

IKEA GROUP

Ingka Holding B.V. and
its controlled entities

YEARLY SUMMARY FY16



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The financial year 2016 (referred to as FY16) of the IKEA Group (Ingka Holding B.V. and its controlled entities) refers to the period between 1 September 2015 and 31 August 2016 and the entities controlled by Ingka Holding B.V. during this time.

The IKEA Group franchises the IKEA retail system and methods from Inter IKEA Group B.V. in the Netherlands. Inter IKEA Group B.V. is the owner of the IKEA Concept and the worldwide IKEA franchisor.

On 31 August 2016 we sold our product development, supply chain and production companies to Inter IKEA Group.

WE ARE ON A JOURNEY

IKEA was founded seven decades ago in the rugged landscape of Småland in southern Sweden. Life here wasn't always easy. To make ends meet, people had to be resourceful, work hard together and make a lot out of a little. This heritage formed our business, and although IKEA is now made up of many different companies – including IKEA Group which has stores in 28 markets around the world – our values remain the same. Wherever we are. It's our culture of togetherness, simplicity and giving as well as taking responsibility that drives us to constantly improve our way of working. In everything we do, we focus on achieving our vision: to create a better everyday life for the many people.

In recent years we have embarked on a journey towards becoming the world's leading multichannel home furnishing retailer. Going forward we'll meet changing customer needs by being even more accessible and continuously improving the customer experience. All around the world, co-workers who share our values make IKEA what it is – both today and tomorrow.



THE IKEA VISION

TO CREATE A BETTER EVERYDAY LIFE FOR THE MANY PEOPLE

Our vision guides us in every aspect of our business. We work hard together to offer quality products at affordable prices for our customers, and to be accessible when and where people need us. Our vision goes beyond home furnishings – we want to create a better everyday for all people touched by our business.



Our business idea is to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.



WE'RE GROWING IKEA TOGETHER

To create a better everyday life for the many people – we have a fantastic vision that guides us, today and into the future. And thanks to the great work of all co-workers, we continue to inspire more visitors and customers to visit the IKEA stores and websites.

FY16 was in many ways a remarkable year. Together, we rallied around food and life in and around the kitchen with the theme It Starts with the Food. We created a movement, meeting and bringing people together around food in new ways. And we made the food served and sold in our stores more healthy and sustainable.

As part of our sustainability agenda, we continued to invest in renewable energy. By the end of FY16, we have committed to own and operate 327 wind turbines around the world and have invested in 730,000 solar panels on our buildings worldwide. Whether it's doing our part to tackle climate change by offering 100% LED, or cotton from more sustainable sources, we

will continue to invest in commitments to make a positive difference for people and the planet, in our own business and beyond.

Investing in people is about giving people a chance to grow, both as individuals and in their professional roles. We want to attract, develop and retain people with diverse talents. Because when they grow, so does our business.

And IKEA Group continues to grow, in most markets and in all sales channels. As a result of everyone's hard work, sales grew to EUR 34.2 billion. Together with the rental income from the shopping centre business (IKEA Centres), total revenue increased by 7.4% to EUR 35.1 billion.

During the year, we also prepared for a big change. On 31 August 2016 we sold our product development, supply chain and production companies to Inter IKEA Group.

Following this change, and as a new financial year starts, IKEA Group has a new organisation in place, ready to focus on bringing us closer to customers to meet their ever-changing needs – whether

it's through stores, Pick-up and Order Points or online. We are in a good place and we have an exciting journey ahead. We are getting ready to open stores in India and Serbia, and continue to expand in the markets we are already in.

We do not only want to grow – we want to do so in a purposeful way. Our growth and profitability gives us freedom to choose our own way, the flexibility to move fast and the independence to think and invest long term. It's also crucial in delivering to our vision. That's why, as we move into the future, we will continue to have a strong focus on building value for customers, and on continuous growth and efficiency in our operations. It will mean that we use our resources and capabilities in new ways and unlock entirely new opportunities. We have a fantastic journey ahead of us and we are only getting started.

PETER AGNEFJÄLL
President and CEO,
IKEA Group
Ingka Holding B.V.
and its controlled entities

HOW WE BECAME EXPERTS ON FAMILY LIFE AT HOME

More than twenty years ago, we embarked on a journey to better meet the needs of some of our most important customers – families with children. It started, as it often does, with an insight. “We saw that many families with children don’t have big incomes, and that expecting parents often face a whole new set of needs and expenses at once”, recalls Jörgen Svensson, IKEA of Sweden.

Diapers, bibs, clothes and toys need organising. A home adapted to ensure the security and safety of the little ones to come. Not to mention, children grow – as we know – and their needs change with time. From the establishment of the Children’s IKEA team in 1994 all the way through to launch, Jörgen led the work to meet the needs of families with children with curiosity and enthusiasm as driving forces.

And this is how we work. We are curious. We research and ask questions. We listen and learn from insights. Continuously and systematically.

To learn more about life at home for families with children, the team visited households around the world and competitors in various markets. “But in order to become the best in the world for children and their families, we also needed to have the best knowledge about children’s needs and development”, Jörgen notes. “So we recruited a principal and launched what we call the Children’s School, a school for us to

learn from professors, doctors and experts in children’s development. And it lay the foundation for everything”.

Children’s IKEA was finally introduced to the world in the 1998 IKEA catalogue. All the knowledge and insights collected over the years resulted in almost 500 new products! Today, it’s hard to imagine IKEA without

“In order to become the best in the world for children and their families, we also needed to have the best knowledge about children’s needs and development”

JÖRGEN SVENSSON
IKEA of Sweden

the children’s range. The offer is constantly developing, just as children’s needs do. “We always look at things from a child’s perspective”, says Maria Thörn, Range Manager, IKEA of Sweden. “Where are they in their development, and what do they need in that time of their life?”

As people grow and their needs develop, IKEA grows and develops too. We are always on a journey. And we constantly strive to create smarter and better ways to meet people wherever they are in life and in the world.



PLAY IS PRETTY SERIOUS BUSINESS...

So serious, in fact, that we’ve conducted the world’s largest research study on the subject: the 2015 Play Report. Among other things, it has shown us the importance of inspiring and enabling families to play more together. For a better everyday life at home.

FAMILY LIFE IN SOUTH KOREA

For IKEA Retail South Korea, insights about people’s life at home has put Children’s IKEA at the very heart of the business.

“In Korea, life at home is often centred around children and children’s spaces can be found all over the home”, explains Annie Cho, Children’s IKEA Sales Leader, IKEA Retail South Korea. “We try to show that we understand families needs at home by integrating Children’s IKEA products in every department. For instance, we place baby cots and children’s beds next to adult beds, because Korean children often sleep in the same room as their parents up until the age of seven or eight”.

HIGHLIGHTS OF THE YEAR

We want to be a positive force in society. By ensuring good working conditions and making our own business more sustainable, we strive to have a positive impact on both people and the planet. During FY16 we've accomplished many great things that have created value on numerous levels. On the following pages you can read all about it.



The TORHAMN kitchen fronts are made out of natural ash. The entire tree is used, which gives the wood expression character and life, while making it environmentally friendly by keeping waste to a minimum.

IKEA GROUP AT A GLANCE

79
MILLION
LED BULBS
SOLD IN FY16

If each of the bulbs sold replaced an incandescent bulb, they could save enough energy to power 650,000 households for a year!*

*Calculation based on the electricity consumption of an average European household.



**IKEA GROUP STORES
IN 28 COUNTRIES**

In addition to our 340 stores in 28 countries, at the end of FY16 we had 22 Pick-up and Order Points in 11 countries, 41 Shopping Centres in 15 countries and 38 Distribution sites in 18 countries.

IT STARTS WITH THE FOOD

Celebrating everyday life in and around the kitchen, our theme for FY16, It Starts with the Food provides inspiration and solutions for food activities, from growing and cooking to serving and storing.

9,500

**PRODUCTS ACROSS THE
IKEA RANGE**

Every year we renew our range, launching approximately 2,500 new products, designed by our in-house and contracted designers.



163,600*
CO-WORKERS IN FY16

Retail - 124,400
Distribution - 7,500
Shopping Centres - 2,150
IKEA Industry - 19,850
Range & Supply & Other - 9,700

*With the change in ownership of product development, supply chain and production companies, some 26,000 co-workers became part of the Inter IKEA Group during FY16.

48%
FEMALE MANAGERS

We want a workplace where 50% of leadership positions are held by women and 50% by men. Today, more than half of our co-workers are women, as are 48% of our managers and 33%* of Group Management.

*This number has changed for FY17 due to new management structure.

**COTTON AND
WOOD FROM MORE
SUSTAINABLE
SOURCES**

All of the cotton we use for our products comes from more sustainable sources¹. In FY16, 61% of our wood came from more sustainable sources², and we are aiming for 100% in 2020.

¹ Includes cotton grown to the Better Cotton Standard, by farmers working towards Better Cotton; recycled cotton and more sustainable cotton from the USA (such as the 'e3 Cotton Program').

² Currently defined as Forest Stewardship Council® (FSC®)-certified or recycled wood.



EUR 34.2
BILLION
TOTAL SALES FY16

Total sales translated into Euro increased by 7.1%.
Adjusted for currency impact, total sales increased by 7.9%.

FY06	FY15	FY16
17.4	31.9	34.2

In FY16, our total revenue was EUR 35.1 billion.

783
MILLION STORE
VISITS

425
MILLION SHOPPING CENTRE
VISITS



EUR 4.2
BILLION NET PROFIT

EUR 1.7
BILLION IKEA FOOD
TURNOVER

Sales at our restaurants, bistros, Swedish Food Markets, and co-worker restaurants.

2.1
BILLION VISITS
TO IKEA.COM

An increase of 9% compared to FY15.

110
MILLION

Visits to the catalogue and store apps.

EUR 1.4
BILLION ONLINE
SALES

Across 14 IKEA Group markets.

100
MILLION IKEA
FAMILY MEMBERS

Born in 1984, IKEA FAMILY has now reached 100 million members. Over 10 million new members join every year – that's around 30,000 new members every day!



21.6%
CORPORATE
INCOME TAX

In FY16, corporate income tax increased to EUR 1.2 billion globally, which equals an effective corporate income tax rate of 21.6% (18.9% in FY15). In FY16, our total tax bill including other taxes and duties amounted to approximately EUR 1.9 billion.

ALL-IN TO TACKLE CLIMATE CHANGE

In December 2015, France hosted the United Nations Climate Change Conference, officially known as the 21st Conference of Parties (COP21) in Paris. World leaders met at the event with the objective of achieving a universal agreement on tackling climate change.

“Every government, business and citizen has a role to play in building a better and more sustainable future. The Paris Agreement, which was signed at the event, marked a turning point for humanity – a commitment to reducing carbon emissions to avoid the worst effects of climate change”, says Steve Howard, Chief Sustainability Officer, IKEA Group. “We truly mobilised the business community. We Mean Business, the coalition we were part of founding, created a powerful platform for leading businesses to make commitments on climate change”.

IKEA Retail France lit up COP21 by installing a 20-metre-high wind turbine and 440 photovoltaic solar panels on the iconic avenue of Champs-Élysées, along with 120 bicycles, 60 swings and 7 wheels so that passers-by could create renewable energy. Through pedalling, swinging and running, approximately 1 million people helped create 3,000 kWh of energy, which was enough to light 800,000 LED Christmas lights for the entire holiday season. To connect with people who couldn't visit the event, a digital platform was created to provide tips and ideas on how to live a more sustainable life at home. IKEA Retail France also donated 7,000 products to the official COP21 conference centre, which were later donated to a charity working for the homeless in France.

Through our presence at COP21, we wanted to show that a few simple everyday changes can help us all live more sustainably, save money and reduce our impact on the environment. “We participated in the conference in order to share what we stand for, what we do to support, and to call for bold action to tackle this issue. But we weren't just addressing governments, businesses and associations, we believe that everyone has a role to play in addressing climate change. It will take all of us, working together”, says Carole Brozyna-Diagne, Sustainability Manager, IKEA Retail France.

Through our active participation at COP21, IKEA Group sent a strong message that forward-thinking businesses support bold action on climate change. “Our colleagues at IKEA Retail France did a brilliant job of engaging the many people at COP21. IKEA was highly visible and made an impact through all of our different activities. We are going all-in to tackle climate change, for example by switching the entire lighting range to energy efficient LED and investing in renewable energy. We must now look at where we can go further to make our business even more future proof and climate positive”, concludes Steve Howard.

“Every government, business and citizen has a role to play in building a better, more sustainable future”

STEVE HOWARD
Chief Sustainability Officer, IKEA Group

HISTORY IN THE MAKING: THE PARIS CLIMATE AGREEMENT

The climate agreement reached at COP21 in Paris in December 2015 is a turning point in history. By signing the agreement, world leaders have pledged to limit global temperature rise to below 2°C. On Earth Day, 22 April 2016, 175 countries signed the agreement on its first day of signature. Along with world leaders, our Chief Sustainability Officer, Steve Howard, was present for the signing ceremony at the UN Headquarters in New York.



**WATCH
THE VIDEO**

CO-WORKERS LEND A HELPING HAND

In FY16 and during the ongoing refugee crisis, IKEA Group co-workers in many countries mobilised to assist municipalities and local organisations in creating better conditions for newly arrived refugees. Co-workers came together and were able to provide IKEA furniture and other necessities.

“IKEA is a humanistic, values-driven brand, company and employer with a vision to create a better everyday life for the many people. It is great to see how our co-workers reflect our values and inclusive culture and how they contribute to the integration of refugees into their new country and living environment”

PETRA HESSER
Human Resource Manager, IKEA Group

SWEDEN

In Sweden, all IKEA stores organised packing events where co-workers, customers and representatives from Save the Children came together to prepare backpacks for children on the move and provide them with a sense of safety, comfort and support. More than 37,000 welcome backpacks filled with toys and other products, mostly from the Children’s IKEA range, were donated. Jannike Conradsen, Project Coordinator for the initiative says, “I am really proud of the amount of co-workers that have been involved. It’s so powerful to see that we really can make a difference for those who need it the most”.

DENMARK

After working closely with local municipalities, IKEA Retail Denmark began offering trainee positions to refugees in need of work. During their traineeship, they are mentored by a co-worker, and currently all five stores have refugees working as trainees, with some progressing to take on full-time or part-time positions. Alongside this, the stores are also facilitating language and culture schools to further support integration.

NORWAY

In an attempt to better connect refugees with the local community, Jens Listrup, Store Manager, IKEA Ringsaker, arranged a St. Lucia evening, a traditional Swedish celebration, in the IKEA store restaurant. With the help of the Ringsaker Red Cross and IKEA Ringsaker, 550 people from 26 different nations gathered, shared dinner and coffee, and built new friendships. “This was one of the most magic evenings in my life working for IKEA, and I have worked here for 16 years”, says Jens.



SWITZERLAND

In close co-operation with regional authorities, IKEA Retail Switzerland has launched the “Refugee Inclusion Project” to give refugees a chance to enter the Swiss employment market and gain experience to help them in their future working lives. At the end of the project, refugees will receive a letter of reference and a certificate of work. This will help them in their future job search in Switzerland.

CANADA

IKEA Retail Canada donated nearly EUR 130,000 worth of IKEA home furnishing products and children’s toys to help welcome Syrian refugees. Brendan Seale, Sustainability Manager, IKEA Retail Canada, commented, “By offering donations of home furnishings for refugees, we are not only providing the basic necessities for their new life in Canada, but more importantly offering the comforts of home in a time when they need it the most”.

GERMANY

IKEA Retail Germany developed the initiative “Dein Einsatz”, meaning “Your Commitment” with the aim to help address the immediate need for furniture and other necessities in local refugee centres. Co-workers chose a project to work with and IKEA Retail Germany provided support by donating products worth up to EUR 10,000 to those projects. Altogether, more than 500 projects have been supported with over 16,000 refugees benefiting from these initiatives.

AUSTRIA

By collecting nearly 24,000 signs of support as a “signal for solidarity”, IKEA Retail Austria not only created a sense of togetherness by involving co-workers, customers and partners, they also donated around 30,000 IKEA products to help furnish close to 50 accommodations for refugee families worth EUR 300,000. The total value of the entire donation for the activity reached EUR 500,000.

IKEA MUSEUM

– The story of IKEA

In June 2016, Inter IKEA Group, the franchisor of the IKEA Concept, opened the IKEA Museum in Älmhult, Sweden. Located in the original building that housed the very first IKEA store, which opened in 1958, the museum features a main exhibition in three parts, a temporary exhibition, a gift shop and a restaurant.

IKEA Museum tells the story of IKEA and how an entrepreneur from the southern parts of Sweden, the province of Småland, together with his co-workers decided to create "a better everyday life for the many people". Visitors are invited to explore the driving forces in society that shaped IKEA, the people behind it, the ideas and inspiration for the products – but also what IKEA may be tomorrow.

To learn more about the IKEA Museum in Älmhult, Sweden, please go to: www.ikeamuseum.com



A FESTIVAL OF PLAY

In November 2015, the IKEA Tempe store in Australia invited families to attend the first-of-its-kind Festival of PLAY event. The event engaged customers around the importance of play, both for children and adults.

This free event made visiting the IKEA store a playful experience for everyone. By transforming the store into a big playground, visitors were able to enjoy activities like a children's disco, art classes, hula hoop competitions and much more. Taking place just before the Australian summer, the two-day indoor event provided a perfect playdate opportunity. "Play is an integrated part of people's life and when IKEA arranges a play date, we help the world play more", says Ludvig Liljekvist, IKEA FAMILY & Customer

Relations Manager, IKEA Retail Australia East.

The idea for the Festival of PLAY event was born through a collaboration involving co-workers from the sales, sustainability, and marketing departments. By combining creativity with insights from the IKEA Play report, a research study on the importance of play, it was possible to create something valuable for both customers and IKEA.

IKEA FAMILY members living with children were the first to be invited and helped launch the LATTJO product range by previewing and experiencing the toys first hand. The programme of play activities was inspired by the LATTJO book LET'S PLAY TOGETHER! creating an adventure in-store.



IKEA FAMILY

IKEA FAMILY is free to join for everyone. From those whose homes are their passion, to people who just like getting better deals and rewards, such as offers on the IKEA product range, invites to special events and even more knowledge and inspiration. IKEA FAMILY was introduced in 1984 and has since grown to become one of the largest customer loyalty programmes in the world. Today, IKEA FAMILY has over 100 million members.

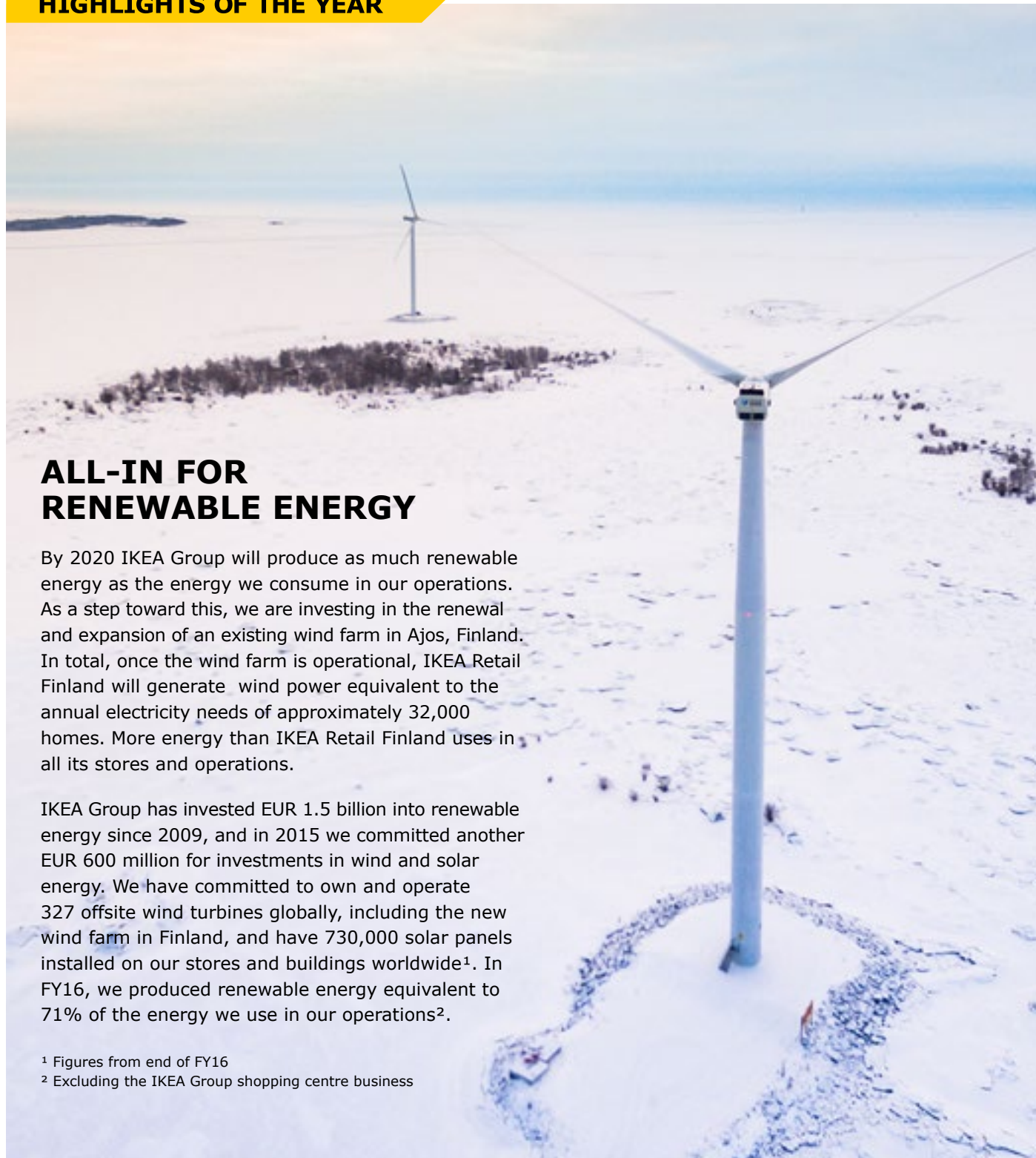
ALL-IN FOR RENEWABLE ENERGY

By 2020 IKEA Group will produce as much renewable energy as the energy we consume in our operations. As a step toward this, we are investing in the renewal and expansion of an existing wind farm in Ajos, Finland. In total, once the wind farm is operational, IKEA Retail Finland will generate wind power equivalent to the annual electricity needs of approximately 32,000 homes. More energy than IKEA Retail Finland uses in all its stores and operations.

IKEA Group has invested EUR 1.5 billion into renewable energy since 2009, and in 2015 we committed another EUR 600 million for investments in wind and solar energy. We have committed to own and operate 327 offsite wind turbines globally, including the new wind farm in Finland, and have 730,000 solar panels installed on our stores and buildings worldwide¹. In FY16, we produced renewable energy equivalent to 71% of the energy we use in our operations².

¹ Figures from end of FY16

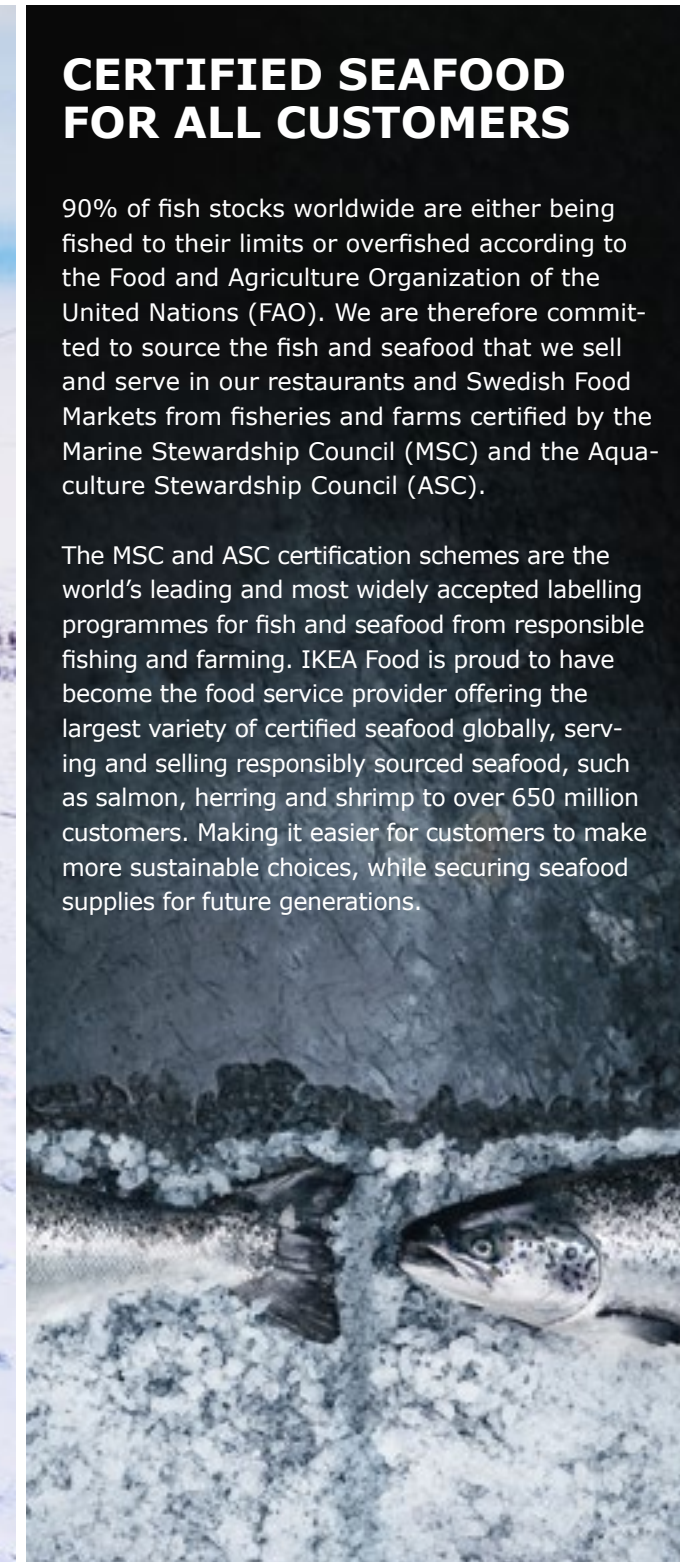
² Excluding the IKEA Group shopping centre business



CERTIFIED SEAFOOD FOR ALL CUSTOMERS

90% of fish stocks worldwide are either being fished to their limits or overfished according to the Food and Agriculture Organization of the United Nations (FAO). We are therefore committed to source the fish and seafood that we sell and serve in our restaurants and Swedish Food Markets from fisheries and farms certified by the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC).

The MSC and ASC certification schemes are the world's leading and most widely accepted labelling programmes for fish and seafood from responsible fishing and farming. IKEA Food is proud to have become the food service provider offering the largest variety of certified seafood globally, serving and selling responsibly sourced seafood, such as salmon, herring and shrimp to over 650 million customers. Making it easier for customers to make more sustainable choices, while securing seafood supplies for future generations.



MADE TO CHANGE HÅLLNING COLLECTION

In Texas, IKEA Retail US has partnered with Open Arms to sell a unique line of Texas-themed textile products created by refugee women. Open Arms is the non-profit social enterprise of the Multicultural Refugee Coalition which creates livelihood opportunities for refugees through a unique blend of skills-based education and social entrepreneurship.

Using reclaimed fabric from the IKEA product range, the FY16 limited-edition collection HÅLLNING was produced at the Open Arms Shop in Austin and was made available to three stores in Texas; IKEA Round Rock, IKEA Frisco and IKEA Houston.

The collaboration with Open Arms not only provides refugee women with a source of income, but it also offers local customers a unique, limited-edition product. IKEA Retail US will continue the partnership with Open Arms in FY17, making a new limited textile collection available in all three Texas stores. The FY17 collection is named ÅTERSTÄLLA and will be launched on three occasions; aligned with the winter holidays, on International Women's Day and on World Refugee Day.



IT'S THE PEOPLE WHO MAKE IKEA GREAT

We believe in people. Each of our co-workers brings their unique ideas and talent to work every day – they are what makes IKEA great. We want to make sure every co-worker feels welcomed and valued, and has the opportunity to develop their potential. Promoting talent and creating a great place to work is important to us. When co-workers grow, so does IKEA.



EVERYONE IS SEEN AS A TALENT

We have a unique view on talent. All co-workers are considered a talent and everyone's contribution is important to the future growth and development of IKEA Group, regardless of age, background, education and experience. We want co-workers to feel empowered to take the lead in their own development, and we want leaders to be able to spot and develop talent.

This is why we developed our Talent Approach and decided to run a global Talent Focus Week in April 2016, with the goal to launch the Talent Approach to co-workers. The Talent Approach is our way to describe what we mean by talent at IKEA Group.

"We believe in people and in becoming better together. We want to enable each individual to discover their uniqueness to perform and grow, both inside and outside their role. We also want our leaders to spot and develop talent for the future, connected to our business needs", says Caroline Lippers, Succession Manager, IKEA Group.

The week provided co-workers worldwide with an opportunity to have a dialogue around the many ways to grow and develop within IKEA. During the week co-workers got the chance to talk more about their talents and how they can grow within their current roles but also about what different career paths could look like.

"We have an ambitious growth agenda. Expanding in existing and new markets, we need more co-workers who look to become the leaders and specialists of tomorrow. By staying curious, being willing to take responsibility and being open to learn new things, there will always be opportunities to develop and grow within IKEA", concludes Caroline Lippers.



"For me, the Talent Focus Week confirmed that everyone is talented in some way. I learnt about the possibilities for development within IKEA and also how we as co-workers are encouraged to grow. From a personal point of view, it's given me the confidence and reassurance to understand what I'm doing now and where I'm going in the future"

JAROSLAVA ŠKARDOVÁ
Sales Co-worker,
IKEA Prague Černý
Most store



"I consider myself a curious person, and it is precisely for this reason that I decided to take part in the Talent Focus Week. I was lucky enough to be interviewed by Renata Maria Duretti, Country HR Manager, IKEA Retail Italy, and learning about her experience made me realise how IKEA offers great opportunities to all of us"

GIOVANNI BUSDRAGHI
Safety & Security
Expansion Specialist,
IKEA Retail Italy



MANY WAYS TO GROW

With so many different IKEA companies, functions, roles and locations there are many opportunities for co-workers to grow and develop. To visualise the possibilities, we launched an internal digital tool called IKEA Journeys, where co-workers share their stories to inspire others in their career journeys.



THE HAPPINESS INDEX

The IKEA Jerez store in Spain has made co-worker happiness one of their top priorities. A series of programmes to improve co-worker happiness have been developed under the 'Happiness Index project'. "The dream is to make IKEA Jerez the best place to work for everyone, where co-workers feel valued and have working conditions adapted to their lifestyle, both in and outside of work. If we have happy co-workers, we will get happy customers", says Mayte Fernandez, HR Manager, IKEA Jerez store.

One of the project initiatives, called The Happyforce app, has changed the way co-workers and managers communicate. Clear communication is not always easy, and missing the smaller things can have a big impact on a person's happiness. To make communication simpler for everyone at the store, the app was introduced in May 2016.

After three months, more than 85% of the co-workers were using the app daily, benefiting from faster and clearer communication be-

tween co-workers and managers. For example, allowing real-time feedback on management questions, receiving feedback from co-workers and the ability to share urgent information quickly. A dedicated team in the HR department analyse and evaluate the response, and feedback the information to the management team at the IKEA Jerez store.

"Thanks to the app more co-workers have dared to express their opinions and talk about what bothers them at work. That makes it possible for

us to take action, make changes and get happier co-workers", says Mayte Fernandez.

Additionally, a team of eight co-workers have formed a "happiness group" to follow up on daily comments, share information with the management team and take actions for improvements. A strategy has been created to address complex challenges and some immediate "quick action" improvements have been made, such as introducing a healthier breakfast served in the canteen.



By merely clicking a mood icon and adding comments where necessary, co-workers can share how they're feeling and if there's anything that they'd like to have addressed.

Tack!

The IKEA Group Loyalty Programme

THE CO-WORKER LOYALTY PROGRAMME – TACK!

Tack! is our way of showing appreciation to co-workers for their loyalty and their contribution to our continued success. Through Tack! (which means 'thank you' in Swedish), co-workers receive an additional contribution to their pension funds. All eligible full-time co-workers within a country receive the same amount, regardless of their unit, position or salary. Part-time co-workers will receive a proportional amount in relation to hours worked.

EUR 108 MILLION

Was set aside in FY16 for the loyalty programme Tack!

THE ONE IKEA BONUS PROGRAMME

The One IKEA Bonus programme is a bonus system for all IKEA Group co-workers, based on performance. It is based on our values of simplicity and togetherness, with everyone in the same unit working towards the same objectives. Sharing goals helps us to work together as one IKEA.

DEVELOPING HOME FURNISHING EXPERTISE IN CHINA



“In order for IKEA to lead with home furnishing, we need to stay tuned to the changes in people’s life. This is our inspiration for creating new solutions, which will support our customers to realise their needs and dreams”

LICCA LI
Communication & Interior Design Manager,
IKEA Retail China

IKEA Retail is on a growth journey in China. The number of stores are planned to almost double by 2020, new Pick-up and Order Points are being explored, and an e-commerce pilot was launched in Shanghai in September 2016. China’s rapid development over the past 30 years has resulted in a growing middle class, especially in urban areas. “As people’s lives are changing, their home furnishing focus is shifting from basic functions to looking for better things. So today there is a need for inspiration as to what better looks like”, says Licca Li, Communication & Interior Design Manager, IKEA Retail China. “Home furnishing is our way to engage with people to improve their life at home. It makes IKEA

different”. Roy Li, former Store Manager, IKEA Shanghai Beicai store, continues, “When people’s incomes are growing, so are their needs for home furnishing. What IKEA is changing is the attitude towards everyday life. Encouraging people to not accept inconvenience, but instead focus on functionality and how to organise a home to reflect the needs and the personality of the people who live there”. The home furnishing competence agenda is led by the Communica-

tion & Interior Design department (Com&In). To continue to lead with inspiration and home furnishing knowledge in a fast growing market, there is a need to recruit hundreds of Com&In co-workers in China. Jeff Shi is one of them. Already an interior designer in Nanjing, Jeff discovered IKEA in Shanghai with his wife ten years ago. “We were both excited about



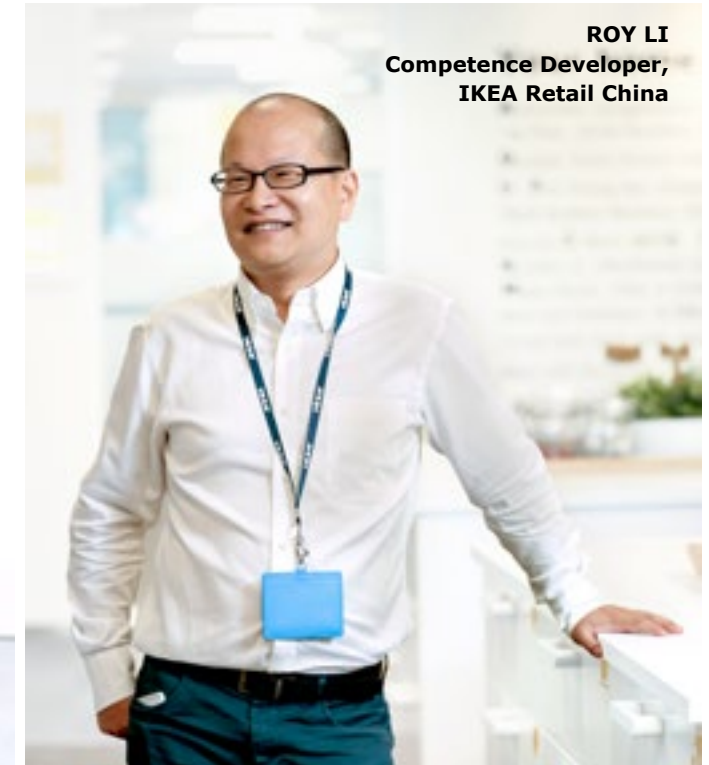
JEFF SHI
Visual Merchandising Leader,
IKEA Nanjing store

all the tips and ideas in the room settings. We were sharing a flat with my friend at the time and we found a lot of inspiration to make our space more functional and beautiful. A year later, the IKEA Nanjing store was recruiting, and I happily applied. At IKEA I could truly learn about home furnishing, and how we use our expertise to create solutions that work for Chinese homes”. Today Jeff is the Visual Merchandising Leader at the IKEA Nanjing store.

One way in which IKEA Retail China is responding to the big talent need is with the Lead with Home Furnishing Competence Programme. The objective is to fast track the development of competent, crea-

tive and inspiring future Com&In managers in Asia Pacific.

From a store perspective, Roy says, “We recruit Com&In people a year before a store opening and the first thing we let them do are home visits. We want them to understand local life at home and what stops people from making it better. With those insights they can make the store reflect local relevance and come closer to the customers’ hearts. But it is not only for Com&In co-workers. We try to bring all co-workers closer to our range in various activities, inspiring them to try IKEA solutions in their own homes. This helps them design a better life at home for themselves, and then



ROY LI
Competence Developer,
IKEA Retail China

they can inspire customers to do the same”.

Licca continues, “Turning new co-workers into ambassadors of home furnishing and the IKEA brand will take time. We are on an exciting journey. The world is changing, but it is people who make the difference. In the end, they are the ones that make the IKEA brand unique. At Com&In, we are specialists in home furnishing, and we will keep developing ourselves and new solutions to meet new needs. We want to show that function and beauty can go hand in hand. We believe it is the way to realise our vision – to create a better everyday life for the many in China”.

A GLOBAL CALL TO ACTION FOR GENDER EQUALITY

Inclusive and sustainable growth is the overarching vision of the United Nations' 2030 Agenda for Sustainable Development. Gender equality and women's economic empowerment are central to this vision, which is why the UN Secretary-General's High-Level Panel on Women's Economic Empowerment was launched in January 2016.

Co-chaired by Simona Scarpaleggia, Country Retail Manager, IKEA Retail Switzerland, the panel released its first report during the United Nations General Assembly week in September, emphasising drivers to unlock potential for women to fully participate in the economy and achieve financial independence.

"Empowerment is about rights, justice and creating a movement that will leave no women behind. This report is concrete and shows good examples of how society can come together to accelerate women's economic empowerment. Closing the gender gap is everyone's responsibility – governments, businesses and every single individual", says Simona Scarpaleggia.

So what are our commitments in being part of this High-Level Panel? We will continue to work to achieve gender equality, promote equal opportunities and provide equal pay. But we will also keep joining forces with governmental and non-governmental organisations to contribute to a positive change in society.



Photo credits: Roberto Sanchez | @rsanchezphoto

SECURING NEW EMPLOYMENT STANDARDS

In FY16, we introduced our new Approach to Employment Standards, set to form part of our employment offer to all co-workers. It's one of a number of elements that impact the everyday experience of our co-workers, and contribute to making IKEA a great place to work.

We know that attracting, developing and inspiring co-workers requires more than salary and benefits alone. Our approach to these standards addresses everything from employment relationships, contracts and scheduling to ensuring development opportunities

Our new Employment Standards provide a consistent base for the everyday experience of all co-workers

and equality. With its global launch, we will be offering greater consistency and stability for all co-workers.

"We are a people company, and the new Approach to Employment Standards lays the foundation for co-workers to be passionate and committed home furnishing experts, creating a great experience for customers and enabling a strong connection to IKEA", says Neena Potenza, HR Manager, Scandinavia/North America, IKEA Group, who has been leading the development of the new standards.

SUPPORTING HUMAN RIGHTS & GLOBAL DEVELOPMENT

In June 2016, the IKEA Group was invited to the first-ever Fundamental Rights Forum to share our position and work on human rights and equality.

Steve Howard, Chief Sustainability Officer, IKEA Group, attended the forum and spoke about the role of businesses in addressing inequality, and how we as a business strive to connect with and reflect the diverse societies we serve.

"We should never be passive about equality. As a diverse business in a fast-changing world, we need to represent the society around us. We can play a major role in leading change by being systematic and proactive, demonstrating clear values and principles. If we all feel the fierce urgency of equality, we can be the generation that fast-tracks change", says Steve.

The Fundamental Rights Forum, organised by the European Union Agency for Fundamental Rights, is a new platform for discussing protection and awareness of Human Rights. The event was held in Vienna in June 2016 and engaged more than 650 experts, activists, government officials and students.

BE YOURSELF - YOUR UNIQUENESS MAKES US BETTER

Inclusion is everyone’s responsibility. In FY15, we updated our Diversity & Inclusion Approach to support managers in continuing to create a diverse and inclusive environment that encourages everyone to be themselves. In FY16, we began to roll out workshops on the updated approach, using a framework to ensure consistency across our organisation, by providing a simple structure to analyse current situations, identify future goals, and develop plans to bridge the gaps. One important training module focuses on unconscious bias. In addition to that, we developed a gender equality plan, supported by tools, materials and insights about creating gender equality in each location.

What is unconscious bias?

Unconscious biases are positive and negative stereotypes and prejudices we have about others. They affect our actions, decisions, and judgements without our awareness or intention, and impose barriers to creating inclusion in the workplace. Therefore, we want to understand and reduce those biases. The purpose of the Unconscious Bias module is to discuss the nature and types of unconscious biases, and to explain how bias impacts us at work. More importantly, the module provides co-workers with the opportunity to set goals and actions to reduce their biases.

“Unconscious bias requires awareness and management in order to create an inclusive

work environment”, says Sari Brody, Diversity and Inclusion Manager, IKEA Group. “If not handled properly, it can create divisions among teams and provoke dissatisfaction. Minimising unconscious bias enables us to treat everyone fairly, include all co-workers, regardless of their individual differences, and provide them with equal opportunities”.

Gender Equality plan

Another important area that we are focusing on is achieving Gender Equality. This means more than simply reaching a 50/50 gender

balance in all levels and positions. Gender Equality is about creating an inclusive culture where all genders are valued for their unique contributions, and thereby they can influence our culture.

“We have an ambition to create an inclusive work environment. We want co-workers to be able to bring their whole self to work and make use of their individual differences and uniqueness to benefit themselves and the business”, concludes Sari.



**Gender diversity
IKEA Group**
(share of women)

33%*
of Group Management

43%
of Extended Group Management

48%
of all managers

54%
of all co-workers

*This number has changed for FY17 due to new management structure



AN INCLUSIVE WORK-PLACE FOR EVERYONE

In 2016, we began developing an LGBT+ inclusion plan (for lesbian, gay, bisexual, transgender and all other sexual orientations and gender identities) to create a fully inclusive work environment and to contribute to a positive change for LGBT+ inclusion in all areas of our business. We also joined the Workplace Pride Foundation – an organisation that strives for greater acceptance of LGBT+ people in the workplace and in society.

“We want our co-workers to be able to be themselves at work and feel respected and supported. We want customers to know that we respect and support the LGBT+ community. Everyone at IKEA Group shares a responsibility to welcome diversity, celebrate our differences and create an inclusive work environment”

ANTONIO CAVALLI
Diversity and Inclusion specialist,
IKEA Group

PUTTING CHANGING CUSTOMER NEEDS IN FOCUS

By responding quickly to customers' dreams and needs, we will continue to grow our business. In a world of change we constantly gather insights about people's lives at home. We challenge ourselves to be even more relevant by offering high quality, affordable home furnishings and making long-term investments, today and for the future.



IT STARTS WITH THE FOOD

To make sure that we can create smarter and better home furnishing solutions, we constantly learn about what life at home is like for different households around the world. One thing we have learned is that people's eating habits are changing, and that this changes life at home too. That's why we decided last year to rally around food and life in and around the kitchen with one main theme – It Starts with the Food.

For many of us, food is a central part of life, and it includes activities around food that often bring friends and family together, anywhere, anytime. This inspires us to develop our range, and to provide solutions that reflect new habits; from growing food to cooking it, and from serving it to storing it.

To reflect changing life at home, we also rebuilt the room sets in most of our stores to ensure they reflect real homes for people in the local markets. And we have introduced a new cook shop in our Cooking & Eating departments where the link to food is brought to life through recipes and inspiring films. We've continued to make the food served and sold in our stores more healthy and sustainable. And we've met and brought people together around food in new ways – in and outside of our stores.

Co-workers from every part of the IKEA Group had an important part to play in making the theme successful. By working together we are continuing this journey to explore how we can create a better life at home, offering products that reflect and support people's changing needs and dreams. The focus on food will be unmistakable for IKEA customers as the theme continues for another year. With new and better products and ideas to inspire customers to explore and engage with the theme.



THE ANYWHERE, ANYTIME DINNER

Through extensive research – including visiting homes and interviewing customers – we learn how people live. In 2015, we surveyed 11,000 people's habits and attitudes towards food in big cities around the world, like Shanghai, New York, Berlin and London. Some of these findings are published in our Life at Home report.

- Our weekday meals have migrated to other places.
- The kitchen has become a place for any and every home activity, and meals have broken free from their traditional domain and migrated to other places – the sofa, bed, floor or desk.

Want to know more? See the full report: lifeathome.ikea.com/food

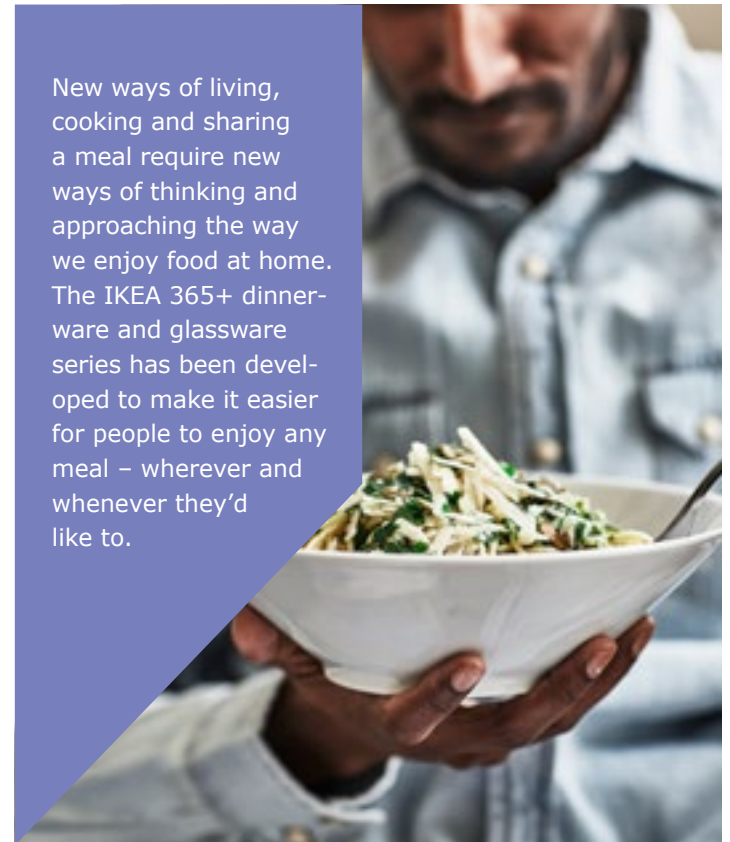


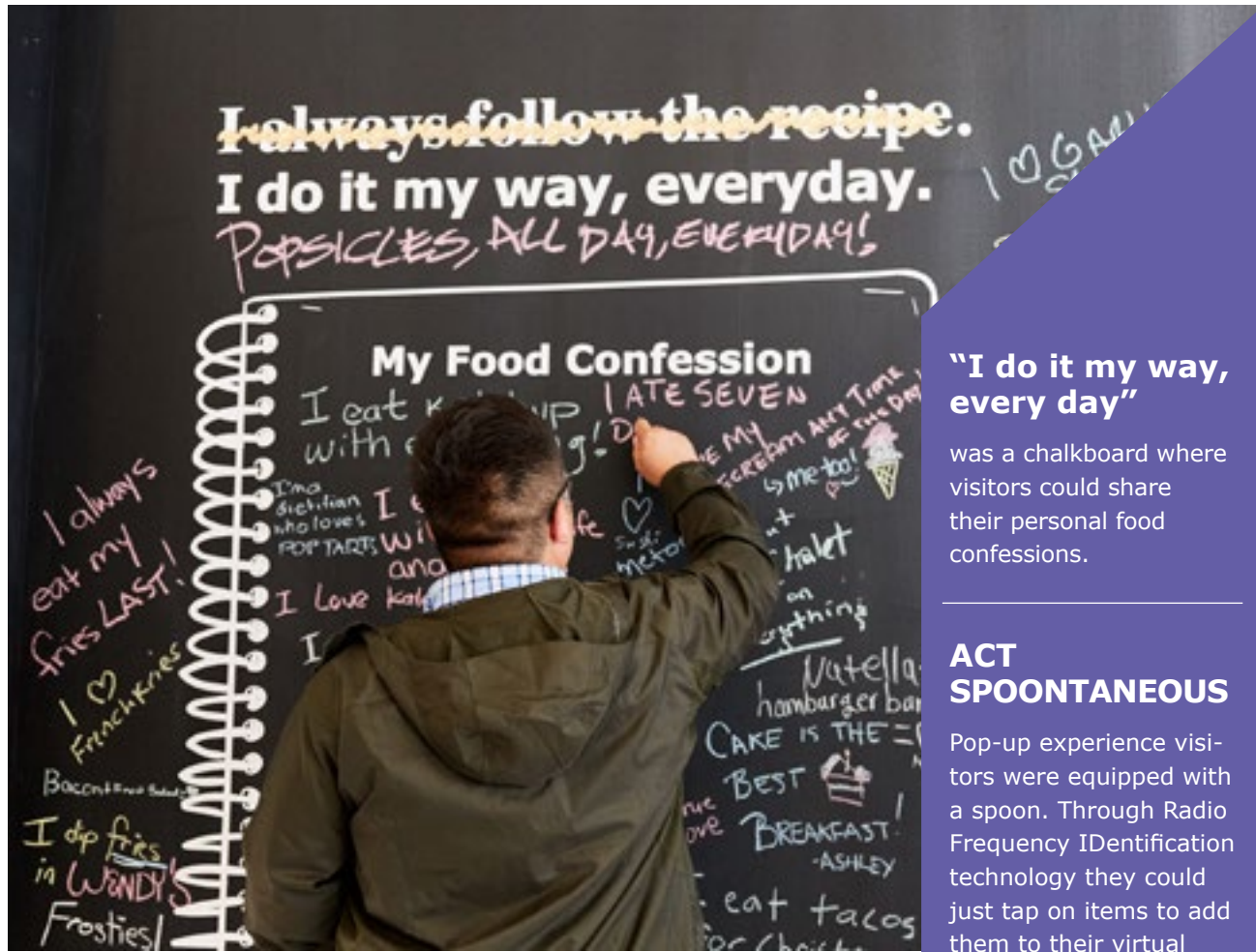
ALL IN FOR UTZ CERTIFIED COFFEE

At IKEA, we serve over 100 million cups of coffee every year – which is about one cup of coffee for every person involved in the coffee industry globally. With the launch of PÅTÅR, the new IKEA coffee range is now both UTZ certified and EU Organic certified. PÅTÅR offers five different coffee products that customers can truly feel good about. All responsibly sourced, of high quality and with great taste – at affordable prices.



New ways of living, cooking and sharing a meal require new ways of thinking and approaching the way we enjoy food at home. The IKEA 365+ dinnerware and glassware series has been developed to make it easier for people to enjoy any meal – wherever and whenever they'd like to.





"I do it my way, every day"

was a chalkboard where visitors could share their personal food confessions.

ACT SPOONTANEOUS

Pop-up experience visitors were equipped with a spoon. Through Radio Frequency IDentification technology they could just tap on items to add them to their virtual shopping cart or email themselves recipes, cooking tips and gardening tricks.



KROGEN BY IKEA RETAIL FRANCE

To engage and inspire people to experiment with our products in a brand new way, IKEA Retail France launched KROGEN in the summer of 2016. KROGEN, Swedish for "the bistro", was a pop-up restaurant, supported by an online platform, where people were invited to become chefs for one night in the very heart of Paris.

Each evening, a three-course meal with a EUR 10 price tag involving one IKEA Food ingredient was on the menu. One of 15 amateur chefs selected by online public vote prepared the meal, coached by an IKEA Food mentor and backed up by a professional kitchen team. These nightly kitchen adventures were streamed live, encouraging viewers to engage further with the project's online platform and generating more than 4 million social media views. The restaurant space was fully equipped with IKEA home furnishing solutions and a specialised IKEA Food store, for any inspired home cooking experiment needs.



The project came to a close after three intense weeks of serving hundreds of happy guests and raising money for the charity organisation Secours Populaire – dedicated to fighting poverty and exclusion in France.

#STARTFOODING IN CANADA

When it comes to food, many find their habits get in the way of trying new and exciting things. So, in line with this year's food theme, IKEA Retail Canada created an experience centre in downtown Toronto to actively tear those barriers down by encouraging people to "break the rules" and #StartFooding with IKEA. Visitors were invited to explore,

purchase and taste a variety of IKEA Food products in six interactive and inspirational rooms. The two-week activity challenged people's expectations and perceptions about IKEA, with food instead of furniture and a small pop-up shop instead of a large warehouse display – paving the way for visitors to be open to new experiences, ideas and inspiration.



ÄTBAR BY IKEA RETAIL NORWAY

The issue of food waste was what inspired IKEA Retail Norway to bring together some of the country's best chefs to run the pop-up restaurant ÄTBAR in Oslo. The menu? Filled with healthy meals created with ingredients brought in by guests. Ingredients that might otherwise have gone to waste. Serving a total of 750 guests during six days, the restaurant became a true inspiration hub for sharing ideas on how to reduce food waste and live a sociable life in and around the kitchen.

DID YOU KNOW...
"ätbar" is the Swedish word for "edible".

DEMOCRATIC DESIGN

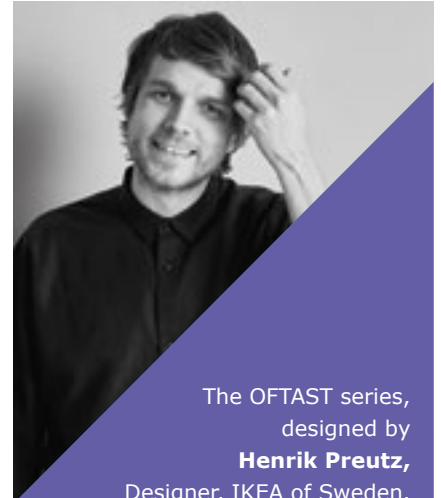
The design of IKEA home furnishing products starts with understanding people's everyday needs and dreams at home. For many companies, design is simply about how something looks. Its shape. Its colour. For IKEA, it's something bigger. The design of IKEA home furnishing

products starts with understanding people's everyday needs and dreams at home. Because we believe everyone has the right to a better everyday life. This belief is why we design and develop all of the products in the IKEA range with five dimensions in mind – form,

function, quality, sustainability and low price. By creating products without compromising on any of these aspects, we become truly unique – offering a product range at an affordable price so that as many people as possible can enjoy them. We call it Democratic Design.

A DESIGNER'S CHALLENGE

Low prices are a cornerstone of the IKEA vision, business idea and concept. The basic thinking behind all IKEA products is that low prices enable well-designed, functional home furnishings to be available to everyone. Using the Democratic Design principles, IKEA designers scrutinise every product idea and constantly try to do everything a little better, a little simpler, and always more cost-efficient.



The OFTAST series, designed by **Henrik Preutz**, Designer, IKEA of Sweden.

THE FIVE DIMENSIONS OF DEMOCRATIC DESIGN:

FORM is about the beauty of each product and how it contributes to make you feel good about being at home.

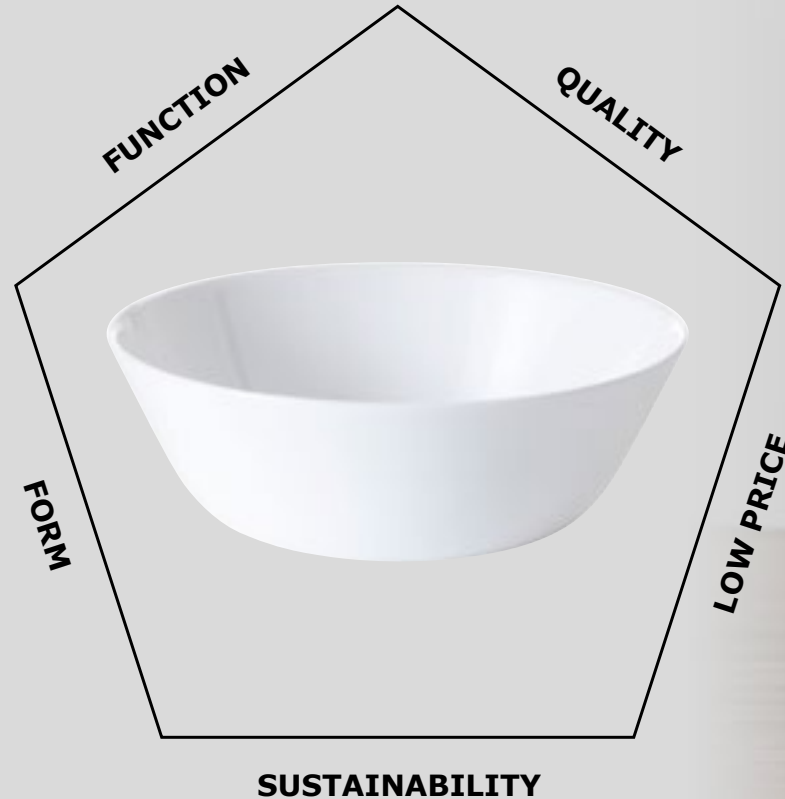
QUALITY means products withstanding the wear and tear of the everyday, while lasting longer and ageing gracefully.

FUNCTION is about how each product works and how it makes everyday life easier and more meaningful.

SUSTAINABILITY means producing in a way that is good for people and the planet, and is also about enabling people to live a more sustainable life at home.

LOW PRICE is necessary to make our products accessible to more of the many people. Great products should be for the many.

We want to exceed the customer's expectations with new designs, function, sustainability, good quality and a low price – but not at any price. We work hard throughout the entire value chain, from idea development to product delivery, to sustainably keep our prices low. The Democratic Design approach has proven to be our best way to make great design accessible to the many people and not only for the few. Democratic Design is one of the tools we use to achieve our vision of creating a better everyday life for the many people.



FORM "I gave the plates and bowls a timeless, functional and harmonious form that makes both the manufacturing and transport efficient".

QUALITY "I chose to use the material tempered glass, which is thin and elegant, yet durable. Perfect for coping with the demands of customers' everyday usage".

FUNCTION "A bowl is an important piece in the everyday life in the kitchen and you can use it in so many different ways. The size of the OFTAST bowl is really versatile. It works just as well as a rice bowl or as a serving bowl for snacks".

SUSTAINABILITY "Manufacturing and transporting efficiently is important to not waste energy and resources. At IKEA, we design products to reduce packaging and the amount of air that gets shipped".

LOW PRICE "The challenge when I designed OFTAST was to combine good function with a very low price. The recommended price is now EUR 0.50, making it affordable for the many people".



The GILTIG collection by Katie Eary

A MORE VITAL IKEA

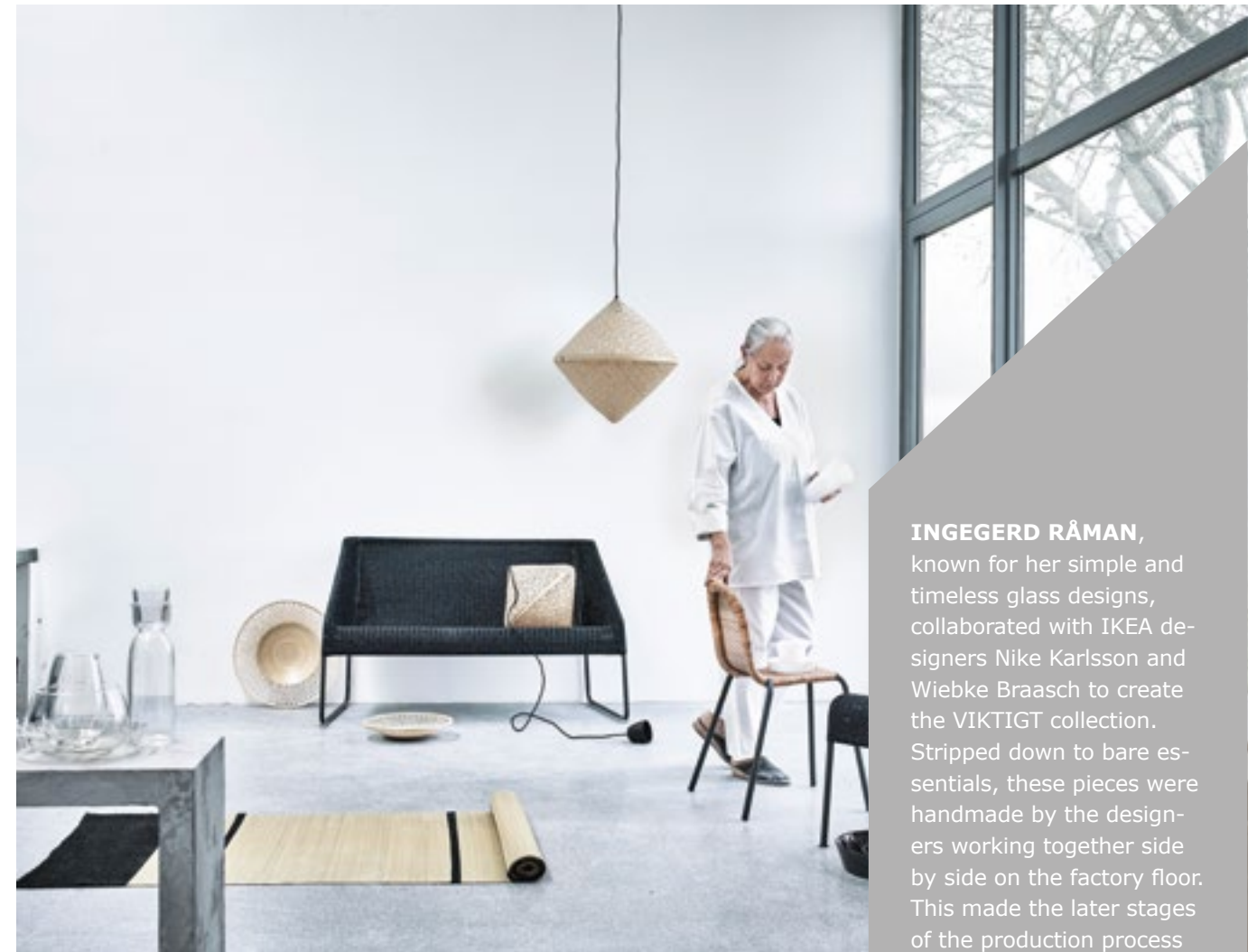
We always want to give customers inspiration and a reason to visit IKEA. In addition to the products that we create for our global range, every year we introduce approximately 2,500 new products, including seasonal collections and market specific offers.

Limited-edition collections are another way to surprise customers. By collaborating with designers and creative artists we

can explore interesting ideas and expressions, whilst also developing new ways of working, such as production methods and using new materials in new ways. In 2016, we launched a limited-edition collection in collaboration with British fashion designer Katie Eary, who is well known for her colourful digital print designs. By working with a designer from the fast-paced fashion industry, we had the opportunity to learn new ways to

help speed up production processes. "We come from a heritage of furniture design, and these fashion designers can bring a new way of thinking and looking at patterns or products that we haven't really explored before", says Per Krokstäde, Business Leader, Vitality Collections, IKEA of Sweden.

For the GILTIG collection, we had to overcome the production challenge of adapting Katie's unique 2D



INGEGERD RÅMAN, known for her simple and timeless glass designs, collaborated with IKEA designers Nike Karlsson and Wiebke Braasch to create the VIKTIGT collection. Stripped down to bare essentials, these pieces were handmade by the designers working together side by side on the factory floor. This made the later stages of the production process between designers and local Indonesian and Polish artisans much more simple and organic.



The GILTIG collection by Katie Eary

designs to IKEA products. Henrik Most, Creative Leader, IKEA of Sweden, explains, "We can learn a lot from how fashion designers work with colours, prints, patterns and shapes. They constantly re-invent themselves and what they do – and are used to working in the forefront of pattern and colour development".



IKEA RED DOT DESIGN AWARD WINNERS

We believe in Democratic Design. That's why we develop all products in the IKEA range with five dimensions in mind – form, function, quality, sustainability and a low price. This approach has led to several Red Dot Design Awards – one of the most respected international design competitions in the world.

LISABO SERIES

Recognised by the Red Dot jury for "rewriting the rules of space, as well as design, sustainability and even time". The LISABO series features a small 'wedge dowel', which cuts down on assembly time by an amazing 80%, and elegant design details, such as the keyhole opening on the LISABO desk.



TILLREDA PORTABLE INDUCTION HOB

Perfect for anyone living in smaller spaces, or simply looking for extra cooking flexibility. And the Red Dot jury seem to agree saying, "TILLREDA portable induction hob makes induction cooking technology affordable to the many without compromising on design, functionality or quality".



SLADDA BICYCLE AND ACCESSORIES

Created in partnership with Oskar Juhlin, Jan Puranen and Kristian Eke of Veryday design studio, SLADDA bicycle was recently awarded the 'Red Dot: Best of the Best' award in the Product Design category of the Red Dot design awards. The top prize reserved for ground-breaking new designs.



WHAT IS DEMOCRATIC DESIGN DAY?

On 8 June 2016, interior design and home furnishing influencers, bloggers and journalists from all over the world were invited to Älmhult, for the third annual Democratic Design Day. Democratic Design Day is an opportunity to share our vision and design philosophy, what we are curious about and what we are working on right now. We also give a sneak peek of upcoming collections and products – and we introduce some of our new design collaborations.

DEMOCRATIC DESIGN DAYS, ZURICH 2016

Democratic Design lives in our products, and is the backbone for all that we do in the design process and throughout the value chain. It helps us deliver on the IKEA vision. But it's not something we want to be a secret. We want to share it with people from around the world, inspiring them to understand and share our principles.

To help do just that, IKEA Retail Switzerland organised the Democratic Design Days in Zurich in February 2016, discussing the impact of design on everyday life.

After an introduction by Marcus Engman, Design Manager, IKEA of Sweden, on what Democratic Design is and how it comes through in

some of our latest products, philosopher Alain de Botton, start-up investor Patricia Roller and designer Jon Kuster took to the stage to explain what impact design can have on people and the world beyond just making great products.

Moving from theory to hands-on activation of what design can do, a global design challenge was launched during the event in cooperation with IKEA Foundation and the Dutch organisation What Design Can Do. Over 60 designers, design students and engineers participated in a workshop to kick-start the competition. Read more about the challenge on page 39.

In total, the IKEA Democratic Design Day in Switzerland engaged over 250 designers and creators from all over the country, more than 20 journalists from around the world, and thousands more online via live streaming.

SERVING TODAY'S CONNECTED CUSTOMERS

Urbanisation and digital transformation are leading to new shopping behaviours, where people move effortlessly between physical and digital experiences and purchases. To grow, we need to develop the business faster and in a more flexible way – making sure that we offer a customer experience in line with people's expectations and needs.

For us, the customer experience is really the sum of all feelings that a customer has in all interactions with IKEA. Our home furnishing expertise, low prices and the ability to offer relevant solutions will always be critical success factors, but we are also taking steps to enable customers to meet and experience IKEA in new and better ways. We want to deliver a great experience at every touch point, regardless of whether it's digital or physical; from the competent and friendly service in the store or customer support centre, to the after sales services.

Today's connected consumers seek value in all aspects of their purchase. At a time of growing social and environmental awareness, people demand more responsibility, transparency and dialogue. They look for brands that they can trust and really get to know. Brands that make valuable connections between what the company stands for and the shopping experience they provide. Connections that address a series of questions on many customers' minds.

Where was it made? Who made it? Who are they as a company? Do I trust them to take care of my needs? What do they stand for? What are they doing for my community? Are they taking care of the planet?

"We want to build strong relationships with customers whenever and however we meet them", explains Carole Bates, Customer Experience Manager, IKEA Group. "To do that, we need to understand how their experiences have been with us over one journey, or many years. We are thinking even more about what customers really want in order to have a better everyday life, which is the vision of our business. Listening to their point of view and connecting to their needs will really help us move further".



"We want to build strong relationships with customers whenever and however we meet them"

CAROLE BATES
Customer Experience Manager,
IKEA Group



BECOMING A MULTICHANNEL RETAILER

For IKEA, becoming a multi-channel retailer means creating a convenient experience for our customers, no matter how or when they choose to meet us. With new needs and expectations, there are new things for us to become good at. That is why we are constantly working to deliver consistent experiences of our products and home furnishing solutions in all channels.

“We are on an important journey to become a multichannel retailer for which we are bringing in specialists and appropriate competencies, but also developing skills in general across the business. Most importantly, we are moving forward with an even greater focus on innovation and development to meet customer needs in new ways”, says Lotta Lyrå, Development and Expansion Manager, IKEA Group.

Our multichannel journey focuses on four central aspects of our business: our stores, e-commerce, logistics and service.

A consistent IKEA experience in stores and online

Stores are the base on which IKEA is built. They account for 95% of the IKEA Group sales. Customers visit the IKEA store for inspiration, to get advice from IKEA co-workers,

for the shopping experience, to eat in the restaurant, to do things together with family, to explore our products, and to pick up items to take home straight away. And they will continue to do so in the future.

On the other hand, e-commerce is becoming increasingly important. Our e-commerce offer is currently available in 14 of our markets, but

we want to implement it in all our markets. To support online activities in places where it may be a while before a store can open, we have also introduced new formats for planning and pick-up.

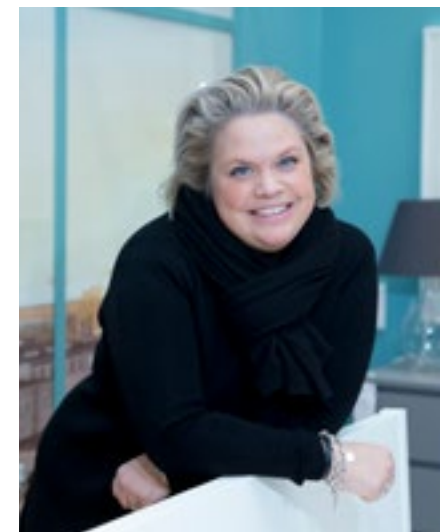
In multichannel retailing, physical and digital touchpoints support each other in making shopping more convenient. In the future, all customers should be able to shop with us whichever way suits them best – in our stores, via the website or on social media.

New logistics and distribution solutions make multichannel possible

As our e-commerce offer expands and is introduced in all markets, logistics and distribution become even more important. We are making major changes to reach our customers in better ways. Part of the challenge in creating an efficient multichannel distribution network involves storing products closer to customers, to make deliveries cost and time effective, which in turn enables shorter lead times. Stores, in new and existing formats, will play an increasingly important role in distribution, serving as a hubs for customers to pick up, exchange and return products they’ve purchased.

Services available in all channels

With multichannel retailing in place, any shopping that is started at home or on a mobile device, can be continued in store – and vice versa. Our services in everything from delivery to



“We are moving forward with an even greater focus on innovation and development to meet customer needs in new ways”

LOTTA LYRÅ
Development and Expansion
Manager,
IKEA Group

assembly will be available to customers whenever and wherever they wish to receive support, to create an easy buying process.

Finally, we will increase accessibility to IKEA by providing interactive communication through channels like social media and live chats. Enabling customers to meet and experience IKEA in new and better ways.

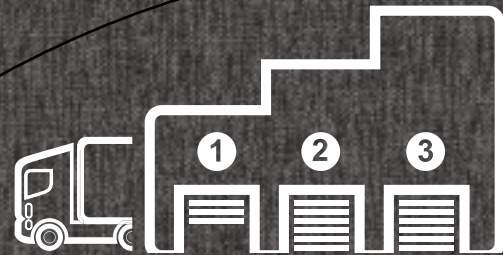
COMING CLOSER TO CUSTOMERS IN GERMANY

With new customer needs and demands leading the way, we want to be even more accessible. By continuously expanding store and distribution networks, as well as developing new store formats and services, we work to offer a seamless and more accessible shopping experience for the many people in Germany.



KAARST MORE SUSTAINABLE STORE

In Germany we will pilot a brand new IKEA store concept in the summer of 2017. The world's first IKEA More Sustainable Store in Kaarst will feature a lot of natural light, many green areas for play and sports, and a dedicated transportation concept. All whilst working with resource-efficient approaches and environmentally friendly technologies.



DORTMUND PARCEL UNIT

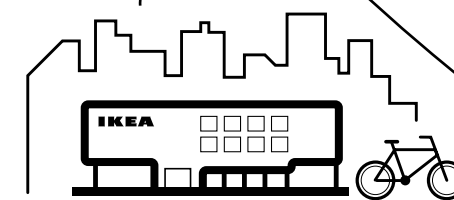
In the newly built Dortmund Parcel Unit, we prepare parcel-sized products for shipping. The unit is set to provide more cost-efficient shipping, cutting online order delivery costs and shortening delivery times for customers.

RAVENSBURG PICK-UP POINT

In Ravensburg, Germany's first Pick-up Point combined with a showroom is bringing IKEA closer to the region's customers. Now they don't have to travel far to pick up online orders. They can also order products from the entire IKEA range or browse a selected product range in the inspirational showroom.

BREMERHAVEN SMART STORE

The Smart Store allows customers to get a faster overview of IKEA interior design ideas by showcasing the range on a smaller floor space.



HAMBURG CITY CENTER STORE

Located in a pedestrian zone in the inner city, the Hamburg Altona store is within customers' convenient reach. Today, more than 80% of the visitors arrive by public transport, and the store is an appreciated meeting point for the inhabitants of Altona.

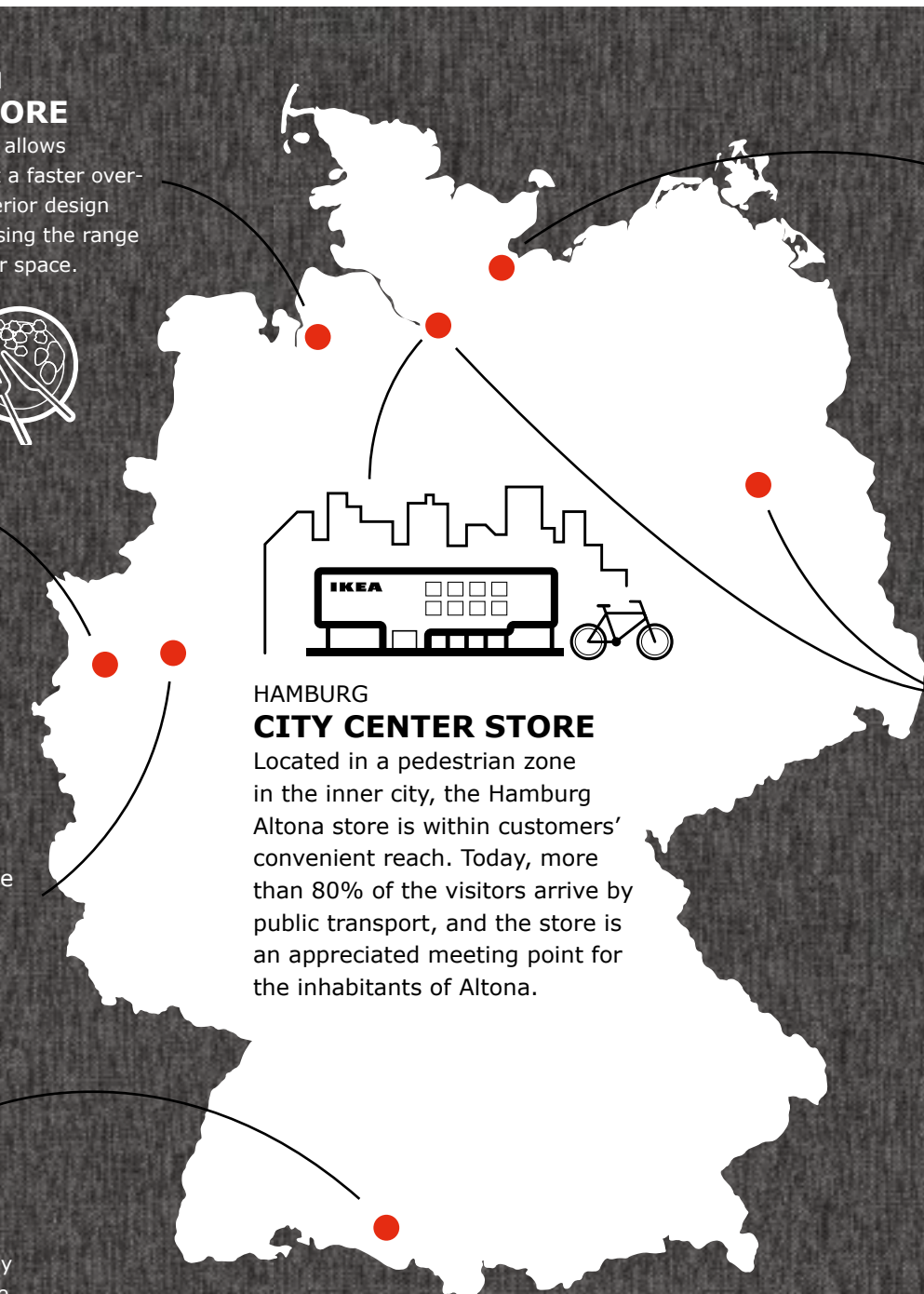
LÜBECK SHOPPING CENTRE

LUV SHOPPING is Germany's first IKEA Centres shopping centre. Alongside an IKEA store, it hosts a varied mix of family-friendly small local merchants and big national chains – offering everything from bread to brogues and furniture to fudge in 53 stores under one roof.



BERLIN & HAMBURG MARKET CUSTOMER DISTRIBUTION CENTRES

Market Customer Distribution Centres have played a key role in our growth. They relieve the main Customer Distribution Centre in Dortmund by processing larger sized online and store orders in their respective regions. Reducing delivery times, this is an important step in preparing the logistics network for multichannel retailing.



NEW FORMS OF EXPANSION FOR IKEA RETAIL UNITED KINGDOM



In FY16, IKEA Retail United Kingdom took some significant steps forward in their multichannel journey with the launch of the new IKEA.co.uk website, the rollout of the market's first four 'Order and Collection Points', and the first store opening in seven years.

Following dedicated recruitment and research in the Thames Valley, July 2016 saw the opening of the 19th and most sustainable IKEA store in the United Kingdom to date. More than 40,000 people visited the fully equipped IKEA Reading store in its first three days of opening. The coming years

will see new stores emerge in Sheffield, Greenwich and Exeter.

The Order and Collection Points in Norwich, Aberdeen, Birmingham, and Stratford in London are primarily planning studios for more complex purchases such as kitchens, wardrobes and sofas. But the points also feature inspiring IKEA room sets, with expert co-workers on site to offer home furnishing knowledge and advice.

In June, IKEA Retail United Kingdom co-workers were the first

to browse and shop on the new IKEA website in a soft launch that marks the biggest milestone for the multichannel journey in FY16. The e-commerce platform features even more inspiring home furnishing, makes it even easier to find products, and is responsive – making the IKEA online experience consistent across all devices.



BECOMING EVEN MORE ACCESSIBLE TO CANADIANS

For many of the 36 million people living in Canada – the world's second largest country by area – shopping for furniture can have geographical challenges. In 2015, IKEA Retail Canada started their journey to become a multichannel retailer and to become more accessible. A goal that inspired the piloting of Pick-up and Order Points in the country.

Since December 2015, Canada has seen the launch of six Pick-up and Order Points. At one tenth of the size of a traditional IKEA store, the Pick-up and Order Points give customers the option to pick up their online or store purchase closer

to where they live. While there, customers can access support services and computer stations to view the entire range, with the help of knowledgeable IKEA co-workers. They can also browse a small range of the most popular IKEA products available for immediate takeaway.

Pick-up and Order Points have made us more accessible in several markets that may not yet support a traditional IKEA store. In Canada, this means enabling a more convenient shopping experience for over 800,000 visitors so far. Showing that customers are excited to shop at IKEA in more accessible ways.



SÄSONGSBUTIKEN CONCEPT STORE

In RÍO Shopping in Valladolid, Spain, the IKEA store has moved to meet shopping centre customers in a new way with the launch of concept store SÄSONGSBUTIKEN.

In addition to a fully integrated passage to the IKEA Market Hall and IKEA store, the concept store offers customers an opportunity to shop for IKEA items when perhaps they had not even planned a visit to the IKEA store.

The product range comes from a mix of IKEA home furnishing areas, catering to the often impulsive nature of RÍO Shopping visitors with smaller items and seasonal variation in line with shopping centre activities. With an inviting storefront and an attractive range, SÄSONGSBUTIKEN allows customers to shop at IKEA in a different way.

7 MILLION VISITS

to RÍO Shopping in Valladolid every year.

“This is a very vital shop. Before, lots of customers would just pass by rather than enter the IKEA store, because they didn’t want to make the whole trip through the store. With SÄSONGSBUTIKEN, we made IKEA more accessible to shopping centre visitors, and now, 30% of visitors to IKEA in RÍO Shopping enter the store via our boutique”

ROCIO MERINO
Shopkeeper Activities, IKEA Valladolid store

ABOUT IKEA CENTRES

IKEA Centres is an IKEA Group company. It was created in FY15 through the merger of various shopping centre entities.

IKEA CENTRES IN FY16

- 15 countries
- 41 shopping centres
- 25 retail parks
- More than 3.4 million m² (excluding IKEA stores)
- 425 million visits
- 1,500 brands
- 6,500 shops

SHOPPING CENTRES WITH STRONG CUSTOMER FOCUS

FY16 marks the first full operational year of the newly formed shopping centre company IKEA Centres, an IKEA Group owned centre business with 425 million visits in 15 countries.

The IKEA Centres business is on a journey from being a traditional property-oriented developer, to becoming a customer-oriented, front-lead business. This mind-set guides us to create great meeting places that offer a fantastic customer experience, which generates visits and creates attractive business conditions for IKEA and our tenants.

Bringing the shopping centre business

closer to our retail operations and the local community creates unique possibilities to co-create meeting places where people come for a fun day out, to shop, dine and enjoy themselves. We believe what’s good for our customers is also good for our tenants and us.

“When starting the development of a centre, it’s important to really research the authenticity of the place and the people who live there. What makes them tick? What gets them out of bed in the morning? What brings them together? We constantly try to translate that into our offers and services”, says Gerard Groener, Manager, IKEA Centres.

PROVIDING A GREAT CUSTOMER EXPERIENCE

IKEA Customer Support Centres are no longer simply after-sales units. As customers' behaviours and needs are changing, they reach out to us for more than solving problems. They seek support for the entire home furnishing process – giving Customer Support Centres a big role to play in providing customers with a consistently great IKEA experience in a multichannel environment.

“When we look into why customers are contacting us, we see that more than 50% are looking for support before or during their purchase. That’s why Customer Support Centres are so important from a total customer experience perspective as well as a sales perspective”, says Peder Apelgren, Customer Support Centre Manager, IKEA Group.

To allow customers to lead the way, we constantly need to develop our skills to provide support in all steps of the home furnishing journey, across all touchpoints. We need to turn interactions into great customer experiences and opportunities to strengthen the IKEA brand.

Today, Customer Support Centre co-workers meet customers over the phone, via e-mail, webchat and social media. In line with changing societal behaviors, social media has now become the fastest growing contact method for customers. In FY16 alone, IKEA Group Customer Support Centres provided personal support to 20 million customers, with cases covering everything from product advice and order changes to lost teddy bears.



Every day, thousands of people contact one of the 25 Customer Support Centres, where approximately 4,000 co-workers are ready to answer questions in more than 30 different languages.

In FY16 alone, IKEA Group Customer Support Centres provided personal support to 20 million customers. Covering topics ranging from product advice and order changes to lost teddy bears.



BUILDING CUSTOMER RELATIONSHIPS IN POLAND

In Warsaw, IKEA Retail Poland decided to create a Customer Support Centre not only for handling questions and complaints, but for building the IKEA brand – one contact at a time.

“We wanted to create a centre where co-workers could change all customer issues into positive stories worth sharing”, explains Bartek Lechowski, Country Customer Experience Manager, IKEA Retail Poland.

“To do this, we have put great emphasis on recruitment – growing from 40 to almost 100 co-workers in a year. We have developed better working methods. And we have created a work environment that reflects our home furnishing expertise, inspiring co-workers to meet customers confidently every day”.



LOWER COST AND FINDING BETTER WAYS

Milena Benzi, Customs Manager, IKEA Italy Distribution, faced a logistical challenge. Almost 90% of the container flow was running through the ports of Genoa and La Spezia, which were operating at low efficiency. Milena says, "The customs process took nine days from the arrival of the goods in the port to reaching the distribution centre in Piacenza, 150 kilometres away – leaving room for improvements".

Addressing the challenge and wanting to find better ways around procedures, regulations and operational software, a pilot was created with the Italian Customs.

"Through introducing new routines to deliver goods between the ports and distribution centres, costs were reduced by eliminating the need for third party customs brokers. In addition, we devel-

oped new monitoring software to reduce the need for timely and costly manual investigations. As a result of these improvements, delivery from port to IKEA Distribution Centre dropped from nine days to just one", says Milena.

Customs operations from ports to Piacenza are now totally paperless. The new logistical system and delivery route is now also available to other businesses – helping to improve Italy's competitiveness versus other European trading ports.

Milena concludes, "Together with the Italian Customs authorities and with the help of many IKEA co-workers, we have achieved a lot in short time. We have built something which is valuable to our business by working together to find better, simpler and more cost-efficient ways of working".



The management team of Piacenza Distribution site: Claudia Dicketmuller, Luigi Manzoli, Milena Benzi and Glenda Taina at the day of the inauguration of the project.

BETTER, FASTER AND MORE TOGETHER AT IKEA INDUSTRY

In February 2016, IKEA Industry seized an opportunity to make use of free capacity within their wood manufacturing units. Together with IKEA of Sweden a project was created, called PineXpress, utilising quick-to-market solutions to create new products. The project was focused and structured, running for just 10 weeks and operating out of the Production Development Centres of factories in Poland.

Although initially created to make use of free capacity in the factories, after the first meeting it became clear that the true focus needed to be on fulfilling customers' needs. The target for the team was then to find multi-function furniture solutions to suit the needs of modern small-space living. Furniture that customers would love and that contribute to a feeling of openness, instead of overcrowding a home.

Developing the ideas and prototypes became a team activity, with colleagues from different areas all working together in one

room. As soon as an idea was presented by the designers, the craftsmen could quickly bring it to life in a prototype for the designers to review. This closeness between ideation and prototyping, seeing ideas immediately come to life through dialogue and experimenting, gave great inspiration to everyone involved.

More than 150 prototypes were created, and of these, 58 were selected for further product development. These products include adaptations of the HEMNES family, identifying and filling gaps in the existing range, as well as completely new products called Modern Basic and Modern Edge.

The PineXpress project breathed new life into the product development process for pine furniture. Not only did it create a number of great new products, it also gave learnings and insights around the concept of togetherness between different parts of IKEA businesses, creating a highly efficient working process for the future.

HAPPY 30TH BIRTHDAY IKEA COMPONENTS

Have you ever considered how important that screw, plug or pin is to your IKEA furniture? For 30 years, IKEA Components, has been providing the IKEA range with those vital pieces, ensuring that your furniture works as it's designed to.

IKEA Components secures, develops and challenges areas of components and raw materials essential to

the IKEA range. This means small, yet precise steps to improve life, comfort and technological accessibility for everyone. Whether it is a more sustainable cardboard in your flat-package; a wireless charger for your phone; or a new component solution cutting furniture assembly time in half – IKEA Components constantly strives to make things better.

PEOPLE AND PLANET POSITIVE

We want our business to have a positive impact on the world – from the communities where materials are sourced, to the way our products enable customers to live a more sustainable life at home. And we go all-in on the things that make a difference, like going 100% for renewable energy or sourcing all of our cotton and wood from more sustainable sources.



Want to know more? See the full IKEA Group Sustainability Report: ikea.com/ikeagroup16

IKEA RETAIL FINLAND INSPIRE CUSTOMERS TO FIND ENLIGHTENMENT

To inspire more people to live more sustainably, IKEA Retail Finland challenged local students in design, handicrafts and art to create art using lighting from the IKEA LED range under the project name Enlightenment. Five design schools and universities took part in the events, creating installations in five IKEA stores and a Pick-up and Order Point in Finland.

Kirsi Gotthardt, Country Communications Manager, IKEA Retail Finland, explains, "We wanted to work together with Finland's up-and-coming designers to encourage

people to think about the impact their daily activities have on the environment". One installation at the IKEA Vantaa store, titled LUX, aimed to encourage customers to make sustainable choices, such as changing to energy efficient LED bulbs, whilst also celebrating the beauty and importance of light in their everyday life.



"IKEA Enlightenment was a pleasant cooperation for our students, because sustainability and energy efficiency are stated also in Aalto University's values. We hope that the installations raised emotions and awareness"

PENTTI KAREOJA
Professor Aalto University



SWITCHING TO LED

Since September 2015, our entire lighting range consists of energy-efficient LED. It is one of the ways we are going all-in to tackle climate change. LED bulbs last up to 20 years and use up to 85% less energy than incandescent bulbs, saving customers money on their electricity bills and enabling them to live more sustainable lives at home by using less energy. In FY16, we sold 79 million LED bulbs. If each of the bulbs sold replaced an incandescent bulb, they could save enough energy to power almost 650,000 households for a year. Our ambition is to sell 500 million LED bulbs by 2020.



730,000

In IKEA Group, we have installed 730,000 solar panels on our own buildings in line with our goal to produce as much renewable energy as we consume by 2020.

SOLAR ENERGY THE IKEA WAY – offering home solar to our customers

We know that people want to live more sustainably at home, cutting their household bills and generating clean energy. But sustainability should not be a luxury for the few, which is why we want to make solar energy affordable to everyone, by offering home solar to our customers the IKEA way.

"Solar is the most democratic form of energy source - everyone can produce their own energy. We at IKEA Retail Switzerland are proud to give the many people access to the future of renewable energy"

LORENZ ISLER
Sustainability Manager,
IKEA Retail Switzerland

After piloting home solar in the Netherlands, Switzerland and the UK, we continue to roll out our home solar offer to more countries during FY16. Using our knowledge about life at home and retail, and combining it with the technical expertise of selected solar partners, we are able to provide customers with a simple, affordable and reliable offer.

"We believe solar energy is undoubtedly the future. It gives everyone the opportunity to control their energy needs, to reduce costs and help tackle climate change. I'm very proud and excited to be a part of a journey to make solar energy mainstream around the world", says Alex Castro, Residential Solar Business Leader, IKEA Group.

PHASING OUT POLYSTYRENE PACKAGING IN IKEA FLAT PACKS

IKEA has phased out packaging solutions using expanded polystyrene (EPS) foam and replaced them with recyclable and more sustainable alternatives.

“Why should we fill the air in our flat packs with something that is more dangerous than the air itself?”, says Peter S Larsson, Packaging Sustainability Leader, IKEA of Sweden. We kept asking ourselves this question, and decided to develop recyclable alternatives that are as good or better. It took four years, but now we can say “we made it!”, he continues.

Polystyrene packaging is a cheap, durable and easy-to-use packaging material, widely used all around the world. But it is also a fossil based product which can't be recycled at industrial scale, and in some regions ends up in landfills.

Still, there was a big resistance towards phasing out polystyrene packaging, both internally and with many suppliers. “Why should we change something that is good, cheap and something that we've used for ages?”, was a common way of thinking.

Intensive development work took place. It took four years – but the result will probably change packaging solutions in the home furnishing industry for good.

“Together with many co-workers and suppliers we have managed to phase out and replace polystyrene packaging with recyclable and more sustainable fibre-based materials. It can be recycled many times and works great together with the recycling systems used by most countries today”, says Peter.

The change also means that IKEA reduces the use of expanded polystyrene by 8,000 tonnes per year. This equals 7,400 trucks filled with polystyrene foam or more than half the volume of the Empire State Building.

The decision to change filling material in IKEA flat packs is valid for all packaging except for appliances.

“We are simply too small in this segment to be able to affect the global industry. But we are working on a more sustainable solution even within this field”, concludes Peter.



BETTER BATTERIES BRING BETTER BUSINESS

Continuing our journey towards a more sustainable IKEA, IKEA GreenTech¹ and Alelion Energy Systems have developed a lithium-ion battery to power new forklifts in IKEA stores. This alternative to the traditional lead-acid battery helps make IKEA warehouse operations more sustainable and more efficient.

¹ IKEA GreenTech AB is a corporate venture capital company owned by IKEA Group. They are making equity investments in green technology companies to improve the sustainability of the IKEA business activities.

“The new battery is over 30% more energy-efficient and also reduces CO² emissions”

JENS HAGBERG
Category Manager, Material Handling and Storage,
Indirect Material and Services, IKEA Group

COTTON FROM MORE SUSTAINABLE SOURCES

As one of the biggest users of cotton globally, we have a huge opportunity to support cotton farmers and improve the way we work with cotton across our entire value chain. In September 2015, we reached the goal of sourcing 100% of the cotton used for our products from more sustainable sources. Since then, we have succeeded in maintaining this level.

When grown conventionally, cotton farming uses large amounts of chemicals and water. This practice often leads to significant health risks to farmers, soil erosion and water scarcity. Most cotton is grown on small farms in developing countries, and many farmers struggle to make a profit. But it doesn't have to be this way.

In 2005, we began taking steps to transform the way cotton is produced and gave ourselves the ambitious goal to source all the cotton used in our products from more sustainable sources. Along with the WWF and other partners, we helped set up the Better Cotton Initiative (BCI) which aims to make global cotton production better for the people who produce it, better for the environment it grows in and better for the industry's future.

"Together with partners like BCI and WWF, we are working in cotton-producing countries to provide hands-on training and field schools – so far we've enabled more

than 110,000 farmers to learn more about sustainable farming methods", says Pramod Singh, IKEA Cotton Leader, IKEA of Sweden. "This initiative has allowed farmers to cut costs, increase their profits and improve their working conditions. As a result, they can afford a better quality of life for their families, including schooling for their children".

But it is just one part of a much longer journey. Our next step is to keep on improving the standard for cotton from more sustainable sources, with special focus on water efficiency and biodiversity. We are committed to creating positive change throughout the entire cotton industry, making cotton from more sustainable sources available for the many people.

WHAT IS COTTON FROM MORE SUSTAINABLE SOURCES?

Cotton from more sustainable sources is grown using sustainable farming practices that promote efficient use of fertilisers, pesticides and water, improve working conditions and earnings for farmers, and benefit ecosystem health and biodiversity conservation. It includes cotton that is: grown to the Better Cotton Initiative Standard, grown by farmers working towards the Better Cotton Initiative Standard, and recycled cotton. It also includes more sustainable cotton from the USA (such as the 'e3 Cotton Program').

Want to know more? See the full IKEA Group Sustainability Report: ikea.com/ikeagroup16



IWAY – THE IKEA SUPPLIER CODE OF CONDUCT

We believe that everyone deserves the right to prosper, regardless of their background and situation. Across our business, from our co-workers to the millions of people who work in our extended supply chain, we can make a difference to people's lives around the world.

The IKEA Way (IWAY) on purchasing products, materials and services is our supplier code of conduct. It sets our minimum requirements for suppliers, covering environment, social and working conditions, and is a pre-condition for doing business with us.

IWAY helps us develop long-term relationships with suppliers so that we can grow together with shared values and understanding. Our IWAY developers work with suppliers to support them in implementing IWAY and, more importantly, to bring positive impacts to the many people involved in the IKEA supply chain.

61% WOOD FROM MORE SUSTAINABLE SOURCES

As a major user of wood and paper for our products and packaging, we have a responsibility to protect the world's forests. This is why we work with others, like the WWF, to increase the area of global forests that are managed sustainably. By 2020, we aim to source all wood, paper and cardboard from more sustainable sources, which we currently define as recycled or certified to the standards of the Forest Stewardship Council® (FSC®). In FY16, 61% of our wood was from more sustainable sources.

PARTNERING FOR CHANGE

The HEMTRAKT Collection, in partnership with Rangсутra and Industree Producer Transform, was the fifth limited collection co-created with social entrepreneurs in India. It featured a range of woven baskets made from sustainable banana fibre, and beautiful hand embroidered blue floral patterned fabrics inspired by old fabrics, wallpapers and flowers in India.

By developing partnerships with social enterprises like Rangсутra, we get the chance to work with skilled artisans whilst supporting entrepreneurs, which contribute towards social change and sustainable livelihoods. Sumita Ghose, founder and CEO of Rangсутra, explains, "Common problems for women in rural India include poor access to education, health care, clean drinking water and the lack of ability to support themselves. If women get the chance to work regularly, they have more money for health care, a chance to get out of the home and a greater influence on family decisions".

Dr. Dipti, Program Manager at Rangсутra and responsible for the handicrafts made for IKEA Group in Uttar Pradesh, recalls how things used to be for her when she was younger. "I was the eldest of two sisters and a brother. We girls were considered a burden to society. Life for us was a challenge. But I have always been a fighter. If someone said that I couldn't ride a bike, then I did it. If someone said "Science is not a subject for girls", then I had to take it. During my first year of postgraduate studies, I got married and we moved to Varanasi".

Dipti felt suppressed in her new home. Lacking identity as she struggled to accept the restriction of freedom she experienced as a woman. "I felt that I always had to fight for my equality in society. I didn't have freedom, or choices. I felt oppressed, continuously. Then one day I made the decision, and said no! I have one life. I can either live my life by others' choices or by my choices". With

the support of her family, she focused on her education and went on to successfully attain a PhD in Physics. "My mother was a pushing force in my life. She had one wish: that her girls receive an education".

Dedicating her life to the economic empowerment of women, Dipti founded the Varanasi Weavers Foundation. "I had to do something for the women, something for the girls who were oppressed". After some time, Sumita heard about Dipti's work, and invited her to Rangсутra to work with the partnership. "I am very keen on strengthening women and the partnership was all about doing that". By helping women challenge cultural norms and find their own profession and voice, she now feels "nothing but hope for the future".

The work with Rangсутra is just one of our partnership initiatives, and today we engage with more than 2,000 artisans in Europe, USA and Asia, working together to change the world for the better.



RANGSUTRA & INDUSTREE PT

Artisans at Rangсутra specialise in traditional Indian embroidery, textile and grass weaving and come from rural areas in Uttar Pradesh and Rajasthan. 95% of the artisans at Rangсутra are women, many of which are shareholders in the company and participate in design and production decisions.

Industree Producer Transform production centres are artisan-owned self-help groups located primarily in southern India in the states of Karnataka and Tamil Nadu. The artisans here specialise in hand-woven natural fibres. They are voting members of self-help groups and decide together how much money they will collectively save each month and what the money will be used for.



IKEA SOCIAL ENTREPRENEURS INITIATIVE

The IKEA Social Entrepreneurs Initiative, which was founded in 2012, allows us to establish partnerships with social entrepreneurs like Rangсутra who share our values and vision to make everyday life better in their communities. We want to support positive economic and social developments across the world to create long-term, sustainable change.

We are currently working with social entrepreneurs in India, Thailand, Sweden, Denmark, Indonesia and the US, and are actively looking for new partners around the world.

"We were inspired by old fabrics, wallpapers and flowers in India. The lovely blue floral pattern together with the natural fibres is a great mix. The feeling would be dreamy and relaxing, like a rural garden"

KARIN GUSTAVSSON
Range Manager, IKEA of Sweden

Children are the most important people in the world. They have the right to learn, play and grow. IKEA Foundation, the philanthropic arm of Stichting Ingka Foundation (the owner of the IKEA Group), supports projects in some of the world's poorest and most vulnerable communities – improving opportunities for children and their families. Along with its partners around the world, the IKEA Foundation focuses on four important areas of a child's life: a place to call home, a healthy start in life, a quality education, and a sustainable family income.



A BETTER WORLD WITH GOOD CAUSE CAMPAIGNS

IKEA Foundation's mission is to create substantial and lasting change by funding holistic, long-term programmes in some of the world's poorest communities that address children's fundamental needs: home, health, education and a sustainable family income, while helping communities fight and cope with climate change.

In FY16, just like in previous years, global campaigns for a good cause, Brighter Lives for Refugees and Soft Toys for Education continued to engage customers and co-workers to improve children's lives.

Brighter Lives for Refugees

Through the Brighter Lives for Refugees campaign, IKEA Foundation donated EUR 30.8 million to improve access to lighting, renewable energy and primary education for around 380,000 people in refugee camps across Asia, Africa and the Middle East.

Soft Toys for Education

Since 2003, IKEA Foundation donated EUR 88 million to Save the Children and UNICEF, supporting 99 educational projects for 12 million children across 46 countries in Africa, Asia and Europe.

DESIGNING FOR A GOOD CAUSE

In February 2016, at the Democratic Design Day in Zurich, IKEA Foundation, the philanthropic arm of Stichting Ingka Foundation (the owner of the IKEA Group), teamed up with the UNHCR and the Dutch organisation, What Design Can Do (WDCD), to launch a global design challenge, showcasing design as a catalyst for change. The competition named What Design Can Do Refugee Challenge, called on designers and creative thinkers to submit game-changing yet feasible ideas to help refugees integrate in urban areas.

More than 600 teams from 69 countries entered their concepts to help improve the quality of life for refugee children and their families. Eight of those teams were made up of IKEA co-workers. The entries covered solutions to many different needs, from connecting people through digital social networks and access to knowledge and work, to practical solutions such as bicycle-powered phone chargers and foldaway showers. Some of the most innovative ideas were presented to the world media and other influencers at the Democratic Design Day in June, held in Älmhult, Sweden.

From the 600 entries, five winning ideas were selected and received funding of

EUR 10,000 each, along with expert support to convert ideas into feasible plans and working prototypes. The final winners were announced in July 2016, with the jury consisting of internationally renowned design professionals, including Marcus Engman, Design Manager, IKEA of Sweden.

FINALISTS – PROJECT IDEAS

The finalists were announced by the IKEA Foundation at the WDCD Live event in Amsterdam in July 2016. Their project ideas were:

Makers Unite - A co-creation lab for creatives and refugees

The Welcome Card - Which gives refugees access to social amenities

Eat & Meet - A network bus transformed into a kitchen

AGRIshelter - Self-sufficient sustainable shelters

Reframe Refugees - A photo agency that enables refugees to tell their own stories.

Read more about the finalists and their ideas at: [What design can do](#)



FINANCE

Growth and profitability give us freedom to choose our own way and resources to grow and improve our business. Therefore, we have a strong focus on continuous growth, as well as on efficiency in our operations. We will continue to invest long-term, focusing on meeting customer needs and making IKEA Group more accessible to more people in the future.



OUR FINANCIAL YEAR 2016

Thanks to solid sales growth, EUR 4.2 billion net profit and an increasing focus on multichannel retailing, FY16 was another good year. We saw sales growth in comparable stores, as well as new stores and e-commerce. We also have our focus on integrating physical and digital commerce to enable customers to shop and interact with us in ways that suit their needs.

Our markets

In FY16, our sales grew in 27 out of 28 markets with China remaining one of the fastest growing countries for IKEA Group together with Canada, Poland and Australia. The five largest retail markets based on sales value were Germany, USA, France, United Kingdom and Sweden. We opened 12 new stores and 19 Pick-up and Order Points during FY16, and further developed our multichannel distribution network to increase accessibility for customers. We welcomed 783 million visits to our stores, 2.1 billion visits to IKEA.com and 425 million visits to our shopping centres. In addition, we continued working on opening our first stores in India and Serbia.

Our performance

In FY16, total sales for IKEA Group amounted to EUR 34.2 billion. Total sales of goods translated

into Euro increased by 7.1% and adjusted for currency impact, sales increased by 7.9%. Sales in comparable stores grew by 4.8% compared to FY15. In FY16, we offered e-commerce in 14 out of 28 markets and related sales grew by 29% to EUR 1.4 billion. We plan to roll out e-commerce to all our markets in the coming years.

Together with the rental income of EUR 0.9 billion from IKEA Centres, our total revenue amounted to EUR 35.1 billion, an increase of 7.4% compared to FY15. The rental income increased by 18.0% compared to FY15.

Gross margin ended on 46.1%, an increase due to different sales mix and strong performance in the cost out agenda. Operating expenses as a percentage of revenues increased to 33.2%. The acquisitions of IKEA Centres in the course of FY15 and increased expenses from business development contributed to the higher cost percentage in FY16.

Our financial net result of EUR 0.9 billion was significantly above last year's. During the year, cash and securities increased by EUR 6.5 billion to EUR 23.2 billion with a large contribution from the sale of shares in our product development, supply chain and production com-

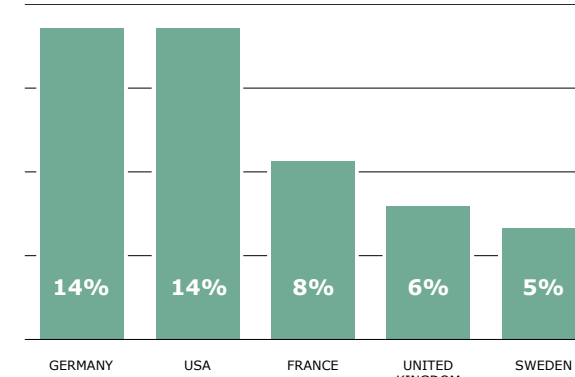
panies to Inter IKEA Group. The estimated cash consideration for the shares is EUR 5.2 billion.

Net profit was EUR 4.2 billion, an increase of 19.6% compared to FY15. Total assets increased during the year from EUR 50.0 billion to EUR 54.0 billion while we further increased our solvency with 38.9 billion of equity at year-end. Our strong financial position enables us to continue investments in co-workers, our stores, digital technology, the distribution network, as well as shopping centres and renewable energy.

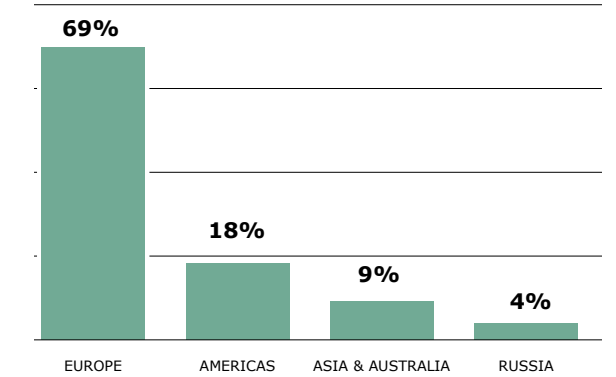
In FY16 we did not pay a dividend to our owner Stichting Ingka Foundation out of the result from FY15. However, a dividend of EUR 840 million will be paid out in FY17 out of the result from FY16.

The IKEA Group is based in the Netherlands and therefore reports its financial results in Euro (€). This means that all figures in local currencies from the countries in which we operate are translated into Euro and then accumulated. Since currencies fluctuate, companies will always face currency effects when doing these translations. In order to show the underlying trend when adjusting for this effect, the IKEA Group also communicates the currency-adjusted development. For FY16, the currency-adjusted sales growth was 7.9%, while the straight conversion into Euros shows a sales increase of 7.1%.

TOP RETAIL SELLING COUNTRIES



SALES PER REGION



TAXES

We have a strong commitment to manage our operations in a responsible way and to contribute to the societies where we operate.

We want to create long-term value through growth, customer

experience and a positive impact on people and the planet. Over the years, IKEA Group has had a good development and created tens of thousands of jobs directly in our stores and warehouses, and indirectly at our external

suppliers which in turn generate taxable incomes. We continuously invest throughout our business in stores, shopping centres, distribution, renewable energy and lower prices to customers.

We pay our taxes in compliance with national and international tax rules and regulations in a responsible and sustainable way. We enter into and maintain long-term relationships with our stakeholders with regard to tax, based on trust and transparency. We do our utmost to ensure that our tax statements are true, timely and transparent.

In FY16, IKEA Group corporate income tax was EUR 1.2 billion globally, which equals an effective corporate income tax rate of 21.6% (18.9% in FY15). In FY16, our total tax bill, including other taxes and duties amounted to approximately EUR 1.9 billion. Over the last five years (FY12–FY16), corporate income tax and other taxes amounted to approximately EUR 7.7 billion.

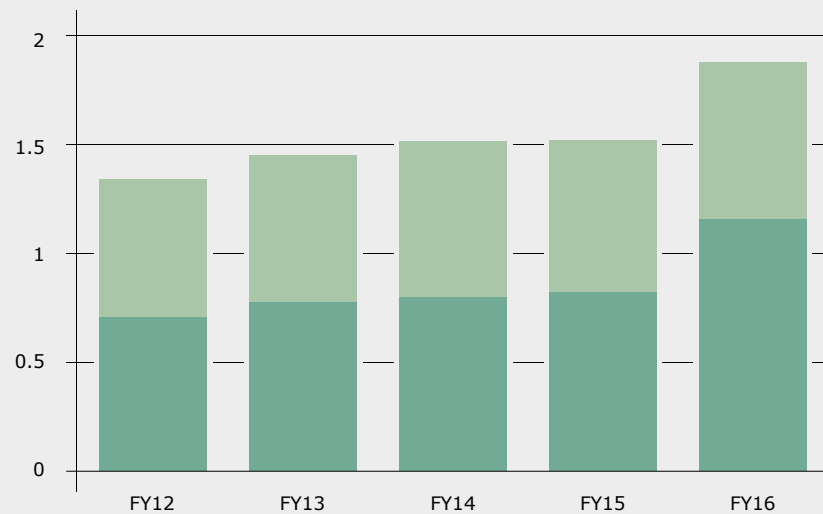
In addition, we collected substantial tax amounts on behalf of governments, such as VAT and employee taxes.

FY12–FY16 TAX

Over the last five years (FY12–FY16), corporate income tax and other taxes amounted to approximately EUR 7.7 billion.

■ Corporate income Tax ■ Other Taxes and Duties

(in billions of Euros)



INVESTMENTS

Continued growth and long-term profitability give us funds to invest and to have a positive impact, both through our core business and through our financial investments.

In FY16, we invested EUR 3.2 billion mainly in stores, shopping centres, distribution centres and renewable energy, to better serve our customers.

FINANCIAL ASSET MANAGEMENT

Financial asset management at IKEA Group includes activities within treasury assets, venture capital and investments to further support our business development and sustainability direction. During FY16, we have continued to invest in the growth of sustainable energy and resource independence.

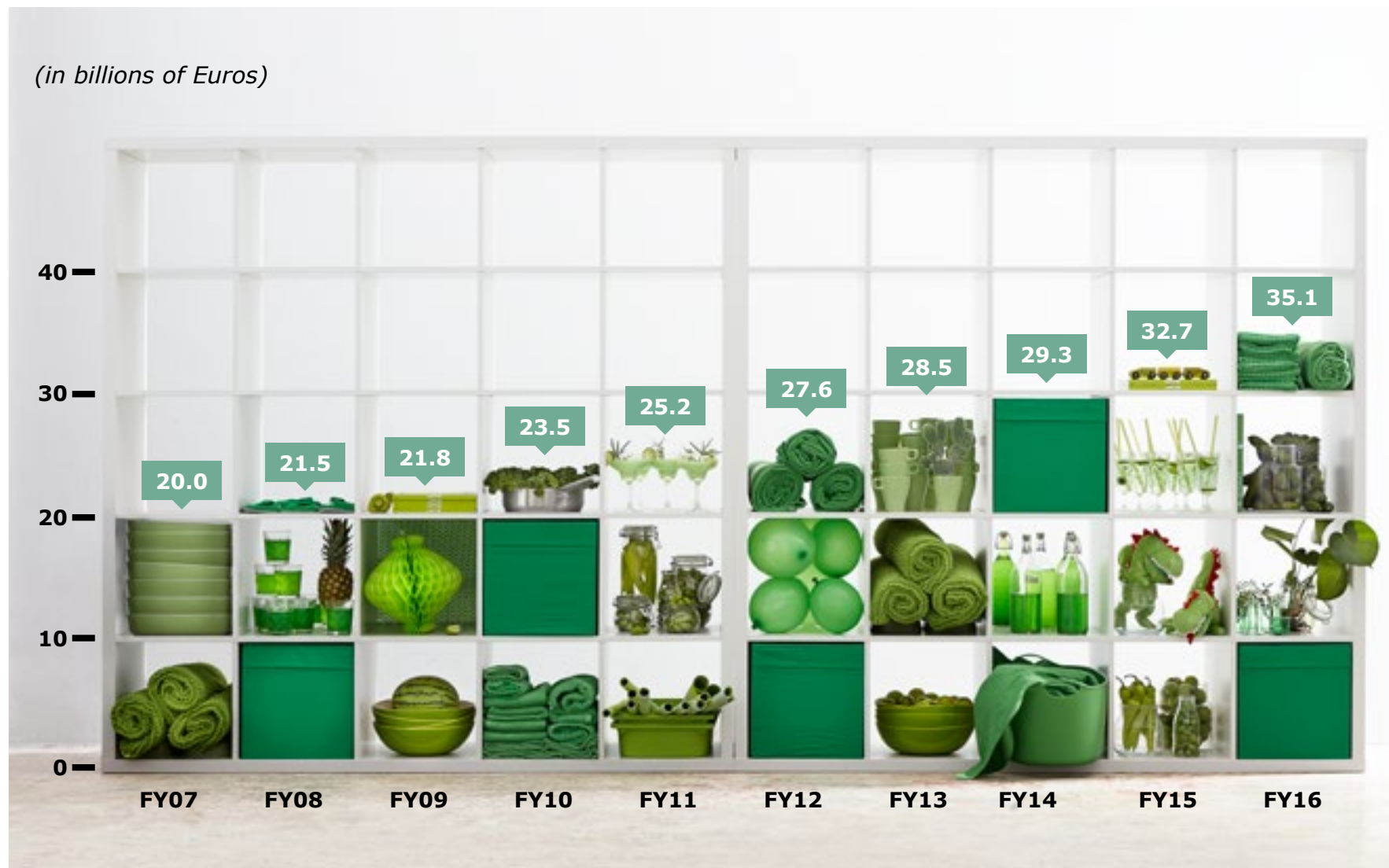
RENEWABLE ENERGY INVESTMENTS

In FY16, we continued our renewable energy investments. By year-end FY16, we have committed to own and operate 327 wind turbines around the world and have invested in 730,000 solar panels on our buildings worldwide. In FY16, our 165 MW wind farm project in Cameron Texas, as well as two wind farm projects in Poland totaling 87 MW came into operations, bringing the installed wind farm capacity to 735 MW. The total production capacity of our renewable investment portfolio now exceeds the consumption of 500,000 average European households.

RESOURCE INDEPENDENCE INVESTMENTS

Our investments in resource independence go beyond renewable energy. At year-end FY16 we own 74,700 hectares of forest in Romania and the Baltics states and we achieved FSC certification in Romania within one year after the forest acquisition. The long term sustainable annual growth from our own forest operations is approximately 500,000 m³ of wood logs, the equivalent of 20,000 truckloads.

TOTAL REVENUE FY07–FY16



CONSOLIDATED INCOME STATEMENT

1 September 2015 – 31 August 2016

(in millions of Euros)

	FY16	FY15
Revenue	35,074	32,658
Cost of sales	18,918	18,221
Gross profit	16,156	14,437
Operating cost	11,657	10,388
Operating income	4,499	4,049
Total financial income and expense	869	299
Income before minority interests and taxes	5,368	4,348
Tax	1,158	822
Income before minority interests	4,210	3,526
Minority interests	10	14
Net income	4,200	3,512

The included abbreviated financial statements are an abridged version of the consolidated financial statement of Ingka Holding B.V. as included in the Annual Report for financial year 2016.

An unqualified auditor's report dated 29 November 2016 was issued on these financial statements. Ingka Holding's Annual Report for 2016 will be available through the Dutch Chamber of Commerce. Ingka Holding'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.

The IKEA Group total revenue includes sales of goods and rental and service income from our shopping centres.

CONSOLIDATED BALANCE SHEET

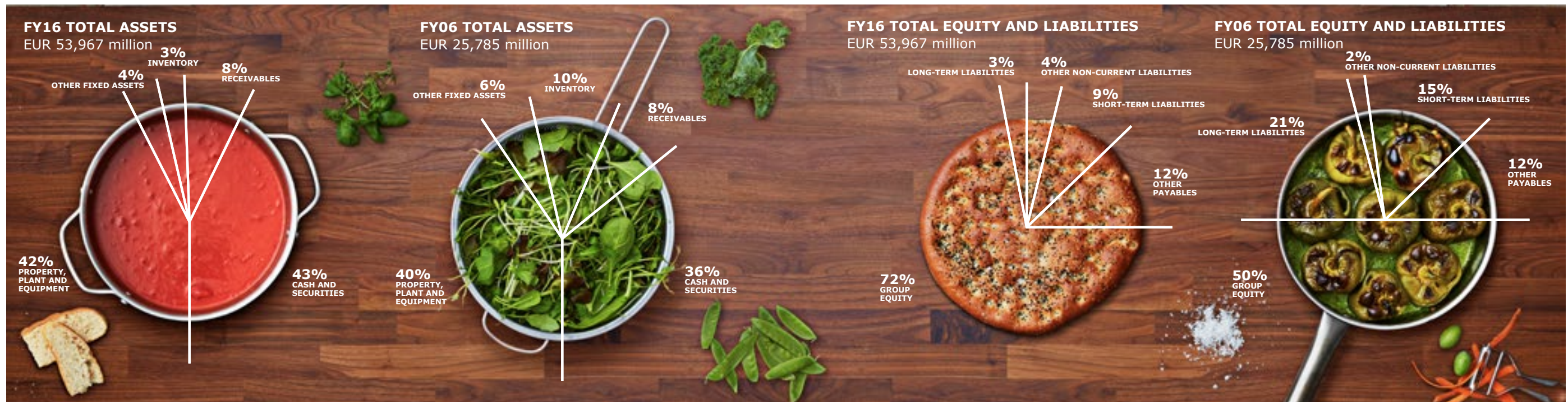
ASSETS

(in millions of Euros)	FY16	FY15
Property, plant and equipment	23,033	22,840
Other fixed assets	1,955	2,515
Total fixed assets	24,988	25,355
Inventory	1,713	5,498
Receivables	4,115	2,500
Cash and securities	23,151	16,659
Total current assets	28,979	24,657
Total assets	53,967	50,012

CONSOLIDATED BALANCE SHEET

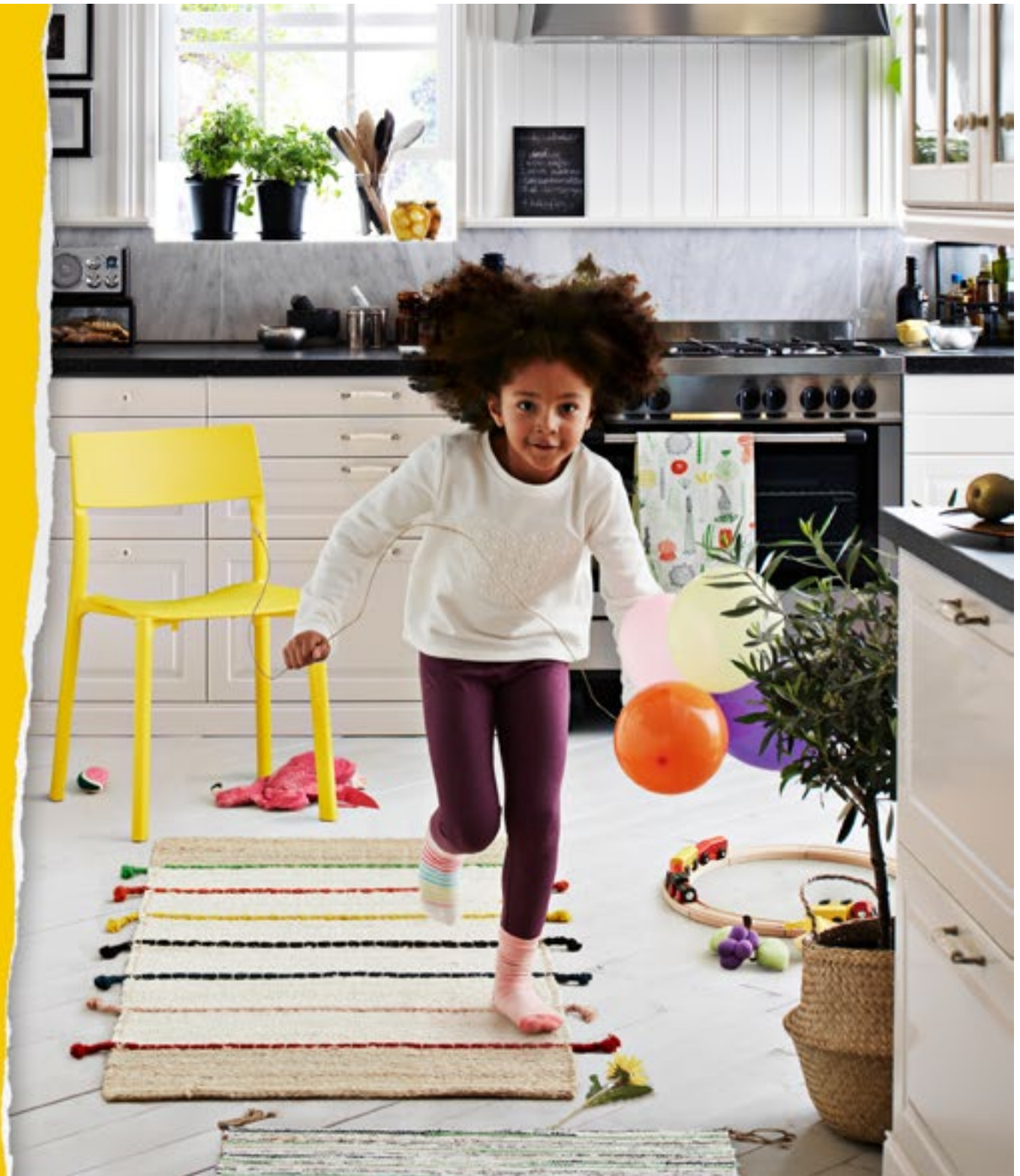
EQUITY AND LIABILITIES

(in millions of Euros)	FY16	FY15
Group equity	38,907	34,896
Long-term liabilities	1,385	2,061
Other non-current liabilities	1,908	1,971
Total non-current liabilities	3,293	4,032
Short-term liabilities	5,126	4,880
Other payables	6,641	6,204
Total current liabilities	11,767	11,084
Total equity and liabilities	53,967	50,012



GOVERNANCE, MANAGEMENT AND SUPERVISORY BOARD

Entering FY17, IKEA Group has a new global organisation in place and a clearer role that allows a stronger focus on the customer, growth and the ability to stay ahead of a rapid changing retail market. By using our resources and capabilities in new ways, we can make IKEA more accessible to more customers and deliver to our vision of creating a better everyday life for the many people.



AN IMPROVED IKEA FRANCHISE SYSTEM FOR LONG-TERM GROWTH: **PRODUCT DEVELOPMENT, SUPPLY CHAIN AND PRODUCTION COMPANIES TO INTER IKEA GROUP**

One brand – many companies

IKEA is one brand used by many companies under a franchise system established in the 1980s. Inter IKEA Group is the franchisor and owner of the IKEA brand and concept. IKEA Group is the largest franchisee with approximately 90% of IKEA sales and 340 stores in 28 countries. IKEA Group and Inter IKEA Group are two independent groups of companies with separate management and owners. In total, there are 389 IKEA stores in 48 countries worldwide operated by 13 franchisees under franchise agreements.

An improved franchise system with clearer roles

IKEA Group and Inter IKEA Group have always been in dialogue about how to develop IKEA into the future. Historically, the product development and supply chain companies have been owned and operated by IKEA Group under a non-exclusive assignment from Inter IKEA Group. As of 31 August 2016, Inter IKEA Group became the new owner of these companies through sale of shares. The production companies were also included in the transaction as production

is closely linked to both product development and the supply chain.

The change of ownership simplifies and improves the IKEA franchise system, enabling the two groups of companies to focus on their respective core businesses and creating better conditions for long-term growth. This move follows the logic behind the franchise system that was once drawn up. With the new set-up IKEA Group will have an even stronger focus on the customer and on development of multichannel retailing and distribution.

Peter Agnefjäll, President and CEO, IKEA Group, explains, "In a rapidly changing retail landscape this is an exciting agenda full of opportunities that requires all our attention. IKEA Group and Inter IKEA Group will continue to be strategic partners in development and innovation - we contribute to the same one IKEA brand and share the same vision and roots. And even though we are two independent groups of companies, with different management and owners, we depend on each other's success".



IKEA GROUP GOING FORWARD

As we look to the future, we will be able to focus even more on our customers and accelerate the process to roll out multichannel in all our markets.

"During FY16, we took the first steps in the work where we defined how we lead, work and organise going forward. Our direction ahead is clear: The strategic focus is on home furnishing multichannel retailing. This means that we will create an even better customer experience going forward and that everyone will have an even stronger focus on the customer and on our ability to grow", says Peter.

"Our opportunities are great. Many people across the world don't yet have access to IKEA. In most of our markets we are still relatively small, and we have good opportunities to continue to grow in the countries where we operate. With more than 783 million visits to our stores, 2.1 billion visits to IKEA.com and 425 million visits to our shopping centres, we are well positioned and still just at the beginning of our journey", Peter continues.

"However, if we merely continue as we are today, we will not keep up with the changing expectations of our customers. Their expectations are constantly rising. We need to give every customer a fantastic experience – online, in the stores and when they use our products at home", says Peter. Our new direction will truly put our customers centre stage.

GROWING IKEA TOGETHER 2020+

In order to better reflect the new role and strategic priorities for IKEA Group, we have updated our long-term direction. A few elements are new, now when we have started our journey towards becoming the world's leading multichannel home furnishing retailer. But our starting point remains the same: We are here to create a better everyday life for the many

people. Peter Agnefjäll says, "We have a positive view on the future! But growth will not come by itself. By working together, we can achieve a lot and develop IKEA further – customer by customer, and market by market".

Growing IKEA Together 2020+ is the IKEA Group direction with a holistic growth agenda, reflecting

our role and strategic priorities. The direction is built on the same strong foundation as earlier directions – and is reinforced with an even stronger customer focus; the positioning of IKEA as a unique, meaningful and trusted brand, company and employer, and the transformation into a multichannel retailer on all markets.

NEW ORGANISATIONAL STRUCTURE

In order to better support our customer focused multichannel strategy, our management structure has been updated. This change enables us to strengthen our focus on what is really at the heart of our business – our customers.

Going forward, we will deliver world-class customer experience through improved cooperation between our core areas Retail, Customer fulfilment and

Centres, and together work to support expansion and customer experience in all touch points. The restructuring also means that we simplified our decision-making structure by eliminating one management layer, in order to avoid double decision-making. With the changes now in place and effective as of 1 September 2016, the new structure better supports customer-centric growth and makes IKEA accessible to many more people.

THE FUTURE BRINGS NEW OPPORTUNITIES

Change brings us new opportunities. We have a fantastic vision that inspires and guides us. People's needs and dreams of a better everyday life are at the heart of everything we do, and our new structure better enables us to deliver on that vision. By understanding and responding to changes in society and in people's lives, we will discover new opportunities to meet the needs of the future. It is a transformational change where the IKEA stores will continue to be at the heart of our operations and will continue to play a fundamental role as our most important touch point in a multichannel IKEA – stimulating interest in home furnishing and connecting with people.

Stores are planned to be opened in new countries such as India and Serbia, with rapid expansion plans. As our e-commerce solutions expand into all our markets, logistics and distribution become even more important to help meet customers in even more efficient ways.

Our journey to become the world's leading multichannel home furnishing retailer has just begun. Most things still remain to be done. And everyone is needed. What a glorious future!



OWNERSHIP STRUCTURE

The IKEA Group of companies (Ingka Holding B.V. and its controlled entities) has an ownership structure that ensures independence and a long-term approach. Stichting Ingka Foundation in the Netherlands is our owner, and its funds can be used in only two ways: it can be reinvested in the IKEA Group or donated for charitable purposes through the Stichting IKEA Foundation.



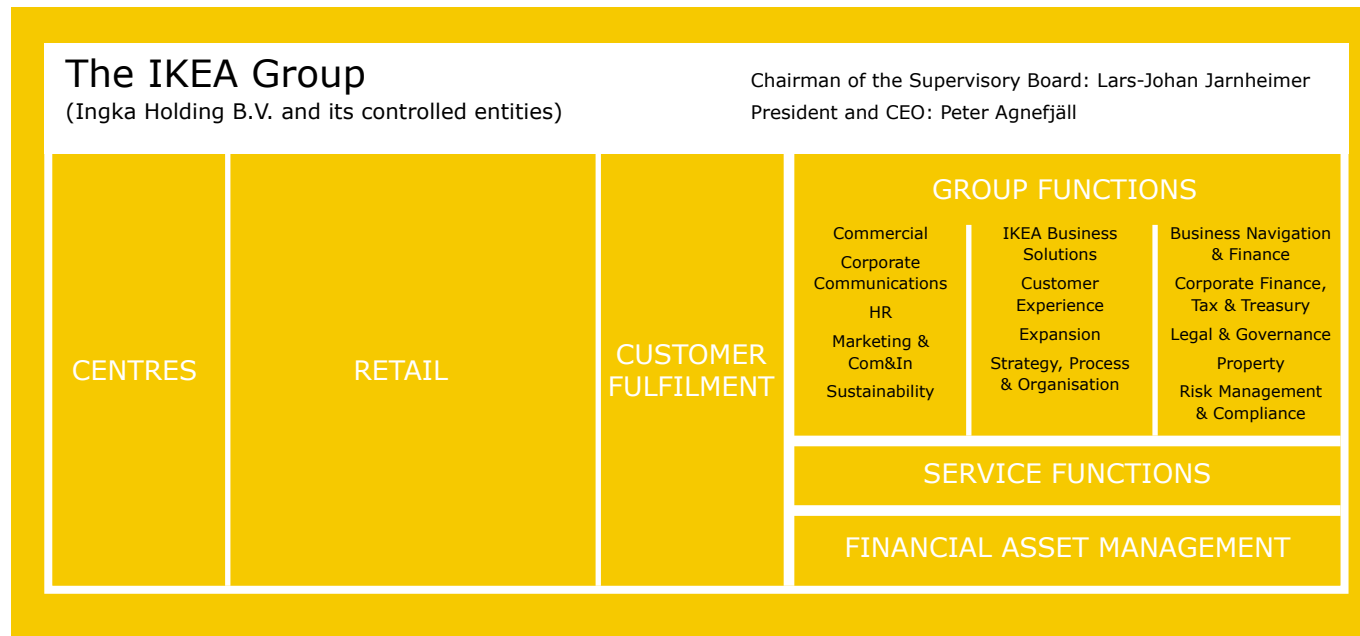
IKEA GROUP OF COMPANIES

Ingka Holding B.V. is the parent company of the IKEA Group, located in Leiden, the Netherlands. As per 31 August 2016, the Supervisory Board consists of: Lars-Johan Jarnheimer (Chairman), Jon Abrahamsson Ring*, Stina

Bergfors, Tore Bertilsson, Luisa Delgado, Jonas Kamprad, Göran Lindahl, Mark Newton-Jones*, Lone Fønss Schrøder and Ian Worling*. Ingvar Kamprad, the founder of IKEA, is senior advisor to the Supervisory Board. The

IKEA Group is led by its President and CEO, Peter Agnefjäll, together with the Group Management team. The IKEA Group operates distribution and customer distribution centres, shopping centres and stores.

*New member of the Supervisory Board from 29 November 2016



SALE OF PRODUCT DEVELOPMENT, SUPPLY CHAIN AND PRODUCTION COMPANIES

In May 2015, IKEA Group signed a letter of intent to sell its product development, supply chain and production companies, (IKEA of Sweden AB, IKEA Supply AG and IKEA Industry Holding B.V. and other connected companies) to Inter IKEA Group. The new structure simplifies the IKEA franchise system and allows IKEA Group* to focus even more on the customer and on development of multichannel retailing and distribution.

The transaction was completed according to plan on 31 August 2016 and the transfer of ownership was made through sale of shares. As a result, some 26,000 co-workers became part of the Inter IKEA Group.

*As of 31 August 2016, the IKEA Group consists of three core businesses: Retail, Shopping Centres and Customer fulfilment.

THE IKEA GROUP OPERATES STORES UNDER FRANCHISE AGREEMENTS

The IKEA Group is one of 13 franchisees, operating IKEA stores under franchise agreements with Inter IKEA Systems B.V., the owner of the IKEA Concept and the worldwide IKEA franchisor. Inter IKEA Systems B.V. is based in the Netherlands and owned by the Inter IKEA Group. Inter IKEA Group and IKEA Group are two separate groups of companies with different management and different owners. All IKEA franchisees pay a 3% franchise fee to Inter IKEA Systems B.V. The franchise fee gives us, as an IKEA retailer, the right to operate stores under the IKEA Concept and IKEA brand. It grants access to systems, methods and proven solutions as well as staff trainings, manuals and updates of the IKEA concept such as store layouts, fittings and display concepts.



NORTH AMERICA

- 54** Stores
- 6** Pick-up and Order Points
- 7** Store Distribution sites
- 6** Customer Distribution sites

EUROPE

- 235** Stores
- 14** Pick-up and Order Points
- 24** Shopping Centres
- 16** Store Distribution sites
- 14** Customer Distribution sites

RUSSIA

- 14** Stores
- 14** Shopping Centres
- 1** Store Distribution site

ASIA

- 30** Stores
- 2** Pick-up and Order Points
- 3** Shopping Centres
- 5** Store Distribution sites

AUSTRALIA

- 7** Stores
- 1** Store Distribution site

RETAIL AND DISTRIBUTION

It takes a well-planned global network to distribute IKEA products in an efficient and cost-effective way. Each facility across the world plays an important role in making IKEA products available to customers.

340

IKEA Group stores
located in 28 countries¹

¹The IKEA Group operates 340 stores in 28 countries under franchise agreements with Inter IKEA Systems B.V. In addition there are more than 40 stores run by other franchisees.

GROUP MANAGEMENT



Top Row, left to right

Giny Boer, Retail region South & East Europe
 Steve Howard, Sustainability
 Claudia Willvonseder, Marketing and Com&In
 Peter Agnefjäll, CEO & President
 Gerard Groener, Centres
 Marcus Baumgartner, Customer Fulfilment

Bottom Row, left to right

Karin Sköld, CEO Assistant
 Stefan Sjöstrand, Commercial
 Michael Ward, Retail region North America & Scandinavia
 Petra Hesser, Human Resource
 Mikael Palmquist, Retail region Asia Pacific
 Olivia Ross Wilson, Corporate Communications
 Jeanette Söderberg, Retail region Central & West Europe
 Lotta Lyrå, Development & Expansion
 Alistair Davidson, CFO

SUPERVISORY BOARD



Left to right

Lars-Johan Jarnheimer, Chairman
 Tore Bertilsson, Board member
 Ingvar Kamprad, Senior Advisor to the Board
 Stina Bergfors, Board member
 Lone Fønss Schrøder, Board member

Luisa Delgado, Board member
 Göran Lindahl, Board member
 Jon Abrahamsson Ring, Board member*
 Mark Newton-Jones, Board member*
 Jonas Kamprad, Board member
 Ian Worling, Board member (not pictured)*

*New member of the Supervisory Board from 29 November 2016

