**Donegal Investment Group plc**

**(“Donegal” or the “Company”)**

**18 May 2018**

**Return of Capital – Conversion and Redemption**

Following approval at the EGM of 16 May 2018 and pursuant to the terms of the Return of Capital as set out in the EGM Circular of 23 April 2018, Donegal announces today that the Conversion and Redemption have been implemented, as detailed below, which will result in Donegal returning approximately €45 million to shareholders. Together with ongoing share purchases in the past number of weeks this will result in the Company returning approximately €50 million to shareholders. All capitalised terms and definitions pertaining to the Return of Capital contained in this Announcement shall have the meaning ascribed thereto in the EGM Circular.

**Conversion & Redemption**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No. of Shares Converted** | **No. of Shares Redeemed** | **Total Redemption Proceeds** | **No. of Deferred Shares Issued1** | **Ordinary Shares Outstanding2** |
| 4,860,336 | 4,860,336 | €44,958,108 | Nil | 4,187,923 |

**Note 1:** Number of Deferred Shares issued pursuant to shareholders who notified the Company in accordance with section 83(4) of the Companies Act 2014 before the Conversion Date of their unwillingness to have the pro rata portion of their Ordinary Shares at the Conversion Date converted into Redeemable Ordinary Shares

**Note 2:** Number of Ordinary Shares Outstanding immediately following Redemption at 12.01am on 18 May 2018

**Note 3:** 53.72571079 per cent was the exact conversion percentage applied

Under the Conversion and Redemption to implement the Return of Capital, approximately 53.7 per cent of each Shareholder’s total holding of Ordinary Shares as at the conversion date of 6:00pm on Thursday, 17 May 2018 were converted into Redeemable Ordinary Shares and redeemed at €9.25 per share.

For shareholders who hold their Ordinary Shares in certificated form, their Redemption Proceeds will be paid by cheque within fourteen days of the redemption date of 18 May 2018. For those shareholders who hold their Ordinary Shares in CREST, their Redemption Proceeds will be paid via CREST within fourteen days of the redemption date of 18 May 2018.

New share certificates will be issued to all certificated shareholders to reflect their new number of Ordinary Shares post the Conversion and Redemption. Share certificates issued prior to the Redemption will cease to be of value.

For those shareholders who hold their Ordinary Shares in CREST their remaining Ordinary Shares post the Conversion and Redemption will be issued under the new ISIN IE00BD97C178.

Following the Return of Capital the Company’s issued Ordinary Share Capital is 5,425,254 Ordinary Shares with 1,237,331 Ordinary Shares held as Treasury shares and Ordinary Shares Outstanding as at the time of this announcement being 4,187,923. Treasury Shares represent 22.8 per cent of the Company’s issued Ordinary Share Capital post the Conversion and Redemption and it is the Board’s intention to cancel an appropriate number of these Treasury Shares.

Holders of 120,825 options participated in the Return of Capital. The options were cash settled by the Company for a total cost of €393,890. There will be 154,723 options outstanding following the Return of Capital.

**Directors’ Shareholdings**

Following the Return of Capital the table below sets out the Directors’ shareholdings as at the time of this announcement.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Director** | **Ordinary Shares per EGM Circular** | **% Ordinary Shares Outstanding per EGM Circular2** | **Ordinary Shares as at Conversion Date** | **Ordinary Shares post Conversion and Redemption** | **% Ordinary Shares Outstanding post Redemption3** |
|  |  |  |  |  |  |
| Geoffrey Vance1 | 187,889 | 1.97 | 191,489 | 88,611 | 2.12 |
| Ian Ireland | 181,774 | 1.90 | 181,774 | 84,115 | 2.01 |
| Padraic Lenehan | - | - | - | - | - |
| Geoffrey McClay | 16,107 | 0.17 | 16,107 | 7,454 | 0.18 |
| Patrick J Kelly | 4,401 | 0.05 | 4,401 | 2,037 | 0.05 |
| Norman Witherow | 52,821 | 0.55 | 52,821 | 24,443 | 0.58 |
| Michael Griffin | 25,000 | 0.26 | 25,000 | 11,569 | 0.28 |
| Frank Browne | 12,067 | 0.13 | 12,067 | 5,584 | 0.13 |
| Henry McGarvey | 10,377 | 0.11 | 10,377 | 4,802 | 0.11 |
|  |  |  |  |  |  |
| **Total** | **490,436** | **5.13** | **494,036** | **228,615** | **5.46** |

**Note 1:** The number of Ordinary Shares disclosed in the EGM Circular for each Director was their respective holdings as at the Latest Practicable Date, being 18 April 2018. On 19 April Mr. Geoffrey Vance acquired 3,600 Ordinary Shares

**Note 2:** Based and calculated on Ordinary Shares Outstanding of 9,558,059 and 727,531 Treasury Shares at the Latest Practicable Date per the EGM Circular

**Note 3:** Based and calculated on Ordinary Shares Outstanding of 4,187,923 and 1,237,331 Treasury Shares at the time of this announcement

**Substantial Shareholdings**

In addition to those interests disclosed under Directors’ Interests, as at the time of this announcement, the Company had received notification of the following interests in its Ordinary Shares.

|  |  |  |  |
| --- | --- | --- | --- |
| **Shareholder** | **Ordinary Shares as at Conversion Date** | **Ordinary Shares post Conversion and Redemption** | **% Ordinary Shares Outstanding post Redemption** |
|  |  |  |  |
| Aurora Nominees Limited – QUAERO CAPITAL SA1 | 952,000 | 440,532 |  10.52 |
| Goodbody Stockbroker Nominees Limited | 732,674 | 339,040 | 8.10 |
| Aurum Nominees Limited – Donegal Investment Group plc2 | 1,237,331 | 1,237,331 | 29.55 |
| Pageant Investments Limited | 722,797 | 334,470 | 7.99 |

**Note 1:** Previously registered on the Company’s ordinary share register as HSBC Global Custody Nominee (UK) Limited

**Note 2:** Ordinary Shares held by the Company as Treasury Shares are not included in Ordinary Shares Outstanding and so do not participate in the Conversion and Redemption and as such the Return of Capital of approximately €45 million

Apart from these holdings, the Company has not been notified at the time of this announcement of any interest of 3 per cent or more in its Ordinary Shares.

**New Codes**

Dealings in the Company’s Ordinary Shares shall commence today under the following new codes.

|  |  |
| --- | --- |
| Irish Sedol | BD97C17 |
| ISIN | IE00BD97C178 |
| WKN | A2JK2S |
| Mnemonic | DQ7A |

***Enquiries:***

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