Inter IKEA Group
Financial Summary
FY22
Introduction

This document summarises Inter IKEA Group’s financial performance for financial year 2022 (FY22). FY22 is the period from 1 September 2021 to 31 August 2022. Since Inter IKEA Group’s financial performance is very closely connected to the retail sales performance of our franchisees, we begin the financial summary there.

In FY22, IKEA retail operations were less impacted by measures to prevent the spread of Covid-19. Unlike in FY20 and FY21, most IKEA stores remained open without (severe) restrictions and store visitation went up compared to the two previous years.

The war in Ukraine has also affected the IKEA business and customers. IKEA retail operations in Russia have stopped and Inter IKEA Group continues to scale down its presence with full consideration for the many co-workers, partners and suppliers who have made IKEA successful there for several years.

Against this background, retail sales developed positively at the start of the year while increasing purchase and transport costs were absorbed. In the second half of the year, sales in quantities were negatively affected by the war in Ukraine and the effects of the energy crisis and inflation.
Total retail sales for FY22 reached EUR 44.6 billion (EUR 41.9 billion in FY21). This includes sales of IKEA products, food and services to customers. Compared to FY21, retail sales grew by 6.5% (+3.5% when adjusted for currency effects). An uplift in store sales is visible, while online sales remain at a high level. Although there are still challenges to maintain the supply of home furnishing products to the retailers, the availability of products for our customers has improved.

Whereas we see growth in sales value, sales in volumes decreased and number of products sold has not grown.

In FY22, raw material and commodity prices also continued to rise, as well as costs related to transportation and logistics. In total, this created additional costs for the whole IKEA value chain. These costs were only partly compensated by higher revenues.

Inter IKEA Group recorded total revenues of EUR 27.6 billion (EUR 25.6 billion in FY21), including wholesale sales to IKEA retailers, franchise fees and retail sales from the IKEA Delft store. Net profit is EUR 0.7 billion (EUR 1.4 billion in FY21).
Retail development

Inter IKEA Group works closely with IKEA franchisees to bring the IKEA retail experience closer to people – wherever they 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. To complement and improve online sales channels, a majority of the 38 new customer meeting points opening last year were small format stores and Plan and Order points.

There is a strong desire among consumers to change their lifestyles for the better. To inspire and enable them to achieve that, we want to make healthier and more sustainable living possible for the many people. Many IKEA stores have implemented the updated Sustainable living shop which presents solutions and services that allow changes in lifestyle to be easy and affordable. These include a focus on saving energy, water and waste, prolonging the life of products, and healthy and delicious alternative food options.

The IKEA franchise system

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

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

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

The IKEA franchise system is built on a model that focuses on low costs and high volumes to create lower prices.

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

More IKEA facts & figures for FY22 can be found on about.ikea.com

231,000
FY22 IKEA co-workers
around the world

225,000
FY21 IKEA co-workers
around the world
IKEA entered two new markets in FY22. This included the first IKEA store in South America, which opened in Santiago de Chile. IKEA Chile also went live with its online shopping channel and a distribution centre to make IKEA accessible to the many people in continental Chile.

Falabella, the newest member to the IKEA franchise family, will lead the new market expansion journey in Colombia and Peru.

We also entered the Philippines with both IKEA store and online sales, and completed the openings of Estonia, Oman and Puerto Rico with the addition of IKEA stores to their existing online sales.
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 the owner of the IKEA Concept (which includes the IKEA brand). Inter IKEA Systems B.V. continuously develops the IKEA Concept and ensures its successful implementation in new and existing markets. This enables IKEA to remain forward-looking in areas such as brand development, sustainability, people and environment, market potential and expansion. IKEA Marketing & Communication AB develops and creates IKEA communication content.

**Range**
Range includes IKEA of Sweden AB, 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, has received the assignment from Inter IKEA Systems B.V. to source and distribute IKEA products to IKEA franchisees. Most IKEA products (89%) are sourced from external suppliers across the globe. IKEA Supply AG manages and operates the IKEA supply chain together with its wholesale
Manufacturing and distribution

Inter IKEA Group is constantly looking for new ways to make production more sustainable and energy efficient. Almost two-thirds of the IKEA climate footprint is directly connected to the supply chain, including materials and production at suppliers. Below are two examples of our efforts from the past year.

In FY22, IKEA started to phase out plastic from consumer packaging solutions. This will happen in steps, starting with all new range by 2025, and running range by 2028. With this phase-out, IKEA aims to reduce plastic waste and pollution, and drive the industry agenda to develop packaging solutions centred around renewable and recycled materials.

IKEA Industry already consumes only 100% renewable electricity and continues to invest in renewable energy sources to contribute to the IKEA climate goals. A significant milestone was made in Poland in May 2022 when IKEA Industry Zbąszynek officially launched the construction process for one of the largest solar farms for own use in Europe with a total capacity of 19 MW. This and similar installations save energy costs and lower the climate footprint of IKEA furniture manufacturing.

For an overview of the total IKEA climate footprint, read more in the IKEA Climate Report.

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

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

IKEA Components AB develops, sources, packs and supplies components, such as screws and wooden dowels 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, is also part of Inter IKEA Group.

Ownership

Inter IKEA Group is ultimately owned by Interogo Foundation, based in Liechtenstein. Interogo Holding AG is a co-shareholder, contributing capital and loans to Inter IKEA Group. Interogo Foundation is the sole controlling shareholder in Inter IKEA Holding B.V.
Inter IKEA Group
FY22 financial results

Our operating income in FY22 was affected by the later stages of the Covid-19 pandemic. This caused severe disruptions, delays and congestions in supply chains, and elevated purchase prices and transport costs. The war in Ukraine worsened these disruptions.

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

After financial income and expense, and income taxes, the net income of EUR 710 million was substantially lower compared to FY21. This is the result of increased purchase prices and transport costs which were partly absorbed to limit sales price increases to the IKEA franchisees as much as possible.

Sales of goods
Sales of goods refers to wholesale sales of IKEA products to IKEA franchisees. Inter IKEA Group owns and operates one IKEA store in Delft, the Netherlands. IKEA Delft’s retail sales are also included in this line item. Sales of goods are up following the necessary price increases on the goods sold to the franchisees and offset the effect of lower volumes. Unlike in FY21, we were no longer able to absorb the continuous increase in purchasing and transport costs.

Consolidated income statement

<table>
<thead>
<tr>
<th>In millions of EUR</th>
<th>FY22</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of goods</td>
<td>26 148</td>
<td>24 282</td>
</tr>
<tr>
<td>Franchise fees</td>
<td>1 285</td>
<td>1 273</td>
</tr>
<tr>
<td>Other income</td>
<td>145</td>
<td>60</td>
</tr>
<tr>
<td>Total revenues</td>
<td>27 578</td>
<td>25 615</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>23 404</td>
<td>21 137</td>
</tr>
<tr>
<td>Gross profit</td>
<td>4 174</td>
<td>4 478</td>
</tr>
<tr>
<td>Operational cost</td>
<td>3 140</td>
<td>2 622</td>
</tr>
<tr>
<td>Total operating income</td>
<td>1 034</td>
<td>1 856</td>
</tr>
<tr>
<td>Financial income and expense</td>
<td>-103</td>
<td>-151</td>
</tr>
<tr>
<td>Result before tax</td>
<td>931</td>
<td>1 705</td>
</tr>
<tr>
<td>Income taxes</td>
<td>-221</td>
<td>-272</td>
</tr>
<tr>
<td>Net income</td>
<td>710</td>
<td>1 433</td>
</tr>
</tbody>
</table>
Inter IKEA Group manufactures about 11% of the IKEA product range and sources the remaining 89% from nearly 1,000 external suppliers. This includes home furnishing and food products.

Purchasing costs continued to increase throughout FY22. Costs also rose on the back of supply chain inefficiencies and the first effects of fast-rising inflation. Inter IKEA Group absorbed some of these increased costs, resulting in a large decrease in gross profit. Consequently, our supply chain activities only recorded very limited profits. Our ambition to absorb costs – and not pass them on to IKEA franchisees and eventually customers – was overtaken by a continued sharp increase in raw material and transport prices. This was due to the scarcity of both created by Covid-19 related effects and difficulties caused by the war in Ukraine.

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

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

As retail sales increased in FY22, franchise fee income rose accordingly. Due to the war in Ukraine, no franchise fees were collected from the Russian and Ukrainian markets from March 2022 onwards.

Other income
Other income mainly consists of income from marketing materials and communication created for, and sold to, IKEA franchisees.

Cost of goods sold
Cost of goods sold describes the total accumulated costs to manufacture and distribute products. The cost of goods sold relates both to wholesale and IKEA Delft store sales.

10.6% gross profit % in FY22
13.0% gross profit % in FY21

Range development
Our old friend and icon – the BILLY bookshelf – has undergone rejuvenation to become more circular and easier to assemble. A high-quality paper foil printing technology means that less wood is needed, while customers will see a more attractive product with a very competitive price. The new BILLY range will have a nail-free back panel that snaps in and out of place more easily, making disassembly and reassembly simpler*.

We see a positive trend in the sales share between our plant-based and meat-based food options. In FY22, sales in IKEA restaurants of HUVUDROLL plant balls and veggie balls rose from 14% to 17% in sales share, and from 24% to 27% in the Swedish Food Market. For our veggie hot dogs sold in the IKEA Bistro, sales increased from 13% to 15% in sales share for all hot dogs sold in IKEA Bistros.

* New BILLY launched in Asia Pacific in July 2022. This will be followed by other markets starting January 2024.
Operational cost
Operational cost includes co-worker costs, utilities, rent and other costs related to day-to-day operations.

The organisation grew in its number of co-workers during FY22. This is due firstly to managing the complexities and inefficiencies of our supply chain, particularly those effected by the consequences of the war in Ukraine. Secondly, a continued build-up of resources took place to secure capability for the strategic and digital changes needed to improve the IKEA value chain and the (online) IKEA sales experience.

In June 2022, Inter IKEA Group decided to scale down business and operations in Russia and Belarus after nearly a four-month pause. This means that the franchise agreement with the local franchisee is terminated and that the IKEA Industry business in Russia has reduced its workforce and started the process of finding new ownership for all its factories. The import and export of IKEA products to and from Russia and Belarus has stopped and the offices in Moscow and Minsk will close permanently. The consequence of this decision has led to one-time costs in relation to writing down assets and provisioning of cost.

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

Taxation
In FY22, the Inter IKEA Group tax charge was EUR 221 million – equal to 23.7% of pre-tax income, compared to 16.0% in FY21. The effective tax rate increased significantly following low profit in IKEA Supply AG based in Switzerland, which in turn was due to the high cost of goods and low gross margin.

Inter IKEA Group’s total tax contribution amounted to EUR 1,996 million and mainly consisted of corporate income tax, custom duties, VAT and payroll taxes. Read more in the Inter IKEA Group Tax Report FY22.
Inter IKEA Group balance sheet

Most Inter IKEA Group balance sheet positions have not changed significantly compared to 31 August 2021. Inventories and receivables were the exceptions. Here we see the increased cost of raw materials and transport reflected in the value of inventories and receivables from franchisees. Our equity ratio went down from 47% to 40% due to increased working capital.

The consolidated balance sheet shows an overview of Inter IKEA Group’s assets, equity and what is due to suppliers, partners and other organisations.

**Intangible fixed assets**
In general terms, fixed assets are business property intended for long-term use. Intangible fixed assets are assets that lack physical form, such as patents, trademarks, copyrights and other intellectual property.

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

### Consolidated balance sheet

<table>
<thead>
<tr>
<th>In millions of EUR</th>
<th>31 Aug 2022</th>
<th>31 Aug 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible fixed assets</td>
<td>9 369</td>
<td>9 711</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>1 661</td>
<td>1 702</td>
</tr>
<tr>
<td>Financial fixed assets</td>
<td>270</td>
<td>251</td>
</tr>
<tr>
<td>Total fixed assets</td>
<td>11 300</td>
<td>11 664</td>
</tr>
<tr>
<td>Inventories</td>
<td>6 294</td>
<td>3 752</td>
</tr>
<tr>
<td>Receivables</td>
<td>6 906</td>
<td>5 831</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>184</td>
<td>160</td>
</tr>
<tr>
<td>Total current assets</td>
<td>13 384</td>
<td>9 743</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>24 684</strong></td>
<td><strong>21 407</strong></td>
</tr>
<tr>
<td>Group equity</td>
<td>9 847</td>
<td>10 115</td>
</tr>
<tr>
<td>Provisions</td>
<td>124</td>
<td>255</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>5 533</td>
<td>5 429</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>9 180</td>
<td>5 608</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>14 837</strong></td>
<td><strong>11 292</strong></td>
</tr>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td><strong>24 684</strong></td>
<td><strong>21 407</strong></td>
</tr>
</tbody>
</table>
Tangible fixed assets
Tangible fixed assets are things like real estate and equipment that you can physically touch and feel. Inter IKEA Group tangible fixed assets are mainly factories and distribution centres.

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

The process of finding new ownership for the factories in Russia has started and is expected to be finalised in FY23.

Inventories and receivables
Inventories mostly consist of IKEA products in warehouses and in transit. Inventory levels went up from unusually low levels in FY21 following Covid-related supply chain disruptions. Significant efforts were made in FY22 to replenish inventory to the level we need in order to better serve our customers.

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

Group equity, provisions and liabilities
Equity is the capital invested by shareholders of Inter IKEA Group, plus accumulated profits over time. Equity decreased by EUR 268 million during FY22.

A dividend of EUR 850 million will be distributed to Interogo Holding AG. This will be funded from the EUR 710 million profit achieved during FY22, with the remaining EUR 140 million to be withdrawn from equity.

Provisions are money set aside for pension commitments, deferred taxes and claims.

Liabilities are money owed to others. Most Inter IKEA Group non-current liabilities, which are due over a long period of time, consist of a loan from Interogo Holding AG. Current liabilities are short-term loans, money due to suppliers and the current portion of long-term loans from Interogo Holding AG. Due to the build-up of inventory during FY22, our trade payables as well as the short-term loans payable to Interogo Holding AG have increased.

Note to reader: the included abbreviated financial statements are an abridged version of the consolidated financial statements of Inter IKEA Holding B.V. as included in the Annual Report for the financial year 2022. An unqualified auditor’s report dated 31 October 2022 was issued on these financial statements. Inter IKEA Holding B.V.’s consolidated financial statements, from which these abbreviated financial statements have been derived, have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.
For further information, please visit inter.IKEA.com