



Coillte announces record earnings of €98.3m for 2016

Operating cash flow increased by 130% from €6.5m to €15.2m

Operating profit increased by 6.6% to €64.4m

Thursday May 11th, 2017: Coillte, Ireland's largest forestry and land solutions company, today announced its annual results for 2016. The company delivered record earnings before interest, tax, depreciation and amortisation (EBITDA) of €98.3m, up 10% on the previous year. Operating cash flow at €15.2m was up 130% on 2015 while operating profit (before exceptional items and revaluation gains) increased by 6.6% to €64.4m.

Coillte 2016 Financial highlights

- EBITDA of €98.3m, up 10% on the previous year and represents growth of 22% over the last two years
- Operating cash flow increased by 130% from €6.5m to €15.2m
- Operating profit before exceptional items and revaluations gains of €64.4m, up 6.6% from €60.4m in 2015
- Record revenue earned of €287.7m
- Significant structural shift in cost base which will realise cost savings of €15m per annum over the next two years
- Refinanced €260m debt facilities with existing bank consortium and European Investment Bank, which will result in over €3m savings in interest costs every year
- Investment of €59.7m in Group capital expenditure programme in 2016 (2015: €82.9m)
- Commissioned a new €59m Smartply manufacturing facility in County Kilkenny
- Dividend paid to the State increased by 24% to €6.2m

Commenting on the results the Chief Executive of Coillte, Fergal Leamy said: *“During 2016 we made considerable progress towards achieving our ambitious financial and operational targets. A key focus of our new strategy is to grow operating cashflows so that we can increase the return to our shareholder. In 2016 operating cash increased significantly to €15.2m from €6.5m in 2015. Historically operating cash has been negative or breakeven. The significant growth in operating cash gives us further confidence that we can achieve our 5% cash yield target by 2020 and we have set ourselves the challenge of more than doubling operating cashflows in the next two years.*

Focusing on our cost base has also been a key objective and we have made very good progress towards a structural shift which will realise cost savings of the order of €15m per annum over the next two years.

We are creating stronger businesses that will be more robust into the future. 2016 was a very significant year of progress as we successfully implemented the second year of our ambitious transformation strategy to become the best forestry and land solutions company in Europe. We have set clear strategic objectives and financial targets for the next five years that will ensure we achieve our vision and transform our business from one that makes a minimal return on investment historically to one that drives a consistent 5% return from our €1.4 billion asset base by 2020.

We still have a significant challenge ahead to hit the targets we have set ourselves, however we are encouraged by the progress we have made to date and the fact that we are beginning to see the results from the successful execution of our strategy.”

2016 Overview

During 2016 Coillte made the following significant changes and investments which will be critical enablers to the future success of the business:

- Appointed and embedded strong leadership teams across the Group to drive the company’s new strategy
- Successfully secured more favorable financing facilities for up to €260 million that will underpin the Group’s strategy for the next five years and will result in interest cost savings of over €3 million per annum

- Continued to invest strongly in forestry assets and in leading edge technology across the Group that will improve operational performance
- Completed the €59 million investment in Smartply that will enable movement to a value-added model in that business
- Completed investments totaling €160 million alongside Coillte's partners in the first two wind farms in Raheenleagh and Sliabh Bawn

Coillte's 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, we operate three strong businesses, our core forestry business, our wood panels manufacturing business (MEDITE SMARTPLY) and our Land Solutions business. During 2016, each of these businesses made excellent progress and achieved several of their strategic milestones.

Core forestry division

The core forestry division has the potential to be the best forestry company in Europe and the plan is to increase the return on this business from 1% today to 3.5% by 2020. During 2016, the forestry business made excellent progress towards achieving their strategic ambitions. Log sales to Coillte's sawlog customers increased 25% from 2015 to 1.6 million m³ in 2016, which is the highest sales level achieved in 10 years. Furthermore, 19 million trees were planted over 7,800 hectares, an increase of 15% on last year and the highest level of forest establishment completed in over 10 years. The record growth in supply capabilities has been enabled by world class strategic resource planning technologies, which have been deployed to substantially improve production operations. This provides customers with further assurance that Coillte can guarantee security of supply and gives them the confidence to invest and expand their own processing capabilities.

Coillte will continue to work more closely with customers to understand their needs and deliver products and services that will support their expansion in export markets. With over 70% of Irish timber products exported to the UK every year, the uncertainty created by Brexit poses several challenges for the forestry industry. During 2016 Coillte established a Timber Industry Brexit Forum with key industry stakeholders to identify ways that the forestry sector

can minimise the potential adverse impact of Brexit and ensure that the industry delivers on its growth potential. Currently the Irish forestry sector supports 12,000 rural based jobs in Ireland and contributes approximately €2.3 billion to the economy every year. Over the next ten years the industry has the potential to double in size with significant growth coming from privately owned forests. Coillte will play a leadership role in driving this growth. In April 2017 Coillte Premium Partners was launched to help mobilise private forestry. This partnership offers private forest owners an annual, fixed payment from their forests while retaining ownership of their land.

MEDITE SMARTPLY

The panel manufacturing business MEDITE SMARTPLY, based in the south-east of Ireland, is the leading supplier of innovative, market led MDF and OSB timber products. This business has the potential to be the leading player in value-added wood panel products in Europe.

In 2016, MEDITE SMARTPLY successfully completed and commissioned its new Smartply manufacturing facility, which will be a key enabler for the business to achieve its value-added product strategy. To date the business has made strong progress on its commercialisation plan, securing new volume and valued-added sales and expanding into new European markets. 2016 was also a record year for Medite, with strong growth in MDF sales across all markets leading to the highest volume of MDF sales achieved in the history of the business. Medite successfully completed its first operational excellence programme resulting in significant operating overhead savings. In March 2017, Coillte completed a €68 million deal with global partners, BP and Accsys Technologies, to build the world's first Tricoya® wood chip manufacturing plant in the UK. This plant will enable Coillte to significantly increase the production and sales of its innovative MEDITE® TRICOYA® EXTREME product which can be used in many exterior and wet area applications.

Land Solutions

Coillte's Land Solutions division has the potential to be a leader in providing innovative land solutions across a broad range of infrastructure sectors that support national policy objectives. Over the next 5 years the plan is to transform this business from one that

previously relied on large one-off land sales transactions to one that has a strong pipeline of initiatives that generate sustainable, recurring income streams.

2016 was another significant year for the renewables business. Raheenleagh Wind Farm in Co. Wicklow, a joint venture with ESB, started exporting power to the national grid and is the first wind farm in Ireland to combine an operating wind farm with commercial forestry and full public access to recreational amenities. Coillte continued to make excellent progress on Cloosh Valley Wind Farm in Co. Galway, a joint venture with SSE and the largest wind development in Ireland and on Sliabh Bawn Wind Farm in Co. Roscommon, a joint venture with Bord na Móna. Both wind farms will become operational in 2017. Coillte also reached financial close on Castlepook Wind Farm in Co. Cork, a joint venture with ESB. This is the fourth wind project Coillte has financially closed in the last 18 months and brings the total investment value in these wind farms to €400 million. Working with its partners Coillte is now well positioned to achieve its ambition of having 320MW of installed capacity providing power for over 300,000 homes by 2019.

In 2016, we finalised the sale of land to IDA Ireland to facilitate the location of an Apple data centre in County Galway and the sale of land to Center Parcs to develop a premier holiday resort in County Longford. These transactions represent two of the largest foreign direct investments in tourism and data centres in Ireland and will provide significant rural employment and other major benefits to the country. Over the next 10 years Coillte will continue to maximise the value of its land to support the implementation of national Government policies in areas such as waste water treatment, residential housing, telecommunications and renewable energy.

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