



Inter IKEA Group Tax Report FY23

Inter IKEA Group



Introduction

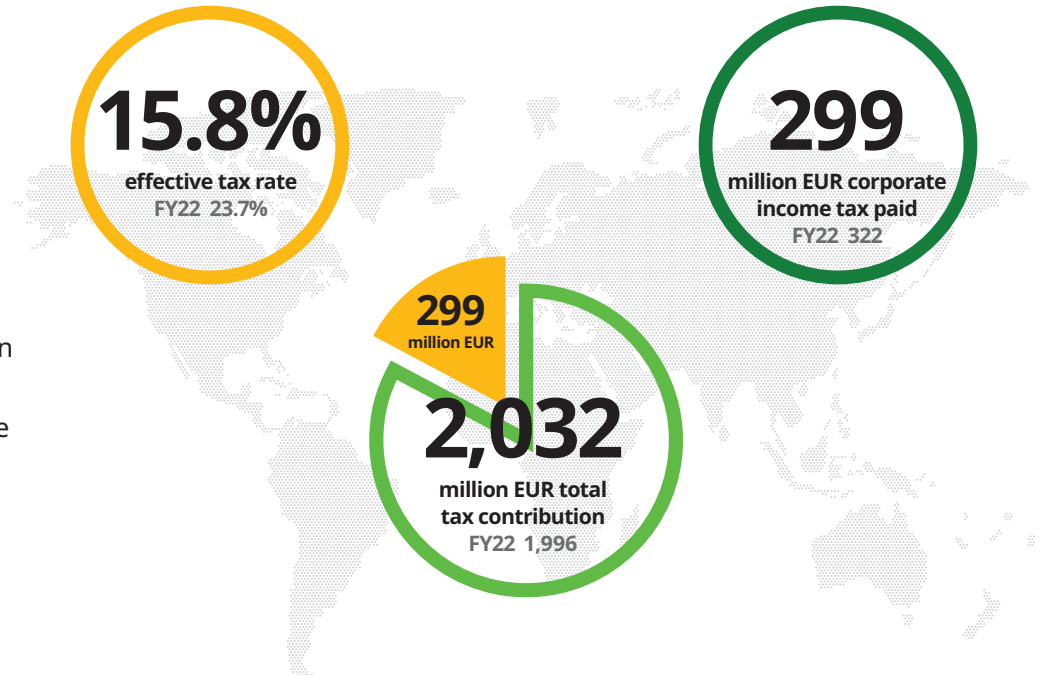
The Inter IKEA Group Tax Report provides information on the taxes paid by Inter IKEA Group companies for the financial year 2023 (FY23). FY23 is the period from 1 September 2022 to 31 August 2023.

Compared to last year, Inter IKEA Group's income tax expense increased to EUR 307 million (EUR 221 million in FY22). The effective tax rate decreased to 15.8% (23.7% in FY22) and the amount of corporate income tax paid in FY23 (payment of tax due often takes place in a different year) decreased to EUR 299 million (EUR 322 million in FY22). The total tax contribution of Inter IKEA Group increased to EUR 2,032 million (EUR 1,996 million in FY22). In this report we will give further insight into our effective tax rate, country-by-country report and total tax contribution.

The tax report is based on the information Inter IKEA Group provides in other publications:

- The Inter IKEA Group Financial Summary FY23.
- The Inter IKEA Group Annual Report FY23.

Inter IKEA Group also publishes a yearly IKEA Sustainability Report. However, the IKEA Sustainability Report has a different scope and covers all companies working under the IKEA brand across the IKEA franchise system.



	FY23	FY22
Jurisdictions	30	31
Co-workers (FTE) ¹	24,944	27,331
Revenue (in EUR billion)	29.1	27.6
Net result (in EUR million)	1,639	710
Assets (in EUR billion) ²	23.0	24.7

¹ Average full-time equivalent (FTE) during financial year

² Balance sheet position as per financial year-end



About Inter IKEA Group

Inter IKEA Holding B.V. is the holding company of the Inter IKEA Group. Inter IKEA Holding B.V. is based in the Netherlands where the group management of Inter IKEA Group is located.

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

Franchise

Franchise consists of Inter IKEA Systems B.V., based in the Netherlands, and its subsidiaries, including IKEA Marketing & Communication AB. Inter IKEA Systems B.V. is the worldwide IKEA franchisor and owner of the IKEA Concept (which includes the IKEA brand). Inter IKEA Systems B.V. continuously develops the IKEA Concept and ensures its successful implementation in new and existing markets. This enables IKEA to remain forward-looking

in areas such as brand development, sustainability, people and environment, market potential and expansion. IKEA Marketing & Communication AB develops and creates IKEA communication content.

Range

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

Supply

Supply includes IKEA Supply AG, IKEA Industry AB, IKEA Components AB and related businesses. IKEA Supply AG, based in Switzerland, received the assignment from Inter IKEA Systems B.V. to source and distribute IKEA products to IKEA franchisees.

The majority of the IKEA products are sourced in Europe and approximately 90% are sourced from external suppliers. IKEA Supply AG manages and operates the IKEA supply chain together with its wholesale subsidiaries

and external business partners, such as transport service providers, warehouse providers and customs brokers.

IKEA Industry AB is a strategic IKEA manufacturer whose management team sits within the Supply core business but whose group of legal entities are placed directly under Inter IKEA Holding B.V. IKEA Industry produces IKEA home furnishing products and develops unique IKEA manufacturing capabilities in relevant parts of the supply chain. IKEA Industry produces approximately 10% of the IKEA product range, with a main focus on wood-based furniture.

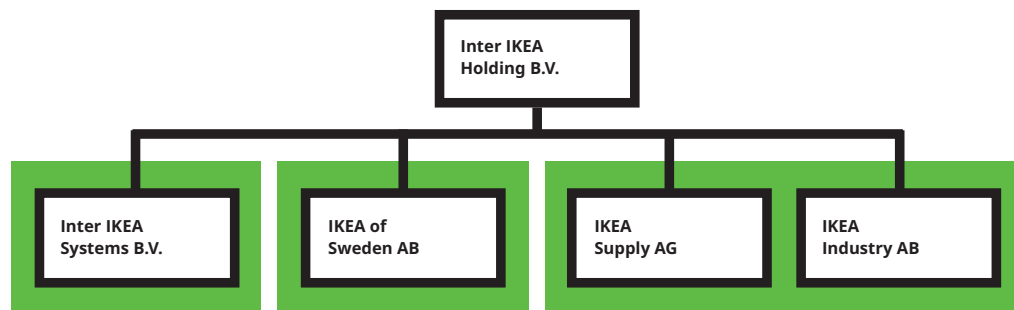
IKEA Components AB develops, sources, packs and supplies components, such as screws and wooden dowels that are used to assemble IKEA furniture.

Other functions

Inter IKEA Group also includes group functions to support the core businesses, such as Human Resources, Communication, Risk, Finance, Legal and other activities. IKEA Älmhult AB, which owns and operates the IKEA Hotell and IKEA Museum in Älmhult, Sweden is also part of Inter IKEA Group.

Ownership

Inter IKEA Group is fully owned and controlled by Inter IKEA Foundation, based in Liechtenstein. In FY23 the ownership of Inter IKEA Group was transferred to Inter IKEA Foundation from Interogo Foundation and Interogo Holding AG. As of 31 August 2023, Inter IKEA Foundation is the only shareholder and ultimate owner of Inter IKEA Group.



Overview of Inter IKEA Group

The IKEA franchise system

IKEA is a franchise business. That means many people and many companies with different owners work under one IKEA brand – all dedicated to the IKEA vision of *creating a better everyday life for the many people* and the IKEA business idea *to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them*. The scope of this tax report is limited to the Inter IKEA Group – it does not cover the independent IKEA franchisees who operate IKEA stores (and other sales channels) around the world.

Please visit inter.ikea.com for more information and a simplified overview of the IKEA franchise system.

Tax audits and investigations

Inter IKEA Group's tax position is regularly reviewed by the tax authorities of the jurisdictions in which we operate. And just as with other multinational companies, these tax audits often concern transfer prices that have been applied between group companies. Transfer pricing is also the main topic of the pending state aid investigation that the European Commission started against the Netherlands with regard to two rulings that were concluded with Inter IKEA Systems B.V. in 2006 and 2011. This state aid investigation is primarily a matter between the European Commission and the Dutch authorities. Inter IKEA Group has fully co-operated by responding to the questions of the European Commission and is confident about the outcome of the procedure.

Our tax principles

Tax principle 1 - Compliance

We are committed to complying with all tax legislation and paying taxes in accordance with the rules and regulations in the jurisdictions where we operate.

Tax principle 2 - Business rationale

We believe that tax should follow business. There is always a business reason for operating in a certain jurisdiction. We pay tax in the jurisdictions where we operate based on the value created there and the economic reality of our business.

Tax principle 3 - Transfer pricing

We apply the arm's length principle and follow international transfer pricing guidance when pricing transactions with group companies. We are consistent in our pricing across the jurisdictions where we operate and maintain documentation to support the transfer pricing policies applied.

Tax principle 4 - Relationship with tax authorities

We act with integrity towards tax authorities in all the jurisdictions we operate in. When tax law is complex or unclear, we strive for

open and constructive dialogue with tax authorities to achieve clarity. This will always be done on the basis of full disclosure of relevant facts and circumstances.

Tax principle 5 - Transparency

We are transparent about our approach to tax and our tax position. We do this by giving insight into how our effective tax rate is built up, disclosing our country-by-country report for corporate income tax and providing a breakdown of our total tax contribution (as illustrated by this report).

Tax principle 6 - Governance

We have a tax policy in place based on our tax principles that has been approved by the Finance Committee of our Management Board. The Finance Committee receives regular updates on material tax matters, and we also report annually to our Audit Committee on our tax position. Inter IKEA Group has the mechanisms in place to safeguard adherence to our tax policy.

Our effective tax rate

In FY23, the effective tax rate of Inter IKEA Group was 15.8%. The effective tax rate shows the average rate of corporate income tax that is payable by Inter IKEA Group over its profit.

Our effective tax rate is primarily driven by the tax rates in the jurisdictions where the majority of our business is conducted, i.e. the Netherlands, Sweden and Switzerland, and the financial performance of the Inter IKEA Group companies in these jurisdictions.

The effective tax rate of Inter IKEA Group in FY23 (15.8%) decreased in comparison to FY22 (23.7%) but was in line with the effective tax rate in FY21 (16.0%). The higher effective tax rate in FY22 was mainly due to two specific circumstances that no longer applied in FY23:

1. The profits in our Supply business were significantly lower in FY22 due to sharp cost increases in the supply chain, which we absorbed resulting in a lower gross margin. As our Supply business is led by IKEA Supply AG in Switzerland, a smaller share of the total profit of Inter IKEA Group

was subject to the relatively lower Swiss tax rate. This led to a higher effective tax rate in FY22. In FY23 the profitability of the Supply business returned to normal again which had the reverse effect on the effective tax rate.

2. The operations in Russia and Belarus were scaled down in FY22 with the intention to exit from Russia. This led to considerable losses in FY22 and an upward effect on the effective tax rate. The remaining operations in Russia closed down or were sold during FY23 which resulted in a gain in FY23. This gain should be viewed in combination with the costs already recorded in FY22. On aggregate, the closing down of the operations in Russia and Belarus led to a loss for Inter IKEA Group.

The chart on the right reconciles Inter IKEA Group's effective tax rate for FY23 with the Dutch corporate tax rate (25.8%).

Result before tax (as reported for FY23)	1,946	
Tax expense if the nominal tax rate in the Netherlands (25.8%) had been applicable	502	25.8%
Tax effect of:		
Other applicable tax rates abroad	-158	-8.1%
Exempt income	-27	-1.4%
Non-deductible expenses	20	1.0%
(De)recognition of tax losses	-14	-0.7%
Adjustment for prior periods	-20	-1.0%
Changes in tax rates	-2	-0.1%
Non-reclaimable withholding tax	13	0.7%
Other	-7	-0.4%
Tax expense (as reported for FY23)	307	15.8%

All amounts are in million EUR



Our country-by-country report

Our country-by-country report on the next page provides further transparency into our corporate income tax position in FY23 across the jurisdictions where we operate. This report follows the template laid down in the EU Directive for public country-by-country reporting (Directive (EU) 2021/2101).

We have also included a column for assets in the country-by-country report to provide additional insight into our business activities in the individual jurisdictions.

The business activities of Inter IKEA Group's core businesses are led from the Netherlands (Franchise), Sweden (Range) and Switzerland (Supply). This is reflected in the country-by-country report which shows that the largest share of revenues, assets, profits and corporate tax payments are concentrated in the Netherlands, Sweden and Switzerland.

These financial figures are further explained in the pages following the country-by-country report.

	Franchise	Range	Supply				Revenues	Profit	Tax paid	Tax accrued	Employees (FTE)	Assets	Accumulated earnings
			Production	Components	Purchasing & Logistics	Wholesale							
Netherlands	•						1,937,670	527,247	163,172	163,055	1,063	17,950,703	2,180,082
Sweden	•	•	•	•	•		1,902,556	217,558	61,587	55,367	5,482	943,170	119,977
Switzerland					•	•	28,002,675	936,078	29,419	110,367	479	6,561,674	3,678,197
Australia						•	7,839	2	43	1	0	2,421	904
Brazil					•		2,853	564	560	314	19	589	420
Canada						•	33,585	291	97	84	0	7,420	1,737
Chile	•						589	77	-58	-7	3	12	454
China	•	•	•	•	•	•	2,725,570	79,729	23,346	17,529	2,251	1,068,782	172,535
Czech Republic					•		15,439	1,390	330	377	149	3,683	804
Germany					•		36,077	2,835	1,135	975	268	21,519	15,061
Hong Kong					•		3,861	-524	89	0	19	150	307
Hungary			•				60,362	-1,782	25	605	571	42,497	-23,378
India					•		12,982	1,779	191	386	114	6,453	3,469
Italy					•		24,579	2,751	738	1,048	185	8,335	1,553
Japan						•	11,372	123	24	46	1	3,327	77
Lithuania			•		•		226,316	29,096	-42	844	735	132,680	58,735
Malaysia						•	413,920	6,892	209	46	62	310,333	32,898
Mexico					•		3,969	348	139	186	28	798	300
Poland		•	•		•		1,256,799	28,822	11,301	4,015	9,047	854,856	-190,737
Portugal			•				196,223	5,026	984	1,072	1,628	128,814	11,391
Romania					•		7,912	720	89	146	90	2,371	997
Russia							145	72,954	-527	76	6	38	1,250
Serbia							0	-31	-71	0	0	30	407
Slovakia			•	•			977,607	17,152	3,932	5,846	2,274	512,096	-200,584
Taiwan						•	29,450	-441	-2	23	0	8,007	708
Thailand							1	-36	0	0	0	96	105
Türkiye					•	•	16,607	1,052	296	273	84	1,597	4,237
United Arab Emirates						•	595,874	8,731	0	0	33	239,745	28,156
United States of America					•	•	127,389	5,211	1,135	1,105	221	60,900	-195,693
Vietnam					•		15,379	2,071	575	590	129	1,392	1,377
Total							38,645,601	1,945,684	298,719	364,369	24,943	28,874,487	5,705,748

Revenues

The *Revenues* column shows the total revenues for all Inter IKEA Group companies. This differs from the revenues reported in our annual report as it also includes the intercompany revenues from transactions with other Inter IKEA Group companies.

The main sources of revenues for each of the three core businesses are as follows:

- Franchise mainly generates revenues from making parts of the IKEA Concept available (e.g. to IKEA franchisees for a franchise fee of 3% on net sales) and operating the IKEA “reference store” in Delft, the Netherlands. These revenues are reported by Inter IKEA Systems B.V. in the Netherlands.
- Range generates revenues from developing the IKEA range and IKEA products. These revenues are mainly reported by IKEA of Sweden AB in Sweden.
- Supply generates revenues from the sale of IKEA products and components. These revenues are mainly reported by IKEA Supply AG in Switzerland.

Profit

The *Profit* column shows the sum of the result before income tax and is mainly concentrated in the jurisdictions where the leadership and central functions of the core businesses are located, which are the Netherlands, Sweden and Switzerland.

Tax accrued and Tax paid

The columns *Tax accrued* and *Tax paid* include the total amount of corporate income tax (including withholding taxes) accrued and paid in FY23:

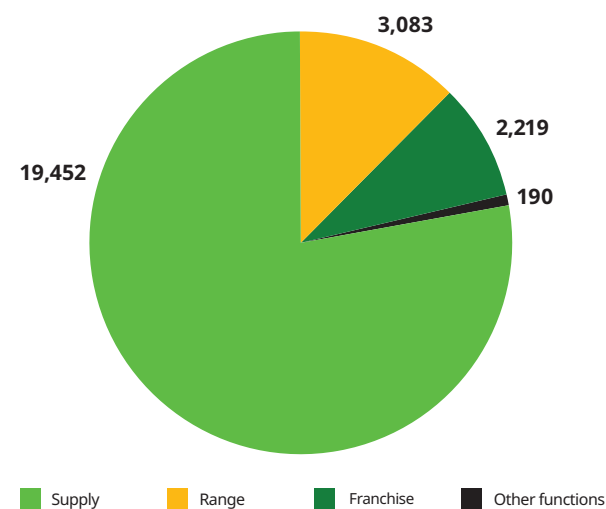
- *Tax accrued* reflects the current corporate income tax expense recorded for the taxable profit of FY23. This amount is different from the total tax expense reported in our annual report as it does not include deferred taxes or corrections for prior years.
- *Tax paid* relates to corporate income tax payments made during FY23. This amount matches the tax paid in the cash flow statement of our annual report.

Differences between *Tax accrued* and *Tax paid* arise as the actual payment of corporate income tax regularly takes place before or after the financial year in which the tax expense was incurred.

Employees

The *Employees* column shows the full-time equivalent (FTE) number of employees as an average for the financial year.

For FY23, the number of employees was divided across each core business as follows:



FY23 full-time equivalent co-workers per core business

Assets

The *Assets* column contains the book value of our assets at the end of FY23. This includes intangible, tangible and current assets, but excludes cash and cash equivalents. The assets with the highest book value are:

- **IKEA brand**
All intellectual property rights related to the IKEA brand are owned by Inter IKEA Systems B.V. in the Netherlands. Most activities of Inter IKEA Systems B.V. are centred around the protection and further development of the IKEA brand and the IKEA Concept.
- **Inventories**
The main assets of the wholesale companies are the inventories of IKEA products. The vast majority of the inventories are directly owned by IKEA Supply AG based in Switzerland.

Accumulated earnings

The *Accumulated earnings* column includes the sum of the accumulated earnings of all Inter IKEA Group entities resident in the relevant jurisdiction at the end of FY23.



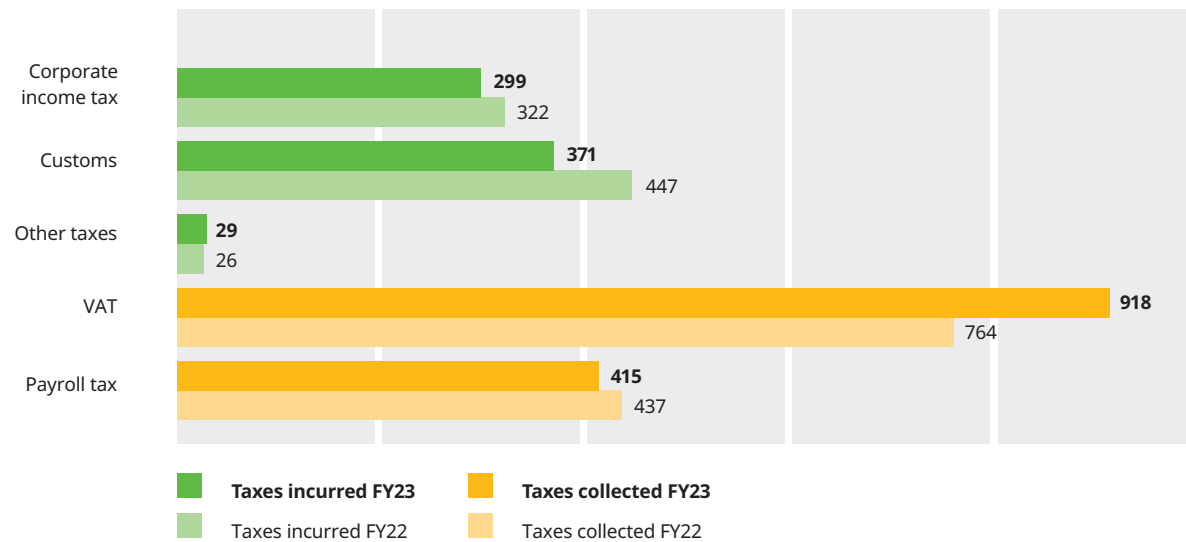
Our total tax contribution

Inter IKEA Group is subject to a number of taxes. All these taxes combined led to a total tax contribution for Inter IKEA Group in FY23 of EUR 2,032 million (EUR 1,996 million in FY22).

The chart on the right shows a breakdown of Inter IKEA Group's total tax contribution per type of tax. In this chart a distinction is made between *Taxes incurred* and *Taxes collected*.

Taxes incurred are taxes we are obliged to pay on our own behalf to a government or to a third party that cannot be recovered. These taxes have an impact on our profit and are a direct contribution to government tax revenues. This includes corporate income tax, customs duties and other taxes such as environmental taxes and property taxes.

Taxes collected are taxes we are obliged to withhold and remit to a government on behalf of another person or another company. These taxes are not incurred by Inter IKEA Group, but we are required to collect them. These taxes are indirectly generated by our business activities and are part of our indirect contribution to government tax revenues, such as value added tax (VAT) and payroll tax.



FY23/FY22 total tax contribution by type of tax in million EUR

For further information, please visit inter.IKEA.com



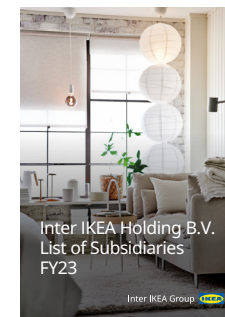
Inter IKEA Group Financial Summary FY23



Inter IKEA Group Tax Report FY23



Inter IKEA Group Annual Report FY23



Inter IKEA Group List of Subsidiaries FY23



IKEA Year in Review FY23



IKEA Sustainability Report
Will be released in January 2024

Inter IKEA Group 