



Inter IKEA Group
Tax Report
FY22

Inter IKEA Group



Introduction

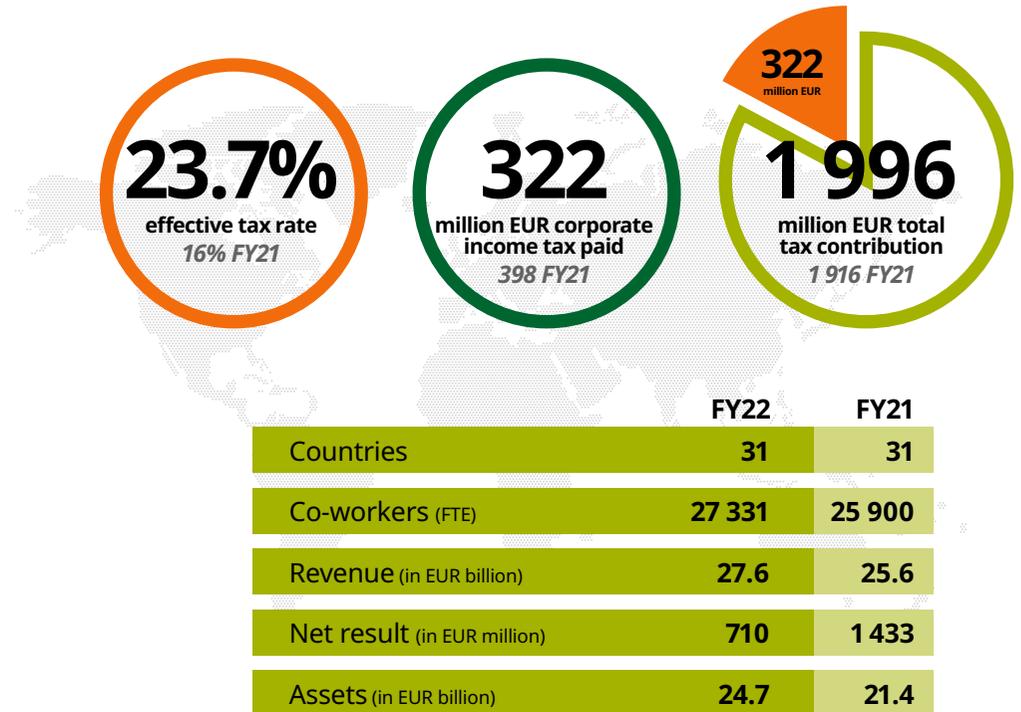
The Inter IKEA Group Tax Report provides information on the taxes paid by Inter IKEA Group companies for the financial year 2022 (FY22). FY22 is the period from 1 September 2021 to 31 August 2022.

This is the second year that Inter IKEA Group has published a tax report. Compared to last year, Inter IKEA Group's effective tax rate increased to 23.7% (16.0% in FY21). Although the amount of corporate income taxes paid decreased to EUR 322 million (EUR 398 million in FY21) the total tax contribution of Inter IKEA Group increased slightly to EUR 1,996 million (EUR 1,916 million in FY21). 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 FY22.
- The Inter IKEA Group Annual Report FY22.

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.





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, 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 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.

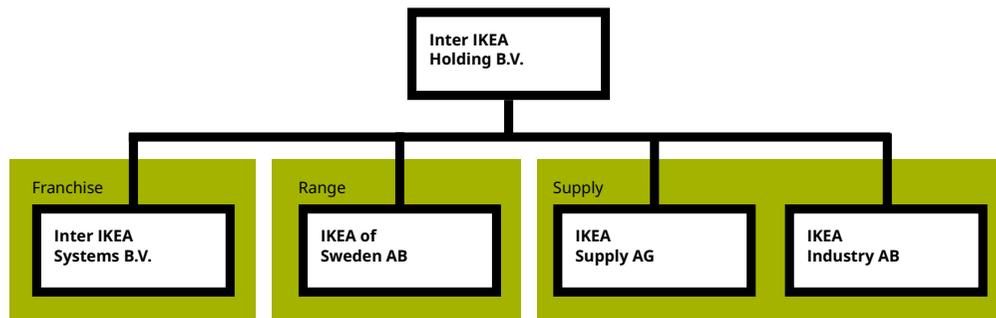
IKEA Components AB develops, sources, packs and supplies components, such as screws and wooden dowels that are used to assemble IKEA furniture.

Other functions

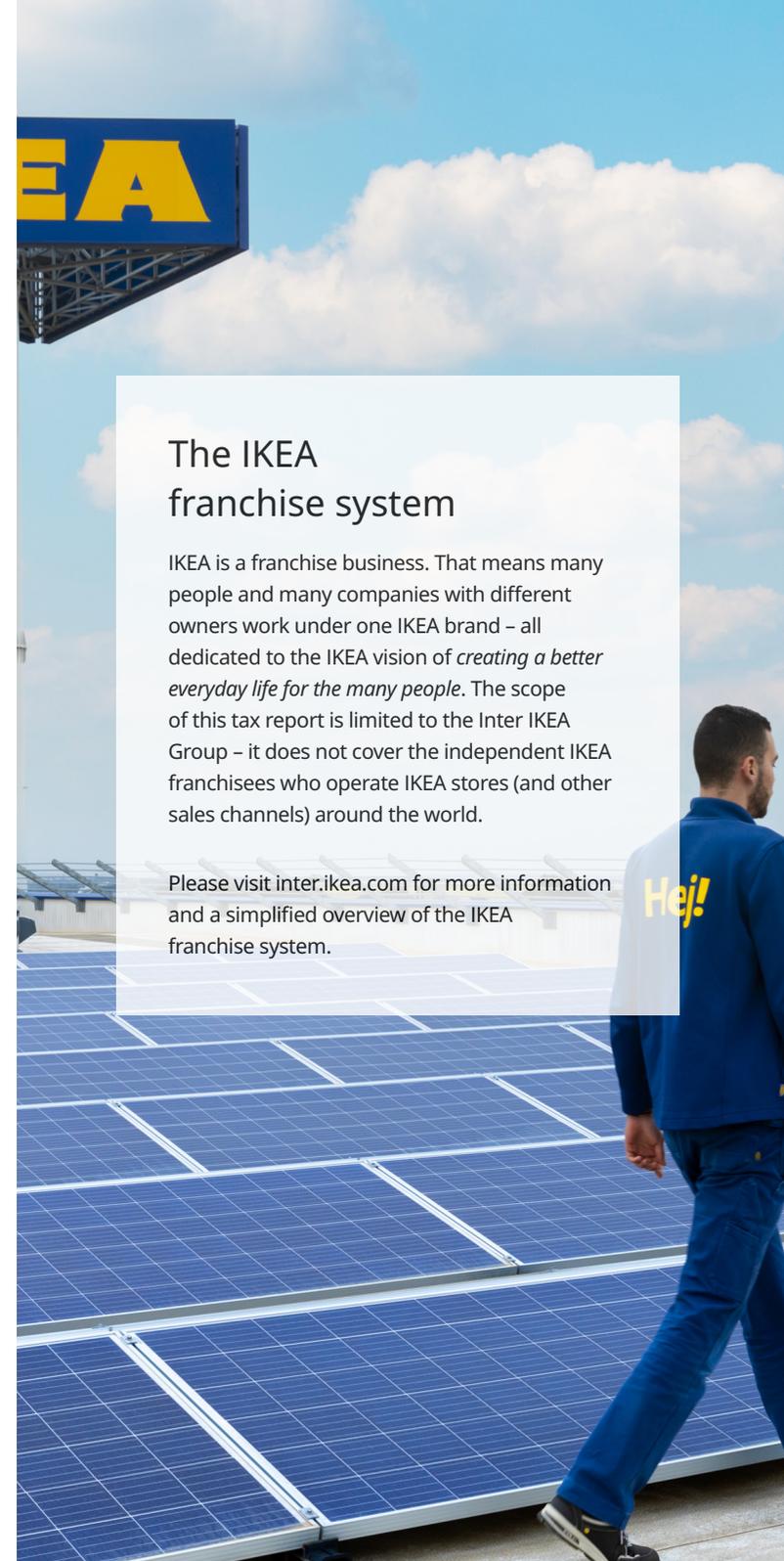
Inter IKEA Group also includes group functions to support the core businesses, such as Human Resources, Communication, Risk, Finance, Legal and other activities. IKEA Älmhult AB, which owns and operates the IKEA Hotell and IKEA Museum, is also part of Inter IKEA Group.

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.



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*. 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 countries 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 country. We pay tax in the countries 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 countries 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 countries 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 FY22, the effective tax rate of Inter IKEA Group was 23.7% (16.0% in FY21). 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 of the countries 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 countries.

The main two reasons for the increase in the group's effective tax rate compared to the previous financial year are:

1. Sharp increases in raw material and transport costs, only partially covered by higher revenues, leading to reduced profits in our Supply business. As our Supply business is led by IKEA Supply AG in Switzerland this meant that compared to last year a smaller share of the total profit of Inter IKEA Group was subject to the relatively lower Swiss tax rate.

2. The scaling down of our operations in Russia led to the derecognition of tax losses as we do not expect to be able to offset these losses in the future. The termination of the tax treaty between Russia and The Netherlands also led to an increase of non-reclaimable withholding tax.

The above can also be seen in the chart on the right which reconciles Inter IKEA Group's effective tax rate for FY22 with the Dutch corporate income tax rate (25.8%).

Result before tax (as reported for FY22)	931	
Tax expense if the nominal tax rate in the Netherlands (25.8%) had been applicable	240	25.8%
Tax effect of:		
Other applicable tax rates abroad	-62	-6.7%
Exempt income	-5	-0.5%
Non-deductible expenses	9	1.0%
(De)recognition of tax losses	36	3.9%
Adjustment for prior periods	-12	-1.3%
Changes in tax rates	2	0.2%
Non-reclaimable withholding tax	19	2.0%
Other	-6	-0.7%
Tax expense (as reported for FY22)	221	23.7%

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 FY22 across the various countries 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 countries.

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	•						1 760 102	300 136	156 672	103 219	1 006	12 404 309	2 956 375
Sweden	•	•	•	•	•		1 994 874	330 210	54 711	58 217	5 201	1 001 735	95 408
Switzerland					•	•	27 198 857	247 290	64 187	37 899	440	8 329 990	3 178 042
Australia						•	7 720	55	-56	41	-	2 155	888
Brazil					•		2 099	432	386	303	18	396	726
Canada						•	25 201	248	-268	66	-	6 967	1 529
Chile	•						3 789	56	53	-60	14	590	403
China	•	•	•	•	•	•	3 355 942	81 485	20 583	18 631	2 191	1 382 355	176 096
Cyprus							-	89	-	-	-	-	17
Czech Republic					•		13 388	1 205	351	301	141	3 963	1 935
Germany					•		37 913	2 796	1 618	865	263	17 389	13 409
Hong Kong					•		3 294	425	42	49	20	1 231	832
Hungary			•				53 978	523	-	557	578	31 776	-20 754
India					•		10 340	1 337	370	370	115	6 684	2 171
Italy					•		19 947	1 470	492	610	172	6 402	1 070
Japan						•	11 640	95	60	33	1	3 074	-7
Lithuania			•		•		191 419	10 397	44	63	726	145 387	31 620
Malaysia						•	362 525	6 483	626	24	55	462 475	22 622
Mexico					•		2 880	238	183	141	22	571	129
Poland		•	•		•		1 275 807	35 009	13 022	10 712	9 472	740 703	-228 948
Portugal			•				212 171	3 116	-165	-550	1 660	132 381	7 436
Romania					•		6 850	617	49	84	82	4 344	3 670
Russia			•		•		150 030	-165 446	1 551	1 050	2 329	2 640	-332 433
Serbia							-	-21	-65	22	-	127	449
Slovakia			•	•			1 060 100	22 705	6 162	3 150	2 368	534 777	-206 051
Taiwan					•	•	25 798	357	40	64	13	10 003	1 393
Thailand					•		1 988	255	78	-	19	392	141
Turkey					•	•	15 002	720	189	174	75	2 825	3 459
United Arab Emirates						•	687 532	44 093	-	-	31	272 748	80 667
United States of America					•	•	99 072	3 760	436	703	221	72 546	-198 013
Vietnam					•		10 542	1 324	389	394	99	1 201	936
Total							38 600 798	931 458	321 742	237 132	27 331	25 582 137	5 595 219

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% over net sales) and operating an 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 countries where the leadership and central functions of the core businesses are located, which are the Netherlands, Sweden and Switzerland.

Tax accrued & Tax paid

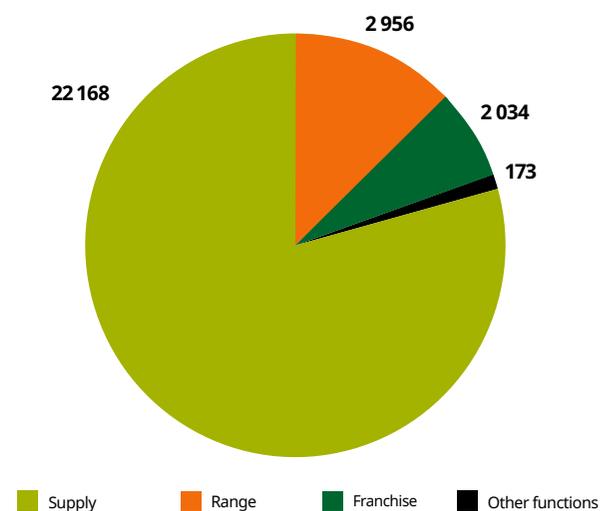
The columns *Tax accrued* and *Tax paid* include the total amount of corporate income tax (including withholding taxes) accrued and paid respectively in FY22:

- *Tax accrued* reflects the current corporate income tax expense recorded for the taxable profit of FY22. 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 FY22. 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 FY22, the number of employees was divided across each core business as follows:



FY22 full-time equivalent co-workers per core business

Assets

The *Assets* column contains the book value of our assets at the end of FY22. This includes intangible, tangible and current assets, but excludes financial assets such as 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 is 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 country.



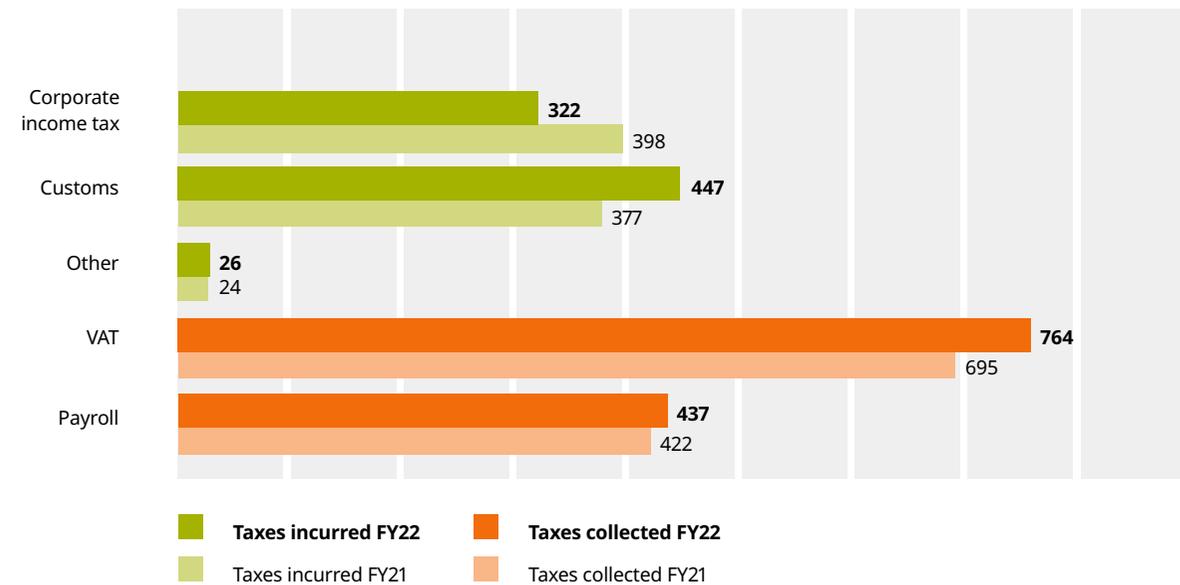
Our total tax contribution

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 FY22 of EUR 1,996 million (EUR 1,916 million in FY21). The taxes covered in the total tax contribution include both *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.



FY22/FY21 total tax contribution by type of tax in million EUR

For further information, please visit inter.IKEA.com



Inter IKEA Group Financial Summary FY22



Inter IKEA Group Tax Report FY22



Inter IKEA Group Annual Report FY22



Inter IKEA Group List of subsidiaries FY22



IKEA Year in Review FY22



IKEA Sustainability Report
Will be released in February 2023

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