	25
Total current assets	**5,695**	**25**
TOTAL ASSETS	**17,764**	**11,590**
Shareholder's equity		
Additional paid in capital	15,865	7,565
Other legal reserves	(15)	49
Other reserves	269	1,523
Result for the year	1,639	710
Total shareholder's equity (5)	**17,758**	**9,847**
Current liabilities	**6**	**1,743**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES	**17,764**	**11,590**

(See accompanying notes)

COMPANY PROFIT AND LOSS ACCOUNT FY23

(in millions of EUR)

	FY23	FY22
Share in net result from part. interests	1,700	715
Other results, net of income taxes	(61)	(5)
Net result	**1,639**	**710**

(See accompanying notes)

NOTES TO COMPANY FINANCIAL STATEMENTS

1. GENERAL

The separate financial statements are part of the FY23 statutory financial statements of the Company. The financial information of the Company is included in the Company's consolidated financial statements.

If no further explanation is provided of items in the separate balance sheet and the separate profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

2. ACCOUNTING POLICIES

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated financial statements, with the exception of the following principles:

Participating interests in group companies

Participating interests where significant influence can be exercised over the business and financial policy, are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity.

The net asset value is calculated on the basis of the Company's accounting policies. If the Company transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any long-term receivables on the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

Shareholders' equity
As per year end, the financial instruments that have the legal form of equity, are presented in the equity of the separate financial statements. Refer to the accounting policies of the consolidated financial statements for accounting policies applied.

Share of result of participating interests
The share in the result of participating interests concerns the Company's share in the results of the participating interests.

If the Company transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

The results of participating interests acquired or sold during the financial year are stated in the consolidated result from the date of acquisition or until the date of sale respectively.

Corporate income tax
The Company is the head of the fiscal unity. The Company recognises the portion of corporate income tax that it would owe as an independent tax payer, taking into account the allocation of the advantages of the fiscal unity. Settlement within the fiscal unity between the Company and its subsidiaries takes place through current account positions.

3. FINANCIAL FIXED ASSETS

The movement in financial fixed assets is as follows:

	Investm. In part. Interests	**Deferred tax asset**	**Total**
Balance as at 31 August 2022:	11,562	3	11,565
Investments	145	-	145
Additions	-	19	19
Share in result of participating interests	1,700	-	1,700
Dividends received	(1,179)	-	(1,179)
Exchange rate differences	(97)	-	(59)
Remeasurement IAS19	(6)	-	(6)
Change in unrealised result derivatives	(109)	-	(109)
Realized exchange rate results	38		
Other	(7)	-	(7)
Balance as at 31 August 2023:	**12,047**	**22**	**12,069**

In accordance with article 403, Book 2 of the Dutch Civil Code, the Company has guaranteed the liabilities of Inter IKEA Systems B.V., Inter IKEA Assets B.V., Inter IKEA Developments Holding B.V., Inter IKEA Development B.V., Inter IKEA Treasury B.V. and IKEA Social Entrepreneurship B.V.

Company financial statements of these subsidiaries are therefore not filed at the Trade Register of the Chamber of Commerce.

For an overview of capital interests, reference is made to the listing of subsidiaries that has been filed by the Company at the Chamber of Commerce.

4. RECEIVABLES

	FY23	FY22
Income tax receivable	18	15
Receivable on participating interests	5,575	10
Other receivables	102	-
Total	**5,695**	**25**

The receivables all have an estimated maturity shorter than one year.

5. SHAREHOLDERS' EQUITY

	Share premium	Legal reserve	Transl. reserve	Other reserve	Unappr. profit	Total
Balance as at 31 August 2021	**7,565**	**128**	**(46)**	**1,035**	**1,433**	**10,115**
Changes in financial year 2022:						
Appropriation of result	-	-	-	1,433	(1,433)	-
Net result	-	-	-	-	710	710
Dividend paid	-	-	-	(1,000)	-	(1,000)
Transfer to / from legal reserve	-	(71)	-	71	-	-
Change in unrealised result derivatives	-	-	-	(25)	-	(25)
Remeasurements of defined benefit pensions plans	-	-	-	7	-	7
Exchange rate differences	-	-	38	-	-	38
Other	-	-	-	3	-	3
Balance as at 31 August 2022	**7,565**	**57**	**(8)**	**1,523**	**710**	**9,847**
Changes in financial year 2023:						
Appropriation of result	-	-	-	710	(710)	-
Net result	-	-	-	-	1,639	1,639
Share premium	8,300					8,300
Dividend paid	-	-	-	(1,850)	-	(1,850)
Transfer to / from legal reserve	-	(5)	-	5	-	-
Change in unrealised result derivatives	-	-	-	(109)	-	(109)
Remeasurements of defined benefit pensions plans	-	-	-	(6)	-	(6)
Exchange rate differences	-	-	(97)	-	-	(97)
Realized exchange rate results	-	-	38	-	-	38
Other	-	-	-	(4)	-	(4)
Balance as at 31 August 2023	**15,865**	**52**	**(67)**	**269**	**1,639**	**17,758**

Issued capital

The Company's issued and outstanding share capital is comprised of 126 shares, each with a par value of EUR 1,000. The issued and paid-up share capital consists of 1 share class "A" and 125 shares class "B".

During the year, an ownership change took place and all shares were transferred from Interogo Foundation and Interogo Holding AG to Inter IKEA Foundation. Inter IKEA Foundation is at balance sheet date the Company's 100% shareholder and ultimate owner.

Share premium

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income). This also includes additional capital contributions by existing shareholders without the issue of shares or issue of rights to acquire shares of the Company.

In FY23, the Company received a capital contribution of EUR 8.3 billion from its shareholder Inter IKEA Foundation.

Legal reserve

Other legal reserves mainly consist of a legal reserve for non-distributable profits in accordance with local legislation.

Translation reserve

Exchange gains and losses arising from the translation of the functional currency of foreign operations to the reporting currency of the parent are accounted for in this legal reserve. In the case of the sale of a participating interest, the associated accumulated exchange differences are transferred to the profit and loss account. The translation legal reserve of EUR -67 million (FY22: EUR -8 million) relates to investments in participating interests in various countries.

Other reserves

The financial statements for the reporting year 2023 have been adopted by the General Meeting on 2 November 2023. The General Meeting has adopted the appropriation of profit after tax as proposed by the Board of Management.

A final dividend for FY22 (EUR 850 million) and an interim dividend for FY23 (EUR 1 billion) were paid to Interogo Holding AG during the year. These amounts have been deducted from the other reserves in shareholders' equity.

Unappropriated profit

The General Meeting of Shareholders will be asked to approve the following appropriation of the FY23 net result: to add the net result to the other reserves.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit in so far as (1) the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and (2) the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test). If not, the Company's management shall not approve the distribution.

6. OFF BALANCE SHEET ASSETS AND LIABILITIES

Fiscal Unity
The Company forms a fiscal unity for corporate income tax purposes together with Inter IKEA Systems B.V., Inter IKEA Assets B.V., Inter IKEA Developments Holding B.V., Inter IKEA Development B.V., Inter IKEA Treasury B.V. and IKEA Social Entrepreneurship B.V.

Guarantees
Reference is made to Note 3. of the financial fixed assets with respect to guarantees provided to various subsidiaries according to article 403, Book 2 of the Dutch Civil Code.

7. REMUNERATION MANAGEMENT AND SUPERVISORY BOARD

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the company, its subsidiaries and consolidated other companies amounted to EUR 3.4 million (FY22: EUR 2.7 million) for previous and current management board members, and EUR 0.5 million (FY22: EUR 0.5 million) for supervisory board members.

8. SUBSEQUENT EVENTS

There are no significant subsequent events.

MANAGEMENT BOARD	**SUPERVISORY BOARD**
Jon Abrahamsson Ring (Chairman)	Anders Dahlvig (Chairman)
Martin van Dam	Søren Hansen
Henrik Elm	Mathias Kamprad
	Véronique Laury
	John Olie
	Aline Santos

Delft, 2 November 2023

OTHER INFORMATION

Articles of association relating to the allocation of the result

In accordance with its Articles of Association, the Company keeps a Dividend Reserve A and a Dividend Reserve B. Holders of class A are entitled to Dividend Reserve A and holders of class B are entitled to Dividend Reserve B. In accordance with Article 4.1.2 of the Articles of Association, 5% of the total aggregate par value of the class A shares is added to the Dividend Reserves A and the remainder is added to dividend reserve B.

Independent auditor's report

To: the General Meeting of Inter IKEA Holding B.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements for the year ended as at 31 August 2023 of Inter IKEA Holding B.V. (hereafter also referred to as 'the Company'), based in Delft.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Inter IKEA Holding B.V. as at 31 August 2023 and of its result for the year ended on 31 August 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 August 2023;
2. the consolidated and company profit and loss account for the year ended on 31 August 2023;
3. the consolidated cash flow statement for the year ended on 31 August 2023;
4. the consolidated statement of comprehensive income for the year ended on 31 August 2023; and
5. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Inter IKEA Holding B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of fraud and non-compliance with laws and regulations and going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

Information in support of our opinion

Audit response to the risk of fraud and non-compliance with laws and regulations

In the paragraph 'Risk management' of the annual report, the Management Board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, the whistle blowing procedures, the compliance policy and its procedures to investigate indications of possible fraud and non-compliance.

Furthermore, we performed relevant inquiries with the Management Board, Audit Committee and other relevant functions, such as Legal Counsel, Internal Audit and Risk and Compliance. As part of our audit procedures, we:

— obtained an understanding of how the company uses information technology (IT) and the impact of IT on the financial statements, including the potential for cybersecurity incidents to have a material impact on the financial statements;

— evaluated possible correspondence with supervisory authorities and regulators as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and identified the following areas as those most likely to have a material effect on the financial statements: anti-bribery and corruption, trade sanctions and export controls and product risk and safety compliance.

As part of our yearly risk assessment, we, together with our forensic specialist, evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Based on the above and on the auditing standards, the following presumed fraud risks are relevant to our audit and we responded as follows:

Management override of controls (a presumed risk)

Risk:

We addressed the inherent risk of management override of controls. This risk relates to presumed bias by management in making significant estimates and judgements as well as recording high risk (manual) journal entries that may represent a risk of material misstatement of the financial statements due to fraud.

Responses:

We have performed, amongst others, the following procedures:

— evaluated the design and the implementation of internal controls that mitigate fraud risks, such as internal control measures related to non-routine journal entries and significant accounting estimates;

— performed data analysis of high-risk journal entries. If instances of unexpected journal entries or other risks through our data analytics were identified, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information;

— evaluated key estimates and judgements for bias by management, including retrospective review prior year’s estimates, for example valuation of inventories and impairment tests; and

— incorporated elements of unpredictability in our audit, which varied for each of the entities in scope.

Our audit procedures did not reveal indications of fraud or suspicion of fraud in respect of management override of controls that are considered material for our audit.

Revenue recognition (a presumed risk)

Risk:

We addressed the inherent risk of fraud in revenue recognition. This relates to the presumed management incentive that exists to overstate revenue. We considered that the risk of fraud in revenue recognition is focused on the cut-off period before year-end.

Responses:

We have performed, amongst others, the following procedures:

— determined and evaluated the design and implementation of the process levels controls (including anti-fraud controls) as implemented by management with respect to revenue recognition and cut-off of revenue;

— performed test of details over the cut-off of revenue at year-end by determining the fulfilment of performance obligations based on agreements and underlying supporting documentation; and

— performed journal entry testing, especially taking into account high-risk criteria in relation to revenues and journal entries that increase revenue, including testing of transactions back to source information.

Our audit procedures did not reveal indications of fraud or suspicion of fraud in respect of revenue recognition that are considered material for our audit.

We communicated our risk assessment, audit responses and results to the Management Board and Audit Committee.

Audit response to going concern

Management Board has performed its going concern assessment and has not identified any going concern risks. To assess the Management Board’s assessment, we have performed, amongst others, the following procedures:

— we considered whether the Management Board’s assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit and we have inquired the Management Board on the key assumptions and principles underlying the Management Board’s assessment of going concern risks;

— we evaluated the key assumptions and the sensitivity analyses used by the Management Board for the cash-flow forecasts and liquidity management; and

— we evaluated the Company’s financial position as at year-end and compared it to previous years, developments in the business and any information of which we are aware as a result of our audit.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit 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 Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 2 November 2023

KPMG Accountants N.V.

R.J. Aalberts RA