Last year we launched a new sustainability strategy which sets out our commitment to have a positive impact on people and the planet. Read about our plan and what we’ve achieved so far.

IKEA is a place for straightforward, down-to-earth people to grow and develop, personally and professionally. Hear some of their stories.
“To create a better everyday life for the many people”. This is the IKEA vision. 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 work hard, as a team, to achieve quality 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 also goes beyond home furnishing. We want to create a better everyday for all people affected by our business.

Watch “The Way We Work” to see the big picture.
Nisha Khanna grew up in New Delhi, more than 5,700 km from the forests of Småland where IKEA has its roots. Today, she works as a business developer for IKEA in India.

“I think the story and values of IKEA is something people in India can relate to. Like most people here, I grew up in a home with extended family. With many people under one roof, you have to learn to be humble and to respect other opinions and viewpoints. When I started working for IKEA India I saw that everybody is respected for their opinion here, you get full freedom to express your ideas.

“Another thing that’s similar between our cultures is cost consciousness. Growing up, whatever money was coming into the home had to be shared by everyone living there, so we had to really plan how we were going to spend it. In Småland people have a reputation for making things from small means too. And you can see that heritage alive today at IKEA when you look at how we think about recycling, efficient product design and reaching the many people.”

IKEA was founded by Ingvar Kamprad in the farmlands of Småland, an area of Sweden known for thin soil and harsh conditions. The people of Småland had to work together, using innovation and resourcefulness to survive and thrive. Today, Smålanders are still known for their ingenuity, humbleness and determination.

“I think the story of IKEA is something people can relate to in India, and in many different places around the world.”

Nisha Khanna, Business Developer, IKEA India
Writing this, I’m 100 days into my new job. 100 intense days of inspiring meetings with co-workers, suppliers and other partners around the world. Luckily, IKEA has never been a one-man show; we work together. Wherever I’ve been, from China to Austria, Russia or Sweden, I’ve been really proud to see the great commitment and deep knowledge throughout our organisation and value chain.

Today, we’re a home furnishing company with operations in more than 40 countries. Our focus is, as always, on offering inspiring, functional and affordable products to as many people as possible. And we do this in line with our values and vision.

Looking at FY13, sales increased by 3.1% from the last year, our total revenue increased by 3.2% to €28.5 billion, and we gained market share in almost all markets. I’m especially happy to see customers embracing products designed to help them live a more sustainable life at home. For example, customers bought more than 22 million LED products in FY13 alone. We also want our own operations to be completely sustainable, and this includes becoming resource and energy independent. So, over the next few years, we’ll bring our total investment in renewable energy up to €1.5 billion, focusing on solar and wind.

We have a strong foundation for future growth. Our company structure is built to last over time, and fortunately we also have the financial strength to grow in a balanced and sustainable way. By creating better products at lower prices, being more inspiring, improving our existing stores, opening new stores and expanding our e-commerce offer, we plan to double sales by 2020.

I am proud to work for a truly values-based company that wants to have a positive impact on people and communities. In the past year, the IKEA Foundation increased its donations to €101 million, supporting children and their families affected by poverty, war and natural disasters.

As the world is changing, so are our customers’ expectations. Some of our challenges moving forward are to remain sensitive to our customers’ changing needs, and to keep our entrepreneurial spirit alive in a global and growing company. We’ve come this far thanks to all the people that make up IKEA. Together, we will stay curious and continue building an open and transparent company that dares to be different and holds on to our values. And, we’ll show that the IKEA Group can be a positive force in society, combining good business with a responsible and sustainable way of working.

A warm thank you to all co-workers, customers, suppliers and partners!

Peter Agnefjäll, President and CEO, IKEA Group
The year in brief

Launch of STOCKHOLM
We launched the new STOCKHOLM collection, challenging the high-street shops in terms of quality and design — and in price. The collection is manufactured, packaged and transported in a way that gives customers the best value for their money.

Expanding in China
To support our expansion plans in Asia, IKEA Industry opened a new factory in Nantong. The factory will supply IKEA stores mainly in China with board-based furnishing products. In FY13, we also opened two new stores in China in Ningbo and Shanghai.

137
The IKEA Group has committed to own and operate 137 wind turbines around the world
We opened a new (3rd) wind farm in Poland, and also invested in wind farms in Ireland and Sweden. In total, the IKEA Group has committed to own and operate 137 wind turbines around the world, and globally we have around 550,000 solar panels on our buildings (and we continue to install more). In FY13, we produced renewable energy equivalent to 37% of our energy consumption. By 2020, we will produce as much renewable energy as we consume.

IKEA cooks up a new kitchen
We launched a new kitchen called METOD, starting with the Nordic markets in FY13. The new modular system enables customers to create truly individual solutions. The new kitchen is even more functional and affordable, with good design and quality.

100% paper pallet use
In FY13, we reached our goal of phasing out all wooden pallets from our global transport network. From now on, we will only use paper pallets and loading ledges — an innovation that saves money, and is better for the environment.

Living with textiles
We believe textiles are an inexpensive, sustainable and simple way to breathe new life into a home. During FY13, we launched new textile collections, and 72% of the cotton used in our products was from more sustainable sources, up from 34% in FY12. In September, IKEA UK displayed new products and colourful textiles at a floating night market at Regents Canal, London.

Application approved for IKEA retail in India
For more than 25 years, India has been an important market for IKEA from a sourcing perspective, and we continue to increase our sourcing from both existing and new suppliers. In FY13, we received the final approval from the Indian government to open stores in the country. The approval was a very positive development for our retail operations, and the next step is to find the right location for the first store.
Opening stores and increasing sales in FY13
Sales increased by 3.1% in FY13, and our total revenue increased by 3.2%. During the year, the IKEA Group opened five new stores in four markets: Ningbo and Shanghai (China), Barcelona (Spain), Uddevalla (Sweden) and Winnipeg (Canada). We also did two store relocations, one in Wroclaw (Poland) and one in Älmhult (Sweden).

Co-workers see how the soft toy campaign helps
Every year, the IKEA Foundation donates €1 for every soft toy sold in November and December. The donation goes to Save the Children and UNICEF to support children’s education projects in some of the world’s poorest communities. In FY13, small groups of co-workers visited some of these projects to see first-hand what a difference this support makes.

Testing IKEA inspired shelters in UNHCR camps
We are using our flat pack expertise to help develop a new type of long-lasting housing for refugees. In FY13, around 50 of these shelters were tested in UN High Commissioner for Refugees (UNHCR) camps. The modular design is easy to transport and construct. A fabric sheet reflects the sun during the day and insulates the hut at night, and a solar panel provides electricity.

A bright, sustainable future with LEDs
In FY13, we sold more than 22 million LED products, of which over 12 million were LEDARE LED light bulbs. The LED bulbs alone will save our customers a total of €86 million per year through reduced electricity costs (compared to incandescent bulbs). In Portugal, we supported an art installation of 1,200 LED bulbs in the cultural centre of Lisbon over the Christmas holidays to inspire customers to live a more sustainable life at home.

We build strong, long-term relationships with suppliers
Part of our success comes from building strong, long-term relationships with our suppliers. In FY13, 200 IKEA leaders within Purchasing and Logistics met with 50 IKEA suppliers to share inspiration, create clarity, and reaffirm our commitment to our direction and new strategies.

One IKEA Bonus
To recognise all co-worker contributions, the new One IKEA Bonus Programme was announced in FY13. IKEA Switzerland celebrated by rolling out the red carpet for its co-workers. Starting FY14, the bonus will be paid out every year to all eligible co-workers at units where the common goals have been reached.

Co-workers see how the soft toy campaign helps
Read about their experiences
“To be relevant, we have to go there to listen and learn from people, like we do in all markets”, says IKEA Design Manager Marcus Engman. “What’s essential in a Chinese home? And what price is affordable?”

Every year, we visit thousands of homes around the world because we’re driven by a curiosity to understand how people are living. Every project starts with an idea based on people’s everyday needs — and with the low price in mind.

“Our starting point is a beautiful and functional home, no matter the size of someone’s wallet” says Marcus. “We work with long-term goals and have a mission to change things for the better.”

IKEA has been working with democratic design for a long time and we’ve learned a lot along the way, developing skills and a production capacity that helps us deliver great design to as many people as possible. Still, combining all the elements of democratic design — form, function, quality, sustainability and a low price — is never easy. We have to be innovative to make it happen.

“We always act like a small player with a hands-on attitude... just do it! To us, it’s not just about making things, but also to make things better. That’s good design to me” says Marcus.

Designers and product developers work

Continued on next page...
together in creative teams, often side by side with suppliers right on the factory floor. We want to find the most efficient and cost-effective ways to bring our designs to life and create something out of the ordinary.

The next step is developing the idea into large-scale production because high volumes lower the price, which is a key to democratic design.

We also want to address our customers’ growing desire to be creative and to express individuality throughout their homes. Young people especially want to work with their hands and add personal touches to their spaces. That’s why we’re designing with co-creation in mind.

“Having our customers do part of the job is nothing new. Just think about our flat packs” says Marcus. “So why not also invite them to join the creative work?”

In the future, new techniques will make it possible for customers to add unique details to their decor. There are simple ways to promote co-creation too, like leaving surfaces raw so people can have fun doing their own finish.

“We offer the ingredients — including functionality and sustainability — while the customer has the recipe” says Marcus. “If everybody can use our products in different ways, then we will have succeeded.”

Sometimes work means play. Like when designers Sarah Fager and Camilla Tubertini began developing MÅLA. They started where the product would end up: with children.

“We started from scratch by visiting schools. It was fun to see how the children inspired each other in a totally different way than when adults are involved,” says Sarah.

The whole development and design process behind MÅLA took place in cooperation with children. It was the best way to understand their demands on our products and to ensure we’d have happy customers at the end of it all.

“The paint in the MÅLA series is non-toxic, has excellent pigment quality and is easy to wash off. You can bang the felt-tip on the table and it reshapes itself. And you can leave the lid off for three days without it drying,” says Sarah.

Of course, safety is always a top priority when we’re developing products, especially when it comes to children. The paint box is adapted to fit as many as possible on a pallet so we avoid transporting air, which is better for the environment and for the end price.

“The whole project was such fun!” says Sarah. “Camilla and I feel we have succeeded when children are free to handle our products on their own.”

MÅLA felt-tip pen release date, October 2012

“We wanted to create a collection where children can be creative on their own, by using safe and fun art materials with great form, function, quality and not least a fantastic price.”

Sarah Fager, Designer
It takes togetherness to find new and better ways of working

"Swedish and Chinese designers developed TRENDIG together, and you can really see features from both countries in the series", says Krister Nilsson, Product Developer.

The team of designers, product developers and technicians travelled around China on a whirlwind mission to develop the new collection with the IKEA design philosophy as their guide. The goal was to solve people’s real, everyday needs by creating products that are functional, durable, have great form, are of good quality and sustainable too — all at a low price.

"It’s a limited collection that’s been added to our global range as a vitaliser. While at it, we took the opportunity to vitalise our own work process too" says Krister.

The team worked closely with local suppliers, doing all the development work — including design — right at the manufacturing site.

"We learned a lot about working together and sharing ideas that will help us work even smarter in the future. It was great fun to work this way, very intense, but fun” says Krister.

"The toughest part in China is meeting the local price level with quality intact. But the close cooperation with our suppliers cuts development time and costs, and we keep lowering our prices. We know that what’s affordable here, is affordable everywhere."

Krister Nilsson, Product Developer, Shanghai

Release date, October FY13
Every year, we visit thousands of homes to see how people live. Our conversations are always about what a better everyday life would look like for them. Then we use what we learn to develop our range and present it in our stores.

At a three-story apartment building on the outskirts of Frankfurt, Germany, an IKEA Group team visited the Hagley family. The parents and two teenaged children share a 78 m² three-room apartment here.

About 80% of IKEA customers live in cities, mostly in apartments with limited space. Like many city dwellers, the Hagleys have small, busy areas in their apartment, and when our team came to visit the focus was on their kitchen.

“Oh, they were thorough”, says Monika Hagley of the IKEA co-workers who visited. “They asked everything from where we store things for breakfast or why the fridge was placed just behind the kitchen door, to which utensils my daughter is using when baking. Two hours just flew by.”

Some of the questions made Monika reflect on everyday habits she’d never thought about before. Like, why are crammed cupboards full of things the family rarely uses? Or why do some cabinet doors open in a direction that blocks the workflow?

“They came to learn from us, but made me reflect too” Monika says. “Now we’ve moved the fridge to the opposite side of the kitchen.”

Recently, Monika discovered a new IKEA product that’s perfect for her small kitchen.

“It’s called STENSTORP, and is sort of a mobile storage solution for the kitchen. I wonder if they got the idea from their visit to our house”, Monika laughs. “Anyway, it’s a great idea.”

Meeting people in their homes is the best way for us to learn more about their needs, dreams and living situations. And that helps us create even better living solutions. Home visits aren’t only important for developing IKEA products, they also help us create solutions that are relevant on a local level.

To know how people live, you have to go to their homes

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“They came to learn from us, but made me reflect too.” Monika Hagley, IKEA customer

More than 1/2 the world’s population lives in cities

As people continue to move into urban centres, living spaces get smaller and the need for smarter living solutions grows.
Quality and safety checks are rigorous at the long-time IKEA supplier on the outskirts of Ho Chi Minh City, Vietnam. Every BARNSLIG ÄLG soft toy that leaves the premises has been tested at every stage of production. When it comes to children, our safety standards are extra high.

The materials are carefully checked — harmful substances are banned, and the fabric has to be durable. Because loose parts are a choking hazard, the eyes are embroidered directly onto the fabric, and we test seams and details to stand up to wear, tugs and pulls. Not until a toy passes every test can it leave the factory and, one day, travel home from Children’s IKEA with its proud new owner.

Release date, January FY14
Retail, distribution and production

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. Trading service offices support in the process of buying products from suppliers. 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.

- **Europe**: 215 stores, 60% purchasing value, 19 distribution centres, 11 trading service offices, 36 IKEA Industry production units.
- **North America**: 50 stores, 32% purchasing value, 6 distribution centres, 1 trading service office, 1 IKEA Industry production unit.
- **South America**: 19 stores, 3% purchasing value, 1 trading service office.
- **Asia**: 19 stores, 33% purchasing value, 12 distribution centres, 2 IKEA Industry production units.
- **Russia**: 14 stores, 3% purchasing value, 3 distribution centres, 5 IKEA Industry production units.
- **Canada**: 50 stores, 32% purchasing value, 6 distribution centres, 1 trading service office.
- **China**: 36 distribution centres in 16 countries, 32 of production takes place in Europe.
- **Australia**: 5 stores, 1 distribution centre.

Purchasing value is the total volume of articles purchased from suppliers. It includes both our own IKEA Industry production units (which account for 12% of purchasing value) and external suppliers.

1 At the end of FY13, there was a total of 345 IKEA stores in 42 countries operated under franchise agreements with Inter IKEA Systems B.V. Of these, 42 stores were operated by franchisees outside the IKEA Group.

2 The trading service office in Egypt is included in the number of trading service offices in Europe.
We have ambitious plans for the future. By developing better products at lower prices, improving our existing stores, opening new stores and expanding our e-commerce offer, we plan to double sales by 2020.

Striving to be even more accessible and affordable is a way of living up to our vision: “to create a better everyday life for the many people”. Today, the IKEA Group has operations in more than 40 countries all over the world. But we’re still small in most markets, so there’s plenty of room to grow.

Thanks to our sound financial principles, we have the independence and flexibility to work long term, and grow in a balanced and sustainable way.

While growing, we want to have a positive impact on people and the planet. In FY13 we made major investments in renewable energy, such as investing in wind farms and installing solar panels on our stores. We will continue investing in this area so we can live up to our commitment to produce as much renewable energy as we consume by the end of 2020.

This past year we saw strong growth, especially in China, Russia and the USA. In southern Europe, where people continued to be affected by difficult economic conditions, the IKEA offer of affordable, quality home furnishings became even more relevant. We gained market share in just about every market, including France, Portugal and Spain.

In FY13, we opened five new stores — one in Spain, two in China, one in Sweden and one in Canada. We look forward to building our first store in South Korea and continuing our work to enter the Indian market.

We keep investing in our industry group, a recent example being the new factory in Novgorod, Russia. IKEA Industry is being integrated more closely with the IKEA Group, and because of that we’re benefiting even more from its knowledge and expertise in production techniques.

We are happy that our continued growth creates new jobs in our stores, factories and among our suppliers. In the coming years, there will be many more job opportunities as we continue to expand.

1,046 Home furnishing suppliers*

Today, the IKEA Group has 1,046 home furnishing suppliers in 52 countries. A lot of our suppliers start their business relationship with IKEA as small independent entrepreneurs.

*Includes IKEA Industry production which accounts for 12% of the total purchase value with 44 production units in 11 countries.
The IKEA Group welcomes new co-workers every day all around the world. In every interview, we’re looking for people who share our fundamental beliefs. That’s the only similarity we’re after. In fact, we’re actively working towards building and maintaining a workforce that reflects the diversity of the world around us.

As we grow we let our values guide us in everything we do. These values, like togetherness, simplicity and enthusiasm, are part of the reason why people want to work for IKEA.

“Every morning when I prepare to go to work is a good morning. There’s always something new to discover and new things to learn”, says Piera Orso, age 61.

During her 24 years with IKEA Italy, Piera has had many different jobs, from the textile department to expansion projects. Then, last November, Piera applied for the position of store manager in Ancona, Italy. And she got the job.

“To be recruited as a store manager at 60 plus is not common. For me it’s a dream come true, and I was proud and surprised”, Piera says.

Her focus is to bring energy to her store, lead by example and respect the uniqueness of every person that works with her. “And this includes really taking the time to listen and coach”, she explains.

Lasse Petersson, IKEA country manager in Italy, is happy to have Piera in the role. “Piera has great experience within the company, fantastic energy and natural leadership — she really acts the way she is. Our only regret is that we didn’t ask her earlier”, he says.

At the IKEA Group, we give straightforward, down-to-earth people a chance to grow, both as individuals and in their professional roles. Nearly half (47%) of our 17,000 leaders are women. It’s a good foundation, but we can do even better — in all aspects of diversity.

Our values guide us in everything we do

The IKEA Group values guide us in everything we do.
Growing with IKEA

“My story with IKEA started in 2006 when selling Christmas trees outside the Corsico store”, says Marco Della Valle. “I was fortunate to meet many co-workers, and a few weeks later I was hired as part time sales co-worker.”

After finishing college, Marco applied for a job as a supply planner. When the recruiters saw his capabilities and got to know his personality, they suggested business development might suit him even better. “So I applied again — wasn’t going to give up — and a few months later I was hired as a business developer in Trading”, Marco says.

As the person responsible for purchasing IKEA products and developing selected suppliers, Marco says the past two years have flown by. “I love travelling, and working with people from different cultures has opened my mind. It is amazing how easy it is to create a wide network of people inside the company, and it’s great that we all work for the same purpose and the same goal”, says Marco.

Developing co-workers through mentorship

When offered to join the IKEA Group mentoring programme a year ago, John Kristian Sørensen saw it as a great opportunity. “To be matched up with a mentor based on my development needs has been just spot on. And thanks to the feedback from my colleagues, it was really clear what I should focus on”, he says.

Halfway through the process, he started his new job as store manager in Ålborg, Denmark. “The mentoring has definitely helped me when entering a new role. My mentor works in a different part of the company, and has constantly challenged me to see things from new perspectives”, says John Kristian.

In his previous job as a sales manager John Kristian was enrolled in the programme too, but that time as a mentor. “I learned a lot about myself as a leader. As a mentor, you automatically reflect over your own strengths and weaknesses, so it’s really a win-win for everybody involved.”

More than 400 mentorship participants

In FY13 more than 200 mentor-mentee pairs took part in the IKEA Group mentoring programme.

“Every time new initiatives are introduced, they are met by curiosity, interest and open doors. I love that about our culture. You can come up with a good idea and people are open to it. This still fascinates me after so many years.”

Petra Hesser, HR Manager, IKEA Group

Hear more from Petra about working for the IKEA Group.
Today, there are 40 different languages spoken by the co-workers of the Malmö store in southern Sweden, but it wasn’t always that way.

A few years ago the store’s recruitment team looked around, saw that the city’s multicultural population wasn’t reflected in the staff, and decided to do something about it.

Targeted ads weren’t attracting the candidates the store was hoping for, so HR co-worker Marie-Louise Niklasson went out to find them.

She visited language cafes, Swedish for Immigrants classes and women’s cooperatives in the suburbs, and learned that many potential candidates feared their Swedish wouldn’t be good enough to work in the store.

“I met fantastic people, and didn’t want language to be a barrier. So after a series of interviews, we offered, and still offer, step-by-step practical language training at the store”, says Marie-Louise.

Today, the store truly mirrors the community’s population. There are lots of benefits of having a diverse staff in a diverse market, one being that customers appreciate meeting someone who speaks their native language.

“We’re taking steps to build an even more dynamic workplace where people of all different backgrounds will have the opportunity to develop. Once we’ve managed that, I think the outcome can be really great for all of us.”

Marie-Louise Niklasson, HR Co-worker, IKEA Malmö
HR HIGHLIGHTS FROM FY13

The One IKEA Bonus Programme
To recognise all co-worker contributions, the new One IKEA Bonus Programme was announced in FY13. Starting FY14, the bonus will be paid out every year to all eligible co-workers at units where the common goals have been reached.

Launch of the new IKEA People Strategy
The new IKEA Group People Strategy describes, among other things, the way we work with leadership and talent management to promote and develop more of our co-workers by 2020.

Code of Conduct training
To strengthen our culture, 120,000 IKEA Group co-workers were trained in the IKEA Code of Conduct with a series of workshops, starting with our 9,500 co-workers in France. By FY14, all 135,000 co-workers will have completed the training.

IWON founded
The IKEA Women Open Network (IWON) was formed to reach gender balance in leadership positions and create an inclusive culture that reflects the contributions of women and men alike.

135,000 IKEA Group co-workers*
For a detailed breakdown of how many co-workers we have in different areas of our business see IKEA Group at a Glance, p. 32.

*The IKEA Group has adopted a new way of calculating the number of co-workers. Previously published numbers for FY12 and FY13 contained temporary and seasonal positions.

What a meaningful company is to Dorothea

After having travelled the world in the US Navy, Dorothea Bennett moved back to her home community in Brooklyn and found a new career with IKEA.

“Coming back after 20 years, and finding a multimillion dollar company at your back door is rather amazing. I grew up here and know the struggles, so 300 new jobs was a blessing from the sky for the community”, she says.

Dorothea’s competence within logistics made her a perfect candidate for the logistics team and today she works as a sales supply support specialist at the Brooklyn store.

“Me, IKEA is a melting pot of different cultures, races, and ages. It’s also a chance for young people, and an opportunity for co-workers that have never been outside of this area. You can apply to work anywhere: Sweden, China… and try new types of jobs too”, says Dorothea.

In October 2012, hurricane Sandy struck Dorothea’s community, and for a month people went without a lot of amenities, like heating, electricity and food deliveries. IKEA reached out to help in many ways, including offering Dorothea’s family a temporary home in the store where she’s pictured above.

“It was incredible, I lack words to express what my colleagues did for us”, she says.
We work to use resources efficiently, support our communities and defend human rights, including those of children. And, we aim to inspire and enable our customers to live more sustainably too. Just over a year ago we finalised our new sustainability strategy — we call it “People & Planet Positive” — which sets goals we’ll meet by 2020.

Our strategy will help us keep up with the many changes the world faces. These include a fast-growing population with billions more joining the global middle class. This is good for those escaping poverty, but it means we need to be even more careful with the world’s resources, such as drinking water, energy and some foods that are becoming scarce.

As the demand for our products continues to grow, we’re working to make sure there’s a long-term supply of sustainable raw materials we can work with. This enables us to continue to offer good-quality products at low prices. We know the task is big and we can’t do it alone. That’s why we work in partnership with a wide range of organisations.

People & Planet Positive covers three important areas which we describe on the following pages, showing our progress. See our Sustainability Report FY13 for greater detail.
What we’re doing
We’re creating and selling affordable products and solutions that help our customers save money by using less energy and water, and reducing waste.

How we’re doing it
We’re constantly looking for ways to make our products more efficient, enabling our customers to save money, energy and resources. We’ve already done this with LED light bulbs (our affordable LEDARE bulbs use up to 85% less energy than incandescent bulbs), stoves (our FOLKLIG induction hobs use 40% less energy than glass ceramic hobs) and RINGSKÄR taps (use 30% less water compared with the EU standard).

In the same way we reduced the price of our LED bulbs, we are now able to make solar PV panels that generate electricity from the sun more affordable to homeowners. We’ve started in the UK where we’re working with our partners to supply and install solar panels in the home (see p. 23 for more details).<

“I’m so excited to watch the rollout of LED lights to replace the 12 billion incandescent bulbs currently in use around the world. With an LED bulb lasting 20 years longer than an incandescent bulb, and using 85% less energy, the JANSJÖ clamp lamp is the perfect example of how we are creating a better everyday life for the many people.”

Said Benjama, Local Marketing Specialist, IKEA Southampton, UK

Inspiring and enabling millions of customers to live a more sustainable life at home

OUR PROGRESS IN FY13

Launched a global campaign to promote the energy-saving LEDARE LED light bulbs.

Sold 22.4 million LED products including 12.3 million LED bulbs. The LED bulbs save customers a combined total of €86 million¹ per year. Compared with incandescents, our LED bulbs save customers €7 of electricity costs per bulb per year with a total savings of €160 over the life of the bulb².

Improved the efficiency of our energy-consuming products so they are now 41% more efficient on average than our range in 2008.

Launched a service in the UK offering home solar installations, which together with a discount for IKEA Family members, is 15-20% below the average market price.

Continued to only offer taps that use a pressure compensating aerator, which reduces consumption by 30-50%, saving between 1,800 and 3,000 litres of water for each tap in the average European household². That reduces costs for customers through lower energy bills for hot water and lowering water bills where water use is metered.

€86 million saved by customers

With the LED bulbs sold in FY13, customers save a combined total of €86 million per year. Each bulb saves customers €160 over its lifetime¹.

¹Assumes three hours of usage each day. Electricity price source: European Residential Energy Price Report, 2012, Vaasa ETT (Global Energy Think Tank).
²Assumes a water consumption of a bathroom and kitchen tap in a European household of 12,000 litres per year.
What we’re doing
We’re designing products that are more sustainable by using fewer resources and increasing our use of renewable, recyclable and recycled materials. We’ve also made a good start with our plan to produce more energy from renewable sources than all the energy we consume.

How we’re doing it
By 2020, we want 90% of our sales value to come from more-sustainable products and solutions. We use our Sustainability Product Scorecard to identify improvements in existing products (e.g. using fewer resources) and enable us to design new products with sustainability in mind.

We always want to do better, and we’re pleased with the progress we’re making in some important areas such as wood and cotton. For example, we more than doubled the amount of cotton sourced from more sustainable sources to a share of more than 70%. Our more sustainable sources for cotton are Better Cotton, cotton grown to other sustainability standards in the USA and Australia, and cotton from farmers working towards the Better Cotton Initiative standards. Compared with FY12, we used about a third more wood that’s Forest Stewardship Council (FSC) certified or recycled in FY13 (from 22.6% in FY12 to 30% in FY13). This year we celebrated 10 years of partnership with the conservation organisation WWF.

Since we began working together, we have jointly contributed to around 30 million hectares of forest becoming certified to the FSC standard — an area roughly the size of Italy. Our cotton project with WWF began in 2005, and was designed to transform cotton production worldwide. That was a big ambition for an initiative involving just 500 farmers. But today around 110,000 farmers have adopted more sustainable farming practices thanks to IKEA and WWF projects.

We’ve allocated €1.5 billion to invest in renewable energy until 2015, either at our stores (using solar panels) or in wind turbines around the world. Globally we have installed around 550,000 solar panels and we continue to install more (see p. 23 for more details). In FY13, our investments in wind farms in Ireland, Poland and Sweden brought the total number of turbines we have committed to own and operate to 137.

“Only when we want to dream big and set big goals can we make a big difference! You can feel the determination to meet these goals throughout every function of our business. From understanding what our customers’ needs are to product design to customer engagement projects to product end of life, it’s the most exciting time to be at IKEA.”

Melissa Ciardullo, Backpacker from IKEA Vaughan, Canada

OUR PROGRESS IN FY13
Purchased more than 2/3 of our cotton from more sustainable sources1.

Invested €1.35 million in projects to help 110,000 cotton farmers boost their incomes and produce more sustainable cotton.

Sourced almost 1/3 of all the wood we use from more sustainable sources2 (a total of 4.5 million m³) making us one of the world’s largest buyers of FSC-certified wood in the retail sector.

Invested in new windfarms in Ireland, Poland and Sweden bringing the total number of turbines we’ve committed to own and operate to 137.

Produced 366 GWh of electricity from our wind turbines and solar panels — enough to power around 110,000 homes3.

Installed solar panels on IKEA buildings worldwide, bringing the total number of panels to around 550,000 — enough to cover around 130 soccer fields and provide the annual electricity needs of 20,300 homes3.

Invested in energy efficiency to bring total savings in our stores and distribution centres to €40 million since FY10.

1More sustainable sources for cotton are: Better Cotton, cotton grown to other sustainability standards in the USA and Australia, and cotton from farmers working towards the Better Cotton Initiative standards.
2More sustainable sources for wood are: Forest Stewardship Council certified or recycled
3Source: World Energy Council, global average figure for the annual electricity consumption of a household is 3,338 kWh.
What we’re doing
We want to continue being a good neighbour in the communities where we work. We support the human rights of people who work in our supply chain and always want to act in the best interest of children.

IKEA Foundation supports a better everyday life for the people who need help the most, donating €101 million in 2013.

How we’re doing it
Based on our Supplier Code of Conduct, called IWAY, our auditors (more than 80, supported by independent auditors) check that suppliers meet our high standards for working conditions and environmental protection.

By partnering with others and sharing our resources and experience, we can accomplish far more than on our own. We work with a range of organisations, including WWF, UNICEF and Save the Children.

Our co-workers and customers play an important part, for example through the Soft Toys for Education campaign where the IKEA Foundation donates €1 to Save the Children and UNICEF projects for every soft toy sold worldwide in November and December. Since the campaign started in 2003 the Foundation has donated €57 million. In the IWitness programme, small groups of co-workers visit projects in developing countries each year and see for themselves how much the donations benefit local communities.

Through a partnership between IKEA Foundation, Refugee Housing Unit and the United Nations Refugee Agency (UNHCR), we’re using our expertise in flat pack products to develop a new type of shelter for refugees. The modular design is easy to transport and construct and lasts six times longer than canvas tents. A fabric sheet reflects the sun during the day and insulates the hut at night, and a solar panel provides electricity. Around 50 of these IKEA inspired shelters are being tested in UNHCR refugee camps.
By 2020 we’re going to produce as much renewable energy as the total energy we use. And we want to make home solar electricity affordable for the many people. While we invest in wind, biomass and geothermal energy, we are keen to use our buildings to harvest energy from the sun. We’ve made a good start and now have around 550,000 photovoltaic (PV) panels installed in nine countries — with more to come.

At the same time, we’re making our buildings much more efficient so we need less energy to run them.

In the UK we’ve begun offering a home solar installation service to our customers. IKEA Family members can purchase the service at a discount, spending £5,700 (€6,750) including tax for a standard 3.36 kW photovoltaic (PV) system — a total installation cost that’s 15-20% below the average market price. Customers can also choose a finance package and pay nothing upfront. This will halve an average family’s electricity bill, saving them around £700 a year (€830). After about seven years (at current energy prices) they will have saved enough to cover the purchase and installation costs. Then the system will produce renewable energy for free, with the panels lasting a total of around 30 years.

The service is offered in partnership with the global energy company Hanergy. We’re dedicating space in all UK stores for Hanergy to showcase their home solar systems. We’ll assess how things go in the UK and hopefully we can introduce the solar service to more countries in the future.

We’re using solar to become more energy independent

“We’re using solar to become more energy independent. By 2020 we’re going to produce as much renewable energy as the total energy we use. And we want to make home solar electricity affordable for the many people. While we invest in wind, biomass and geothermal energy, we are keen to use our buildings to harvest energy from the sun. We’ve made a good start and now have around 550,000 photovoltaic (PV) panels installed in nine countries — with more to come.

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Peter and Jane Grey, IKEA UK solar customers, are expecting to save €805 a year from their solar panels.

IKEA FOOD QUALITY REQUIREMENTS

In FY13, three batches of meatballs identified as possibly containing traces of horsemeat were withdrawn from sale. We donated 3.5 million portions to the European Federation of Food Banks (FEBA), an NGO fighting hunger and food waste in Europe. We also took steps to strengthen traceability in our food supply chain and to further ensure our products only include the ingredients listed in our recipes and on the product labels.

We’re currently working on the following actions:

- Strengthening our standards for all food suppliers and introducing more detailed requirements for certain types of food suppliers.
- Introducing regular announced and unannounced third-party auditing of food suppliers and sub-suppliers according to our new standards.
- Significantly strengthening our overall efforts concerning quality, sustainability and health, and implementing the new standards with suppliers and our business developers.

550,000 Solar panels installed on IKEA buildings

Around 550,000 solar panels are now installed on IKEA buildings worldwide. In our efforts to become resource and energy independent we’ve committed to own and operate 137 wind turbines (and in FY13 we had 96 in operation).
Increasing sales and profits
Total sales increased to €27.9 billion, up 3.1% from last year. Together with the rental income from our shopping centres, our total revenue amounted to €28.5 billion — an increase of 3.2% compared to FY12.

In spite of difficult economic conditions in Europe, we gained market share in most markets. Russia and China were two strong positive contributors and there was also significant progress in the USA and Poland, while some key markets, such as Spain and Italy, noticed sales declines. The five top selling markets were Germany, the USA, France, Russia and Sweden. The growth came from existing stores (1.8%), new stores, and online sales.

The gross margin, as a percentage of sales, increased by 1.5% to 43.3%. This positive increase is due to improved efficiency in our supply chain enabled by close cooperation with suppliers. Net income increased by 3.1% to €3.3 billion.

Investing in sustainable growth
We invested €1.9 billion in stores, factories, renewable energy and shopping centres. All investments were funded out of our own cash flow.

In FY13, we opened five new stores and made two relocations. One of our financial principles is that we own the land and the buildings where we operate. Substantial investments were made in assets that help enhance our core business: from renewable energy to our suppliers’ development and growth.

In line with the IKEA Group strategy for renewable energy, we furthered our commitment to wind power by investing in 24 more wind turbines. Currently we’ve committed to own and operate 137 wind turbines, have 550,000 solar panels at stores and warehouses around the world, and will invest €1.5 billion in renewable energy by 2015.

In FY14, we plan to invest €2.5 billion in stores, factories, renewable energy and shopping centres.

“Our guiding principles, like earning money before we spend it, give us financial strength and the unique opportunity to take a long-term perspective and make investments using our own resources.”

Alistair Davidson, Head of Staff, IKEA Group
In FY13 alone, all IKEA Group markets — from stores to distribution centres — managed to lower costs by a series of innovations in products, materials, and logistics. For example we switched completely to paper pallets, invested in repackaging machines and improved direct supply from suppliers to stores.

Our cost focus remained intense and we managed to keep our operating costs as a percentage of total revenue at the same level as last year. That means the overall operating costs increased during FY13 due to the growth of our business, the introduction of the new kitchen range, METOD, and Market Hall rebuilds that present our products in a more inspirational way.

Our Supply chain

In FY13, lower purchase prices, effective purchasing and lower transport costs contributed to the positive financial result.

We managed to slightly lower inventory levels while still maintaining high availability for our customers. The direct supply from suppliers to stores improved from 55% to 58%. This ensures availability and leads to lower costs, less product damage during transport and a reduced carbon footprint.

The efforts to integrate the way of working between IKEA Industry and other parts of the IKEA Group started to pay off, improving capacity utilisation and competitiveness.

In FY13 alone, all IKEA Group markets — from stores to distribution centres — managed to lower costs by a series of innovations in products, materials, and logistics.

We’re always looking for smart ways to save on costs

We optimise the value chain of a product by asking ourselves three questions about its material, production, overhead and logistics:

1) How can we reduce costs?
2) How can we eliminate cost altogether?
3) How can we work with high volumes to lower the unit cost?

OPTIMISING THE VALUE CHAIN

We explore every aspect of a product to find out how we can improve it and make it more affordable. We call that optimising the value chain.

By taking this approach with SÖDERHAMN we were able to save 18% of the costs compared to similar sofas.

We discovered that if we design SÖDERHAMN so we don’t have to use glue in production, we save production time and improve sustainability. Other cost-saving ideas like direct delivery, more efficient packaging and using alternative materials all helped lower the price too.

In the end, 5% savings on materials, 2% on production, 1% on overhead and 10% on logistics added up to a more affordable sofa.

Lowering prices

To reach many people our prices must be affordable. So we need to find ways to lower costs throughout our business by constantly working smarter, while at the same time maintaining high quality and securing good working conditions. In spite of inflation, we were able to reduce our average product prices by 0.2% during FY13.

In FY14, we plan to invest €2.5 billion in stores, factories and shopping centres, as well as in the expansion of renewable energy.
Taxes and dividend
The corporate income tax amounted to €775 million in FY13, compared to €695 million in the previous year, resulting in an effective tax rate of 18.9%.

The effective tax rate depends on the results of the Group’s various companies and the corporate income tax rates in each country. In addition, other taxes including property tax and custom duties amounted to €679 million in FY13. The total amount of corporate income tax and other taxes amounted to €1,454 million in FY13.

Over the last five years, we have globally incurred €6.1 billion in corporate income tax, property tax, custom duties and other taxes.

A dividend of €3 billion was transferred to our owner Stichting Ingka Foundation, which secures funds for future needs. The foundation can only use the funds to reinvest in the IKEA Group or donate them for charitable purposes through the IKEA Foundation.

Our securities portfolio decreased to €14.9 billion and the financial result went down to €81 million, mainly due a lower return on our securities portfolio and lower currency gains. Investments in bonds didn’t suffer any credit losses.
"Fixed assets" mainly consist of our own stores, warehouses, factories and shopping centres. Another important part is inventory, which we were able to reduce to €4.3 billion while maintaining good service levels. "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 €29.2 billion. "Liabilities" consist of both long and short-term funding, as well as the payables connected with running the business. During FY13, we continued to repay our loans.
Every autumn, co-workers from all over IKEA Group, including group management, gather in Älmhult to look at the future range.

While the group management team was in town this October, going over plans and products for 2015, they stopped by the 8,800 m² studio where the catalogue is created every year (and about 10,000 other IKEA photos). It was a perfect opportunity to take a group photo.

See the next two pages to read the group management’s highlights from FY13.
“In November we opened the new IKEA store in Älmhult, replacing the original store from 1958. Standing there, side by side with new co-workers and IKEA veterans, I was struck by the journey we’ve made since the first store opened. Back then, we were 100 co-workers, and had 2,000 products in the range. Today, we have 135,000 co-workers and launch 2,000 new products every year. Yet, we’re small in most markets and only at the beginning of our journey.”

“Among many great moments last year, we set up a product development centre in Shanghai, teaming up local talent with our most experienced IKEA developers. To find simpler and faster ways of working, we started a project to co-develop a new bedroom series. Together, our suppliers and product development team visited customers in downtown Shanghai to discover the reality of how people live and what they need from their bedroom furniture. The project delivered in record time and today TRYSIL — our five-piece bedroom set — is the pride of many customers in China and other places around the world.”

“I have two strong memories in mind, one being the store opening in Älmhult, when our concept, culture and values were so apparent. The other is a trip to India and China; places where I am convinced our idea of democratic design can really make a difference in people’s everyday lives. We got to visit people in their homes and listen to what they thought. I was inspired by the enthusiasm our business generates — making our home furnishing solutions accessible to people who previously didn’t have such opportunities makes our future so exciting.”

“This year I’ve had the privilege to engage more with IKEA Industry. I’ve met a lot of colleagues there that contribute so much to our affordable offer. I’m very impressed with their deep production know-how, and their ability to always keep the customer in mind. Our factories are often leaders of innovation in their fields, both with new production techniques and excellent working conditions. I think it’s quite cool for a home furnishing company to have its own strong supply chain, all the way back to the factory floor.”
“I have many strong memories from home visits in India, South Korea, Japan, Australia, and of course in China where I live. People have shown great hospitality and shared their everyday frustrations and dreams in a very open way. I’m amazed by how different all our markets are and yet how similarly we live our lives. I love how the strength of IKEA Scandinavian design and our understanding of life at home are used in our different markets. This is special and makes me proud.”

“Last year we launched our new sustainability strategy People & Planet Positive. It’s really important for companies like us to clearly lay out our approach and commitments, and I believe this strategy will help ensure IKEA has a positive impact on the world. But commitments need to be delivered on the ground, so I’d like to thank my colleagues across IKEA Group who helped us make real progress, installing around 550,000 solar panels and increasing our number of wind farms to 18, raising our share of cotton from more sustainable sources to more than 70% and maintaining 100% IWAY (our code of conduct for suppliers) approval across our home furnishing suppliers.”

“As I review FY13, the kick-off meeting for the IKEA Women Open Network (IWON) clearly stands out. It was a big success! Building on a co-worker idea, we set up a network that enables and empowers women in their professional lives. It was a truly inspiring day where 150 leaders, women and men from across the IKEA world, discussed how to drive gender balance in leadership positions and create an inclusive workplace. Today, we have a network group with a clear purpose and big ambitions. Thanks to all the women who keep reminding me IKEA is a great place to work, where ideas can come true.”

“I have a very nice memory from August this year, when we inaugurated our new factory in Nantong, China. The plant, with all its machines and equipment, was built — from a piece of land to an excellent modern factory — in 13 months! The day after the event, I walked through the plant and said hello to everyone, almost 200 co-workers. I felt everybody was very happy to be part of the IKEA family and they were engaged and ambitious to get everything up and running. We made it happen together, and this really demonstrates the power of our company!”

Martin Hansson
Petra Hesser
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Retail
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**IKEA Group at a glance FY13**

**TOP 5 SELLING COUNTRIES**
- Germany: 14%
- USA: 12%
- France: 9%
- Russia: 7%
- Sweden: 5%

**TOP 5 PURCHASING COUNTRIES**
- China: 23%
- Poland: 18%
- Italy: 8%
- Sweden: 6%
- Lithuania: 4%

**SALES PER REGION**
- Europe: 69%
- North America: 16%
- Asia and Australia: 8%
- Russia: 7%

**PURCHASING PER REGION**
- Europe: 60%
- Asia and Australia: 33%
- North America: 3%
- Russia: 3%
- South America: 1%
At the end of FY13, there was a total of 345 IKEA stores in 42 countries operated under franchise agreements with Inter IKEA Systems B.V. Of these, 42 stores were operated by franchisees outside the IKEA Group.

IKEA Group at a glance

The IKEA Group has operations in 43 countries

We have a total of 303 stores in 26 countries; 28 Trading Service Offices in 24 countries; 32 Distribution Centres and 11 Customer Distribution Centres in 16 countries; 44 IKEA Industry production units in 11 countries.

9,500 products

The IKEA range consists of approximately 9,500 products. Every year we launch about 2,000 new products. We have 12 in-house designers and 60-70 external designers via contracts.

FSC certified wood

32% of our wood is from more sustainable sources (Forest Stewardship Council certified and recycled).

LED products

In FY13 we sold 22.4 million LED products.

2/3

More than 2/3 of our cotton is from more sustainable sources, including Better Cotton.

32%

684 million

Store visits

In FY13, the IKEA Group stores had 684 million visits.

303

IKEA Group stores

In FY13, the IKEA Group opened 5 new stores in 4 countries. As of August 31, 2013, the IKEA Group had a total of 303 stores in 26 countries.

FY03 FY12 FY13

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Total co-workers

Retail: 101,500
Purchasing, distribution, wholesale, range and other: 15,100
Industry group: 18,400

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New way of calculating co-workers

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<td>303</td>
<td></td>
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<tr>
<td>Number of IKEA Group stores</td>
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Includes IKEA Industry production which accounts for 12% of the total purchase value.

IKEA Group at a Glance

**IKEA Industry**
IKEA Industry manufactures wood-based furniture and boards. It’s a part of the IKEA Group and its role is to develop and manage production capacities. In total, IKEA Industry has 18,400 co-workers in 44 production units located at 36 sites in 11 countries.

**1,046 Suppliers**
In FY13, the IKEA Group had 1,046 home furnishing suppliers in 52 countries.

**IKEA Foundation**
The IKEA Foundation donated €101 million in 2013 and over 100 million children will benefit from current IKEA Foundation-funded programmes by FY15.

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

**1.3 billion**
Visits to IKEA.com
IKEA.com had 1.3 billion visits during FY13, up 23.1% (from 1.1 billion in FY12).

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<th>FY03</th>
<th>FY12</th>
<th>FY13</th>
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<tbody>
<tr>
<td>IKEA.com visits in billions</td>
<td>0.76</td>
<td>1.1</td>
<td>1.3</td>
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**212 million**
Printed catalogues
212 million copies of the IKEA catalogue were printed in 29 languages and 62 editions. Of the paper used in the IKEA catalogue, 68% was Forest Stewardship Council (FSC) certified. The IKEA catalogue app was downloaded 9.7 million times.

**101 million**
IKEA Foundation
The IKEA Foundation donated €101 million in 2013 and over 100 million children will benefit from current IKEA Foundation-funded programmes by FY15.

**550,000**
Solar panels
550,000 solar panels are now installed on IKEA buildings worldwide.

**137 Wind turbines**
In our efforts to become resource and energy independent we have committed to own and operate 137 wind turbines (and in FY13 we had 96 in operation).
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.

The Supervisory Board of INGKA Holding B.V., located in Leiden, Netherlands, the parent company of the IKEA Group, consists of: Göran Grosskopf (Chairman), Stina Honkamaa Bergfors, Luisa Delgado, Lars-Johan Jarnehimer, Jonas Kamprad, Göran Lindahl, Peter Lund and Carl Wilhelm Ros. 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 303 stores in 26 countries. In total, the IKEA Group has operations in 43 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.