

Chairman's Statement

2011 was a successful year for the Coillte Group with excellent progress made on our key priorities. We delivered a strong financial performance with profit after tax of €19.9m, while consolidating our position as a leader and innovator in the sustainable management of natural resources.

In recent years we have transformed Coillte from a company wholly reliant on log sales in Ireland to an internationally trading forestry and forest products company and an innovative manager of land assets. This transformation of our business has enabled the company to grow and prosper despite the collapse in the Irish construction sector.

We have worked hard to increase our customer satisfaction and at the same time we have increased our levels of employee engagement through a concerted commitment to real engagement and communication. We have reduced costs through an ongoing strategic focus on every aspect of how we do our business and we have also made Coillte a safer place to work.

Leadership

Our strategy is built on our two core assets – forests and land - which we manage in a responsible way on behalf of our shareholders. All of our businesses are focused on adding value to these forests and land. We produce logs for the sawmill industry from our commercial forests and manufacture innovative, high value wood panels using pulpwood from our own and private forests as well as residues from sawmills.

Forests, sawmills and panel mills are interdependent and the integration of our forestry and panel products' businesses is a key competitive advantage and source of value for the Group.

In 2011 we continued to deliver on our strategy across our four key business areas - forestry, land management, panel products and renewable energy. We believe that this strategy is adding significant shareholder value in the medium term while also fulfilling important national objectives in areas such as renewable energy, export led growth and innovation.

Exports

As Ireland strives to emerge from the current recession exports are playing a key role in that recovery. Our businesses are part of a vibrant export oriented timber and timber products sector in Ireland, which accounted for €2 billion of output in 2011 or 1% of GDP.

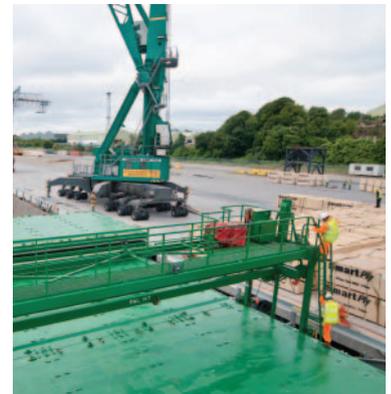
Coillte is an increasingly export oriented business. 65% of our total revenue is derived directly or indirectly from export sales, in markets where we and our customers compete with leading European and international companies. We operate in open, highly competitive markets where revenue has to be earned without the benefit of regulated prices.

In 2011 Medite reached a significant production milestone with 7 million m³ of Medium Density Fibreboard (MDF) panels produced by our plant in Clonmel since it was established in 1983. In addition, SmartPly has manufactured 4 million m³ of Oriented Strand Board (OSB) since it was set up in 1996. This represents 11 million m³ of timber panel products produced in Ireland from Irish timber. 90% of this has been exported, equating to €2.25 billion worth of timber panel products shipped from Ireland across the world from our two manufacturing plants.

Our ability to add value to the wood fibre we grow is a key element of our strategy for the future. We are investing in our manufacturing capability to continue to meet and exceed customers' expectations. We are at an advanced planning stage for a major investment in our SmartPly factory at Waterford Port which will allow us to add significant value to the products we produce, securing jobs and generating new market opportunities for us.

We continued to work closely with our sawmill customers in 2011 to develop new markets in the UK and elsewhere for Irish construction timber and it is through these relationships and initiatives that we will continue to grow our business.

Coillte exports of MDF and OSB top €2.25bn



In June 2011 Coillte announced that Medite Europe, the leading producer of MDF and part of Coillte's Panel Products Division, had reached a significant production milestone with 7 million m³ of panels produced in its Clonmel factory since it was established in 1983.

In addition, SmartPly Europe in Waterford, also part of Coillte Panel Products, has manufactured over 4 million m³ of Oriented Strand Board (OSB), a structural panel board used in construction, since it was set up in 1996.

This amounts to a total of 11 million m³ of timber panel products produced in Ireland from Irish timber with an estimated value of €2.5 billion. With 90% of these products exported, €2.25 billion worth of timber panel products have been shipped from Ireland over the life of these plants to markets all over the world.

Coillte Panel Products is unique in Europe because we are part of the company which owns the forests and hence the raw material – wood fibre – which we use to make our panel boards. This means we can guarantee supply to our customers in a way which other producers cannot. As markets for these value added products improve, fibre security is increasingly becoming an issue for our customers and highlights the strength of the Coillte Group strategy as an integrated forest products company.

Innovation

We have a strong emphasis on innovation across all business areas in the Group and we have demonstrated the ability and expertise to create new products and new uses for our wood fibre. Our partnership with Accsys Technologies in the development of Medite Tricoya – the world's first fully weatherproof wood panel - is just one example of what we can achieve. This innovative new product was launched in 2011 to a very positive reception. We have a pipeline of ideas across the Group that are being captured and developed in a systematic way and we are confident that this commitment to innovation will deliver further value to our shareholders in the future.

The proof of this commitment to innovation is revenue from new products grew to €12.5m during 2011.

Timber and timber products like OSB and MDF have never been more relevant as global demand for sustainable building materials increases. While the construction sector in Ireland continues at very modest levels of output the long term future for the timber sector globally is positive. We believe we have the ideas and the capability to meet these new demands and challenges and secure our position as a leading player in these markets.

Innovative new products such as Medite Tricoya are pushing the boundaries for timber and we will continue to play a key role through our commitment to innovation and sustainability. Building regulations and customer demands for sustainable building materials will all play a positive role in our future.

Sustainability

We are committed to sustainability in every thing we do. Our core purpose is to enrich lives locally nationally and globally through innovative and sustainable management of natural resources.

In 2011 we celebrated ten years of Forest Stewardship Council® (FSC®) certification and following a major audit, retained it for a further five years, demonstrating our leadership in the sustainable management of natural resources and our commitment to delivering a positive result across a "triple bottom line" of economic, social and environmental objectives.

FSC® Certification is one way in which we demonstrate that commitment. In addition, we have been reporting for the last two years on our performance in this area through our "Sustainability Report". We use the Global Reporting Initiative (GRI) framework to measure and report progress and activity under Social, Economic and Environmental headings.

As we improve on our performance against key benchmarks we will continue to enhance the quality of our reporting and continue to set ourselves challenging targets.

Thanks

On behalf of all the people who work in Coillte I would like to say thanks to our customers, contractors, suppliers and business partners for their business and continued support. 2011 was another difficult year for many businesses and 2012 is proving not to be any easier. We are committed to working in partnership with our customers and stakeholders as we manage our way through the current difficulties.

On behalf of myself and the Board I want to acknowledge the encouragement and assistance of our shareholders the Minister for Agriculture, Food and the Marine, Mr Simon Coveney TD, and the Minister for Public Expenditure and Reform Mr Brendan Howlin TD and the officials of their respective Departments during 2011.

For my part I would like to thank my Director colleagues for their work during the year and indeed all those I have had the pleasure to serve with on the Board of Coillte during my 10 years as Chairman.

I would also like to join with my fellow Directors in thanking the people who work throughout the Group for their tremendous efforts over the last 12 months. This is a challenging time for every business and Coillte is no exception. Employees have continued to show their commitment and enthusiasm in delivering on challenging objectives and I wish them all the best for the future.

The Future

On 29th September 2011, the Minister for Finance, the Minister for Public Expenditure and Reform, and the Minister of State for NewERA, announced the establishment of NewERA and the Strategic Investment Fund under the National Treasury Management Agency (NTMA).

NewERA's functions were to include: the corporate governance from the shareholder perspective of the commercial semi state companies ESB, Bord Gáis, Eirgrid, Bord na Mona and Coillte, and, where requested by Government, advising on, and if appropriate overseeing, any restructuring or disposal of commercial semi state company assets.

The Board and management of Coillte have been actively engaged in recent months with our shareholders and NewERA in assessing potential options for the sale of the company or certain assets. We expect this work to continue through 2012.

While the future of Coillte is under consideration we will continue to drive the business with the same focus and commitment that has characterised Coillte's performance in recent years.

Our success has been achieved through execution of a coherent strategy based on adding value to forests and land while developing deep relationships with customers at home and abroad, improving efficiency, developing a pipeline of innovative products and services, while at the same time providing a range of social and environmental services at no cost to the taxpayer.

The challenges and opportunities which face Coillte are many and varied and I believe that the organisation has never been better placed to make a really significant contribution. Beyond 2012 the relevance of Coillte has never been clearer. Forestry companies of the future are about more than the trees they manage and the sustainable and innovative products that they and their customers produce. Exports and jobs in Ireland will be underpinned by our success in this area. But forests are also places to store up carbon, for people to enjoy nature and escape everyday stresses and strains, as well as habitats to be protected for rare or endangered plants and animals. We are doing all that right now all over Ireland, on behalf of all our stakeholders.

In my 10 years as Chairman of Coillte I have been proud to play a role in the transformation of Coillte from a traditional forestry company to an integrated forestry and forest products organisation, which is internationally recognised for the innovative and sustainable management of natural resources. I wish all the people of Coillte best wishes and a bright future.



Brendan McKenna

Chairman

Ireland recognised in top 6 in Europe for biodiversity



Coillte's native woodland restoration project received an award in 2011 from the Member States of the European Union for being among the top 6 "Best of Best" LIFE Nature projects assessed. The presentation was made to Coillte by European Commission's Directorate-General for the Environment during Green Week 2011 in Brussels.

Coillte has been successful in securing funding for EU LIFE Projects in Ireland, making us the leading player in nature conservation and habitat restoration in Ireland.

This is the highest level of international recognition that is possible for a LIFE Nature project to achieve within the framework of the LIFE Programme itself and illustrates how highly Coillte's LIFE projects are regarded nationally and internationally.

Between 2006 and 2009, in one of the largest projects of its kind to take place in this country, over 550 hectares of very rare native woodland habitat were restored through the removal of exotic species and creation of conditions to allow natural regeneration of native trees to take place into the future.

Woodland restoration was undertaken at 9 of Coillte's forest sites across the country.

For further information on the project visit: www.woodlandrestoration.ie