

CHAIRMAN'S STATEMENT

I am pleased to bring you the Annual Report of Farmer Business Developments plc for 2022. Before I proceed to the results, I wish to pay tribute to Padraig Walshe.

TRIBUTE TO PADRAIG WALSH



The sudden and untimely passing of our esteemed Chairman and friend, Padraig Walshe, on 1 February 2023 caused great shock and sadness in Farmer Business Developments plc and throughout the farming community. He will be deeply missed.

Padraig gave outstanding service and leadership to our Company as a Director from 2006 and then as Chairman from 2010 when he succeeded Paddy O'Keefe on his retirement. He was steeped in the NFA/IFA tradition of activism and community involvement outside the farm gate and his father, Paddy, had canvassed Laois farmers door-to-door collecting £50 to set up FBD Insurance in the late 1960s.

Padraig played a huge role in the growth, development and diversification of our business in the interests of our farmer shareholders in his 17 years of service. He was a strong advocate of the initial 50:50 joint venture and then the 100% acquisition of FBD Hotels & Resorts, which has proved so successful. He represented our interests on the board of Bulberry Properties, which owns development lands at the new Berlin airport, and oversaw our acquisition of control at Bulberry by increasing our shareholding to 61%.

As a director of FBD Holdings plc, Padraig always kept a strong focus on FBD's farmer customers. He was a passionate advocate of maintaining farmer ownership and influence in FBD and was proud of the critical role this Company played in the successful 5% Loan Note issue which helped FBD to buy out the Fairfax interest in 2018, thus avoiding any dilution of our stake.

As his home outside Durrow, County Laois, Padraig was an outstanding farmer and a pioneer in efficient grassland management. With the support of his wife, Ella, and their family, he combined this with a lifelong commitment to the advancement of Irish farmers where over the past 40 years he represented farmers at the highest level in Ireland and Europe, as President of Macra na Feirme, President of the Irish Farmers' Association and President of the European farmers' organisation, COPA.

In recognition of his contribution to the farming community at so many levels, your Board has decided that this Company will establish an initiative to honour Padraig's legacy, the details of which will be announced in due course.

NEW CHAIRMAN

It is a great honour for me to have been elected Chairman of Farmer Business Developments plc. I want to build on the progress we have made under Padraig and focus on continuing to deliver superior returns to our shareholders.

RESULTS

I am pleased to report to you that Farmer Business Developments plc ("the Group") performed very strongly in 2022 recording a Group profit after tax of €17.93m up from €9.89m in the prior year. Our results benefitted particularly from the post Covid resumption of dividend payments by FBD Holdings plc and an excellent performance by FBD Hotels & Resorts.

To assist shareholders in understanding our results, we have produced a Divisional Summary Statement below, which separates the results for the Group, and we explain the main elements before commenting on each division in more detail later.



Divisional Summary Statement	2022	2021
	€000s	€000s
FBD Hotels & Resorts EBITDA	18,748	13,128
Bulberry Properties EBITDA	(956)	59
Farmer Business Developments Investment EBITDA	(197)	2,971
Integration Costs (Killashee Hotel)	(637)	-
Depreciation	(4,927)	(4,019)
Reversal of impairment of hotel assets	985	-
Profit Before Interest and Tax	13,016	12,139
Dividend income	8,715	-
Interest Income	1,068	1,058
Interest Expense	(2,375)	(1,558)
Taxation	(2,497)	(1,749)
Profit after taxation	17,927	9,890
Shareholders' funds attributable to the owners	272,499	231,068

The Summary Statement shows the exceptional recovery in 2022 of FBD Hotels & Resorts business after the lifting of Covid restrictions, recording a profit of €18.75m, compared to a profit of €13.13m in 2021.

The Berlin vehicle, Bulberry Properties, in which we have a 61% stake, did not transact any land deals during 2022 and made a loss of €0.96m in the year.

On investments, there was a €0.2m net mark-down recorded in 2022 after a mark-up of €2.97m in 2021.

On the income side, we have the aforementioned resumption of dividend income from FBD Holdings plc at €8.72m.

CHAIRMAN'S STATEMENT *continued*

Interest income of €1.07m mainly relates to the FBD Holdings Loan Note 5% coupon.

The interest expense is up by €0.8m to €2.38m in 2022 reflecting both the higher debt levels in the Group following the acquisition of the Killashee Hotel and the increase in the Euribor interest rate in the second half of 2022.

This leaves our Group profit before taxation at a healthy €20.42m for 2022, a 9% return on 2021 Shareholders' funds.

Our Balance Sheet shows the value attributable to the shareholders was €272.5m at the end of 2022, up €41.4m (18%) for the year. This is after returning circa €8.2m to shareholders by way of €3.8m in dividends to ordinary and preference shareholders and €4.4m through the voluntary share buy-back.

REVIEW OF INVESTMENTS

A) FBD HOLDINGS PLC

FBD Holdings plc produced another solid set of results for 2022, reporting a profit before tax of €73.7m supported by a strong underwriting profit of €85.7m.

The performance of the operating business was positive in a highly competitive market with gross written premium up 3.4%, customer retention rates up 1.5% and a solvency capital ratio of 226% providing a substantial capital buffer. The net asset value per share decreased from €13.38 at the end of 2021 to €11.88 at the end of 2022, impacted by the €1 dividend payment and losses on investments in a very difficult year for risk assets.

With a robust capital position and continued profitability, FBD Holdings plc announced a proposed dividend payment of €1 per share for the 2022 financial year and the intention to return further capital in the short and medium term.

The FBD Holdings plc share price closed the year at €11.05 per share, up 50% from €7.34 on the previous year, resulting in a €31.65m increase in the book value of our 23.97% stake to €96.89m. Including the €21m bond investment our overall investment in FBD Holdings plc is €118m or 43% of our shareholder funds.

FBD Insurance expects to receive a reasoned ruling shortly in the business interruption case which they anticipate will assist in the settlement of all outstanding claims.

The strategy of FBD Insurance is to focus on its strengths to deliver profitable growth, strengthen its relationships with its core farm and business customer segments and maintain underwriting discipline.

Our policy is to maintain our stake in FBD Holdings plc as a long-term investment, with the expectation also of dividend income.

FBD INSURANCE DISCOUNT

I take this opportunity to remind our shareholders, who hold or acquire at least 10,000 ordinary shares in our Company, that their investment is recognised and rewarded through a discount of 10% on their general insurance premiums with FBD Insurance. FBD has a proven track record of delivering a superior product and service to its core farming customers.

B) FBD HOTELS & RESORTS ("FBDH&R")

In last year's Annual Report, we described the outlook for FBDH&R in 2022 as positive, although some adverse factors in the global environment would put a drag on growth and demand. Against this backdrop, I am pleased to report record results for 2022 with EBITDA of €18.75m, with Leisure contributing €15.59m and Property €3.16m. This compares to EBITDA of €13.13m in 2021 and €13.7m pre Covid in 2019. Excluding our Killashee Hotel acquisition, our EBITDA on a like-for-like basis for 2022 increased by 25% over 2019. This is a tremendous business performance and I want to acknowledge the contributions of the leadership team, management and staff of FBDH&R in delivering these results.

Overall Leisure revenue for 2022 was €93m compared to €39m in 2021 and €64m in 2019. Excluding Killashee revenues of €12.5m, Ireland leisure revenue of €42.5m was up 45% on 2019 revenue, with Spain leisure revenue of €38m up 10% on 2019.

On Property, our partnership with developer Taylor Wimpey at La Cala Resort had another record year with the sale of 73 built units, while we sold five villa plots. The €10.7m cash generated from sales closings at La Cala has been vital to FBDH&R's strong cash/liquidity position. I am very pleased to report that we have recently contracted for a second development with Taylor Wimpey for the majority of our remaining residential land at La Cala. This deal further underpins the future performance of La Cala.

FBDH&R took ownership of Killashee Hotel outside Naas for €25m on 1 April 2022, and we have made additional investments of €3.6m in the resort, inclusive of integration costs. We are pleased with the early progress of this asset under our management, which added circa 11% to FBDH&R leisure earnings in its first 9 months under our ownership.

The positive performance of FBDH&R has enabled it to resume dividend payments to its parent, Farmer Business Developments plc, with €2.75m paid in June 2022 and a further €3.5m to be paid in June 2023. Maximising dividend return to the parent company is the key FBDH&R priority.

The outlook for our business in 2023 remains positive, notwithstanding adverse factors in the global environment. Forward bookings are strong and business continues to grow, with Leisure revenues on course to hit €100m in 2023. While energy costs appear to have stabilised at higher levels, the uncertainties around the war in Ukraine remain, and rising interest rates and inflation are significant challenges. Our businesses are closely focused on controlling cost pressures wherever we can, especially in the areas of labour, energy and food. With a strong balance sheet and liquidity, FBDH&R is well positioned to meet the challenges, maximise opportunities and deliver strong returns to our shareholder.

C) BULBERRY PROPERTIES LIMITED (BERLIN)

Our third largest investment is our 61% stake in Bulberry Properties which holds a prime plot of 33,067 sqm (3.3ha) of development land at Schönefeld, close to Berlin's new Willy Brandt Airport, which is now the only airport serving the German capital. This land is of interest to developers because of its proximity to the new airport and excellent transport links to the city.

While passenger numbers at the new airport doubled from 9.9m in 2021 to 19.85m in 2022 and show further growth in early 2023, the property market in Berlin has continued to stagnate due to unease over the war in Ukraine and associated energy cost increases/supply issues, general inflation and interest rate rises, and uncertainty over post Covid office requirements. Bulberry therefore continues to hold our prime plot and keep a close eye on the market to ensure that we realise its full value when we exit this investment.

At 31 December 2022, the Group carried its investment in Bulberry at €25.7m, which represents 9% of shareholders' funds. The remaining development land is carried in our consolidated accounts at circa €13m and we remain confident that we will achieve a substantial premium on that carrying value in due course.

D) OTHER INVESTMENTS

Our remaining Balance Sheet consists of a portfolio of smaller investments totalling €24.4m, net cash of €0.3m and other net assets of €1m. The investments include international equities, private equity funds and stakes in private companies, together with an Irish venture capital fund. In 2022, we materialised a gain of €0.15m on the 2021 year-end valuations.

DIVIDEND

As a result of the strong performance in 2022, the Directors are pleased to recommend a dividend of 9 cents per ordinary share for the year 2022. The record date for dividend purposes is 19 May 2023 and, subject to approval at the AGM on 9 June 2023, the dividend will be paid on 27 June 2023. Your Board is committed to a sustainable dividend policy of using available resources to benefit shareholders.

INITIATIVES TO IMPROVE LIQUIDITY FOR SHAREHOLDERS

A) PROPOSED VOLUNTARY SHARE BUY-BACK

Last year's voluntary share buy-back scheme proved very popular with a number shareholders who wanted to cash-in their investment and was significantly oversubscribed. Your Board responded by increasing the funding of the scheme to €4.4m, which allowed 2.88m shares or 75% of those offered to be bought back and cancelled.

Following the success of last year's scheme, the Board is proposing to give shareholders the option of participating in another buy-back scheme this summer. The buy-back price would be €1.91 per share, which is 25% higher than last year's price of €1.53. The buy-back price formula is unchanged and represents 35% of the balance sheet value attributable to shareholders in our latest annual results less the amount proposed in dividend payments to shareholders. The higher buy-back price therefore reflects the increase in the value of our balance sheet at end 2022. Once again, the Board intends to cancel all shares purchased.

CHAIRMAN'S STATEMENT *continued*

The buy-back would have advantages for all shareholders allowing those who wish to sell to realise their investment, while those who stay invested will see the value of their holdings increase.

Subject to the approval of a special resolution by shareholders at the Annual General Meeting on 9 June 2023 to facilitate the buy-back of shares:

- the Company will commit €3m to a voluntary buy-back scheme at a buy-back price of €1.91, which is sufficient to facilitate the purchase of 1,570,680 shares;
- in the event of an oversubscription above this amount, preference will be given to the first 10,369 shares offered by each shareholder (ie the number of shares held today by a typical original investor who invested £50 in FBD in the late 1960s) and applications will be scaled back proportionately;
- the Company will write to all shareholders on 19 June 2023 giving them the option of applying for the buy-back; applications will close on 21 July 2023 and following verification and any scale-back of applications, applicants will receive payment for shares sold on 18 August 2023.
- In addition to the above, in the period from the closing of the summer 2023 scheme until the 2024 AGM the Board will be authorised to exercise its absolute discretion to approve additional buy-backs up to a total of 150,000 shares at the same buy-back price.

B) PROPOSED SHARE SALE

In last year's annual report, the Board indicated our desire to launch an in-house share trading service. Unfortunately, this proved impossible due to regulatory restrictions. The Board is therefore pursuing an alternative approach to give buyers the opportunity to purchase shares from the Company from time to time.

In response to enquiries from shareholders who wish to increase their shareholding and from potential new farmer investors who want to buy shares, the Board is proposing to make treasury shares available for reissue at a price of €1.91 per share, which is the same as the buy-back price. The Company currently holds 2,877,772 ordinary shares in treasury.

Subject to the approval of a special resolution by shareholders at the Annual General Meeting on 9 June 2023 to facilitate the sale of treasury shares:

- the Company will write to all shareholders on 21 August 2023 inviting applications to purchase treasury shares at a price of €1.91 per share; applications will close on 22 September 2023;
- applicants may subscribe to buy any number of shares, subject to a minimum application of 3,000 shares and a maximum of 50,000 shares per applicant;
- applications will be accepted from existing shareholders, approved new farmer investors and Directors; (Note: to be approved as a new farmer investor, an applicant must be both a farming customer of FBD Insurance plc and a member of IFA for a minimum of three years in each case at the time of application.)
- if oversubscribed, preference will be given to the first 3,000 shares subscribed per applicant and applications will then be scaled back proportionately;
- the Board will review the operation of the share sale and where treasury shares remain available may accept further applications to purchase treasury shares in the period up to the 2024 AGM.

The Board's objective in the proposed voluntary share buy-back and share sale initiatives is to improve liquidity in our shares and achieve a sustainable situation where those shareholders who wish to do so can realise their investment at a reasonable price while others can build their investment. We are prepared to adjust our approach and intervene again as necessary to achieve this objective.

In the event of abnormal financial or other circumstances, the Board would reserve the right to review this approach and to act in the best interests of the Company.

DIVERSITY

The Board is committed to improving diversity at Board level in particular in regard to female representation. It is widely recognised that a more diverse Board leadership delivers benefits for company performance through diversity of thinking and perspectives, and increased understanding of and responsiveness to customer and shareholder requirements.

As an initial step, we are proposing to amend the Company's constitution to introduce a new requirement that at least one of the four Directors appointed by our co-operative shareholders must be a female Director. Subject to the approval of a special resolution by shareholders at the Annual General Meeting on 9 June 2023, we would expect a female Director to be appointed by the co-operatives this September.

SHARE REGISTRARS

Link Registrars Limited have administrative responsibility for share dividend payments, updating shareholder records and for the registration and certification of share transfers arising from the settlement of estates and private transactions. Link deal with shareholder queries in writing, by telephone and on email. They may be contacted at 01-5530050, enquiries@linkgroup.ie and at Link Registrars Limited, 149 The Capel Building, Mary's Abbey, Dublin 7, D07 DP79.

CONCLUSION

Our Company has demonstrated its ability to withstand the extraordinary challenges of the past few years and to emerge stronger than ever with excellent Group results for 2022.

FBDH&R is now trading above pre-pandemic levels in both Spain and Ireland and is clearly focussed on maximising business opportunities and growing shareholder value, as the acquisition of Killashee Hotel demonstrates. Strong property sales at La Cala were critical to our cash flow during the last two years and the property outlook remains positive. FBD Holdings plc produced a solid set of results in 2022 growing premium income while maintaining underwriting discipline in a very competitive market. We are biding our time with our Berlin investment to ensure we maximise its value at exit.

We have a strong balance sheet with modest debt levels and have confidence that our businesses and investments will continue to deliver superior returns to our loyal shareholders.

Thank you for your support.



Pat Murphy

Chairman

02 May 2023