

Chairman's Statement



Brendan McKenna
Chairman



2007 was a very successful year for Coillte. The Group had a strong financial performance with profit of €40.1 million, up 79% on 2006.

Medite Europe Ltd, which we acquired at the end of 2006 became an integrated part of the Coillte Group during 2007 and made a very positive contribution during its first full year. Coillte Forest also had a very good year with timber prices strong for most of 2007.

Investing in our businesses

Forestry is our core business and we continue to invest significantly in it. In 2007 we invested €49 million in reforestation of harvested areas, roads and maintenance programmes, farm partnerships and acquisition of immature forests, all measures designed to sustain and enhance the productivity of our estate. We also developed new approaches to servicing the private forestry sector and are working hard to encourage farmers and land owners to plant trees in support of the national afforestation programme.

During 2007 the Board approved investment in a new fibre optimisation project at the Medite plant in Clonmel which will increase operational efficiencies, increase production throughput and broaden the potential fibre supply base. This project will be completed in 2008.

2007 saw significant steps taken in developing recreation products and services, supported by Failte Ireland and the Department of Community, Rural and Gaeltacht Affairs. Coillte is the largest supplier of outdoor recreation in Ireland and in 2007 we successfully delivered the "Welcome" Forest Recreation Initiative. We are now classed by Failte Ireland as a strategic partner in project development and delivery.

Forestry is our core business and we continue to invest significantly in it. In 2007 we invested €49 million in reforestation of harvested areas, roads and maintenance programmes, farm partnerships and acquisition of immature forests, all measures designed to sustain and enhance the productivity of our estate.

Environment & Energy

In 2007 Coillte retained certification from the Forest Stewardship Council (FSC) that our forests are managed responsibly. We continue to work to ensure the correct balance is maintained between social, economic and environmental objectives in the management of our business.

For example, Coillte has designated 15% of its estate (67,000 hectares) to be managed primarily for nature conservation purposes. This is the largest biodiversity project of its kind in Ireland and clearly demonstrates Coillte's commitment to keeping environmental management at the forefront of our activities.

While historically our environmental focus was on forest management we are widening our focus to embrace a broader range of sustainability issues. As Ireland's largest landowner, Coillte has an important role to play in helping Ireland meet its renewable energy targets. Approx 20% of current wind energy generation capacity in Ireland is situated on land formerly owned by Coillte and we have many other sites suited to wind energy generation. We are actively engaged with a number of partners in major wind farm developments and have a strong pipeline of wind farm projects in place.

Coillte also has the potential to contribute to biomass energy targets and currently has a number of pilot projects underway.

Corporate Strategy

In order to ensure the balanced growth of the Group the Board of Coillte approved a new Corporate Strategy in 2007.

Coillte already operates successfully in a number of business sectors and the Strategy focuses on those sectors where Coillte has a proven competitive advantage. Four business areas were assessed on that basis: forest management for roundwood supply; land development; panel products; and renewable energy.

Our Strategy was informed by a number of key conclusions reached during our strategy review process:

- Increasing environmental awareness will result in increased demand for timber but there is a need to reduce our dependence on the construction sector;
- Coillte is well placed to service the Irish and UK markets. We enjoy a certain resilience by virtue of the scale of the demand in Ireland and the UK and our ability to service these markets, but when operating in non Eurozone markets we are exposed to foreign exchange rate risk;
- The outlook for MDF and OSB in Europe is positive and the future market environment will be supportive of growth in the Panel Products Division;
- We own substantial land assets but have been relatively passive in seeking to optimise potential returns;
- The Energy sector will provide significant opportunities to create sustainable businesses; and
- Our current businesses are subject to intense competitive pressures and demand constant attention to continue to grow consistently.

On the basis of the analysis conducted the key focus areas for the growth of Coillte in the next 5 years are:

- Expand our forestry business
- Realise greater commercial potential from our land assets
- Strengthen our market position in wood panels
- Invest in renewable energy.

Chairman's Statement

(continued)



In order to achieve these objectives we need to be more innovative and continue to sharpen the commercial focus of the Group. We are taking specific measures to enhance innovation, including strengthening our business development and R&D capability, and are continuing to transform the Group into a high performance organisation.

Pension Fund

Coillte operates a number of defined benefit pension schemes with assets held in separately administered funds. The most recent actuarial valuations indicated that the market value of the schemes' assets was €159.7 million, which was €10.2 million less than the schemes' liabilities.

The Board remains concerned that the cost of funding the Group's defined benefit pension arrangements, which has been rising steadily, is unsustainable and has directed management to investigate alternative approaches in order to ensure that Coillte has sustainable pension arrangements for its employees.

Commitment to Corporate Governance

As Coillte's business increases in complexity, the need for robust systems of corporate governance continues to be highlighted. The Board and Management of Coillte operate to high standards of corporate governance. We comply with the requirements of the Code of Practice for the Governance of State Bodies and conduct our businesses ethically. Details of the Group's compliance procedures are contained in the Report of the Directors on pages 21 to 23.

We are taking specific measures to enhance innovation, including strengthening our business development and R&D capability, and are continuing to transform the Group into a high performance organisation.

Thanks

Coillte thanks its customers, contractors, suppliers and business partners for their business and support in 2007.

The Board wishes to acknowledge the encouragement and assistance of the Minister for Agriculture, Fisheries and Food, Mary Coughlan, TD, Minister of State with responsibility for Forestry, Mary Wallace, TD, Minister for Finance Brian Cowen TD and the officials of their Departments during 2007.

On a personal note, I was delighted to be reappointed by Minister Coughlan as Chairman of Coillte during 2007. I look forward to leading the Board for a further 5 years as the Group enters a new phase of development.

I would like to thank Sinead Leech for her outstanding contribution to Coillte, following her retirement as a Director in 2007 at the end of her 5 year term. On behalf of my fellow Directors I wish her well in the future. I would also like to welcome our new Director Dr. Yvonne Scannell who was appointed to the Board in November 2007 and to welcome back Breffni Byrne who was reappointed, also in November.

For my part I would like to thank my Director colleagues for their work during the year and their commitment to the Group.

I would also like to join with my fellow Directors in thanking management and staff throughout the Group for their efforts and hard work in 2007 and in congratulating them on another excellent year.



Brendan McKenna

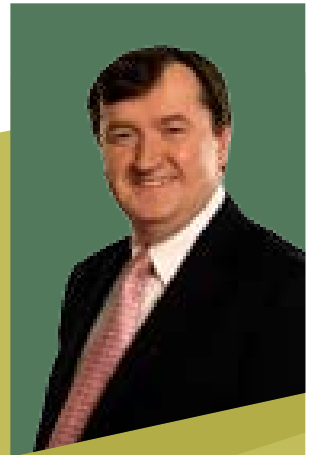
Chairman

Board of Directors



Brendan McKenna
Chairman

Brendan was reappointed by the Minister for Agriculture, Fisheries and Food as Chairman during 2007, for a second 5 year term. He was formerly Chief Executive of Abbott Ireland Manufacturing Operations and is a past President of the Chambers of Commerce of Ireland.



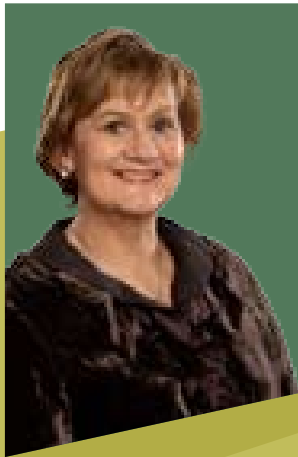
David Gunning

David was appointed Chief Executive and a Director in 2006. He is also Chairman of SmartPly Europe Ltd and Medite Europe Ltd. Before joining Coillte he held leadership positions in a range of companies in the telecommunications industry in Ireland, US and Europe.



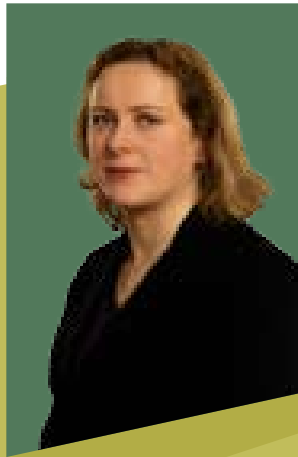
Frank Toal

Frank was appointed to the Board in 2003. He was formerly Chief Executive of the General Electric Subsidiary ECCO, an electronics manufacturing company based in Dundalk, Co. Louth. He is a past President of the Chambers of Commerce of Ireland and is now a business consultant. He is a member of the Audit Committee.



Yvonne Scannell

Yvonne Scannell is a Professor in the Law School, Trinity College, Dublin where she specialises in Irish and European Environmental Law and Policy. She served on the Advisory Board of the Environmental Protection Agency from 1994-1997 and she was a founder member and first chairperson of the Irish Association of Environmental Law. She has worked in the Environmental Law Group at Arthur Cox since 1990. She is also a director of Tara Mines Ltd.



Gráinne Hannon

Gráinne was appointed to the Board in 2004. She is a Chartered Accountant and a member of the Irish Taxation Institute. She is a member of the Consumer Panel of the Financial Regulator and works for the Health Service Executive. She is a Member of the Audit Committee.



Breffni Byrne

Breffni was reappointed to the Board during 2007, following an initial 5 year term. He is Chairman of NCB Stockbrokers and a non-executive director of Irish Life & Permanent plc, Tedcastle Holdings Limited, Cpl Resources plc and Hikma plc. A chartered accountant, he was formerly a Senior Partner of Arthur Andersen in Ireland. He chairs the Audit Committee and is a member of the Remuneration Committee.



Philip Lynch

Philip was appointed to the Board in 2004. Philip Lynch is Chief Executive Officer of One51 plc. He is an Executive Director of the Irish Agricultural Wholesale Society Limited, a Non-executive Director of C&C Group plc and FBD Holdings plc and is Chairman of the Educate Through Sports Foundation and Chairman of the National Paediatric Hospital Development Board.



Eugene Griffin

Eugene was appointed to the Board in 2006. He has been Coillte's District Manager in Boyle, Co. Roscommon since 2002. Previously he has worked as Team Leader Forest Management, as a Region Accountant and in the Research area. He graduated from University College Dublin with a Masters in Agricultural Science (Forestry) in 1980 and is a technical member of the Society of Irish Foresters.



Rich Howlin

Rich was first appointed to the Board in 1998 and reappointed in 2003. He is Chairman of the National Building Agency Ltd. He is a member of the Remuneration Committee.