



# Inter IKEA Holding B.V. Annual Report FY21

Inter IKEA Holding B.V.



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## **REPORT FROM THE MANAGEMENT BOARD**

The Management Board of Inter IKEA Holding B.V. hereby presents its annual report for the 12-month period ended 31 August 2021.

### **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 ultimately controlled by Interogo Foundation.

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 2021, 11 franchisees operate more than 500 IKEA locations, 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 stores and test locations 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**

Core Business 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. Core Business Franchise also includes IKEA Marketing & Communication AB, a company that creates and produces IKEA communication for customers and other IKEA organisations.

#### **Range**

Core Business 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**

Core Business 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 (89%) is sourced from external suppliers across the globe. The operational relationship 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. Our wholesale subsidiaries buy IKEA products from 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). Industry produces approximately 11% of the total IKEA range, with its main focus on wood based furniture. Its operations are conducted through 40 production units that include forestry, sawmills, as well as production of board material, wood components and ready 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 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 2020 to 31 August 2021 ('FY21'). Comparative figures reflect the 12-month period from 1 September 2019 to 31 August 2020 ('FY20').

#### **Profit and loss account**

Total operating income in FY21 amounts to EUR 25.6 billion (+8.5% compared to FY20), mainly generated through sales of goods to IKEA franchisees and through charged franchise fees. 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 base for the franchise fees.

Similar to previous year, IKEA retail operations were impacted by measures in order to prevent the spread of the Corona virus. During several months in FY21, many IKEA stores welcomed much less visitors or needed to close completely. In this period, the online sales channel was used extensively, compensating for part of store sales lost. Once stores were allowed to re-open, many customers returned to fulfil their home furnishing needs while on-line sales remained at a high level. Although there were (and still are) challenges to maintain the supply of furniture to the retailers, retail sales recovered stronger than anticipated.

The majority of our operating expenses comprise cost of raw materials and consumables relating to the manufacturing and procurement of finished goods. Approximately 11% of finished goods are manufactured by IKEA Industry, the remaining part is purchased from external suppliers. Cost of raw materials and consumables also include direct transport, storage and handling cost. In FY21, an upward trend in prices for raw materials and ocean transport resulted in the cost of raw materials and consumables increasing at a faster pace than operating income (+12.1% cost increase compared to FY20).

The other operating expenses include salary cost, utilities, fixed and intangible asset depreciation, rent and other costs related to day-to-day operations. An important component of our operating expenses are co-worker compensation and benefits. This mainly consists of wages and salaries, but also includes Thanks! - the Group's co-worker loyalty programme.

Financial income comprises 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 FY21 is 16.0%, 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 increased by 1.4% compared to the previous year, mainly due to changes in the profitability per core business. Given our financial strength, the Group's businesses did not make use of pandemic-related government support packages.

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 1.4 billion (FY20: EUR 1.7 billion).

### **Cash flows**

The overall movement in the Group's liquidity was limited. The cash generated by operating activities after interest, investments and financial charges was mainly used to repay loans and distribute dividend to the non-controlling shareholder, 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.

### **Balance sheet**

The Group's balance sheet positions as per 31 August 2021 have not changed significantly when compared to 31 August 2020. 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 9.6 billion.

The Group owns 40 IKEA furniture production units, mostly located in Europe, as well as two factories that produce furniture components (screws, plugs, etc.). In FY21, investments were made in extending or improving existing production units. Additionally, the Group owns several

property buildings, offices and distribution centres across the world, including the IKEA Delft store. Construction of a new distribution centre in Malaysia to better serve the South-East Asian markets was completed in August 2020 and became fully operational in FY21.

Inventories mostly consist of IKEA products located in, or underway to distribution centres. Inventory levels decreased in FY20 and remained low during FY21. Transport constraints in combination with a high customer demand provide a challenge in replenishing inventory to a desired level. Receivables mainly relate to IKEA retailers for franchise fees as well as IKEA products sold and invoiced. The Company also holds receivables on related parties.

Group equity increased from EUR 9.5 billion to EUR 10.1 billion in FY21. Of the EUR 1.4 billion profit achieved during FY21, EUR 1.0 billion will be distributed as a dividend to our shareholder. The remaining EUR 433 million will be added to Group equity.

Provisions for the majority comprise pension commitments. Other provisions have been recognised for deferred taxes, legal disputes and product related claims. Most of the non-current liabilities concern two loans received from Interogo Holding AG. Current liabilities consist of short-term loans, trade payables and the current portion of the long-term loans. We repaid the remaining EUR 500 million of the loan relating to the acquisition of the range, supply and production activities in FY22 as scheduled.

Increased Group equity (before dividend distribution) combined with further reduction of our non-current liabilities result in an improved equity ratio of 47% in FY21 versus 45% in FY20.

## **Risk management**

### **Approach**

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

- IKEA forever parts (vision, business idea, culture & values) are the foundation. Our Code of Conduct and Group 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 our franchisees and suppliers 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 against across three lines of defence, using self-assessments, compliance reviews and internal audits.
- 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, business councils and forums, the Inter IKEA Group Management Team (incl. Management Board) and the Audit Committee keep oversight and periodically discuss consolidated risk registers and compliance status.

Governance, risk and compliance within Inter IKEA are interlinked and subject to continuous improvement to protect and strengthen the business. Investments were made in FY21 to further harmonize and strengthen the ways of working across the various parts of the business.

### **Key risks**

We are always looking for opportunities, taking risk aware decisions. Strategic, operational, compliance and financial risks may affect the achievement of our objectives. We are mindful of how benefits of any risk we take balance out against potential consequences. Our policy house, provides standpoints reflecting our risk appetite across eight defined areas.

We have a low risk appetite in key enabling areas for our business such as people & society; planet; information handling; business relations; and finance. In areas even more directly linked to legal requirements such as: product quality & safety; business ethics; health, safety & security our risk appetite is very low.

The main Inter IKEA Group-wide risks are described below:

### ***Business transformation***

We are on a journey to transform the franchise system's digital capabilities in an omnichannel reality. This transformation will enable us to meet customer expectations and digital growth, which is ever more important in an increasingly competitive environment, with expanding multichannel offerings, pure online players and price competitiveness.

### ***Wellbeing & co-worker engagement***

Wellbeing, engagement and leadership of our co-workers is heavily challenged and stretched due to the Corona virus and corresponding health and operational challenges. This continues to be a challenge going forward-also in respect of many ongoing business transformation priorities.

### ***Geopolitics, supply chain disruptions & resource scarcity***

Supply chain is the backbone of the IKEA business and plays a crucial role in delivering products to our retail networks. Global supply chains face unprecedented pressure. The Corona virus and other hazards such as terrorism, human trafficking, theft, smuggling or violence increase exposure to operational disruption. Growing polarisation and political tensions lead to protectionism in an ever challenging geopolitical environment. More resources become scarce challenging availability of supply and corresponding product offer. Increasing raw material prices and transportation cost may impact the profitability of Inter IKEA Group. 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.

### ***Digital, information security & data privacy***

Adoption of new ways of working accelerated quickly, such as more digital interaction with customers and suppliers, and more remote working between co-workers with smarter and more connected solutions. At the same time, there is also more sophisticated cyber criminality. Optimally serving and protecting the business is a complex challenge with many technical, legal,

organisational and sometimes moral dimensions. We are on a journey to transform our digital capabilities by embracing the opportunities from data & technology and integrating them into business while continuously working on improving the way we protect and secure data.

### ***Business ethics, sustainability, 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. As part of continuous improvement, we continue our 'Safer life at home' program and are refreshing our Code of Conduct and Policy House. And of course, we continue to drive our updated sustainability strategy towards our ambitions and commitments for a positive impact on people, society, and the planet. More insights on this are shared in the IKEA Sustainability report.

### ***Finance: Reporting & compliance risks***

We face financial (reporting & compliance) risks, such as foreign currency exchange, commodity pricing, credit and tax risks. Increased attention on taxation of multinational companies is addressed by implementing a 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 pandemic and transformation, further complicated by ever increasing regulations. It is critical to continue to invest in sustainable financial infrastructure 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.



The strategy is built up around three focus areas:

1. Healthy and sustainable living: the ambition for 2030 is to inspire and enable more than 1 billion people to live a better everyday life within the limits of the planet.
2. Circular & climate positive: the ambition for 2030 is to become climate positive and regenerate resources while growing the IKEA business.
3. Fair & equal: the ambition for 2030 is to create a positive social impact for everyone across our value chain.

Progress on the People & Planet Positive strategy in all three focus areas is communicated through the separate IKEA Sustainability Report.

### **Suppliers**

We have 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 the Company's 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.

Within the Group, women are largely represented in our co-worker and manager base. The Group's Management Board and the Supervisory Board paid attention to its composition and welcomed its second female Supervisory Board member in FY21. The composition of the Management Board and the Supervisory Board is evaluated regularly, taking into consideration a number of criteria including relevant knowledge and experience, as well as a balanced gender distribution. All aspects of diversity, equality and inclusion are actively pursued across the whole Group.

### **Environmental issues**

No material environmental issues occurred during FY21. 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, we invest in new ways to shop, more sustainable ways of working, and an inspiring, functional and affordable IKEA product range.

### **Meeting the customer**

In FY21, the Group invested in Nyris, a German tech start-up company to improve intelligent solutions. IKEA customers can already today experience the Nyris technology in the IKEA Place app, that provides intelligent, responsive information to the customer, based on its requests and commands. This is only the first in a range of upcoming solutions offering to support the customers in their IKEA experience. For example to make product assembling responsive and easier, and the possibility to match home furnishing styles and specific products.

### **Range development**

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

The many gamers in the world are a truly cross demographic group and have for long been an overlooked group from a life-at-home perspective. The Group entered gaming and teamed up with Republic Of Gamers in order to contribute to a better everyday life for all gamers (and whoever they share their space with), regardless of both gaming and home furnishing needs and preferences. This is just the beginning, we will continue to develop this range segment by creating relevant, functional, beautiful and affordable products and complete solutions for a great gaming experience.

LOKALT is the result of a collaboration with contemporary local designers from Amman, Delhi, Bangkok and IKEA in-house designers. It is a vibrant collection of handmade textiles and ceramics where local traditions meet traditional handicraft, produced by social entrepreneurs in Jordan, Thailand and India. Every cushion cover, rug, basket and bowl create equality, inclusion and livelihoods in regions where it's most needed.

VÄRLDSKLOK mince lets you shape and prepare plant-based burgers and balls. It looks and tastes like meat, but is made from pea protein. And eating more plant-based reduces climate footprint. VÄRLDSKLOK includes no animal ingredients, meaning a good choice for vegetarians and vegans. The mince looks and tastes like meat, but is 100% plant-based.

### **Manufacturing and distribution**

In August 2020, Core Business Supply completed a 100,000 square metre distribution centre in Kuala Lumpur, Malaysia, which became fully operational in FY21. It is the third largest IKEA distribution centre in the world and serves IKEA operations in Malaysia, Singapore, Thailand, Indonesia and India. It will also service the store in Manila, the Philippines, when it opens in November 2021.

IKEA Industry continues to work on automating industrial processes through building digital manufacturing capabilities (Manufacturing System of the Future) in order to future-proof manufacturing operations, increase efficiency, reduce costs and support sustainability. A new pilot site in Lubawa, Poland, integrates advancements such as automation, connectivity and

artificial intelligence. It went operational in August 2020 and the Group has started implementing this system throughout its factories.

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. Therefore a program was launched to accelerate suppliers' transition to 100% renewable electricity. Today nearly 90% of IKEA Industry is already powered by renewable energy. In FY21, IKEA Industry signed an agreement with Meva Energy on production of green electricity. In less than three years, Meva Energy will commission a completely new type of power plant for the production of renewable electricity from wood residues from furniture production, based on new patented energy technology. The facility will be built at the furniture factory in Zbąszynek, Poland.

## **Outlook for financial year FY22**

FY22 will be a challenging year for the Group and the IKEA franchise system. The increasing cost of raw materials and ocean transport, and the continuing transport constraints, creates an uncertain environment for our business, in which the replenishment of inventories will be a challenge. The expectation is that retail sales will grow in FY22, directly contributing to the Group's wholesale revenues and franchise fee income. The Group will be profitable in FY22.

During FY22, 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 investment from its own funds.

## **MANAGEMENT BOARD**

Jon Abrahamsson Ring (Chairman)

Martin van Dam

Delft, 28 October 2021

## **CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2021**

*(before profit appropriation, in millions of EUR)*

|                                     | <b>FY21</b>   | <b>FY20</b>   |
|-------------------------------------|---------------|---------------|
| <b>Fixed assets</b>                 |               |               |
| Intangible fixed assets (4)         | 9,711         | 10,004        |
| Tangible fixed assets (5)           | 1,702         | 1,691         |
| Financial fixed assets (6)          | 251           | 250           |
| <b>Total fixed assets</b>           | <b>11,664</b> | <b>11,945</b> |
| <b>Current assets</b>               |               |               |
| Inventories (7)                     | 3,752         | 3,661         |
| Trade and other receivables (8)     | 5,831         | 5,276         |
| Cash and cash equivalents (9)       | 160           | 225           |
| <b>Total current assets</b>         | <b>9,743</b>  | <b>9,162</b>  |
| <b>TOTAL ASSETS</b>                 | <b>21,407</b> | <b>21,107</b> |
| <b>Group equity (10)</b>            | <b>10,115</b> | <b>9,541</b>  |
| <b>Provisions (11)</b>              | <b>255</b>    | <b>322</b>    |
| <b>Non-current liabilities (13)</b> | <b>5,429</b>  | <b>5,979</b>  |
| <b>Current liabilities (14)</b>     | <b>5,608</b>  | <b>5,265</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>21,407</b> | <b>21,107</b> |

*(See accompanying notes)*

## **CONSOLIDATED PROFIT AND LOSS ACCOUNT FY21**

*(in millions of EUR)*

|  | <b>FY21</b>   | <b>FY20</b>   |
|--|---------------|---------------|
| Net turnover                                     | 25,534        | 23,724        |
| Change in inventory of finished goods            | 66            | (134)         |
| Other operating income                           | 15            | 23            |
| <b>Total operating income (17)</b>               | <b>25,615</b> | <b>23,613</b> |
| Cost of raw materials and consumables            | 21,137        | 18,860        |
| Cost of outsourced work and other external costs | 243           | 224           |
| Salaries and wages                               | 856           | 835           |
| Social charges                                   | 210           | 175           |
| Pension expenses                                 | 100           | 21            |
| Depreciation and amortisation (4,5)              | 522           | 533           |
| Impairment (5)                                   | -             | 9             |
| Other operating expenses                         | 691           | 732           |
| <b>Total operating expenses (18)</b>             | <b>23,759</b> | <b>21,389</b> |
| <b>Operating result</b>                          | <b>1,856</b>  | <b>2,224</b>  |
| Financial income                                 | 210           | 219           |
| Financial expense                                | 361           | 420           |
| <b>Financial income and expense (19)</b>         | <b>(151)</b>  | <b>(201)</b>  |
| <b>Result before tax</b>                         | <b>1,705</b>  | <b>2,023</b>  |
| Income tax (20)                                  | 272           | 295           |
| Share of results from participating interests    | -             | 3             |
| <b>Net result</b>                                | <b>1,433</b>  | <b>1,731</b>  |

*(See accompanying notes)*

## CONSOLIDATED CASH FLOW STATEMENT FY21

(in millions of EUR)

|   | FY21           | FY20           |
|---|----------------|----------------|
| <b>Operating result</b>                           | <b>1,856</b>   | <b>2,224</b>   |
| Adjusted for:                                     |                |                |
| - Depreciation / amortisation (4,5)               | 522            | 533            |
| - Other value adjustments (6)                     | (11)           | 15             |
| - Changes in provisions (11)                      | (67)           | (383)          |
| - Changes in financial fixed assets (6)           | (1)            | 16             |
| - Changes in working capital                      | 325            | 782            |
| <i>Cash flow from business operations</i>         | <i>2,624</i>   | <i>3,187</i>   |
| Interest received                                 | 8              | 7              |
| Interest paid                                     | (343)          | (357)          |
| Income tax paid                                   | (398)          | (245)          |
| <b>Cash flow from operating activities</b>        | <b>1,891</b>   | <b>2,592</b>   |
| Investments in:                                   |                |                |
| - Intangible fixed assets (4)                     | (42)           | (32)           |
| - Tangible fixed assets (5)                       | (187)          | (247)          |
| Disposals of:                                     |                |                |
| - Tangible fixed assets (5)                       | -              | 25             |
| <b>Cash flow from investing activities</b>        | <b>(229)</b>   | <b>(254)</b>   |
| Issuance of debt (6)                              | (10)           | (23)           |
| Repayment of borrowings (6)                       | 9              | 2              |
| Long term financing (13)                          | (509)          | (510)          |
| Short term financing (8,14)                       | (364)          | (1,143)        |
| Dividend paid (10)                                | (850)          | (600)          |
| <b>Cash flows from financing activities</b>       | <b>(1,724)</b> | <b>(2,274)</b> |
| <b>Net cash flow</b>                              | <b>(62)</b>    | <b>64</b>      |
| Exchange rate and translation differences on cash | (3)            | 8              |
| <b>Changes in cash and cash equivalents</b>       | <b>(65)</b>    | <b>72</b>      |
| Cash and cash equivalents at beginning            | 225            | 153            |
| Cash and cash equivalents at end                  | 160            | 225            |
| <b>Net movement in cash</b>                       | <b>(65)</b>    | <b>72</b>      |

## **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FY21**

*(in millions of EUR)*

|  | <b>FY21</b>  | <b>FY20</b>  |
|--|--------------|--------------|
| Net result                                       | 1,433        | 1,731        |
| Change in unrealised derivatives                 | (57)         | 133          |
| Remeasurements of defined benefit pensions plans | 8            | 28           |
| Exchange rate differences                        | 33           | (52)         |
| Other  | 7            | 3            |
| <b>Total comprehensive income</b>                | <b>1,424</b> | <b>1,843</b> |

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

Inter IKEA Holding B.V. ('the Company'), was incorporated on 30 September 1992, is registered in Delft (Chamber of Commerce registration number 27163852) 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').

The Company has issued 1 class A share and 125 class B shares. The class A share is held by Interogo Foundation, entitling Interogo Foundation to voting rights in the General Meeting. This share does not give right to a share in distributable profits and reserves. The class B shares are held by Interogo Holding AG. These shares do not entitle the holder to voting rights in the General Meeting, they only entitle the holder to a share in the distributable profits and reserves.

These financial statements cover the 12-month period which ended at 31 August 2021 ('FY21'). Comparative figures reflect the 12-month period which ended at 31 August 2020 ('FY20').

### **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 nominal value, 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 of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably. 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 no longer recognised 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.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, of which the size can be measured with sufficient reliability.

### ***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.

### ***Assumptions and 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 method**

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. For a transaction where the Company has a less than 100% interest in the selling group company, the elimination from the Group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

**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 into the functional currency at the 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 such 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 considerable 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.

#### *Trade and other receivables*

Receivables are short-term in nature, initially measured at fair value and subsequently at amortised cost (except for derivatives) less allowance for uncollectible amounts.

#### *Financial liabilities*

Financial liabilities are recognised initially at fair value, which includes directly attributable transactions costs, and subsequently carried at amortised cost. If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

#### *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 highly 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 both individually and on a portfolio basis. 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 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 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 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.

### *Reacquired rights*

The Company has granted IKEA of Sweden AB the right to develop products and establish the IKEA product range. The useful life of the reacquired rights has been determined during the transaction at year-end 2016 (in which the entities performing the range, supply and production activities were acquired by the Company) and was set at 5 years.

### *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. 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.

The following depreciation periods (in years) are applied:

- Land and Buildings: 0-25
- Machinery and equipment: 3-15

### ***Financial fixed assets***

#### *Long-term loans receivable*

Loans granted and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these loans and receivables are

measured at amortised cost based on the effective interest rate method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account.

#### *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 participating interest, the associated accumulated exchange differences are transferred to other reserves.

### ***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 policy 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*

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**

##### *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 Core Business 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. The Group has not entered into any finance leases.

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 average rates. 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:

|   | <b>Proprietary rights</b> | <b>Reacquired rights</b> | <b>Developm. costs</b> | <b>Other</b> | <b>Total</b>  |
|---|---------------------------|--------------------------|------------------------|--------------|---------------|
| Balance as at 1 September 2020:         |                           |                          |                        |              |               |
| Purchase price                          | 11,800                    | 523                      | 174                    | 138          | 12,635        |
| Accumulated amortisation and impairment | (1,891)                   | (462)                    | (143)                  | (135)        | (2,631)       |
| <b>Carrying amount</b>                  | <b>9,909</b>              | <b>61</b>                | <b>31</b>              | <b>3</b>     | <b>10,004</b> |
| Changes in carrying amount:             |                           |                          |                        |              |               |
| Additions                               | -                         | -                        | 42                     | -            | 42            |
| Amortisation                            | (273)                     | (61)                     | (1)                    | -            | (335)         |
| <b>Balance</b>                          | <b>9,636</b>              | <b>-</b>                 | <b>72</b>              | <b>3</b>     | <b>9,711</b>  |
| Balance as at 31 August 2021:           |                           |                          |                        |              |               |
| Purchase price                          | 11,800                    | 523                      | 216                    | 3            | 12,542        |
| Accumulated amortisation and impairment | (2,164)                   | (523)                    | (144)                  | -            | (2,831)       |
| <b>Carrying amount closing</b>          | <b>9,636</b>              | <b>-</b>                 | <b>72</b>              | <b>3</b>     | <b>9,711</b>  |
| <b>Estimated useful life (years)</b>    | 45                        | 5                        | 3-5                    | Various      |               |

### **Proprietary Rights**

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.

### **Reacquired rights**

These rights have been reacquired during the transaction in which the entities performing the range, supply and production activities were acquired by the Company. The useful life for the reacquired rights is 5 years.

### **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.

### **Other**

As per 31 August 2020 the goodwill is fully amortized.

## 5. TANGIBLE FIXED ASSETS

Movements in tangible fixed assets were as follows:

|   | Land<br>and<br>buildings | Mach.<br>and<br>equip. | Constr.<br>in<br>progress | Other     | Total        |
|---|--------------------------|------------------------|---------------------------|-----------|--------------|
| Balance as at 1 September 2020:         |                          |                        |                           |           |              |
| Purchase price                          | 1,235                    | 954                    | 239                       | 88        | 2,516        |
| Accumulated depreciation and impairment | (291)                    | (469)                  | -                         | (65)      | (825)        |
| <b>Carrying amount</b>                  | <b>944</b>               | <b>485</b>             | <b>239</b>                | <b>23</b> | <b>1,691</b> |
| Changes in carrying amount:             |                          |                        |                           |           |              |
| Investments                             | 29                       | 33                     | 120                       | 5         | 187          |
| Translation differences                 | 18                       | (2)                    | 1                         | -         | 17           |
| Transfers                               | 137                      | 105                    | (252)                     | 10        | -            |
| Depreciation                            | (66)                     | (110)                  | -                         | (11)      | (187)        |
| Other                                   | (1)                      | 1                      | (4)                       | (2)       | (6)          |
| <b>Balance</b>                          | <b>1,061</b>             | <b>512</b>             | <b>104</b>                | <b>25</b> | <b>1,702</b> |
| Balance as at 31 August 2021:           |                          |                        |                           |           |              |
| Purchase price                          | 1,418                    | 1,091                  | 104                       | 101       | 2,714        |
| Accumulated depreciation and impairment | (357)                    | (579)                  | -                         | (76)      | (1,012)      |
| <b>Carrying amount</b>                  | <b>1,061</b>             | <b>512</b>             | <b>104</b>                | <b>25</b> | <b>1,702</b> |
| <b>Estimated useful life (years)</b>    | 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 19 million (FY20: EUR 15 million), which is pledged for debts to credit institutions.

Construction in progress is mainly related to the factories of Core business Supply.

## 6. FINANCIAL FIXED ASSETS

Movements in financial fixed assets were as follows:

|  | Deferred<br>tax<br>asset | LT loans<br>receivable | Other     | Total      |
|--|--------------------------|------------------------|-----------|------------|
| <b>Balance as at 1 September 2020:</b> | <b>181</b>               | <b>65</b>              | <b>4</b>  | <b>250</b> |
| Changes in carrying amount:            |                          |                        |           |            |
| Investments                            | -                        | -                      | 20        | 20         |
| Additions                              | 14                       | -                      | -         | 14         |
| New loans                              | -                        | 10                     | -         | 10         |
| Used                                   | (19)                     | -                      | -         | (19)       |
| Released                               | (10)                     | -                      | -         | (10)       |
| Repayments                             | -                        | (9)                    | -         | (9)        |
| From long-term to current portion      | -                        | (9)                    | -         | (9)        |
| Effect of tax rate changes             | 12                       | -                      | -         | 12         |
| Impairments                            | -                        | -                      | (11)      | (11)       |
| Other                                  | (1)                      | 4                      | -         | 3          |
| <b>Balance</b>                         | <b>(4)</b>               | <b>(4)</b>             | <b>9</b>  | <b>1</b>   |
| <b>Balance as at 31 August 2021:</b>   | <b>177</b>               | <b>61</b>              | <b>13</b> | <b>251</b> |

The deferred tax assets relate to deductible temporary differences. It is expected EUR 28 million will be offset within one year.

The long term loans receivable mainly encompass supplier financing with a gross amount of EUR 99 million (FY20 EUR 91 million), off-set by a provision EUR 42 million (FY20: EUR 46 million). 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

|                  | FY21         | FY20         |
|------------------|--------------|--------------|
| Raw materials    | 243          | 211          |
| Work in progress | 56           | 37           |
| Finished goods   | 332          | 266          |
| Trade goods      | 3,121        | 3,147        |
| <b>Total</b>     | <b>3,752</b> | <b>3,661</b> |

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:

|  | <b>FY21</b> | <b>FY20</b> |
|--|-------------|-------------|
| Balance as at 1 September 2020:                  | 111         | 125         |
| Addition, charged to the profit and loss account | 47          | 34          |
| Release, credited to the profit and loss account | (21)        | (48)        |
| <b>Balance as at 31 August 2021:</b>             | <b>137</b>  | <b>111</b>  |

## 8. TRADE AND OTHER RECEIVABLES

|   | <b>FY21</b>  | <b>FY20</b>  |
|---|--------------|--------------|
| Trade receivables                             | 2,876        | 3,094        |
| Current portion of long-term loans receivable | 167          | 159          |
| Income tax receivable                         | 34           | 67           |
| Indirect tax receivable                       | 205          | 174          |
| Receivable on related parties                 | 2,287        | 1,565        |
| Derivatives assets                            | 50           | 28           |
| Prepaid expenses and accrued income           | 137          | 118          |
| Other receivables                             | 75           | 71           |
| <b>Total</b>                                  | <b>5,831</b> | <b>5,276</b> |

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.

|   | <b>FY21</b>  | <b>FY20</b>  |
|---|--------------|--------------|
| Amortised cost of outstanding receivables | 2,879        | 3,097        |
| Less: allowance for doubtful debts        | (3)          | (3)          |
| Trade Receivables                         | <b>2,876</b> | <b>3,094</b> |

Receivables on related parties relate to regular notional account receivables with Interogo Holding AG.

## 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include an amount of EUR 37 million (FY20: EUR 29 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 | Tax       | Legal Claims | Other     | Total       |
|--|------------|------------------------|-----------|--------------|-----------|-------------|
| <b>Balance as at 1 September 2020:</b> | <b>168</b> | <b>56</b>              | <b>37</b> | <b>34</b>    | <b>27</b> | <b>322</b>  |
| Changes:                               |            |                        |           |              |           |             |
| - Provisions made during the year      | 6          | 11                     | 1         | 1            | 5         | <b>24</b>   |
| - Provisions used during the year      | (1)        | (17)                   | -         | -            | (2)       | <b>(20)</b> |
| - Provisions released during the year  | (55)       | (1)                    | (13)      | -            | (7)       | <b>(76)</b> |
| - Other                                | 2          | -                      | -         | -            | 3         | <b>5</b>    |
| <b>Balance as at 31 August 2021:</b>   | <b>120</b> | <b>49</b>              | <b>25</b> | <b>35</b>    | <b>26</b> | <b>255</b>  |

The provision for tax expenses is recorded for potential unfavourable outcomes in tax audits and disputes.

The Company has recognised a provision for deferred taxes for differences between valuation principles for financial reporting purposes and for tax purposes mainly related to fixed assets. The deferred tax liabilities will not be utilized within one year.

For details on the provision for pensions commitments in Sweden, 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 involving the Company and/or its group companies.

## 12. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

|   | FY21       | FY20       |
|---|------------|------------|
| Defined benefit obligation - funded plans   | 131        | 136        |
| Defined benefit obligation - unfunded plans | 247        | 256        |
| Fair value on plan assets                   | (272)      | (233)      |
| <b>Net defined benefit liability</b>        | <b>106</b> | <b>159</b> |

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

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

The pension obligation of IKEA of Sweden was transferred from PRI to Alecta during FY20 (resulting in a one-time reduction in 2020 pension costs of EUR 75 million, as well as a reduction in the 2020 pension provision of EUR 396 million), the pension obligation from IKEA Communications AB was transferred from PRI to Alecta during FY21. 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 in Alecta is a defined benefit plan that covers multiple employers. For the financial year ending 31 August 2021, 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. Anticipated premiums for the next reporting period for ITP 2 pensions with Alecta amount to EUR 38 million.

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 2021, Alecta's surplus in the form of the collective consolidation level amounted to 165 percent (FY20: 140 percent).

### ***Movement in Net defined benefit liability***

|   | Defined benefit obligation |              | Fair value of plan assets |              | Net defined benefit liability |              |
|---|----------------------------|--------------|---------------------------|--------------|-------------------------------|--------------|
|   | 2021                       | 2020         | 2021                      | 2020         | 2021                          | 2020         |
| <b>Balance at 1 September</b>                     | <b>392</b>                 | <b>733</b>   | <b>(233)</b>              | <b>(191)</b> | <b>159</b>                    | <b>542</b>   |
| <b>Included in profit or loss</b>                 |                            |              |                           |              |                               |              |
| Current service cost                              | 24                         | 48           | -                         | -            | 24                            | 48           |
| Past service cost                                 | (9)                        | (4)          | -                         | -            | (9)                           | (4)          |
| (Gain) / loss on settlements                      | (12)                       | (142)        | -                         | -            | (12)                          | (142)        |
| Interest cost                                     | 5                          | 9            | 3                         | (2)          | 8                             | 7            |
|   | <b>8</b>                   | <b>(89)</b>  | <b>3</b>                  | <b>(2)</b>   | <b>11</b>                     | <b>(91)</b>  |
| <b>Included in OCI</b>                            |                            |              |                           |              |                               |              |
| Remeasurements of defined benefit pensions plans: |                            |              |                           |              |                               |              |
| - Actuarial loss (gain) arising from:             |                            |              |                           |              |                               |              |
| - demographic assumptions                         | (10)                       | (2)          | -                         | -            | (10)                          | (2)          |
| - financial assumptions                           | 21                         | (10)         | -                         | -            | 21                            | (10)         |
| - experience adjustment                           | (1)                        | (2)          | -                         | -            | (1)                           | (2)          |
| - Return on plan assets excluding interest income | -                          | -            | (25)                      | (21)         | (25)                          | (21)         |
| Effect of movements in exchange rates             | 1                          | 14           | -                         | (1)          | 1                             | 13           |
|   | <b>11</b>                  | <b>-</b>     | <b>(25)</b>               | <b>(22)</b>  | <b>(14)</b>                   | <b>(22)</b>  |
| <b>Other</b>                                      |                            |              |                           |              |                               |              |
| Contributions paid by the employer                | (2)                        | (3)          | (13)                      | (13)         | (15)                          | (16)         |
| Settlement payments by the employer               | (32)                       | (254)        | -                         | -            | (32)                          | (254)        |
| Settlement payments from plan assets              | (5)                        | -            | 5                         | -            | -                             | -            |
| Participation contribution                        | 6                          | 5            | (6)                       | (5)          | -                             | -            |
| Other   | -                          | -            | (3)                       | -            | (3)                           | -            |
|   | <b>(33)</b>                | <b>(252)</b> | <b>(17)</b>               | <b>(18)</b>  | <b>(50)</b>                   | <b>(270)</b> |
| <b>Balance at 31 August</b>                       | <b>378</b>                 | <b>392</b>   | <b>(272)</b>              | <b>(233)</b> | <b>106</b>                    | <b>159</b>   |

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:

|                           |            |            |
|---------------------------|------------|------------|
| Cash and cash equivalents | 6          | 6          |
| Equity instruments        | 100        | 95         |
| Debt instruments          | 130        | 109        |
| Real estate               | 36         | 23         |
| <b>Total</b>              | <b>272</b> | <b>233</b> |

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 272 million (FY20: EUR 209 million).

### **Defined benefit obligation**

#### *Actuarial assumptions*

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

|                             | <b>FY21</b> | <b>FY20</b> |
|-----------------------------|-------------|-------------|
| Discount rate               | 1.3%        | 1.3%        |
| Future salary increase rate | 2.4%        | 2.5%        |

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 2021 is 25 years (FY20: 26 years).

The Company expects to contribute EUR 19 million to its defined benefit pension plans in FY22.

#### *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 2021.

|  | Discount rate |        | Salary increases |        |
|--|---------------|--------|------------------|--------|
|  | +50 bp        | -50 bp | +50 bp           | -50 bp |
| Present value defined benefit obligation | 336           | 427    | 388              | 369    |

### 13. NON-CURRENT LIABILITIES

|                        | FY21         | FY20         |
|------------------------|--------------|--------------|
| Debts to related party | 5,426        | 5,973        |
| Other debts            | 3            | 6            |
| <b>Closing Balance</b> | <b>5,429</b> | <b>5,979</b> |

The Group is financed, primarily, by loans granted by the non-controlling shareholder Interogo Holding AG:

- relating to the acquisition of the Proprietary Rights; EUR 5,400 million. This loan is due in December 2023.
- relating to the acquisition of the range, supply and production activities; EUR 500 million. EUR 500 million is repaid in September 2021, therefore this amount is classified as current liability, refer to note 14.

Refer to note 15 for more details on interest rates and conditions.

The debts to related party can be further disclosed as follows:

- Remaining duration < 1 year: EUR 552 million
- Remaining duration 1-5 year: EUR 5,426 million
- Remaining duration >5 year: EUR 0 million

The movements in debts to related party can be specified as follows:

|  | FY21         | FY20         |
|--|--------------|--------------|
| Principal amount                                       | 8,603        | 8,590        |
| Repaid until 31 August                                 | (2,124)      | (1,607)      |
| <i>Outstanding principal amount as per 1 September</i> | 6,479        | 6,983        |
| Repayments   | (506)        | (513)        |
| Additions  | -            | 13           |
| Difference in foreign currency translation             | 5            | (4)          |
| <i>Outstanding principal amount as at 31 August</i>    | 5,978        | 6,479        |
| Current as at 31 August                                | (552)        | (506)        |
| <b>Non-current as at 31 August</b>                     | <b>5,426</b> | <b>5,973</b> |

### 14. CURRENT LIABILITIES

|   | FY21         | FY20         |
|---|--------------|--------------|
| Current portion of long term debt       | 552          | 506          |
| Short-term borrowings                   | 110          | 125          |
| Payable related parties                 | 2,308        | 1,950        |
| Accounts payable trade                  | 1,921        | 1,653        |
| Income taxes payable                    | 101          | 261          |
| Indirect tax payable                    | 155          | 196          |
| Payable staff                           | 150          | 142          |
| Derivatives liabilities                 | 13           | 37           |
| Bank overdraft                          | 2            | 1            |
| Accrued liabilities and deferred income | 185          | 245          |
| Other Liabilities                       | 111          | 149          |
| <b>Total</b>                            | <b>5,608</b> | <b>5,265</b> |

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

Payable related parties mainly relate to regular notional account borrowing from Interogo Holding AG amounting to EUR 2,196 million (FY20: EUR 1,839 million.)

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 6,242 million (FY20: EUR 5,751 million), consisting of EUR 251 million (FY20: EUR 250 million) financial fixed assets, EUR 5,831 million (FY20: EUR 5,276 million) trade and other receivables and EUR 160 million (FY20: EUR 225 million) cash and cash equivalents. The credit risk is concentrated to trade receivables for EUR 2,876 million (FY20: EUR 3,094 million) which mainly consists of 11 franchisees. Long standing relationships exist with these counterparties. Furthermore, the Company holds receivables of EUR 2,287 million (FY20: EUR 1,565 million) on related parties.

### **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 2021, EUR 42 million was received as collateral against the positive value of derivative contracts, EUR 37 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 and on the refinancing of existing loans. 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 related parties EUR 2,287 million (daily floating %, currency specific base rate minus 5 basis points with a floor of 0%);
- Long-term debt to shareholder EUR 5,400 million (6% fixed EUR);
- Long-term debt to shareholder EUR 500 million (0,85% fixed EUR); and
- Payable related parties EUR 2,308 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. As a result from a reporting perspective, the Company is 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 2021, the total net fair value of the derivatives used to manage exchange risk is EUR 43 million positive (FY20: EUR 36 million positive).

Hedge accounting is applied with the impact of effective hedging taken to other comprehensive income of EUR 26 million loss (FY20: EUR 31 million gain). 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 7 million gain (FY20: 2 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 FY21, the result from hedging recognised in the profit and loss account amounted to a gain of EUR 202 million (FY20: gain of EUR 212 million).

## Liquidity Risk

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

## Fair value

The fair value of most of the financial instruments stated on the balance sheet, including receivables, securities, cash and cash equivalents and current liabilities, is approximately equal to their carrying amount. The fair value of the debts to related party as reported under the non-current liabilities can be specified as follows, in billions:

|                        | Fair value | Carrying amount |
|------------------------|------------|-----------------|
| Debts to related party | 6.5        | 6.0             |

The fair value is the present value of future cash-flows discounted on the interest rate that would apply at the balance sheet date for similar loans, including a risk premium for each individual loan. The average market interest rate applied was 1.58%.

## 16. COMMITMENTS AND CONTINGENT LIABILITIES

The commitments can be detailed as follows:

### *Price Guarantee Period*

Inter IKEA Group has guaranteed wholesale prices to certain franchisees for the period from 1 September 2021 to 31 August 2022 (the "Price Guarantee Period").

### *Purchase commitments*

The Group has entered into purchase agreements with external suppliers for a total value of EUR 6,260 million at 31 August 2021 (FY20: EUR 6,148 million). These agreements have different remaining periods, ranging from 1 to 10 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 85 million (FY20: EUR 85 million).

### *Distribution Services Commitments*

The Group has entered into agreements covering the services for distribution. These agreements have different remaining periods, ranging from 2 to 10 years. The commitment for the coming years for the distribution services amounts to approximately EUR 3,007 million (FY20: EUR 2,723 million).

### *Construction commitments*

Commitments for the construction of tangible fixed assets amount to EUR 4 million at 31 August 2021 (FY20: EUR 4 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 2021 is as follows:

|              | FY21      | FY20      |
|--------------|-----------|-----------|
| < 1 year     | 19        | 16        |
| 1-5 years    | 33        | 29        |
| > 5 years    | 27        | 26        |
| <b>Total</b> | <b>79</b> | <b>71</b> |

Lease payments recognised as expenses in FY21 amount to EUR 19 million (FY20: EUR 23 million).

The contingent liabilities can be detailed as follows:

#### *Guarantees*

Issued guarantees towards external parties amounted to EUR 37 million at 31 August 2021 (FY20: EUR 29 million).

#### *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 and product liability. 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:

|                | <b>FY21</b>   | <b>FY20</b>   |
|----------------|---------------|---------------|
| Sales of goods | 24,282        | 22,387        |
| Franchise fees | 1,273         | 1,162         |
| Other revenue  | 60            | 64            |
| <b>Total</b>   | <b>25,615</b> | <b>23,613</b> |

The geographical distribution of operating income is as follows:

|                   | <b>FY21</b>   | <b>FY20</b>   |
|-------------------|---------------|---------------|
| The Netherlands   | 884           | 1,036         |
| Europe            | 14,538        | 13,672        |
| Rest of the world | 10,193        | 8,905         |
| <b>Total</b>      | <b>25,615</b> | <b>23,613</b> |

## **18. OPERATING EXPENSES**

#### *Salaries and wages*

During FY21, the average number of staff employed with the Group, converted into full-time equivalents, amounted to 25,900 people (FY20: 24,771 people) of which 25,034 (FY20: 23,877) were employed outside the Netherlands.

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

|                 | <b>FY21</b>   | <b>FY20</b>   |
|-----------------|---------------|---------------|
| Franchise       | 1,517         | 1,172         |
| Range           | 2,898         | 2,985         |
| Supply          | 21,298        | 20,382        |
| Other functions | 187           | 232           |
| <b>Total</b>    | <b>25,900</b> | <b>24,771</b> |



### *Other operating expenses*

The main categories within the other operating expenses are IT (EUR 267 million), rent, maintenance and utilities (EUR 165 million), general administrative expenses (EUR 108 million) and other staff expenses (EUR 59 million).

## **19. FINANCIAL INCOME AND EXPENSE**

The financial income and expense can be specified as follows:

|                         | <b>FY21</b> | <b>FY20</b> |
|-------------------------|-------------|-------------|
| Interest income         | 8           | 7           |
| Result from hedges      | 202         | 212         |
| <b>Total</b>            | <b>210</b>  | <b>219</b>  |
| Interest expense        | 343         | 355         |
| Other financial expense | 18          | 65          |
| <b>Total</b>            | <b>361</b>  | <b>420</b>  |

## **20. INCOME TAXES**

The Group has unrecognised tax loss carry forwards available related to losses incurred in several countries for approximately EUR 71 million (FY20: EUR 76 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.

The applicable weighted average tax rate is 16.0% (FY20: 14.6%), 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 increased by 1.4% compared to the previous year. This is mainly due to changes in the profitability per core business.

The tax expense recognised in the profit and loss account for FY21 amounts to EUR 272 million (FY20: EUR 295 million).

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

|   | <b>FY21</b> | <b>FY20</b> |
|---|-------------|-------------|
| Result before tax   | 1,705       | 2,023       |
| Income tax using the applicable tax rate in the Netherlands | 426         | 506         |
| Tax effect of:  |             |             |
| - Other applicable tax rates abroad                         | (140)       | (202)       |
| - Exempt income   | (6)         | (5)         |
| - Non-deductible expenses                                   | 9           | 12          |
| (De)recognition of tax losses                               | 15          | 10          |
| Adjustment for prior periods                                | (6)         | (2)         |
| Changes in tax rates  | (11)        | (8)         |
| Other   | (15)        | (16)        |
| <b>Tax expenses</b>   | <b>272</b>  | <b>295</b>  |

In case of a fiscal unity, the companies being part of the fiscal unity are treated as if they were independently taxable, including accounting of deferred taxes. Recharges between the Company and its subsidiaries are settled through current account positions.

#### *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 periodic tax audits in various geographies.

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.

#### *Interogo Holding AG*

The Company has a regular cash pool and notional account structure for cash management and various loans from its non-controlling shareholder; Interogo Holding AG.

On 11 December 2011, the Proprietary Rights were acquired. The acquisition price was partly financed by a long term loan, amounting to EUR 5,400 million, with an interest rate of 6%, to be repaid in December 2023.

The acquisition of the range, supply and production activities was financed by a long term loan, amounting to EUR 2,000 million, with an interest rate of 0.85%. The balance due of EUR 500 million will be repaid in September 2021.

The Company paid a dividend of EUR 850 million to the shareholder.

#### *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 9 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<br>Accountants<br>N.V. | Other<br>KPMG<br>Network | Total<br>KPMG |
|-------------------------------|-----------------------------|--------------------------|---------------|
| Audit of financial statements | 1,550                       | 2,001                    | 3,551         |
| Other audit engagements       | 730                         | 455                      | 1,185         |
| Tax-related advisory          | -                           | 1,274                    | 1,274         |
| Other non-audit services      | 227                         | 417                      | 644           |
|                               | <b>2,507</b>                | <b>4,147</b>             | <b>6,654</b>  |

The fees mentioned in the table for the audit of the FY21 financial statements relate to the total fees for the audit of the FY21 financial statements, irrespective of whether the activities have been performed during FY21.

## 23. SUBSEQUENT EVENTS

There are no significant subsequent events.

## MANAGEMENT BOARD

Jon Abrahamsson Ring (Chairman)

Martin van Dam

## SUPERVISORY BOARD

Anders Dahlvig (Chairman)

Søren Hansen

Mathias Kamprad

Véronique Laury

John Olie

Aline Santos

Delft, 28 October 2021

## COMPANY BALANCE SHEET AS AT 31 AUGUST 2021

(before profit appropriation, in millions of EUR)

|                                     | FY21          | FY20          |
|-------------------------------------|---------------|---------------|
| <b>Fixed assets</b>                 |               |               |
| Financial fixed assets (3)          | 11,787        | 11,233        |
| <b>Total fixed assets</b>           | <b>11,787</b> | <b>11,233</b> |
| <b>Current assets</b>               |               |               |
| Receivables (4)                     | 16            | 96            |
| <b>Total current assets</b>         | <b>16</b>     | <b>96</b>     |
| <b>TOTAL ASSETS</b>                 | <b>11,803</b> | <b>11,329</b> |
| <b>Group equity</b>                 |               |               |
| Additional paid in capital          | 7,565         | 7,565         |
| Other legal reserves                | 82            | 2             |
| Other reserves                      | 1,035         | 243           |
| Result for the year                 | 1,433         | 1,731         |
| <b>Total equity (5)</b>             | <b>10,115</b> | <b>9,541</b>  |
| <b>Non-current liabilities (6)</b>  | <b>-</b>      | <b>500</b>    |
| <b>Current liabilities (7)</b>      | <b>1,688</b>  | <b>1,288</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>11,803</b> | <b>11,329</b> |

(See accompanying notes)

## COMPANY PROFIT AND LOSS ACCOUNT FY21

(in millions of EUR)

|  | FY21         | FY20         |
|--|--------------|--------------|
| Share in net result from part. interests | 1,441        | 1,742        |
| Other results, net of income taxes       | (8)          | (11)         |
| <b>Net result</b>                        | <b>1,433</b> | <b>1,731</b> |

(See accompanying notes)

## **NOTES TO COMPANY FINANCIAL STATEMENTS**

### **1. GENERAL**

The separate financial statements are part of the FY21 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:

#### ***Financial instruments***

In the separate financial statements, financial instruments are presented on the basis of their legal form.

#### ***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:

|  | <b>Investm.<br/>In part.<br/>Interests</b> | <b>Deferred tax<br/>asset</b> | <b>Total</b>  |
|--|--|-------------------------------|---------------|
| Balance as at 31 August 2020:              | 11,231                                     | 2                             | 11,233        |
| Investments                                | 5  | -                             | 5             |
| Share in result of participating interests | 1,441                                      | -                             | 1,441         |
| Dividends received                         | (876)                                      | -                             | (876)         |
| Other                                      | (16)                                       | -                             | (16)          |
| Balance as at 31 August 2021:              | <b>11,785</b>                              | <b>2</b>                      | <b>11,787</b> |

Other includes movements in the equity of the participating interests relating to IAS19 pensions, derivatives and exchange rate differences.

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 Services 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

|                                       | FY21      | FY20      |
|---------------------------------------|-----------|-----------|
| Income tax receivable                 | -         | 13        |
| Receivable on participating interests | 16        | 82        |
| Receivable on related parties         | -         | 1         |
| <b>Total</b>                          | <b>16</b> | <b>96</b> |

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 2019                     | 7,565         | 27            | (29)            | (750)         | 1,485          | 8,298         |
| Changes in financial year 2020:                  |               |               |                 |               |                |               |
| Appropriation of result                          | -             | -             | -               | 1,485         | (1,485)        | -             |
| Net result                                       | -             | -             | -               | -             | 1,731          | 1,731         |
| Dividend paid                                    | -             | -             | -               | (600)         | -              | (600)         |
| Addition to legal reserve                        | -             | 39            | -               | (39)          | -              | -             |
| Change in unrealised result derivatives          | -             | -             | -               | 133           | -              | 133           |
| Remeasurements of defined benefit pensions plans | -             | -             | -               | 28            | -              | 28            |
| Exchange rate differences                        | -             | -             | (52)            | -             | -              | (52)          |
| Other  | -             | 15            | 2               | (14)          | -              | 3             |
| <b>Balance as at 31 August 2020</b>              | <b>7,565</b>  | <b>81</b>     | <b>(79)</b>     | <b>243</b>    | <b>1,731</b>   | <b>9,541</b>  |
| Changes in financial year 2021:                  |               |               |                 |               |                |               |
| Appropriation of result                          | -             | -             | -               | 1,731         | (1,731)        | -             |
| Net result                                       | -             | -             | -               | -             | 1,433          | 1,433         |
| Dividend paid                                    | -             | -             | -               | (850)         | -              | (850)         |
| Addition to legal reserve                        | -             | 47            | -               | (47)          | -              | -             |
| Change in unrealised result derivatives          | -             | -             | -               | (57)          | -              | (57)          |
| Remeasurements of defined benefit pensions plans | -             | -             | -               | 8             | -              | 8             |
| Exchange rate differences                        | -             | -             | 33              | -             | -              | 33            |
| Other  | -             | -             | -               | 7             | -              | 7             |
| <b>Balance as at 31 August 2021</b>              | <b>7,565</b>  | <b>128</b>    | <b>(46)</b>     | <b>1,035</b>  | <b>1,433</b>   | <b>10,115</b> |

#### **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".



### ***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.

The share premium mainly relates to acquisition of the Proprietary Rights, which has been partially financed by a share premium of EUR 6,400 million, and the additional paid in capital relating to the acquisition of range, supply and production activities.

### ***Legal reserve***

Other legal reserves mainly consist of a legal reserve for capitalised development costs and a legal reserve for non-distributable profits. In accordance with applicable legal provisions, a legal reserve for the carrying amount of EUR 72 million (FY20: EUR 31 million) has been recognised for capitalised development costs. In accordance with local legal requirements an amount of EUR 46 million (FY20: EUR 41 million) is included in the legal reserve.

### ***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 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 -46 million (FY20: EUR -79 million) relates to investments in participating interests in various countries.

### ***Other reserves***

The financial statements for the reporting year 2020 have been adopted by the General Meeting on 28 October 2021. The General Meeting has adopted the appropriation of profit after tax as proposed by the Board of Management.

The dividend relating to FY20 of EUR 850 million paid out in December 2020 has been deducted from other reserves in shareholders' equity.

### ***Unappropriated profit***

The General Meeting of Shareholders will be asked to approve the following appropriation of the FY22 net result: an amount of EUR 1,000 million to be paid out as dividend and the remaining amount of EUR 433 million to be added 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. Preliminary tests carried out by management in October 2021 revealed no indications that the proposed distribution of dividend will not be possible, but these tests have to be finalized (and management has to approve the distribution) prior to the actual payment of the dividend.

## **6. NON-CURRENT LIABILITIES**

The non-current liabilities consist of the shareholder loan related to the acquisition of the range, supply and production activities. The interest percentage on the loan is 0.85%. Of the original amount of EUR 2,000 million, a balance of EUR 500 million remains as current liability, which is repaid September 2021.

## **7. CURRENT LIABILITIES**

Current liabilities mainly relate to the current portion of long-term debt with Interogo Holding AG (EUR 500 million, interest rate 0.85%) and short term loans borrowing with Interogo Holding AG (EUR 1,178 million).

## **8. 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 Services B.V. and IKEA Social Entrepreneurship B.V.

## **9. 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 2.8 million (FY20: EUR 3.5 million) for previous and current management board members, and EUR 0.5 million (FY20: EUR 0.4 million) for supervisory board members.

## **10. SUBSEQUENT EVENTS**

There are no significant subsequent events.

## MANAGEMENT BOARD

Jon Abrahamsson Ring (Chairman)

Martin van Dam

## SUPERVISORY BOARD

Anders Dahlvig (Chairman)

Søren Hansen

Mathias Kamprad

Véronique Laury

John Olie

Aline Santos

Delft, 28 October 2021

## ***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 2021 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 2021 and of its result for the year ended on 31 August 2021 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 2021;
- 2 the consolidated and company profit and loss account for the year ended on 31 August 2021;
- 3 the consolidated statement of comprehensive income for the year ended on 31 August 2021;
- 4 the consolidated cash flow statement for the year ended 31 August 2021; 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 believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***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 that consists of:

- Report from the Management Board;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

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 the 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 Report from the Management Board, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to 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 errors or fraud.

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.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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, 28 October 2021

KPMG Accountants N.V.

R.J. Aalberts RA