

A photograph of a young forest with tall, thin trees and a field of wildflowers in the foreground.

17<sup>th</sup> April 2018, Rotorua

**FEC 2018**

**From the Forest to Innovative  
Products - The IKEA Success story**



## Agenda



IKEA Industry  
Malacky

- IKEA Group: An overview
- Innovative Products: making more of less
- Wood and IKEA
- Dendromass 4 Europe
  - Fast Growing Poplar for Light Weight Functional Adapted Boards



This project has received funding from the Bio Based Industries Joint Undertaking under the European Union's Horizon 2020 research and innovation programme under grant agreement No 745874.

This  
is IKEA

403

IKEA stores  
worldwide

194

IKEA co-workers  
in thousands

936

IKEA store visits  
in millions

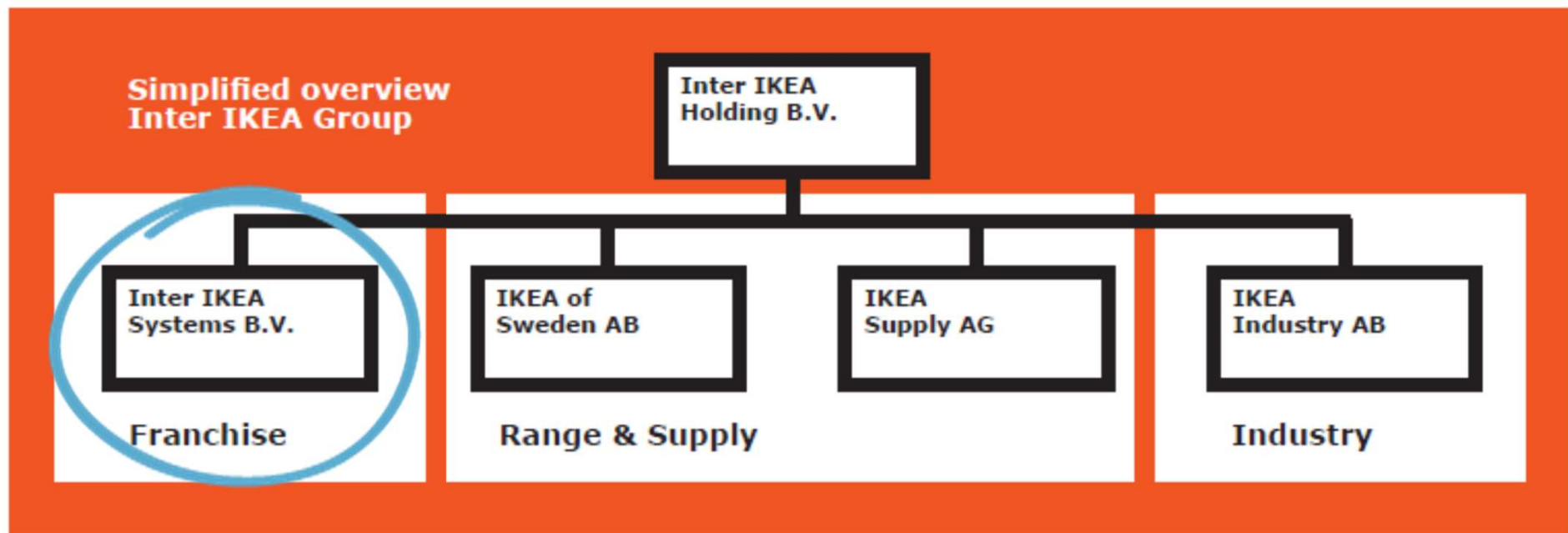
2.3

IKEA website visits  
in billions

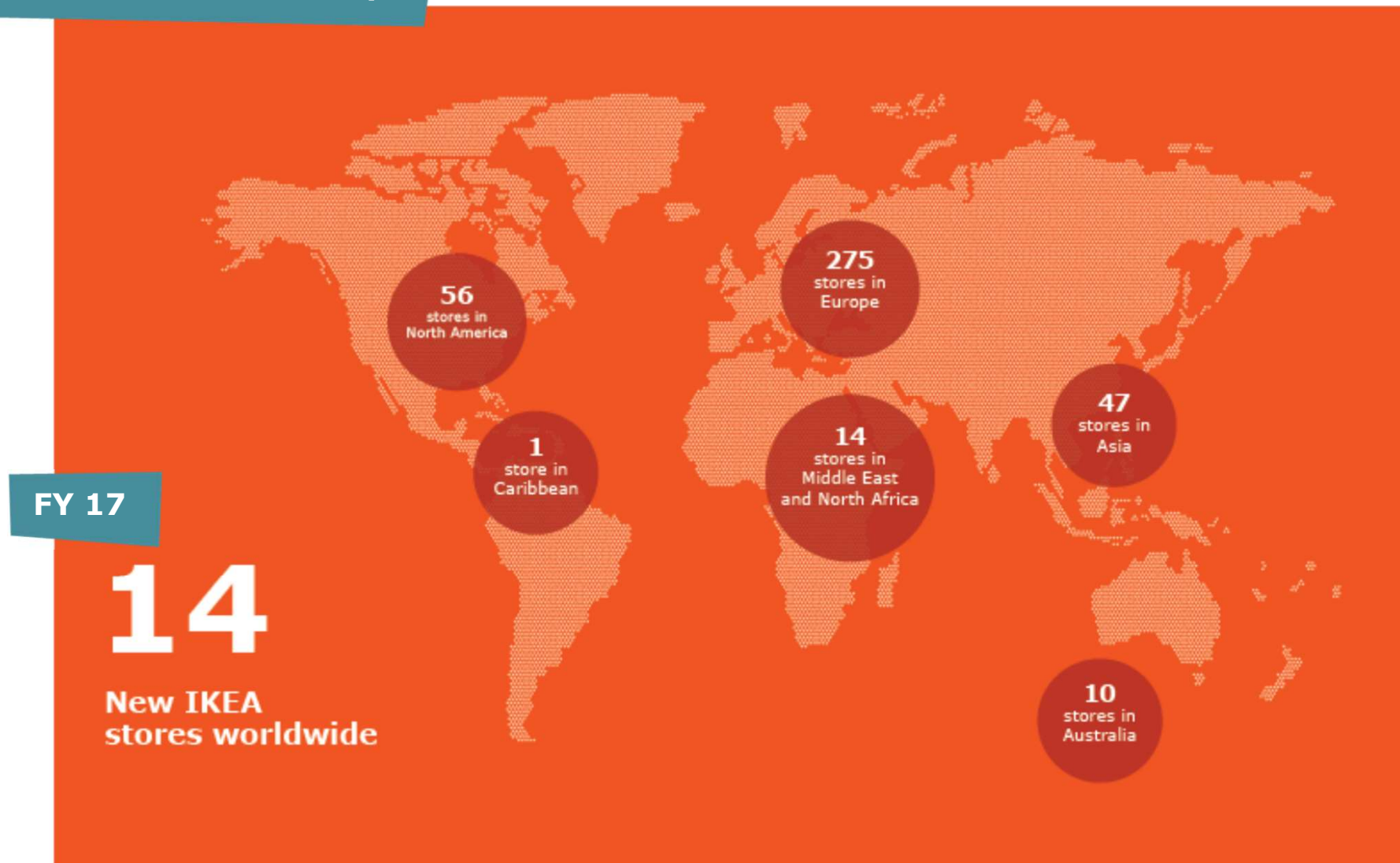
38.3

IKEA retail sales  
in billion Euros

## Overview – The IKEA Group



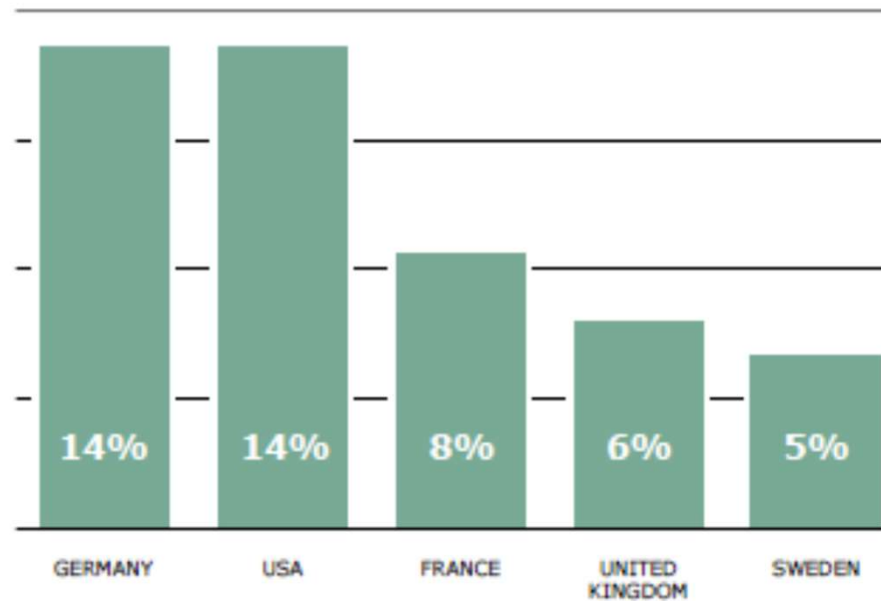
## Overview – IKEA on the map



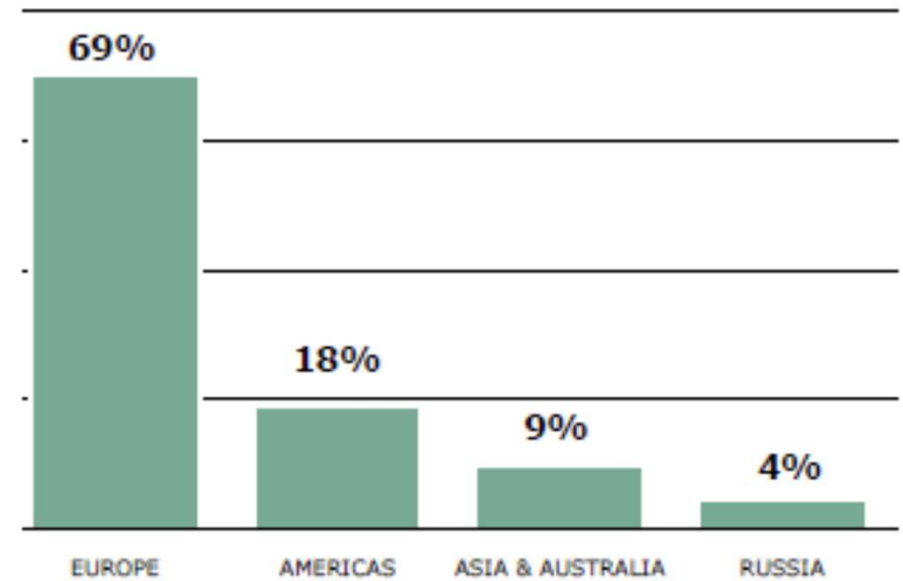
## Overview – Sales by regions

FY 16

### TOP RETAIL SELLING COUNTRIES

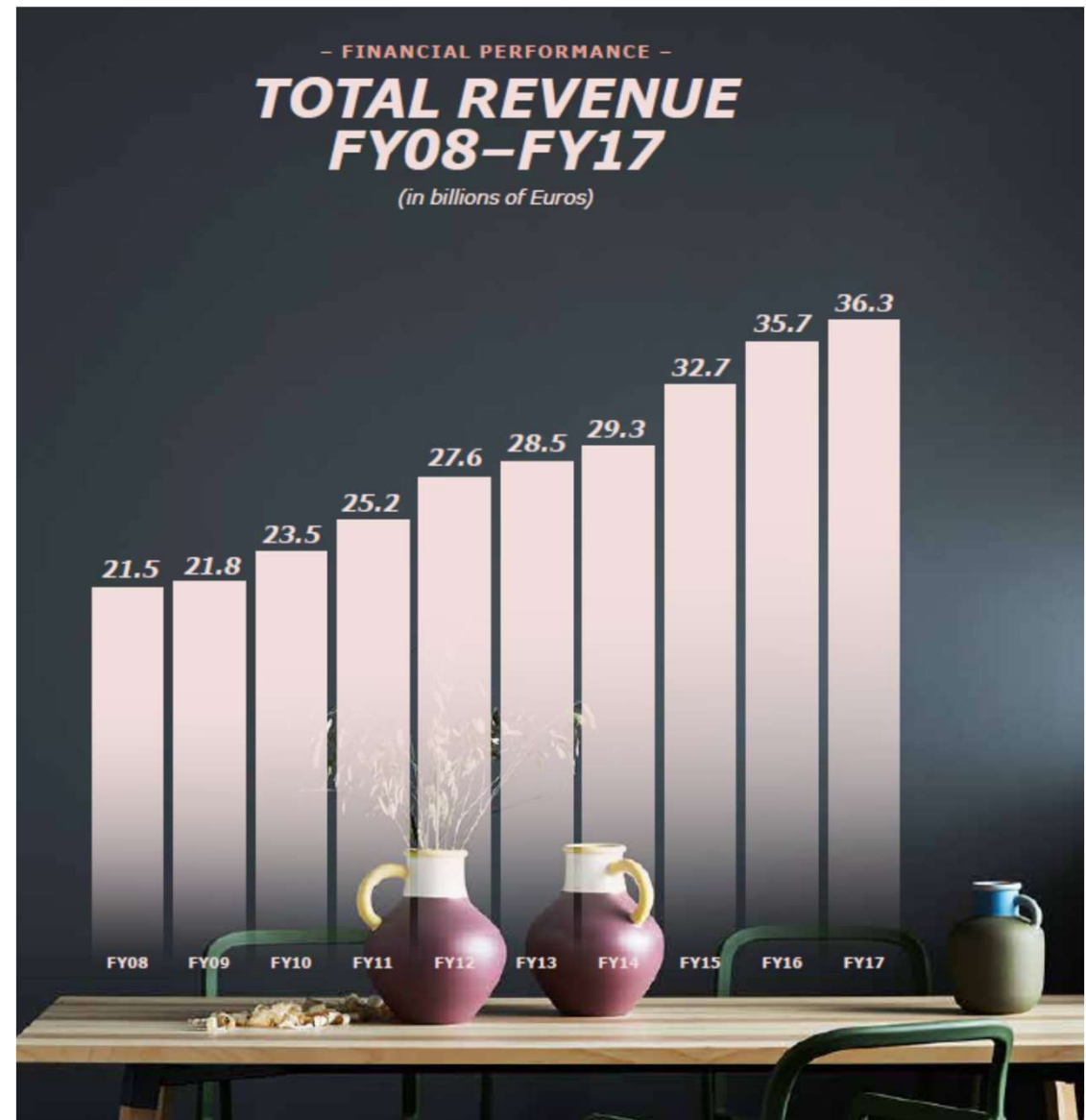


### SALES PER REGION



## Overview – IKEA's Revenue

- Reliable revenue growth over the last 10 years
- Revenue increased last decade by over 15 bn Euros
- On track to double revenue from FY 07 to 40 bn Euros by FY 20
- FY 13 to FY 17 app 7.6 bn Euro in corp. income tax paid





# AT A GLANCE FY17

## IKEA GROUP

INGKA HOLDING B.V. AND ITS  
CONTROLLED ENTITIES

### 355 IKEA STORES IN 29 IKEA GROUP COUNTRIES

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

2.1 BILLION  
VISITS TO  
IKEA.COM

137  
MILLION VISITS  
TO THE CATALOGUE  
& STORE APPS

817  
MILLION STORE  
VISITS  
460  
MILLION  
SHOPPING  
CENTRE VISITS

EUR 2.5  
BILLION NET  
PROFIT

EUR 34.1  
BILLION TOTAL  
RETAIL SALES FY17  
(32.9 BN IN FY16)<sup>1</sup>

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

149,000

### CO-WORKERS

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

100% OF  
COTTON USED FOR  
IKEA PRODUCTS  
COMES FROM MORE  
SUSTAINABLE  
SOURCES<sup>2</sup>

49.2%

### FEMALE MANAGERS

Today, more than half of our co-workers are women, as are 49% of our managers and 53%<sup>3</sup> of Group Management.

110

### MILLION IKEA FAMILY MEMBERS

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

9,500

### PRODUCTS ACROSS THE IKEA RANGE

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

85 MILLION  
LED BULBS SOLD

If each bulb replaced an incandescent bulb, they could save enough energy to power 750 000 households for a year.<sup>4</sup>

24.9%  
CORPORATE  
INCOME TAX

Corporate income tax amounted to EUR 0.8 billion globally, which equals an effective corporate tax rate of 24.9% (21.6% in FY16).

Our total tax bill including other taxes and duties amounted to approximately EUR 1.3 billion.

5 MARKETS  
OFFER SOLAR  
ENERGY SYSTEMS  
TO CUSTOMERS

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

<sup>1</sup> Conversion: EUR 8.94 = SEK 100.00. <sup>2</sup> IKEA Group's cotton is sourced from the Better Cotton Initiative (BCI) and is certified by the Better Cotton Standard Institute (BCSI). <sup>3</sup> Data as of FY17. <sup>4</sup> Based on the assumption that each LED bulb replaces an incandescent bulb and that each LED bulb is used for 25,000 hours.

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## IKEA Product Innovations: Lack

- In 1979, we wanted to make a table that would be at home in any setting
- Lack tables with a veneer on it strong enough to stand on
- and paperboard / carton honeycomb in the middle which is structurally very strong
- We can produce five tables from the same raw material [as one solid wood table]
- A door supplier using a thick, easy to adapt board-on-frame construction helped us create **LACK**, a lightweight table for under 10 Euros



## IKEA Product Innovations: Äpplarö

- Outdoor furniture range
- Sourced from Acacia plantations which are 100 % FSC FM certified in Vietnam
- WWF's regional sustainable bamboo acacia and rattan project (SBARP)
- Supported by the WWF, it belongs to a larger association of 241 smallholders a certificate for more than 4,000 hectares of acacia in the province





## IKEA Product Innovations: Nipprig

- NIPPRIG, a collaboration between IKEA and local producers in Vietnam and Indonesia.
- Raw Material sources predominantly in Vietnam's Mekong Delta
- Handcrafted from renewable materials such as water hyacinth, seagrass, coconut or banana trunks
- Tapping into sustainable raw material streams that are today often burnt and underutilized
- Because each product comes ready assembled prerequisite for IKEA's supply chain lay in sustainability



**Water Hyacinth** is a lush green water plant that grows extremely thickly in tropical waterways around the world. Once dried it makes a durable material for weaving.



**Seagrass** is one of the oldest materials used for weaving in South East Asia. It grows on riverbanks and muddy areas and after drying is a strong and very flexible material.



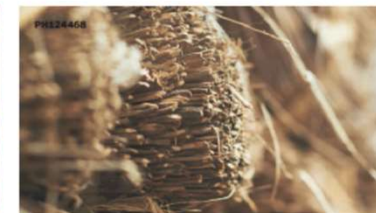
**Rattan** is a large family of plants mostly grown in Indonesia and has long been popular for use in furniture making. It's boiled, then sun dried before being shaped into distinctively curvy furniture.



The strong fibrous trunks of **banana** plants are ideal for use in weaving. What's more weaving helps use all parts of the plant, which are usually destroyed after the fruit is harvested.



**Bamboo** is one of the world's fastest growing plants. It's super strong (with a tensile strength that rivals steel) and for furniture it's popular not just because of its strength but also the ease at which it can be shaped and formed.



**Coconut** has been used since ancient times for a variety of uses. The leaves, bark and the outer shell of the nut are all used to make everything from rope and baskets to brooms.

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# FORESTS BY NUMBERS

\*UNLESS OTHERWISE NOTED, THE INFORMATION ON THIS PAGE COMES FROM THE FAO<sup>8</sup>



Temperate forests in much of the northern hemisphere are expanding. Tropical forests and forests in some temperate regions of the southern hemisphere are shrinking.

## 31% OF THE WORLD'S LAND SURFACE IS FOREST

OVER HALF OF THE WORLD'S FORESTS ARE IN 5 COUNTRIES: CANADA, THE USA, BRAZIL, RUSSIA AND CHINA

1.31 Billion hectares of forests (around one-third of the world's forest cover) are classified as

**FORESTS SUPPLY ECOSYSTEM SERVICES:** carbon sequestration; protection against floods, landslides, avalanches, ocean surges, and desertification; provision of clean water, medicines, crops, and fish; space for recreation and exercise; and places sacred to the world's various faiths<sup>9</sup>



**7%** OF TOTAL FOREST COVER IS PLANTED, YET THIS COULD PROVIDE AROUND TWO-THIRDS OF GLOBAL INDUSTRIAL WOOD PRODUCTION<sup>7</sup>

**1.6 BILLION PEOPLE**

**ARE SUPPORTED BY FORESTS**  
**300 MILLION PEOPLE LIVE IN FORESTS** INCLUDING 60 MILLION

10 MILLION WORK IN FOREST MANAGEMENT AND CONSERVATION

**\$100 BILLION** (USD)



THE VALUE OF WOOD REMOVED FROM FORESTS PER YEAR 2003-2007

ABOUT 47% OF FORESTS ARE TROPICAL, 9% SUBTROPICAL, 11% TEMPERATE & 33% ARE NORTHERN BOREAL



THE TEN COUNTRIES WITH THE LARGEST ANNUAL NET LOSS OF FOREST AREA, 2000-2010 ARE 1. BRAZIL 2. AUSTRALIA 3. INDONESIA 4. NIGERIA 5. UNITED REPUBLIC OF TANZANIA 6. ZIMBABWE 7. DEMOCRATIC REPUBLIC OF THE CONGO 8. MYANMAR 9. BOLIVIA 10. VENEZUELA

From WWF Living Forest Report Chapter 1; "Forests for a Living Planet"



## IKEA loves Wood

### WOOD AND IKEA

We love wood because it's beautiful, durable, renewable and recyclable. As a large user of wood, we have a unique opportunity to make a difference.

### Two-thirds

of our home furnishing products are made from wood.



1% of the world's commercially harvested wood is used by IKEA.

Lighter BILLY bookcases. Dual-density particle board uses 20% less material while maintaining the quality.

### MORE FROM LESS

Making more from less is part of the IKEA culture. We constantly look for techniques to get the most out of every log.

For the NORNÄS range we developed new ways of sawing the logs – to reduce waste and reveal the unique look of Swedish pine.

IWAY Forestry Standard, applied to all the wood we use, bans wood illegally harvested, from sources involved in forest-related conflicts, and harvesting should not threaten conservation values.

### MORE SUSTAINABLE SOURCING

We're one of the world's largest buyers of FSC-certified wood in the retail sector. Almost half of the wood we use now comes from more sustainable sources. All suppliers must meet our IWAY Forestry Standard.



### BEYOND OUR NEEDS

IKEA will become forest positive by 2020 – meaning we remain committed to promote sustainable forestry across the industry, beyond our needs.



WORKING WITH IKEA ON COTTON, FORESTS AND WATER

Working with WWF since 2002, we have helped increase FSC-certified forests by around

**35 million**

hectares (about the size of Germany).

We aim to add another 10 million hectares by 2020.



Our top five tree species.

### BECOMING FOREST POSITIVE

IKEA sources wood from 50 different countries

Mostly from:



Forests house over two-thirds of known terrestrial species, and are home to 80% of terrestrial biodiversity. We support the FSC standard that protects ecosystems and people's livelihoods.



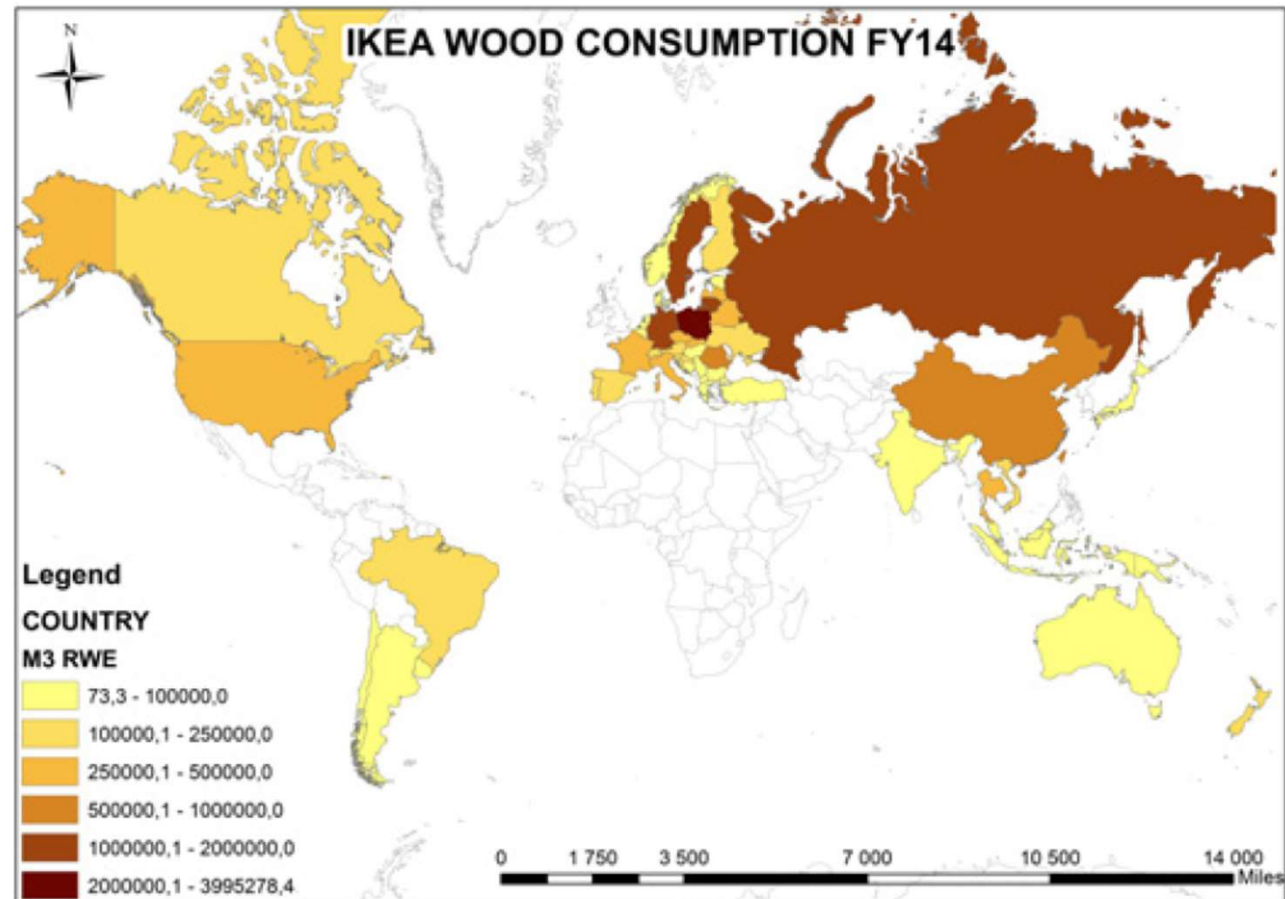
IKEA Target: total volumes of wood from more sustainable sources (currently defined as recycled or FSC-certified)



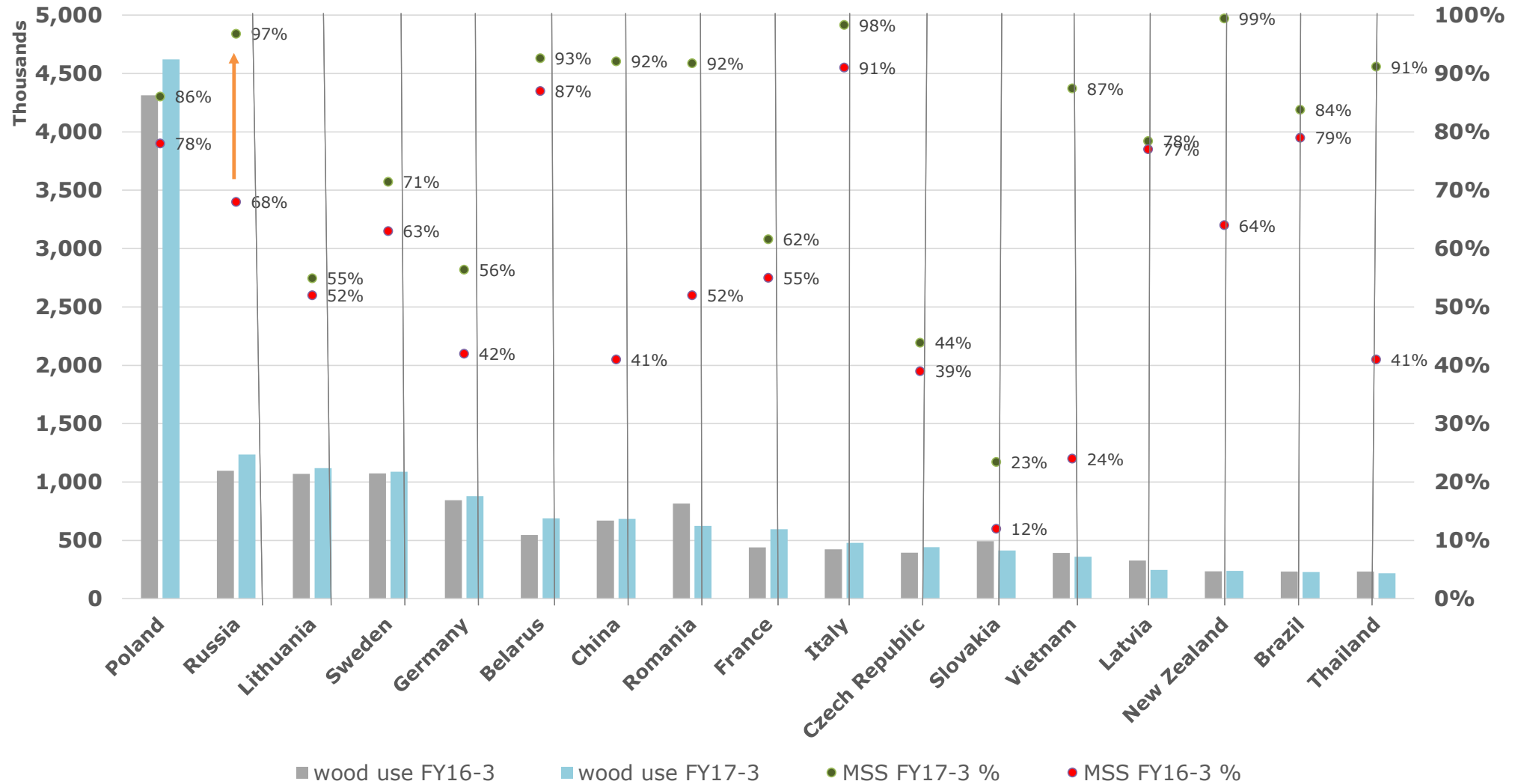
The mark of responsible forestry  
FSC® N001072

## IKEA Wood Consumption

- We use close to **16 M m<sup>3</sup>** (round wood equivalent)
- We want to source All wood and paper from More Sustainable Sources MSS by 2020
  - by **FY17 100%** of wood from high risk countries
- We are adding **more wood based materials** to the scope of forestry: paper, rattan, non-industrial bamboo
- We **go beyond our own needs** for wood used in our products, striving for responsible forestry to be the norm
  - **35 M ha** of FSC forest (a size of Germany) has already been certified within IKEA & WWF partnership and we will add **15 M ha by 2020**
- A more consistent approach in our work with critical materials - to contribute to **ending deforestation**



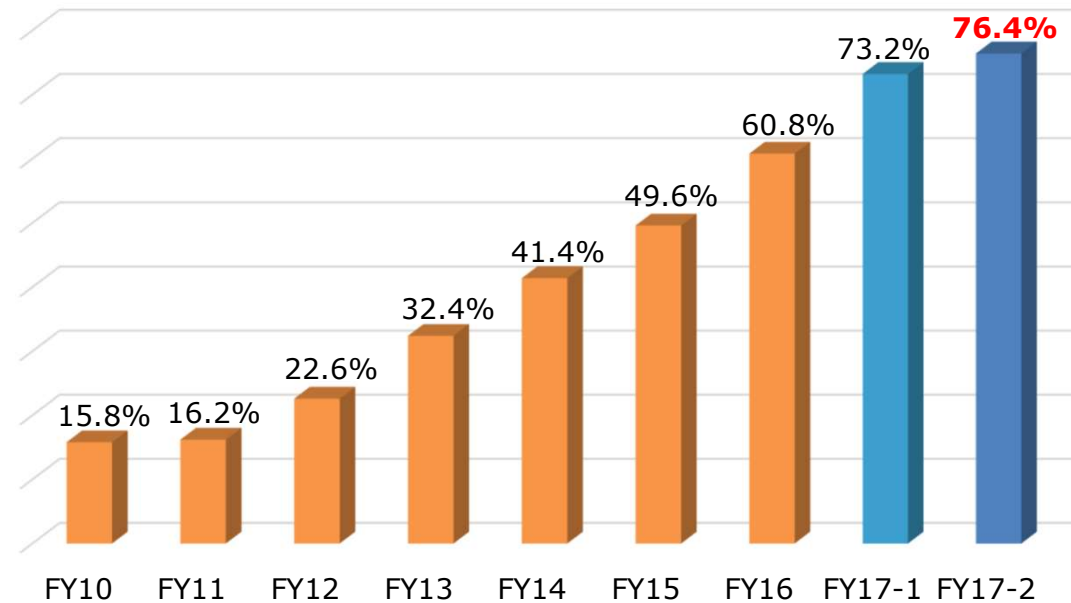
## Wood and MSS share by country





## More Sustainable Sources

- Strong MSS development
- 9 M m<sup>3</sup> RWE of FSC – **3% of world FSC wood output;**
- MAJOR milestone passed in SEP securing MSS from high risk countries (ca 27% of total wood);
- **MSS** status raised from “goal” to “**requirement**”;
- Future growth is depending by FSC availability in EU and US and success increase recycled share



## IRI – IKEA Resource Independence

- IKEA invested since 2009, 2.1 bn Euro in renewable energy projects (mainly wind & solar)
- Since 2013 also forest were identified as attractive investment in resource independency
- IRI Investments is active in countries where attractive opportunities to purchase forest assets were found
- To date IRI owns:
  - 50 000 ha of forest in Romania
  - 50 000 ha in Latvia
  - And recently purchased 10 000 ha in U.S.
- Within one year after purchase the forests in Romania have been FSC certified



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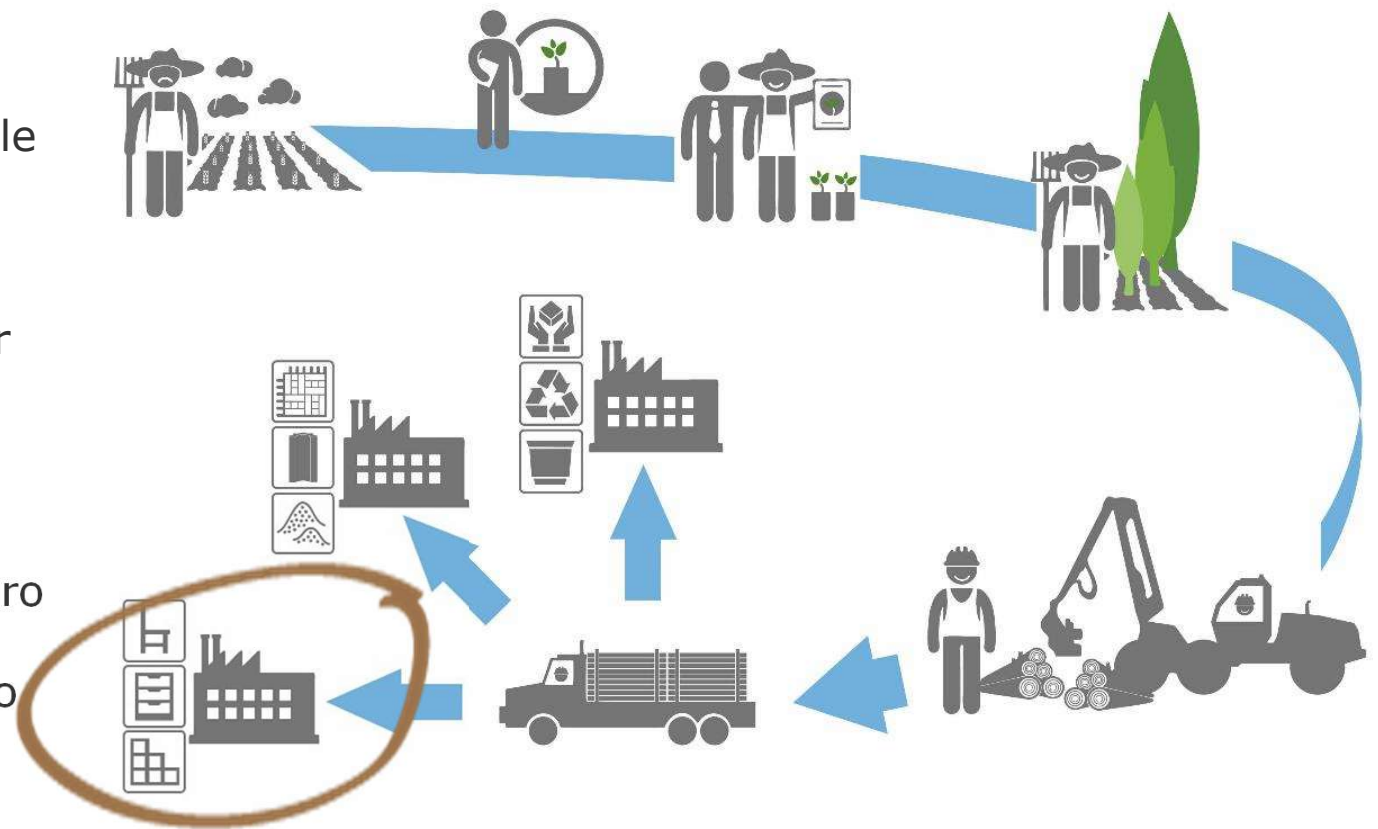


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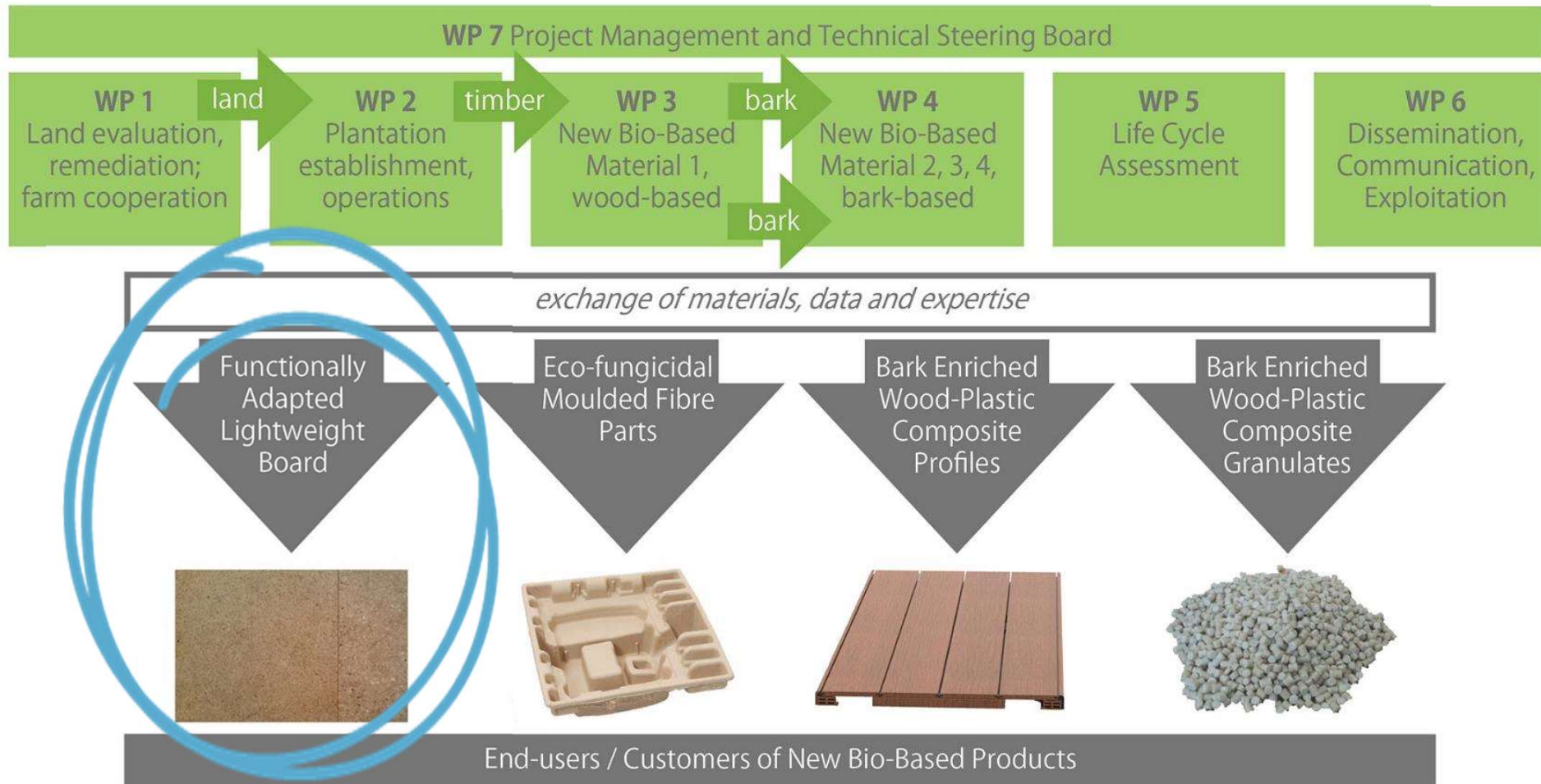


## D4EU – The concept

- Target agricultural land of marginal quality where farmers don't achieve only low yields or leave **land unused**
- Aim to generate **profit for the rural economy** on a regional scale through value adding processes
- Allow access for innovative **biobased materials** to consumer markets
- Project duration: 5 years
- Project budget: 20.5 Mio Euro
- Funding budget: 9.8 Mio Euro

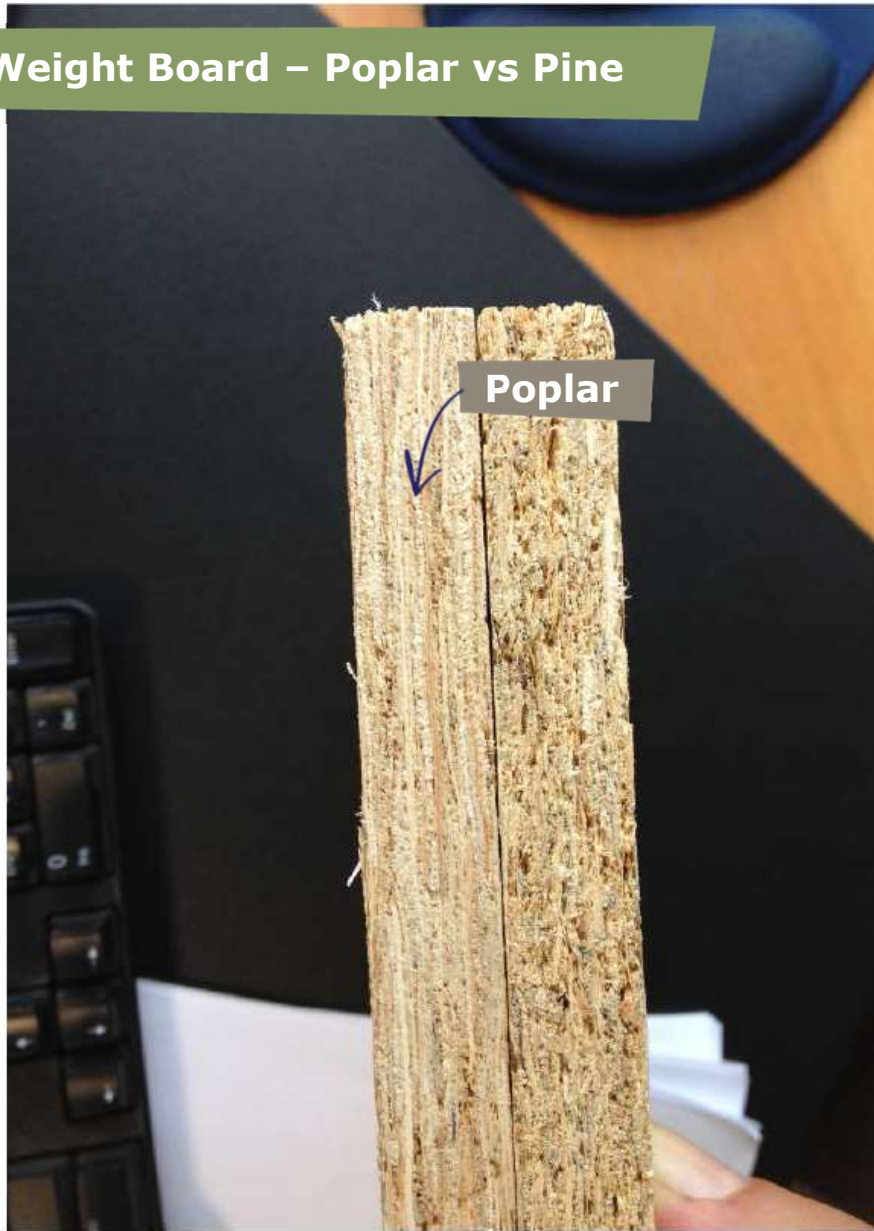


## Dendromass 4 Europe – Biobased Industries





## Light Weight Board – Poplar vs Pine









**Many thanks for your attention**

