INGKA HOLDING B.V. AND ITS CONTROLLED ENTITIES

YEARLY SUMMARY FY17

CREATING A BETTER LIFE STARTS AT HOME

And life at home is what we know best.

PAGE 21

MAKING IKEA MORE ACCESSIBLE

Customer by customer, product by product, experience by experience, and market by market.

PAGE 30

NORTH AMERICA
56 Stores
6 Pick-up and Order Points
8 Store Distribution sites
8 Customer Distribution sites

EUROPE
242 Stores
15 Pick-up and Order Points
16 Store Distribution sites
18 Customer Distribution sites
26 Shopping Centres

RUSSIA
14 Stores
1 Store Distribution site
14 Shopping Centres

ASIA
33 Stores
3 Pick-up and Order Points
5 Store Distribution sites
3 Shopping Centres

AUSTRALIA
10 Stores
1 Store Distribution site

355 *IKEA STORES IN* ***29 IKEA GROUP*** *COUNTRIES!*

TABLE OF CONTENTS

INTRODUCTION
WHO WE ARE AND WHERE WE COME FROM ___ **06**
FINDING OPPORTUNITIES IN CHANGE – JESPER BRODIN, CEO ___ **08**
CLOSER TO OUR CUSTOMERS – ALISTAIR DAVIDSON, CFO ___ **12**
AT A GLANCE FY17 ___ **16**

LIFE AT HOME
HOME IS WHERE THE HEART IS ___ **20**
A SMALL HOME FOR BIG HEARTS ___ **22**
CO-CREATING NEEDS AND DREAMS ___ **24**
PIONEERS ON THE HOMEFRONT ___ **26**

BECOMING MORE CONVENIENT
A MORE ACCESSIBLE IKEA FOR THE MANY ___ **30**
A GREAT CUSTOMER EXPERIENCE ___ **32**
FULFILLING OUR PROMISE ___ **34**
THINKING OUTSIDE THE BOX ___ **35**
MAKE ROOM FOR LIFE ___ **38**
NEXT STOP: INDIA ___ **40**
IKEA MEETS HYDERABAD ___ **46**
CENTRES SNAPSHOT ___ **50**
INVESTING IN THE FUTURE ___ **52**
A BOOST TO OUR SERVICE OFFER ___ **55**

PEOPLE AND PLANET
WE BELIEVE IN PEOPLE ___ **58**
BE YOURSELF AT IKEA ___ **62**
A SUSTAINABLE FUTURE ___ **64**

FINANCIAL PERFORMANCE
OUR FINANCIAL YEAR FY17 ___ **70**

GOVERNANCE, MANAGEMENT & SUPERVISORY BOARD
GOVERNANCE ___ **80**

The financial year 2017 (referred to as FY17) of the IKEA Group (Ingka Holding B.V. and its controlled entities) refers to the period between 1 September 2016 and 31 August 2017 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 Systems B.V. in the Netherlands. Inter IKEA Systems B.V. is the owner of the IKEA Concept and the world-wide IKEA franchisor.

– YEARLY SUMMARY FY17 –

INTRODUCTION

"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."

– INTRODUCTION –

INGKA HOLDING B.V.

– WHO WE ARE AND WHERE WE COME FROM

EVERYONE WHO IS A PART of IKEA has a story to share. Some stories stretch far back into our roots, and others are new and reflect where we are today. When we share our stories, like we do in these pages, we find there is a red thread that connects all we do back to the very beginning and when we were first founded. And that is our vision: to create a better everyday life for the many people. It inspires us even more today than ever before.

INGKA, which is based on Ingvar's name (**ING**var **KA**mprad), was created around 30 years ago. The first ever IKEA store in Småland, southern Sweden, and the origins of our unique value chain can all be found in INGKA.

TODAY, WE CONNECT WITH more than 780 million customers in our 355 IKEA stores in 29 countries and employ over 149,000 co-workers. The digital and technology revolution has radically altered how people connect and experience the world. It means that today we can count more than 2.1 billion visits to IKEA.com – a number that will continue to grow as we further develop our digital touch points.

OUR GROWTH AND PROFITABILITY has enabled us to develop in other ways too. We want to make it as easy as possible for people to shop with us, so that we can further deliver to our vision. That's why, in addition to being the largest IKEA retailer today, we operate one of the biggest shopping centre businesses in the world. We have 43 vibrant shopping centres in 15 countries, always anchored by an IKEA store, which attract 460 million visits every year. These are places that give people the chance to shop with us and other outlets, and have a great day out with family and friends.

WE HAVE THE FREEDOM and financial strength to invest over the long term, and with purpose, in our own future. We are investing in our core businesses and our expansion, whilst securing the contribution we make to people and planet by investing in renewable resources like the sun, wind and responsibly grown forests.

WE HAVE COME THIS FAR because we are curious about the world around us and want to make a positive difference in people's lives. This is what drives INGKA today, as we step into the next phase of our journey. ■

– AN INTRODUCTION FROM JESPER –

FINDING OPPORTUNITIES IN CHANGE

Each day, we are one step closer to making an even better everyday life for the many people. Never before have we seen the pace and scale of change in the world as we see today with new opportunities to interact and meet our customers.

AS WE LEAVE A GOOD YEAR behind us, serving more customers than ever before, we take a moment to celebrate all the things that brought us here and turn the page to the future.

I believe it's a good time to revisit our roots and purpose, and to fire up the entrepreneurial spirit that we were born from. Part of that spirit is about loving problems. It's in our DNA to face challenges and find a way forward – and when we meet dilemmas that we cannot solve on our own, we invite people to join us who can help to make them our biggest opportunities, together.

This is a truly exciting time to be in retail and for me to take on this new role. As we look ahead to the coming years, I can see three exciting problem areas we will turn into great opportunities that will shape what we do:

1. HELPING THE MANY PEOPLE CREATE A BETTER EVERYDAY LIFE AT HOME

We believe that everyone should have a place to call home. And from visiting thousands of homes every year, we can see that more and more people are able to create a safe space for the most important people and moments in their lives. But we think we can do even more to enable people to have a better everyday life, starting at home – because, after all, life at home is what we know best. As the world becomes more crowded, and people find themselves with less space, money and time, we have the passion and energy to bring solutions. Together, as co-workers, we can bring together all our deep knowledge about how to create a better life at home – which we have built up over the past seven decades – to improve even more lives in the future.

"As the world becomes more crowded, and people find themselves with less space, money and time, we have the passion and energy to bring solutions."

2. MAKING IT MORE CONVENIENT TO SHOP AT IKEA

Urbanisation and digitalisation are changing the way people shop, work, connect and play, and we are all rapidly adjusting to a new pace of life. ►

"It's about making life at home as sustainable as possible, ensuring we use resources carefully, securing people's fundamental human rights, and standing together with the many people as the world sometimes becomes more polarised."

► As a result, many of our customers want to have more time for the important things in life. We are committed to making IKEA more accessible to those who cannot afford our products and services today, and for those who cannot get to us where we operate. We will improve the ways customers can reach us – whether it's in our stores, online or through the services we offer – and how we share the life at home knowledge and inspiration we hold.

Shopping with IKEA is a personal journey. Everyone wants it to be enjoyable and easy, whether you only have a few minutes to buy what you need during a lunch break, or you want to spend more time planning the kitchen of your dreams. We want it to be the best and most convenient experience possible.

3. BECOMING PEOPLE AND PLANET POSITIVE

It's obvious to say it, but we only have one planet Earth. We are all part of the same eco-system, so we will play our part and come together to create long-lasting and positive change. We will use our scale and capabilities to make an impact, and we're bold about growth because it gives us the resources needed to enable major shifts, such as the transition towards a circular economy. It's about making life at home as sustainable as possible, ensuring we use resources carefully, securing people's fundamental human rights, and standing together with the many people as the world sometimes becomes more polarised. We believe this is the only way to do business – it's integral to our values and what we've always done. Now we will speed up our efforts even more.

EVERY TIME WE MEET SOMEONE, it is an opportunity to show who we are. It's why we must continue to look within ourselves, to adapt and draw on our culture, and stay focused on what's happening in the lives of our customers. Working together, we will bring our values and vision to life – and make life at home that little bit better. ■

Most things remain to be done – what a glorious future.

Jesper Brodin
President and CEO
Ingka Holding B.V. and its controlled entities

– A MESSAGE FROM ALISTAIR –

CLOSER TO OUR CUSTOMERS

Our vision sets the direction – our financial strength enables us to get there.

THAT'S WHY I REFLECT on our IKEA vision and values every day. They remind me that by setting bold targets for growth, we can be closer to our customers and reach more of the many people. By working in this way, we lead by example in creating a better everyday life.

Our financial approach is unique. We have a saying that you should earn the money before you spend it, and not rely on external funding. Our founder established a model where the profit we make can only be reinvested in the business or given to charity. As a self-funded company, we keep a strong focus on investing for the long term, all while being focused on delivering a strong performance every day.

Everyone who is part of IKEA has an interest in our success, and we achieve it because our co-workers play an integral role. Our aim is to fulfil our vision sustainably, not simply to maximise earnings. This sets us apart from other businesses and it's something I am particularly proud of.

Working with finances is about anticipating the future. It's about spotting opportunities, insights, combinations and connections. It helps us understand how our business will perform, and the way we set and meet our goals. This is reflected in our way of working which is becoming more dynamic than ever before, especially in this period of exponential change.

Our investments are part of our transformation plan and in how we continue to get the basics right. We are still quite small in many highly-populated countries so we know we have a huge opportunity to reach more of the many, through new stores and shopping centres. We will do what it takes to constantly improve our offer so that we are accessible, affordable and relevant in the eyes of our customers.

"Everyone who is part of IKEA has an interest in our success, and we achieve it because our co-workers play an integral role."

Digitalisation has created a powerful driver for our business. Customers expect affordable home furnishing products and services to be easily accessible from home. It's an expectation we cannot afford to fall short on satisfying, so we're continuously adapting our investment models to meet these emerging trends. ►

A great example is our recent acquisition of Task Rabbit, an online services marketplace that makes specialists available for the kinds of tasks customers can find hard to do by themselves. Through this, I believe we'll learn a huge amount about what our customers want. We're in a test-and-learn phase, as we consider what other investment routes we should explore.

As we continue to meet our customers where they are, especially online, we have to think simultaneously about a lot of different aspects: our stores, logistics, digital capabilities, and services. That is why we are looking at these elements as a total package, so we can create a truly integrated offer.

In FY17 we took some great strides through our investments. We made ourselves even more accessible to customers, and we adapted our business models for more complex investments which can be harder to forecast in a changing world.

Furthermore, we invested in the means to get our organisation ready for the future. We are enhancing our digital capabilities so that co-workers can offer customers a deeper understanding of all the products and services available, no matter where or how they reach us. Investing in our co-workers is also an investment in customer experience, because it's all about how we connect with the many people.

Good growth includes people and partnerships. More of our customers are living in cities than ever before, so we need to rapidly redirect our future investments so we can be where our customers are. I believe urbanisation provides a great opportunity for us to do something meaningful for communities. We are exploring collaborative ways to do this so that we might create meeting places where visitors can shop, meet friends and have an enjoyable day out. And of course we never lose sight that we must achieve all of this whilst remaining low on price.

Sustainable growth is circular. Just like our financial model, where our profit goes back into the business, we believe that treating waste as a new resource – the circular economy – will be a defining movement of our era. This can only happen where the infrastructure exists. That's where investment comes in.

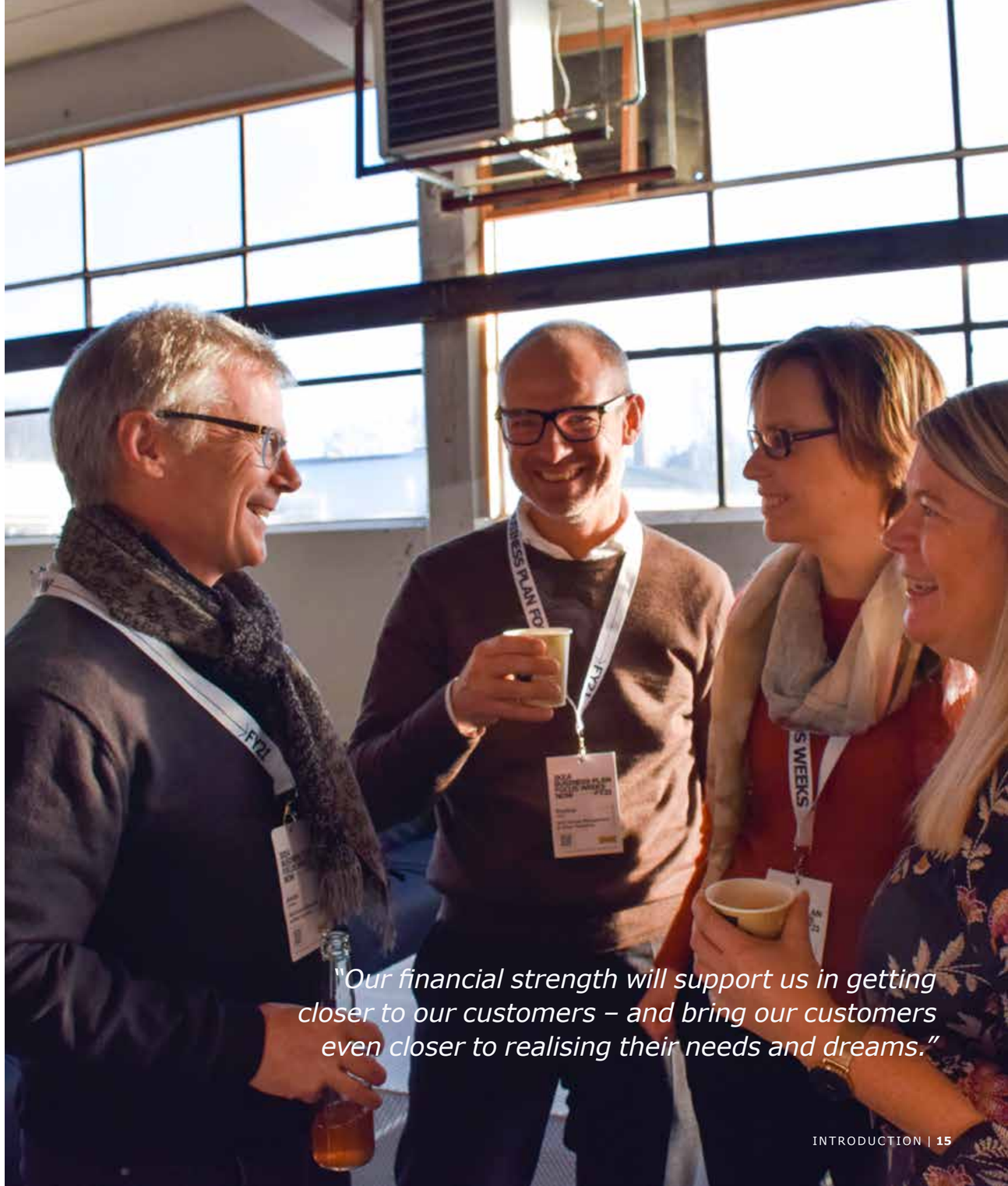
In 2017, we opened the possibility of using some of our cash reserves for more active investments that support our core business. We created an exciting financial asset management strategy that evolves around five portfolios of varying size and direction. Each one of these portfolios is now active and some of the funds have already gone towards the circular economy. We will continue to search for partners that we can co-create with along the way.

"We are enhancing our digital capabilities so that co-workers can offer customers a deeper understanding of all the products and services available, no matter where or how they reach us."

Now is the time to be bold and realise our vision. Every step we take is aimed at helping people make their daily life at home better. Customer expectations are evolving and there is no single recipe for success, but that's what drives me.

Our financial strength will support us in getting closer to our customers – and bring our customers even closer to realising their needs and dreams. We're on our way to making everyday life better for the many people. ■

Alistair Davidson
Chief Financial Officer
Ingka Holding B.V. and its controlled entities



AT A GLANCE FY17

IKEA GROUP

INGKA HOLDING B.V. AND ITS CONTROLLED ENTITIES

355 IKEA STORES IN 29 IKEA GROUP COUNTRIES

At the end of FY17 we also had **24** Pick-up and Order Points in **12** countries, **43** Shopping Centres in **15** countries, **31** Store Distribution sites in **18** countries and **26** Customer Distribution sites in **13** countries.

2.1 BILLION VISITS TO IKEA.COM

137 MILLION VISITS TO THE CATALOGUE & STORE APPS

817 MILLION STORE VISITS

460 MILLION SHOPPING CENTRE VISITS

EUR 2.5 BILLION NET PROFIT

EUR 34.1 BILLION TOTAL RETAIL SALES FY17
(32.9 BN IN FY16)[1]

Total retail sales translated into Euro increased by **3.5%.** Adjusted for currency impact, total retail sales increased by **3.8%**. Total revenue EUR **36.3** billion.

149,000 CO-WORKERS

Retail: **134,400**
Distribution: **9,100**
Shopping Centres: **2,100**
Other: **3,400**

EUR 1.8 BILLION TOTAL FOOD TURNOVER

Total food turnover within our restaurants, bistros, Swedish Food Markets, and co-worker restaurants.

24.9% CORPORATE INCOME TAX

Corporate income tax amounted to EUR **0.8** billion globally, which equals an effective corporate tax rate of **24.9%** (**21.6%** in FY16).
Our total tax bill including other taxes and duties amounted to approximately EUR **1.3** billion.

100% OF COTTON USED FOR IKEA PRODUCTS COMES FROM MORE SUSTAINABLE SOURCES[2]

49.2% FEMALE MANAGERS

Today, more than half of our co-workers are women, as are **49%** of our managers and **53%**[3] of Group Management.

110 MILLION IKEA FAMILY MEMBERS

Our most loyal customers are members of IKEA FAMILY. More than **30,000** new members join every day!

9,500 PRODUCTS ACROSS THE IKEA RANGE

– and every year the IKEA range is renewed with approximately **2,500** products.

85 MILLION LED BULBS SOLD

If each bulb replaced an incandescent bulb, they could save enough energy to power **750 000** households for a year.[3]

5 MARKETS OFFER SOLAR ENERGY SYSTEMS TO CUSTOMERS

Our home solar offer was launched in Poland and Belgium in FY17, enabling even more people to turn their rooftops into power stations.

[1] Comparison FY17-FY16 represents retail sales. Before FY17 sales volumes also included sales from supply chain and production companies. Since 1 September 2016 these entities are not a part of IKEA Group, which makes a comparison to previous years not applicable. [2] 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] This number has changed for FY17 due to new management structure.
[3] This calculation is based on the electricity consumption of an average European household.

– YEARLY SUMMARY FY17 –

LIFE AT HOME

– LIFE AT HOME –

HOME IS WHERE THE HEART IS

We believe that creating a better life for the many people starts with a better life at home. That's why it's essential we know what life at home is really about, and why we regularly visit people all over the world to find out.

LIFE AT HOME is made up of many things, including the people we live with and the activities we do. Some aspects of home are shared the world over – like sleeping, relaxing and eating – and some things are defined by our culture and traditions, the amount of space we have, and what the weather is like. So when we visit people, we get really stuck in – we explore every space, every drawer, every item, and every moment that takes place. We ask what people do at home, and how they feel when they are there. And sometimes we'll join them for a cup of tea, the weekly clean or a large family meal.

Our home visits help us paint a vivid picture of what life at home is like in every market we are in. It means we can create better solutions that meet people's real needs, and reflect the hopes and dreams that our customers have when they visit our stores.

Our customers and co-workers inspire us every day, to make life at home better. We're happy to share two stories which show just how meaningful a home visit can be. ▶

– LIFE AT HOME IN CHINA –

A SMALL HOME FOR BIG HEARTS

Lei Sun is passionate about cooking. That's why she renovated her kitchen to give her more space to make delicious shared meals with her son.

BUT THE REMARKABLE thing is that Lei's home is just 27 m² in total, so a new kitchen required a total re-think about her space.

The result is small-space living filled with big surprises, thanks to innovative layouts and storage solutions. Lei, an IKEA Retail China Expansion Interior Design Leader, has been working with IKEA for 10 years, and has been involved in more than four store openings and 26 home renovation projects. It's no wonder that she's been able to use all her knowledge and inspiration in her own apartment and make it into a true family home.

Take a look inside Lei's cosy Scandinavian-inspired home! ■

"Cooking is my passion, that's why I chose to expand the kitchen area and build a cabinet storage system" *says Lei. Placing kitchen utensils on the wall is a great way to free up counter space and keep the surfaces clean whilst cooking.*

The space between the wall cabinets *creates a new home for the desk, and gives Lei's son the room to study.*

Behind the black door are movable ALGOT shelving units and RÅSKOG utility carts, to store clothes. *And behind the curtains are open shelves with storage boxes – folded clothes saves more space.*

Lei spends weekends at home with her son, *so she needed a new sleeping solution – the spare bed can be pulled out from under her own bed.*

– LIFE AT HOME IN SPAIN –

CO-CREATING NEEDS AND DREAMS

Raquel and Jaime love living in the centre of Madrid in their historic building, but space has always been an issue.

THAT WAS UNTIL the interior design team behind the Alcorcón store relocation helped them renovate their cosy 35 m² apartment into the home of their dreams.

The couple was keen to make more of their balcony, and create different environments inside that would optimise workspaces, storage and functionality. They also wanted a more comfortable bedroom, and to explore how to use the original fireplace.

The store team quickly worked their magic and created a light and stylish home that appealed to all five senses, whilst making space for the things that Raquel and Jaime love to do.

ONCE WORK WAS COMPLETE, the interior design team then set about replicating their home as one of three new and inspiring room sets in the new Alcorcón store, to show visitors the vast potential of small-space living – all based on what life at home in central Madrid is really like. ■

***RAQUEL AND JAIME'S DREAM HOME NOW SERVES AS ROOM SET** INSPIRATION FOR SHOPPERS AT THE NEW ALCORCON STORE.*

***RAQUEL AND JAIME ENJOY THE STYLISH SPACE-SAVING SOLUTIONS** IN THEIR NEWLY REFURBISHED HOME.*

– IKEA LIFE AT HOME REPORT 2017 –

PIONEERS ON THE HOMEFRONT

Since 2014, we have published our annual IKEA Life at Home Report, and this year we wanted to go further than ever before. By using a new mix of research methodologies, we've pushed ourselves to get even closer to the heart of what makes a better life at home in the world today.

AS PART OF OUR RESEARCH we also focused on a small group of people who live in unusual or highly creative ways. We wanted to know what we could learn about life at home from those who have chosen to live very differently to the rest of us.

We found people living in all kinds of curious places – from modern smart homes to restored castles, from sustainable eco-homes to trailers, from converted military landing crafts to buildings on stilts over the sea. We called them Home Pioneers, and over a period of 12 weeks they opened up their way of living to help us question what a better life at home involves.

"We found that this group of people shared an acceptance that our homes are constantly evolving," says Katie McCrory, a Communications Specialist. "Home Pioneers really embrace change, even when it can feel frightening or exhausting to the rest of us."

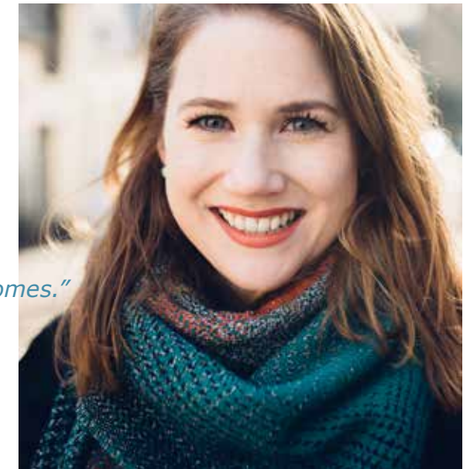
Our Home Pioneers hailed from all four corners of the globe - Germany, Denmark, USA, Russia, India, Japan and China. To begin with, they made video diaries where they showed us around their homes and talked about the innovative ways they had tackled household tensions that arise from everyday challenges, like sharing small spaces or dealing with mess. Then we invited them to Copenhagen for a one-day workshop, where they met us – and each other – for the first time.

"It was a real joy to be part of that day" continues Katie, "and to spend time with a small group of people who were very different to each other but shared a common approach to problem-solving. It was clear that Home Pioneers are unafraid of honest conversations and very open to making changes at home. I think we all left a little bolder about the changes we wanted to make in our own homes too".

BY LOOKING TO THE WAYS in which Home Pioneers tackle household tensions, we believe many of us can learn how to move from drifting along to being in the front seat of life at home.

Truly, the many things we discovered from our Home Pioneers about creating a better everyday life are relevant to us all, no matter where or how we live. ■

"I think we all left a little bolder about the changes we wanted to make in our own homes."
Katie McCrory, Communications Specialist



A HOME ON THE ROAD

We found that better homes are those that allow us to be our whole selves. For Amélie Touram, that home was a van and she lived in it to follow her passion – rock-climbing. She spoke of a life of rolling into a campsite as the sun went down, cooking one-pan meals and then sleeping in the van, gathering energy for the next day's climb.

Her van was a reflection of her nomadic spirit, yet she still managed to make it feel like home. That really mattered to her. "The stronger my sanctuary the more I can reach out and be bold in my life," she says. "I pushed myself every day and I was a little bit scared every day and I think sanctuary plays a huge role in that." ■

"The stronger my sanctuary the more I can reach out and be bold in my life."
Amélie Touram, Home Pioneer

BEATING THE BATTLES

The IKEA Life at Home Report 2017 focused on what feels hardest about life at home. We discovered five common tensions which emerge when the things we own, the spaces we inhabit and the people we share them with, are at odds. The report explores:

THE MYTH OF MINIMALISM
Why we're more likely to prioritise than minimalise

I NEED MY SPACE
How we negotiate around personal space and things in a shared home

IS ANYBODY HOME?
The quest for mental presence within the home

THE (DIS) CONNECTED HOME
The pursuit of balance around technology at home

THE DELIBERATELY UNFINISHED HOME
How to have a home that stays one step ahead of your life

Our research helps us create better solutions for homes all over the world. We know that life at home isn't always easy, but we believe that everyone should have the chance to make it better.

The IKEA Life at Home Report 2017 is a collaboration between Inter IKEA Systems, IKEA of Sweden and IKEA Group – to read more about the report head to ***lifeathome.ikea.com***

– YEARLY SUMMARY FY17 –

BECOMING MORE CONVENIENT

– RETAIL –

A MORE ACCESSIBLE IKEA FOR THE MANY

Growing a successful and sustainable business doesn't just happen overnight. That's why we take a long-term approach to all that we do - customer by customer, product by product, experience by experience, and market by market.

THIS PERSPECTIVE IS EVEN MORE important in our changing world, as we move to meet the expanding needs of our customers without losing sight of what we do best. It keeps us as competitive today as we were when we were first founded.

Our vision is the reason we want to grow. And growth is only possible when we create great customer experiences, deliver seamless services, and reach people where they are. This year we took big steps towards achieving these things, whilst continuing to inspire people with our home furnishing solutions. In our seventh decade of growth, it's clear we are just at the beginning of our journey.

– RETAIL –

A GREAT CUSTOMER EXPERIENCE

Digitalisation is creating immense opportunities to reach people – by 2020 there will be an estimated 11.6 billion mobile-connected devices in the world.[1]

DURING THE PAST YEAR we have worked hard to offer a customer experience that is in line with people's expectations and needs. After all, a single experience – whether negative or positive - can be the deciding factor for a customer faced with an expanding selection of choice.

Online shopping has been hugely enhanced by the rise of mobile devices, where scrolling feeds make it quick and easy for people to find inspiration, products and services. For many, the first meeting with IKEA is through a mobile phone. So to stay relevant, we must be responsive to what people want and go beyond what they expect.

Thinking 'mobile first' requires us to take a total view on what it means to be a customer online today. That's why, in FY17, we continued to look at the entire shopping experience, whether it's browsing on your mobile phone or paying for items at a store check-out, to make every step of the journey as convenient and enjoyable as possible.

REGARDLESS OF HOW customers choose to interact with us, there will always be the need for knowledgeable, helpful and friendly co-workers who can go a step above and beyond for our customers. During the past year we have prioritised co-worker training that provides the tools and skills to offer a personalised experience for customers – starting from the moment they first connect with us, until they've got exactly what they need. ■

"The starting point is knowing our customers, actively listening to and meeting their expectations, needs and wishes. Providing a personalised experience with information and know how, guidance and support with great quality throughout."

Carole Bates, Customer Experience Manager

[1] Cisco VNI Forecast, 2017

FROM SUPPORT TO SALES

IN IKEA RETAIL SWITZERLAND, the Customer Support Centre has become a structured sales channel, after recognising that more than half of their customers were contacting them before finalising their purchases. Given the clear opportunity to make our offer more accessible and granting a seamless experience, it was a natural next step to add sales to the range of services their Customer Support Centre already offers.

To ensure that the expanded offer doesn't compromise the high quality of customer support, the team is focusing on two topics in the coming year: strengthening the knowledge co-workers have about the product range, and improving their ability to manage sales over the phone when both the customer and the products are remote.

"Last year, 13 Customer Support Centres (CSC) helped customers complete their purchases over the phone, representing 10% of our e-commerce sales. It shows we can both support and meet sales through CSC."

Peder Apelgren, Customer Support Centre Channel Manager

70% of our customers say that they believe they will save time using in-store navigation with the IKEA Store app.

AN APP TO CLOSE THE GAP

THE IKEA STORE APP is a bridge between the online and in-store experience. This past year, the app has been given a facelift, adding a lot of fun functionalities, creating an IKEA experience that is more relevant, helpful, innovative, simple and user friendly.

By using the app as a digital shopping companion customers can save time by using the in-store navigation feature to find departments, facilities and products. They can browse the IKEA product range, add products to a digital shopping list, scan barcodes, QR-codes and article numbers to get more detailed product information, and check if the items are in stock. The app also helps visitors find their nearest IKEA store, based on their location, and provides opening hours and driving directions.

There's always something exciting going on in our IKEA stores for customers and members of our loyalty programme, IKEA FAMILY, so the app also keeps visitors up to date with events, offers and new products. What's more, customers can log on to their IKEA FAMILY account and keep a digital loyalty card handy for additional savings and benefits.

"The mobile is the most important platform in the digital meeting with the customer. Now it's also becoming an integrated part of the instore experience enabling us to provide our customers with a truly seamless experience."

Jonas Hessler, Web, Ecommerce & Digital Manager

– RETAIL –

FULFILLING OUR PROMISE

While the store will always play an important role, more and more customers make purchases online, so our future growth will be increasingly digitally generated.

IN FACT, SHOPPING ONLINE at IKEA is now possible in most IKEA Group markets, which gives customers the freedom to buy great IKEA products wherever and whenever they choose. This makes the need for outstanding services, as a complement to our product offer, more important than ever.

Last year we took significant steps to focus on what is really at the heart of our business - our customers. We established a new core area, called Customer Fulfilment, with the sole focus on getting home furnishing products from customer distribution centres, central parcel units or stores to wherever the customer is. This includes all the operations in our fulfilment units and how we manage our inventory and allocate our range, as well as perform services by delivering to homes, workplaces and convenient pick-up points and providing assembly and installation of our products. In FY17, we opened eight new fulfilment units – six in Europe and two in the US. We have plans and ongoing projects to open 18 more in FY18, to meet the increase in demand for deliveries direct to customers.

TO FURTHER ENABLE THIS transformation we are increasing our investments so that we can work smarter and think bigger. We are committed to reduce delivery lead times for products, across all our sales channels, whilst maintaining availability and quality at an affordable price. Our goal is to ensure a maximum of three days parcel delivery lead time and five days truck delivery lead time, no matter where our customers live. And we continue to make our home furnishing products and services even more accessible, and reach those who are yet to shop at IKEA.

IN FY17 WE SAW a 21% increase of centrally fulfilled orders due to the rise of e-commerce sales. In the coming years, we believe that our customer fulfilment business will be a true game changer in helping us reach more of the many. ■

"We will create a major breakthrough in the services we offer our customers – now and in the future. We still have a long way to go but we want to get everything right first time for our customers. This is our biggest focus."

Marcus Baumgartner, Customer Fulfilment Manager

– RETAIL –

THINKING OUTSIDE THE BOX

One of the wonderful things about Copenhagen is its many cyclists. In fact, the majority choose cycling, walking, or public transport, rather than a car, to get about their daily lives.

SO WHEN THE DOORS finally open on Copenhagen's first city centre IKEA store, on bustling Kalvebod Brygge, it will be the realisation of a long-standing wish we have to establish a store which is totally adapted to a different kind of city living.

We want to be people's first choice for their home furnishing needs and dreams. And in order to do that, we need to make it easier for customers to reach and experience an IKEA store – no matter if they're on a bike, like shoppers in Copenhagen, or in their own car. Our stores remain our most important meeting place to experience our complete range and services, and connecting with customers in a meaningful way. Over the long term, we can see the continued importance of welcoming and inspiring spaces located in the heart of communities that enable people to come together. Being a good neighbour is a vital part of how we expand.

WE WILL DO MORE TO CONNECT with even more people in the places where we already operate, so in the coming years our main focus will remain on the growth potential of our existing markets. This is why we are testing new 'bricks and mortar' shopping formats and locations, such as inner-city stores.

No matter where they are located, all our new stores will have easy access to public transportation in addition to locally relevant transport solutions, such as bikes, to meet the growing challenges of urban mobility and environmental concerns. Decisions around site selection, design, materials, equipment, and operation will also be made with sustainability as a major consideration. ■

"Expansion is not meaningful without accessibility. If we're going to reach more people, we need to think outside the 'blue box' about how and where we create IKEA shopping experiences.

The stores of the future may look quite different to how they look today, but they will continue to give people the outstanding experiences, products and customer service which defines IKEA."

Jette Jørgensen, Expansion Manager

CLOSER TO COPENHAGENERS

SCHEDULED TO OPEN IN 2020, Copenhagen's first city centre IKEA store will be more than a home furnishing destination – it will also be a flagship development for the city's sustainability agenda.

The 37,000 m² store will offer a wide range of facilities, including green recreational areas on its 'green roof', as part of its contribution to the capital's vibrant and active urban life. By working closely with the municipality, IKEA Retail Denmark is striving to achieve world-class sustainability certification (BREEAM) to ensure the building and the supporting infrastructure, such as construction, energy and water use, recycling and transport, are as environmentally-friendly as possible. ■

HELLO SERBIA

The first IKEA store in Serbia also marked the 400th worldwide.

Just over 25 years after IKEA first entered Serbia, IKEA Retail South East Europe finally welcomed its first store opening on 10 August 2017. It all started back in 1991 when we opened an IKEA start-up shop in Belgrade, but it closed only one year later due to the unstable political situation at the time. More than two decades later, the city celebrated its first ground-breaking in April 2016, and just a year afterwards the first IKEA store in Serbia opened its doors.

The store extends to more than 33,000 m² with 416 IKEA co-workers, and it is the first time we have opened a store and launched online shopping simultaneously. ■

Around
25,000
people applied for
329
positions at IKEA Belgrade East

In the first four days

69,240
people visited the IKEA Belgrade East store

437,201
unique visitors on www.IKEA.rs

17,759
hot dogs sold

SWEET DREAMS IN MADRID

The average person spends a third of their life asleep, so it's no wonder that beds – and bedrooms – are an important part of life at home. That is one of the reasons IKEA Retail Spain has taken the bedroom range to the busy streets of Madrid, through IKEA Temporary – an urban hybrid shop where customers can shop and find inspiration for everything connected to where the day begins and ends.

The 900 m² store is arranged over two floors, and offers almost 300 accessories related to the bedroom which customers can take home straight away. IKEA co-workers are on hand to help with personalised touches, including embroidery on pillows and vinyl stickers for furniture, and inspirational bedroom sets complete the shopping experience.

"This isn't just a temporary shop, but a place where we can build even better relationships with our customers. Madrid is a huge city with three IKEA stores, but this pop-up brought us closer to where people spend a lot of their day-to-day time shopping, meeting friends, and running errands. It's about connecting to daily life, so we can adapt our offer and make our services more relevant and affordable than ever", says Antonella Pucarelli, Deputy Country Retail Manager, IKEA Retail Spain. ■

– RETAIL –

MAKE ROOM FOR LIFE

The living room is the hardest working space in the home.
It goes to bed late, and still wakes up early.

WHETHER WE'RE ALONE or getting together, it's where we play, talk, eat, work, sleep… It's where we Make Room For Life. The living room is the heart of everyday life at home, and that's why we're shining a spotlight on it this year.

THROUGHOUT THE COMING YEAR, we'll be serving up inspiration and information about how to help customers make more out of their space – from modular furniture solutions for small-space living, to textiles and accessories that help mark seasonal moments.

Make Room For Life is a new take on an old room. No matter the size, we believe it's big enough to contain all our needs and dreams for a better life at home.

IKEA Retail Italy was inspired by the approach to position the living room as a way to share stories about Italian homes and neighbourhoods.

"We had an idea and a dream for our stores. Each living room setting is now arranged like homes in a neighbourhood, so customers can walk around freely, stop and explore, and enjoy the room as if they were at home or visiting friends. The response has been amazing. We often find customers taking pictures and posting them on social media as if they were in their own living room!", says Federica Barberis, Country Sales Manager, IKEA Retail Italy. ■

ALL THE FUN OF THE FAIR

What do we really want from our living rooms? This was the question that IKEA asked during the Milan Design Week in early April 2017, where the IKEA Festival dedicated 3,500 m2 of old factory space to Make Room For Life.

The programme included music, design, live entertainment – and plenty of time for visitors to think about the changes they could make in their own living rooms, with a little help from IKEA. At the end of the festival, families from across Milan helped turn the space into one huge living room, filled with fun activities throughout the weekend. The exhibition was so successful that the IKEA Festival was nominated for a Milano Design Award.

– RETAIL –

NEXT STOP: INDIA

When the first IKEA store opens in Hyderabad in the spring of 2018, it will mark a major milestone in a journey that began 30 years ago when IKEA first started working with local manufacturers in India.

"THE JOURNEY WILL ALWAYS be more important than the destination," says Juvencio Maeztu, former Country Retail Manager, IKEA Retail India. "We learned quickly that starting a retail business in India was not simply about finding a piece of land to open the first store. It was much more about having a holistic approach to build a solid foundation for the IKEA brand for a very long-term future."

It's a journey that's defined by enormous opportunities forged out of significant challenges, especially for a foreign company seeking retail approval in India. "We worked with the government from day one, showing respect to policies, business environment and work culture, making sure there was a strong mutual understanding. We also stood firm on the IKEA code of conduct, values and how we do business with a long term approach to enable the right business climate from the start," says Neetu Kapasi, Public Affairs Manager, IKEA Retail India.

"It took one and a half years for us to become the first foreign company to get approval in India for single brand retailing category. Two years later we were also approved for e-commerce, and local sourcing timeline conditions changed," continues Neetu, reflecting on the major milestones since work began in earnest in 2012.

"We had to communicate who we are, what we stand for, and the value of IKEA in society."

Nivedeeta Moirangthem, Public Relations Manager, IKEA Retail India

"The journey will always be more important than the destination."

Juvencio Maeztu, former Country Retail Manager, IKEA Retail India

With momentum underway, plots of land for new stores were purchased in Bengaluru, Delhi National Capital Region and Mumbai, and Hyderabad – a city of more than 10 million people, where the first ever IKEA store will welcome its first visitors.

But it all comes back to the values of IKEA, and the role that a Swedish home furnishing retailer can play in the world's second most populous country with half the population under the age of 25.
"We had to communicate who we are, what we stand for, and the value of IKEA in society" says Nivedeeta Moirangthem, Public Relations Manager, IKEA Retail India, "that was the first, and most important, task ahead of us."

IT TAKES A TEAM

When Juvencio started in his new role, in 2012, he set about building a strong team.

"I had three criteria. First, I wanted to secure the highest possible competences by bringing in very experienced IKEA people who could transfer knowledge and help build the IKEA culture locally - no compro- ►

mises. Second, I wanted to secure our best efforts to recruit excellent Indian colleagues – no compromises. And third, I wanted to secure gender equality from the beginning – absolutely no compromises."

The new team was soon working on 34 different projects in parallel, ranging from the IKEA offer, managing finance and tax, to ensuring profitability, market research and recruiting co-workers.

RECRUITING IN INDIA has been particularly challenging, as the IKEA brand was not well known when work began, especially when creating jobs in retail for the many graduates in India's successful science and engineering sectors. What's more, Juvencio's commitment to hiring the same number of women as men, at every level, would require extensive training and development to support all new co-workers, along with a promise of a long-term career at IKEA. "You know what? For us that is a non-negotiable ambition. We just have to make it happen regardless of the effort it takes, without question," he says.

The bold ambition is paired with action, as Anna-Carin Månsson, the country HR manager for IKEA Retail India, explains: "Child-care is a big consideration for working families, and we wanted to play our part. So we will be opening day-care centres in each store for the babies and children of our co-workers, specifically to attract and retain female talent."

This kind of approach has provided a distinctly different way to connect with India's diverse communities and to establish IKEA Group as an employer which leads in equality. And it is reflected across the wide range of community engagement projects currently underway, including supporting local farmers to produce food for IKEA restaurants, and recruiting women from underprivileged backgrounds. It has made the target of hiring over 20,000 co-workers by 2025 feel achievable.

AN OFFER THAT'S RIGHT FOR INDIA

"IKEA and India have so much in common - our values, our love of home, and the belief we have in people and our positive outlook on the future."

Mia Lundström, Creative Director for IKEA Retail India, is quick to spot the many similarities that will help pave the way for IKEA's success in India. It's a simple yet compelling insight gleaned from almost three years of open conversations, surveys, market reports, and more than 500 home visits, to truly get to the heart of what life at home is like in India.

"Indians love colour, and their family lives centre around the sofa", explains Mia. "Food brings everyone together, and meals are prepared and shared between the whole family. But we also recognise that wallets are thin, purchasing decisions are often made jointly, and home furnishings aren't where people tend to spend their money."

"IKEA and India have so much in common - our values, our love of home, and the belief we have in people and our positive outlook on the future."

Mia Lundström, Creative Director for IKEA Retail India

AMITABH PANDE, a Strategic Planner in Marketing for IKEA Retail India, says this is a challenge they are well equipped to take on, remarking that it's as much about balancing value for money with good quality – and stretching the price ladder at the bottom – as it is about highlighting how home furnishings can make life at home better. "Indians dream

of a brighter tomorrow, and they want to realise the home of their dreams but they don't see the connection to home furnishing products. It's partly because they haven't really thought about it, or because they haven't found the right solutions for their needs. That's when I realised what a great idea IKEA is in India", he says.

AFFORDABILITY FOR ALL

Juvencio is open about the challenge of achieving affordability in a low-price market. He points to the complex landscape of low prices combined with the high costs of things like transport, customs duties, currency movements and land.

"Achieving profitability in India is all about going back to the IKEA model and having volume as our best friend," he says. And volume will be created in two ways: fast expansion and affordability. The volume will create sourcing opportunities which will, in turn, lead to lower costs. "That will enable us to offer low prices and in this way maintain long-term profitability," says Juvencio.

Sourcing locally is also an important contributor to achieving profitability. "The first step is underway. This is about expanding current categories that are sourced in India and adding new suppliers for bulky articles where volume, import and transport costs are more critical. The next step is with products that are more locally relevant."

And what about the IKEA concept, in a market well known for low-price and accessible services? "We see a real opportunity to introduce the Indian consumer to the wonderful experience of assembling your own furniture," says John Boyle, Shopping Experience Leader for IKEA Retail India. "We expect we'll see some customers really excited to take on the challenge straight away, and for some others we know there will be some resistance. Whatever type of customer you are, we will have a fantastic service offer to support all our IKEA customers."

His optimism is backed up by a lot of careful planning to ensure customers are provided with a clearly-priced offer that includes home assembly by trained IKEA co-workers. Pricing on all products will show clearly what assembly will cost if the customer chooses to have that option, and what it will cost ►

► without if they do it themselves. And with affordability front of mind, the whole package – product, delivery, assembly and installation – will all be made available at everyday low prices.

100 YEARS IN THE MAKING

Digital connectivity will play a big part in helping to spread IKEA's message in India, as well as meeting the expectations of new customers who love to browse and shop easily online. "Cities like Mumbai and Delhi, where future stores are planned, have a combined population of nearly 50 million people and are growing fast. With this density, little availability of land, a challenging public transport system and a total Indian population with over a billion mobile phones, getting the shopping experience online right is crucial. It's not only important, it is the pre-requisite for success," says Patrik Antoni, Deputy Retail Manager, IKEA Retail India.

Being plugged into customer expectations has been integral to building IKEA's brand. As a meaningful brand like IKEA, the team set about establishing impact in three waves: Good for India, Good for Society, and Good for Me. It's an approach which has helped create trusted relationships with the media, activists, government, consumers and potential co-workers.

"IKEA is seen very positively among those who know us. But we have many, many more people in this huge country who are unaware of the brand. These are our future customers and influencers and we have to enter their hearts and be part of their everyday lives," says Neetu.

BEING A MEANINGFUL PART of people's lives requires long-term thinking, and it's something Juvencio has been clear about from his first day of work. "It's not about profits for now, but IKEA Group is looking at the next 100 years to build a lasting relationship with India." It's an approach which has been greatly helped by what he refers to as The 10 Guiding Principles: "It's been one of the best things we did – they were the result of conscious and unconscious reflections and discussions. These principles have helped us face dilemmas and find a way forward."

The principles focus on aspects like affordability, local sourcing, and no compromises on quality, as well as building the brand right from the beginning and establishing resilient leadership. "I strongly believe that we will contribute to a better India and India will make IKEA better. By having tough challenges to work with in India, we have all learned how to do things right and better," Juvencio says.

READY TO TAKE FLIGHT

Once the Hyderabad store is open, the team will be looking forward to the opening of further stores. This will start in Mumbai, followed by Bengaluru and then Delhi NCR. Online shopping will also begin in Mumbai, and then subsequent cities. Juvencio has now handed over to a new Country Retail Manager for IKEA Retail India, Peter Betzel, and is confident that targets will be hit and performance delivered thanks to the longstanding belief in 'KRAFTSAMLA', which is Swedish for concentrating effort, evident in the number of people working together across many different IKEA companies, all of whom have been a part of the journey so far. ►

"Getting the shopping experience online right is crucial. It's not only important, it is the pre-requisite for success."

Patrik Antoni, Deputy Retail Manager, IKEA Retail India

"We worked with the government from day one, showing respect to policies, business environment and work culture, making sure there was a strong mutual understanding."

Neetu Kapasi, Public Affairs Manager, IKEA Retail India

"Indians dream of a brighter tomorrow, and they want to realise the home of their dreams but they don't see the connection to home furnishing products."

Amitabh Pande, Strategic Planner in Marketing for IKEA Retail India

► **AS PETER SAYS** of the road ahead, "We have a lot of work to do, but the most important contribution we can make is building our culture and maintaining our values. This is at the top of my list of priorities."

When Juvencio reflects on the progress made in just a few years, he's clear where India's future lies. "You cannot underestimate the Indian society and the power of its youth and women. There is huge respect for tradition but at the same time a great welcome for the new. As someone said to me recently: 'We have roots but we also have wings'." ■

"Recruiting by values is always our starting point and we find that we are able to find fantastic people who really want to be part of a values-driven, ethical company."

Anna-Carin Månsson, Country HR Manager, IKEA Retail India.

– RETAIL –

IKEA MEETS HYDERABAD

"Store manager is just a title," says John Achillea, as he talks about his role on opening day of IKEA Hyderabad, come spring 2018. "I'll be there on the shop floor, helping customers and maybe serving food in our restaurant, because we're all in this together."

JOHN'S IKEA JOURNEY BEGAN in 1996 and has taken him from the UK to the US, and now to India. Having been asked by former Country Retail Manager Juvencio Maeztu to consider taking on a new challenge – opening the first IKEA store in the country – John reflected on the fact that moving home is an important family decision, but that "everyone in our family thought there was something really special about India."

John's colleague, Neetu Kapasi, Public Affairs Manager, IKEA Retail India, says anyone coming to India for IKEA must not only have passion for the company but a genuine passion and respect for India.

"John has that passion. He also has a great humbleness combined with incredible will power," she says.

THESE QUALITIES ARE IN CONSTANT demand as John as his team are literally building the store from the ground up. By the time the doors open, more than 800 people will have been recruited and trained for jobs at every level, and many of them will be ready to meet at least 50,000 visitors on that first day.

"Recruiting by values is always our starting point and we find that we are able to find fantastic people who really want to be part of a values-driven, ethical company. We get positively surprised remarks when we show that we are more interested in the person than their CV," says Anna-Carin Månsson, Country HR Manager, IKEA Retail India.

But opening the first store in a new country comes with its own unique challenge.

"They love their families and much of their time is spent with them at home and mostly around food. And that sums up IKEA too: family, food and a great life at home."

John Achillea, Store Manager, IKEA Hyderabad

"About 90% of our store co-workers have never seen an IKEA store," says John, "and we have nowhere in the country to send co-workers for insights into what IKEA is and how the stores work."

John overcame the problem with bold thinking and support from his country managers. They encouraged him to take 75 newly-trained recruits to the UK to help in the opening of a new store in Sheffield in September, 2017.

"This was an incredible experience for everyone involved. Our team worked flat out for 17 days and really helped the local team. It was great for our team because they could take all the theory they had learned to date and turn it into practice in the store. I was immensely proud of the contribution they made."

SAME HOPES AND DREAMS

"Our customers here in Hyderabad have the same dreams as everyone around the world. They love their families and much of their time is spent with them at home and mostly around food. And that sums up IKEA too: family, food and a great life at home," says John.

The store's restaurant will offer what John describes as a traditional Swedish food with an Indian twist. "We'll have our famous meat balls but they will be made with chicken or vegetables, no beef or pork. We'll sell dishes like a vegetable biryani and, of course, we will meet local expectations for spice. There will always be a spicy gravy for customers to increase the heat level," says John.

THE HYDERABAD STORE will be the first IKEA store in the world to have a service department to meet the needs of customers, especially for assembly and kitchen installations. Providing services will be part of the store offer from the beginning. Home delivery will still be outsourced. "Our customers will have a choice of paying for home assembly and installation, but I know that many will want to do it by themselves and benefit from our really low prices."

From day one there will be 200 items priced at no more than 200 rupees (equivalent to EUR 2.50). "We know that we have to offer the lowest prices compared to any IKEA store around in the world. We can achieve this by adapting products for the local markets and by sourcing more locally," says John. An example is a standard 12-piece child's cutlery set which has been reduced to four pieces by removing the underused knives, and therefore reduced in price.

BEING PART OF THE COMMUNITY

As with all new IKEA stores, there is a strong drive to make sure the store is fully part of the local community and makes a positive difference to people and planet. ►

- On a practical level this includes solar panels on the roof and building standards that make the store energy and water efficient.

"Our partner in home delivery is committed to have 20% of the fleet as electric in the first year and rising to 60% within three years," says Nissy Varghese, Community Relations Manager for IKEA Hyderabad store. "We also want to create examples of shared-value partnerships that are a win-win for the business and the community, as we connect with communities at large."

THE TYPES OF PROJECTS being explored include working with partners to provide training in essential skills to local people, ranging from retailing to assembly.

"For example, we want to create and expand opportunities for skilled carpenters by training them to work with IKEA assembly services. This will bring IKEA closer to our customers by offering low cost service through these community networks of craftspeople. Another project will recruit local women entrepreneurs to become partners in the store's sewing service. Customers will be able to buy fabric from the store and have it made into items they need, such as curtains and drapes.

"We are also exploring opportunities with local farmers to see how they could become suppliers of our vegetables and fruits used in the restaurant. It's very important for our store to have a positive impact on the local people and the planet," says Nissy.

"We want to create examples of shared-value partnerships that are a win-win for the business and the community."

Nissy Varghese, Community Relations Manager for IKEA Hyderabad

OPENING DAY EXPECTATIONS

For John, opening day cannot come soon enough.

"Because so much of this is new, many of our plans and decisions have been based on assumptions. But from the day we open the store everything will become a fact. Then we will have a great opportunity to learn and to adapt. We will do this all the time so that we can get it right.

"During my brief time in India I've learned so much. I've stuck to my belief that if you do right to people they will do right to you. I've also had my fair share of sleepless nights as we work hard to meet all our deadlines.

"But I know that the day we open our store and 50,000 plus visitors walk through the door, I will just stand back and think: WOW!" ■

HEJ HOME!

The Hej Home concept provides a complete experience of how IKEA is helping create a better life at home in India, before people are able to visit a store. By visiting a much smaller replica of an IKEA store, potential customers are able to get the essence of what to expect when they shop with us, as well as getting a small taste of Sweden.

"The need for Hej Home came from the fact that we are launching the IKEA brand in a country that knows very little about us. And it's hard to bring IKEA to life without being able to show them what we do, and letting them experience it for themselves. So that's why we created Hej Home – an experience centre that shows what IKEA is and allows people to touch, feel and experience the brand, over a period of time", says Ulf Smedberg, IKEA Retail India, marketing manager.

The inspiration came from IKEA Retail Korea, who were the first to launch a Hej Home concept. It was where Ulf was working as the marketing manager before moving to take up the same role for IKEA in India.

"You don't need to speak Swedish to recognise that "hej" is very similar to the English word "hey", so our initial communication about Hej Home had a lot of fun with this fact," Ulf continues.

Hej Home is a great way to showcase some of our products and services, and it helps build different aspects of the IKEA brand including our concept and store shopping experience, IKEA Food, and the idea of democratic design. It also provides the space to share information about all our sustainability and community initiatives, and social entrepreneurs. Children and families will have dedicated spaces and activities, too. Hej Home will also act as a space for recruitment, and panel discussions around everything from prices to product benefits.

"The need for Hej Home came from the fact that we are launching the IKEA brand in a country that knows very little about it."

Ulf Smedberg, IKEA Retail India, marketing manager

Ulf says that the team has already learned a lot from the Hej Home campaign. Over the long-term, it is hoped that it will raise awareness of IKEA in Hyderabad by as much as 40 % before store opening.

Moving on this opportunity, they also plan to use the campaign to recruit IKEA FAMILY members and build a base of customers before the store opens. The aim is to sign up 70,000 members by offering them a range that is the perfect blend of IKEA and India. ■

– CENTRES –

CENTRES SNAPSHOT

In addition to being an IKEA retailer, we also have more than 40 years of experience in shopping centres. Our shopping centres operate under different trademarks, including MEGA in Russia and LIVAT in China, and are always anchored by an IKEA store. Gerard Groener shares the story:

Consumers have more choice than ever before. Their shopping experiences and expectations are pushing on what traditional retail can offer. We live in a time with so many ways to buy online that many malls and shopping centres are having to adapt fast in order to thrive in the future.

Together with our shopping centre partners – including our tenants and local communities - we are on a journey to a better, more fulfilling experience for our customers. I'm excited because we have to continually evolve in order to meet our customers' changing needs.

We're creating opportunities by building on success. Today, our shopping centres host and serve more than 460 million visits a year. This number is set to grow to more than one billion in the coming years as we expand from 43 locations in 15 countries today, to more than 70 locations in the coming 10 years. Of course, there will be challenges as we go on that journey, but the opportunities are so much greater.

I joined this business after falling in love with our vision, values and culture. I believe these are integral to our success, as we are measured on our financial return in addition to what we bring to customers, tenants and the local community. It's all about people, community and partnership, and finding out what works best for everyone.

It's time to reinvent the town square. We're creating spaces where everyone is welcome and people can enjoy their time together, whilst shopping, eating, finding inspiration, meeting friends, and relaxing in a safe and vibrant environment. It must also be truly integrated so that during a single visit someone could browse the shops, visit the hairdresser, and use their phone to buy something they've seen. Quite simply, this new definition of a town square provides people with the chance to connect whenever and wherever they want, online and offline.

We think the best way to create this new concept is through meaningful partnerships, and by asking local people what services and community support they need. We will do this by empowering the people in our business who have the strongest links – our co-workers in the communities we serve.

We can stay relevant by turning things upside down. To make this work you have to hand over the steering wheel to local management. These are the people who are closest to the customer. They are the eyes and ears of the communities where we are around the world. In FY17, we began a series of workshops with the managers of our centres and stores, to learn from their experience and local knowledge when it comes to meeting a community's needs.

We wanted to know how people in our local communities spend their free time, what kind of services

"We're still making progress, and we need to stay agile, but I'm confident we'll fulfil our potential because we are clear in the direction we are heading with our concept."

Gerard Groener, Manager, IKEA Centres Holding B.V.

and entertainment they want in one place, and what they like to do with their families. These are simple questions, but we cannot afford to overlook them – it's how people shape their everyday lives.

As a result, we're thinking creatively – from playgrounds to canoeing ponds, from healthcare services to live music events, maybe even community energy generation from solar and wind. And of course, the more traditional mall experience of food and movie theatres. We also want to work with local organisations, such as sports clubs and schools, to see what more we could do in partnership with others. People should see the soul of their community in our centres, with our IKEA values in the middle.

Sustainability influences everything we do. We are committed to reducing energy and water consumption, and increasing our recycling and use of sustainable material in our operations. Our People and Planet Positive strategy really influences the way we plan and operate, and allows us to consider bigger opportunities, like the feasibility of growing food onsite for the restaurants using local compost made from food waste. We could also offer learning experiences in sustainability for school children, for example. There are endless possibilities so long as they work for our visitors.

We also engage with tenants to operate their units in a sustainable way. We are moving to lease agreements that reflect our commitment to a more sustainable business by, for example, helping tenants save energy and water. Our new meeting places will be located, designed, equipped and operated to be as sustainable as possible, and this includes enabling a more sustainable and healthy lifestyle for visitors.

The meeting place of the future is closer than you think. We are continuing to open new and unique shopping centres around the world. We have had new openings in Europe, including MAR Shopping Algarve in southern Portugal, followed by one opening in Lublin, Poland. In spring 2018, we will open the Designer Outlet in Zagreb, Croatia, which is a new market for us. And building on the success of our first three LIVAT centres in China, we are looking to have a further 14 centres in China by 2030, predominantly in first and second-tier cities including Shanghai, Xi'an and Changsha.

It's an ambitious growth strategy, but it's one we are driven to achieve as it helps us get even closer to our vision. It's a privilege to be on this exciting journey as we create the shopping centres of the future – one community at a time. ■

15 COUNTRIES
43 LOCATIONS
460 MILLION VISITS A YEAR
1600 BRANDS
2000 CO-WORKERS
7000 SHOPS

– FINANCIAL ASSET MANAGEMENT –

INVESTING IN THE FUTURE

Our strong financial position enables us to grow, and as we strive to increase relevance in a fast changing world we continually look to both strategic and flexible ways to manage our assets.

THAT IS WHY WE INVEST in more stores, warehouses and centres, in digital transformation, in lower prices, and inspiring meetings with our customers. It is also why we invest in people and businesses through dynamic collaborations that make a positive difference to society. We are exploring how acquisitions can drive innovation and generate new business models, so that we can improve our competitive edge and expand at a faster speed.

In FY17, we accelerated our financial asset management investment activities and shaped the organisation to get ready for the future. We diversified our investments, and we took some bold steps in asset management through investments to support our core business that will help us speed up expansion and access future business opportunities. In addition, we invested in renewables, forestry and the circular economy.

WE WORK WITH A LONGSTANDING liquidity policy that means we keep a considerable amount of liquid assets available at all times. Due to our continued profitable operations and last year's sale of the wholesale, range and industry activities[1], we have accumulated more liquidity than we need to meet our minimum requirements.

As a result, we have taken the opportunity to diversify our asset management to anticipate increased future returns, and opened up some of our cash reserves for more active investments that support our core business, which is IKEA retail.

"While we have taken some great steps in FY17, we will continue to search for businesses to invest in, and collaborate with, that are developing new business models and innovations, and share our mission to have a positive impact on people and planet."

Krister Mattsson, Corporate Finance, Insurance, Treasury & Tax Manager

IN FY17 WE LAUNCHED a financial asset management strategy that evolves around five portfolios of varying size and direction. All of these are now active and some of the funds have already been allocated towards exciting projects. They are:

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

1 RENEWABLE ENERGY: Investments in this portfolio support our target to produce as much renewable energy as all the energy we consume, and we have invested and signed agreements to invest EUR 1.7 billion in total to renewable energy investments in wind and solar energy. We have invested in new windfarms in Europe and North America, including Canada, France and Lithuania in FY17, and own 416 wind turbines in 12 countries.

We have also invested in placing approximately 750,000 rooftop solar PV panels on our stores, distribution centres and other buildings worldwide. In FY17, we produced renewable energy equivalent to 73 % of the energy we use in our global operations.

2 RESOURCE INDEPENDENCE: This portfolio helps boost the circular economy, and is a source for investments into the production of resources that we are indirectly exposed to through the IKEA supply chain and transport footprint.

The largest indirect resource exposure is energy, followed by raw material from wood and plastics. So far we have invested in forest land in the Baltic States and Romania. At year end FY17 we own 100.000 hectares of forest. We have also begun to invest in minority interests in recycling companies.

3 VENTURE GROWTH CAPITAL: Through this portfolio, including IKEA Greentech AB investments, we invest in late-stage venture capital companies to further broaden our investment landscape and to diversify our financial risk and return profile. These investments help us learn from the world around us, including how to enable and use technologies and innovation, and how to invest in a more sustainable future.

At the end of FY17 we made our first investments in two US-based venture companies: AeroFarms and XL Hybrids.

4 BUSINESS DEVELOPMENT INVESTMENTS: These investments are made to support clearly identified development opportunities which benefit our core business activities. In FY17 we acquired the West Australian IKEA Retail Business (Perth & Adelaide) and recently a US-based on-demand service platform company called TaskRabbit.

5 TREASURY ASSET MANAGEMENT: The main part of financial asset management sits within Treasury Asset Management in four portfolios: bond portfolio, equity portfolio, non-investment grade bonds, and alternative investments. ▶

Small footprint design can make a real difference. Like these kitchen door fronts made from recycled wood and PET bottles. Good looks meet good intentions.

EXAMPLES OF FY17 INVESTMENTS

► ***Building the infrastructure to support a waste-free, circular economy is essential for sustainability.*** As part of our commitment to the circular economy, we have invested in the Dutch plastics recycling company, the Morssinkhof Rymoplast Group. Our minority investment was part of our strategy to support a long-term supply of sustainable materials by investing in forestry, as well as companies' active in recycling, renewable energy and biomaterials.

The investment will enable Morssinkhof Rymoplast to further develop its capacity and capabilities to produce high quality recycled raw materials made from plastic waste.

Enabling hybrid retrofitting for commercial vehicles. XL Hybrids develops and provides simple and sustainable fleet electrification powertrain solutions for the commercial vans market. We have taken a minority interest in XL because their systems generate an improvement in fuel efficiency and reduce carbon emissions.

Transforming agriculture by bringing responsible farming closer to cities. We made a minority investment in AeroFarms, who build, own, and operate indoor vertical farms that grow flavourful, safe and healthy food in a sustainable and socially responsible way.

A BOOST TO OUR SERVICE OFFER

Over the past few years, we have seen strong growth in services and expect this trend to continue.

CUSTOMERS TELL US that they want more shopping convenience and the opportunity for assistance assembling their furniture. As digital transformation continues to challenge retail concepts and customer needs, we need to develop our business faster and in more flexible ways, with an even greater focus on innovation. This is why we officially acquired TaskRabbit, Inc., in October 2017.

TaskRabbit is an innovative on-demand services platform company that connects customers with skilled Taskers to handle everyday needs such as furniture assembly, general handyman work and home improvement services. They currently operate in 40 regions in the United States, and in London, United Kingdom.

The acquisition followed a successful pilot partnership between IKEA stores in London and TaskRabbit. We could quickly see how services like these expand and complement our existing service offer. We see great potential for TaskRabbit to support accessible and affordable services to the many people, starting in the US and the UK and entering new markets later on.

This also marks an exciting first step for IKEA Group into the on-demand sharing economy. We will be able to learn from TaskRabbit's digital expertise, while also provide IKEA customers with additional ways to access flexible and affordable service solutions that truly meet their needs. ■

[1]Since the acquisition was closed 25 October, we fully own TaskRabbit, which remains a stand alone company and operates as an independent company within the IKEA Group. TaskRabbit continues to be headquartered in San Francisco (US).

"We will be able to learn from TaskRabbit's digital expertise, while also providing IKEA customers additional ways to access flexible and affordable service solutions to meet the needs of today's customer."

Jesper Brodin, President and CEO, Ingka Holding B.V. and its controlled entities

"With IKEA Group ownership, TaskRabbit could realize even greater opportunities; increasing earning potential of Taskers and connecting consumers to a wider range of affordable services."

Stacy Brown-Philpot, CEO, TaskRabbit

– YEARLY SUMMARY FY17 –

PEOPLE AND PLANET

– PEOPLE –

WE BELIEVE IN PEOPLE

When it comes to our co-workers, we are guided by 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.

WORKING WITH IKEA is so much more than just products or a job. Some would call it a lifestyle. Others would just say "my family". But regardless of how you describe it, at IKEA we like to do things together. We live by our values and we care about people. Most of all, we care about creating a better everyday life for the many people. That's who we are.

From the deep forests of Småland in southern Sweden we have spread our vision and our values around the world. At the heart of our offer are our beautiful products. At the heart of our business are our people. During the last five years we have welcomed 40,000 new co-workers to help us grow IKEA Group and together be a force for good.

To help us remain curious, close to our values and close to our customers, a new People Strategy was developed during FY17 and is currently being implemented across the the organisation. Together with our many talented and engaged co-workers, it will guide us towards three movements.

"Ultimately it is engaged and competent people who make us better and play a big role in why customers choose us today and tomorrow."

Ulrika Biesert, People & Culture Manager

1 ***PEOPLE CHOOSE IKEA FOR WHAT WE STAND FOR.*** This movement is about being a company and employer that people want to be part of. We will strengthen our uniqueness as a values-driven company to stand out and attract and amaze talents, customers and wider society.

To strengthen our uniqueness we will be bolder in telling the story about who we are and what we stand for. We will also be more innovative and agile in our ways of targeting and sourcing talent to deliver the right competence to our business.

Our values are key to the IKEA spirit. Emphasizing that we recruit competent individuals from diverse backgrounds who share our values is a way of strengthening and sustaining our uniqueness as we grow. We want to make sure that the people we recruit are right for IKEA, live our values and thrive in our culture.

We build competence in-house and we encourage competence flow within and across functions, units and countries, offering many ways to grow and develop to attract and retain talents and to secure succession.

We will target new critical competencies to support INGKA transformation in two main areas: digitalisation and services. We will proactively target the right people, living our values and make sure to be welcoming and inclusive when on-boarding new people with different skill-sets and perspectives.

We will go all-in on equality making it our competitive advantage we increase our ability to serve a diverse customer base and contribute to positive change in society. This will expand our talent pool, increase co-worker engagement and add employer value among under-represented groups of co-workers.

"Our goal is to create an inclusive culture where all people are valued for their unique contribution."

2 ***ENGAGED IKEA PEOPLE WITH THE CUSTOMER AT HEART.*** This movement is about creating a great co-worker experience to develop and retain co-workers, and giving them the power to create the best customer experience possible. We will empower the many by providing the right conditions, mandate to perform, do a great job, and enjoy work in a multi-channel environment.

A high quality of life at work is not only important ►

for the success of our business, but an increasingly critical factor for attracting and retaining all kinds of talent. A safe, ergonomic and inclusive work environment should be a hallmark of any INGKA workplace, together with good terms of employment and proper scheduling; an increased focus on health and wellbeing to really make IKEA a great place to work.

We encourage everyone to be a leader. Leadership is not only a position but a mind-set. Our starting point is that everyone is a leader and we will make sure that all co-workers are equipped to exercise self-leadership based on our values.

We will reward performance and competence. To attract, motivate and retain talent we need a competitive compensation and benefit offer. Going forward we will more clearly link pay and position to performance and competence – thereby showing that efforts and results matter.

We will concentrate on customer and retailing competence: learning takes place every day and people grow by taking greater responsibility. In a multichannel environment we need to understand that the digital and the physical meeting with our customers are the same – and we need the skills and competences to move between both seamlessly, starting from our next generation Store Managers.

3 *A MODERN, LEAN AND AGILE IKEA FIT FOR GROWTH.* This movement is about being fit for growth, an IKEA that is modern and strong in handling and leading change. We will build for performance by focusing on things that add value and removing the things that do not, while diminishing bureaucracy. Consequently people will have the possibility to excel no matter where they work. As always, this will be done based on our values.

We will unleash entrepreneurship, promote flexibility and speed supported by strong people data and analytics, modernized by technology and automation to add value to our people and our business.

The launch of our People Strategy marks the beginning of a new series of movements. Now we need to turn to actions. It is only with our engaged and happy co-workers that we can continue on our journey, driven by our vision. In a fast-changing world, it's a good feeling to lift up our values and grow IKEA together. ■

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 96 MILLION

Was set aside in FY17 for the loyalty programme Tack!

THE ONE IKEA BONUS PROGRAMME

At IKEA Group we see things a little differently when it comes to bonuses. We believe that by working together we all contribute to improving our business. The purpose of the One IKEA Bonus programme is to have ONE simple and transparent programme for the entire IKEA Group, which recognises performance and improves our business.

– PEOPLE –

BE YOURSELF AT IKEA

We're doing our part to create equal opportunities and inclusion.

FEDERICA DI BIAGIO, a Communication Specialist at IKEA Retail Italy, was on a Skype call with her team when she decided to come out. "The others had talked about their families so why couldn't I talk about mine?" she explains, when recounting her experience of telling her team, and new manager, about her girlfriend for the first time.

We encourage all our LGBT+ co-workers (lesbian, gay, bisexual, transgender, and all other sexual orientations and gender identities) to be themselves and bring their whole self to work. That's why we work together, benefiting from our similarities and differences to create a better work environment that is good for our co-workers, our suppliers, our customers and society at large.

"At IKEA I am not only welcomed, I am able to advocate for my community and support LGBT+ rights. I'm very privileged to have this."

Federica Di Biagio, Communication Specialist at IKEA Retail Italy

"At IKEA I am not only welcomed, I am able to advocate for my community and support LGBT+ rights. I'm very privileged to have this," continues Federica, reflecting on IKEA's humanistic culture and values.

FOR US, LGBT+ INCLUSION is grounded in our values. And we recently showed our strong commitment by collaborating with the United Nations Human Rights Office of the High Commissioner to create and endorse the UN Standards of Conduct for Business aimed at tackling discrimination against LGBT+ people. The UN standards are about actions companies can take to protect the rights of LGBT+ people, reduce workplace bias, and tackle discrimination throughout the supply chain as well as acting in the public sphere, advocating for human rights. Our representation in this work has helped shape our own approach, while sending a clear message to company leaders all over the world to stand up for the rights of LGBT+ people everywhere. We stand up for what we think is right because we believe in fair treatment and equal opportunities for everyone.

"This step is about living and sharing our values and our Human Rights and Equality policy, together with our many stakeholders, with the aim to influence for a fairer society", says Ana Teresa Fernandes, Deputy Public Affairs Manager.

IN JANUARY 2017, we launched our global LGBT+ inclusion plan to create a consistent way of working with LGBT+ rights across all our organisations. And throughout the year we have used many opportunities to communicate our stance on equality and to strengthen our message that LGBT+ inclusion is everyone's responsibility. Among these, we participated in the Workplace Pride International Conference on 23 June, we celebrated IDAHOT (International Day Against Homophobia, Biphobia, and Transphobia) on 17 May, and National Coming Out Day on 11 October.

"As a humanistic and values driven company, we want to create a fully inclusive work environment and contribute to positive change in all areas of our business and in society", says Sari Brody, Equality and Leadership Manager.

We believe that coming out is a personal choice and no one is expected to come out unless they want to. But all co-workers are expected to treat each other with respect because inclusion is everyone's responsibility.

MANY OF OUR CO-WORKERS have shared their stories and experiences as a way of demonstrating what inclusion feels like. As Brian Zimdars, Recovery Manager for IKEA Retail USA says, "not everyone is fortunate to live in a very open place, and we can learn from people's unique experiences and motivate each other to make IKEA better." Brian's experience of coming out at IKEA was significantly different to the negative reaction he received in his previous workplace.

"I've been unapologetically myself, comfortable about who I am. So it wasn't even an issue, I was just able to be me. And IKEA really truly values everyone's uniqueness, so my co-workers accepted all of me." ■

"I've been unapologetically myself, comfortable about who I am. So it wasn't even an issue, I was just able to be me. And IKEA really truly values everyone's uniqueness, so my co-workers accepted all of me."

Brian Zimdars, Recovery Manager for IKEA Retail USA

"This step is about living and sharing our values and our Human Rights and Equality policy together with many other stakeholders."

Ana Teresa Fernandes, Deputy Public Affairs Manager

GENDER DIVERSITY IKEA GROUP (SHARE OF WOMEN)

53% OF GROUP MANAGEMENT*

42% OF EXTENDED GROUP MANAGEMENT

49% OF ALL MANAGERS

54% OF ALL CO-WORKERS

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

– SUSTAINABILITY –

A SUSTAINABLE FUTURE

We are guided by our vision to create a better everyday life for the many people. That means more than offering beautiful and functional home furnishings at affordable prices. It's about ensuring that everything we do has a positive impact for the people across our value chain, and the planet where we live and work.

WE DO THIS because it's vital to the success of our business – securing the future of the resources we use and the communities around us. And it is what our co-workers, customers, and society expect of us.

The People & Planet Positive strategy, launched in 2012, was grounded in our belief that to have a positive impact, we must transform the way we work. Instead of taking incremental steps we went all-in. All-in on generating as much energy as we use from renewable sources. All-in on selling products that enable and inspire sustainable living – like switching our entire lighting range to LED. And all-in to create better lives for the people across our value chain, by taking a stand for human rights for our co-workers, our suppliers' co-workers, and the communities around us.

We are proud of what we've achieved. But we know that there is so much more to do, and we are constantly on the way to becoming People & Planet Positive.

"We want to be part of addressing some of the key issues of our time. We know that this is just the beginning, and I'm excited about what the future holds."

Pia Heidenmark-Cook, acting Chief Sustainability Officer, IKEA Group

TODAY, SOCIETY FACES some of its greatest challenges – climate change, a growing population and scarcity of resources. This presents many opportunities for those who embrace the shift to a more sustainable and fairer world. We are determined to be part of the solution.

IN FY18 WE WILL LAUNCH THE NEXT BIG STEPS LEADING US TO 2030

With billions of visits to our stores, shopping centres and websites each year, our greatest contribution will be to make healthy and sustainable living a desirable choice that is affordable, attractive and accessible for as many people as possible. We're already offering products and solutions that enable and inspire people to live healthier and more sustainable lives. Now we want to go further by understanding people's needs and dreams, and supporting healthier and more sustainable choices. We want to be the leader in healthy and sustainable living, making IKEA the natural destination for people who aspire to live well. This will build trust, demand and desire for our offer, and differentiate IKEA, bringing more customers.

WE WANT TO LEAD by example – transforming our own operations to show what's possible. We're investing in our own wind farms and solar panels to generate more energy than we use by 2020. And we believe that nothing is of so little value that it should be wasted. That's why we are working to eliminate waste across our operations, by ensuring the most efficient use of resources to make more from less, and by turning waste into a valuable resource.

We are present in many communities around the world. When they thrive, so do we. We want to contribute to a fairer and more equal society. We will continue to stand up for decent and meaningful employment, and find ways to grow our business that benefit people and communities. Through this, we will make a positive difference for many people by becoming a truly inclusive and people-centred business.

We know there is only so much we can achieve alone. That is why we partner with others to make our voice heard, and to stand up for the issues that matter most. That starts with our 149,000 co-workers around the world, and extends to non-governmental organisations, peers and governments.

The way we act will define the future of our business. And we are determined to have a positive impact on the world – for the people we reach and the planet we all call home. ►

BECOMING PEOPLE & PLANET POSITIVE IN FY17

FOOD IS PRECIOUS

In FY17, we started implementing a food waste reduction solution in our own food operations as a first step in a global IKEA initiative to cut food waste by 50% by end of FY20.

REFUGEE INCLUSION PROGRAMMES

Stores in 8 markets have initiated programmes for talents who are getting their first work experience in a new country with IKEA.

5
MARKETS OFFER SOLAR ENERGY SYSTEMS TO CUSTOMERS

In FY17, our home solar offer was launched in Poland and Belgium, joining the Netherlands, Switzerland and the UK, and enabling even more people to turn their rooftops into power stations.

416
WIND TURBINES

Together with 750,000 solar panels on our buildings, our wind turbines generated renewable energy equivalent to 73% of the energy used in our operations in FY17.

PRODUCTS AND MATERIALS WITH MANY LIVES

Across our markets there are over 100 initiatives contributing to the circular economy – from takeback and recycle services to textile revival workshops.

85
MILLION LED BULBS SOLD

If each bulb replaced an incandescent bulb, they could save enough energy to power 750,000 households for a year[1].

[1] This calculation is based on the electricity consumption of an average European household.

HOME SOLAR FOR THE MANY

FOR US, RENEWABLE ENERGY makes great sense – the sun will always shine and the wind will always blow. That's why we're installing solar modules on our buildings, and investing in wind farms. But we know we must do more. That's why we launched home solar – to help more people take control of their energy, saving both their wallets and the environment. For too long, generating and using renewable energy at home has been a luxury. We want to change that – making it affordable and attractive for the many. Home solar was available in five countries at the end of FY17, and soon more will follow.

WHEN WE LAUNCHED in Poland in FY17, we wanted to use the opportunity to engage our 4,360 co-workers in the benefits of home solar. We launched a competition for all co-workers in Poland to win their own home solar installation. Co-workers shared their inspiration for a sustainable life at home, and why they wanted solar panels.One of the winners was Gosia Fruzińska, Sales Team Leader, IKEA Lodz store, who was delighted to have the opportunity to install solar panels on the roof of her family home. And it's had a huge impact on the family's daily life.

"Before the solar panels we'd use the coal-powered furnace to heat our home. Now when we turn on the heating, we don't have to worry about the cost or the pollution," says Gosia. ■

BEYOND THE BLUE BOX

OUR AMBITIOUS NEW store in Kaarst, Germany, is not only our most sustainable building, it's a hub for the local community. And it's just the beginning of our ambition to have a leading sustainable store in each of our markets by 2022.

The IKEA Kaarst store is certified to the top sustainability standards (BREEAM), has 3,000 square metres of solar cells on its roof, collects its own rainwater, has plenty of natural light, and is packed full of smart technology that minimises energy consumption.

FOR US, A SUSTAINABLE STORE is more than an energy-efficient blue box. It's a meeting space, an asset to the local community, and a source of inspiration for customers to live more sustainably. The IKEA Kaarst store offers an insect garden, orchards, a barbeque area, a playground and even a sports area with fitness machines and a basketball court.

"It's a meeting space, an asset to the local community, and a source of inspiration for customers to live more sustainably."

Our ambition is for all of our stores and shopping centres to be destinations, and for our buildings – wherever they are – to contribute to building thriving local communities, while inspiring people to live healthier and more sustainable lives. ■

USING BUSINESS TO BUILD BETTER LIVES

WE WANT TO USE every part of our business to create a better everyday life for the many people. That's why we partner with social entrepreneurs - providing jobs to people who face barriers to employment – to offer new products and services in our stores. But to have a long-term impact, partnerships must be good for our business too.

OUR LATEST PARTNERSHIP is between IKEA Slependen, Norway, and Sisters in Business that provides a sewing service for customers. It gives immigrant women in the local community access to the labour market, while offering a new service that our customers need. Customers buy their curtains or fabrics in the store and place their order for them to be adapted at the sewing service. It builds on the success of our similar services in ten other stores, and we hope to bring these services to many more stores – supporting social entrepreneurs while improving the shopping experience for our customers.

"One of the biggest challenges for immigrant women in Norway is to get access to the labour market. The collaboration with IKEA gives these women great opportunities. Now we look forward to getting to know IKEA's customers and 500 new colleagues at IKEA Slependen", say Sandra Tollefsen and Farzaneh Aghalo, the founders of Sisters in Business. ■

"One of the biggest challenges for immigrant women in Norway is to get access to the labour market. The collaboration with IKEA gives these women great opportunities."

Sandra Tollefsen and **Farzaneh Aghalo**, Founders of Sisters in Business

– YEARLY SUMMARY FY17 –

FINANCIAL PERFORMANCE

– FINANCIAL PERFORMANCE –

OUR FINANCIAL YEAR FY17

In FY17, IKEA Group's total revenue grew by 1.7% and amounted to EUR 36.3 billion. Retail sales was EUR 34.1 billion and the rental income from Centres amounted to EUR 1.0 billion.

AS A RESULT of last year's transaction*, the revenue for IKEA Group in FY17 does not include wholesale sale of goods (EUR 1.9 billion in 2016) but does include other services (EUR 1.2 billion in FY17).

Following the transaction*, IKEA Group results do not include the gross margin and operating expenses from the production and supply chain companies that were sold. Therefore, in FY17, the gross profit decreased by 8.6% points to 34.6% of total revenue and operating expenses decreased by 4.4% to 26.3% of total revenue.

Operating result was EUR 3.0 billion (EUR 4.5 billion in 2016). The decrease in operating result was mainly driven by the loss of profit from the companies that were sold in the transaction*, as well as the increased costs in IKEA Retail to support multichannel growth and expansion.

Our financial net result was EUR 0.3 billion. Corporate taxes incurred in 2017 amounted to EUR 0.8 billion which equals an effective tax rate of 24.9% (2016: 21.6%). Other taxes and duties, such as property taxes and customs duties amounted to EUR 0.4 billion. The net profit for the year 2017 was EUR 2.5 billion.

In FY17 we paid a dividend to our owner Stichting Ingka Foundation of EUR 0.8 billion out of the result from FY16. Total assets amounted to EUR 52.9 billion and we further increased our solvency to EUR 39.9 billion of equity at year-end.

IKEA RETAIL

IKEA Retail sales grew by 3.5% in Euro and 3.8% adjusted for currency impact. Sales grew in 26 out of 29 markets, with China remaining one of the fastest growing markets together with Portugal and Poland. The five largest markets based on sales value, were Germany, USA, France, United Kingdom and China. Business areas Kitchen and Cooking grew the most together with a strong performance from Mattresses and Storage.

In FY17, we opened 13 new IKEA stores and acquired two existing stores in Australia from Cebas Pty Ltd. We continued to roll out e-commerce and grew our multichannel distribution network through new customer distribution centres, pick-up and order points and parcel units, to increase accessibility for our customers. We welcomed 817 million visits to our stores, 2.1 billion visits to IKEA.com and 460 million visits to our shopping centres. In addition, we opened our first store in Serbia and continued working on opening our first store in India, to be opened in FY18.

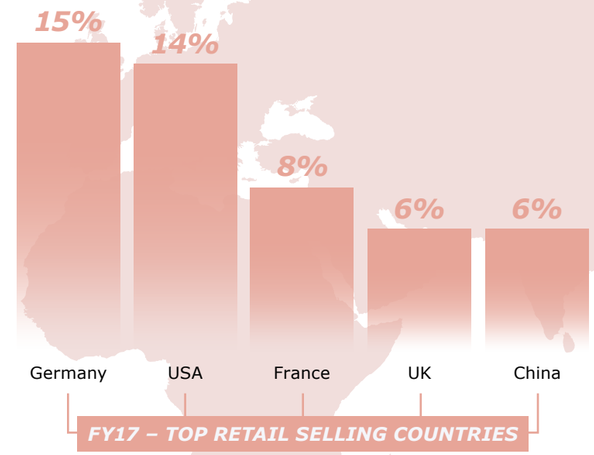
CENTRES

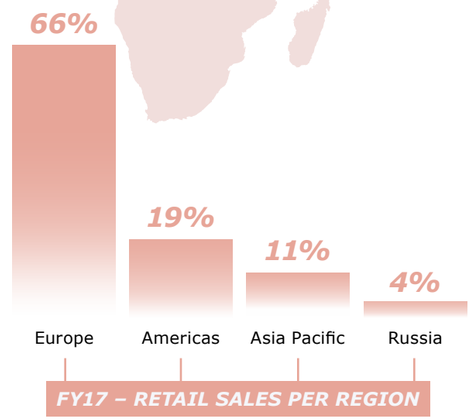
Rental income for our shopping centre business grew by 10.8% compared to prior year, with Centres China showing the strongest growth supported by increased visitation and tenant sales.

FINANCIAL ASSET MANAGEMENT

Our financial asset management business invests, develops and manages financial assets to support the growth of our IKEA retail business and to safeguard future financial strength. It consists of five investment portfolios: Renewable energy, Resource Independence investments in forest and recycling, Venture & Growth Capital, Business Development Investments and Treasury Asset Management. ■

* The sale of shares in our product development, supply chain and production companies to Inter IKEA Group in FY16.





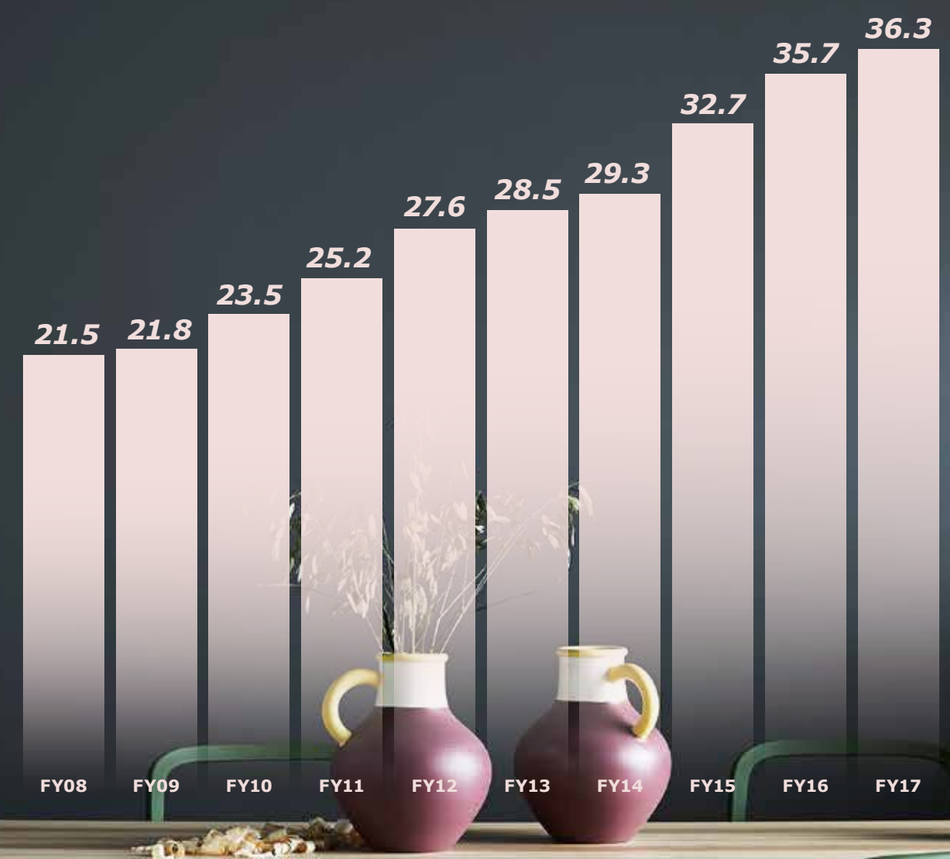
DURING FY17, THE IKEA GROUP invested EUR 3.1 billion in stores, distribution and customer fulfilment network, shopping centres, renewable energy and forestry. During the year companies were acquired for EUR 0.3 billion. In FY17 IKEA Group divested retail parks in Europe with a net book value of EUR 0.5 billion.

The ultimate parent company of 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 FY17, the currency-adjusted sales growth for retail was 3.8%, while the straight conversion into Euros shows a sales increase of 3.5%.

– FINANCIAL PERFORMANCE –

TOTAL REVENUE FY08–FY17

(in billions of Euros)



– FINANCIAL PERFORMANCE –

TAXES

We are strongly committed to managing our operations in a responsible way and to making a positive contribution to the societies in which we operate.

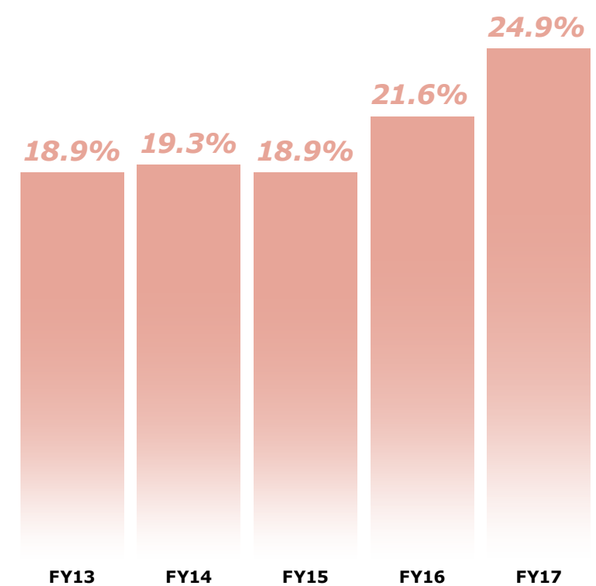
WE WANT TO CREATE LONG-TERM VALUE through growth, customer experience and positive impact on people and the environment. The tax we pay is an important part of our wider economic and social impact.

The IKEA Group pays taxes in accordance with laws and regulations, wherever we are present as retailer or in any other role. In FY17, corporate income tax amounted to EUR 825 million globally, which equals an effective corporate tax rate of 24.9% (21.6% in FY16). In FY17, our total tax bill including other taxes and duties, such as property taxes, environmental taxes and customs duties amounted to approximately EUR 1.3 billion.

OVER THE LAST FIVE YEARS (FY13-FY17), corporate income tax and other taxes amounted to approximately EUR 7.6 billion. In addition, we collected substantial tax amounts on behalf of governments, such as VAT and employee taxes.

Over the years, we have had strong development and created tens of thousands of jobs, directly in our stores and warehouses, and indirectly with our external suppliers, which in turn generates taxable income. We continuously invest throughout our business, in stores, shopping centres, distribution centres, and lower prices to our customers. ■

EFFECTIVE CORPORATE TAX RATE (ETR) FY13 - FY17



EUR 7.6 BILLION
in corporate income tax and other taxes over the last 5 years

– CONSOLIDATED INCOME STATEMENT –

1 SEPTEMBER 2016 – 31 AUGUST 2017

(in millions of Euros)

	FY17	FY16*
Revenue	36,295	35,691
Cost of sales	23,730	20,260
Gross profit	**12,565**	**15,431**
Operating cost	9,534	10,932
Operating income	**3,031**	**4,499**
Total financial income and expense	**283**	**869**
Income before minority interests and taxes	**3,314**	**5,368**
Tax	825	1,158
Income before minority interests	**2,489**	**4,210**
Minority interests	16	10
Net income	**2,473**	**4,200**

* Restated in FY17.

The included abbreviated financial information is derived from the draft unaudited consolidated financial statements of Ingka Holding B.V. This information is prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. Ingka Holding's audited Annual Report for financial year 2017, including the audited financial statements will become available through the Dutch Chamber of Commerce. The IKEA Group total revenue includes sales of goods, rental income and service income.

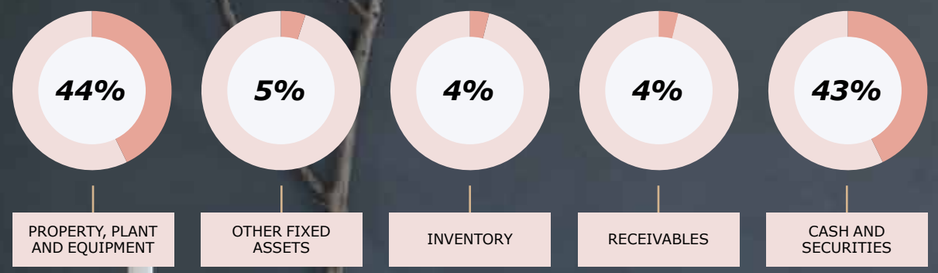
– CONSOLIDATED BALANCE SHEET –

ASSETS

(in millions of Euros)

	FY17	FY16
Property, plant and equipment	23,172	23,033
Other fixed assets	2,488	1,955
Total fixed assets	**25,660**	**24,988**
Inventory	1,924	1,713
Receivables	2,327	4,115
Cash and securities	23,029	23,151
Total current assets	**27,280**	**28,979**
Total assets	**52,940**	**53,967**

FY17** TOTAL ASSETS – **EUR 52,940 MILLION



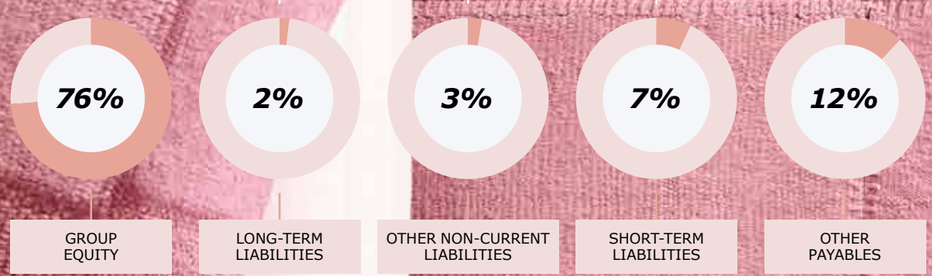
– CONSOLIDATED BALANCE SHEET –

EQUITY & LIABILITIES

(in millions of Euros)

	FY17	FY16
Group equity	**39,943**	**38,907**
Long-term liabilities	1,010	1,385
Other non-current liabilities	1,767	1,908
Total non-current liabilities	**2,777**	**3,293**
Short-term liabilities	3,891	5,126
Other payables	6,329	6,641
Total current liabilities	**10,220**	**11,767**
Total equity and liabilities	**52,940**	**53,967**

FY17** TOTAL EQUITY AND LIABILITIES – **EUR 52,940 MILLION



– YEARLY SUMMARY FY17 –

GOVERNANCE, MANAGEMENT AND SUPERVISORY BOARD

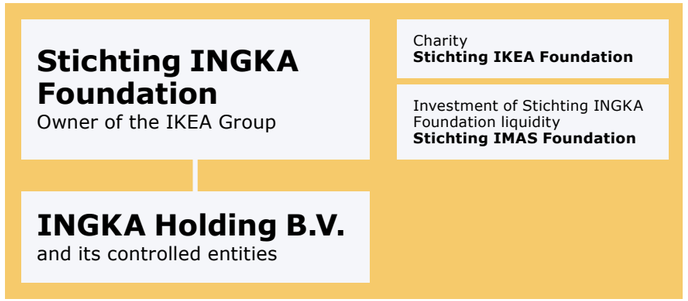
WE OPERATE STORES UNDER FRANCHISE AGREEMENTS

Ingka Holding B.V. is one of 11 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. ■

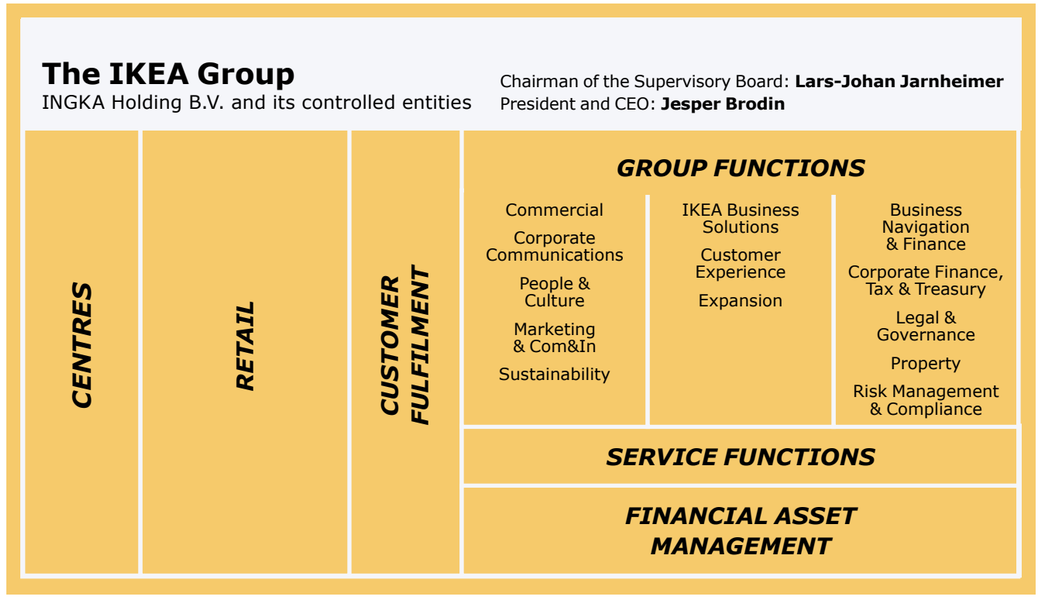
OWNERSHIP STRUCTURE

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 2017, its Supervisory Board consists of: Lars-Johan Jarnheimer (Chairman), Stina Bergfors, Tore Bertilsson, Luisa Delgado, Jonas Kamprad, Göran Lindahl, Mark Newton-Jones (New member of the Supervisory Board from 29 November 2016), Lone Fønss Schrøder and Ian Worling (New member of the Supervisory Board from 29 November 2016). Ingvar Kamprad, the founder of IKEA, is senior advisor to the Supervisory Board. Jon Abrahamsson Ring left the Supervisory Board on 31 May 2017. In FY17, the IKEA Group was led by Peter Agnefjäll. On 1 September 2017, Jesper Brodin took over as President and CEO, leading the IKEA Group together with the Group Management team.



GROUP MANAGEMENT

Left to right: Claudia Willvonseder – Marketing and Com&In, ***Mikael Palmquist*** – Retail Region Asia Pacific, ***Giny Boer*** – Retail Region South & East Europe, ***Juvencio Maeztu*** – Sustainability, ***Marcus Baumgartner*** – Customer Fulfilment, ***Petra Hesser*** – Development & Expansion, ***Alistair Davidson*** – CFO, ***Jesper Brodin*** – President & CEO, ***Michael Ward*** – Retail Region North America & Scandinavia, ***Gerard Groener*** – Centres, ***Olivia Ross Wilson*** – Corporate Communications, ***Doris Lan*** – CEO Assistant, ***Stefan Sjöstrand*** – Commerical, ***Ulrika Biesèrt*** – People & Culture, ***Jeanette Söderberg (not pictured)*** – Retail Region Central & West Europe

SUPERVISORY BOARD

Top row, left to right:***Göran Lindahl, Tore Bertilsson, Jonas Kamprad, Mark Newton-Jones, Luisa Delgado, Ian Worling***
Bottom row, left to right: ***Lars-Johan Jarnheimer, Lone Fønss Schrøder, Stina Bergfors***

MOST OF ALL, WE CARE ABOUT CREATING A BETTER EVERY-DAY LIFE FOR THE MANY PEOPLE. THAT'S WHO WE ARE.

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