

THE UNITE GROUP PLC SCRIP DIVIDEND SCHEME

THIS LETTER AND ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your shares in The Unite Group plc, please forward this letter to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected.

Letter to Shareholders

The Unite Group Plc (the "**Company**")
South Quay House
Temple Back
Bristol BS1 6FL
United Kingdom

19 March 2018

Dear Shareholder

THE UNITE GROUP PLC SCRIP DIVIDEND SCHEME

The Company announced its results for the year ended 31 December 2017 on 21 February 2018 and declared a final dividend of 15.4p per share (the "**2017 Final Dividend**"), all of which will be paid as a Property Income Distribution ("**PID**") on 18 May 2018 to shareholders on the register of members of the Company at the close of business on 13 April 2018.

The Company also announced that, subject to approval at the Company's Annual General Meeting on 10 May 2018, it would be offering shareholders the opportunity to be paid the dividend in either cash or new ordinary shares and so participate in a scrip dividend scheme (the "**Scrip Scheme**").

The purpose of this letter is to set out to shareholders the key elements of the Scrip Scheme.

Shareholders who hold ordinary shares of 25 pence each in the capital of the Company (the "**Ordinary Shares**") who elect to participate in the Scrip Scheme will, for the 2017 Final Dividend, receive new fully paid Ordinary Shares in the Company (the "**New Shares**") instead of cash. Shareholders who do not elect to participate will receive the 2017 Final Dividend in cash.

Scrip dividends provide an opportunity for Shareholders to grow their holding in the Company in a simple, cost effective way. At the same time, the Scrip Scheme enables the Company to retain more cash for reinvestment into its business which would otherwise be paid as cash dividends. Shares issued pursuant to the Scrip Scheme will carry the same voting rights as existing Ordinary Shares and will rank equally with the existing Ordinary Shares in all respects.

The price at which the 2017 Final Dividend will be converted into new Ordinary Shares (the "**Scrip Reference Share Price**") will be announced to the London Stock Exchange on 19 April 2018. This announcement will also appear on the Company's website, www.unite-group.co.uk/investors.

The appendices to this letter show:

- a worked example of how a PID scrip dividend is calculated (Appendix 1);
- the expected timetable for the 2017 Final Dividend and possible number of new shares to be issued in respect of the 2017 Final Dividend (Appendix 2); and
- an overview of the essential tax characteristics of scrip dividend alternatives for UK resident shareholders (Appendix 3).

ACTION REQUIRED BY SHAREHOLDERS

Whether you elect to participate in the Scrip Scheme will depend on your personal circumstances and tax position. You are advised to study the Guide (as defined below) carefully and if you are in any doubt about what course of action to take, you should consult an independent financial adviser.

Shareholders holding shares in certificated form:

- **If you wish to participate in the Scrip Scheme, please find enclosed your personalised Mandate Form to complete and sign. This Mandate Form must be returned in the envelope provided to the Company's Registrars, Computershare Investor Services plc, by no later than 5:00 p.m. on 26 April 2018 for the 2017 Final Dividend to be paid in new ordinary shares under the Scrip Scheme. Alternatively you are able to register and elect online via www.investorcentre.co.uk by the same deadline.**

- Mandate Forms will only be accepted in relation to an entire holding of Ordinary Shares, other than where a shareholder is acting as a nominee holding its Ordinary Shares on behalf of more than one beneficial owner where the Company may, at its discretion, permit that shareholder to grant a Mandate for a particular dividend in respect of a lesser number than their full holding.
- If you complete a Mandate Form you will receive the 2017 Final Dividend and any future dividends to which the Scrip Scheme applies as a scrip dividend.
- You may cancel your Mandate at any time. Further details are contained in Question 18 of Section 1 of the Guide.
- If you do not wish to receive a scrip dividend no further action is required. You will receive a cash dividend in respect of the 2017 Final Dividend.

Shareholders holding shares in uncertificated form in CREST:

- **If you wish to participate in the Scrip Scheme, you will need to make an election by means of the CREST election procedure. The CREST election must be made by no later than 5:00 p.m. on 26 April 2018 for the 2017 Final Dividend to be paid in new ordinary shares under the Scrip Scheme. You should contact your CREST sponsor who will be able to take appropriate action on your behalf.**
- You may make an election in respect of part of your holding of Ordinary Shares. If you wish to make an election over only part of your holding of Ordinary Shares, then a separate specific election will be required for each future application of the Scrip Scheme.
- An "evergreen" election (an election that continues to apply until cancelled by either party) can only be made in relation to a shareholder's entire holding of Ordinary Shares. If you make an "evergreen" election you will receive the 2017 Final Dividend and any future dividends to which the Scrip Scheme applies as a scrip dividend.
- You may cancel your Mandate at any time. Further details are contained in Question 18 of Section 1 of the Guide.
- If you do not wish to receive a scrip dividend no further action is required. You will receive a cash dividend in respect of the 2017 Final Dividend.

BUYING ADDITIONAL ORDINARY SHARES AFTER MAKING AN ELECTION TO PARTICIPATE IN THE SCRIP SCHEME

If a shareholder buys Ordinary Shares prior to the Ex-dividend Date for a dividend, that shareholder may be entitled to the Scrip Scheme dividend ("**Scheme Dividend**") on those Ordinary Shares and in these circumstances they are advised to contact the stockbroker or other agent through whom the purchase is made without delay so as to ensure that the purchased shares are registered promptly in their name.

Any additional Ordinary Shares which a shareholder buys, and which are registered in their name in the Company's Register of Members prior to the date on which Ordinary Shares must be held in order for a Shareholder to be eligible to receive a declared dividend (the "**Record Date**") for any Scheme Dividend to which they are entitled, will be covered by any valid election that they have made in relation to that Scheme Dividend and accordingly they will receive new Ordinary Shares, instead of cash dividends, for their entire holding of new Ordinary Shares.

SELLING PART OF A SHAREHOLDING AFTER MAKING AN ELECTION TO PARTICIPATE IN THE SCRIP SCHEME

If a shareholder sells any of their Ordinary Shares prior to the Ex-dividend Date for any dividend, they may not be entitled to the Scheme Dividend on those Ordinary Shares and they are advised to contact their stockbroker or other agent through whom the sale was effected without delay as there may be a claim for the cash amount of the Scheme Dividend by the purchaser.

If a shareholder sells part of their shareholding prior to the Record Date for a Scheme Dividend and such sale is registered in the Company's Register of Members prior to the applicable Record Date, any valid election that they have made to participate in the Scrip Scheme in relation to the Scheme Dividend will apply only to such shareholder's remaining Ordinary Shares.

FURTHER INFORMATION

A Guide to The Unite Group plc Scrip Dividend Scheme (the "**Guide**") setting out the detailed terms and conditions of the Scrip Scheme is also available on the Company's website, www.unite-group.co.uk/investors and includes details of the Scrip Scheme's application to shareholders holding in CREST. You should read the terms and conditions contained in the Guide carefully. Capitalised terms not otherwise defined in this letter have the same meaning as is given to such terms in the Guide.

Applications will be made for the Scheme Dividend shares to be admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market for listed securities. Subject to both admissions, the New Shares will be issued and new share certificates posted to shareholders holding shares in certificated form. Shareholders holding shares in CREST will have their CREST accounts credited directly.

Shareholders should note that there is no guarantee that the Company will apply the Scrip Scheme to any particular future dividend. In addition, due to its status as a Real Estate Investment Trust ("**REIT**"), the Company is obliged to pay a certain level of distributions as PIDs, which are subject to particular tax treatment in the hands of Shareholders. When a dividend is announced, the Company will advise whether the Scrip Scheme is to apply to that dividend and, if so, the relevant details and timetable for that application of the Scrip Scheme, including whether that part is a PID or non-PID. The Scrip Dividend Alternative may apply in respect of all or part of a dividend, whether that dividend or part dividend is a PID or a non-PID.

Information on the Scrip Scheme is available on the Company's website, www.unite-group.co.uk/investors. If you have any questions about the procedure for participation, please call Computershare Investor Services plc on +44 0370 707 1376. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.00 a.m. and 6.30 p.m. (GMT), Monday to Friday excluding public holidays in England and Wales. Please note that Computershare Investor Services plc cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Alternatively, you can write to Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol, BS13 8AE, United Kingdom.



Phil White
Chairman

APPENDIX 1

WORKED EXAMPLE OF A PID SCHEME DIVIDEND

Shareholders' entitlements to New Shares for PID dividends to which the Scrip Scheme applies (a "**PID Scheme Dividend**") are calculated by taking the amount of cash dividend to which they are entitled (i.e. the number of The Unite Group plc Ordinary Shares held by that shareholder at the Record Date for that Scheme Dividend multiplied by the cash value in pounds sterling of the Scheme Dividend per share (taking into account any withholding tax (if applicable)) and dividing it by the Scrip Reference Share Price.

The Scrip Reference Share Price is calculated by taking the average of the middle market quotations for The Unite Group plc Ordinary Shares on the London Stock Exchange as derived from the Daily Official List for the day on which the Ordinary Shares are first quoted "ex" the relevant dividend and the four subsequent dealing days. The Scrip Reference Share Price for the 2017 Final Dividend will be announced by the Company on 19 April 2018, and will also be available on the Company's website, www.unite-group.co.uk/investors.

The number of shares a shareholder would receive is calculated as follows:

$$\frac{\text{(number of Ordinary Shares held at the Record Date x the cash value of the dividend per share) (taking into account any withholding tax (if applicable))}{\text{Scrip Reference Share Price}}$$

Scrip Reference Share Price

Fractions of Ordinary Shares cannot be allotted and any resulting Cash Balances ("**Cash Balance**" being any resulting residual cash value of any fractions of New Shares which were not issued to a particular shareholder pursuant to the Scrip Scheme and which is held by the Company or Computershare Investor Services plc on behalf of that shareholder) in respect of shareholders who hold their Ordinary Shares in (i) certificated form or (ii) uncertificated form in CREST, in both cases, where an "evergreen" election has been made on the entire shareholding, will be carried forward, without interest, and included in the calculation of the next Scheme Dividend payment of the same type (i.e. the next PID Scheme Dividend where the Cash Balance arises from a PID Scheme Dividend and the next non-PID Scheme Dividend, where the Cash Balance arises from a non-PID Scheme Dividend). Cash Balances for shareholders who hold their Ordinary Shares in uncertificated form opting to make an election over part of their shareholding (and are therefore not entitled to make an "evergreen" election) shall be paid out in cash and shall not be carried forward. Cash Balances for shareholders who do not opt to make an "evergreen" election over their entire shareholding shall be paid out in cash and shall not be carried forward.

By way of example, assuming the following:

- a Scheme Dividend with a cash value of 15.4p per Ordinary Share;
- a shareholder who holds 1,000 Ordinary Shares;
- withholding tax applies at a rate of 20%; and
- a Scrip Reference Share Price of 792.0p (being the share price on 12 March 2018, the latest practicable date before publication of this letter).

The shareholder would be entitled to a total amount of cash dividend of £123.20 (i.e. 1,000 Ordinary Shares multiplied by the 15.4p cash value of the PID Scheme Dividend minus 20% withholding tax). The total cash value to be applied towards New Shares for that shareholder would therefore be £123.20. The number of New Shares that the shareholder would receive pursuant to the Scrip Scheme would be calculated as follows:

$$\frac{(1,000 \times 15.4\text{p} \times 80\%)}{792.0\text{p}} = 15.56$$

The shareholder would be entitled to 15 New Shares (i.e. 15.56 rounded down to the nearest whole number) with a total value of £118.80 based on the Scrip Reference Share Price of 792.0p. A residual Cash Balance of £4.40, being the total cash value to be applied for the shareholder (£123.20) less the value of the New Shares at the PID Scrip Reference Share Price (£118.80), would then either be carried forward and applied to the next Scheme Dividend of the same type (i.e. the next PID Scheme Dividend) in respect of shareholders who hold their Ordinary Shares in certificated form or in CREST where, in either case, an "evergreen" election was made over their entire shareholding, or paid in cash in respect of shareholders holding in CREST who opted to make an election over part of their Ordinary Shares (and therefore are not entitled to make an "evergreen" election) or in respect of any shareholders who do not make an "evergreen" election.

APPENDIX 2

TIMETABLE FOR THE 2017 FINAL DIVIDEND

DATE	EVENT
21 February 2018	Announcement of 2017 Final Dividend
12 April 2018	Ex-dividend Date
12 April to 18 April 2018 (inclusive)	Scrip Reference Share Price calculation period
13 April 2018	Record Date
19 April 2018	Scrip Reference Share Price announcement date
26 April 2018	Last date for Computershare Investor Services plc to receive Mandates from shareholders holding certificated shares electing to participate in the Scrip Scheme Last date for shareholders holding uncertificated shares on CREST to elect to participate in the Scrip Scheme
18 May 2018	Dividend Payment Date Expected date of issue, admission and first day of dealings in the New Shares on the London Stock Exchange

POSSIBLE NUMBER OF NEW SHARES TO BE ISSUED IN RESPECT OF THE 2017 FINAL DIVIDEND

Based on an illustrative Scrip Reference Share Price of 792.0p, being the share price on 12 March 2018 (the last practicable date before the publication of this letter) if all shareholders were to elect to take up their full entitlement to New Shares under the Scrip Scheme in respect of the 2017 Final Dividend, approximately 4.1 million new Ordinary Shares would be issued, representing an increase of 1.6% in the issued share capital of the Company as at 12 March 2018 and the total cost of the 2017 Final Dividend if paid wholly in cash would be approximately £40.5 million.

APPENDIX 3

SUMMARY OF THE TAX TREATMENT OF DIVIDENDS FOR UK SHAREHOLDERS

The following is a general overview of the tax treatment for UK resident shareholders who hold their shares as an investment. It does not consider the laws or practices of countries other than the UK; nor does it consider the position of certain types of shareholder such as dealers in securities, persons acquiring shares in connection with an office or employment, insurance companies and collective investment schemes who may be taxed differently. A fuller tax summary is contained in a Guide to The Unite Group plc Scrip Dividend Scheme (the "**Guide**") available on the Company's website, www.unite-group.co.uk/investors.

A shareholder's tax position will depend upon their personal circumstances. The following overview is not a complete analysis of all potential tax consequences arising from the payment of a dividend. If you are in any doubt as to your tax position or you are subject to tax in a jurisdiction outside the UK, you should consult an appropriate professional adviser before taking any action.

A. PID DIVIDENDS

When the Company offers a scrip dividend alternative in respect of a PID, the tax position is as follows:

- i) Withholding tax: Subject to certain exceptions (such as most payments to UK resident companies), the Company is required to withhold tax (at the current rate of 20%) at source from a PID, irrespective of whether the PID is paid in cash or as New Shares.
- ii) Individual shareholders: PIDs received by individuals will generally be treated as the profits of an UK property business (a separate business from any other UK property business carried on by that shareholder), irrespective of whether the PID is paid in cash or as New Shares. Individual shareholders are entitled to offset the tax withheld against their income tax liability for the year. Depending on their specific circumstances, individual shareholders may be required to pay additional income tax or may be entitled to claim a repayment in respect of all or part of the tax withheld. For the purpose of computing capital gains tax liability on a future disposal of any of the New Shares, an individual will be treated as acquiring the New Shares on the day that they were issued for a consideration equal to the cash dividend forgone (or market value if substituted for a cash equivalent as described in the Guide). The normal capital gains tax provisions will apply to any future disposal of New Shares by the individual shareholder.
- iii) Corporate shareholders: PIDs will generally be treated as the profit of a UK property business (a separate business from any other UK property business carried on by the corporate shareholder), irrespective of whether the PID is paid in cash or as New Shares. UK corporate shareholders will therefore be liable to pay corporation tax on receipt of the PID. With respect to the receipt of New Shares, for chargeable gains tax purposes, UK corporate shareholders will be treated as having acquired the New Shares for their cash equivalent and the corporation tax regime will apply in the normal way to subsequent disposals.

B. NON-PID DIVIDENDS

When the Company offers a scrip dividend alternative in respect of a non-PID, the tax position is as follows:

- i) Withholding tax: The Company is not required to withhold tax at source from a non-PID, irrespective of whether the non-PID is paid in cash or in New Shares.
- ii) Individual shareholders: UK resident individuals receiving non-PIDs who elect to receive a non-PID in the form of New Shares will be treated as having received the cash equivalent. Such individuals, along with those individual UK Shareholders who receive the non-PID in cash, will have a tax-free allowance (currently £5,000, but reducing to £2,000 from 6 April 2018) in respect of dividend income (the "**dividend allowance**"). Dividend income in excess of the dividend allowance will be taxed as the top slice of income (currently at a rate of 7.5% for

basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers). For the purpose of computing the capital gains tax liability on a future disposal of any of the New Shares, an individual will be treated as acquiring the New Shares on the day that they were issued for a consideration equal to the cash dividend forgone (or market value if substituted for a cash equivalent as described in the Guide). The normal capital gains tax provisions will apply to any future disposal of New Shares by the individual shareholders.

- iii) Corporate shareholders: UK corporate shareholders will not be charged corporation tax on receipt of the New Shares (except to the extent such issue constitutes a distribution for tax purposes in which case it is likely that the distribution will fall within an exempt class, provided certain conditions are met). For chargeable gains purposes, the shareholder will be treated as giving no consideration for the New Shares and will obtain no additional base cost in its enlarged shareholding. The position is slightly different for UK corporate shareholders receiving a non-PID in cash, in that corporation tax is primarily chargeable, however it is likely that an exemption will apply.