

The information contained within this announcement was previously deemed by the Company to constitute inside information as stipulated by Market Abuse Regulation (EU) No 596/2014. With the publication of this announcement via a Regulatory Information Service, this information is now considered to be in the public domain.

1 November 2024

Donegal Investment Group plc
(“Donegal” or the “Company”)

Announcement of Return of Capital

The Board of Donegal announces today that it is proposing a return of capital to shareholders of up to €4.8 million by the conversion of ordinary shares into redeemable ordinary shares and subsequent redemption of the redeemable ordinary shares on a basis similar to the return of capital, also effected by a conversion and redemption of ordinary shares, in January 2022 (the “**Return of Capital**”).

Details of the proposed return of capital will be set out in the Circular which will be available on the Company’s website at www.donegaligroup.com/investor-centre/agm2024 from 5 November 2024. AGM documentation will be posted to shareholders on Monday 4 November 2024, including the required resolutions to be voted on by shareholders at an annual general meeting to be held on Friday 29 November 2024 (the “**AGM**”).

Under the Board’s proposals, if the Return of Capital Resolutions are approved and the Conversion and Redemption are implemented then 18.15% of each Shareholder’s total holding of Ordinary Shares will be converted into Redeemable Ordinary Shares and redeemed (the “**Proportionate Redemption**”). If a Shareholder’s remaining holding of Ordinary Shares after the implementation of the Proportionate Redemption would be 50 or fewer Ordinary Shares, then 100% of that Shareholder’s remaining Ordinary Shares will be converted into Redeemable Ordinary Shares and redeemed (the “**Odd-lot Redemption**”).

In all cases, each Shareholder will receive:

- cash of €16.50 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 relevant portion of their Ordinary Shares at the Conversion and Redemption converted into Redeemable Ordinary Shares.

Reasons for making the Odd-lot Redemption

This year, in conjunction with the Proportionate Redemption, which follows the same format as the returns of capital approved and paid in 2020 and 2022, the Company is making an additional Odd-lot Redemption, pursuant to which shareholders who would hold 50 or fewer Ordinary Shares after the implementation of the Proportionate Redemption will have their entire holding of Ordinary Shares at the price of €16.50 per share redeemed.

For historic reasons, the Company has a share register which includes an unusually large number of small Shareholders. The Company has a total of approximately 1,425 registered holders of Ordinary Shares holding in certificated form (i.e. excluding those held in nominee accounts and held via Euroclear Bank) of which almost 489 (34.3%) are Shareholders who hold 50 or fewer Ordinary Shares, representing, in aggregate, approximately 1% of the total number of Ordinary Shares in issue.

The Return of Capital is only available to Shareholders on the register of members of the Company on the Return of Capital Record Date. For practical reasons, this requirement means that Shareholders holding shares in nominee accounts or through Euroclear Bank will not be eligible in the Odd-lot Redemption. These holdings are not registered under the names of the respective Shareholders on the Company's register of members. The exact shareholding details of any such Shareholders are unknown that would be affected by this decision, which has been made based on operational considerations.

The rationale for the Odd-lot Redemption is as follows:

- the ability of such small Shareholders to deal their shares (and to cash dividend cheques) is constrained by disproportionate dealing and other costs;
- based on our experience with sending shareholder communications and dividend cheques, we also believe that a number of these small Shareholders are inactive. They (or their estates) may not realise that they have a small holding in the Company or may not attribute any real value to that small holding; and
- the Company's recurring costs of administration resulting from the relatively large number of Shareholders are disproportionate to the size of these small shareholdings and affect Shareholders as a whole.

By implementing the Odd-lot Redemption, the Directors will facilitate the disposal by holders of their shares at a price of €16.50 per share without the dealing costs that would typically render such disposals uneconomic, whilst giving active Shareholders the ability to opt-out of such a disposal by making the requisite election.

Therefore, we are seeking Shareholder approval to the Return of Capital Resolutions to implement the Odd-lot Redemption in conjunction with the Proportionate Redemption.

The Board believes that a return of up to €4.8 million of surplus capital from the cash proceeds generated from the disposal of assets represents the most effective use of Company funds and that the continued strength of the Group's balance sheet and its cash-flows after the Return of Capital will be sufficient to pursue the Group's ongoing strategy.

If the Return of Capital is implemented in full, this is expected to result in the redemption of approximately 289,591 Ordinary Shares, (or approximately 19.1% of the ordinary shares outstanding), which contrasts with the current modest levels of liquidity in the Company's shares.

If shareholders approve the required AGM resolutions the conversion and redemption required to implement the Return of Capital will be effected on the conversion and redemption date of Monday 20 January 2025 with shareholders receiving their redemption proceeds of €16.50 per share within fourteen days of that date.

The Company has decided to implement a Conversion and Redemption Date in January 2025 rather than December 2024 which the Board believes would be more beneficial to Shareholders as it affords them more time in relation to their tax filing requirements.

The key dates for the proposed Return of Capital are as follows:

Publication of the Circular	4 November 2024
Latest time and date for receipt of Forms of Proxy for the EGM	12:00pm on Wednesday, 27 November 2024
AGM date	2:00pm on Friday, 29 November 2024
Record time and date for entitlement to Return of Capital payments	6:00pm on 17 January 2025
Date of conversion and redemption of the relevant Ordinary Shares (the “ Conversion and Redemption Date ”)	20 January 2025
Dealings in Ordinary Shares with no entitlement to Return of Capital payments (the “ Ex-Date ”)	21 January 2025
Return of Capital payments dispatched	Within 14 days of the Conversion and Redemption Date

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