

IKEA GROUP

FY14

YEARLY SUMMARY





PAGE 28

We have now committed to own and operate 224 wind turbines around the world. It's part of our plan to become energy independent by 2020, producing as much renewable energy as we consume.



PAGE 5

Growing in a responsible and sustainable way is about making long-term investments — in our business, our products and the planet.

PAGE 39

Last year, sales totalled €28.7 billion. Get a quick overview of all the key facts from FY14 in the "At a glance" chapter.



PAGE 12

We're creating more limited collections than ever before! Not only does this offer our customers more unique products, it gives us the opportunity to collaborate with world-renowned designers and test new ideas.

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

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The financial year 2014 of the IKEA Group (INGKA Holding B.V. and its controlled entities) refers to the period between September 1, 2013, and August 31, 2014.

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

*COVER IMAGE:
Pieces from the limited edition IKEA PS collection launched in April, 2014.*



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Great design, quality and affordability for all

“To create a better everyday life for the many people”. This is the IKEA vision and it guides us in every aspect of our business, from design idea to production, right down to the store floor and beyond.

We work hard as a team to offer quality products at affordable prices for our customers. We do it by optimising our entire value chain. We build long-term supplier relationships, invest in new technologies, create efficient

production techniques and produce large volumes. Our vision goes beyond home furnishings — we want to create a better everyday for all people touched by our business.

▶ Watch “The Way We Work” to see the big picture.



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



We come from the farmlands of Sweden but our values are universal

"I feel good working for IKEA because the values correspond with my own", says Tanja Krnić, an IKEA Croatia co-worker. "Especially 'dare to be different'. At IKEA, I'm given the opportunity to try new and different things."

Tanja started out as an accountant at the Service Office in Zagreb. A year into her role, when the country began hiring co-workers for their first IKEA store, Tanja saw an exciting opportunity. With her outgoing personality and friendly

nature, she wanted to be closer to customers, so she applied for a transfer and now works at the store.

"Part of my job now is welcoming our customers with a smile as they enter the store. This is a great role to have. Our customers feel really, really welcome when they enter, and when they come back, they remember me and say 'hello, how are you?'"

"Not so long ago, this place was just gravel, and now we have this great new store. To open the first store in Croatia

was an honour, and also a big responsibility. We all worked hard together, were encouraged to use our common sense and were driven by our enthusiasm. This made everything easier and any problem possible to solve."

IKEA was founded in the farmlands of Småland, where people had to work together, using innovation and resourcefulness to survive and thrive. Today, Smålanders are still known for their ingenuity and determination.

"At IKEA there's an acceptance of people's differences, and there's no hierarchy. We work together with understanding and tolerance."

Tanja Krnić, Customer Relations Co-worker, IKEA Zagreb, Croatia

Growing with a positive impact on people and the planet



Last year was a good year for the IKEA Group as well as a very inspiring first year for me in my new job. We have an ambitious growth strategy and a commitment to become people and planet positive. In the past financial year we reached some important milestones and we can really see results when we are working together with a shared vision and common goals!

Sales increased by 5.9% (adjusted for currency impact) from last year to €28.7 billion. Our total revenue, which includes the rental income from our shopping centre business in Russia, increased by 2.8% to €29.3 billion. We gained market share in almost all markets and entered a new country: Croatia.

All in all, we had over 700 million visits to our stores, and more than 1.5 billion visits to our websites. I am happy to see increased growth in all sales channels: in existing stores, with the opening of new stores and in e-commerce.

Our customers also tell us they care about climate change and want to live more sustainably. Through the amount of visitors in our stores and online, we have unique possibilities to inspire and enable millions of people to live a more sustainable life at home by offering

sustainable and energy-saving solutions, affordable to all.

We also want our own operations to be sustainable, and we have a goal to become resource and energy independent. By 2020 we will produce as much renewable energy as we consume in our operations. We already produce energy from our own renewable sources equivalent to 42% of our total consumption.

All of our fantastic co-workers made this happen, and we want them to share the success of IKEA. One way to say thank you is through our loyalty programme Tack!, which we introduced during 2014, and the One IKEA Bonus programme.

Looking ahead, nurturing and developing the IKEA culture and building on our entrepreneurial spirit is vital for our future success. By working closely together, we can create an even better IKEA for our customers, co-workers, suppliers and society at large.

*Peter Agnefjäll,
President and CEO, IKEA Group*



Get all the FY14 highlights from Peter in our Yearly Summary film.



The year in brief

A COLLABORATIVE COLLECTION WITH A SOCIAL MISSION

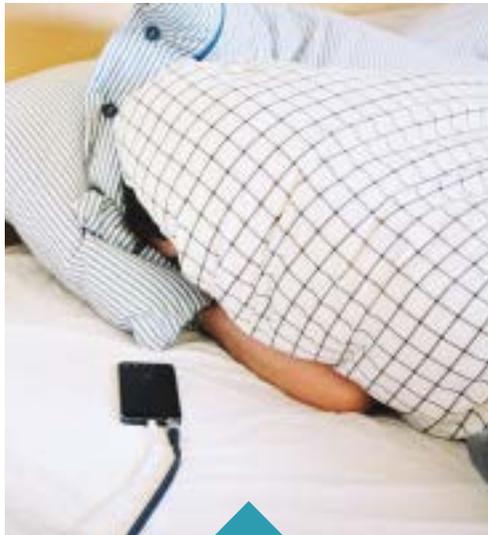
In FY14 we launched MÅNGSIDIG, a limited collection of handmade textiles developed with social entrepreneurs in India. MÅNGSIDIG is just one of several similar collaborations around the world. Social entrepreneurs use business to create change and reduce poverty in their communities, so by working with them, we're supporting social development while producing unique products for our customers.

Find out more about social development and design on page 30.

224

WIND TURBINES

The IKEA Group is now committed to own and operate 224 wind turbines throughout the world and there are 700,000 solar panels installed on our buildings.



IKEA US ADJUSTS WAGES

IKEA US announced a new hourly wage structure that focuses on the needs of co-workers instead of market standards. Effective January 2015, wages will be set according to the local living cost.

Find out more on page 25.

5.9%

SALES UP IN FY14: NEW MARKETS AND NEW STORES

The IKEA Group sales increased 5.9% in FY14 (adjusted for currency impact). We opened 12 new stores in ten markets, including our first store in Croatia, which 68,000 customers visited in its first four days. We also opened a city centre store in Hamburg Altona, Germany, where customers can use our cargo bikes for free to take their purchases home. In total, the IKEA Group has 315 stores in 27 markets as of August 31, 2014.



IKEA GROUP MAKES LARGEST RENEWABLE ENERGY INVESTMENT TO DATE

We committed to our first wind farm investment in the US in FY14 which was our largest renewable energy investment globally to date, bringing us closer to our goal of energy independence by 2020.

Find out more about our plans for energy independence on page 28.

When the new wind farm is fully operational it'll produce 130% of the total amount of energy IKEA US operations consume.

THE LIFE AT HOME REPORT GOES PUBLIC

Last year we shared our first Life at Home Report. We launched an interactive website featuring the findings of an in-depth survey looking into people's morning routines. Data was collected from 8,000 respondents in eight cities throughout the world.

See page 10 for more about the report.

FASTER AND SIMPLER ASSEMBLY

When tasked to make assembly easier for customers, two construction technicians in Älmhult found inspiration in an old idea. Göran Sjöstedt and Anders Eriksson took a traditional wooden plug technique and adapted it for today's hi-tech production methods. The result? Quicker and simpler assembly in just a few steps. The new REGISSÖR storage series features this innovative assembly solution.

Find out more on page 13.



100,000 JOB APPLICANTS FOR NEW IKEA STORE IN SPAIN

While IKEA is a popular workplace, the number of applicants to our new store in Valencia, Spain, exceeded our wildest expectations (and temporarily shut down our servers). A potential crisis situation turned positive when the IKEA Spain team emailed all 100,000 applicants and followed up with 65,000 phone calls. The IKEA Valencia Alfajar store opened in June and is one of our best selling stores in Spain.

IKEA JAPAN SETS NEW WAGE EQUALITY STANDARDS

IKEA Japan breaks new ground in the country by giving part-time workers the same benefits as full-timers. As a result, job applications doubled.

Find out more on page 25.

NEW LOYALTY PROGRAMME FOR CO-WORKERS

We launched Tack!, which is Swedish for "thank you", to recognize each co-worker's contribution to our company and to share our success with them. All co-workers who've been with the IKEA Group for at least five years qualify for this contribution to their pension plans.



NEW DEMOCRATIC DESIGN CENTRE: A PLACE FOR CURIOSITY AND COLLABORATION

The new IKEA Democratic Design Centre that opened in Älmhult harbours and promotes innovative home furnishing design. Here, researchers, designers and engineers from all over the world come together over every aspect of product development, from the creative phase to the final result (and for coffee breaks too).

LIGHTWEIGHT BOARDS SAVE MONEY AND RESOURCES

The new IKEA Industry factory in Malacky, Slovakia, is producing unique lightweight boards that are 30% lighter than the previous ones. These new boards are less expensive to produce and use less raw material. We can also ship more of them per truck (30% more) which lowers emissions and transport costs. And, lighter boards make products that are easier for our customers to handle.

BRINGING LIGHT TO REFUGEE CAMPS WITH OUR CUSTOMERS' HELP

In the first year of our Brighter Lives for Refugees campaign, IKEA Foundation donated €7.7 million to UNHCR to bring solar lighting to refugee camps, making them a safer, more humane place for the families who live there. The campaign will run annually for two more years.

During the campaign, IKEA Foundation donates €1 for every LED bulb sold in IKEA stores.



270 MILLION VISITS TO OUR RUSSIAN SHOPPING CENTRES

Our shopping centre business in Russia, which goes under the brand name Mega, continues to perform well. In FY14, the 14 Megas — spread out from Saint Petersburg by the Baltic Sea to Novosibirsk in Siberia — had around 270 million visits. This means, on average, each citizen of Russia visits our shopping centres twice a year. Since the opening of the first one in 2003, there have been 1.6 billion visits to our shopping centres.

It takes a team of passionate experts to make democratic design a reality



More than 1,000 IKEA co-workers are constantly working to develop great designs that are accessible for as many people as possible



“Democratic design is the IKEA vision in action; a brilliant and challenging formula that places huge demands on us. But when we succeed, we’re unbeatable”

Tina Petersson Lind,
Range Manager

Product development teams work together every step of the way, with each specialist applying their unique skill set to the process.

Democratic design is an idea with endless possibilities, but it’s not an easy ideal to achieve. Combining all five elements — form, quality, function, sustainability and a low price — takes skill and tough decision-making along the way.

While low price is the backbone of the IKEA offer, how is it weighed against the other dimensions? Who decides what’s good form, and what is quality?

“Quality is also about function,” says

Tina Petersson Lind. As the Range Manager, she works with the definitions around democratic design everyday. “How far do you need to pull out a drawer to be able to view the clothes? Does the shoe storage work for high boots too? Is it easy to clean behind the washbasin tap? A product that is durable, but doesn’t work, is not quality.”

To create a product that embodies the elements of democratic design, we use

the combined knowledge of different specialists in the product development teams that Tina oversees. From designers and material specialists to product developers and our skilled suppliers, everyone contributes to the design process. We believe in the power of many to create meaning and value.

“Democratic design is our vision in action; a brilliant and challenging formula that places huge demands on us. But

DEMOCRATIC DESIGN

FORM
QUALITY
FUNCTION
SUSTAINABILITY
ALL AT A
LOW PRICE

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when we succeed, we're unbeatable", Tina says.

The joint expertise of the team members is what makes the five dimensions of democratic design come alive, but we can't sit still in the comfort of that. Democratic design demands we keep our ears to the ground and our eyes on the future. As the world around us is changing, life at home is changing too and new needs are emerging.

"One example of how we work to embrace the changing home is the Home Smart Collection that's coming out in April 2015. There's a real frustration about finding cords and outlets for charging digital devices at home. So, in the coming collection, we're integrating wireless charging of digital devices into some products like bedside tables." Tina says.

Tina is proud of products belonging to the basic range too, going as far as calling many of them "everyday heroes".

"Really good everyday home furnishing products are everyday luxuries", she

explains. And that's the result of getting democratic design right.

Some classic basic heroes are BILLY bookcases, PAX wardrobes, SULTAN beds, and, more recently, LED bulbs. With LED, IKEA dramatically lowered the prices in FY14 so customers could afford to buy more sustainable bulbs that help them save money on their household bills (while doing their bit for the environment too).

The basic range is constantly being developed, with the goal of improving quality and function. Like when the new PAX interior came out in FY14, introducing baskets made with a new technique that punches patterns through the metal. These baskets are more decorative, and more functional because they minimize the risk of small things falling through.

"We know that when a home works better, everyday life becomes a little bit better", says Tina. "Beauty, harmony and comfort are important to the emotional experience of a home, so they're a part of making it work better too." ◀



Basic Range

These products are available at all IKEA stores and are the foundation for the IKEA range. They provide customers with long-lasting, quality products that can be combined with the rest of the range.



1,002 suppliers in 51 countries are our partners for growth

We form long-term partnerships with suppliers: on average 11 years. Together, we find the best ways to work. IKEA and its suppliers share innovations in materials, technology and production with each other so we can grow together.



Everyone at IKEA is responsible for quality

IKEA continues to strive for improvement in every aspect of its business in order to live up to (and even exceed) customers' expectations.

That's why we've implemented new ways of working in our product development process — ways that have led to big improvements, including the quality of our products.

Each and every co-worker has to take responsibility for their daily tasks in order to improve quality.

"When every co-worker takes personal responsibility at every stage, that's when we truly create a movement", says Karen Pflug, Quality Manager.

Quality is about more than just the product; it's about the total customer experience. It includes visiting the store, shopping online, home delivery and assembly. It's also about the availability of helpful and knowledgeable IKEA co-workers throughout the store and creating beautiful home furnishing solutions that truly inspire customers.

When we're successfully balancing all five dimensions of democratic design (see p. 8), that's when we create beautiful products that are built to last, fit for purpose and, most importantly, have great value for money.

We're applying the same principle and process improvements to our supply chain, putting more responsibility on suppliers to secure quality in their day-to-day operations, rather than relying on an audit at the end of the line.

"We want to only create products we, and more importantly, our customers, love", says Karen. "We should be 100% proud of our offer and the entire customer experience. If we're not, we need to ask ourselves: how do we change it? How can I make a difference?"



In-depth research gives us unique insights to how people live

#LifeAtHomeReport

The IKEA Life at Home report shares our findings on global morning routines



Through an in-depth survey, we collected data on thousands of people's morning routines in Shanghai, Berlin, London, Moscow, Mumbai, New York, Paris and Stockholm.

To create products that make life at home better, we need to understand how people live. That's why we visit thousands of homes every year and invest lots of time and effort into research. It's our ambition to continuously develop quantitative and qualitative methods that give us the knowledge to create products that meet the needs, dreams and aspirations of customers. And, though we've been conducting in-depth research and

participatory studies for decades, last summer was the first time we made our findings public (but it won't be the last).

When we published our Life at Home Report through an interactive website, people from all over the world dove into it. "We want to show that we're serious about truly understanding people's everyday life situations, what works and what doesn't", explains Mikael Ydholm, the energetic Research Manager who oversees the team of

curious and studious individuals digging into life at home.

"And, we decided to share because we at IKEA have decided to open up behind the scenes", he explains. "In addition, we see that we create an interest in life at home".

The Life at Home report released in June 2014 did stir an interest. It took a deep look at people's morning routines in eight major cities around the world —

"We want to show that we're serious about truly understanding people's everyday life situations, what works and what doesn't."

Mikael Ydholm, Research Manager

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from waking up to walking out the door — and how their morning habits impact their days. Full of infographics, the report also includes an interactive microsite where users can mix and compare data, breaking down results in different cities and different topics.

The job of Mikael and his team is never done. "I'm paid to be curious about the unknown", he says. "To question truths and what's established, in order to democratize and renew is a mission that is highly supported in our vision and values".

There are several ways IKEA stays informed on how life at home evolves. Like many other retailers, we use trend reports to follow more fast-moving changes in society. We also have our own trend spotters in cities like Moscow, Shanghai, Philadelphia and Barcelona, checking out trends within home furnishing, fashion, food, art and music. In addition to drop-in visits to people's homes, an IKEA team can spend several weeks with a family — testing products and solutions in all areas of the home, while asking questions, turning perspectives, and noticing latent needs.

"The research team has a mission to challenge, but also to support leaders in making better informed decisions", says Mikael. "To gain knowledge and break new ground".

One area we've begun to explore, in

collaboration with the Mobile Life Centre at Stockholm University, is how mobile technology affects us in the home. Today's technological advances create new opportunities for our designs and IKEA wants to lead development, delivering products and solutions no one else has. We've been doing this for a long time, but today we're more systematic. Our knowledge platform is our capital, a value that comes from 60-70 years of home furnishing competence.

And still, we're always asking questions. "A lot is possible, but does it help people?" Mikael asks. "One example is the mystery of disappearing socks, how can we solve that? Or how do you discover that a red sock has ended up in the white wash? These are hands-on needs that are possible to meet with in-built smart technology", he says. ◀



Facts from the report:

One in four people thinks the morning is the most stressful time of the day.

It's as common to work in bed in the morning as it is to hit the snooze button.

57% of Berliners spend an average of 14 minutes showering or bathing — the longest time compared to other surveyed cities.

Find more morning facts and explore the Life at Home report at lifeathome.ikea.com.

The sister and brother design team of Marianne and Knut Hagberg pose with products from the NORNÄS collection they co-created with IKEA.



Customers can take home a piece of Sweden's natural beauty

In FY14, the NORNÄS collection was launched worldwide, giving customers the chance to own a bookshelf, bench or sturdy dining table made of untreated pine from slow-growing forests in northern Sweden.

The collection was developed right on the factory floor by a small dedicated group of designers and production specialists working at IKEA Industry in Lycksele, a Swedish town nestled in the north.

"NORNÄS is a unique collaborative project", says Knut Hagberg who, along with his sister Marianne Hagberg, worked as a design-

er on the project.

"We were all equally committed to achieving a common goal, and had great fun along the way."

"It's exciting to work with northern Swedish pine", says Emil Olofsson, a technical support co-worker at IKEA Industry. "And it's wonderful to be the world's only manufacturers of NORNÄS."

Designers Knut and Marianne wanted to invite customers to use their own creativity too, so the untreated furniture pieces can be glazed, varnished, waxed, oiled or painted according to preference.

Creating more limited collections than ever before

Ilse Crawford's collaborative collection with IKEA features earthy tones and cork, a renewable material. The collection is set for release in August 2015.

In the past, one to two limited design collections a year have been released to complement the basic range of IKEA furniture. Now, customers can expect us to launch at least 10 unique and dynamic limited collections every year.

Working with limited collections gives us the freedom to be innovative and co-create with world-renowned designers such as Ilse Crawford and ACNE R&D. Each collection is one-of-a-kind and pre-

sents the opportunity to work with creative artists and experts of all kinds, like glass blowers, street artists and wood glue specialists. It also makes it possible to experiment with new production methods and using materials in new ways.

"It's a great way of testing ideas", says Marcus Engman, Design Manager. "Limited collections let us work fast. By getting products quickly into the range, we can quickly follow up on our customers' reac-

tions", he explains.

In April, IKEA opened its new Democratic Design Centre in Älmhult, a place created for openness, transparency, and the sharing of ideas throughout the product development process. It's meeting ground where people from different countries can come together to imagine and create IKEA products.

"By working together in more fun and exciting ways, we create vitality. Co-crea-



Photograph by Leslie Williamson

"It's been fascinating to collaborate with IKEA experts, with their knowledge, skills and incredible experience. Together, we've explored ways to add the human touch to the industrial design process. We have the same drive to understand and respond to the evolving concept of home; a joint curiosity of the way people live. And above all, we share the value of democracy. Good design is not necessarily expensive; it is clever and requires thought and understanding of human behaviour."

Ilse Crawford, Designer

tion is a together thing, it gives energy", says Marcus. "Here everybody can walk around, meddle, and share ideas. This is part of the IKEA greatness: sharing. And in the years to come, we'll involve our suppliers and customers even more", he adds.

Co-creation is at the core of many of the limited collections, including those from our partnership with social entrepreneurs, like the women's co-operatives

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Marcus Engman, Design Manager.



REGISSÖR products assemble using an innovative wooden plug technique that makes putting up a wall unit like this faster and easier.



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in India who helped design and produce MÅNGSIDIG, a hand-crafted textile collection. Co-creation is also at the heart of our design collaborations, where we are collaborating on unique, new collections with talented and inspiring people from all over the world.

A more open environment doesn't just lead to more creative designs, it inspires us to always try new ways of working and

find new technical solutions too. In FY14, IKEA technicians introduced a new technique that dramatically cuts product assembly time.

"We found a way of industrialising an old technique using wooden plugs, now being used in the REGISSÖR collection. The boards are simply popped together with pre-fitted plugs placed at 45-degree angles. It makes more beautiful corners for the same price and it's much easier

to take down a shelf unit and assemble it again when moving", Marcus says.

As society is moving towards more collective ways of doing things, so is IKEA. People want to discuss and learn together, it makes everybody better.

"More and more designers and artists get in touch with us and want to cooperate. They like the width of our offer and the possibility to reach many people", Marcus says. ◀

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Limited Collection

These products are released in specific markets for a limited amount of time. They're created through collaboration with talented and inspiring people from all over the world and are a result of exploring new ways of doing things.

The PS pendant lamp: high-end design at an affordable price

What started out as a sketch of a flower turned into a science fiction-inspired ball of fire

This lamp — part of the global PS launch on April 1, 2014 — has become widely popular worldwide.

“I wanted to create a lamp that was able to change form”, says IKEA designer David Wahl, based in Shanghai. “Starting out with a flower sketch in my computer, our product development team soon decided to go for something more daring.”

So, he sketched a new version with inspiration from outer space, a solution loved by many people who grew up with the Star Wars movies as the lamp reminds them of Darth Vader’s death star.

The main idea behind the lamp is to be able to dim the light manually by changing the shape of the shade. When closed it’s a glowing ball giving off a soft mood light, then, by pulling a string, it opens up and spreads the light around the room.

“The trickiest thing was to create a simple and durable mechanism using as few parts as possible, while making the lamp easy to assemble”, David says. The affordable price was partly made possible thanks to the team minimising the number of the lamp’s pieces (there are not as many as one might think from looking at it).

“Anyone can create a complicated solution, but to make it simple and affordable with great function is something else”, David says. “Together, we’re such an engaged team, having incredible fun at work. Everybody contributes and is passionate

about what they do”, he adds.

The team worked closely together with the Chinese supplier throughout the process. And our own skilled technicians supported with input on construction, choice of materials, prototype adjustments, and not least the task of optimising the amount of lamps that fit on a pallet — size adjustments can save many shipping containers every year.

We also avoided mixing materials in the lamp’s construction to make it easier to recycle. “But here we still have some things to solve”, David says, going on to explain that the glass fibre armoured plastic used (which ensures durability and quality) is harder to recycle.

But before customers recycle the PS lamp, David and his team want to ensure they get many years of service. That’s why the team designed a built-in feature that makes it possible to change the cord.

“Our product developer really tormented the prototypes in our testing room by occasionally dashing up in the midst of our meetings to frantically pull the strings”, David says.

He’s confident the cord will last a long time, but should the unlikely happen, it’s possible to buy a venetian blind string and fix a new cord.

“I actually sacrificed a number of blind strings from our lightening department to make sure this is possible — hope nobody has noticed”, David laughs. ◀

Turning children's dream soft toys into reality

Last year, eight IKEA markets invited children to let their magical imaginations run free in the first ever "Create Your Own Dream Soft Toy" drawing competition



From the hundreds of submissions, eight dream drawings were chosen and the winners each received their very own unique soft toy created from their design.

"Adults don't make drawings like these. The children's dream soft toys can have wings, five legs, happy colours and unique expressions", says Carin Wengelin, information manager at Children's IKEA. "Our supplier transferred the drawings into soft toys in a wonderful way, without compro-

mising an inch from the original drawings", she adds.

We were so inspired by the children's creativity that we're now making the competition global. This time, the winners will have their drawings turned into the soft toys that will be on sale in IKEA stores starting November FY15, just in time for the annual Soft Toys for Education Campaign. During the campaign, for every soft toy sold, the IKEA Foundation donates €1 to programs that promote children's edu-

cation around the world.

"The best thing is that children are helping children", says Bodil Fritjofsson, a product developer for Children's IKEA. "The ten winning drawings will become real soft toys that in turn enable more children to go to school."

To find out more about the Soft Toys For Education Campaign, visit www.IKEAFoundation.org. ◀

"Adults don't make drawings like these. The children's dream soft toys can have wings, five legs, happy colours and unique expressions."

Carin Wengelin, Information Manager, Children's IKEA

IKEA co-workers tackle real-life challenges on home makeover tour

#IKEAHomeTour

From left: Jonathan, Keith, Elizabeth, Robin and Brooke are the IKEA US Home Squad who brought home furnishing solutions to people across the country.

In February of 2014, five IKEA co-workers left their regular jobs at stores around the US to hit the road for a year as the "Home Tour Squad".

Their mission? Help Americans tackle their everyday home furnishing challenges through tips, ideas and home makeovers.

"We wanted to connect emotionally one-on-one in real time, speaking directly to our customers, so we came up with the home tour", says Julie Foor, IKEA Home

Tour project manager.

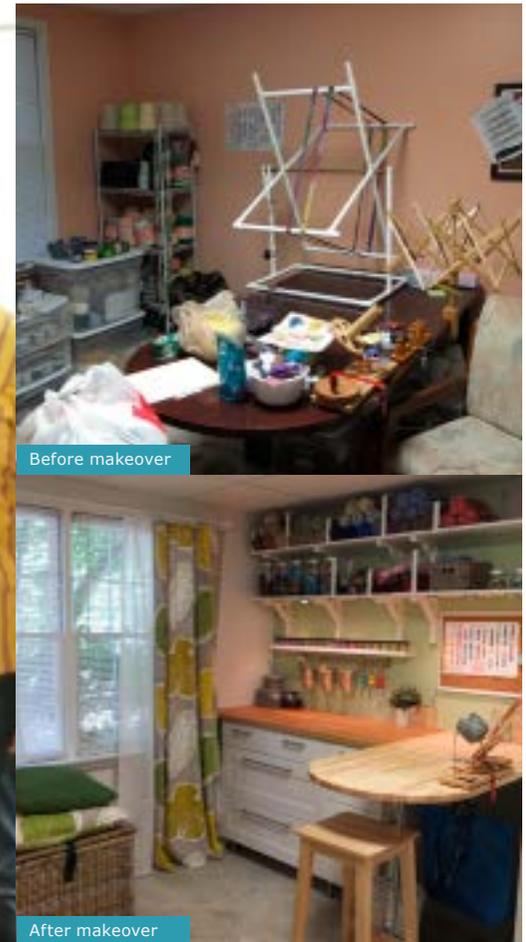
To keep the project simple, all IKEA, and true to its grass roots inspiration, the selected team of home furnishing experts was trained to perform on camera, as well as shoot and edit their home makeovers.

The videos were shared on the IKEA US YouTube channel as well as other social media platforms to provide inspiration for homeowners everywhere.

One of many special moments on the

tour involved a single parent in Atlanta, who needed help organising her workspace for professional yarn work, needlepoint and sewing. The team created a beautiful and functional solution using kitchen cabinets, integrated lighting, and glass doors that put the yarn on display but kept it tucked away.

"She started crying when she walked into her new craft room. And so did we", says Brooke Nelson, a squad member



After makeover

from the IKEA Twin Cities store in Saint Paul, Minnesota. "Overall, it's been fantastic meeting all wonderful families, together solving their small space needs while leaving them feeling 'I can do this too'." ◀

▶ See all the Home Tour Squad makeovers and find other squad tips on YouTube at www.ikea-usa.com/hometour

Growth and a continued commitment to sustainable investments



During the first four days it was open, more than 68,000 customers visited IKEA Zagreb, our first store in Croatia. The most popular purchase over those four days? A classic IKEA favourite: BILLY bookshelf.

The IKEA Group continues to grow on all fronts: through existing stores, the opening of new stores and online.

We're striving to be more accessible and affordable. By developing better products at lower prices, improving our existing stores, opening new stores and expanding our e-commerce offer, we plan to reach €50 billion in sales by 2020.

Growing in a responsible and sustainable way is about making long-term investments — in our business, our products and the planet. Our guiding financial principle is to earn money before we spend it, which has given us the independence and flexibility to work and think long-term. And while growing, we want to have a positive impact on people and the planet.

In FY14 we made considerable investments in renewable energy as part of our commitment to produce as much renewable energy as we consume by the end of 2020. We invested in our first US wind farm, our largest single renewable energy investment globally to date. When fully operational, it will generate the equivalent of 130% of the energy IKEA US consumes.

We want our customers to be able to live a more sustainable life too. One way we're doing this is by investing in lowering the price of energy saving products, like LED lighting. That way, many more people can afford LED bulbs and use them to reduce their energy bills (while saving on the planet's resources too). In FY14 we saw a 58% increase in sales of products

that contribute to a more sustainable life at home (compared to FY13).

Last year, we had more than 700 million visits to IKEA Group stores, an increase of 4.7% over the year before. E-commerce showed strong growth too. Today, online shopping is available in 13 markets and will be rolled out to all markets over the next few years.

We also increased inventory levels during FY14 to improve product availability, and we're improving services such as in-store picking and delivery.

In the past year, the fastest growing IKEA Group market was China, where increasing customer demand and new stores drove sales. The North America market remained healthy and Europe's upward trend continued. All in all, we grew in almost all our markets.

*The IKEA Group has 315 stores in 27 markets and operations in more than 40 countries all over the world.**

Looking to FY15, our first store in South Korea opened (December 2014) and we're moving ahead with our retail plans in India. There are great opportunities for growth because people around the world appreciate good design and function at affordable prices. We are well equipped, with our strong business model and fantastic team of dedicated co-workers, to continue to grow in a sustainable way. ◀

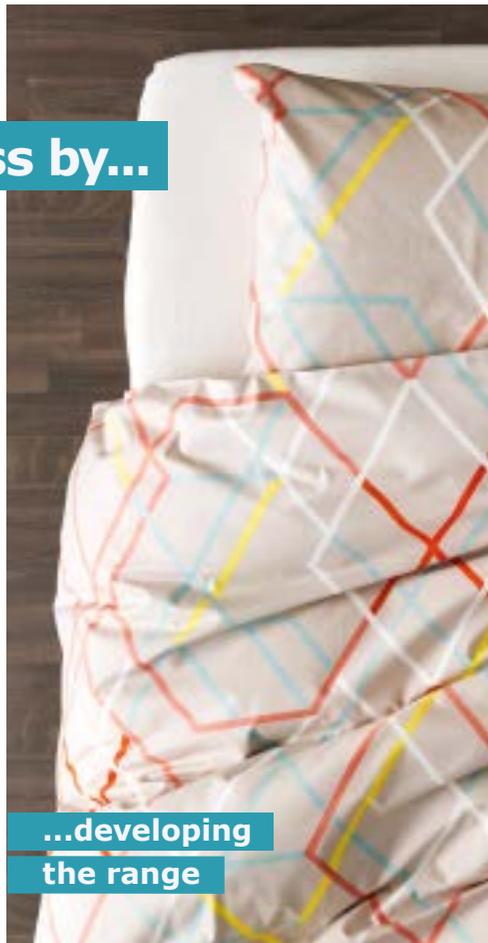
* As of August 31, 2014.

Growing our business by...



...integrating manufacturing

In FY14 we continued the integration of IKEA Industry with the IKEA Group. We expanded capacity in resource-efficient and sustainable production. Further steps were taken in the value chain to develop competitive products on the factory floor.



...developing the range

During the year, we also announced that we'll be introducing new collections more frequently and engaging in collaborations with well-known designers both globally and locally.

Looking at the IKEA range, FY14 growth was driven by bedroom and bathroom solutions, and by Children's IKEA.

We are continuously developing the range and our focus is, as always, on creating inspiring, functional and affordable products for as many people as possible.

Read more about democratic design on page 8.



...simplifying shopping

"We want to simplify shopping and offer value for time to our customers — it's about using all our knowledge about life at home to ensure that IKEA is there, where- and whenever our customers want. Our online business continues to drive growth here in the UK and now makes up 10% of our overall sales. We are excited to see that this is not at the expense of our stores, in which we had a 5% increase in visitors over the past year."

Gillian Drakeford, Country Retail Manager, UK



...improving existing stores and opening new ones

In August we opened our first IKEA store in Croatia. In total, we opened twelve new stores and had one relocation last year:

- Beijing, China
- Chongqing, China
- Zagreb, Croatia
- Aarhus, Denmark (relocation)
- Clermont-Ferrand, France
- Hamburg, Germany
- Lübeck, Germany
- Pisa, Italy
- Sendai, Japan
- Tokyo, Japan
- Valencia, Spain
- Borlänge, Sweden
- Miami, US

China — the strongest growing market for IKEA in FY14



There is a growing demand and excitement for IKEA in the Chinese market. In FY14 we opened a store in Chongqing and our second IKEA store in Beijing.

Rapid urbanisation in China stimulates consumer spending in big cities, where a growing middle class boosts the demand for housing and home furnishings. Put a specialised team of IKEA co-workers dedicated to the Chinese consumer into the mix and it's no wonder China was our fastest growing market last year.

In FY14 we opened a second store in Beijing and one in Chongqing, a city of 10 million people in central China.

"Our store in Chongqing is situated in a new part of China for IKEA, and it's been a huge success. It's a very busy store", says Flora Li, Country Sales Manager for China.

The stores inspire customers not only by providing a smooth and fun shopping experience, but also by presenting our range in a way that's relevant to the people of China. Everywhere, people have the same basic needs, but a key to our success is understanding the different living situations and

culturally specific needs of people across the globe. In China, making IKEA easily accessible is important and there's a strong focus on becoming more affordable in the market too.

"We're really investing in lower prices, and this especially goes for basic everyday needs such as cooking, eating and bedroom products. I'm very proud that IKEA is so committed to the Chinese people", Flora says. "We extend our offers to fit the Chinese way of cooking and eating, such as adding



"We're really investing in lower prices, and this especially goes for basic everyday needs such as cooking, eating and bedroom products. I'm very proud that IKEA is so committed to the Chinese people."

Flora Li, Country Sales Manager, China

Chinese rice bowls", Flora adds with a smile.

Looking ahead, the property sector in China is slowly cooling down, while the job market is solid, incomes are increasing and people, overall, are optimistic.

"The speed of change here is extreme, so we must stay alert. Our spirit is to always look for opportunities and continuously show our uniqueness. I'm proud of our co-workers' commitment, the positive energy here is really special", Flora says. ◀

IKEA Group supports quake-stricken community in Japan with new store and long-term support

In July 2014, the IKEA Group opened a full-size store in Sendai, Japan, creating employment opportunities in a region that, three years ago, was devastated by a massive earthquake and tsunami.

"We had other cities lined up in our expansion plan, but after the disaster we decided to open in Sendai as soon as possible to create new possibilities for the people in the community and help kick off the economy", says Mikael Palmquist, then

country manager in Japan and today IKEA Group regional manager for Asia. "We did what felt right and just went for it."

Since the quake, IKEA Japan has been deeply involved in supporting the area. It began with immediate emergency help, such as food, water, blankets, towels, torches, and starter kits of home furnishings essentials for more than 7,000 families in the region. Then, IKEA Japan quickly opened a non-profit IKEA mini shop in Sendai for people in the area who needed

to replace the home furnishings they had lost. Soon, IKEA Japan developed a long-term plan for the region, which includes the IKEA store opening and working with the East Japan Children Project to support children affected by the disaster.

"It was important for us to show that we wouldn't leave, but stay put and be supportive. Early on, we had the dream of opening a full-size store and hire local co-workers to show our long-term support", says Mikael.

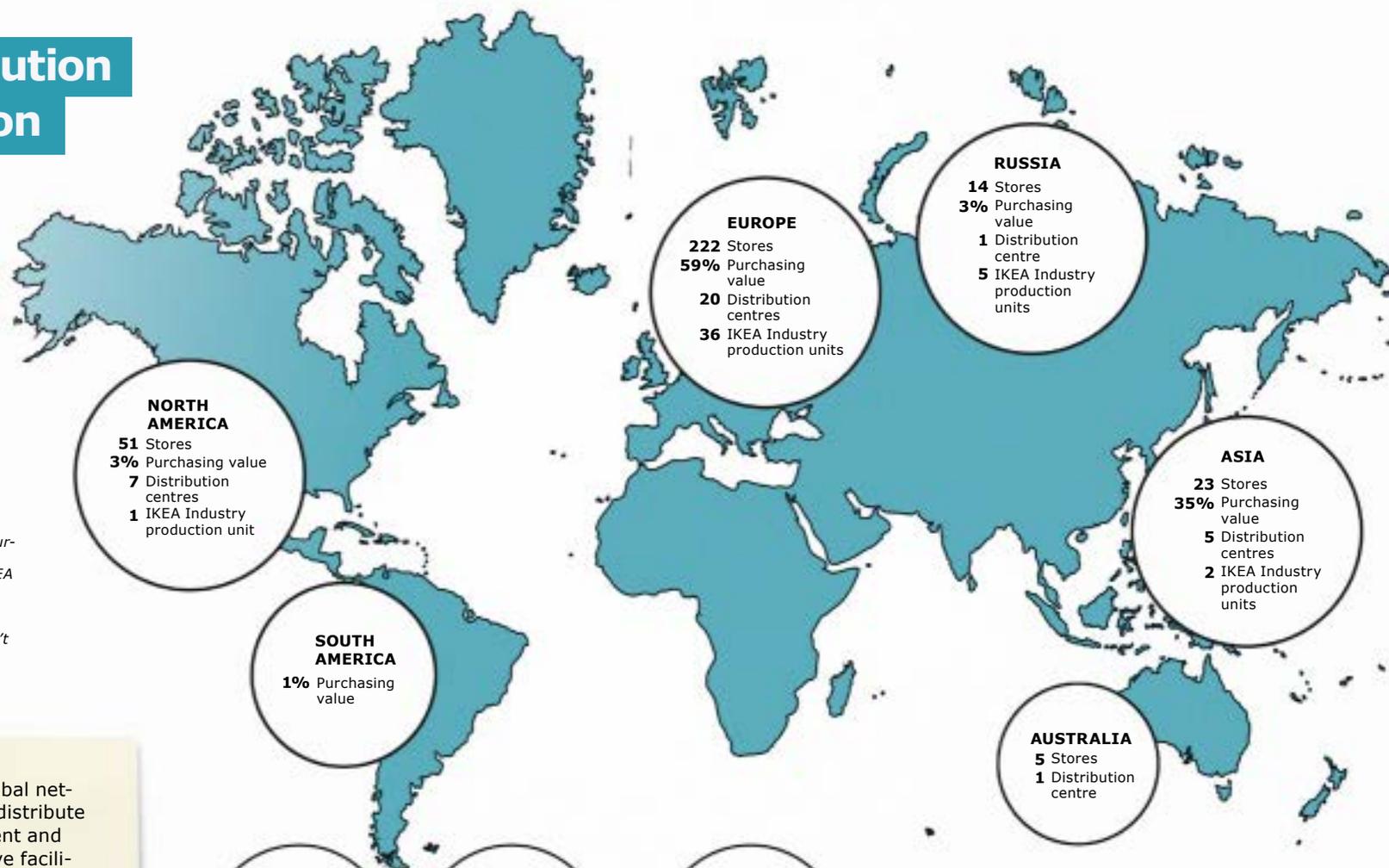
Sakie Sato survived the earthquake in Japan. The tsunami swept her more than two kilometres away and she lost all contact with her family. Thankfully her children and husband survived, and today Sakie works at the IKEA Sendai store.

During the first 18 months after the quake, co-worker volunteers used their free time to visit nurseries and preschools in affected areas with the "Happy Play Bus" packed full with soft toys and playthings for children, many of whom could only play indoors due to the fear of radiation from nearby Fukushima.

"Everybody at IKEA chipped in and helped out wherever they were needed", says Mikael. ◀

Through the East Japan Children Project, IKEA Japan will donate 250 million yen over a five-year period to help children in the affected area, focusing on play, childcare and educational opportunities.

Retail, distribution and production



Purchasing value is the total volume of articles purchased from suppliers. It includes both our own IKEA Industry production units and external suppliers. Percentages are rounded figures and therefore don't sum to 100.

It takes a well-planned global network to manufacture and distribute IKEA products in an efficient and cost-effective way. We have facilities all over the world, each playing an important role in making IKEA products available to customers. Our 1,002 suppliers, including our own IKEA Industry production units, manufacture IKEA products and either send them directly to the store for sale or on to a distribution centre, where stock and store deliveries are managed.

- 315** IKEA Group stores located in 27 countries*
- 1,002** suppliers in 51 countries**
- 59%** of production takes place in Europe

*At the end of FY14, there was a total of 361 IKEA stores in more than 40 countries operated under franchise agreements with Inter IKEA Systems B.V. Of these, 46 stores were operated by franchisees outside the IKEA Group.
**Includes IKEA Industry which accounts for 12% of the total production with 44 production units in 11 countries.



Tack! says thank you to IKEA co-workers

"Tack! is a fantastic programme. Development opportunities are what really motivates me to be with IKEA. And money is an important bonus when it's earned with hard work. I think Tack! is a nice gift from IKEA to all of us."

Kristina Melnikova, Sales & Supply Support Specialist, IKEA Khimki, Russia

All co-workers who've been with the IKEA Group for at least five years are eligible for Tack!, which is a contribution to their pension plans.

The hard work and dedication of our 147,000 co-workers is one of the main reasons for the positive growth of our company, which is why we decided to share the company's success with them.

In FY14, the IKEA Group launched a loyalty programme that goes beyond our existing pension plans in rewarding our co-workers for their contributions. The programme is called Tack!, which means thank

you in Swedish. Its creation is inspired by IKEA founder Ingvar Kamprad, who wished for the success of IKEA to be shared among all co-workers equally.

"Everyone of us, no matter what position we hold at the IKEA Group, contributes to our growth and is important to our continued success", says Petra Hesser, IKEA Group HR manager. "We want all our co-workers to feel appreciated. We want them to stay and grow together with us."

With Tack!, all fulltime co-workers within a country, regardless of position and salary level, receive the same contribution to their pension plan, while part-time co-workers are rewarded in proportion to how many hours they've worked.

Over the past year, €200 million were set aside for Tack!. All co-workers who've been with IKEA for at least five years are qualified to receive the pension contribution if IKEA Group sales targets are reached.

Tack! follows last year's introduction of the One IKEA Bonus programme, an annual performance-driven bonus system that's linked to individual salary levels and paid out annually when set goals are reached.

"Our ambition is to be an employer of choice", says Petra. "These two programmes strengthen IKEA as a great place to work. I think they help our co-workers feel appreciated and they help attract talented and passionate people to join us." ◀

We want a diverse and inclusive workplace



Moving gender discussions into action with the IKEA Women Open Network

The IKEA Women Open Network (IWON) aims to support gender balance in leadership positions as well as an inclusive culture that reflects the contributions of women and men alike.

In FY14, 600 IKEA leaders from more than 40 countries took part in IWON meetings hosted in Berlin, Shanghai, Lisbon and Philadelphia. The meetings promote discussion, learning and inspiration, ultimately empowering the participants to

change things for the better in their home organisations.

Enabling more women to reach and thrive in management positions is essential for our growth as a company and for being a great place to work. And we know that when we create better conditions for women, modern men will benefit too.

IWON is one of several initiatives taken by the IKEA Group to reach gender equality. Other tools include recruitment, development, mentoring, coaching, flexible

"Diversity is having a mix of different people at IKEA. Inclusion is creating the conditions that make them succeed. And one doesn't go without the other. Under this umbrella we identify different groups and work actively with gender, age, ethnicity and sexual orientation. Overall, equality is a human right. When people can be themselves at work, their uniqueness makes IKEA better."

Sari Brody, Leadership and Diversity Manager, IKEA US

work arrangements, and so forth.

"Since we started IWON, there's been a series of successful gender initiatives in markets such as Austria, Japan, Italy, Switzerland and the US. The network gives our leaders motivation, a great network, and clear support from the company", says Sari Brody, Leadership and Diversity Manager.

"Different countries have different challenges, so we don't tell our leaders what to do, instead we empower them to



The IKEA values guide us in everything we do

Daring to be different

Accept and delegate responsibility

Simplicity

Constantly being "on the way"

Striving to meet reality

Humbleness and willpower

Leadership by example

Constant desire for renewal

Cost consciousness

Togetherness and enthusiasm



Gender equality at IKEA Group

We want a workplace where 50% of leadership positions are held by women and 50% by men. Today, more than half of our co-workers are women, as are 47% of our 19,000 managers and 25% of Group Management. We've come far, but there's a lot left to do.

act where it's needed", Sari says. "This ranges from opening day care centres in our stores, and supporting men and women with small children to work part-time, to a chance of sharing management jobs and much more." ◀



We're not afraid to do things differently to create the right conditions for good work-life balance

Nicole Reitinger (left) and Michaela Foissner-Riegler share the role of Store Manager at IKEA Haid in Austria.

At the IKEA Haid store in Austria, two women share the store manager position. It's an arrangement everyone is happy with. The store has two talented and dedicated leaders and those leaders haven't had to choose between motherhood and a career.

IKEA Austria has put a lot of effort into creating gender equality, and provides plenty of support for women who want to continue their careers after maternity

leave. Few other employers in Austria do this.

Giny Boer was Austria's country manager in FY14, now she's the regional manager for South and East Europe. When she first entered the workforce she noticed women didn't get the same opportunities as men in the workplace, and as she grew older she was surprised by how many of her friends ended their careers after having children. Gender equality wasn't initial-

ly on Giny's agenda, but it became obvious it needed to be.

"There is no one solution to support women at IKEA, especially when women become parents. But, it's always possible to find ways to support your co-workers and leaders", she says.

The managers of the IKEA Haid store aren't alone in their job sharing solution. Two women split the responsibilities of the store manager position at IKEA Cologne



"The IKEA Talent Approach is rooted in the belief that everyone is a talent. It's built on our values and the view that all of us have strengths and the potential to grow. We are rich in talent at IKEA. Let's focus on getting even better at spotting and growing talents. It's a responsibility for each one of us as well as for all our leaders. IKEA's growth will not happen on its own, it's created by us and we'll recruit about 75 000 new people until 2020. That is a fantastic challenge!"

Ulrika Biesért, IKEA Group Global Talent Manager

Am Butzweilerhof in Germany, too.

At IKEA, gender equality isn't only about numbers; it's also about creating the right conditions for people to succeed. Job sharing is just one way of enabling co-workers to grow and develop with IKEA when they have young children. And it's an option for men and women alike. ◀



IKEA Japan sets new standard for compensating part-time workers

While IKEA Japan's total compensation and benefits package for their part-time co-workers was already better than the market standard, salary ranges were adjusted in FY14 to create equal conditions for all co-workers.

A growing number of part-timers in Japan — most of them women — are being paid less per hour simply because they don't work fulltime. At IKEA, we want to be an inclusive employer that offers the same salary range, benefits and possibilities for the same work done.

"Even if we were better than the market, this way of treating part-time co-workers was not fully according to our values, so we decided to change it", says Reika Izumikawa, Country HR Manager, Japan.

Since the new standard was launched, the amount of job applications to IKEA Japan has doubled.

"It's all about equality, inclusion and job security, so it really feels good. And when our co-workers grow, as individuals and in their professional roles, IKEA grows too", Reika says.



New US wage structure is about making IKEA a great place to work

Robert Morgan, an Exchange & Returns co-worker at IKEA Baltimore, US.

In FY14, IKEA US announced a new hourly wage structure that focuses on the needs of the co-worker instead of market standards. The new wages are based on the local living cost in each market and when the change goes into effect in January 2015, half of IKEA US co-workers will get a 17% wage increase on average.

"I thought the change was just great. You are working hard and the company shows that they are appreciating it. It benefits you personally and it benefits the company", says Joanne Clark, IKEA Food co-worker at the Conshohocken store.

This approach to wages is setting a new standard in the country because, although some other US retailers have recently made wage changes too, they have been based on competitors' rates and market standards, not the reality of the local living cost.

"It's about investing in our co-workers, and we believe that it will be a win-win-win

for them, our customers and our stores", says Rob Olson, IKEA US Acting President and CFO. "The transition to the new hourly wage structure is not only the right thing to do, it makes good business sense."

Creating good conditions for co-workers isn't just about wages; it involves offering enough work hours, too. That can be tricky in a retail environment where customers' shopping habits, like visiting mostly on evenings and weekends, have to be taken into account. Currently, we're looking into different solutions, such as offering co-workers the option to take on multiple roles to make up a full-time job.

Any additional training a co-worker might need would be provided. "Our guiding belief is that every co-worker is a talent", says Rob Olson. "So, we want to not only invest in fair working conditions, we want to put resources into developing our co-workers too."

i

76%

of cotton from more sustainable sources* – on track for 100% by August 2015. In FY14, we invested €1.34 million in projects to help around 100,000 farmers improve their incomes and produce cotton using less water and chemicals.

**More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the US and cotton from farmers working towards the Better Cotton Initiative standards.*

Becoming People & Planet Positive is about transforming our business

We have ambitious growth plans and we know that we can only achieve our goals within the limits of the planet. That's why sustainability is integral to our business strategy and essential to our success.

Responding to sustainability challenges requires transformational change, and for a business like ours, it means going all-in, embracing sustainability by innovating and reinventing what we do. That's why IKEA will look different in the future, including the way we operate, the products and services we offer, and how they are produced

and distributed. To get there, we've set ambitious goals in our sustainability strategy, called People & Planet Positive. In this chapter you'll find stories and updates from each of the three aspects of our strategy:

- enabling people to live a more sustainable life at home;
- becoming energy and resource independent;
- contributing to a better life for people and communities.

See our Sustainability Report FY14 for more information.



We're enabling our customers to live a more sustainable life at home



LED bulbs use 85% less energy than incandescent bulbs and last for more than 20 years. We halved the price of one of our most popular LED bulbs (LEDARE) last year, meaning many more people can afford to save energy at home.

Our customers want to live more sustainably at home and our research shows they want IKEA to make that possible. There shouldn't have to be a compromise on price, style, quality, functionality or sustainability. That's why we create affordable products that combine all these qualities. It's one of the ways we support millions of people to save and generate energy at home, cut water use and reduce waste.

Promoting healthy living is a strategic goal we added to our sustainability strategy

in FY14.

In order to support our customers in living a more sustainable life at home, we have to meet people's needs at home today and in the years to come. That's why we're testing ideas about how people can live, sleep and work more sustainably in the future. This will help us improve our products and services. For example, our research and testing have already led us to expanding our affordable home solar panel offer and we've started selling electric bicycles in some stores (they encourage a more active

lifestyle for a broader age group by taking the puff out of cycling uphill).

LEDs are a great product because they use 85% less energy than incandescent bulbs and last for more than 20 years. Like all our products, we want to make this technology affordable to as many people as possible, so we invested in improving the capacity and efficiency of our LED supply chain. This made it possible for us to halve the price of one of our most popular LED bulbs (LEDARE) last year, meaning many more people can afford it. In FY14, 75% of

the lighting products we sold were LED or compatible with LED bulbs.

We measure sales of all products that enable people to live more sustainably at home and we aim to increase the yearly sales value of these products fourfold by the end of FY20, compared with FY13. In FY14, the sales value of products that promote a more sustainable life at home was €1,015 million, compared with €641 million in FY13 (a 58% increase). ◀

We're striving for energy independence

IKEA Group is now committed to own and operate 224 wind turbines throughout the world.

Climate change is possibly the greatest challenge of our time. Tackling it gives us the opportunity to innovate and lead by example.

We take responsibility for the energy needs of our growing business so that by 2020, we will produce renewable energy equivalent to 100% of our total energy use.

By the end of 2015, we aim to have invested and committed to invest EUR 1.5

billion in renewable energy projects, mainly wind farms and photovoltaic (PV) solar panels installed on our buildings.

We have already committed to own and operate 224 wind turbines around the world and have installed 700,000 solar panels on our buildings. In FY14, we invested in our first wind farm in the US, which was our largest renewable energy investment to date. When operational, the wind

IKEA Group suppliers go renewable

It's part of our normal business relationship with all our suppliers to work with them to improve energy efficiency.

Through our Suppliers Go Renewable project, we're working more closely with groups of suppliers to enable them to save money by becoming more energy efficient, and to generate and use more renewable energy, just like we do. We use what we learn from these group projects — a total of 40 in FY14 — to support and educate more suppliers to improve energy management.

Project participants are saving an average of 15% of their energy use, with investment payback periods of as little as three years. In FY14, Asian Fabrics, a textiles supplier in India, achieved 100% energy independence after installing a 1.5MW PV array and four wind turbines with a 20 MW capacity. The company did not receive government subsidies and estimate a payback period of up to eight years. Asian Fabrics has showcased its project to other IKEA suppliers, to inspire them to make similar renewable energy investments.

farm will produce a third more energy than IKEA consumes in all our stores, distribution centres and factories in the US. ◀



Making home solar affordable

"There's really no excuse not to install solar in your home", says Alan Cotton, who has Hanergy solar panels, bought at IKEA, on his roof near Southampton in the UK.

"Installation was so easy. It took just one day to get it up and running, and we've halved our electricity bills within two months. It's changed our lives."

Solar energy is a great way for families and businesses to reduce energy costs and cut their carbon emissions.

During FY14 we completed the rollout of our solar panel offer, in partnership with Hanergy, to all 18 UK stores at prices affordable to people with smaller homes than the average solar customer. This has made solar a viable investment option for more people.

An average UK household can halve their electricity bills by installing solar panels. The payback time can be as little as seven years and we expect this to fall as energy prices rise. After that point the system will produce renewable energy for free over the lifespan of the panels which is at least 25 years.

We are now rolling out the service at our stores in the Netherlands and Switzerland, and will cover six additional countries in FY15 and beyond.

Taking part in Climate Week NYC and the UN Climate Summit

Peter Agnefjäll (left) and Steve Howard joined hundreds of thousands of people in New York, US for the People's Climate March.

Nearly half a million people took to the streets of New York for the People's Climate March on September 21, 2014, urging world leaders to take action on climate change at the UN Climate Summit on September 23. Peter Agnefjäll, our CEO, and Steve Howard, our Chief Sustainability Officer, were among the marchers.

During Climate Week, Peter reflected

on the march: "It was truly great to see all the people out on the streets of New York. There can be absolutely no doubt what direction they want policy makers and businesses to take". He was speaking at the Clinton Global Initiative plenary session, and over the week both Peter and Steve were involved in many more discussions, speeches, and campaign launches.

Later addressing the UN Climate Sum-

"The role of leaders is to set visionary targets. We need bold commitments from policy makers about the direction we should move as a society."

Peter Agnefjäll, President & CEO, IKEA Group

"We are a home furnishing company, but we are also becoming a renewable power company. Renewable energy is common sense energy. There is no peak sun or peak wind."

Steve Howard, Chief Sustainability Officer, IKEA Group

mit, Peter emphasised that businesses like IKEA stand behind policy makers who want to see a solution to climate change and that bold, long-term climate targets are good for business. He highlighted the importance of encouraging all parts of society to play a role in tackling climate change. Companies like IKEA are in a great position to spur innovation and renewal. But policy leadership is crucial to

accelerate this.

Climate Week also saw the launch of two global initiatives to encourage the move towards a low-carbon future. We Mean Business is a coalition of global businesses and organisations including Business for Sustainable Responsibility (BSR), Carbon Disclosure Project (CDP), CERES and World Business Council for Sustainable Development (WBCSD), that creates a united voice for businesses to speak to governments and encourage climate policy. RE100 is a group of global corporations including BT, H&M, and Mars, who are working towards using 100% renewable power. The IKEA Group is a founding partner and active member of both these initiatives.

For customers and co-workers who could not make it to New York, we supported the #Walkthewalk social media campaign. This gave people around the world the chance to get involved through Facebook, Twitter and IKEA.com. Customers and co-workers could post pictures of themselves walking, adding the hashtag to join the People's Climate March virtually.

It was the first time IKEA has ever participated in this kind of global climate change campaign, and we plan to be involved in more of the world's most important debates on climate change. ◀

Contributing to a better life for people and communities



Ceramic bowls from the BEDRIVA limited collection are being prepared for firing at a factory in Doi Tung, Thailand. The collection was a collaboration between IKEA and the Doi Tung Development Project.

We are committed to having a positive influence on people's lives throughout our entire value chain; from supporting positive economic, social and environmental development, to making people and their rights a top priority.

Our code of conduct for suppliers (IWAY) ensures we contribute to better lives for workers and support decent jobs throughout our supply chain.

In FY14 100% of home furnishing suppliers were approved to the IWAY stand-

ard, or were being phased out or pending a scheduled audit. We are extending IWAY requirements beyond home furnishing suppliers to cover global transport service providers, IKEA Food suppliers, selected suppliers for our retail operations, suppliers to our Indirect Material and Services unit and IKEA Component suppliers

We know we can have a bigger impact by working with our direct suppliers to expand IWAY to their suppliers (our sub-suppliers). Our direct suppliers are responsible

for communicating IWAY to sub-suppliers.

They ensure that critical sub-suppliers — those involved in higher-risk processes or based in higher-risk locations — achieve compliance with our IWAY Musts (an essential set of requirements new suppliers must meet before we sign a purchase agreement). We assess compliance through audits conducted by the direct supplier or a third-party.

We are taking action to empower people in our extended supply chain, focusing on migrant workers, home workers and those with limited access to business resources or skills development. Their voices often go unheard. They can end up facing poor working conditions and living in poverty.

We tackle these challenges by developing relationships based on partnership and mutual benefit, rather than charity.

Protecting children's rights is especially important to us and we do this through advocacy, awareness raising and supporting families in vulnerable communities. ◀



The requirements of our supplier code of conduct (IWAY) include:

- No child labour
- No forced or bonded labour
- No discrimination
- Freedom of association
- At least minimum wages and overtime compensation
- A safe and healthy work environment, preventing pollution to air, ground and water and work to reduce energy consumption



A weaving centre that empowers workers

"I earn four times as much now, but the biggest change is that I feel happier. I have friends here and we get the chance to talk about life while we are working. I'm more of an equal partner with my husband now."

Én Nguyễn Thi

Én Nguyễn Thi, 41, was one of the first women who learned to make NORDRANA when IKEA production began at the Thanh Binh weaving centre. Like many other women in Vietnam, Én used to work at home, looking after the family's house, two children, a pig, hens, rice and sugar cane fields. She did a little crocheting on the side to earn money.

Now she has a paid job outside her home, with a contract, flexible working hours, Sundays off, accident insurance and an opportunity to boost her wages. There are benefits to giving home workers a work centre, including securing good work conditions that meet our set of standards for all suppliers (called IWAY). Together with a supplier, we've opened several new handicraft centres in northern Vietnam, giving more than 4,000 women a workplace outside of their homes and IKEA customers the hand-crocheted NORDRANA baskets.

IKEA Foundation works for a better, fairer world for children



In 2014, IKEA Foundation donated €104 million to projects and programmes that protect children, provide a better life for refugees, promote education and empower girls and women.

The IKEA Foundation* is an independent charitable foundation that focuses on protecting children from child labour, providing a better life for refugee children, and empowering girls and women.

Through grants and product donations from the IKEA Foundation, conditions for families living in some of the world's poorest communities are improved.

The IKEA Group supports IKEA Founda-

tion in its charitable causes, by providing know-how, co-workers' time and donation of products. Both to receivers shared with IKEA Foundation and others.

By 2015, more than 100 million children will have benefitted from IKEA Foundation supported programmes. In total, the foundation donated €104 million in 2014.

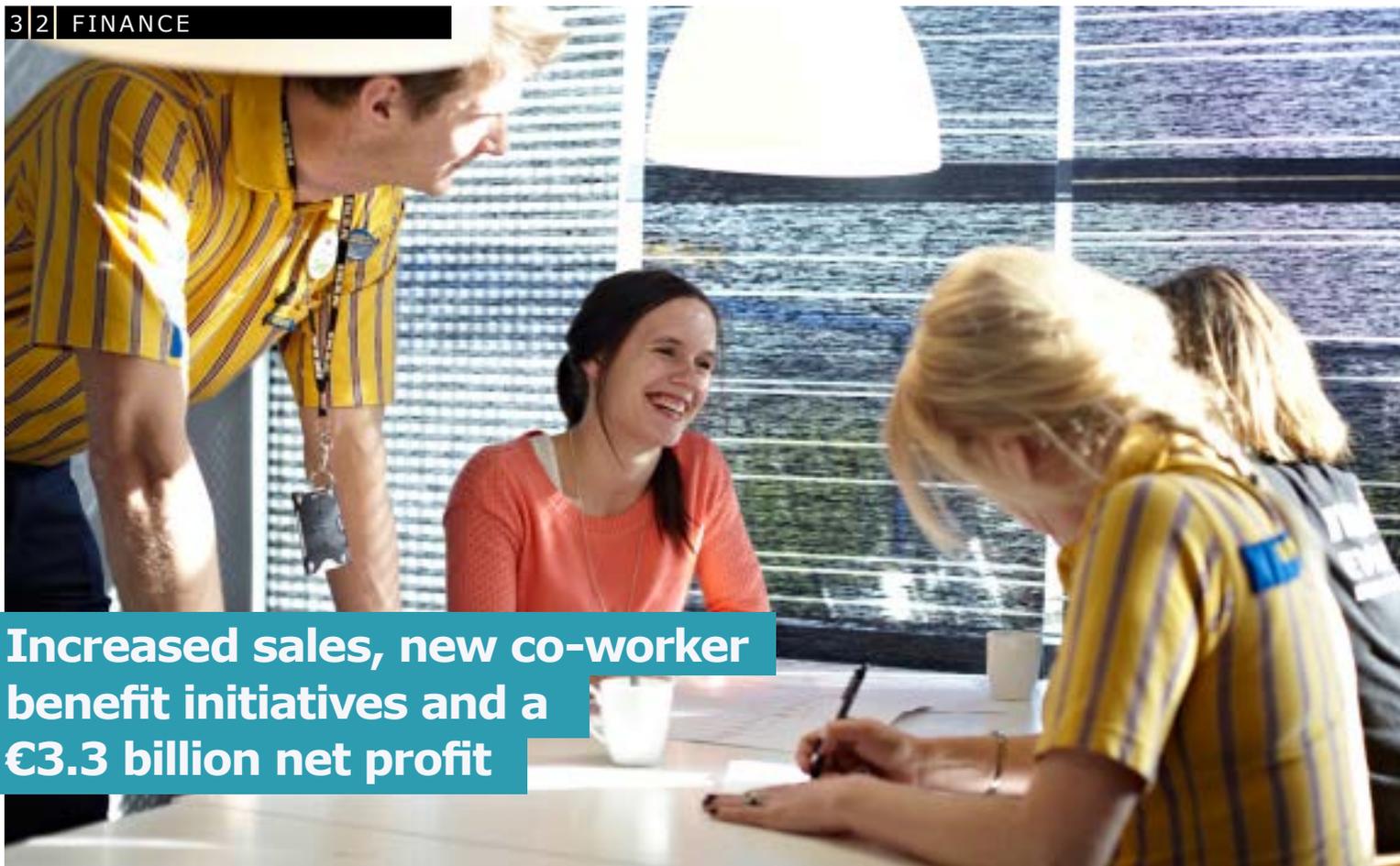
Since 2003, the IKEA Foundation has donated €1 to Save the Children and UNICEF for every soft toy sold in IKEA

stores in November and December. The money is spent on children's educational projects in some of the world's poorest communities. Since the campaign started, donations from the annual IKEA Soft Toys for Education Campaign have totalled €67 million, helping more than 11 million children in 46 countries enjoy their right to a quality education.

Following this success, the Brighter Lives for Refugees project was launched.

For every LEDARE light bulb sold in February and March 2014, the IKEA Foundation donated €1 to the UN High Commissioner for Refugees (UNHCR), providing sustainable lighting, renewable energy and primary education in refugee camps across Africa, Asia and the Middle East. The campaign raised €7.7 million for UNHCR in its first year while encouraging more people to adopt the use of energy-efficient LEDs. ◀

*The IKEA Foundation manages philanthropy for the Stichting INGKA Foundation, the owner of the IKEA Group.



Increased sales, new co-worker benefit initiatives and a €3.3 billion net profit

Our guiding principle, to earn money before we spend it, enables us to make investments that are good for customers and the IKEA Group.

Our Principles

Our roots in Småland are the origin of our values and our key financial principle, which is to earn money before we spend it. A solid financial foundation and a good profit level over the years give us the freedom to choose our own way and make long-term investments based solely on what is good for our customers and IKEA Group.

We work hard to create affordable prices

for the many people, which is why we always strive to find ways to lower costs throughout our business. For example, we work with new, more cost-efficient and sustainable material, we look at innovative solutions in the entire value chain, from sourcing to end-user, and we collaborate with our suppliers to find smart solutions in packaging and transport.

Our Performance

Total sales increased by 5.9% (when adjusted for currency impact) to €28.7 billion. See the fact box on p. 33 for an explanation of currency impact. Translated into the Euro, sales increased by 3.0%. Comparable stores were up 3.7%. Together with the rental income from our shopping centres, our total revenue was €29.3 billion, a 2.8% increase over FY13.

This positive performance in FY14, resulting in a net profit of €3.3 billion, contributed to our continued strong financial position and ability to further develop our business and our offer to customers.

In FY14 we saw growth in all sales channels: existing stores, the opening of new stores and online.

IKEA Food had a positive development and showed 8.6% growth (adjusted for currency impact). IKEA Industry, that became an integrated part of IKEA Group last year, increased their contribution to growth and the operational result for FY14.

Our net profit remained the same as in FY13, the main reason being the contribution we made to our co-worker loyalty programme, Tack! (€200 million), as well as the growing number of co-workers taking part in our One IKEA Bonus programme (€98 million). However, adjusting for these expenses, our cost percentage decreased.

The gross margin decreased by 0.4% to 42.9%. This was expected and is due to larger price reductions compared to FY13. But the negative effect on margins was partly balanced by lower purchase prices and lower transport costs.

Continued on next page...

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Our net financial result improved significantly, supported by favourable interest rates and currency rate movements. We did not incur any credit losses on our securities portfolio, which increased to €15.8 billion during FY14. At the request of our owner, Stichting INGKA Foundation, a dividend of €660 million was paid (FY13 €3 billion).

Our Markets

In the past year, we grew in almost all our markets, with China, Russia and Hungary being the fastest growing. North America performed well and while the challenging economic situation may not be over, Europe continued to show improvements. An especially positive sign was the growth in most of southern Europe where Portugal did particularly well and the situation in Spain is improving quite quickly. In August, we opened our first store in Croatia and we took steps toward establishing our retail presence in India. Online sales, established in 13 of our 27 markets, showed strong growth. IKEA.com had more than 1.5 billion visits.

To us, being available also means offering products affordable to many people. In FY14, we lowered prices by 1% on average (FY13 0.2%).

Our Investments

During FY14, the IKEA Group invested €1.7 billion in stores, factories, renewable energy and shopping centres, with the majority

of this amount being spent in the retail sector. True to our financial principle, investments were funded with our own cash. Our investments in renewable energy strongly support the realisation of our sustainability targets. During FY14, we committed to invest in wind farms in the US and Poland. When these projects are complete, we'll have 224 windmills in nine countries. We continue to develop our renewable energy strategy and have planned significant investments for FY15. ◀



Currency Impact

The IKEA Group is based in the Netherlands and therefore reports its financial results in Euro (€). This means that all figures in local currencies from the 42 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. The Euro showed strong development in FY14, so the contribution from certain non-Euro countries to our financial result was smaller than the previous year. In order to show the underlying trend when adjusting for this effect, IKEA Group also communicates the currency-adjusted development. For FY14, the currency adjusted sales growth was 5.9%, while the straight conversion into Euros shows a sales increase of 3.0%.



Taxes

The IKEA Group pays corporate income taxes in accordance with laws and regulations, wherever we are present as retailer, manufacturer or in any other role. We have a strong commitment to contribute to the societies where we operate.

In FY14, the IKEA Group corporate income tax charge amounted to €801 million. The effective corporate income tax rate was 19.3%, up from 18.9%. In addition, we incurred local and other taxes such as property taxes, business taxes,

custom duties and environmental taxes. These taxes amounted to €715 million in FY14. So, in total, the tax charge in FY14 for the IKEA Group amounted to more than €1.5 billion. During the last five years (FY10-14), corporate income tax and other taxes amounted to about €6.8 billion for the IKEA Group.

IKEA Group regards a responsible approach to taxation as a fundamental part of good governance as well as being consistent with our sustainability agenda.

CONSOLIDATED INCOME STATEMENT
SEPTEMBER 1, 2013 - AUGUST 31, 2014

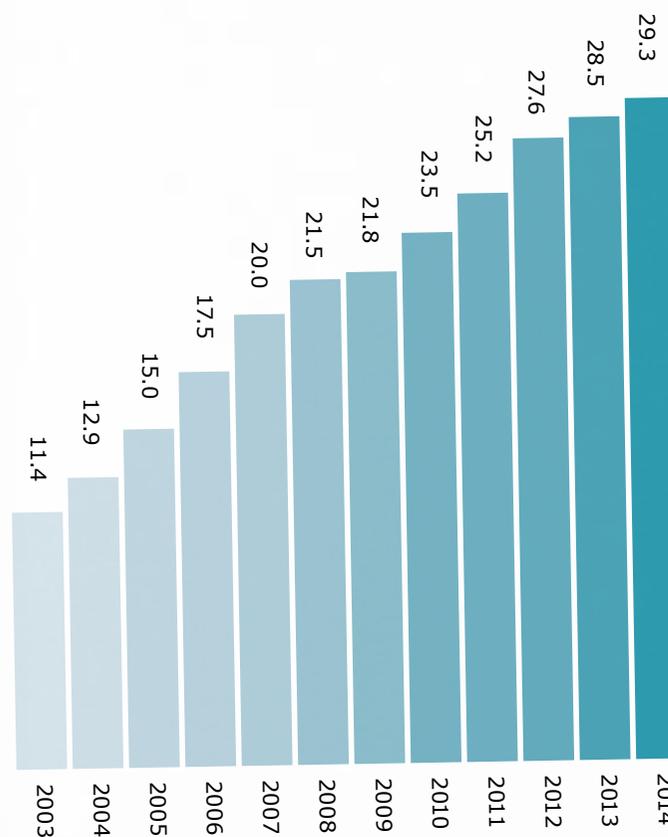
| (in millions of Euros) | FY14 | FY13 |
|--|--------|--------|
| Revenue | 29,293 | 28,506 |
| Cost of sales | 16,372 | 15,786 |
| Gross profit | 12,921 | 12,720 |
| Operating cost | 9,128 | 8,694 |
| Operating income | 3,793 | 4,026 |
| Total financial income and expense | 352 | 81 |
| Income before minority interests and taxes | 4,145 | 4,107 |
| Tax | 801 | 775 |
| Income before minority interests | 3,344 | 3,332 |
| Minority interests | 15 | 15 |
| Net income | 3,329 | 3,317 |

The 2013 comparative numbers have been adjusted from last year's reported numbers. This is to account for changes in pension accounting rules in 2014.

The included abbreviated financial statements are an abridged version of the consolidated financial statement of INGKA Holding B.V. as included in the Annual Report for the financial year 2014. An unqualified auditor's report dated December 1, 2014, was issued on these financial statements. INGKA Holding's Annual Report for 2014 will be available through the Dutch Chamber of Commerce. INGKA Holding's consolidated financial statements, from which these abbreviated financial statements have been derived, have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code.

On December 16, 2014, IKEA Group signed an agreement to acquire the remaining 51% of the shares of Inter IKEA Centre Group A/S.

TOTAL REVENUE IN BILLIONS OF
EUROS 2003-2014



The IKEA Group total revenue includes sales of articles and the rental income from our shopping centre operations.

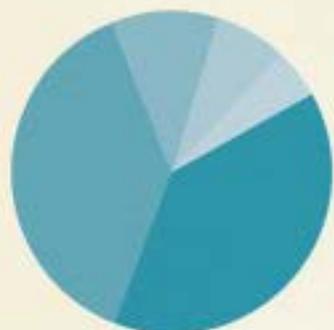
CONSOLIDATED BALANCE SHEET – ASSETS

| (in millions of Euros) | FY14 | FY13* |
|-------------------------------|---------------|---------------|
| Property, plant and equipment | 17,322 | 17,036 |
| Other fixed assets | 2,984 | 2,534 |
| Total fixed assets | 20,306 | 19,570 |
| Inventory | 4,927 | 4,257 |
| Receivables | 2,548 | 2,193 |
| Cash and securities | 16,886 | 16,000 |
| Total current assets | 24,361 | 22,450 |
| Total assets | 44,667 | 42,020 |

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

| (in millions of Euros) | FY14 | FY13* |
|--------------------------------------|---------------|---------------|
| Group equity | 31,608 | 29,048 |
| Long-term liabilities | 1,550 | 1,898 |
| Other non-current liabilities | 1,858 | 1,791 |
| Total non-current liabilities | 3,408 | 3,689 |
| Short-term liabilities | 4,397 | 4,763 |
| Other payables | 5,254 | 4,520 |
| Total current liabilities | 9,651 | 9,283 |
| Total equity and liabilities | 44,667 | 42,020 |

2014 – TOTAL ASSETS
€44,667 million



| | |
|-------------------------------|-----|
| Property, plant and equipment | 39% |
| Cash and securities | 38% |
| Inventory | 11% |
| Other fixed assets | 7% |
| Receivables | 5% |

2014 – TOTAL ASSETS
€19,143 million



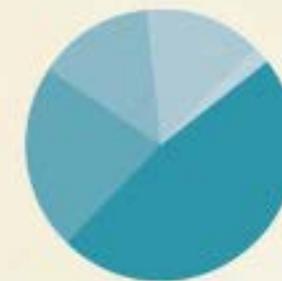
| | |
|-------------------------------|-----|
| Property, plant and equipment | 39% |
| Cash and securities | 32% |
| Inventory | 12% |
| Receivables | 9% |
| Other fixed assets | 8% |

2014 – TOTAL EQUITY AND LIABILITIES
€44,667 million



| | |
|-------------------------------|-----|
| Group equity | 71% |
| Other payables | 12% |
| Short-term liabilities | 10% |
| Other non-current liabilities | 4% |
| Long-term liabilities | 3% |

2014 – TOTAL EQUITY AND LIABILITIES
€19,143 million



| | |
|-------------------------------|-----|
| Group equity | 48% |
| Long-term liabilities | 22% |
| Short-term liabilities | 14% |
| Other payables | 14% |
| Other non-current liabilities | 2% |

"Fixed assets" mainly consist of our own stores, warehouses, factories and shopping centres. "Cash and securities" is both money we need to run the business, but also excess funds.

The majority of our assets are funded with our own money, reflected in Group Equity of €31.6 billion. "Liabilities" consist of both long and short-term funding, as well as the payables connected with running the business. During FY14, we continued to repay our loans.

Meet the group management team



From left to right: Martin Hansson, Petra Hesser, Jesper Brodin, Steve Howard, Peter Agnefjäll, Helen Duphorn, Leif Hultman, Alistair Davidson.



Peter Agnefjäll
President & CEO

"In September, I was invited to the UN Climate Summit in New York, where I got the chance to talk about how we see sustainability as a driver of innovation and part of making IKEA better. We have ambitious plans to grow, to become more accessible and have a positive impact on people and the planet and I was really proud to present our approach and achievements. With our global reach we have a huge opportunity to make a difference!"



Jesper Brodin
Range & Supply

"One of our biggest challenges is to continue developing great products at low prices in a future where more and more people share our earth's limited resources. During the year, we've invested heavily in material and production techniques to create resource efficient and sustainable solutions.

I had an opportunity to follow this journey closely. I visited families to understand their needs at home and went to a bamboo plantation to study this beautiful and sustainable material. I saw development of products directly on the factory floor, made possible thanks to our knowledge of life at home, materials, design, function and production.

I'm proud that we now offer Democratic Design products of bamboo, such as RÅGRUND, DRAGAN and VARIERA, all created for a better everyday life at home."



Alistair Davidson
CFO

"A strong financial performance in FY14 let us close the year with the main goals of our ambitious growth strategy well in sight. The continued positive development of IKEA allows us to make progress on many investments, initiatives and projects. With this agenda, and supported by a clear governance structure, we will together maintain IKEA as a strong, trusted and growing company.

The One IKEA Bonus plan and Tack! show we are focused on our co-workers too, in addition to continued investments in renewable energy. The problem I have is that time flies too quickly when you are having fun!"



Helen Duphorn
Corporate Communications

"Communication is all about interaction and I think it's thrilling to see how we connect with people all over the world today, no longer only through our stores, but also online and via mobile phones. Of course we want to be available for our visitors, when, where and however they want to meet us. Our multichannel thinking means new ways of working and close cooperation between many colleagues and functions within IKEA – this is an exciting journey for us. In FY14, we improved our website and developed new solutions for our mobile applications.

Much remains to be done, but together we have taken good steps to improve our availability at home and on the go. And, as you read this, we are onto the next steps..."



Martin Hansson

Retail & Expansion

"I like the idea that IKEA is not selling products, only solutions. I have visited many stores in many markets over the last 12 months. I enjoy listening to our co-workers explain the stories behind the room settings in the stores. Every room setting has a story behind it. Who lives there, what they do, what they like etc. based on real insights from home visits in the market.

We conduct many home visits where we map the findings and make conclusions. Conclusions about the activities and needs in people's homes.

Our interior designers make all this knowledge come alive in the room setting by creating relevant and inspiring solutions based on the needs. Inspirational solutions at a price level that is affordable."



Petra Hesser

Human Resources

"The IKEA vision 'to create a better everyday life for the many people', continues to inspire me in my daily work. In the past year, our actions confirmed our focus on co-workers. We continued to improve basic terms and conditions of employment, and we described how we attract, recruit and develop people at IKEA based on the mindset that every person is a talent.

Also, our new loyalty programme Tack!, and the One IKEA Bonus programme recognize all co-workers' contributions to our success. It's important for me that whatever we do has a positive impact on our co-workers."



Steve Howard

Sustainability

"I am co-responsible for sustainability together with my 147,000 colleagues and it's fantastic to see what we can achieve when we work together. This year we stepped closer to energy independence, installing over 150,000 solar panels and investing in our largest wind farm to date.

We helped millions of people to live more sustainably through efficient and affordable LED. And we supported decent jobs in our supply chain by maintaining 100% approval to our IWAY code of conduct at home furnishing suppliers."

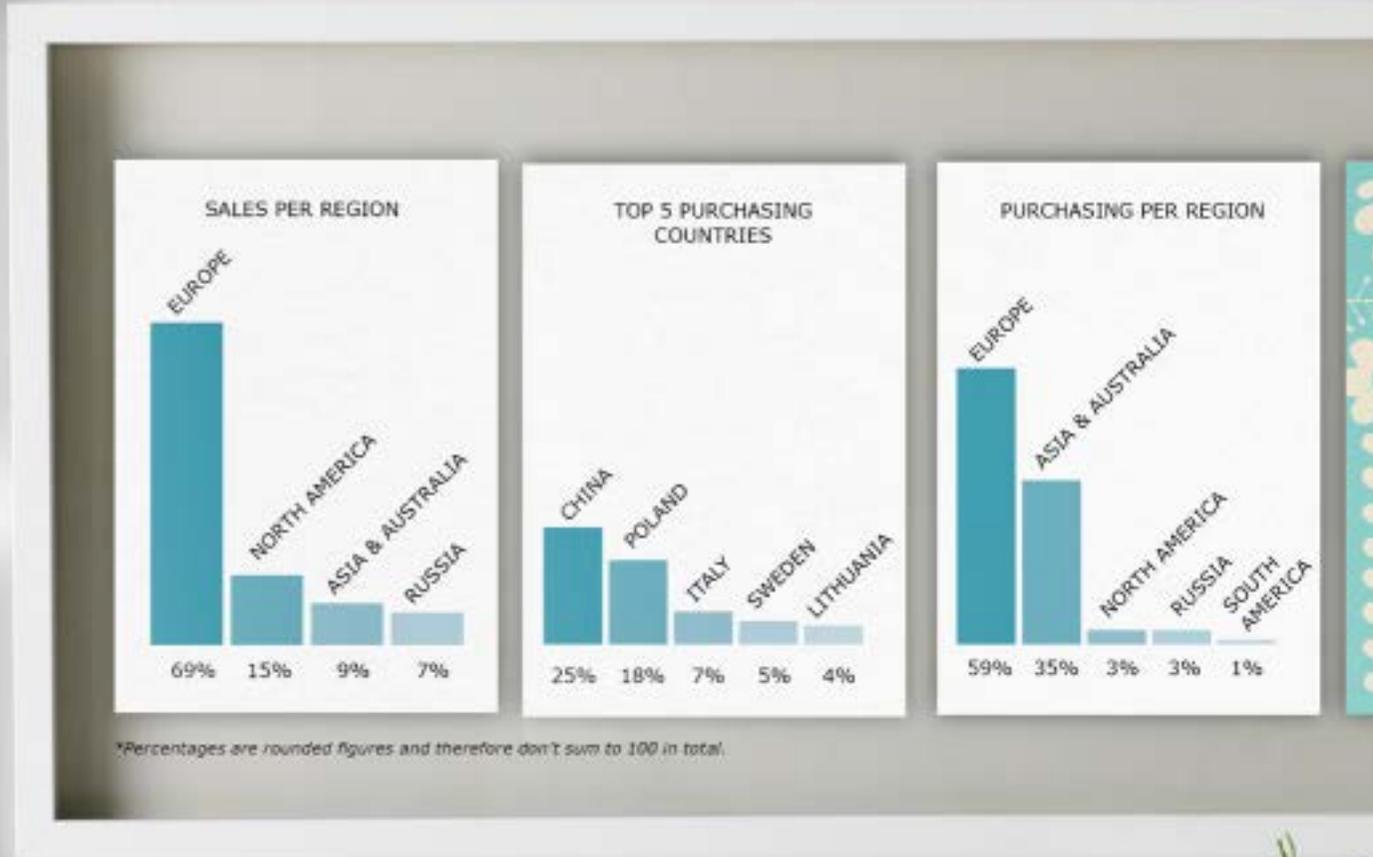


Leif Hultman

IKEA Industry

"Last year was in many ways a year with a lot of changes for all of us in the Industry organisation. I have one nice memory connected to the name change of the organisation. I visited our factory in Paços De Ferreira, Portugal, and everyone from the plant was gathered in front of the factory with one sign each, including myself. When all of us raised our respective signs, you could see us together create the phrase 'Good Bye Swedwood'. Then, when flipping the signs you could read 'Welcome IKEA Industry'. It was a nice way to pay respect to the past and embrace the future."

IKEA Group at a glance FY14



IKEA Group at a glance FY14

The IKEA Group has operations in 42 countries

As of 31 August 2014, we had a total of 315 stores in 27 countries; 27 Trading Service Offices in 23 countries; 34 Distribution Centres and 13 Customer Distribution Centres in 17 countries; 44 IKEA Industry production units in 11 countries. In total, we have 1,002 suppliers, including external suppliers.

€28.7 billion

Total sales FY14

Total sales increased by 5.9% in local currencies to €28.7 billion. Translated into Euros, sales increased by 3.0%.

| FY04 | FY13 | FY14 |
|------|------|------|
| 12.8 | 27.9 | 28.7 |

Billions of Euros

147,000

Total co-workers

Europe: 114,000;
Americas: 19,000;
Asia & Australia: 14,000;
Russia (included in Europe total): 12,000.



716 million
Store visits

In FY14, IKEA Group store visits increased 4.7% over FY13.

270 million

visits to our 14 Shopping Centres in Russia.

315

IKEA Group stores

In FY14, the IKEA Group opened 12 new stores in 10 countries. As of August 31, 2014, the IKEA Group had 315 stores in 27 countries.

| FY04 | FY13 | FY14 |
|------|------|------|
| 179 | 303 | 315 |

Number of IKEA Group stores

1,002 Suppliers¹

In FY14, the IKEA Group had 1,002 home furnishing suppliers in 51 countries.



1.5 billion
Visits to IKEA.com

IKEA.com had more than 1.5 billion visits during FY14, up 15% from FY13.



76%

Cotton from more sustainable sources²

More sustainable cotton production uses less water, chemical fertilisers and pesticides, while increasing profit margins for farmers

41%

Wood from more sustainable sources³

We're on track to reach 50% by 2017. This is in addition to the requirement that all suppliers meet our IWAY Forestry Standard.

¹Includes IKEA Industry which accounts for 12% of the total production with 44 production units in 11 countries. ²More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the US and cotton from farmers working towards the Better Cotton Initiative standards. ³More sustainable sources for wood are: Forest Stewardship Council® certified or recycled.

75%
of all lighting
products sold in
FY14 were LED or
LED compatible.

€104 million
Donated by **IKEA Foundation**
The IKEA Foundation donates to projects that work to protect children from child labour, provide a better life for refugee children, and empower girls and women. 100 million children will benefit from current IKEA Foundation-funded programs by FY15.

9,500 products

The IKEA range consists of about 9,500 products. Every year we renew our range, launching about 2,000 new products. We have 15 in-house designers and 75 external designers via contracts.

46 million
app visits

The IKEA catalogue app was opened 46 million times.

100% **Forest Stewardship Council® certified paper**

The IKEA Catalogue is now the largest print production ever to be printed on 100% FSC® certified paper. 217 million copies of the IKEA catalogue were printed in 32 languages.

IKEA Industry

IKEA Industry manufactures wood-based furniture and boards. It's part of the IKEA Group and its role is to develop and manage production capacities. In total, IKEA Industry has 20,100 co-workers in 44 production units located at 36 sites in 11 countries.

€1.46 billion

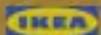
IKEA Food turnover

IKEA Food is comprised of the IKEA Restaurant, IKEA Bistro, IKEA Swedish Food Market and the IKEA co-worker restaurant.

224

Wind turbines

We have now committed to own and operate 224 wind turbines around the world, up from 137 in FY13. And there are 700,000 solar panels installed on our buildings worldwide.



The IKEA Group of companies

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

INGKA Holding B.V. is the parent company of the IKEA Group, located in Leiden, Netherlands. As per 15 January 2015, its Supervisory Board consists of: Lars-Johan Jarnheimer (Chairman); Stina Honkamaa Bergfors; Tore Bertilsson; Luisa Delgado; Jonas Kamprad; Göran Lindahl; and Lone Fønss Schröder. Ingvar Kamprad, the founder of IKEA, is senior advisor to the Supervisory Board.

The IKEA Group is led by its President and CEO, Peter Agnefjäll, together with Group Management.

The IKEA Group operates throughout the whole value chain from range strategy and product development to production, distribution and retail. This includes our own manufacturing units, trading service offices, customer distribution centres and 315 stores in 27 countries. In total, the IKEA Group has operations in 42 countries.

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



| The IKEA Group (INGKA Holding B.V. and its controlled entities) | | | |
|---|---|--|--|
| Chairman of the supervisory board, Lars-Johan Jarnheimer* President and CEO, Peter Agnefjäll | | | |
| Production 44 Production Units 20,100 Co-workers | Range & Supply 9,500 Products 27 Trading Service Offices 13 Customer Distribution Centres 34 Distribution Centres 16,100 Co-workers | Retail & Expansion 315 IKEA Group Stores 110,800 Co-workers | Group Functions Business Navigation & Finance Corporate Communications HR IT Legal Risk Management & Compliance Strategy & Process Sustainability |
| | | | Centres Shopping centres |
| | | | Asset Management Financial & Core related assets |

*Replaced Göran Grosskopf as new chairman of the IKEA Group from January 2015.

