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FY22 financial results

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

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

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

In millions of EUR	FY22	FY21
Sales of goods	26 148	24 282
Franchise fees	1 285	1 273
Other income	145	60
Total revenues	27 578	25 615
Cost of goods sold	23 404	21 137
Gross profit	4 174	4 478
Operational cost	3 140	2 622
Total operating income	1 034	1 856
Financial income and expense	-103	-151
Result before tax	931	1 705
Income taxes	-221	-272
Net income	710	1 433

Consolidated income statement

Sales of goods

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

Franchise fees

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

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

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

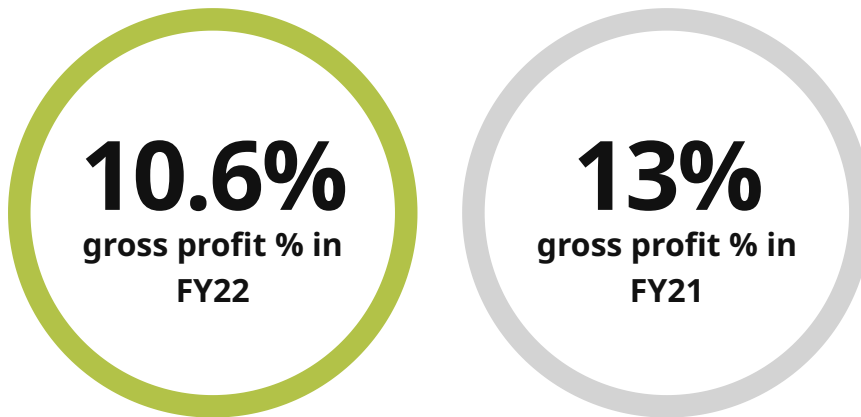
Other income

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

Cost of goods sold

Cost of goods sold describes the total accumulated costs to manufacture and distribute products. The cost of goods sold relates both to wholesale and IKEA Delft store sales. Purchasing costs continued to increase throughout FY22. Costs also rose on the back of supply chain inefficiencies and the first effects of fast-rising inflation. Inter IKEA Group absorbed some of these increased costs, resulting in a large decrease in gross profit. Consequently, our supply chain activities only recorded very limited profits. Our ambition to

absorb costs – and not pass them on to IKEA franchisees and eventually customers – was overtaken by a continued sharp increase in raw material and transport prices. This was due to the scarcity of both created by Covid-19 related effects and difficulties caused by the war in Ukraine.



Operational cost

Operational cost includes co-worker costs, utilities, rent and other costs related to day-to-day operations. The organisation grew in its number of co-workers during FY22. This is due firstly to managing the complexities and inefficiencies of our supply chain, particularly those effected by the consequences of the war in Ukraine. Secondly, a continued build-up of resources took place to secure capability for the strategic and digital changes needed to improve the IKEA value chain and the (online) IKEA sales experience. In June 2022, Inter IKEA Group decided to scale down business and operations in Russia and Belarus after nearly a four-month pause. This means that the franchise agreement with the local franchisee is terminated and that the IKEA Industry business in Russia has reduced its workforce and started the process of finding new ownership for all its factories. The import and export of IKEA products to and from Russia and Belarus has stopped and the offices in Moscow and Minsk will close permanently. The consequence of this decision has led to one-time costs in relation to writing down assets and provisioning of cost.



● Staff and travel costs	41%
● Bought services	8%
● Depreciation/amortisation	20%
● Other operating expenses	31%

FY22 operational cost per category

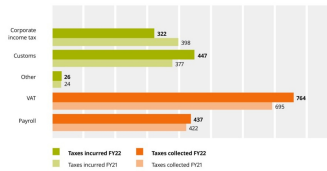
Financial income and expense

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

Taxation

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

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



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

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

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