

Coillte Panel Products



Our Medite Ecologique wood panel product - with zero-added formaldehyde - is the material of choice in some of the most iconic construction projects around the world, including the stunning new Art Museum in Qatar.

Coillte Panel Products is an innovative manufacturer of wood panel products and a significant player in the European panel products sector. Our brands, Medite MDF made in Clonmel and SmartPly OSB made in Waterford Port, benefit from being part of the integrated Coillte Group as fibre security continues to be an important competitive advantage. The Division has sales and marketing teams in the UK, Ireland and the Netherlands.

Coillte Panel Products delivered a good financial performance in 2011. Turnover increased by almost 6% to €154m, with over 90% derived from export sales. The UK remains our largest market comprising almost 59% of turnover. Despite challenging market conditions, turnover in this market increased by 1.5% in 2011 due to a combination of excellent distribution channels, strong brands and success in displacing sales of plywood in some markets. Turnover into other European markets increased by a strong 21% during 2011 and now represents 31% of our overall sales revenue. This improvement in sales is particularly heartening as we have worked hard in recent years to develop new channels to market in a number of targeted European countries.

Our sales growth in 2011 has been built on a strong platform of impeccable sustainability credentials and a healthy innovation pipeline. Medite and SmartPly are Forest Stewardship Council® (FSC®) certified, differentiating them from many competitors and substitute products. These sustainable timber products play a key role in building towards a carbon neutral future.

An integral part of the Coillte Panel Products approach is its commitment to innovation, in the form of both new product development and process improvement. In 2011, we brought three new products through our innovation process to prototype stage – Medite Tricoya, SmartPly Ecobatten and Slip Resistant OSB Flooring.

We also continue to invest in our facilities to optimise process efficiencies and reduce costs. In 2011, we completed a substantial upgrade to our effluent treatment plant in

Medite – this is now delivering significant efficiency and environmental benefits. We also commenced the first phase of a significant investment to reduce our resin usage in Medite. We also made excellent progress during the year on our plan to invest in the renewal of our SmartPly plant on the basis of a value added business model subject to shareholder approval. Following a structured procurement process, we have selected a preferred supplier for the key elements of the enabling technology package that will underpin the renewal project.

We were also pleased to receive external recognition in 2011 of our efforts to transform the business - SmartPly was nominated in the Export Category of the HSBC European Business Awards as one of 10 country representatives for Ireland. Approximately 600 companies applied for the awards in Ireland.

We also maintained a strong focus on health and safety management in the Division during 2011, delivering a significant improvement in the OSHA rate (an internationally recognised health and safety benchmark) in both Medite and SmartPly compared to 2010.

Outlook

The economic environment in which we are operating is forecast to remain challenging with declining growth in Europe and UK. Real GDP growth in the EU is forecast to decline from 1.5% in 2011 to virtually zero in 2012. Germany which was one of the key engines of the demand recovery experienced through 2010 and 2011 is forecast to experience a significant slowdown in GDP growth, with a similar outlook in the UK.

We continue to be very positive over the medium term for the business given the strength of our brands and market positions and the ongoing drive for energy efficient construction across Europe. Panel products are a key part of the off site construction method of building which is increasingly the direction the construction sector is moving in order to deliver energy efficient building solutions. The proposed changes in Part L of the building regulations in the UK are a good example of this trend in action. Consumers are also increasingly focused on the sustainability credentials of the construction products they use. Our innovation activities are focused on ensuring that we are well positioned to deliver solutions for our customers in those market segments that we supply.

Minister Coveney visiting Coillte's SmartPly factory at Waterford Port



Minister Coveney in SmartPly factory

2011 saw Minister for Agriculture, Food and the Marine, Simon Coveney TD visit Coillte's SmartPly OSB manufacturing plant at Waterford Port as the team made great progress on a proposed reinvestment in the facility.

OSB or Oriented Strand Board is a timber panel product made from Irish trees and used in the construction industry both in Ireland and in export markets. It is increasingly being used as part of an off site construction approach where fully sealed wall panels are manufactured in a factory environment before being put up on site.

We are planning a significant investment in the SmartPly factory to allow us create more value added products and help secure jobs in the plant itself and those in the region whose jobs depend on the plant indirectly.

2011 also saw SmartPly Europe selected as one of 10 Country Representatives for Ireland in the European Business Awards sponsored by HSBC.