



YEARLY | IKEA GROUP SUMMARY FY15





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.

Great design, quality and affordability for all

THE IKEA VISION

"To create a better everyday life for the many people". This is the IKEA vision and it guides us in every aspect of our business, from design idea and production, through to our stores, customers and beyond.

We work hard as a team to offer quality products at affordable prices for our customers.

This involves optimisation of our entire value chain, building long-term supplier relations, investing in new technologies, creating efficient production techniques and producing large volumes. Our vision goes beyond home furnishings – we want to create a better everyday for all people touched by our business.

Our roots

Our roots lie in the rugged landscape of Småland in Southern Sweden, where IKEA was founded seven decades ago. 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 idea and although the IKEA Group is now a global company, our values remain the same.

Going forward, it is our culture of enthusiasm, togetherness and willpower 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. And all around the world co-workers who share our values make IKEA what it is today and will be tomorrow.

THE STONE WALL – a symbol for IKEA

Where we come from, people used the countless stones they cleared to grow crops, to build walls around their farmlands as a way of keeping the animals out. This thriftiness and innovation perfectly symbolises the IKEA spirit today: turning problems into possibilities.

“I’m still inspired by the IKEA vision”

“When I started I was amazed by the IKEA culture, like simplicity, honesty and straight-forwardness,” says Urszula Wilczak, the first cashier hired when IKEA opened its first store in Poland 25 years ago. “It was fantastic to work in a company where values were important, and to see that these values were not only talked about, but they were lived by every day – like when I watched our store manager work hand in hand with us on the sales floor. This human part of the company is something I really believe in, and it is in line with my own values.”

For Urszula, the iconic stone wall in Småland is a symbol of the simplicity, hard work and beauty that IKEA stands for. “At IKEA we dare to try new things and we are allowed to make mistakes while trying,” she says.

“I am really grateful for all the fantastic, diverse, supportive people I’ve met at IKEA. People who share my values, people I’ve learned from, and people I have helped to develop. I feel lucky – I’ve never had a dull moment to think about changing companies. I have been part of a fantastic IKEA journey.”



Urszula Wilczak
Store Manager,
IKEA Targówek, Poland



Seok Hwang
National Purchaser,
IKEA Indirect Material
Services, South Korea

“We dare to be different”

“IKEA is different from other companies I’ve worked at,” says Seok Hwang, who joined IKEA Korea in 2014 as a national purchaser at IKEA Indirect Material Services.

“Other employers don’t let you be different, which makes it difficult to be innovative or to respond to customer needs. Here I am challenged to be different, to step out of my comfort zone.

That’s one of the key strengths of the company. It’s how we find different ways of doing things and offer a better service to customers.”

Seok aims to make the most of the opportunity and to progress to a senior leader: “I want to develop as a person and stretch my leadership skills. My co-workers have been a great support when searching for ways of doing things differently. And the more I learn, the more I want to be an ambassador and spread the IKEA values.”



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The financial year 2015 (referred to as FY15) of the IKEA Group of companies (INGKA Holding B.V. and its controlled entities) refers to the period between 1 September 2014 and 31 August 2015.

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



» **We are in a good place for the future, always on the way. Together we build a better IKEA, taking on challenges and opportunities that lie ahead.** «

Together we build a better IKEA

Thanks to all our fantastic co-workers, we've had another year of strong growth and I am very happy to see the good steps we are taking to fulfill our strategy "Growing IKEA Together – 2020". Now, half way through the journey, much has been accomplished and by working together, we will continue to offer our customers improved products and a better experience.

Sales (translated into Euro) increased by 11.2% to €31.9 billion and together with the rental income from our shopping centre business, total revenue increased by 11.5% to €32.7 billion. Most of the growth came from comparable stores, but also from reaching more people through new stores and services, from expanding online and by creating meeting places for the future in our shopping centres.

By investing responsibly, we have reached important milestones and I'm really proud of our determination to make more sustainable products and solutions affordable and available. In 2012 we decid-

ed to switch our entire lighting range to LED, which we succeeded to do in September 2015, enabling millions of households to save energy and money on their energy bills. We have decided to go "all-in" to tackle climate change. As an example, IKEA Group and IKEA Foundation committed to a total of €1 billion for climate action, consisting of €600 million by IKEA Group for investment in renewable energy, building on the €1.5 billion invested since 2009, and €400 million by IKEA Foundation to support communities most impacted by climate change.

We are in a good place for the future, always on the way. Together we build a better IKEA, taking on challenges and opportunities that lie ahead, continuing to be a positive force in society by demonstrating social commitment and growing in a sustainable way.

Peter Agnefjäll,
President and CEO, IKEA Group



IKEA GROUP AT A GLANCE FY15



54 million
Visits to the catalogue app

An increase of 17% compared to FY14.



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.



Operations in 43 countries

In addition to our 328 stores in 28 countries, at the end of FY15 we had 27 Trading Service Offices in 23 countries, 33 Distribution Centres and 15 Customer Distribution Centres in 17 countries, and 43 IKEA Industry production units in 11 countries.

€3.5 billion
Net profit

An increase of 5.5% compared to FY14.



Bed & Bath

With our focus on "Bed & Bath" we provided the many people with solutions for a better start, and end, to their day.

1.9 billion
Visits to IKEA.com

An increase of 21% compared to FY14.



€1 billion
Online sales
across 13 countries

€31.9 billion
Total sales FY15

Total sales translated into Euro increased by 11.2% to €31.9 billion.

FY05	FY14	FY15
14.9	28.7	31.9

Billions of Euros

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.

771 million
Store visits

An increase of 7.7% compared to FY14.

450 million
Shopping centre visits

to our 65 retail destinations.



€1.6 billion
IKEA Food turnover

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

€1 billion
For climate action

Made up of an IKEA Group commitment of €600 million for investment in renewable energy, building on the €1.5 billion invested since 2009, and a €400 million commitment from the IKEA Foundation, to support communities most impacted by climate change.

328

IKEA Group stores

We opened 13 new stores in 9 countries.

FY05	FY14	FY15
196	315	328

Number of IKEA Group stores*

We opened three new pick-up and order points – in Spain, Norway and Finland – and entered a new market: South Korea.

*There are also more than 40 IKEA stores operated by franchisees outside the IKEA Group.

155,000

Co-workers

RETAIL
116,500
INDUSTRY
20,500
RANGE & SUPPLY
18,000



All-in for more sustainable sources

Now all of the cotton we use for our products comes from more sustainable sources¹.

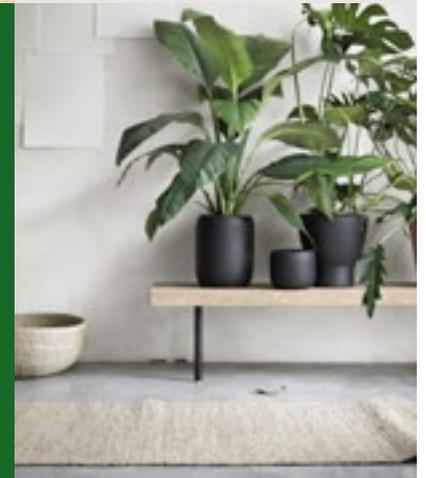
In FY15, 50% of our wood came from more sustainable sources², and we are aiming for 100% by 2020.

¹ Cotton from more sustainable sources includes cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton; and more sustainable cotton from the USA (such as the 'e3 Cotton Program').
² More sustainable sources for wood are currently defined as FSC™-certified or recycled wood.

978

Suppliers

By the end of FY15 we had 978 home furnishing suppliers in 50 countries. We form long-term partnerships with suppliers: on average 11 years.



HIGHLIGHTS OF THE YEAR

CELEBRATING STREET ART

We celebrated street art in our "Art event 2015" and made the work of 12 international street artists available for our customers. This brought street art at an affordable price from various locations around the world into the homes of the many people.



**HEALTHIER, MORE SUSTAINABLE
VEGGIE BALLS**

With our new Veggie balls, we are offering an even wider variety of healthier and more sustainable food in our restaurants and bistros. And with a carbon footprint of just 5% of that of traditional meatballs, they are better for the planet too.



**MAKING LIFE SIMPLER
WITH CORDLESS CHARGING**

Our new cordless charging solutions were first introduced in our stores in April 2015. The "Home smart" collection's beautiful and functional home furnishings such as bedside tables, lamps and desks double as charging spots for mobile phones and tablets.



LEADING THE WAY IN GENDER EQUALITY

IKEA Switzerland was the first company worldwide to achieve the highest level of EDGE (Economic Dividends for Gender Equality) certification. This global standard evaluates equal opportunities for men and women in areas such as pay, recruitment and promotion, leadership development training and mentoring, flexible working and company culture.

SOUTH KOREA – A NEW MARKET

In December 2014 we opened our first South Korean store, IKEA Gwangmyeong, in Seoul. In square metres, it's the largest IKEA store in the world so far, and Seoul residents were keen to find out what we have to offer – in the first 100 days, the store had 2.2 million visits.



Life in the kitchen

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. This year we surveyed 11,000 people's habits and attitudes to food in big cities around the world, like Shanghai, New York, Berlin and London and published them in our Life at Home report.

AMONG MANY THINGS, WE LEARNED THAT...

...54% of Stockholmers say they cook at home almost every day during the week, compared with only 38% of Berliners.

...33% of Mumbaikars frequently use their mobile phones while eating with others, compared to 9% of Parisians.

...9 out of 10 parents say they involve their kids in food preparation (the most common activity is clearing away the dishes).

...diners are most adventurous in Shanghai, where 78% say they enjoy trying new food a lot.

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

Handmade for a social change

As part of our long-term partnerships with social entrepreneurs around the world, we launched five limited edition collections co-created with social enterprises in India, Thailand, USA and Den-

mark. By working together, we enable more than 2,000 artisans to earn higher and more stable incomes by selling traditional handicrafts in our stores.



Powered by nature

Another 30 windmills were taken into operation in Härjedalen, Sweden, in May 2015, which means we are now energy independent in the Nordic countries. This takes us another step closer to achieving our goal of producing as much renewable energy as we consume in our global operations by August 2020.



€ 105 million

was set aside in FY15 for the co-worker loyalty programme Tack! Since it was introduced two years ago, a total of €305 million has been allocated. (Read more on this additional contribution to our co-workers' pension funds on p. 44).

65

retail destinations

Following the acquisition of the Inter IKEA Centre Group and IKANO Retail Centres, the new company IKEA Centres today has 65 retail destinations.



64 million

LED bulbs sold. Switching to LED light bulbs is a great way to save energy and money because they can last up to 20 years and use up to 85% less energy than traditional incandescent bulbs. Now our whole lighting range is LED or compatible with LED bulbs and we aim to offer the lowest price LED bulbs and built-in LED lamps on the market.



SUSTAINABLE GROWTH

By responding quickly to our customers' dreams and needs for a better life at home, we will continue to grow our business. We still have a lot to learn about our customers, so we constantly challenge ourselves to be even more relevant by creating high quality, affordable home furnishings and make long-term investments in our business, people and planet.

31.9

billion

In FY15 our sales grew to €31.9 billion, up 11.2% compared to FY14.

Creating sustainable growth

FOR US, GROWTH IS CLOSELY LINKED TO UNDERSTANDING PEOPLE'S LIVES AT HOME. WE IMPROVE OUR KNOWLEDGE WITH CONSUMER RESEARCH AND BY VISITING CUSTOMERS IN THEIR HOMES TO SEE HOW THEY LIVE. THESE INSIGHTS ARE USED TO IMPROVE OUR RANGE AND SERVICES, AND TO DECIDE ON LONG-TERM INVESTMENTS IN SUSTAINABLE GROWTH.

With people and their homes at heart, we look into global trends and always ask ourselves: "How do people live today, and how will they live tomorrow?" In some parts of the world, many of us will soon be living in big cities, in smaller homes without our own cars. We will live longer, and more of us will live alone or with many generations all in one household.

As part of our constant research to improve our understanding of how people live, we visit thousands of homes around the world every year. By better understanding our customers and involving them in our product development process, we can make products and solutions that they really want and need. And by continually exploring new ways to use materials and more effective production techniques, we are

able to make better and more affordable products.

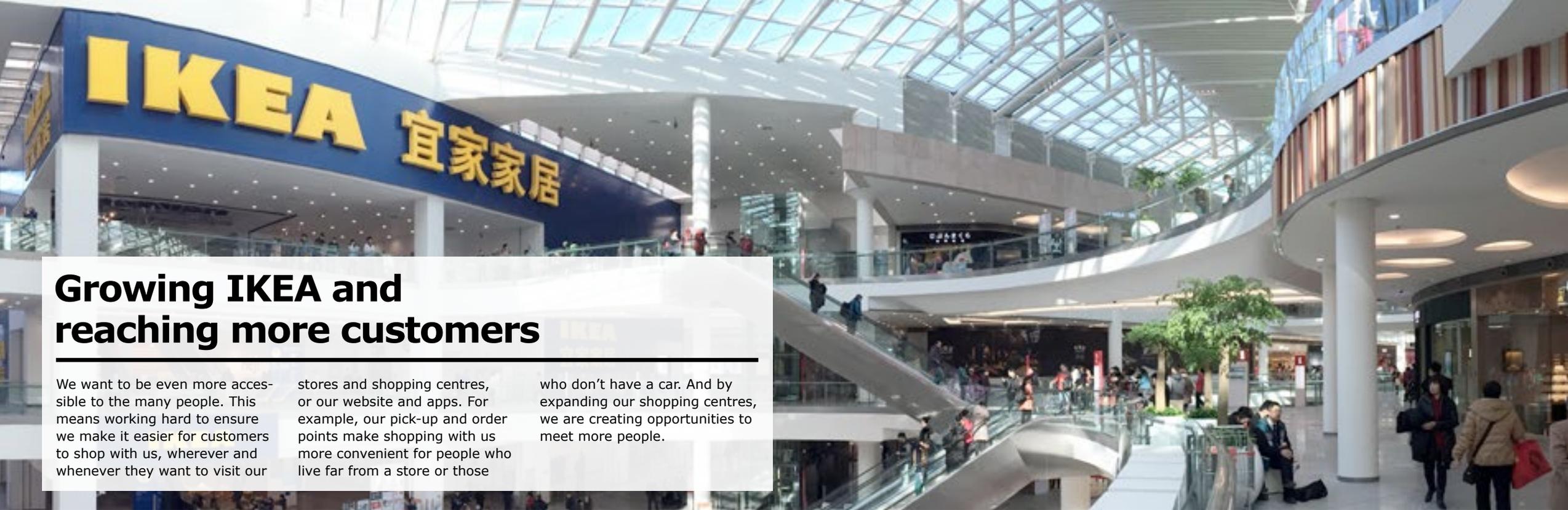
We use the same approach when we develop our yearly themes. The aim for last year's theme, "Bed & Bath", was to provide our customers with better solutions for how they could have a better start, and end, to their day. With the insights from our research we worked with partners throughout our whole value-chain, which enabled us to offer new and improved bedroom and bathroom products and solutions – a significant contributor to our growth in FY15.

With 328 stores in 28 countries we are still small in most markets, and we see many opportunities to grow. Our long-term thinking means we can make important investments in the things our customers want and expect from us, now and

in the future. For example, our new store formats and services make it easier for customers to visit IKEA by public transport, collect products near their homes, or have them delivered. We want to be accessible to people whenever and wherever they want, so we continue to develop our online platforms for a better shopping experience. In addition, we keep making investments across our value chain to enable us and our customers to have a positive impact on people and the planet.

By collaborating with customers, suppliers, NGOs, governments and other partners, we can develop a much deeper understanding of what they will need from us in the future. We know that however much we grow, our success will come from our focus on people, their homes and making their life better.



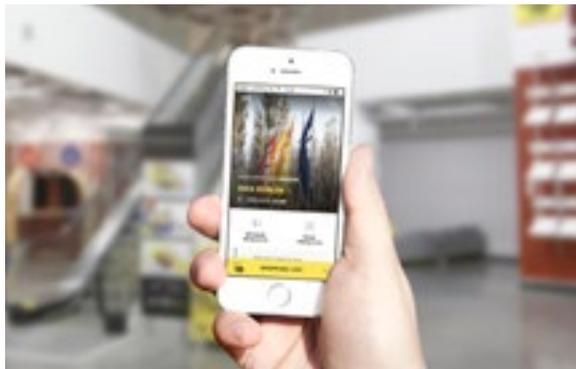


Growing IKEA and reaching more customers

We want to be even more accessible to the many people. This means working hard to ensure we make it easier for customers to shop with us, wherever and whenever they want to visit our

stores and shopping centres, or our website and apps. For example, our pick-up and order points make shopping with us more convenient for people who live far from a store or those

who don't have a car. And by expanding our shopping centres, we are creating opportunities to meet more people.



SHOPPING CENTRES

We now operate 40 shopping centres and 25 retail parks, and we have 20 projects in the pipeline across several markets.

These family-friendly shopping centres all have an IKEA store as one of the main attractions. The LIVAT centre, adjacent to the IKEA Wuhan store in China, had more than 5 million visits from its opening on 30 April to the end of August 2015.

ONLINE

Online sales through our website and apps exceeded EUR 1 billion in FY15.

Currently, we offer online shopping in 13 of our 28 retail countries. We are continually exploring how we can expand and improve the ways our customers can find out about our products and be inspired by our range through digital channels, such as our website, apps and catalogue.

PICK-UP AND ORDER POINTS

Our three new pick-up and order points in Spain, Norway and Finland enable customers to see and buy selected products from our range, as well as collect pre-ordered purchases.

New stores in FY15:

- Kansas City, Merriam, USA
- Wuhan, China
- Seoul, South Korea
- Zwolle, the Netherlands
- Hamar, Ringsaker, Norway
- Bremerhaven, Germany
- Sydney, Marsden Park, Australia
- Hangzhou, China
- Mulhouse, Morschwiller, France
- Bydgoszcz, Poland
- Kaiserslautern, Germany
- Bayonne, France
- Xi'an, China



From research on life at home to products in stores

LIFE AT HOME CAN BE VERY DIFFERENT FOR OUR CUSTOMERS AROUND THE WORLD. WE ARE CONSTANTLY LEARNING ABOUT THEIR NEEDS AND DREAMS TO PROVIDE MORE RELEVANT PRODUCTS AND SOLUTIONS FOR A BETTER LIFE AT HOME.

Life at home can be very different for our customers around the world. But some things are the same: home is a place to sleep, eat and store things. Through extensive research – including visiting homes and interviewing customers – we discover even more about how people live, and some of the findings are published in our "Life at home" report.

Last year we learned that the bedroom is the place where we contemplate our day and recharge for the next. And the bathroom can be a hectic crossroads, often

meeting many different needs within one household. These are important spaces in every home, no matter how big or small, or where in the world. That is why in FY15 we focused on the bedroom and bathroom – where every day starts and ends, and where people can be private, rest and relax.

We further developed our range of products for these areas, including new bedroom series, bathroom accessories and textiles to provide more space, storage and comfort. We also rebuilt the room sets in most of our stores to

ensure they more closely reflected real life for households in the local market. Co-workers across every part of the IKEA Group had an important part to play. With extra training and more co-workers available in the bed and bath areas of our stores, we provided visitors with further information about improved products, like our new mattresses and quilts for a good night's sleep. By working together, we exceeded our sales target while enabling millions of customers to update and improve their bedrooms and bathrooms.

8.6

million mattresses
We sold enough mattresses for 8.6 million people to get a good night's sleep, along with 26 million pillows.

213

million catalogues
With 213 million copies printed in 32 languages, we brought inspiration and ideas to millions of households around the world.



Lidia Reixach,
Sales Leader Bathroom,
IKEA Spain

"The Swedish word KRAFTSAMLA means concentrating everyone's efforts and doing things together, to get results. This was the spirit that got all of us at IKEA Spain excited and active in making our 'Bed and Bath' campaign such a big success.

Of course, we started with the customer. Taking all our insights from the Life at Home research, and conducting our own interviews and home visits, we made sure we really understood where we could make life easier. Then we created inspiring room sets and experiences in stores to give visitors the ideas and support they needed, including a complete service package to support the total shopping experience. This was critical because we had learned that these services were very important to our customers. By responding to their feedback, we made our products and solutions even more accessible and affordable for consumers facing tough economic times in Spain.

Again, our co-workers were the stars. We made a special effort to create better communication and training to make sure every co-worker could play their part. We developed the project together from the start and this meant we could achieve a lot. I'm pretty sure the KRAFTSAMLA spirit is here to stay!"



Retail, distribution and production

It takes a well-planned global network to manufacture and 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.



¹ At the end of FY15, there was a total of 375 IKEA stores in 47 countries operated under franchise agreements with Inter IKEA Systems B.V. Of these, 47 stores were operated by franchisees outside the IKEA Group.

² Includes IKEA Industry which accounts for 11% of the total production with 43 production units in 11 countries



Purchasing value is the total volume of home furnishing articles purchased from suppliers. It includes both our own IKEA Industry production units and external suppliers.



DEMOCRATIC DESIGN

Everyone has the right to a better everyday life. This belief steers everything we do and it is why we want all of our products to have great form, function and quality, be produced sustainably and to enable a more sustainable life at home – all at a low price. We call this Democratic Design.



Making everyday life better

WE MAKE EVERY PRODUCT WITH DEMOCRATIC DESIGN PRINCIPLES IN MIND. IT'S WHAT MAKES OUR RANGE UNIQUELY IKEA.

Democratic Design is an idea with five dimensions – form, function, quality, sustainability and low price – and provides endless possibilities for developing the IKEA product range and making life at home better and more sustainable.

Form is about the beauty of each thing, and also about how much better life becomes when you feel good about being at home.

Function is not only about how

well each thing works, but about how those things make everyday life easier and more meaningful.

Quality is about lasting longer and ageing gracefully, and also about how much easier things become if the home can withstand the wear and tear of the everyday. When people can choose things that fit the ever-changing demands of life, then everyone will have good, long-lasting experiences.

Sustainability is not only about

producing in a way that's good for the planet, but also about how life at home can become a way of having a positive impact on the planet.

We always aim to exceed our customers' expectations with new designs, function, sustainability, good quality and a low price – but not at any price. Sourcing more sustainable raw materials and supporting good working conditions are a prerequisite for sustainable business.

Creating the NORRÅKER dining series

"We used the five elements of Democratic Design whenever we met a design challenge," says Jon Karlsson who co-designed the NORRÅKER dining series with Nike Karlsson.

Combining great quality craftsmanship with a familiar, homey feel, the chairs and table in the series are fine examples of Democratic Design. The visible fittings make assembly easier and enable us to offer the products to customers at a low price.

"Tough technical demands for public use in restaurants resulted in a special look, a form that gives NORRÅKER a traditional feel with a modern Scandinavian expression," says Nike.

The design team integrated smart and user-friendly functions. "The stackable chairs save space and the rounded table corners make it safer for kids to run around. The hardwearing surfaces withstand stains, and they are made out of sustainable, 100% renewable material," says Jon.

But no matter how great the quality, the product won't sell unless it is also beautiful and affordable. That's why we chose solid birch, a wonderful sustainable wood at the right price.

9,500 products

We offer around 9,500 products, and every year we renew and refresh our range with around 2,500 products so there is always something new to discover.

» At every crossroad the team has to agree on the best possible choice, based on all five elements of Democratic Design. The design process is truly inclusive, with everyone contributing. «

Nike Karlsson
Designer



Limited Collections

We always want to offer our customers new, beautiful and inspiring products. Last year we launched 12 design collections globally, on top of seasonal changes and new product families that were added to our range.

The SPRUTT collection of storage, organisers and accessories makes the busiest times of day easier. It is super functional, has a graphic look and an affordable price.



Getting under the skin of Democratic Design

MARCUS ENGMAN SHARES HIS INSIGHTS ON HOW WE PUT DEMOCRATIC DESIGN PRINCIPLES INTO PRACTICE EVERYDAY.

"We don't only make things – we make things better," says Marcus Engman, Design Manager, IKEA of Sweden.

"Democratic Design (see image page 30) is one of the tools we use to achieve our vision to create a better life for the many people," says Marcus.

Most IKEA products are designed in Älmhult or at our product development centres in Asia, and many of them are further developed together with our suppliers

directly on the factory floor.

"Our starting point is to define what the key elements of the process mean for the product. Then we must find a way to balance the often contrasting demands of form, function, quality, sustainability and a low price.

"For example, our research shows that customers view quality in different ways, depending on the product and how they intend to use it. We always check what's on people's



Marcus Engman
Design Manager,
IKEA of Sweden

minds when it comes to quality.

"The toughest challenge is achieving a low price to make the product affordable. There are no shortcuts because there is a set cost for important raw materials like steel or wood. So we need to be very smart in how we choose and use those materials to maintain the quality and sustainability dimensions, while keeping the price low.

"Part of the recipe is working together as a team, close to the fac-



Democratic Design Day

In May 2015, hundreds of journalists, bloggers and influencers in interior design and home furnishing gathered in Älmhult for the second annual Democratic Design Day.

They were there to meet our designers and get sneak peeks of new products and design ideas. "We want to create a feeling of stepping into the big collective brain that is IKEA – into our product and design universe. It can sometimes seem chaotic but it's always fuelled with great curiosity and creativity," says Marcus Engman, Design Manager at IKEA of Sweden.

Reviewing our range

In FY15, we reviewed and improved our basic range against Democratic Design principles. We were making sure that the range represents great design in every aspect – to make people's lives even better. Our 365+ range is designed for all types of food and any occasion. Reflecting changes in the way we live and eat, this new range makes every meal look beautiful, whether it's a bowl of cereal on the sofa or a special dinner with friends and family.



tory floor, and to our customers. IKEA has 15 in-house designers and approximately 150 on contract, plus engineers, packaging designers, materials specialists, product developers and communication experts. Everybody's contribution is so important.

"To have one really good idea you need to start with lots of ideas, and then you narrow them down. We call our way of working the 'Fun Funnel'. If you fail with one concept, you don't have to start all

over, you just go back and pick up one of the others. It's a faster way of working and much more fun.

"If 250 ideas for a collection go into the Fun Funnel you could get 100 prototypes but only 35 of those will become products that reach the stores. More and more products are developed directly on the factory floor, where the designers work closely with the production specialists and craftsmen to utilise existing technology, their experience and know-how to max-

imise each dimension of democratic design. In this way we can make quicker and better decisions.

"The process is totally transparent internally. In the Democratic Design centre, almost 2,000 products under development are on display, so that everybody can see what the other teams are working on.

"We are always working together in this way, using our collective creativity to make new and better products for our customers."

Innovation

WE ARE EXCITED BY TWO INNOVATIVE MATERIALS INTRODUCED TO OUR RANGE: THE REVOLUTIONARY M-BOARD AND NATURAL CORK.

A new take on an old material

We have fallen in love with cork again. It happened while searching for the perfect material for the SINNERLIG furniture collection launched in FY15.

Material and Innovation Developer Jan Ahlsén and British designer Ilse Crawford, re-introduced us to fabulous cork.

"It's natural, heat resistant, light, and repels dirt and stains. That makes it ideal for a table top prone to coffee and wine stains. It's also waterproof, easy to clean, and reduces noise," says Jan.

Cork comes from the bark of the cork oak tree and has been sustainably harvested for centuries by removing some bark during the summer when the tree is growing fast. The work is done by hand and the tree is not harmed in any way.

Cork is mostly used to make wine stoppers. We used the material made from the off cuts, which supported the cork industry to maximise its alternative usage.

A light material with heavy potential

Innovative thinking resulted in a new board with revolutionary environmental and economic benefits.

We have recycled our waste paper for many years, but now we are using it ourselves to make M-Board, while halving

the energy used in board making, reducing carbon emissions and cutting our manufacturing costs.

M-Board – "Miljöskiva" in Swedish, which means environmental board – is 100% recyclable and is as strong as boards such as MDF.

Most importantly, we have a sustainable material at a low price to feed into the Democratic Design process. The first products will be launched in 2016.



» When working with innovation, we try to bring people from different competency areas together. Factory managers, technical experts, designers and material experts work on the factory floor creating the products from the start, building prototypes, making mock-ups, and really getting to know the new materials. «

Johan Ejdemo
Range Development Leader,
IKEA of Sweden

» The new YTTRAN kitchen tap – with better design, construction, components and new packaging – is really appreciated by our customers and co-workers. «

Antony Smith
Product Development Engineer,
IKEA of Sweden



Quality matters

Think how many times you turn the kitchen tap on and off every day. We sold more than a million taps in FY15 and each one is guaranteed for 10 years – that demands top quality. All our products are tested in the development stages, using standard industry methods as well as our own trials that simulate the wear and tear of real life at home.

Then we constantly check the quality of our products in use by measuring customer satisfaction and collecting data on product returns. The feedback is used to continuously challenge ourselves to improve our customers' experience of our products. We took this approach with our kitchen and bathroom taps last year and

we are already seeing that customers like the changes we made.

To create a real movement, we set up a cross-organisational team to scrutinise the whole lifecycle from product development to delivering water in the home. This led us to make many changes, including more focus on quality by using better materials and components, different construction methods, and new ways of working in-house and with our suppliers. Then we toughened our tests to better reflect the everyday use of our taps.

It is early days, but the results look promising – customer satisfaction for kitchen and bathroom taps rose by 30 percentage points to 98%.

All IKEA taps help you save water and energy thanks to the mechanism that reduces water flow while maintaining pressure. To handle the high friction that occurs when changing the temperature of the water, the mixer tap has been equipped with durable ceramic discs.



» We wanted to enable more co-workers to see how home furnishing can improve life at home. By engaging and inspiring each other, we can become home furnishings ambassadors and meet our customers' needs better. «

Licca Li
Communication and Interior Design Manager,
IKEA China



Home makeovers inspiring co-workers in China

Co-workers at IKEA Retail China submitted stories about their dreams and frustrations with life at home as part of a national 'home makeover' competition. 110 lucky co-workers got the chance to make their dreams come true with the support of IKEA products and expert advice. Find out more about their experiences on [youtube.com/watch?v=Eb9sOrjlmz4](https://www.youtube.com/watch?v=Eb9sOrjlmz4)



Mia Lundström, our Life at home expert at IKEA India.

A leader in life at home

WE ARE DOING OUR HOMEWORK ON LIFE AT HOME IN INDIA BEFORE ENTERING THIS EXCITING NEW MARKET.

"We always look much more for the similarities than differences," says Mia Lundström. Until recently, Mia was the Creative Director of home furnishing at IKEA of Sweden and now she is our Life at home expert in India, where we are preparing to open our first stores.

"People have quite similar needs at home throughout the world. But of course there are differences such as the way they cook, how much space they have and their traditions and style preferences.

"My role in India is to fully understand life at home – we want to grow our business based on strong knowledge of what people want and need. We don't want to rush

things, so we do a lot of research and home visits to learn how people live. I'm very excited by the opportunity to enable a better, more sustainable life at home in this vibrant and culturally diverse country of 1.2 billion people.

"Connecting home furnishings and technology is an area where we have the biggest opportunity to inspire our future customers. The importance of technology in the home is changing fast, with more and more people owning multiple devices, even when space is limited and regardless of how much they earn.

"We are eager to support customers to overcome challenges linked to health too. We can provide solutions for reducing dust

and pollution – an important issue in India. And we can help with saving and cleaning water, which is a priority for many people.

"Besides rich, vibrant colours – a big part of the Indian culture – storage solutions are needed in small homes with many family members. I'm sure our children's range will be attractive considering how important children are in Indian households.

"We want to show a way for a better everyday life at home in a humble way across different markets. Our roots and way of thinking about home furnishings is all about enabling the many people to live better lives, no matter where we are in the world," says Mia.

Curious about more stories?



For more stories on IKEA products, home furnishing and the IKEA Concept, check the "Our year IKEA 2015", published by Inter IKEA Systems B.V. on www.IKEA.com/ouryear.

Inter IKEA Systems B.V. is the owner of the IKEA Concept and is the worldwide IKEA franchisor. IKEA of Sweden AB is assigned by Inter IKEA Systems B.V. to define the IKEA product range and develop the IKEA products.



A GREAT PLACE TO WORK

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. Because when our co-workers grow, so does IKEA.



The IKEA Wembley store is located close to the Wembley Stadium.

The road to Wembley

“MY SENIOR LEADER SAW SOMETHING IN ME, SOME POTENTIAL THAT I DIDN’T KNOW I HAD.”

Salma Azad was hesitant about being promoted at first – it happened so quickly! But this feeling did not last long. In just nine years, she has progressed from Swedish Food Market Manager at the IKEA Birmingham store, to Deputy Store Manager at the UK’s largest IKEA store in Wembley, London. Her success is a result of working closely with her team, getting the best out of every individual to reach their common

goal – and of managers who recognised her talent.

After developing her knowledge of IKEA through a range of positions in the store, Salma took part in the Next Generation Programme: “It was a real ‘Wow!’ moment for me,” she says. “It gave me a deeper understanding of the company.”

She started the programme at the same time as taking on a new role, which left her feeling over-

whelmed. “It became physically impossible to manage my new role as a Market Hall Manager and complete the Next Generation Project.” She knew she needed support, and she found it. “When I’ve felt challenged and pushed there has always been someone I could turn to. In this case it was my store manager who coached me through the process, helping me to prioritise and understand what I could set aside until later.”

It didn’t stop there. Salma enrolled in the Business Development Leadership Programme (BDLP) to develop her talent and leadership abilities even further. That first feeling of uncertainty seems a long time ago: “This programme has helped me look at how I lead, and as a result I’ve gained a lot, personally and professionally. Having people believe in you, while also supporting and challenging you, is how you grow.”

Our human resource idea
To give down-to-earth, straightforward people the possibility to grow, both as individuals and in their professional roles, so that together we are strongly committed to creating a better everyday life for ourselves and our customers.

Investing in our leaders

Next Generation Programme

Run by IKEA UK and Ireland, the 12 month programme provides opportunities to develop both organisational knowledge and leadership skills, using a learning in the business approach to accelerate development from Leading Others to Leading Leaders.

Business Development Leadership Programme (BDLP)

A nine month internal international course that supports future senior leaders to grow their talent. In FY15, 69 managers completed this in-depth programme.



When you grow, IKEA grows too!

Every one of our co-workers has unique ambitions and skills. We invest in their development based on indi-

vidual needs, so that they all have the opportunity to flourish during their time at IKEA.

» This programme has helped me look at how I lead, and as a result I’ve gained a lot, personally and professionally. Having people believe in you, while also supporting and challenging you, is how you grow. «



Salma Azad
 Deputy Store Manager,
 IKEA Wembley, UK

DIVERSITY AND INCLUSION – ACTIVITIES IN FY15

Our approach

Inclusion is everyone's job. We updated the IKEA Diversity and inclusion approach to support managers in continuing to create a diverse and inclusive environment that encourages everyone to be themselves. In FY16 we will roll out workshops on the updated approach to all co-workers, so that we can use the same approach when integrating diversity and inclusion into our business, and thereby reach our goal to be a truly inclusive workplace.

Gender equality

We have interviewed leaders, asked co-workers for their opinions and evaluated our human resources practices, to learn more about gender diversity at IKEA, and where we can improve. We found that there is a strong foundation, but that we can do more to track progress, ensure co-workers are aware of goals and practices and stay focused on achieving gender balance at all levels.

LGBT inclusion

We want lesbian, gay, bisexual, and transgender (LGBT) co-workers to feel respected, valued and appreciated for who they are – so we formed a workgroup to create a plan to support LGBT inclusion at IKEA. Work on this topic will continue and a LGBT inclusion plan will be developed in FY16. We will also be finalising our Human Rights and Equality Policy and Standards, which will include references to sexual orientation and gender identity.

Inclusion in practice

A TRULY INCLUSIVE WORKPLACE CONTRIBUTES TO OUR CREATIVITY AND BUSINESS RESULTS

Commitment to diversity and inclusion means respecting each co-worker's individuality and encouraging everybody's contribution. For Claudia Marshall, Distribution Area Manager North Europe, it's all about valuing the differences in her team.

But encouraging diversity doesn't automatically mean people feel included. Claudia takes the time to make sure all team members can contribute in whatever way they feel comfortable.

"I strive to create a work climate where everybody feels respected, supported and valued

for their participation and contribution to the business," she says. "The key is to make the most out of each individual's strengths. Accepting and appreciating our differences brings us together and improves our business results."

Originally from Germany, Claudia now works in Älmhult, Sweden, where she leads a management team of 10 people from Germany, Russia, Sweden and the UK. They are a diverse group, each with their own unique experiences. With their help, Claudia has managed to create an environment of genuine inclusion:



Claudia Marshall
Distribution Area Manager
North Europe

"Our meetings are intense because of the many different views represented – which lead to better discussions and more creativity. It makes our team stronger and better. Diversity and inclusion should not only be a phrase on a piece of paper, it's a mind-set and should be lived actively every day!"

More women in IKEA Industry

As a strategic, long-term investment to become more gender equal on all levels, IKEA Industry launched the Female Potential Programme. 17 female co-workers from seven countries were selected to attend this 12 month programme where learning on the factory floor is mixed with workshops on IKEA leadership fundamentals, culture and values. Each participant has a mentor and a coach supporting their development. The short term goal is to encourage participants to take on leadership roles after the programme.



» Today 22% of IKEA Industry leaders are women and the IKEA Group goal is 50%. Women make up half of the world's population and we want to attract more talented women to be leaders in IKEA Industry. «

Leif Hultman
IKEA Industry Manager

IKEA Switzerland – a world leader in gender equality

In FY15, IKEA Switzerland became the first company in the world to reach the highest level of gender equality certification from EDGE (Economic Dividends for Gender Equality) – the leading global standard for gender equality. EDGE assesses five areas: equal pay for equivalent work, recruitment and promotion, lead-

ership development training and mentoring, flexible working and company culture.

Simona Scarpaleggia, Country Manager, IKEA Switzerland, explains how certification has helped with the journey towards gender equality: "With the EDGE certification we had the opportunity to verify whether our

ambition to treat men and women equally at IKEA is a living reality. For example, we have tightened our company structure and culture to prevent pay gaps and underrepresentation of women in management positions, and to offer different career paths.

Gender diversity IKEA Group

(Share of women)

43% of the INGKA Supervisory Board are women (3 women)

33% of Group Management are women (3 women)

41% of Extended Group Management

48% of all managers are women

55% of all co-workers are women





The co-worker loyalty programme – TACK!

Tack! is our way of showing appreciation to our co-workers for their loyalty to IKEA 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.

€105 million

was set aside in FY15 for the loyalty programme Tack!

In FY15, IKEA Poland introduced an additional contribution to all 13,500 co-workers. Together with Tack!, this new contribution forms the IKEA Pension Plan. It is a unique benefit to our co-workers in Poland, where only 5% of employers offer this kind of benefit.

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.

A Living Wage for our UK and Ireland co-workers

In July 2015, IKEA UK was the first retailer in the country to announce it would pay the Living Wage as defined by the Living Wage Foundation from 1st April 2016. More than 50% of IKEA's 9,150 co-workers will be impacted by this wage increase. Gillian Drakeford, IKEA UK and Ireland Country Manager said: "As a values-driven organisation, we are guided by our vision to create a better everyday life for the many people, which of course includes our co-workers".



Frank Ricciardi
Sales, Bedroom
IKEA Conshohocken, Philadelphia, USA

» **The medical insurance offered by IKEA saved us. Not all companies take care of their co-workers and their families like IKEA does.** «

We're in this together

Frank Ricciardi is approaching 70, and has no intention of slowing down. "This is my passion," he says. "I love to serve the customers and I get a rush out of selling. The customer is everything to me, I really want to help them."

Frank sells beds at IKEA Conshohocken in Philadelphia, USA. After 15 years with IKEA he still thrives on the sales floor. He loves to greet people with humour, and he shares his joy of selling with customers and co-workers every day.

In return for all they contribute, we think it's important to share our success with co-workers – one way is through the One IKEA Bonus programme. "This is yet another reason why IKEA is a fantastic place to work," says Frank of the programme. "And doing my best on the sales floor every day is my way of showing my appreciation for IKEA."

Ten years ago, life changed for Frank. His partner Peter suffered a severe spinal cord

injury. Peter couldn't walk for two years and can never work again.

"The medical insurance offered by IKEA saved us," Frank says. "Not all companies take care of their co-workers and their families like IKEA does. Everybody should appreciate things like paid vacation, paid sick leave, the retirement fund and family leave – you just don't get this everywhere."

Frank has faced some challenging times, but he always looks forward to coming to work.

"All my friends are here, my co-workers are my family," he says with a smile. "When I fell and got injured last year they all came to my house to help me out. All I wanted was to get back to work again."

It's the culture and the people that make IKEA special to Frank, and that's one of the reasons he plans to be the first co-worker to keep on working until he's 100!



Teamwork is in our hearts

THE IKEA CULTURE AND STRONG TEAMWORK CAN BE SEEN AND FELT EVERYWHERE AT IKEA INDUSTRY NANTONG, AND HAS PLAYED A BIG PART IN ITS SUCCESS, SAYS HUMAN RESOURCE MANAGER, ECHO CHEN.

As soon as you step inside IKEA Industry Nantong you can tell it is different from other factories in China. It's decorated with IKEA furniture and textiles, plants and flowers. There's an area where staff can relax and have a coffee break – the IKEA way. And breaks are important when you're producing 3 million BESTÅ, STUVA, KALLAX and INREDA products every year!

"Making co-workers feel at home is important. Because they

are important," says Human Resource Manager Echo Chen.

Echo joined IKEA two years before the factory opened, and she trained in Sweden to learn about the IKEA culture. She brought the IKEA values into her recruitment efforts for the new factory: "We hired people with the right values. And we invested heavily in introducing them to the IKEA culture and training on safety and quality. Now, people feel like they are part of the global IKEA."

Each month, the factory arranges IKEA Day: a hundred co-workers and their families travel to Shanghai to experience an IKEA store and to see where the products they are making, are sold. "The bus is always fully booked. It makes all the difference for the co-workers to really feel the IKEA culture and see their products in the store", says Echo.

In just two years IKEA Industry Nantong has grown from 165 co-workers to 450, almost half

of whom are women. Many Nantong co-workers are proud IKEA ambassadors, and they give the factory top scores in our co-worker survey, VOICE. Local authorities point to IKEA Industry Nantong as a good example of sustainability performance and human resources management. And word has spread that it is a great place to work. At the Chinese New Year, when workers traditionally look for new jobs, the factory received over 500 applications without advertising.



» Our humanistic values, our inclusive culture and our belief in people all contribute to make IKEA a great place to work. «

Petra Hesser
Human Resource Manager,
IKEA Group

155,000
We are now over 155,000
co-workers within the IKEA Group.



IKEA Industry factory, Nantong, China

Recruitment based on the IKEA values is key to the success of the IKEA Industry factory in Nantong – and of all of our factories, stores and distribution centres.

The IKEA values

- Togetherness and enthusiasm
- Humbleness and willpower
- Cost-consciousness
- Constantly being "on the way"
- Leadership by example
- Simplicity
- Striving to meet reality
- Willingness to accept and delegate responsibility
- Daring to be different
- Constant desire for renewal



» Making co-workers feel at home is important. Because they are important. «

Echo Chen
Human Resource Manager,
IKEA Industry, Nantong



PEOPLE AND PLANET POSITIVE

Our vision to create a better everyday life goes beyond home furnishing. We want our business to have a positive impact on the world – from the communities where we source our materials, to the way our products enable our customers to live a more sustainable life at home.

By sharing what we do, and speaking up for what we believe in, we can be part of a positive change in society.

Going all-in to tackle climate change

CLIMATE CHANGE IS ONE OF THE BIGGEST CHALLENGES OF OUR TIME AND WE ARE GOING ALL-IN TO TRANSFORM OUR BUSINESS AND BE PART OF THE SOLUTION. RAPID ACTION IS NEEDED TO AVOID THE WORST IMPACTS. WE HAVE A CLEAR RESPONSIBILITY – AND AN OPPORTUNITY – TO MAKE OUR BUSINESS BETTER AND MEET THE NEEDS OF OUR CUSTOMERS.

We want to produce as much energy from renewable sources as all of the energy we consume in our own operations, by 2020. This means we are investing in wind farms and solar panels to generate energy that does not come from fossil fuels. We also encourage our suppliers to switch to renewable energy and improve efficiency. Since FY12 we have supported our suppliers to achieve an 18% improvement in energy efficiency at their sites.

And we don't stop there! We want to inspire and enable the millions of visitors to our stores and to IKEA.com to live more sustainable lives. That is why we are constantly offering more products

and services that enable our customers to save energy, water and waste at home.

Going all-in means transforming our business and joining with others to take a stand and call for positive change.

In December 2015, Peter Agnefjäll, our President and CEO, and Steve Howard, our Chief Sustainability Officer, were at the COP21 climate change summit to share the actions we are taking and to emphasise the importance of bold policy measures for us and other businesses.

Everyone has a part to play in tackling climate change and we want to inspire others to take action.

53% renewable energy

In FY15 we produced renewable energy equivalent to 53% of the consumption in our operations. We are on track to achieve our goal to reach 100% by 2020.

Only LED

Now our entire lighting range is LED. This is good news for the planet, and for customers' wallets, because LED light bulbs use up to 85% less energy than traditional incandescent bulbs, and last up to 20 years.

€1 billion committed for climate action

This includes a €600 million commitment from IKEA Group to invest in renewable energy, building on the €1.5 billion invested since 2009, and a €400 million commitment from the IKEA Foundation to support communities most impacted by climate change.

Tackling climate change will require many big investments like this from both businesses and governments. We hope that this announcement, which we made during a UN climate meeting in Bonn in June 2015, will encourage similar investments from others.

» We are siding with customers on one of the biggest challenges of our time, and raising our voice to encourage others to go all-in to tackle climate change too. «

Peter Agnefjäll
President & CEO, IKEA Group





Only LED in our lighting range

LED bulbs are great for the planet. They use up to 85% less energy than incandescent bulbs and last up to 20 years. That is why, in 2012, we decided to go all-in and switch our entire lighting range to LED. But back then, LED technology was considered expensive and it did not offer the different colours of light – from warm to cool – that our customers wanted.

As always, we believe that our customers should not have to compromise on function or price. We worked hard with our suppliers to develop the technology and ensure we could offer LED bulbs in a range of shapes, sizes, and tones – all at affordable prices. By automating more of the production, we were able to reduce the recommended price

of our most popular bulb by 80% compared to 2012, so that many more people could afford to make the switch to LED. We aim to offer the lowest price LED bulbs and built-in LED lamps on the market.

In September 2015, we reached our target to only sell lighting that is LED, or compatible with LED bulbs, enabling our customers to live a more sustainable life at home and save money on their electricity bills.

Switching to more efficient lighting is good for IKEA too. So far, 38% of our stores have had LED or other energy efficient lighting installed. We aim to invest €100 million in LED and other efficient lighting systems by FY17, saving each store thousands of Euros every year.

Our customers bought 90 million LED bulbs and lamps in FY15. If each of the 64 million LED bulbs sold replaced an incandescent bulb, they could save enough energy to power more than half a million households for a year!*

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

In November 2014, we received special recognition from the United Nations Environment Program's en.lighten initiative, for our commitment to sell only LED bulbs in our stores by September 2015.

» In September 2015, we reached our target to only sell lighting that is LED, or compatible with LED bulbs, enabling our customers to live a more sustainable life at home and save money on their electricity bills. «



HÅRTE
LED work lamp
green/silver-colour

Raw materials from more sustainable sources

MANY OF OUR PRODUCTS ARE MADE OF WOOD AND COTTON – BEAUTIFUL, NATURAL AND RENEWABLE MATERIALS. WE WANT TO MAKE SURE THESE MATERIALS ARE GROWN AND HARVESTED IN WAYS THAT ARE GOOD FOR PEOPLE AND THE PLANET.



Pramod Singh,
IKEA Cotton Leader,
IKEA of Sweden

"This year is the beginning of a new era for cotton at IKEA.

All the cotton used for our products, from soft furnishings and bedding, to towels and rugs, now comes from more sustainable sources. This means that farmers supplying our cotton are trained to optimise the use of inputs, such as water, synthetic fertilisers and pesticides, which increases their gross margin. This is a great step and going forward, we want to find even more ways to support cotton producers around the world to be more sustainable.

Our hope is that cotton from more sustainable sources will one day be the only cotton available. We are one of the founding members of BCI, a global organisation that aims to make cotton production better for the people who grow it, better for the environment it grows in, and better for the sector'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 around 110,000 farmers to learn more sustainable farming methods. We've got big ambitions to increase the global supply of more sustainable cotton and improve standards across the whole industry – not just in our own supply chain.

We want to help make more sustainable cotton the norm for everyone, not only for IKEA."



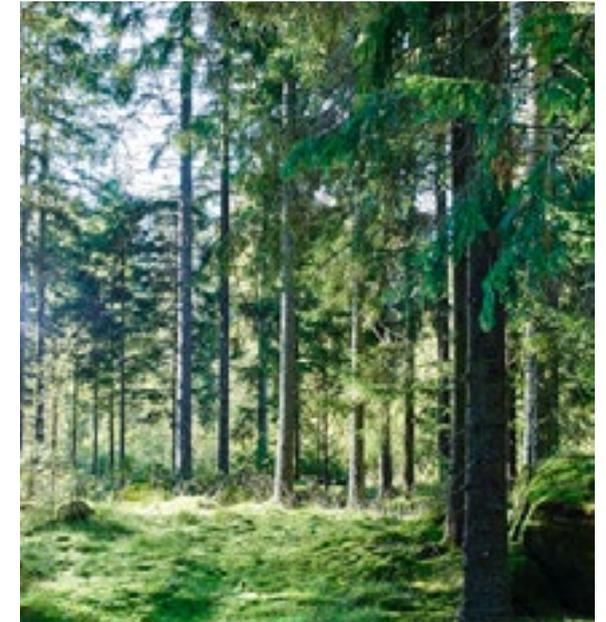
All-in for cotton from more sustainable sources

We buy almost 1% of the world's yearly supply of cotton, and now all of the cotton we use for our products comes from more sustainable sources.

50% of wood from more sustainable sources

We reached our goal to source 50% of wood from more sustainable sources two years ahead of schedule.

By August 2020, we aim to get 100% of our 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). We are working with partners towards a future where all wood is produced in ways that prevent deforestation, protect wildlife and biodiversity, and support communities who rely on forests for their income.



35 million hectares

We have been working with WWF for more than a decade to increase levels of Forest Stewardship Council (FSC™) certification globally and fight the illegal timber trade. So far we have increased FSC-certified forest by around 35 million hectares, an area roughly the size of Germany and more than double the total area needed to supply IKEA.

The FSC is a global, not-for-profit organisation dedicated to the promotion of responsible forest management worldwide. We believe using FSC certification is currently the best way to ensure that the wood we use is from more sustainable sources.

¹ From September 2015 onwards, all the cotton used in IKEA products is from more sustainable sources, although a very small volume of products produced using conventional cotton prior to this time will still be available in stores until they are sold out.

² Cotton from more sustainable sources includes cotton grown to the Better Cotton Standard; by farmers working towards Better Cotton; and more sustainable cotton from the USA (such as the 'e3 Cotton Program').



Better lives for people and communities

OUR VISION TO CREATE A BETTER EVERYDAY LIFE FOR THE MANY PEOPLE GOES BEYOND HOME FURNISHINGS.

We believe that everyone deserves the right to prosper, regardless of their background and situation. Across our business, from our 155,000 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.

What is IWAY?

The IKEA Way on purchasing products, materials and services is our supplier code of conduct. It sets out our minimum requirements for suppliers, covering

environment, social and working conditions, and is a pre-condition for doing business with us.

IWAY helps us to develop long-term relationships with our 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. Our 87 IWAY auditors carry out around 2,000 audits per year.



IWAY: more than just a checklist

"I'm not a box ticker!" says Sophie Montavon – an IKEA IWAY auditor of seven years. "I learned more in my first year as an auditor than in my first year at school. Box tickers couldn't do this job – you need to have a passion for learning."

Auditors are sometimes seen as focusing on checklists rather than collaborating to achieve positive results. We consider our auditors as the human link between our supplier code of conduct – IWAY – and our suppliers.

"When we do an audit we have to see things from the supplier's perspective. Our role is to understand how they are working, to assess them of course, but also to explain why we are asking things and to help them understand the benefit to them. Ultimately, we are doing this for the health and safety of people working at our suppliers, their families and the environment. It is so rewarding when we see real change and investment. It's not just a paper exercise – we are really making a difference."

Sophie Montavon
Sustainability
Compliance Auditor

IKEA Foundation supporting communities

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. This year, the Founda-

tion committed an additional €400 million through 2020 (see page 50), to support some of the communities most impacted by climate change.

Our customers and co-workers play an important part. Through the Brighter Lives for Refugees campaign, for every LED light bulb sold in IKEA stores during the campaign, the IKEA Foundation donates €1 to the UN refugee agency (UNHCR). As a result IKEA Foundation donated €10.8 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.

Weaving a brighter future for families

Weaving is more than a job to Sushila Devi – it's a future. "Before, I worked as a day labourer, and was paid each day," says Sushila. "But now I get a monthly salary. I can plan my investments."

She is just one of the 10,000 weavers and other workers

involved in creating beautiful handmade IKEA rugs in India and Bangladesh, keeping the heritage of local crafts alive. We work with our suppliers in these areas to make sure IKEA rugs contribute to a better life for the people who make them. This means decent

working conditions and fair pay in factories close to home. For Sushila, it also means new opportunities for her family: "Thanks to this job, I'm able to send my children to school and start to dream about the future."





FINANCE

Profit brings us resources to grow. Through high investments in areas that generate growth and a better customer experience, we saw our largest sales increase ever in FY15. Thanks to our strong performance, we are able to continue to invest in the future and follow our long-term direction.

Our financial year 2015

Strong sales, continued expansion and a €3.5 billion net profit

FY15 was a year of strong growth. Sales in comparable stores, the opening of new stores and online expansion all contributed to the result. We have worked hard to improve the quality of our home furnishing offer and we continue to lower our prices.

Our markets

Growth was well distributed across our markets, and sales were highest in Germany, the US, France, the UK and Italy. In December we opened our first store in South Korea, and we continued to advance our retail plans in India. In total, we opened 13 new stores and three new pick-up and order points, where customers can view a selection of the IKEA range and pick up pre-ordered items.

Our performance

In FY15, total sales translated

into Euro increased by 11.2% compared with FY14, to €31.9 billion. Adjusted for currency impact, total sales increased by 8.9% and sales in comparable stores grew by 5.1%.

Together with the rental income from our shopping centres, total revenue was €32.7 billion – 11.5% more than in FY14. This increase is partially due to the €140 million increase in rental income from acquiring remaining shares of the shopping centre companies Inter IKEA Centre Group and Ikano Retail Centres.

The biggest growth came from comparable stores, with new stores and online sales contributing to the positive result. We had 1.9 billion visits to IKEA.com and online sales, established in 13 of our 28 markets, exceeded €1.0 billion. IKEA Food increased sales by 9.5%.

The cost percentage increased from 31.2% to 31.8% due to larger investments in business and IT developments required for the future growth of the IKEA

Group. Also, the acquisitions of the shopping centres, which have a different cost structure, contributed to the increased cost percentage. The gross margin remained stable at 42.9% with the lower prices to the customers being offset with lower purchase prices and increased efficiency in our supply chain.

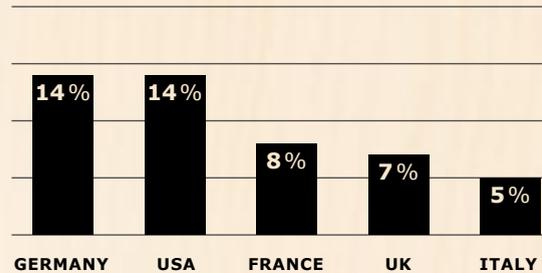
Our net financial result decreased slightly due to unfavourable interest rate movements. This was partly compensated by currency gains. We did not incur any credit losses on our securities portfolio. Net profit was €3.5 billion, 5.5% more than in FY14, which reinforces our strong financial position for the coming years and provides a base for future investments. Total assets increased from €44.7 billion to €50.0 billion, following the acquisitions and growth of our business. We maintained an equity ratio of 70%. In FY15 we paid a dividend to our owner, Stichting INGKA Foundation, of €666 million (FY14 €660 million).

Currency Impact

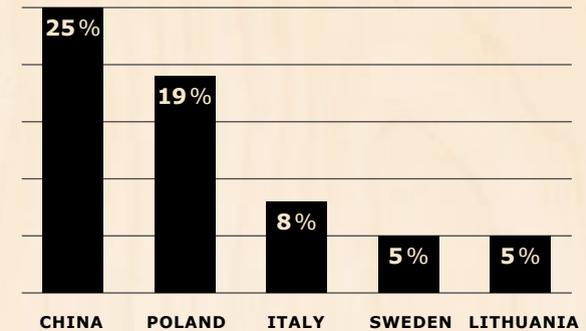
The IKEA Group is based in the Netherlands and therefore reports its financial results in Euro (€). This means that all figures in local currencies from the 43 countries in which we operate are translated into Euro and then accumulated. Since currencies fluctuate, companies will always face currency effects when doing these translations, so in order to show the underlying trend when adjusting for this effect, the IKEA Group also communicates the currency-adjusted development. For FY15, the currency adjusted sales growth was 8.9%, while the straight conversion into Euros shows a sales increase of 11.2%.

TOP SELLING COUNTRIES

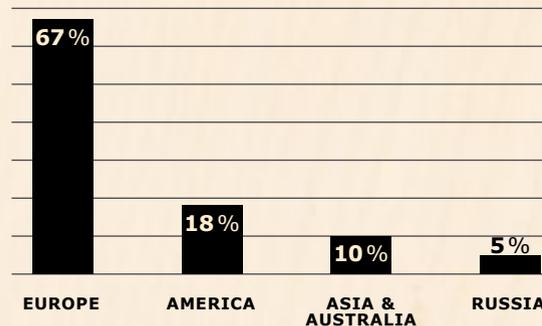
Retail sales per country as a percentage of total IKEA Group sales



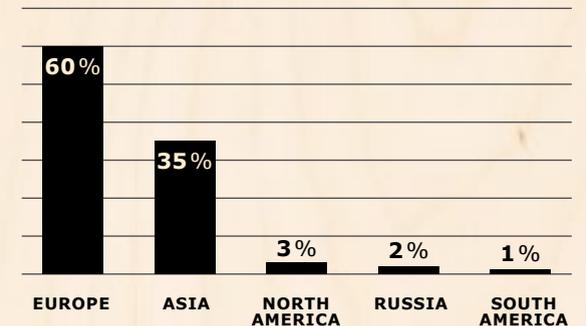
TOP PURCHASING COUNTRIES



SALES PER REGION



PURCHASING PER REGION



Taxes

We are committed to managing our operations in a responsible and sustainable way. Wherever the IKEA Group is present with stores, distribution, manufacturing or any other business, we pay our taxes in full compliance with national and international tax rules and regulations.

Corporate income tax increased

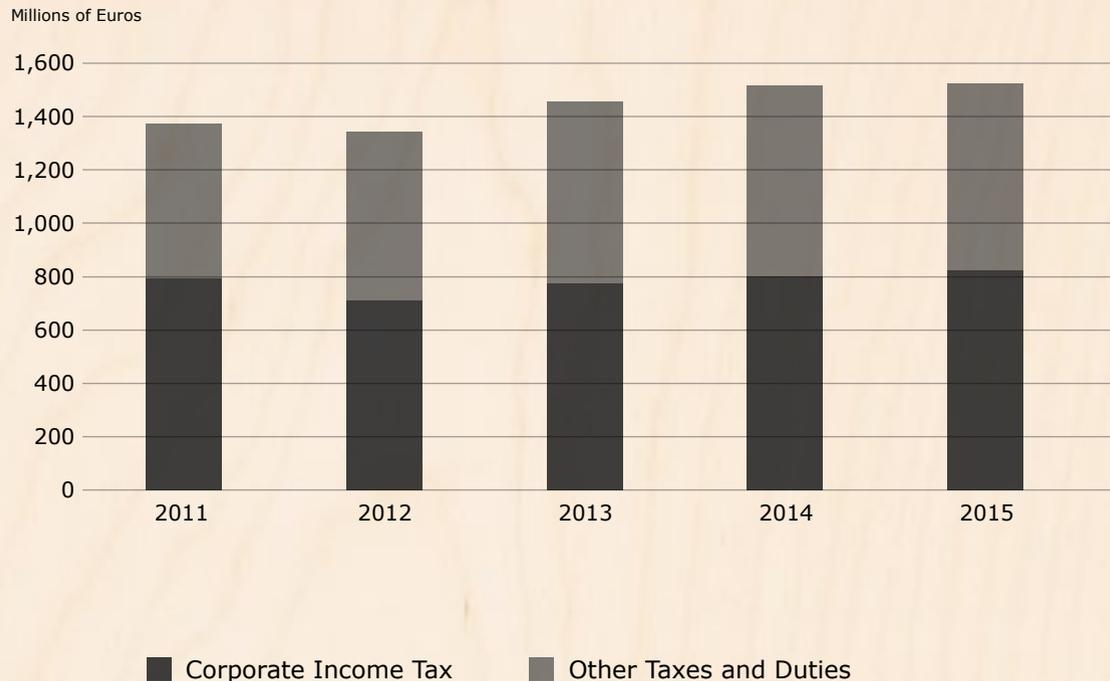
to €822 million, with an effective corporate income tax rate of 18.9% (19.3% in FY14). Local and other taxes, such as property, business and environmental taxes together with custom duties, totalled €700 million. In FY15, our total tax charge was more than €1.5 billion. We also collected substantial taxes on

behalf of governments, such as VAT and employee taxes.

By growing our business we create jobs, both within the IKEA Group and among our suppliers and partners, which contributes to the local economy by generating tax incomes.

FY11–FY15 TAX

Over the last five years (FY11–FY15), corporate income tax and other taxes amounted to approximately €7.2 billion.



Our investments

Continued growth and long-term profitability gives us funds to invest. In FY15 we invested €3.2 billion (FY14 €2.2 billion) mainly in stores, shopping

centres and renewable energy, to better serve our customers.

Renewable Energy Investments

In FY15, we committed to invest €600 million in renewable energy projects, building on the €1.5 billion invested in wind and solar since 2009. This will help us to reach our target to produce as much energy from renewable sources as all of the energy we consume in our operations, by August 2020.

We have committed to own and operate 314 wind turbines around the world, up from 224 in FY14, with new projects in Poland and the US. We have invested in 750,000 solar panels on our buildings worldwide (up from 700,000).

In FY15, our 90 MW Glötesvålen wind farm in Sweden became fully operational. This means that we now produce more energy from renewable sources in Sweden than we consume in our buildings in all of the Nordic countries. We have also reached this milestone in Canada and the US.

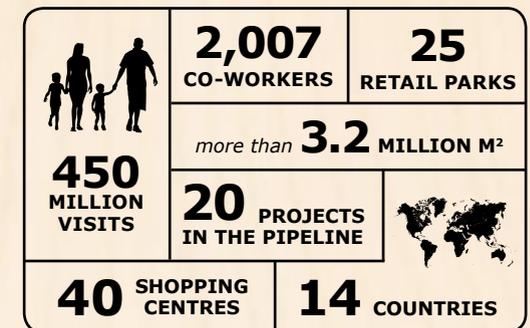
Ensuring long term resource independence

Our investments in resource independence go beyond renewable energy. For example, we have acquired 33,600 hectares of forest in Romania, making it the first country where we link ownership of sustainable wood supply to local production and products in the store. We are committed to responsible forest management and all forests we invest in will be certified to the FSC forest management standard as soon as possible.

IKEA Centres – meeting places for the many people

The IKEA Group has operated shopping centres for many years, e.g. IKEA Mos in Russia. IKEA Centres, our new shopping centre company, was created through the merger of Inter IKEA Centre Group, Ikano Retail Centres and IKEA Mos with a combined book value of €6.0 billion. Today, there are 40 centres and 25 retail parks in 14 countries, and around 20 projects in the pipeline across Europe, Russia and China.

Owning and managing shopping centres is a long-term commitment, which allows us to work more efficiently and make better use of our resources when we invest in land. With the IKEA store as a main attraction, the shopping centres create family-friendly meeting places for the many people that come from near and far. By floor area, IKEA Centres' single largest market is Russia, with 14 MEGA shopping centres, all of which include an IKEA store. The second largest is China, where we now have three shopping centres.





CONSOLIDATED INCOME STATEMENT

1st September 2014–31st August 2015

(in millions of Euros)

	FY15	FY14
Revenue	32,658	29,293
Cost of sales	18,221	16,372
Gross profit	14,437	12,921
Operating cost	10,388	9,128
Operating income	4,049	3,793
Total financial income and expense	299	352
Income before minority interests and taxes	4,348	4,145
Tax	822	801
Income before minority interests	3,526	3,344
Minority interests	14	15
Net income	3,512	3,329

TOTAL REVENUE 2004–2015

Billions of Euros



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 the financial year 2015.

An unqualified auditor's report dated 1st December 2015, was issued on these financial statements. INGKA Holding's Annual Report for 2015 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 articles and the rental income from our shopping centre operations.

CONSOLIDATED BALANCE SHEET ASSETS

(in millions of Euros)

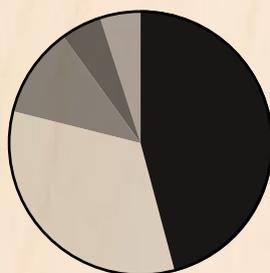
	FY15	FY14
Property, plant and equipment	22,840	17,322
Other fixed assets	2,515	2,984
Total fixed assets	25,355	20,306
Inventory	5,498	4,927
Receivables	2,500	2,548
Cash and securities	16,659	16,886
Total current assets	24,657	24,361
Total assets	50,012	44,667

CONSOLIDATED BALANCE SHEET EQUITY AND LIABILITIES

(in millions of Euros)

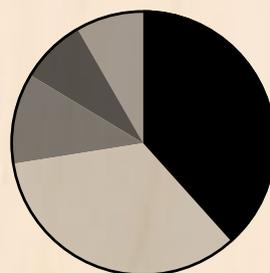
	FY15	FY14
Group equity	34,896	31,608
Long-term liabilities	2,061	1,550
Other non-current liabilities	1,971	1,858
Total non-current liabilities	4,032	3,408
Short-term liabilities	4,880	4,397
Other payables	6,204	5,254
Total current liabilities	11,084	9,651
Total equity and liabilities	50,012	44,667

2015 TOTAL ASSETS €50,012 million



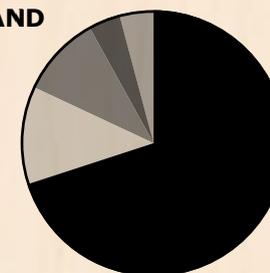
Property, plant and equipment	46%
Cash and securities	33%
Inventory	11%
Other fixed assets	5%
Receivables	5%

2005 TOTAL ASSETS €22,516 million



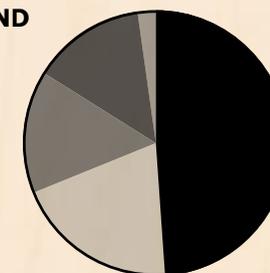
Property, plant and equipment	38%
Cash and securities	34%
Inventory	11%
Other fixed assets	8%
Receivables	8%

2015 TOTAL EQUITY AND LIABILITIES €50,012 million



Group equity	70%
Other payables	12%
Short-term liabilities	10%
Other non-current liabilities	4%
Long-term liabilities	4%

2005 TOTAL EQUITY AND LIABILITIES €22,516 million



Group equity	49%
Long-term liabilities	20%
Short-term liabilities	15%
Other payables	14%
Other non-current liabilities	2%

The majority of our assets are funded with our own money, reflected in Group Equity of €34.9 billion. "Liabilities" consist of both long and short-term funding, as well as the payables connected with running the business.



Meet the IKEA Group Management team



Peter Agnefjäll

PRESIDENT & CEO

What are IKEA Group's biggest achievements this year?

We did a fantastic job – and we did it together! We created better products, improved quality, prices and the shopping experience. We also progressed with sustainability and continued our multi-channel journey to become more accessible to the many people around the world.

What next?

Next year is all about the food at IKEA. And, as always, we have a lot more we want to continue to improve; our offer and how we meet our customers, when and where they want to.

What is your favourite product?

Our kitchens! I'm excited about building our first new METOD kitchen in my summer house.



Jesper Brodin

RANGE AND SUPPLY MANAGER

What do you do?

We work across a whole chain; from developing products, materials and technical solutions, through our suppliers, to finally bringing the products to our customers and IKEA stores.

What were the big achievements in FY15 ?

One was the result of our focus on bedrooms and bathrooms. Not only did we enable millions of families to afford their dreams, but it was done thanks to an amazing effort all across IKEA involving most co-workers!

Favourite product?

We always strive to work long term with our suppliers. Now, through our social entrepreneur initiative we also make it possible for people with high drive and talent but with small means to get into business with IKEA. So I am proud of those products.



Alistair Davidson

CHIEF FINANCIAL OFFICER

Can you describe your job as Group CFO?

I have responsibility for the Finance and Business navigation, Treasury, Taxes and Corporate finance as well as the Risk, Compliance and Legal areas. Our team manages the IKEA Group's money!

What's next in FY16?

We have a very big year ahead of us. We expect to sell more than we've ever sold, and we will continue progressing in our multi-channel journey with a stronger customer focus.

Favourite product?

The HÅRTE LED lamp. It has a great price and a modern design. I take one with me as a gift whenever I go to somebody's home.



Helen Duphorn

CORPORATE COMMUNICATION MANAGER

What do you do?

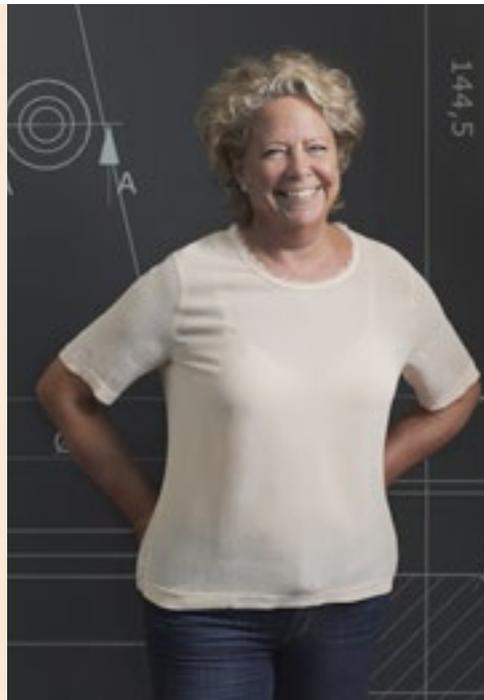
I support our business leaders in representing IKEA in a good way, both internally and externally. It is all about sharing who we are, how we work and what we do. Our leaders and specialists are IKEA's faces to the world, and I am very proud of them and how they participate in the dialogue in their communities.

Why work at IKEA Group?

I love the people and our strong culture. We are practical people who help each other, work hard together and have fun. I am also proud of our movement towards becoming People & Planet positive.

Favorite product?

My beautifully designed NORDLI bed!



Lotta Lyrå

STRATEGY, PROCESS, ORGANISATION DEVELOPMENT AND IT MANAGER

What do you do?

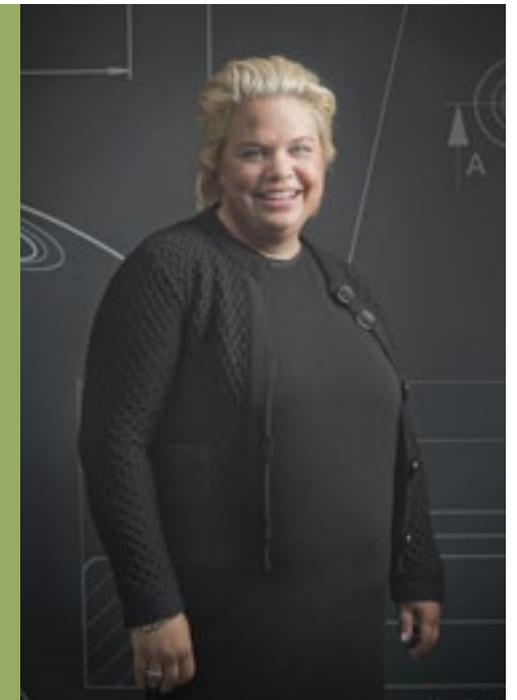
I work with the business strategy and the direction we have as a company; describing why we want to do certain things, what support is needed to work that way, and how we are going to do it.

Biggest learning in FY15?

We are taking steps in really understanding what's important from a customer's point of view – what customer focus means and how it requires us to work together in even better ways.

What makes you proud of IKEA?

No matter how fantastic our results are we always have the same humbleness and endless list of opportunities for the future.





Petra Hesser

HUMAN RESOURCE MANAGER

Biggest achievements this financial year?

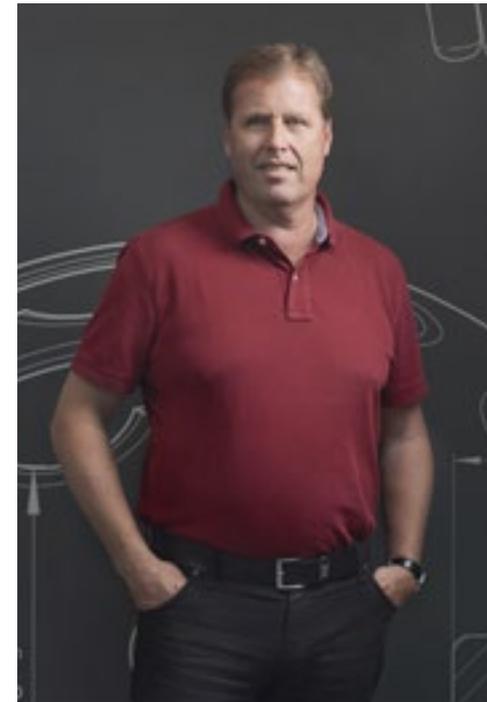
We introduced our diversity and inclusion initiative because we know we are stronger when we work in diverse teams.

Why work at IKEA Group?

I like to work with a company that has a strong vision and I want to contribute to a better life for all our co-workers. This motivates and inspires me every day, and I like that my effort is appreciated.

What's next in FY16?

We have decided to start an annual global Talent Focus Week. There will be various activities and events to help our co-workers see what opportunities they have to grow and develop within IKEA. Our mind-set is that everyone is seen as a talent.



Leif Hultman

IKEA INDUSTRY MANAGER

What are the achievements in FY15?

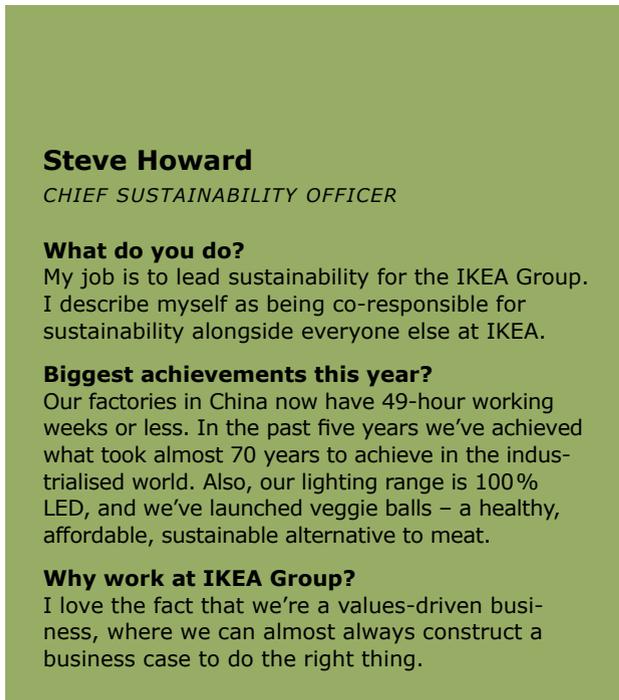
Everyone in IKEA Industry contributed to making our factories an even safer place to work. And we worked hard to improve quality and efficiency for increased customer value while also finalising our three-year change program to integrate into the IKEA Group.

Any lessons?

We can move mountains with the right leadership and a strong commitment. If we dare to take on bold challenges, they usually pay off. Common goals and a common identity make us strong.

Why work at IKEA Group?

I am truly energised and inspired by our approach to people; everyone is seen as a talent and as an individual. People do business, and it is the people that make the difference.



Steve Howard

CHIEF SUSTAINABILITY OFFICER

What do you do?

My job is to lead sustainability for the IKEA Group. I describe myself as being co-responsible for sustainability alongside everyone else at IKEA.

Biggest achievements this year?

Our factories in China now have 49-hour working weeks or less. In the past five years we've achieved what took almost 70 years to achieve in the industrialised world. Also, our lighting range is 100% LED, and we've launched veggie balls – a healthy, affordable, sustainable alternative to meat.

Why work at IKEA Group?

I love the fact that we're a values-driven business, where we can almost always construct a business case to do the right thing.



Martin Hansson

RETAIL & EXPANSION MANAGER

What is your responsibility? Can you describe what your job is all about?

It includes our retail markets, existing and future ones. It also includes many fantastic co-workers meeting millions of customers in different channels like the stores, on the web, through the IKEA catalogue etc.

What were your highlights in FY15?

This was one of our best years ever! We opened 13 new stores, achieved great sales result and had more visits to our stores and to our website than ever before.

Why work at IKEA Group?

For the phenomenal spirit. We are a down-to-earth, non-hierarchical company that cares about the individual. You can be who you are as a co-worker and it's what you know and what you can do that counts, not your title.



IKEA Group of companies

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.

INGKA Holding B.V. is the par-

ent company of the IKEA Group, located in Leiden, the Netherlands. As per 31st August 2015, its Supervisory Board consists of: Lars-Johan Jarnheimer (Chairman), Stina Honkamaa Bergfors, Tore Bertilsson, Luisa Delgado, Jonas Kamprad, Göran Lindahl, and Lone Fønss Schrøder. 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 throughout the whole value chain from range strategy and product development to production, distribution and retail. This includes our own manufacturing units, purchasing operations offices, distribution and customer distribution centres, shopping centres and 328 stores in 28 countries. In total, the IKEA Group has operations in 43 countries.

Stichting INGKA Foundation

Owner of the IKEA Group

Charity
Stichting IKEA Foundation

Management of financial assets
Stichting IMAS Foundation

The IKEA Group

(INGKA Holding B.V. and its controlled entities)

Chairman of the supervisory board: Lars-Johan Jarnheimer
President and CEO: Peter Agnefjäll

PRODUCTION

43
Production Units
20,500
Co-workers

RANGE & SUPPLY

9,500
Products
27
Trading Service Offices
15
Customer Distribution Centres
33
Distribution Centres
18,000
Co-workers

RETAIL & EXPANSION

328
IKEA Group Stores
116,500
Co-workers

GROUP FUNCTIONS

Business Navigation & Finance • Property
Corporate Communications • HR
Legal & Governance • Sustainability
Risk Management & Compliance
Strategy, Process, Organisation & IT

CENTRES

Shopping centres

ASSET MANAGEMENT

Financial & Core related assets

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 – also IKEA franchisees that do not belong to the IKEA Group – 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.

Improved franchise system

In June 2015, a letter of intent was signed stating that Inter IKEA Systems Holding B.V. will acquire range, supply chain and manufacturing entities from the IKEA Group. The intention is to improve the IKEA franchise system and enable the two groups of companies to focus on their respective core businesses and build further on the IKEA success. The transaction is intended to be closed by August 31, 2016.

The new structure allows us at the IKEA Group to focus even more on customers across all channels. We are increasing speed in transforming the IKEA Group into a multichannel retailer and are introducing e-commerce in all markets. In a rapidly changing retail landscape this is a challenging and exciting agenda requiring our full attention.

