

**ANNOUNCEMENT OF RESULTS FOR THE 6 MONTHS ENDED 28 FEBRUARY 2018**  
**19 April 2018**

Donegal Investment Group plc ('DIG') ('Company') ('Group') reports its interim results for the 6 months ended 28 February 2018.

**FINANCIAL PERFORMANCE**

- Net asset value per share increased by €2.22 per to share to €8.24 at 28 February 2018 from €6.02 at 28 February 2017 (€5.94 31 August 2017).
- This significant increase arises primarily as a result of the €19.4m profit on disposal of the Group's 30% share in the Monaghan Middlebrook Mushrooms business – shown in the net exceptional gain of €19.2m.
- Group revenue decreased by €2.2m largely due to the reduction in the availability of seed potato following lower than expected yields across Europe during the 2017 seed crop harvest.
- Trading profits from the Group's businesses decreased by €0.2m to €3.2m, with adjusted operating profit decreasing by €0.7m for the period to €2.8m. Our seed potato business whilst performing well in all key markets was impacted by the availability of seed as well as continued difficult trading conditions in its South American markets.
- Adjusted EPS decreased by 6.2c to 23.9c.

**FINANCIAL POSITION**

- Following on from the disposal of a number of non-core assets including the Grianan Estate during the year ended 31 August 2017 and the Group's interest in the Monaghan Middlebrook Mushrooms business in the period ended 28 February 2018, the Group's financial position has changed significantly in the past 12 months which reflects the Group's successful monetisation of assets which generated low returns on capital or were not within majority ownership or control of the Group.
- Improvement of €62.5m in the past 12 months to a net cash position of €46.1m at 28 February 2018.

**RETURN OF CAPITAL**

- The Board is proposing to return up to €47.5m of capital to shareholders by way of a pro-rata conversion and redemption of up to 53.7% of all shareholders' ordinary shares on the conversion record date of 17 May 2018 (6.00pm) if approved at the proposed EGM of 16 May 2018. Further details are provided below and will be included in the circular that will be mailed to shareholders on Monday 23 April 2018 and posted on the Group's website.

Continuing operations – pre-exceptional		6 months ended 28 February 2018	6 months ended 28 February 2017	Change
Net asset value per share**	€	€8.24	€6.02	+€2.22
Cash at bank (net of overdraft)	€	€51.2m	(€5.4m)	+€56.6m
Net cash/(debt)	€	€46.1m	(€16.4m)	+€62.5m
Investment property carrying value	€	€2.4m	€17.7m	(€15.3m)
Revenue - continuing operations	€	€44.2m	€46.4m	(€2.2m)
Trading Profit ***	€	€3.2m	€3.4m	(€0.2m)
Adjusted operating profit	€	€2.8m	€3.5m	(€0.7m)
Profit before tax – continuing operations	€	€2.8m	€3.2m	(€0.4m)
Operating cash flow before interest & tax	€	(€2.3m)	(€2.3m)	-
Adjusted earnings per share*	Cent	23.9c	30.1c	(6.2c)
Basic earnings per share – continuing operations	Cent	23.9c	26.4c	(2.5c)

\* Adjusted earnings per share before the impact of change in fair value of investment properties in group & associates and the related deferred tax

\*\*Net assets are total equity attributable to equity holders of the Company

\*\*\* Trading profit equates to segmental result from continuing operations before exceptional items, net finance income/(expense), income tax and share based payments

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**H1 2017/18 Performance Review**

The Board is pleased to report on the significant progress which has been made in bringing the Group's non-core asset disposal programme to fruition. As a result the Group has seen its net cash position increase substantially by €62.5m over the past 12 months.

The Group's cash position (net of overdraft) was €51.2m at 28 February, notwithstanding the fact that the 6 months ended 28 February 2018 represents a near peak point in working capital requirements, due to the seasonal nature of both our animal feed and seed potato businesses. This is illustrated by the negative operating cash flow before interest and tax of €2.2m generated by the Group for the period.

The Board is satisfied with the first half performance of all businesses, with the produce seed potato business impacted by the availability of seed for sale into key markets in the first quarter of the financial year. The Food-Agri businesses, Nomadic and Smyth's, continued to perform very well for the Group over the first half of the year.

Group revenue decreased by €2.2m while adjusted operating profit decreased by €0.7m to €2.8m during the first six months in comparison with the first half of 2017, reflecting the reduction in the volume of seed available to our produce seed potato business.

**Produce**

Revenue decreased by €2.7m to €18.9m with profit decreasing by €0.7m to €1.8m in comparison with the first half of 2017.

Adverse weather conditions across all European growing areas resulted in lower than expected yields in turn giving rise to a reduction in the availability of seed potato. This resulted in volumes sold being marginally lower than planned in some key markets. However some of the volume losses were offset by improved trading margins. The business also experienced difficult trading conditions in its South American market with the seed potato industry in Brazil experiencing a significant downturn in demand due to the economic climate.

The majority of sales occur in the months of October to December and have a material impact on the bottom line performance of the produce segment in any twelve month period.

**Food-Agri & Property**

Revenue from operations increased by €0.5m to €25.3m. The segmental result for the period was a profit of €1.4m, an increase of €0.5m on the first half of 2017.

Our speciality dairy business continues to experience good volume growth with a number of additional listings being achieved with key customers in the UK. As noted in our announcement of 16 February 2018, the Board of Nomadic Dairy Limited is reviewing its strategic plans for the business to maximise shareholder value and as such has appointed corporate finance advisers to review available options for the business.

Our animal feeds business Smyth's, again performed satisfactorily during the first half of the year, with tonnage sold marginally ahead of the same period in 2017.

In addition, property located in Donegal was disposed of during the period resulting in net sales proceeds of €1.1m.

## **Associate**

As announced on 16 February 2018, under the terms of the settlement with the majority owner of the Monaghan Middlebrook Mushrooms business, cash proceeds of €41.5m were received on 15 February in accordance with the Settlement Agreement. Under the terms of the Settlement Agreement two non-conditional deferred payments are to be received by the Company as follows:

- (a) €2,000,000, to be received on or before 15 February 2019; and
- (b) a further €2,000,000, to be received on or before 15 February 2020,

bringing the total consideration receivable pursuant to the Settlement Agreement to €45.5m. The Settlement Agreement was approved by shareholders at the EGM of 27 November 2017.

## **Finance**

The Group's financial position improved by €62.5m over the past 12 months, arising from the aforementioned Monaghan Middlebrook Mushroom disposal proceeds and the disposal of the Grianan Estate during the year ended 31 August 2017, resulting in a net cash position of €46.1m at 28 February 2018.

## **Return of Capital**

The Board of Donegal is proposing a return of capital to shareholders of up to €47.5 million by the conversion of ordinary shares into redeemable ordinary shares and subsequent redemption of the redeemable ordinary shares. Details of the proposed return of capital will be set out in the Circular to be posted to shareholders on Monday 23 April 2018, including the required resolutions to be voted on by shareholders at an EGM to be held immediately following the Group's AGM on Wednesday 16 May 2018.

Under the Board's proposals, if the EGM resolutions are approved and the Board effects a conversion and subsequent redemption, approximately 53.7% of each Shareholder's total ordinary shares held on the conversion record date of 17 May (6.00pm) will be redeemed and each shareholder will receive:

- Cash of €9.25 per ordinary share converted into redeemable ordinary shares and subsequently redeemed; 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 record date of their unwillingness to have the pro rata portion of their ordinary shares at the conversion record date converted into redeemable ordinary shares.

The Board believes that a return of circa €47.5 million of capital in cash 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.

The redemption price of €9.25 per share represents a premium of 2.8 per cent to the closing price of €9.00 per share on 18 April 2018, the last date prior to this announcement and a premium of 17.1 per cent to the volume weighted average price per share over the 6 month period to 18 April 2018.

If the return of capital is implemented in full, this is expected to result in the redemption of approximately 5,134,223 Ordinary Shares (or approximately 53.7% of the ordinary shares outstanding), which contrasts with the modest historic levels of liquidity in the Company's shares, as evidenced by the total volume of shares traded on ESM over the 6 month period to 18 April 2018, the last date prior to this announcement, being 914,167.

If shareholders approve the required EGM resolutions the conversion and redemption required to implement the return of capital will be effected on 18 May 2018 with shareholders receiving their redemption proceeds of €9.25 per share within fourteen days of the proposed redemption date of 18 May 2018.

## **Outlook**

The majority of sales generated by the Group occur in the first half of the financial year due to the seasonal nature of our seed potato business, and to a lesser extent our animal feeds business. Therefore, the Group's first half performance will continue to represent a materially significant element of the Group's full year performance.

The Board has noted that the market has responded positively to the significant changes in the Group's portfolio of assets in the last six months. Following our announcement of 16 February 2018 and if as expected shareholders approve the proposed return of capital this will result in further significant change. The Board recognises this and as such is undertaking a strategic review to assess all suitable options for the purpose of maximising long term shareholder value.

The Board is optimistic that all businesses will remain on plan for the remainder of the year and the Board will continue to progress its non-core asset disposal programme during the second half of the year, particularly in respect of its remaining property assets.

**AGM & EGM**

The Group's AGM will be held at The Silver Tassie Hotel, Ballymaleel, Ramelton Road, Letterkenny, Co Donegal, on Wednesday, 16 May 2018 at 11:30am. Immediately following the AGM, at the same venue on Wednesday, 16 May 2018, an EGM will be held at which shareholders will be asked to consider and, if thought fit, pass the resolutions necessary to effect the return of capital.

**Geoffrey Vance**  
**Chairman**

Donegal Investment Group plc  
Condensed consolidated statement of profit or loss and comprehensive income  
for the 6 months ended 28 February 2018

	Note	Unaudited			Unaudited			Audited		
		Pre- Exceptional €'000	Note 12 Exceptional €'000	6 months ended 28 February 2018 Total €'000	Pre- Exceptional €'000	Note 12 Exceptional €'000	6 months ended 28 February 2017 Total €'000	Pre- Exceptional €'000	Note 12 Exceptional €'000	12 months ended 31 August 2017 Total €'000
<b>Continuing operations</b>										
Revenue	5	44,222	-	44,222	46,403	-	46,403	77,018	-	77,018
Cost of sales		(31,775)	-	(31,775)	(33,206)	-	(33,206)	(56,399)	-	(56,399)
<b>Gross profit</b>		<b>12,447</b>	-	<b>12,447</b>	13,197	-	13,197	20,619	-	20,619
Other income		233	-	233	606	-	606	1,491	293	1,784
Other expenses		(24)	-	(24)	(214)	-	(214)	-	-	-
Distribution expenses		(4,870)	-	(4,870)	(5,141)	-	(5,141)	(7,859)	-	(7,859)
Administrative expenses		(4,960)	(165)	(5,125)	(5,047)	(270)	(5,317)	(9,795)	(1,067)	(10,862)
<b>Profit/(loss) from operating activities</b>		<b>2,826</b>	<b>(165)</b>	<b>2,661</b>	3,401	(270)	3,131	4,456	(774)	3,682
Finance income		136	-	136	218	-	218	92	-	92
Finance expenses		(126)	-	(126)	(315)	-	(315)	(949)	(370)	(1,319)
<b>Net finance income/(expense)</b>		<b>10</b>	-	<b>10</b>	(97)	-	(97)	(857)	(370)	(1,227)
Share of loss of associates (net of tax)		-	-	-	(90)	-	(90)	(94)	-	(94)
Profit on disposal of asset held for sale	11	-	19,392	19,392	-	-	-	-	-	-
<b>Profit/(loss) before income tax</b>		<b>2,836</b>	<b>19,227</b>	<b>22,063</b>	3,214	(270)	2,944	3,505	(1,144)	2,361
Income tax charge		(487)	(60)	(547)	(389)	-	(389)	(222)	-	(222)
<b>Profit/(loss) for the period</b>	5	<b>2,349</b>	<b>19,167</b>	<b>21,516</b>	2,825	(270)	2,555	3,283	(1,144)	2,139

Donegal Investment Group plc  
Condensed consolidated statement of profit or loss and comprehensive income  
for the 6 months ended 28 February 2018

	Unaudited 6 months ended 28 February 2018 Total €'000	Unaudited 6 months ended 29 February 2017 Total €'000	Audited 12 months ended 31 August 2017 Total €'000
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation differences for foreign operations	67	(26)	(257)
Recycle of currency translation differences for foreign operations	-	-	370
Recycle of change in fair value of available for sale financial assets	(51)	-	(558)
Tax on recycle of change in fair value of available for sale financial asset	13	-	184
Revaluation of available for sale financial assets	-	20	35
Tax on revaluation of available for sale financial assets	-	(7)	(12)
Recycle of currency translation differences in associate undertaking	(615)	-	-
Recycle of revaluation of financial instrument in associate undertaking	1,900	-	-
<b>Total comprehensive income for the period</b>	<b>22,830</b>	<b>2,542</b>	<b>1,901</b>
<b>Profit attributable to:</b>			
Equity holders of the Company	21,465	2,587	2,252
Non-controlling interest	51	(32)	(113)
	<b>21,516</b>	<b>2,555</b>	<b>2,139</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	22,771	2,574	1,998
Non-controlling interest	59	(32)	(97)
	<b>22,830</b>	<b>2,542</b>	<b>1,901</b>
<b>Earnings per share:</b>			
<b>Basic earnings per share (euro cent)</b>			
Continuing	222.2	26.4	23.0
<b>Diluted earnings per share (euro cent)</b>			
Continuing	218.1	26.2	22.8

Donegal Investment Group plc  
Condensed consolidated statement of financial position  
As at 28 February 2018

	Note	Unaudited 28 February 2018 €'000	Unaudited 28 February 2017 €'000	Audited 31 August 2017 €'000
<b>Assets</b>				
Property, plant and equipment	8	8,790	12,214	8,708
Investment property	9	2,437	17,660	3,552
Goodwill		3,388	3,633	3,388
Intangible assets		373	403	393
Investment in associates	10	254	920	781
Other investments		11	1,164	187
Prepayment		-	187	-
<b>Total non-current assets</b>		<b>15,253</b>	<b>36,181</b>	<b>17,009</b>
Inventories		3,946	4,346	4,514
Trade and other receivables		32,661	27,257	18,030
Cash at bank		57,557	-	12,733
Current financial instrument		64	-	5
Total current assets before asset held for sale		94,228	31,603	35,282
Asset held for sale	11	-	23,835	23,835
<b>Total current assets</b>		<b>94,228</b>	<b>55,438</b>	<b>59,117</b>
<b>Total assets</b>		<b>109,481</b>	<b>91,619</b>	<b>76,126</b>
<b>Equity</b>				
Share capital		1,337	1,337	1,337
Share premium		2,975	2,975	2,975
Other reserves		(3,765)	(2,351)	(3,335)
Retained earnings		79,020	57,021	57,236
<b>Total equity attributable to equity holders of the Company</b>		<b>79,567</b>	<b>58,982</b>	<b>58,213</b>
<b>Non-controlling interest</b>		<b>1,142</b>	<b>1,192</b>	<b>1,083</b>
<b>Total equity</b>		<b>80,709</b>	<b>60,174</b>	<b>59,296</b>
<b>Liabilities</b>				
Loans and borrowings		5,065	11,000	5,079
Deferred income		74	86	71
Deferred tax liabilities		550	1,934	487
<b>Total non-current liabilities</b>		<b>5,689</b>	<b>13,020</b>	<b>5,637</b>
Trade and other payables		15,141	12,718	9,446
Bank overdraft		6,396	5,421	527
Current financial instrument		-	78	-
Current tax		1,526	196	1,198
Loans and borrowings		20	12	22
<b>Total current liabilities</b>		<b>23,083</b>	<b>18,425</b>	<b>11,193</b>
<b>Total liabilities</b>		<b>28,772</b>	<b>31,445</b>	<b>16,830</b>
<b>Total equity and liabilities</b>		<b>109,481</b>	<b>91,619</b>	<b>76,126</b>

Donegal Investment Group plc  
Condensed consolidated statement of changes in equity  
for the 6 months ended 28 February 2018

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 September 2017	1,337	2,975	(2,782)	(3,023)	3,694	(1,862)	638	57,236	58,213	1,083	59,296
<b>Total comprehensive income for the period</b>											
Profit for the period	-	-	-	-	-	-	-	21,465	21,465	51	21,516
<b>Other comprehensive income</b>											
Foreign currency translation differences for foreign operations	-	-	59	-	-	-	-	-	59	8	67
Recycle of change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	(38)	-	-	(38)	-	(38)
Recycle of currency translation differences in associate undertaking	-	-	(615)	-	-	-	-	-	(615)	-	(615)
Recycle of revaluation of financial instrument in associate undertaking	-	-	-	-	-	1,900	-	-	1,900	-	1,900
Recycle of change in fair value of investment property, net of tax	-	-	-	-	(312)	-	-	312	-	-	-
<b>Other comprehensive income</b>	-	-	(556)	-	(312)	1,862	-	312	1,306	8	1,314
<b>Total comprehensive income for the period</b>	-	-	(556)	-	(312)	1,862	-	21,777	22,771	59	22,830
<b>Transactions with owners recorded directly in equity</b>											
<b>Contributions by and distributions to owners</b>											
Acquisition of treasury shares	-	-	-	(1,471)	-	-	-	-	(1,471)	-	(1,471)
Shared based payments	-	-	-	65	-	-	(18)	7	54	-	54
<b>Total contributions by and distributions to owners</b>	-	-	-	(1,406)	-	-	(18)	7	(1,417)	-	(1,417)
<b>Balance at 28 February 2018</b>	<b>1,337</b>	<b>2,975</b>	<b>(3,338)</b>	<b>(4,429)</b>	<b>3,382</b>	<b>-</b>	<b>620</b>	<b>79,020</b>	<b>79,567</b>	<b>1,142</b>	<b>80,709</b>



Donegal Investment Group plc  
Condensed consolidated statement of changes in equity  
for the 6 months ended 29 February 2017

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 September 2016	1,337	2,975	(2,879)	(2,739)	4,190	(1,511)	509	54,951	56,833	1,224	58,057
<b>Total comprehensive income for the period</b>											
Profit/(loss) for the period	-	-	-	-	-	-	-	2,587	2,587	(32)	2,555
<b>Other comprehensive income</b>											
Foreign currency translation differences for foreign operations	-	-	(26)	-	-	-	-	-	(26)	-	(26)
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	13	-	-	13	-	13
<b>Other comprehensive income</b>	-	-	(26)	-	-	13	-	-	(13)	-	(13)
<b>Total comprehensive income for the period</b>	-	-	(26)	-	-	13	-	2,587	2,574	(32)	2,542
<b>Transactions with owners recorded directly in equity</b>											
<b>Contributions by and distributions to owners</b>											
Dividends paid	-	-	-	-	-	-	-	(490)	(490)	-	(490)
Acquisition of treasury shares	-	-	-	(23)	-	-	-	-	(23)	-	(23)
Shared based payments	-	-	-	42	-	-	73	(27)	88	-	88
<b>Total contributions by and distributions to owners</b>	-	-	-	19	-	-	73	(517)	(425)	-	(425)
<b>Balance at 28 February 2017</b>	<b>1,337</b>	<b>2,975</b>	<b>(2,905)</b>	<b>(2,720)</b>	<b>4,190</b>	<b>(1,498)</b>	<b>582</b>	<b>57,021</b>	<b>58,982</b>	<b>1,192</b>	<b>60,174</b>

Donegal Investment Group plc  
Condensed consolidated statement of changes in equity  
for the year ended 31 August 2017

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Reval- uation reserves €'000	Fair value reserve €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Non- controlling interest €'000	Total equity €'000
Balance at 1 September 2016	1,337	2,975	(2,879)	(2,739)	4,190	(1,511)	509	54,951	56,833	1,224	58,057
<b>Total comprehensive income for the period</b>											
Profit/(loss) for the year	-	-	-	-	-	-	-	2,252	2,252	(113)	2,139
<b>Other comprehensive income</b>											
Foreign currency translation differences for foreign operations	-	-	(203)	-	-	-	-	-	(203)	(54)	(257)
Recycle of currency translation differences for foreign operations	-	-	300	-	-	-	-	-	300	70	370
Recycle of change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	(374)	-	-	(374)	-	(374)
Net change in fair value of available for sale financial assets, net of tax	-	-	-	-	-	23	-	-	23	-	23
Recycle of change in fair value of property, net of tax	-	-	-	-	(496)	-	-	496	-	-	-
<b>Other comprehensive income</b>	-	-	97	-	(496)	(351)	-	496	(254)	16	(238)
<b>Total comprehensive income for the period</b>	-	-	97	-	(496)	(351)	-	2,748	1,998	(97)	1,901
<b>Transactions with owners recorded directly in equity</b>											
<b>Contributions by and distributions to owners</b>											
Dividends paid	-	-	-	-	-	-	-	(490)	(490)	(44)	(534)
Acquisition of treasury shares	-	-	-	(272)	-	-	-	-	(272)	-	(272)
Shared based payments	-	-	-	(12)	-	-	129	27	144	-	144
<b>Total contributions by and distributions to owners</b>	-	-	-	(284)	-	-	129	(463)	(618)	(44)	(662)
<b>Balance at 31 August 2017</b>	<b>1,337</b>	<b>2,975</b>	<b>(2,782)</b>	<b>(3,023)</b>	<b>3,694</b>	<b>(1,862)</b>	<b>638</b>	<b>57,236</b>	<b>58,213</b>	<b>1,083</b>	<b>59,296</b>

Donegal Investment Group plc  
Condensed consolidated statement of cash flows  
for the 6 months ended 28 February 2018

	<b>6 months ended 28 February 2018 €'000</b>	6 months ended 28 February 2017 €'000	12 months ended 31 August 2017 €'000
<b>Cash flows from operating activities</b>			
Profit for the period	<b>21,516</b>	2,555	2,139
Adjustments for:			
Depreciation	<b>479</b>	598	1,095
Amortisation of intangibles	<b>34</b>	38	81
Change in fair value of investment property	-	125	52
Net finance (income)/expense	<b>(10)</b>	97	857
Share of loss/(profit) of associates	-	90	94
Gain on sale of asset held for sale	<b>(19,392)</b>	-	-
Gain on sale of property, plant and equipment	<b>(47)</b>	(34)	(41)
Gain on sale of other investments	<b>(56)</b>	-	(657)
Loss/(gain) on sale of investment property	<b>24</b>	(348)	(288)
Loss on sale of subsidiary	-	89	225
Share-based payment transactions	<b>371</b>	76	201
Income tax expense	<b>547</b>	389	222
Change in inventories	<b>675</b>	64	(416)
Change in trade and other receivables	<b>(10,986)</b>	(9,242)	(515)
Change in trade and other payables	<b>4,590</b>	3,166	243
	<b>(2,255)</b>	(2,337)	3,292
Interest paid	<b>(67)</b>	(129)	(289)
Income tax paid	<b>(126)</b>	(77)	(22)
<b>Net cash from operating activities</b>	<b>(2,448)</b>	(2,543)	2,981
<b>Cash flows from investing activities</b>			
Interest received	-	5	12
Dividends received	-	-	4
Proceeds from sale of investment property, property, plant and equipment	<b>1,200</b>	1,692	18,318
Proceeds from disposal of other investments	<b>118</b>	-	1,205
Proceeds from disposal of subsidiary	-	43	1,255
Proceeds from disposal of asset held for sale	<b>41,488</b>	-	140
Repayment of loans by associate	<b>538</b>	-	-
Exercise of share options	<b>60</b>	15	15
Acquisition of property, plant and equipment	<b>(521)</b>	(176)	(454)
Acquisition of intangibles	<b>(15)</b>	(11)	(48)
<b>Net cash used in investing activities</b>	<b>42,868</b>	1,572	20,447

Donegal Investment Group plc  
Condensed consolidated statement of cash flows *(continued)*  
for the 6 months ended 28 February 2018

	<b>6 months ended 28 February 2018 €'000</b>	6 months ended 28 February 2017 €'000	12 months ended 31 August 2017 €'000
<b>Cash flows from financing activities</b>			
Repayment of borrowings	-	(300)	(6,300)
Payment of finance lease liabilities	<b>(15)</b>	(6)	(27)
Dividend paid to non-controlling interest	-	-	(44)
Acquisition of treasury shares	<b>(1,471)</b>	(23)	(272)
Dividends paid	-	(490)	(490)
	<hr/>	<hr/>	<hr/>
<b>Net cashflow from financing activities</b>	<b>(1,486)</b>	(819)	(7,133)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>38,934</b>	(1,794)	16,295
Cash and cash equivalents at start of period	<b>12,206</b>	(3,621)	(3,621)
Effect of exchange rate fluctuations on cash held	<b>21</b>	(6)	(468)
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at period end</b>	<b>51,161</b>	(5,421)	12,206

**(1) Reporting entity**

Donegal Investment Group Plc (the “Company”) is a company domiciled in Ireland. The unaudited condensed consolidated interim financial statements of the Group as at and for the six months ended 28 February 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates.

**(2) Basis of preparation**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with international financial reporting standard (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group, prepared in accordance with IFRS as adopted by the EU (EU IFRS) as at and for the period ended 31 August 2017. The financial information presented herein does not amount to statutory financial statements that are required by company law to be annexed to the annual return of the company. The financial statements for the financial period ended 31 August 2017 are annexed to the annual return to be filed with the Registrar of Companies. The audit report on those EU IFRS financial statements was not qualified.

These financial statements are presented in euro, which is the company’s functional currency. All financial information presented in euro is rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets classified as available-for-sale and investment property. These condensed consolidated interim financial statements were approved by the Board of Directors on 18 April 2018.

**(3) Accounting policies**

The following standards, amendments and interpretations were applicable in the financial period beginning 1 September 2017:

- Amendments to IAS 7: *Disclosure Initiative (29 January 2016)*
- Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses (19 January 2016)*
- Annual Improvements to IFRSs 2014-2016 Cycle (*Amendments to IFRS 12 Disclosure of Interests in Other Entities*) (*issued on 8 December 2016*)

For all changes to the standards above, the Group has changed its accounting policies accordingly, which did not have a material impact on the financial results or financial position of the Group.

**(4) Estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied in prior periods (in respect of the carrying value of goodwill, deferred tax, financial assets and liabilities).

**(5) Segment Information**

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segments and to assess their performance.

The Group comprises the following reportable business segments:

- Produce: The growing, sales and distribution of seed potatoes and organic produce.
- Food-Agri & Property: The manufacture, sale and distribution of farm inputs and dairy products and management of food-agri property assets.

As Monaghan Middlebrook Mushrooms and Leapgrange have been disposed, the Group no longer accounts for associate investments as a separate business segment.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit/(loss) as included in the internal management reports that are reviewed by the Group's CODM, being the Board. Segment operating profit is used to measure performance; as such information is the most relevant in evaluating the results of the Group's segments. Segment results, assets and liabilities include all items directly attributable to a segment. Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

Donegal Investment Group plc  
Notes to the unaudited preliminary condensed consolidated financial statements *(continued)*  
for the 6 months ended 28 February 2018

**(5) Segment information** (continued)

**Business segments** *(continued)*

	Produce			Food-Agri & Property			Total-Group		
	6 months ended 28 February 2018 €'000	6 months ended 28 February 2017 €'000	12 months ended 31 August 2017 €'000	6 months ended 28 February 2018 €'000	6 months ended 28 February 2017 €'000	12 months ended 31 August 2017 €'000	6 months ended 28 February 2018 €'000	6 months ended 28 February 2017 €'000	12 months ended 31 August 2017 €'000
Total revenues	<b>18,874</b>	21,558	30,160	<b>25,348</b>	24,845	46,858	<b>44,222</b>	46,403	77,018
Inter-segment revenue	-	-	-	-	-	-	-	-	-
Segment result before exceptional items & property devaluations	<b>1,830</b>	2,535	2,179	<b>1,367</b>	980	2,436	<b>3,197</b>	3,515	4,615
Property devaluations	-	-	-	-	(125)	(52)	-	(125)	(52)
Segmental result from continuing operations before exceptional items	<b>1,830</b>	2,535	2,179	<b>1,367</b>	855	2,384	<b>3,197</b>	3,390	4,563
Exceptional items							<b>19,167</b>	(270)	(1,144)
Net finance income/(expense)							<b>10</b>	(97)	(857)
Income tax expense							<b>(487)</b>	(389)	(222)
Share-based payment transactions							<b>(371)</b>	(79)	(201)
Profit for the period – continuing operations							<b>21,516</b>	2,555	2,139

**(5) Segment Information** (continued)

**Business segments** (continued)

	Produce			Food-Agri & Property			Total-Group		
	28 February 2018 €'000	28 February 2017 €'000	31 August 2017 €'000	28 February 2018 €'000	28 February 2017 €'000	31 August 2017 €'000	28 February 2018 €'000	28 February 2017 €'000	31 August 2017 €'000
Segment assets	<b>16,671</b>	16,747	8,353	<b>35,189</b>	51,037	31,200	<b>51,860</b>	67,784	39,553
Cash at bank (unallocated)							<b>57,557</b>	-	12,733
Asset held for sale (unallocated)	-	-	-	-	-	-	-	23,835	23,835
Current financial instrument (unallocated)	-	-	-	-	-	-	<b>64</b>	-	5
<b>Total assets</b>	<b>16,671</b>	16,747	8,353	<b>35,189</b>	51,037	31,200	<b>109,481</b>	91,619	76,126
Segment liabilities	<b>6,490</b>	3,903	707	<b>10,251</b>	9,097	10,008	<b>16,741</b>	13,000	10,715
Bank overdraft (unallocated)							<b>6,396</b>	5,421	527
Loans and borrowings (unallocated)							<b>5,085</b>	11,012	5,101
Current financial instrument (unallocated)							-	78	-
Deferred tax (unallocated)							<b>550</b>	1,934	487
<b>Total liabilities</b>							<b>28,772</b>	31,445	16,830
Capital expenditure	<b>2</b>	43	218	<b>534</b>	144	330	<b>536</b>	187	548
Depreciation and amortisation	<b>130</b>	185	340	<b>382</b>	451	846	<b>512</b>	636	1,117
Revaluation of investment property and other assets	-	-	-	-	105	87	-	105	87

*Entity-wide disclosures*

Section 1: Information about products and services

The Group's revenue from external customers in respect of its principal products and services is analysed in the disclosures above.

Section 2: Information about geographical areas and customers

The Group has a presence in several countries worldwide. The revenues from external customers and non-current assets (as defined in IFRS 8) attributable to the country of domicile of all foreign operations are noted above.

*Seasonality*

The Group's Produce and Food-Agri divisions are first half weighted such that a significant amount of the revenue and profit are earned and recorded in the first six months of the financial year. This weighting is primarily driven by weather and global buying patterns.



**(6) Earnings per share**

The calculation of basic and diluted earnings per share is set out below:

	<b>28 February 2018</b>	28 February 2017	31 August 2017
	<b>€'000</b>	€'000	€'000
Earnings for the period	<b>21,516</b>	2,555	2,139
<b>Earnings Attributable to ordinary shareholders</b>	<b>21,465</b>	2,587	2,252
<b>Weighted average number of ordinary shares In thousands of shares</b>	<b>28 February 2018</b>	28 February 2017	31 August 2017
Weighted average number of ordinary shares in issue for the period	<b>10,286</b>	10,286	10,286
Weighted average number of treasury shares	<b>(624)</b>	(493)	(502)
Denominator for basic earnings per share	<b>9,662</b>	9,793	9,784
Effect of share options in issue	<b>178</b>	87	79
Weighted average number of ordinary shares (diluted) at end of period	<b>9,840</b>	9,880	9,863

The Group purchased 197,153 treasury shares at a total purchase price of €1,471,000 including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme.

	<b>28 February 2018</b>	28 February 2017	31 August 2017
<b>Basic earnings per share (euro cent)</b>			
Continuing	<b>222.2</b>	26.4	23.0
<b>Diluted earnings per share (euro cent)</b>			
Continuing	<b>218.1</b>	26.2	22.8

## (7) Dividends

	<b>28 February 2018</b>	28 February 2017	31 August 2017
	<b>€'000</b>	€'000	€'000
€0.00 per qualifying ordinary share (29 February 2017: €0.05)	-	490	490

## Return of capital

The Board of Donegal is proposing a return of capital to shareholders of up to €47.5 million by the conversion of ordinary shares into redeemable ordinary shares and subsequent redemption of the redeemable ordinary shares. Details of the proposed return of capital will be set out in the Circular to be posted to shareholders on Monday 23 April 2018, including the required resolutions to be voted on by shareholders at an EGM to be held immediately following the Group's AGM on Wednesday 16 May 2018.

Under the Board's proposals, if the EGM resolutions are approved and the Board effects a conversion and subsequent redemption, approximately 53.7% of each Shareholder's total ordinary shares held on the conversion record date of 17 May 2018 (6.00pm) will be redeemed and each shareholder will receive:

- Cash of €9.25 per ordinary share converted into redeemable ordinary shares and subsequently redeemed; 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 record date of their unwillingness to have the pro rata portion of their ordinary shares at the conversion record date converted into redeemable ordinary shares.

## (8) Property, plant and equipment

### Additions and disposals

During the 6 months ended 28 February 2018, the Group acquired assets for €536,000 (29 February 2017: €187,000). Assets with a net book value of €22,000 were disposed of during the 6 months ended 28 February 2018 (29 February 2017: €16,000), resulting in a gain on disposal of €47,000 (29 February 2017 €34,000).

<b>(9) Investment property</b>	<b>28 February 2018</b>	28 February 2017	31 August 2017
	<b>€'000</b>	€'000	€'000
Balance at start of the period	<b>3,552</b>	19,021	19,021
Change in fair value	-	(125)	52
Disposals	<b>(1,115)</b>	(1,236)	(15,509)
Effect of movement in exchange rates	-	-	(12)
Balance at end of the period	<b>2,437</b>	17,660	3,552

Investment property includes the Oatfield site in Letterkenny and development land in Donegal.

### Additions and disposals

During the 6 months ended 28 February 2018, the Group did not acquire any investment properties (29 February 2017: €Nil). The Group disposed of investment property with a carrying value of €1,115,000 during the period (29 February 2017: €1,236,000) resulting in a loss on disposal of €24,000 (29 February 2017: €348,000).

Donegal Investment Group plc  
Notes to the unaudited preliminary condensed consolidated financial statements (*continued*)  
for the 6 months ended 28 February 2018

**(10) Investment in associates**

	<b>28 February 2018</b>	<b>28 February 2018</b>	<b>28 February 2018</b>	28 February 2017	28 February 2017	28 February 2017	31 August 2017	31 August 2017	31 August 2017
	<b>Interest in associate</b>	<b>Loans to associate</b>	<b>Total</b>	Interest in associate	Loans to associate	Total	Interest in associate	Loans to associate	Total
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	€'000	€'000	€'000	€'000	€'000	€'000
Balance at start of the period	-	<b>781</b>	<b>781</b>	239	769	1,008	239	769	1,008
Share of decrease in net assets after tax	-	-	-	(90)	-	(90)	(94)	-	(94)
Repayment of loan	-	<b>(538)</b>	<b>(538)</b>	-	-	-	-	-	-
Interest charged	-	<b>11</b>	<b>11</b>	-	2	2	-	12	12
Disposal of investment in associate	-	-	-	-	-	-	(145)	-	(145)
Balance at end of the period	-	<b>254</b>	<b>254</b>	149	771	920	-	781	781

The Group's share of results in its associates, for the 6 months ended 28 February 2018 was €Nil (29 February 2017: a loss of €90,000, primarily related to Leapgrange Limited).

As a result of the Court of Appeal decision to uphold the High Court Remedy Order, the Group's share in Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016.

The asset held for sale was not held at market value and was accounted for using the equity accounting method up to the date of transfer from investment in associates.

On 16 February 2018, Donegal announced that, under the terms of the Settlement Agreement, it received €41.5 million in cash proceeds for the sale of its interest in Monaghan Middlebrook Mushrooms. A further two non-conditional deferred payments are to be received by Donegal as follows: (a) €2 million, to be received on or before 15 February 2019; and (b) €2 million, to be received on or before 15 February 2020, bringing the total amount receivable pursuant to the Settlement Agreement to approximately €45.5 million.

**(11) Asset held for sale**

	<b>28 February 2018</b>	28 February 2017	31 August 2017
	<b>€'000</b>	€'000	€'000
Balance at start of period	<b>23,835</b>	23,835	23,835
Disposal	<b>(23,835)</b>	-	-
Balance at end of period	<b>-</b>	23,835	23,835

As outlined in note 10, as a result of the Court of Appeal decision to uphold the High Court Remedy Order, the Group's share in Monaghan Middlebrook Mushrooms was transferred to an asset held for sale as at 1 January 2016. The asset held for sale was not held at market value and was accounted for using the equity accounting method up to the date of transfer from investment in associates.

On 16 February 2018, Donegal announced that, under the terms of the Settlement Agreement, it received €41.5 million in cash proceeds for the sale of its interest in Monaghan Middlebrook Mushrooms. A further two non-conditional deferred payments are to be received by Donegal as follows: (a) €2 million, to be received on or before 15 February 2019; and (b) €2 million, to be received on or before 15 February 2020, bringing the total amount receivable pursuant to the Settlement Agreement to approximately €45.5 million.

**(12) Exceptional items**

Exceptional items are those that, in management's judgement, should be disclosed by virtue of their nature or amount. Such items are included in the statement of profit or loss and comprehensive income caption to which they relate and are separately disclosed in the notes to the Group Financial Statements. The Group reports the following exceptional items:

		<b>28 February 2018</b>	29 February 2017	31 August 2017
		<b>€'000</b>	€'000	€'000
Restructuring costs	a	-	-	(141)
Profit on disposal of subsidiary	b	-	-	293
Cost of disposal of subsidiary	c	-	-	(148)
Recycle of currency translation of subsidiary disposed	d	-	-	(370)
Legal costs in respect of the ongoing legal case concerning Monaghan Middlebrook Mushrooms	e	<b>(405)</b>	(270)	(778)
Profit on disposal of associate undertaking	f	<b>19,392</b>	-	-
Reversal of legal cost payable in respect of the exercise of the option over financial asset held by MMM	g	<b>240</b>	-	-
Income tax expense in respect of exceptional items		<b>(60)</b>	-	-
		<b>19,167</b>	(270)	(1,144)

a) Restructuring costs include operational costs, redundancy costs, legal, and accounting and taxation advice in respect of costs associated with restructuring the Group.

b) Profit on sale of subsidiary disposed during the year.

c) Costs of disposal of subsidiary include legal & taxation advice and brokerage fees.

d) Non cash recycle of foreign exchange translation reserves on foreign subsidiary disposed.

e) Legal costs are costs in respect of the legal case with MMM.

f) Profit on disposal of associate undertaking, MMM.

g) Reversal of legal costs payable in respect of the option case with MMM.

### **(13) Events after the balance sheet date**

#### **Return of capital**

The Board of Donegal is proposing a return of capital to shareholders of up to €47.5 million by the conversion of ordinary shares into redeemable ordinary shares and subsequent redemption of the redeemable ordinary shares. Details of the proposed return of capital will be set out in the Circular to be posted to shareholders on Monday 23 April 2013, including the required resolutions to be voted on by shareholders at an EGM to be held immediately following the Group's AGM on Wednesday 16 May 2018.

Under the Board's proposals, if the EGM resolutions are approved and the Board effects a conversion and subsequent redemption, approximately 53.7% of each Shareholder's total ordinary shares held on the conversion record date of 17 May 2018 (6.00pm) will be redeemed and each shareholder will receive:

- Cash of €9.25 per ordinary share converted into redeemable ordinary shares and subsequently redeemed; 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 record date of their unwillingness to have the pro rata portion of their ordinary shares at the conversion record date converted into redeemable ordinary shares.

There have been no other significant events subsequent to the period end, which would require adjustment to, or disclosure in, the financial statements.