

Chief Executive's Review



The Coillte Group made a profit after tax of €4.2m in 2009, with a substantial contribution coming from an exceptional profit of €18.5m. This offset an underlying trading loss of €14.3m. Turnover was €206.9m in 2009, compared to €249m in 2008. This fall in the value of sales resulted primarily from lower average prices for logs and panel products coupled with the negative impact of the exchange rate on exports to the UK.

Coillte responded well to harsh trading conditions and took a number of actions to reduce costs and preserve the Group's balance sheet in order to weather the current economic difficulties. We also managed our log and panel production output effectively to meet customer requirements and enable our customers to remain competitive in the face of very difficult market conditions for construction and related products. In addition, we identified a number of new revenue opportunities including development of infrastructure to support the National Broadband Scheme roll out. We launched new products such as SmartPly SiteProtect and the Medite Thick Panel range, delivering on our objective to grow our business, where profitable opportunities exist.

Key achievements in 2009 included:

- We worked with our sawmill customers and Enterprise Ireland to strengthen the market position of Irish timber in the UK. We also adjusted our timber supply programme to meet the needs of sawmill customers who exported to the UK, with the result that we sold 5% more in 2009 than in 2008, in the face of the most difficult construction market in decades.
- We delivered record sales volumes from our panels business into our biggest market, the UK, during 2009, through a targeted programme of increasing market share and plywood substitution. At the same time, we implemented a series of sales price increases in the UK market throughout 2009, raising local currency prices from a relatively low base at the start of the year.
- We reduced operating costs by a total of €24m through a combination of cost control measures, including 95 voluntary redundancies and short time working, coupled with cost reductions in areas such as electricity and resin costs that resulted from lower levels of output. We will maintain our focus on reducing costs further in 2010.
- We completed the sale of immature forests to the Irish Forestry Unit Trust and Allied Irish Pension Unit Trust bringing in €33.8m to strengthen the Group's balance sheet and curtail increases in debt.
- We continued to invest for the future. We worked with farm partners and private clients to plant over 1,000 ha of their land, re-planted over 4,800 ha of land that had previously been harvested and we built or upgraded over 200 km of forest roads.
- We advanced our renewable energy strategy both in wind energy and biomass energy by progressing a significant programme of value creation through the development and sale of wind energy assets. We also initiated projects that we believe will lead to Coillte playing a significant role in biomass energy.
- We progressed the development of 100 sites for the National Broadband Scheme.

A Sustainable Business

We believe that the measures introduced in 2009 will make Coillte a stronger, fully sustainable company. Further change will be necessary for Coillte to be ready to take advantage of an economic upturn when it comes. Change is also a pre-requisite for Coillte to fulfil its potential to create and realise value for its shareholders and to maximise its contribution to national economic development.

It is for these reasons that Coillte re-defined its purpose - 'to enrich lives locally, nationally and globally through innovative and sustainable management of natural resources'. We believe that, for Coillte to achieve its potential, we must continue to expand beyond our original forestry business and use all of our assets to best advantage. Coillte has a unique set of assets that enables us to contribute to a range of



David Gunning
Chief Executive Officer



Gerry Britchfield
Managing Director,
Coillte Panel Products



Gerry Egan
Group Director, Corporate Affairs



Mark Foley
Managing Director, Coillte Enterprise



Eamonn McGee
Group Director, Human Resources



Gerard Murphy
Managing Director, Coillte Forest



Ivan Schuster
Chief Financial Officer

OUR BUSINESS

Group Performance
2009 Highlights
Chairman's Statement
Board of Directors
Chief Executive's Review

National Trails Day 2009



National Trails Day is a celebration of Ireland's wonderful variety of trails and a chance for everyone to enjoy some of Ireland's most beautiful countryside, forests, mountains and lakes.

National Trails Day 2009 took place on Sunday, October 4th. Across the country, 125 events took place with more than 10,000 people enjoying the great array of trails that Ireland has to offer.

In 2009 National Trails Day expanded into an all-island event welcoming the Northern Ireland Forest Service and Northern Ireland Tourist Board as sponsors of this event along with the Department of Community, Rural and Gaeltacht Affairs, Coillte, the National Trails Office and Fáilte Ireland.

national economic and environmental objectives in areas as diverse as forestry, climate change, renewable energy, sustainable building products, tourism and recreation, while contributing to regional development.

However, in order to best utilise those assets Coillte must also transform how it carries out its business. We have embarked on a major transformation programme that we call Destination 2012. This programme will fundamentally change how we do our business and ensure we deliver on our potential. As well as reducing our costs it is focused on innovation, employee performance and development, partnering with our customers to deliver what they want and making a positive contribution to the environment.

Outlook

Our corporate strategy focuses on:

- expanding our forestry business;
- strengthening our market position in wood panels;
- realising greater commercial potential from our land assets; and
- optimising the value of our renewable energy assets.

Each of these four pillars is underpinned by our transformation agenda. This strategy will reduce our dependence on the construction sector and will maintain investment in our core forestry business to ensure sustainable supplies of timber into the future. The strategy also responds to emerging opportunities in areas such as renewable energy and infrastructure.

2010 will be another challenging year for Coillte and for our customers. We will take further action in 2010 to reduce our cost base and ensure that we remain competitive and financially stable while also making targeted capital investments where we believe there is potential to create future value.

Continuing to work with our customers and keeping a focus on profitable new revenue streams, combined with the transformation of our company will ensure we continue to deal with the current economic conditions and ultimately deliver on our strategy.

David Gunning
Chief Executive