

IKEA UK ANNUAL SUMMARY

Our journey towards a more
affordable, convenient and people
and planet positive IKEA



FINANCIAL YEAR 2019

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Returning to IKEA in the midst of the biggest transformation in its history is both a pleasure and a privilege for me. In my first few months as Country Retail Manager, I've had the opportunity to visit almost all our 22 UK stores and meet many of our co-workers. What has struck me is the dedication and enthusiasm of everyone in this unique business and their commitment to securing the future of IKEA in the face of huge upheaval in the retail industry and significant internal change.

The transformation of IKEA will bring a greater focus on affordability, convenience and being people and planet positive to create a new IKEA by 2021. During the first year of our transformation, we made our multi-channel offering more flexible and accessible as we know that customers' expectations and how they shop with us is changing. We opened a second kitchen and bedroom Planning Studio in Bromley and updated our digital capabilities to make it easier for customers to access our product range online. Our 27% increase in online sales since last year is evidence that investments in the digital experience, with a particular focus on mobile, is paying off.

A real highlight was the opening of IKEA Greenwich – our most sustainable store to date – in February. Greenwich sets new standards for how retailers can adapt and evolve to not only meet the needs of customers but push the boundaries of energy efficiency, engagement with local communities and retail innovation.

But this is only the beginning. The world around us is changing at a pace we've never experienced before and our definition of success is evolving too. We are moving from a linear model to a fully circular business by 2030 - in which we give back more than we take from the planet and its people - I am excited to also now take on the role of Chief Sustainability Officer to drive this agenda forward within IKEA UK.

I am confident that despite the uncertainty of the retail environment our unique formula of home furnishing expertise, in-depth knowledge of life at home and commitment to affordability, alongside our inspiring community of co-workers, will see us exceed customer expectations and support more people to live a better everyday life, within the limits of the planet.

**Peter Jelkeby, Country Retail Manager,
IKEA UK and Ireland**

OUR BUSINESS

Despite a highly challenging retail environment, IKEA UK continues to grow as we work to create a new IKEA that is affordable, reaches more people and is truly people and planet positive. Our focus on the long-term has seen us introducing a new sustainable store, investing in our fulfilment operations and boosting our city centre presence, as well as updating our digital capabilities.

Our 2019 results

In a year when many people were hesitant to make significant financial commitments, we achieved an 8% increase on last year's sales and slight growth in our market share. This is testament to the ongoing mass appeal of our products and their affordable pricing.

During the last financial year, we invested in making our products even more accessible to the UK market and positioning IKEA UK strongly for the future. We opened IKEA Greenwich, a store that pushes sustainable retailing to new heights, and our second planning studio in the London area. In addition to investing in our digital and physical channels and improving our distribution and fulfilment network, we expanded our assembly service with TaskRabbit.

Like many retailers, we continue to be challenged as a result of the rapidly changing retail environment. We have and will continue to invest in the business, absorbing costs where possible, rather than passing these onto our customers so that IKEA remains affordable and relevant for the many.

£2.120

billion

total sales in the UK
(£1.965 billion total sales in FY18)

+8%

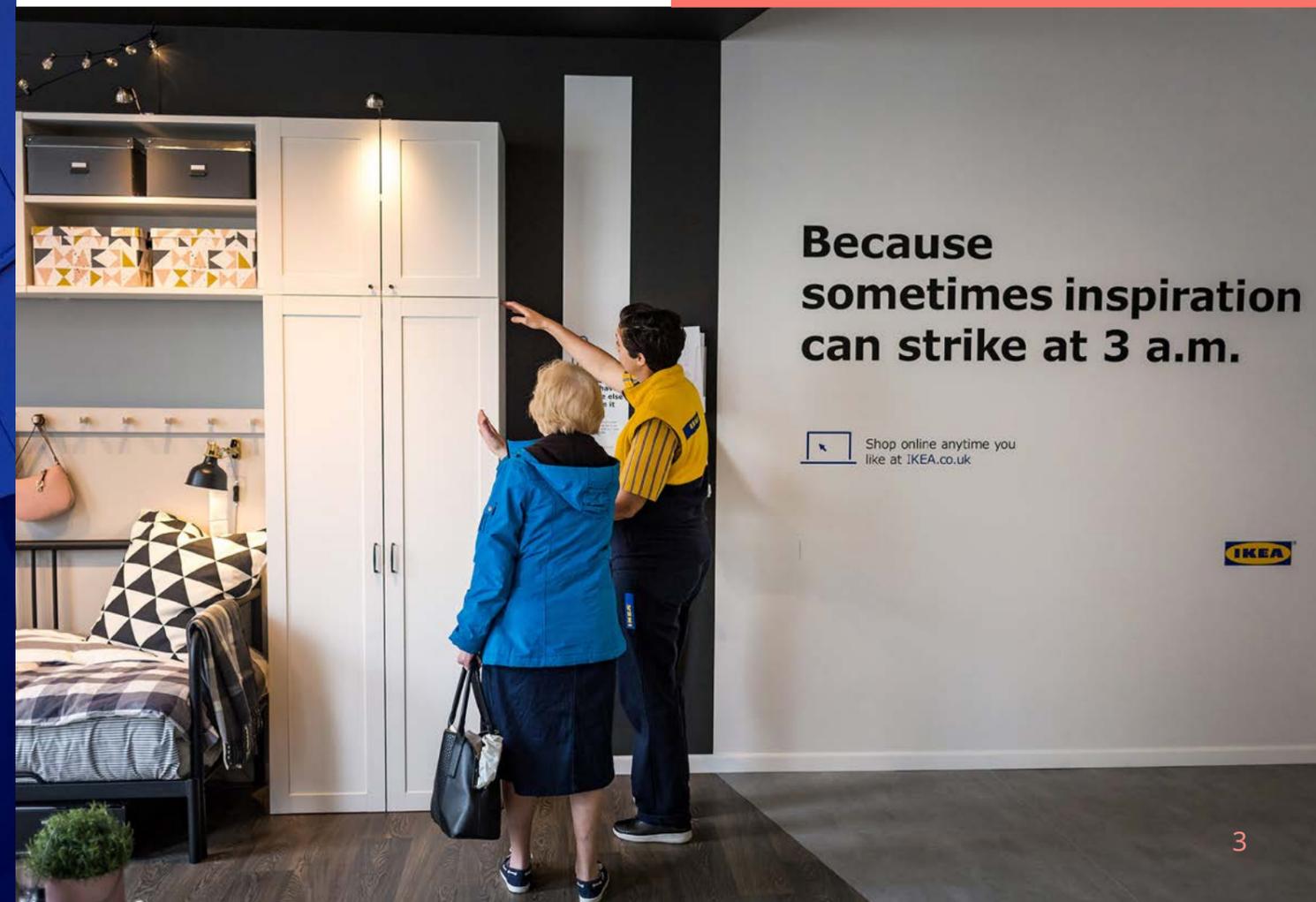
growth on last year
(+5.9% growth in FY18)

9%

market share
(8.4% share in FY18)

+27%

increase in online sales



**Because
sometimes inspiration
can strike at 3 a.m.**

 Shop online anytime you
like at [IKEA.co.uk](https://www.ikea.co.uk)





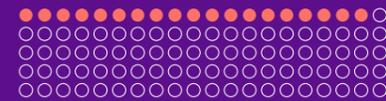
Enhancing our online offering

Our digital sales rose by 27% on last year, as customers increasingly find it more convenient to order from us online. Driven by data and customer insights, we are investing in digital capabilities for our website which will give customers the flexibility, ease of navigation and visual inspiration they are looking for. Our ambition is for customers to be able to search, find and buy from us online within five minutes.

As customer shopping habits change, our mobile proposition is also evolving, with updates to the IKEA app bringing improved access to our range by making more of it available online and helping customers plan their store visit.

224m

visits to IKEA.co.uk
(199.3m visits in FY18)



Online represents 19% of total sales

(compared to 15.5% in FY18)

Our tax contribution

The corporate income tax for IKEA Group in the UK amounted to £130 million over the last five years.

Property and other taxes amounted to £277 million during the same period.

Our evolving store proposition Our UK presence

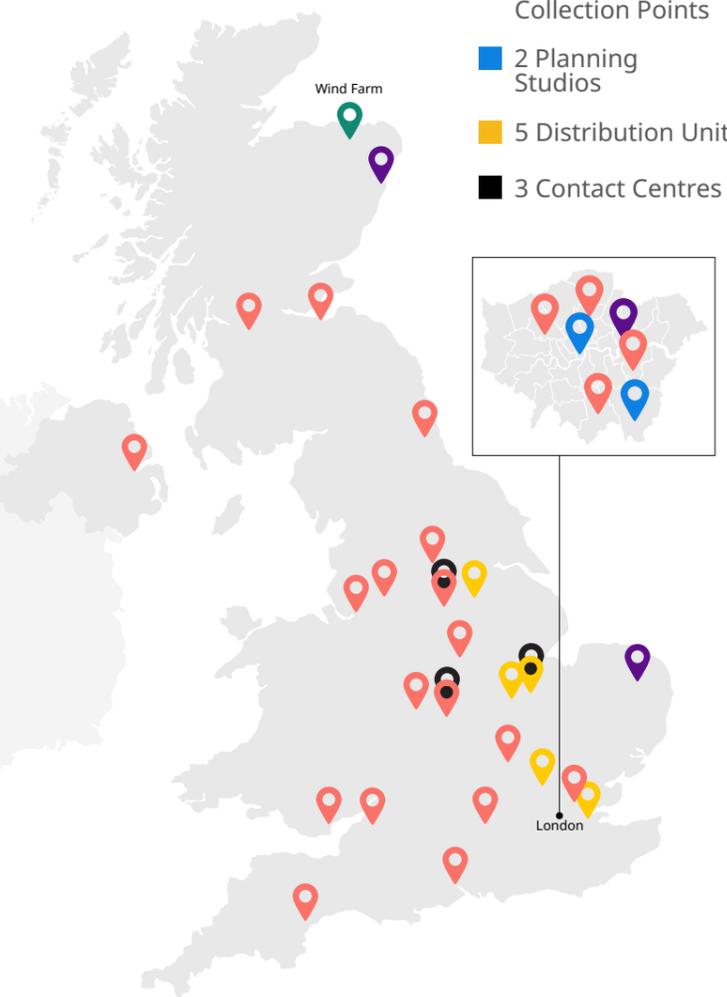
Life in the UK is changing. Car ownership is reducing, particularly among the younger generations, and urban populations are expanding. Most of our stores are not in urban centres and consequently we saw a slight drop in footfall of 2.8%. While large format out-of-town stores are still at the heart of our business, in response to this shift we are introducing new store formats in city centres. Our newest IKEA Planning Studio on Bromley High Street is a further step towards meeting customers wherever and whenever they choose.

We are also significantly improving the lead-time and quality of our home delivery service, with two new Customer Delivery Centres in London. By the end of the year, we aim to have 24-hour delivery in London and a maximum of two days for the rest of the country.

A glimpse of the future

We will always be committed to offering an affordable, inspirational and sustainable product range – but increasingly it's not just about the products we offer. As well as growing and evolving our product range and making our business more people and planet positive, the coming year will see us create even better experiences in our existing stores and on digital platforms, with a greater focus on experience and inspiration to create a new IKEA by 2021.

- 22 Stores
- 3 Order and Collection Points
- 2 Planning Studios
- 5 Distribution Units
- 3 Contact Centres





OUR SOCIAL AND ENVIRONMENTAL IMPACT

2019 was a milestone year for our people and planet positive journey as we launched our new Greenwich store, representing a step-change for sustainable retailing in the UK. We also adjusted our supply model to introduce more reusable and recyclable materials, ran our first ever integrated marketing campaign encouraging sustainable behaviour and began working with Barnardo's to support vulnerable young people.

First steps towards full circularity

With our Country Retail Manager now holding the role of Chief Sustainability Officer, we are leading from the top, finding more ways to support people in living a better everyday life, within the limits of our planet. Our bold ambition is to develop a fully circular business by 2030 that uses less of the Earth's resources and ultimately gives back more than we take. This is the kind of challenge we like at IKEA, as we begin to rethink every part of our value-chain, from sourcing and manufacturing our products, to our operations, co-worker development, store design and how we collaborate with our customers.

A significant step towards becoming climate positive and circular is being led by our parent company, Ingka Group, which has invested close to 2.5 billion euros in onsite and offsite wind and solar power. These investments have enabled our business to generate more renewable energy than it consumes across all operations in 30 countries, exceeding our 2020 target date.

Our most sustainable store to date

Launched in February, our Greenwich store takes us significantly closer to a circular business model. It was designed and built to the highest environmental standards, incorporating sustainable technologies such as solar power, LED lighting, rainwater harvesting and geothermal systems and has achieved the highest sustainability rating - certified *outstanding* by BREEAM (the world's leading sustainability assessment method). It is the first retail store in the UK, and one of only two in the world, to have achieved this accreditation. Not just a store, but a hub for the local community, it is home to our first ever Learning Lab. Here, we hold sustainable-living workshops and events, where customers learn how to upcycle, repair and prolong product lives.



In our new Greenwich store...

80%

more energy efficient than building standards

2000

customers engaged on sustainability topics in the Learning Lab

80%

of heating and hot water provided by geothermal energy



Cutting back on waste

To become fully circular, we must rethink the term “waste” and shine a spotlight on how we use resources across our entire business, as well as hardwiring sustainability into product design. This year, we eradicated single-use plastic straws from our restaurants and improved our packaging so 98% is now renewable, recyclable or recycled. We are looking into how we can achieve 100% and know this cannot be delivered in isolation. We’re also tackling textile and furniture disposal and have increased the number of furniture items taken back, so furniture products can have many lives through reuse and repair. By 2020, we aim to be 100% single-use plastic free and will replace all virgin polyester textile projects with recycled polyester.

2 tonnes

of textiles collected via the Textile Take-Back scheme

98%

of packaging for IKEA products is now renewable, recyclable or recycled

12,405

mattresses, beds, appliances and sofas collected from customers

45%

of items taken back re-used by local charities

Inspiring customers to live better lives today

Now in its fifth year, our Live Lagom digital and in-store engagement programme encourages customers to enjoy a “just enough” approach to life. This year, we reached 6.1 million UK customers through the creation of the “Lagom Collection” – a digital portfolio of ideas, inspiration and tips for upcycling and reuse in the home. A further highlight was the Better Living Event: a three-day in-store experience, with workshops including reducing waste, gardenless growing and plant-based cooking.

Contributing towards a fair and equal society

In FY19 we also kicked off a new three-year partnership with Barnardo’s to support the most vulnerable children and young people across the UK, with a focus on young carers. The partnership engages our co-workers and stores in creating more child-friendly and connected neighbourhoods, through skills-based volunteering, fundraising, furniture donations and on-the-ground support.

Now in its third year, our ongoing partnership with Breaking Barriers aims to help refugees find meaningful employment, providing meaningful support to some of the world’s most vulnerable people. Alongside offering training to enhance their employability, we have funded six caseworkers’ salaries to support up to 50 refugees this year.

£213,424

donated to Barnardo’s

34

refugees employed in London IKEA stores through Breaking Barriers

148

refugees boosted job skills through collaborating with Breaking Barriers



“To truly make every aspect of the IKEA journey more people and planet positive, and reach our global ambition of enabling more than 1 billion people to live a better everyday life within the limits of the planet, every co-worker will need to be entrepreneurial and have a problem-solving mentality. This is the next step on our journey. We will share our progress and setbacks, in the hope that not only IKEA but other businesses will act now to create a healthier, more sustainable life for the many and take bold action today!”

Hege Sæbjørnsen, Country Sustainability Manager, IKEA UK & Ireland

Choose to refuse

The small changes you make can have a big impact - that’s the philosophy that powers our Live LAGOM community.

Find out more inside



AT HOME WITH OUR PRODUCTS

Each year, we undertake hundreds of home visits across the UK to understand how people live and use their space. We use this information to make our products more relevant and useful for the way people live today. Refining and improving our ranges so they become more sustainable and affordable is critical to our ongoing transformation.

This year, we offered more lightweight, multi-purpose and portable furniture - convenient and practical for "Generation Rent", who are not settling into homes for a lifetime the way their parents were. Decluttering was high on customers' agenda, alongside a boom in home workers and a national obsession with sleep.

TREND #1

Going further for a good night's sleep

As customers take their sleep more seriously, we worked with medical experts to discover the five dimensions needed for a better night's sleep: air quality, comfort, light, noise and heat. We've seen strong sales of items related to these different dimensions.

- Blackout curtains to block light out +26%
- Ergonomic pillows for added comfort +31%
- 12 TOG duvets for snuggling under +8%
- Pressure-relieving memory foam mattress +5%



TREND #2

A nation declutters

This has been the year to clean and declutter, with Mrs Hinch and Marie Kondo becoming our muses. Storage solutions need to be stylish today, with canvas replacing plastic boxes. Multi-purpose smart technology, such as speakers that are also shelves or lamps, also helps customers save space in small living spaces.

- STUK collapsible fabric storage +27%
- Organiser boxes, from the KOMPLEMENT range +20%



TREND #3

A more sustainable everyday

This year, customers' appetite for products that save energy and water and cut down on waste spiked. Using the most sustainable materials is important to us. For instance, bamboo is now one of our best selling materials as people become more attuned with its eco-credentials.

- Lunchboxes for preserving leftovers +127%
- Reusable water bottles +55%
- Recycling bins +15%
- Picnic plates (replacing paper options for outdoor occasions) +9%



TREND #4

A dying appetite for DIY

Increasingly, people want to use their leisure time for exactly that - leisure. Our acquisition of TaskRabbit opens the gateway for a “done for you” approach to assembling our products. We are also increasing our range of non-drill products, as a result of huge demand and have cut assembly time of many popular ranges by 50-80%.

- Assembly service requests +58%
- Non-drill furniture items +16%
- Non-drill hooks +12%



TREND #6

Generation Rent opts for portable, flexible furniture

Communal living among students, young professionals and housemates is by its nature more temporary, so lightweight, portable furniture is key. It is also harder to achieve privacy in these shared spaces. This year's IKEA Life at Home Report¹ shows that privacy is high on the agenda - 76% of Brits see privacy as essential to their wellbeing. Gaining control over their living space helps counterbalance a lack of privacy; 71% say controlling the lighting and other factors in their environment is important to creating more privacy.

- Easy-to-dismantle furniture +14%
- VILTO range, (portable shelving and stools with built-in storage) +27%
- NISSE folding chair +16%



TREND #5

WFH goes mainstream

Today it is a given in many industries that employees can work from home at least some of the time, leading to a huge spike in desk and office chair sales. The most popular month for these purchases is January, suggesting New Year's Resolutions to create businesses or improve work/life balance. The health risks of sitting at a desk all day are widely known and we've introduced a motorised adjustable desk (IDÅSEN) controllable with an app that is selling well.

- Raisable desks +15%
- Office chairs +22%



TREND #7

Stranger Things in our homes

As the third series of cult TV show *Stranger Things* hit our screens in July, the nation took a nostalgic trip back to the eighties, with significant boosts in searches for “80s bedroom” and “80s style”.

Searches peaked for eighties trends in July:

- 80s bedroom +242%
- 80s decoration +50%
- 80s style +125%



OUR PEOPLE

A vital part of IKEA's supportive culture is our ongoing focus on equality, inclusion and diversity. We know that strong teams are ones where everyone is able to contribute and be themselves. That's why we set tough targets for gender equality and openly share our progress against them. It's also why we spent 2019 celebrating and supporting 50 years of Pride, showing up at LGBT+ events across the country so both customers and co-workers know that we are here to create a positive future.

Creating a culture of togetherness

At IKEA, we are more than a workplace; we are a community. As the transformation of IKEA continues, we are rethinking every area of our business to become more affordable, convenient and people and planet positive. We recognise that each individual co-worker has a role to play in contributing to the future of IKEA and it is only through engaging our co-workers that we can achieve these goals. We've worked hard to create an inclusive, supportive culture that nurtures and develops talent so that all our co-workers can be themselves and make a difference, even in the midst of internal change and volatility in the wider retail climate. Our Vetlanda platform is a popular way of contributing ideas. It enables co-workers to start grassroot movements and collaborate globally with colleagues.

11,181

UK co-workers



“Promoting equality and inclusion is not only the right thing to do, it also supports our business transformation. Diverse and inclusive teams are more creative and innovative, benefitting from a wide range of viewpoints and experiences.”

Carin Hammer Blakebrough, Country People & Culture Manager, IKEA UK & Ireland

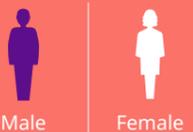
¹ This is the mean gender pay gap for IKEA UK retail co-workers (excludes distribution)

Working towards gender equality

We are passionate about creating an inclusive culture, recognising the unique contributions of each individual. In fact we see it as crucial to the future of our business. And so we are working towards an equal split of men and women at every level, in every part of the business through our Gender Equality Plan. Our pay gap is smaller than the averages for the UK and the wider retail industry - 5.9% compared to 17.6%¹ - but we know there is still work to do. Through our holistic approach to an inclusive culture and values, we are committed to finding new ways to achieve and maintain equality for every co-worker, no matter their gender, identity or background.

We continue to focus on balancing our leadership team as a priority for 2020. We recognise that holding leadership positions and being involved with family life should not be mutually exclusive. We have an important role to play in supporting and enabling women and men to do both and are further reviewing our approach to flexible hours and smart working to see where improvements can be made.

Co-worker gender diversity across IKEA UK and Ireland



Senior Management:



Manager Gender Split:



(excl. Senior Management)

Hourly & Salary Co-worker Gender Split:



Overall Gender Split:





Championing diversity

Our nationwide visibility at local Pride events and the International Day Against Homophobia, Biphobia and Transphobia (IDAHOBT) was an important way of showing how much we value diversity within our business and the wider retail industry. Our stores and offices chose many ways to support the LGBT+ community, 50 years on from the Stonewall Riots – with most events and initiatives planned by our Rainbow Dala LGBT+ co-worker network. This year we introduced a rainbow version of our iconic blue bag and the sales of this product supported these events, as well as a number of local and national LGBT+ charities. Co-workers gathered at marches, hosted rainbow coffee mornings, organised in-store face painting and even open-mic nights. Our “love doesn’t require instructions” slogan was proudly displayed on banners and placards and throughout our stores. For IDAHOBT all our UK stores flew the rainbow flag as a visible sign of our commitment to LGBT+ equality. Showing that support for diversity comes from the top, our Country Retail Manager joined our first-ever participation in the Pride in London parade.

¹ Mermaids is a charity and advocacy organisation that supports gender diverse and transgender children and young people

Sales of rainbow bags

at IKEA went to LGBT+ charities, including £3,500 from Leeds for Mermaids¹

All

22

stores took part in Pride celebrations or donated to LGBT+ charities

50

co-workers marched as part of Pride in London



Nearly

300

co-workers took part in marches nationwide

Investing in people

Change isn’t always easy. It means learning new things and challenging familiar ways of thinking, assessing where and how best to work together as a community. But this is the kind of entrepreneurial approach that IKEA was built on. This year, we’ve seen co-workers pull together and support each other, positively embracing challenges as an opportunity to learn and to grow. In 2019, we’ve improved our onboarding processes for the 604 co-workers who joined IKEA, supporting them to better connect with customers across all touchpoints.

Our Greenwich store will lead the way in developing our next leaders in London, providing an inspiring location for training and development. The store also brought the opportunity to introduce new roles, such as the Learning Lab Manager and Community Specialist, whose roles include connecting with the community as part of our move to become a fully circular business by 2030.

What’s next for IKEA’s culture

To create a better IKEA, co-workers need to continue to be empowered to problem-solve, co-create and champion their ideas. Unleashing the entrepreneur in all of our co-workers is a key priority for 2020. We’ll become more digitally advanced, connected and innovative through upskilling co-workers, nurturing their curiosity, enthusiasm and willpower. Ultimately, if our people are performing well, working collaboratively and making a difference in their local communities, we will remain a great place to work for the many.

Expanding our apprenticeship programme

This year, we moved from the piloting stage to running a formalised apprenticeship programme. We see a diverse age range taking up apprenticeships, with 41% over 30. In 2020, we plan to create even more home-grown future leaders, introducing apprenticeships for hospitality supervisors, senior chefs and operations and departmental managers.

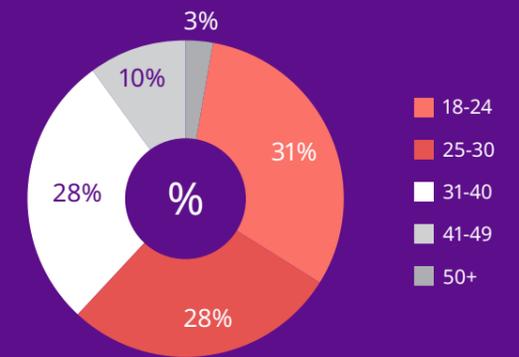
197

co-workers on or have completed apprenticeships since 2017

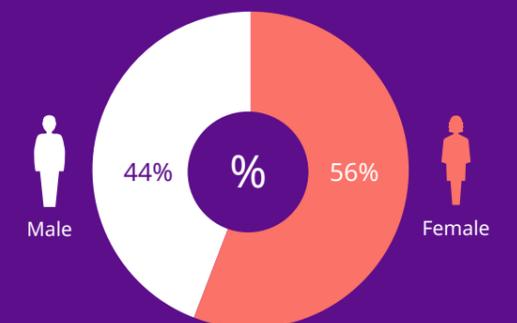
41%

of apprentices achieved distinctions in their qualifications

Age split of UK apprentices:



Gender split of apprenticeship programme:



ESPRESSO	1.50
CAPPUCINO	2.20
LATTE	2.20
MACHIATO	2.20
AMERICANO	2.00
MOCHA	2.20
TEA	2.00

IKEA BUSINESS

Let your uniqueness shine through

Remember that behind every IKEA Business is a story that makes you shine through. You will create a unique atmosphere by combining your needs with our products. Whether it's a kitchen, a living room, a bedroom or a bathroom, we can help you create a unique atmosphere that suits you and your needs.

You can find more information about IKEA Business at www.ikea.com/uk/en/ikea-business or contact **IKEA BUSINESS** for planning, support and advice.

IKEA

