

## QUESTIONS AND ANSWERS

**Note: This document is reproduced from, and forms part of, the Circular issued in connection with the Return of Capital. A copy of the Circular and related documents in connection with the EGM are available on the Company's website at [www.donegaligroup.com/investor-centre/egm2022](http://www.donegaligroup.com/investor-centre/egm2022). You should read the whole of the Circular and not rely solely on any single part of the Circular, including this document. Capitalised terms used in this document have the same meanings as in the Circular.**

### **Q1. What is being proposed by Board of Donegal?**

The Board is proposing to provide for a Return of Capital to Shareholders of up to €20 million by the creation (through conversion of certain existing Ordinary Shares Outstanding) and subsequent redemption of the Redeemable Ordinary Shares.

Under the Board's proposals, if the Resolutions are approved and the Conversion and Redemption are fully implemented, then 46.21% of each Shareholder's total holding of Ordinary Shares will be converted into Redeemable Ordinary Shares and redeemed and each Shareholder will receive:

- cash of €15.30 per Ordinary Share converted into a Redeemable Ordinary Share and subsequently Redeemed, this being the Redemption Price; or
- a Deferred Share for each Ordinary Share, which would otherwise have been Converted and Redeemed, had such Shareholder not notified the Company in accordance with section 83(4) of the Companies Act 2014 before the Conversion and Redemption Date of their unwillingness to have the pro rata portion of their Ordinary Shares at the Conversion and Redemption converted into Redeemable Ordinary Shares.

### **Q2. Why is the Return of Capital being proposed now?**

In the last number of years, Donegal has released capital from surplus proceeds generated from the disposal of non-core assets. This resulted in returns of capital to shareholders by way of share conversion and redemptions as approved at previous extraordinary general meetings of the Company.

Donegal has recently generated and received further surplus capital from proceeds generated from:

- the disposal of its majority interest in Nomadic Dairy Limited announced by the Company on 5 November 2021; and
- the disposal of surplus property assets.

As at 31 August 2021, the Group's year end reporting date, cash at bank net of overdraft was €4.4m, with no existing debt other than liabilities arising out of leasing arrangements of €0.7m. Following the sale of its shares in Nomadic Dairy Limited the Group received initial consideration of €21.3m before costs of disposal.

The purpose of the Resolutions proposed at the 2022 EGM is to approve the Return of Capital, which will take effect on a similar basis to previous redemptions.

### **Q3. What is the Return of Capital?**

The Return of Capital is the method by which the Company intends to return approximately €20 million of cash to Shareholders.

**Q4. What is the Redemption Price?**

The Redemption Price is €15.30 per Ordinary Share converted into a Redeemable Ordinary Share and subsequently redeemed. This price is based on the weighted average price of the Company's Ordinary Shares in the period between the announcement of the disposal of Nomadic Dairy Limited on 5 November 2021 and the Latest Practicable Date.

**Q5. How is the Return of Capital being made?**

The Return of Capital is made by the redemption by the Company of Redeemable Ordinary Shares. Approximately 46.21% of your Ordinary Shares will be converted into Redeemable Ordinary Shares, rounded down to the nearest whole share and the Redeemable Ordinary Shares will then be redeemed by the Company at the Redemption Price of €15.30 per share redeemed.

**Q6. Who is eligible to receive a Return of Capital Payment?**

The Return of Capital is open to all Shareholders on the register of members of the Company at 6:00 p.m. on 14 February 2022.

**Q7. Do I continue to be a shareholder after the Return of Capital?**

Yes, immediately following the Return of Capital you continue to hold the same proportion of Ordinary Shares as you held before it. The only difference is that number of Ordinary Shares held by you will have been reduced by approximately 46.21%, similarly with all other Shareholders. Further details of the Return of Capital are set out in the Letter from the Chairman in Part I of this Circular and the terms and conditions of the Redemption are set out in Part III of this Circular.

**Q8. Will my shareholding in the Company be diluted?**

No. All shareholders will hold at least the same percentage of Ordinary Shares Outstanding in the Company after the Redemption is completed as they did beforehand. This is because the Board does not expect Shareholders owning a material number of Ordinary Shares to notify the Company, prior to the Conversion and Redemption, pursuant to section 83(4) of the Companies Act 2014 of his/her/its unwillingness to have the pro rata portion of his/her/its Ordinary Shares converted into Redeemable Ordinary Shares.

**Q9. Can I choose to retain all my Ordinary Shares rather than participate in the Redemption?**

No, any Shareholder who objects prior to the Conversion and Redemption to having the pro-rata portion of his/her/its shareholding converted into Redeemable Ordinary Shares will instead have those shares converted into Deferred Shares. A Deferred Share will have no rights other than a right to participate in any surplus arising on the winding up of the Company up to the nominal amount paid up on the Deferred Share, being €0.13 per Deferred Share.

**Q10. If I participate in the Redemption, how many of my Ordinary Shares will be converted to Redeemable Ordinary Shares?**

Approximately 46.21% of the Ordinary Shares that you hold at the Conversion and Redemption will be converted into Redeemable Ordinary Shares, rounded down to the nearest whole share.

**Q11. Under the Redemption, what will happen to my Redeemable Ordinary Shares?**

The Redeemable Ordinary Shares will be redeemed by the Company and cancelled and you will receive €15.30 per Redeemable Ordinary Share held.

**Q12. How many Ordinary Shares will there be in issue after the Redemption?**

Assuming the Redemption is implemented in full, the Redemption will result in the redemption (and subsequent cancellation) of approximately 1,307,190 Ordinary Shares (representing approximately 46.21% of the Ordinary Shares Outstanding as at the Latest Practicable Date). It is therefore expected that there will be approximately 1,521,600 Ordinary Shares Outstanding after the completion of the Redemption.

**Q13. How much cash will I receive and what percentage of the Ordinary Shares will I hold after the Redemption completes?**

Assuming the Redemption is implemented in full, you will receive €15.30 for each Redeemable Ordinary Share that is redeemed. Your percentage holding of Ordinary Shares will be the same after the Redemption as beforehand as the Redemption is being effected on a pro rata basis amongst all Shareholders.

**Q14. Can I delay having my shares redeemed until a later date?**

No. Once the relevant shares are converted to Redeemable Ordinary Shares, Shareholders will not be able to determine the timing of the redemption of their holding of Redeemable Ordinary Shares.

**Q15. What do I need to do?**

You are encouraged to sign and return the Form of Proxy by 12:00pm on Wednesday, 9 February 2022 to vote on the resolutions necessary to facilitate the Redemption. The appointment of a proxy may be submitted electronically, subject to the terms and conditions of electronic voting, via the internet by accessing the Company's Registrar's website [www.eproxyappointment.com](http://www.eproxyappointment.com). Further details on this are set out in section 10 of the Letter from the Chairman in Part I of this Circular. You should contact the Company's registrar, Computershare Investor Services (Ireland) Limited, 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82 during normal business hours on telephone number 01 4475462 if calling from Ireland or 00 353 14475462 if calling from outside Ireland if you have any query in relation to your shareholding in the Company.

**Q16. When will I receive my Return of Capital Payment?**

Under the expected timetable of events, it is expected that if you hold your Ordinary Shares in certificated form, a cheque would be despatched to you within 14 days of the Capital Return Record Date.

Payment will also be sent to Euroclear Bank within this same timeframe for onward distribution by Euroclear Bank under the terms of the EB Service Description.

**Q17. What is the tax treatment for Irish or UK resident Shareholders?**

For summary information about certain Irish and UK taxation aspects of the Redemption please see Part IV of this Circular. If you are in any doubt about your tax position, or if you are subject to tax in a jurisdiction other than Ireland or the UK, you should consult a professional adviser. All Shareholders are strongly advised to consult their professional advisers regarding their own tax position, based on their own personal circumstances, in relation to the tax implications of the proposed Redemption.

**Q18. Do I have to take Redeemable Ordinary Shares?**

Section 83(4) of the Companies Act 2014 provides that any Shareholder may notify the Company of his/her/its unwillingness to have his/her/its Ordinary Shares converted into

Redeemable Ordinary Shares before the Conversion and Redemption Date. However, if a Shareholder is proposing to do this, he or she should note that Resolution 2 provides that the percentage of his/her/its Ordinary Shares which would have been converted into Redeemable Ordinary Shares shall instead be converted into Deferred Shares. Resolution 2 will also amend the Articles so as to provide that a Deferred Share shall have no rights other than a right to participate in any surplus arising on the winding up of the Company up to the nominal amount paid up on the Deferred Share, being €0.13 per Deferred Share.

**Q19. What happens if the Resolutions are not approved at the EGM?**

In such circumstances, the planned Return of Capital will not proceed and Shareholders will not receive the Return of Capital of up to €20 million at the Redemption Price of €15.30 per Redeemable Ordinary Share.

**Q20. Are there any plans to redeem any more shares thereafter?**

There are no plans to redeem any more shares after the proposed Redemption.

**Q21. Will I receive a new share certificate?**

Those holding shares through the EB System do not have share certificates.

New share certificates will be issued to each certificated Shareholder post-Redemption to reflect the new number of Ordinary Shares held by it.

All existing share certificates will cease to be of value.

**Q22. Who do I contact if I have a query?**

If you have a query in respect of your shareholding, please contact the Company's Registrar on 01 4475462. If you have a query in respect of the taxation implications of this proposal, please contact your tax adviser. Should you wish to be sent a copy of the Company's 2020 Annual Report, you may request this by telephoning the Company's Registrars on 01 4475462 or by writing to the Company Secretary at the registered office.