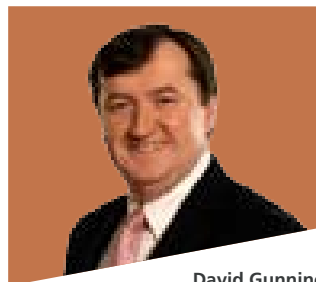


Chief Executive's Review of the Year



David Gunning
Chief Executive



Eamonn McGee
Group Director,
Human Resources



Gerry Egan
Group Director,
Corporate Affairs



Important Milestones Reached

The Coillte Group had a very good year in 2007. Profit of €40.1 million was up 79% from €22.5 million in 2006. In achieving this result we reached a number of important milestones. Turnover reached €318 million, log sales exceeded €100m for the first time and exports accounted for 54% of sales firmly establishing the Group as an international forestry and forest products business. The main drivers of performance were high log and wood panel prices, strong demand for our products and customer relationships which have paid real dividends. These factors combined resulted in strong performances in our Forest and Panel Products divisions.

Positive Developments in Panel Products

The acquisition of the Medite Europe Ltd Medium Density Fibreboard (MDF) business and combining it with our Oriented Strand Board (OSB) business, SmartPly Europe Ltd to establish Coillte Panel Products division was a key development. Combining these businesses and the Medite and SmartPly brands has enabled us to improve our product range and service offerings and thus deepen our relationship with key customers. Coillte has a unique proposition to offer panel products' customers; as the owner of 445,000 hectares of FSC certified forests we can guarantee the supply of FSC certified raw material used to manufacture our panels. This is a major advantage at a time when other manufacturers have difficulties in securing raw material due to tightening supply.

Forestry Environment

While Coillte continued to invest in its own estate primarily in reforestation and road construction the level of afforestation nationally was disappointing with adverse effects on our nurseries and forestry services' businesses. Coillte is continuing to look at ways in which it can support the efforts of the Department of Agriculture, Fisheries and Food in increasing the level of afforestation but we are restricted in what we can do as the high price of land and our ineligibility for forestry premiums renders it uneconomic for Coillte to purchase land for afforestation. Coillte did increase its estate in 2007 by acquiring 81.47 hectares of forests and by entering additional farm partnerships comprising 104 hectares. We also acquired the freehold interest in 567 hectares of

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land in Co. Waterford which we had previously managed under a long term lease from Curraghmore Estates.

Land Sales

Given our extensive and varied landholding, Coillte is uniquely placed to support certain national and community infrastructure requirements. We sold 600 hectares of land in 2007, 62% of which was directed towards end uses with national or community benefit.

Business and Rationalisation

While Coillte had a very good year in 2007 we have to continue to focus the Group on profitable businesses and to improve our competitiveness by controlling costs and achieving efficiency improvements. As part of a review of our businesses we sold our 70% shareholding in house manufacturer Griffner Coillte Ltd to the minority shareholder GriffnerHaus AG. We also implemented an early retirement/voluntary parting scheme under which 43 management and supervisory staff left the Group and secured Ministerial approval for a voluntary early retirement scheme for industrial staff which we intend to implement in 2008 following consultation with SIPTU. We are continuing to refine management structures and strengthen our management team to meet the needs of a growing and increasingly complex business. Significant progress was made towards agreement on a Memorandum of Understanding with the IMPACT union on a range of issues arising from a review of the operation of Coillte Forest.

Enhancing Customer Service and Relationships

I spent a lot of time in 2007 meeting many of our major customers in Ireland and in the UK in order to assess the standard of service that we provide and identify opportunities for improvement. In the UK, where our main sales are of panel products, we are looking at ways in which we can cooperate on marketing and product development. New systems of measuring service to sawmill customers in Ireland have focused attention on resolving problems and I am happy to note progress in this regard during 2007.

Improving Performance

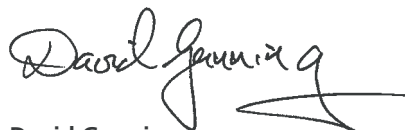
Coillte made significant progress during the year both in driving improvement in operating performance and establishing a solid platform for the strategic development of the business. However, complete transformation of the business will be required for us to achieve our full commercial potential. In addition to implementing specific improvement strategies in each of our businesses we are implementing measures to drive innovation across the Group, specifically in relation to business development and R&D. We are also investing in leadership and management development to ensure that we have the people necessary to drive growth in the business.

Coillte has always enjoyed the support of talented and committed staff and we are working closely with the trade unions to secure the necessary improvements in how we manage the business. Management has given a specific commitment to improve arrangements for information and consultation and the inaugural meeting of the Coillte Employee Information & Consultation Forum took place in September 2007.

2008 and beyond

We reviewed our Corporate Strategy during 2007 and have developed a platform for the next stage of Coillte's development. The Strategy envisages that we will focus on four business sectors: forestry, land, panel products and renewable energy. We also plan to invest heavily in becoming an innovative company which develops new products, processes and businesses in order to be able to grow further. We are in the process of implementing detailed plans to turn the strategy into reality and to grow sales and profits substantially in the coming years.

2008 will be a challenging year due to the changed economic climate and especially given the much lower level of house building expected in our main markets. Coillte's staff and management have shown themselves to be resilient and adaptable in the past and we will need to show these qualities in 2008 as we strive to deliver the objectives and targets that we have set ourselves.



David Gunning
Chief Executive

Coillte Forest Review



Tim Crowley
Managing Director



Coillte Forest manages all aspects of the Group's forestry business, including the establishment of plantations, harvesting, timber sales and marketing and the provision of forestry services to farmers and other landowners.

Sales & Marketing

The Division made a strong contribution during 2007, mainly due to strong demand and higher prices for logs.

In 2007 Coillte Forest sold 2.56 million m³ of roundwood which generated €106 million in revenue. 1.7 million m³ of sawlogs were sold to the sawmill sector with the remaining 0.9 million m³ of pulpwood and stakes being sold mainly to the panel board mills, the agricultural fencing market and an increasing number of customers in the agricultural bedding and energy markets.

Coillte continues to support marketing initiatives through the Wood Marketing Federation (WMF), an industry wide marketing group. The launch of the revised Woodspec guide to wood design and specification was well received by the industry. It brings together in one volume all the necessary standards and best practice for specifying and building with wood.

Planting

During the year a total of 8,481 hectares of land were planted, comprising 6,996 hectares of reforestation, 262 hectares of other Coillte planting and 1,223 hectares of private planting. Coillte Forest also acquired 81 hectares of immature plantations. Forest access was enhanced by constructing and upgrading 371 kilometres of roads.

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Environment

Coillte had its Forest Stewardship Council (FSC) certificate for responsible forest management renewed until 2012 by Soil Association Woodmark, an independent firm of environmental auditors. The certification process requires Coillte to demonstrate that its forests are managed in accordance with strict social, environmental and economic criteria. Our forests have been FSC certified since 2001.

Coillte manages 15% of its entire estate with nature conservation as its primary objective. This is a significant contribution at national level to biodiversity and habitat conservation.

Coillte Forest is also involved in a number of habitat restoration projects funded by the EU and in 2007 the EU LIFE-Nature project on blanket bogs was successfully completed. As a result of this project and the Raised Bog LIFE Project Coillte has restored approx 2,500 hectares of bog across the country and is now restoring 9 priority woodland sites covering 550 hectares as part of a third EU LIFE project.

Recreation

Forest related tourism and recreation in Coillte's forests generates an estimated €268 million of economic activity for the rural economy every year. Coillte welcomes over eighteen million visitors to its forests annually which creates a value to users of €97 million.

Coillte, in partnership with Failte Ireland, launched the €5.3 million "Welcome Initiative" in November 2007 to provide state of the art outdoor recreation facilities for walkers and cyclists across the country. Mary Wallace TD, Minister of State at the Department of Agriculture, Fisheries and Food and Eamon O'Cuiv, Minister for Community, Rural and Gaeltacht Affairs, jointly launched the programme along with the new dedicated recreation website which gives information on all Coillte's recreation sites – www.coillteoutdoors.ie.

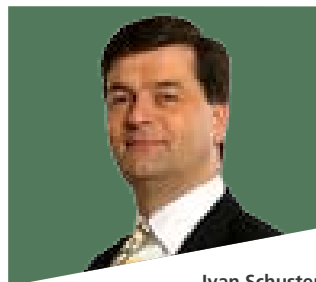
Funded by Failte Ireland as part of the Forest Recreation Infrastructure Upgrading Programme, this initiative is delivering 250 kilometres of walking, hiking and biking trails to the highest standards at 34 sites across the country, including upgrading of existing trails and construction of new ones, all of which enhances the product we offer as the largest provider of outdoor recreation in Ireland.



Minister Coughlan opens Lough Key Forest and Activity Park

Lough Key Forest and Activity Park in Boyle, County Roscommon, was officially opened in May by Mary Coughlan TD, Minister for Agriculture, Fisheries and Food, and had a successful first year of operation in 2007. The Activity Centre in Lough Key is a 50:50 joint venture between Coillte and Roscommon County Council and includes the Lough Key Experience – a walk taking visitors down into historic tunnels and up into the tree canopy on a raised pathway – a visitor centre incorporating a Boda Borg Adventure House and a major new children's play area. This €10m project was supported by Failte Ireland under the National Development Plan.

Coillte Enterprise Review



Ivan Schuster
Managing Director (Acting)



Coillte Enterprise is the venturing arm of the Coillte Group, which seeks to identify new business opportunities and to extract value from the Group's broad asset base. It comprises the Group's interests in land sales and development, telecommunications masts, renewable energy, Coillte Nurseries, Irish Hardwoods and Coillte Training and Safety Services.

Land Added Value

Coillte Enterprise identifies potential sites for sale or development with an emphasis on infrastructure and sustainability. During 2007 Coillte Enterprise sold approx 600 hectares of land for a wide range of projects, over 60% of these were for national infrastructure projects including wind farms. Other projects included land for roads, sports clubs, schools and youth organisations.

Coillte Enterprise continued to strengthen its property development pipeline by submitting a number of planning applications during 2007.

Energy

Coillte Enterprise made significant progress in 2007 with its renewable energy strategy, securing Board approval to pursue the development of wind farms. The Board also approved an investment in the Garvagh Glebe wind farm in Co. Leitrim, a co-development project with Hibernian Wind Power, an ESB subsidiary, subject to shareholder approval. Following a detailed study to establish the most commercially viable wind farm sites on our estate, Coillte Enterprise submitted grid applications for a substantial amount of generating

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capacity and we will continue to build this business significantly in years to come.

The Board also approved a pilot scale biomass energy project in the North West.

Nurseries

Sales from Coillte Nurseries totalled 37.9 million plants in 2007, the same as 2006. Approximately 60% of plant sales were for use in the Coillte Forest reforestation programme, with the remaining 40% sold into external markets both at home and abroad.

Sales into the Irish afforestation market were difficult due to the continuing drop in the level of new planting. This was compensated for by a 20% increase in export sales – mainly through our UK nursery business, and further increases in export sales are expected during 2008.

Coillte Nurseries supply all the major Irish agribusiness companies with native hedging & tree products. This is a new market generated by the increasing demand for native planting stock for projects funded by the REPS schemes.

Irish Hardwoods

During 2007 Coillte Enterprise agreed a rationalisation plan for the Wood Products business at Dundrum Sawmills, that focussed on exiting low margin and loss making products and rebranding the business as Irish Hardwoods, www.irishhardwoods.com.



Pictured (l-r) are Richard Lowe, Coillte, winner John O'Malley, NUI Galway and Duncan Stewart, one of the judges.

Wood Marketing Federation Student Award

Coillte are one of the main sponsors of the Wood Marketing Federation Award.

In early 2006, the Wood Marketing Federation (WMF) launched a Student Award to promote the use of wood. The Award was aimed at 3rd level students from the disciplines of engineering, architecture and design who were using wood as a main component of their final year projects. The WMF members, Coillte, Irish Timber Frame Manufacturing Association (ITFMA), Irish Timber Trade Association and Wood Northern Ireland hope that the Award will encourage and develop the use of wood as a renewable and versatile material in the students professional careers.

The winner in 2007 was invited to attend the Milan Furniture Show in April 2008.

Coillte Panel Products Review



Gerry Britchfield
Managing Director

Coillte Panel Products (CPP) manufactures and sells wood based panel products - SmartPly branded Oriented Strand Board (OSB) made in Waterford and Medite branded Medium Density Fibreboard (MDF) manufactured at Clonmel. CPP has Sales and Marketing teams based in the UK, Ireland and Holland to service its core markets.

The principal objective for CPP over the next five years is to strengthen our market position in wood panels by extracting additional value from our existing business portfolio and by strategic investments.

SmartPly Europe Ltd

SmartPly recorded a good financial outturn in 2007 on the back of a strong production performance. Cost control was generally good during the year. A shortfall in sales volume in Ireland and the US was offset by strong prices in the UK and Continental European markets which helped deliver a positive overall sales performance. Sales in Ireland were adversely impacted by the significant slow down in residential construction while SmartPly withdrew from the US market due to the decline in OSB prices.

The principal objective for CPP over the next five years is to strengthen our market position in wood panels by extracting additional value from our existing business portfolio and by strategic investments.

Medite Europe Ltd

Medite had a very successful first year in Coillte's ownership, delivering a strong financial performance in 2007. Costs were controlled well during the year despite upward pressures which are likely to remain in 2008. Ireland, UK and Continental Europe delivered a strong price performance during the year. During 2007 Board approval was received for a significant fibre optimisation investment which will increase operational efficiencies, increase production throughput and broaden the potential fibre supply base.

Outlook 2008

The market environment for both OSB and MDF is expected to be challenging in 2008 as a result of softening in demand and the substantial strengthening of the Euro against Sterling. Prices are projected to fall back significantly from the peak achieved in the latter part of 2007.

However we are confident that with product and process innovations on the way and a dedicated and committed sales and marketing effort we can continue to perform well in challenging times.



MEDITE FR, flame-retardant MDF proved to be the perfect solution when it came to cladding the walls of Dubai International Airport.

During 2007, the airport expanded with the construction of a new terminal. Coillte Panel Products was able to offer the bespoke solution by providing Medite FR which was used to clad 45,000 square metres in the unusual thickness and panel size required for the Dubai Airport.

Medite FR Euro Class B & C has been certified for 30 minutes fire resistance of symmetrical non-load bearing partitions.

Other typical installations include hotel foyers, offices, public libraries, schools, court houses, hospitals, cinemas, discotheques and some shipbuilding applications.