

QUESTIONS AND ANSWERS

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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 €4.8m by the creation (through conversion of certain existing Ordinary Shares Outstanding) and subsequent redemption of the Redeemable Ordinary Shares.

If the Return of Capital Resolutions are approved and the Conversion and Redemption are implemented then:

- **under the Proportionate Redemption**, 18.15% of each Shareholder's total holding of Ordinary Shares will be converted into Redeemable Ordinary Shares and redeemed; and
- **under the Odd-lot Redemption**, for each Shareholder whose remaining holding after the implementation of the Proportionate Redemption would be 50 or fewer Ordinary Shares, then 100% of that Shareholder's total holding of Ordinary Shares will be converted into Redeemable Ordinary Shares and redeemed.

In either case, 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.

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 Annual General Meetings of the Company.

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

- in November 2021, it completed the sale of its premium-branded yoghurt manufacturer business operated by Nomadic Dairy Limited. As part of this sale, Donegal was entitled to additional consideration of €3.3 million (in the form of contingent consideration) which sum was received in full in July 2023;
- the disposal by DIG plc of non-core property assets resulting in the receipt of consideration of €0.94 million in 2022 and 2023; and
- the receipt of monies totalling €0.63 million in relation to the repayment of loan stock and

return of equity in an associate company in 2023.

As at 31 August 2024, the Group's year end reporting date, cash at bank net of overdraft was €2.6 million, with no existing debt other than liabilities arising out of leasing arrangements of €0.9 million, and an additional €7.1 million invested in a zero coupon German Bond maturing on 18 October 2024.

The purpose of the Return of Capital Resolutions proposed at the 2024 AGM is to approve the Return of Capital, which will take effect on a similar basis to the redemptions approved and paid in 2020 and 2022, with the exception that on this occasion the Odd-lot Redemption will apply to each Shareholder whose remaining holding after the implementation of the Proportionate Redemption would be 50 or fewer Ordinary Shares.

Q3. What is the Return of Capital?

The Return of Capital is the method by which the Company intends to return approximately €4.8 million of cash to Shareholders.

Q4. What is the Redemption Price?

The Redemption Price is €16.50 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 three-month period immediately prior to 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. 18.15% of each Shareholder's total holding of Ordinary Shares will be converted into Redeemable Ordinary Shares and redeemed, provided that if a Shareholder's remaining holding 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 and 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 17 January 2025.

Q7. Why have you chosen the level of 50 Ordinary Shares or fewer for the Odd-lot Redemption?

At the current share price, a holding of 50 or fewer Ordinary Shares after the Proportionate Redemption would almost be largely absorbed by costs if sold through a broker. It represents an obvious holding that is trapped or uneconomic.

Q8. 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.

Q9. 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 €16.50 per Redeemable Ordinary Share held.

Q10. 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 289,591 Ordinary Shares (representing approximately 19.1% of the Ordinary Shares Outstanding as at the Latest Practicable Date). It is therefore expected that there will be approximately 1,229,829 Ordinary Shares Outstanding after the completion of the Redemption.

Q11. 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.

Q12. What do I need to do?

Certificated Holders will find enclosed with this Circular a Form of Proxy for use at the Annual General Meeting. Whether or not shareholders propose to attend Annual General Meeting in person, it is important that they complete and sign the enclosed: (i) in the case of Shareholders who hold their shares in certificated form, the Form of Proxy should be completed and signed in accordance with the instructions printed thereon, and returned to the Company's Registrar, Computershare Investor Services (Ireland) Limited, P.O. Box 13030, Dublin 24, Ireland (if delivered by post) or at 3100 Lake Drive, Citywest Business Campus, Dublin 24, D24 AK82, Ireland (if delivered by hand) by no later than 2:00pm on 27 November 2024; (ii) in the case of voting instructions to be given to Broadridge by CDI Holders, by the close of business on Broadridge's voting deadline (expected to be 1:59pm on 25 November 2024); and (iii) in the case of voting instructions to be given to Euroclear by EB Participants, by the Euroclear Bank voting deadline (expected to be 1:00pm on 27 November 2024).

Q13. 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 Return of Capital 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.

Q14. 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.

Q15. 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.

Q16. What happens if the Return of Capital Resolutions are not approved at the AGM?

In such circumstances, the planned Return of Capital will not proceed and Shareholders will not receive the Return of Capital of up to €4.8 million at the Redemption Price of €16.50 per Redeemable Ordinary Share.

Q17. Are there any plans to redeem any more shares thereafter?

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

Q18. Will I receive a new share certificate?

Since the dematerialisation of all Irish listed securities is due to come into effect on 1 January 2025, share certificates for relevant Irish public limited companies will no longer be issued or valid as evidence of title for affected shares in Irish companies. This means that all existing share certificates will be deemed to have been cancelled and no new share certificates will be issued.

Q19. 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 2023 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.