



Coillte announces record revenues and operating cash for 2017

Coillte, Ireland's largest commercial forestry and land solutions company, today announced its annual results for the financial year ended 31 December 2017. Coillte reported another record year of transformation and growth. The company delivered a strong financial performance in 2017 and exceeded each of its key strategic performance metrics. Most notably Coillte doubled its operating cash from €15 million in 2016 to €30 million in 2017. Excluding large land transactions EBITDA increased by 6% from €80.3 million in 2016 to €85.2 million in 2017. When large scale land transactions are included EBITDA achieved was €98.3 million in 2016 compared to €85.2 million in 2017. The company has now reduced its reliance on large scale land transactions. A record revenue of €298.7m was achieved, 3.8% ahead of last year. Coillte has started to see real benefits emerge from the restructuring of its business to three autonomous business divisions with annual overhead savings of €16 million realised in 2017 including €2.6 million interest cost savings achieved following the more favourable financing facilities agreed at the end of 2016. Overall, operating profit before exceptional items, large land transactions and revaluation gains increased by 3% to €48.7 million. A dividend of €8.0 million was paid to the shareholder, which represents a 29% increase on last year and is the fifth consecutive year of dividend growth.

Commenting on the results the Chief Executive of Coillte, Fergal Leamy said: *"This is the third year of our transformation programme and we are making very strong progress on our key financial and operational metrics. The company has now reduced its reliance on large scale land transactions and, excluding these transactions, our EBITDA in 2017 was 6% ahead of 2016. Our key focus in recent years has been on generating, sustainable operating cash flow and increasing the return to our shareholder. Significantly we doubled our operating cash performance in 2017 to €30*

million. This continued growth in operating cash is crucial to ensuring we achieve a 5% cash yield on our €1.4 billion asset base by 2020.

Our core forestry division has made strong progress towards being the best forestry business in Europe. This is reflected in our 2017 performance which has seen the highest level of both sales and forest establishment in over 10 years. In March of this year we announced the commencement of a process for the sale of our wind farm assets and confidently set a price target of at least €125 million, five times our original investment. Our potential in this area illustrates the value we can create from every hectare of land we own to ultimately deliver enhanced value for our shareholder, the State. We intend to recycle the capital achieved from the sale of our four operating wind farms back into the business with a focus on our core forestry activities, co-funding of new wind development opportunities and other strategic opportunities that will enhance the overall value of the Group. The business is seeing good momentum in 2018 with a strong performance in the first quarter. This is a crucial year for Coillte as we expect to see a step change in earnings following an intense phase of organisational restructuring and investment. Despite the uncertain backdrop of Brexit we are well positioned for strong growth in all of our key financial metrics as overheads reductions from our organisational restructuring are fully realised along with value creation from our recent significant investments in our forestry technology, wind farm portfolio and MEDITE SMARTPLY manufacturing facilities.”

Our Businesses

Coillte manages a forest and land estate of over 440,000 hectares, which is equivalent to approximately 7% of the country's land. From this land it operates three strong businesses, its core forestry business, a wood panels manufacturing business, MEDITE SMARTPLY, and a land solutions business. Continued successful execution of strategy is crucial to positioning Coillte as the best forestry and land solutions company in Europe and during 2017 each of these three businesses made excellent progress on achieving their strategic objectives.

Forestry

The core forestry division has made strong progress towards being the best forestry company in Europe. During 2017 significant progress was made on its strategic ambition to increase the historical return on its business from less than 1% to 3.5% by 2020. Operating cash increased by 13% to €25.7 million and EBITDA increased from €61.2 million to €66.5 million. This strong financial performance was driven by an increase in sawlog sales volumes and improved sawlog prices as a result of growing end market demand in both the UK and Ireland, driven by the strength of the construction sector in these markets.

2017 was another record year for Coillte's forestry operations. Sawlog sales increased to 1.64 million m³ and 19.5 million trees were planted over 8,000 hectares. For the second consecutive year, this performance represents the highest level of sales and forest establishment achieved in over ten years. The continued improvement in operational performance is underpinned by key strategic investments in new leading-edge technologies as part of Coillte's exciting 'connected forest' strategy. In 2017 a significant technology deal was agreed with Treemetrics that will revolutionise the way harvesting operations are managed by providing real-time satellite communications and data analytics to improve strategic decision making. 2018 will be a crucial year for the company as it fully deploys its innovative world class Forest Management System (FMS) that will significantly improve the effectiveness of its forestry operations and allow Coillte to unlock the maximum value from its forestry and land estate. Importantly, the deployment of innovative forestry technologies increase supply capabilities and guarantees security of supply to customers, giving them the confidence to invest and expand their own processing capacity as they continue to grow their presence in export markets.

The Irish forestry sector supports 12,000 rural based jobs in Ireland, contributes approximately €2.3 billion to the economy every year and has the potential to double in size over the next ten years. With over 70% of Irish timber products exported to the UK and an estimated 40,000 truck movements between Ireland and the UK every year, the continued uncertainty created by Brexit poses significant challenges for the future of the Irish forestry industry. Working closely with key industry stakeholders in the Timber Industry Brexit Forum set up by Coillte last year, a number of initiatives were progressed to minimise the potential adverse impact of Brexit including the preparation of draft guidelines for the trade of timber post Brexit. Furthermore, to support the industry's projected doubling in size, in April 2017 a new private forestry initiative was launched. This initiative offers private forestry owners the option to access Coillte's strong sustainable forestry management experience and receive an annual premium and a share of clearfell profits.

Coillte's tourism and recreation strategy is to work with suitable partners in developing key flagship destination sites that appeal to both Irish and global visitors. During 2017 significant progress was made on an exciting new development plan for Avondale Forest Park, the home place of Irish Forestry, which will see it become a key gateway site for tourism in Ireland. A progressive Outdoor Recreation Plan was also delivered with other key public bodies to improve the recreation management and development of State lands.

MEDITE SMARTPLY

The panel manufacturing business MEDITE SMARTPLY, based in the south-east of Ireland, is the leading supplier of sustainable, market led MDF and OSB timber products and is a key outlet for pulp supply from the core forestry division. During 2017 good progress was made towards positioning this business as a leader in value added wood panel products in Europe.

In 2017 the division worked closely with its key strategic customers to increase its sales pipeline of value-added panel products allowing it to increase profit margins in existing and new markets. Sales volumes were 8% ahead of 2016 reflecting strong demand for sustainable panel products in the UK construction market and increased output from the new €59 million Smartply OSB manufacturing line commissioned in 2016.

In March 2017 Coillte signed a €68 million deal with global partners BP and Accsys Technologies to build the world's first Tricoya wood chip manufacturing plant in Hull, UK. This innovative technology is a game-changer for wood product sales, wood chips produced by the new plant will be used in Coillte's Clonmel plant to manufacture its innovative MEDITE® TRICOYA® EXTREME product that can be used outdoors as well as for traditional indoor uses. Coillte's continued strong investment in world class technologies and new product development underpins a differentiated, value-added business model and improves MEDITE SMARTPLY's competitive position and ability to meet new customer demands. Gaining an in-depth understanding of markets to help stay ahead of the curve will continue to be a key challenge as the product sales mix moves from low return, commodity products towards higher return, value-added products.

Land Solutions

Land Solutions is making very good progress towards becoming a leader in providing innovative, land solutions. As the largest land owner in the country, Coillte has a distinct competitive advantage in sourcing and providing optimal land solutions across a broad range of infrastructure sectors that support national policy objectives including renewable energy, housing and tourism. It is making good progress on its strategy to transform from a business that previously relied on large scale land transactions to one that is focused on creating a strong pipeline of initiatives that generate sustainable, recurring income streams.

2017 was another very successful year for Coillte's renewables business. In 2017 Sliabh Bawn Wind Farm in Co. Roscommon and Cloosh Valley Wind Farm in Co.

Galway both started exporting power to the national grid. Excellent progress was made on Castlepook Wind Farm in Co. Cork which became fully operational in March 2018. Raheenleagh Wind Farm in Co. Wicklow entered commercial operations during 2016 and performed very well during 2017. Coillte has invested €400 million along with its' partners in these four wind farms and with a total installed capacity of 240 MW they provide renewable power to over 150,000 homes in Ireland.

During 2017 a strategic review was completed of execution options for the next phase of wind farm development projects. Following on from this IBI and Capricorn were appointed to advise in identifying the best partnership model that will maximise value in achieving the strategic ambition to develop 1,000MW of future wind projects to power up to one million homes. Significant expressions of interest have been received from a number of potential partners and we intend to initiate a process to appoint a preferred partner in 2018. As part of this ambitious strategy, in March 2018 Coillte commenced a formal sales process seeking potential investor interest in acquiring Coillte's joint venture share in four operating wind farms. The capital from a successful sale would be reinvested to co-fund future wind energy projects and in other strategic operations for the Group.

During 2017 the Land Solutions team proactively engaged with the local community and other key stakeholders in Moycullen, Co. Galway on the potential to build 61 housing units on a 6.4-hectare site on Coillte land and the company was successful in receiving a final grant of planning permission in March 2018.