

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION.

THIS ANNOUNCEMENT IS NOT AN ANNOUNCEMENT OF A FIRM INTENTION TO MAKE AN OFFER UNDER RULE 2.7 OF THE CITY CODE ON TAKEOVERS AND MERGERS (THE "CODE") AND ACCORDINGLY THERE CAN BE NO CERTAINTY THAT AN OFFER WILL BE MADE.

FOR IMMEDIATE RELEASE

13 August 2020

M&G Investment Management Limited

Increased and final possible offer for UK Mortgages Limited ("UKML" or the "Company")

- Increased and final possible offer for UKML of 70p per share
- UKML's recently announced 'Review of Future Strategy' provides no long-term certainty for shareholders
- Deadline for the Board to engage with our offer before MAGIM has to withdraw is 17 August 2020

M&G Investment Management Limited ("**MAGIM**") on behalf of one of its managed funds, M&G Specialty Finance Fund (£) SCSp, today announces a revised and final possible all-cash offer for the entire issued and to be issued ordinary share capital of UKML.

The UKML Board continues to refuse to engage with MAGIM. In a final attempt to try and engage with the Board of UKML before 17 August 2020, MAGIM wrote to the Board earlier this morning, improving its indicative offer announced on 20 July by 3p or 4.5% to 70p per share (the "**Final Proposal**"). This values the existing issued share capital of UKML at approximately £191 million and represents:

- a 26% premium to the UKML closing share price of 55.5p as of 17 July 2020, the last full day of trading before our announcement on 20 July 2020;
- a 35% premium over the 1 month volume weighted average price (VWAP) of 52p per share; and
- a 42% premium over the 3 month VWAP of 49.4p per share (in each case, over the relevant period ending 17 July 2020).

The Final Proposal is not affected by the recently paid out fourth interim dividend of 0.375p per share. However, in the event that the recently proposed fifth interim dividend of 1.5p per share for the financial year ended 30 June 2020 (the "**Fifth Interim Dividend**") is paid before completion, the offer price will be reduced to 68.5p per share. The offer price will be reduced by the amount of any dividend or distribution or return of capital announced, declared or paid by UKML after 13 August 2020.

MAGIM notes the Company's Announcement of Review of Future Strategy dated 7 August 2020. MAGIM believes that the announcement provides shareholders with no real certainty about the Company's long-term prospects. Furthermore, it falls short of providing any concrete guidance on the Company's revised cashflow forecasts. Meanwhile, the Final Proposal improves on an already attractive possible offer for UKML

shareholders and would provide shareholders the chance to exit at an attractive price without delay or uncertainty.

MAGIM also reiterates its view that the reported monthly NAV does not reflect the true value of the Company given the continued uncertain outlook for the underlying assets and particularly given the actual higher cost of financing achieved. In MAGIM's opinion, UKML is therefore unlikely to achieve an equivalent valuation for its shareholders given its structure.

MAGIM would need the support of UKML's largest shareholders in order to effect the proposed transaction. MAGIM notes that TwentyFour Asset Management LLP ("**TwentyFour**") the portfolio manager for UKML, is also

the Company's largest shareholder, owning or controlling approximately 17% of UKML's voting share capital.

For the reasons outlined above and in its announcement of 20 July 2020, MAGIM strongly believes that its increased and final all cash offer would provide UKML shareholders with an immediate cash exit at a highly attractive premium and therefore invites shareholders to request that the Board engages with MAGIM before the 17 August deadline under the Takeover Code. MAGIM notes that if the Board continues to refuse to engage by that date, MAGIM will not be allowed to make another offer for 6 months other than in very limited circumstances permitted by the Takeover Code.

Pre-conditions to a potential firm offer

The announcement of any formal offer for UKML under the Takeover Code would be conditional on, amongst other things, satisfactory completion of diligence and the unanimous and unqualified recommendation by the UKML Board of Directors.

Reservations

MAGIM reserves the right to waive any or all of the pre-conditions set out above, in whole or in part.

The offer price of 70p per UKML share will be reduced by the amount of any dividend or distribution or return of capital announced, declared or paid by UKML after 13 August 2020 (including the Fifth Interim Dividend, if paid). In addition, MAGIM further reserves the right to announce an offer at a price below 70p per UKML share in the event that:

- a) the Board of UKML recommends an offer at the reduced price;
- b) a third party announces a firm intention to make an offer for UKML; or
- c) UKML announces a whitewash transaction pursuant to the Takeover Code.

MAGIM also reserves the right to announce an offer at a price above 70p per UKML share in the event that a third party announces a firm intention to make an offer for UKML.

There can be no certainty that that an offer will be made for UKML under the Takeover Code. A further announcement will be made as appropriate.

Capitalised terms used but not defined in this announcement have the meanings set out in MAGIM's announcement regarding the Possible Offer on 20 July 2020.

Sources and Bases

Unless otherwise stated, financial and other information concerning MAGIM and UKML has been extracted from published sources or (in the case of information concerning MAGIM) from MAGIM's internal sources. The value attributed to UKML's issued share capital is based on an assumed number of ordinary UKML shares in issue of 273,065,390, as publicly disclosed. All prices for UKML shares have been derived from the Daily Official List of the London Stock Exchange and represent the closing price on the relevant date. Information in relation to 1 month and 3 month VWAPs has been sourced from Bloomberg. As per the form 8.3 published on 28 July 2020, TwentyFour Asset Management LLP's owns or controls 17.12% of UKML's voting share capital.

Enquiries:

FTI Consulting

Ed Berry / Tom Blackwell +44 (0) 7703 330199 / +44 (0) 7747 113919

M&G Investment Management Limited

RBC Capital Markets, Financial Adviser to M&G Investment Management Limited, on behalf of M&G Specialty Finance Fund (£) SCSp +44 (0) 207 653 4000

Eric Richard
Oliver Hearsey
Alexander Thomas
Paul Lim

Winterflood Securities, Broker to M&G Investment Management Limited, on behalf of M&G Specialty Finance Fund (£) SCSp +44 (0) 203 100 0000

Darren Willis
Joe Winkley
Neil Langford

Further Information

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to this announcement or otherwise.

The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

Important notices relating to financial advisers

RBC Europe Limited (trading as "**RBC Capital Markets**"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting exclusively for M&G Investment Management Limited and for no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than M&G Investment Management Limited for providing the protections afforded to its clients or for providing advice in connection with the subject matter of this announcement.

Winterflood Securities Limited ("**Winterflood**") is authorised and regulated in the United Kingdom by the Financial Conduct Authority. Winterflood is acting as broker exclusively for M&G Investment Management Limited and no one else in connection with the matters set out in this announcement and will not be responsible to anyone other than M&G Investment Management Limited for providing the protections afforded to clients of Winterflood or for providing advice in connection with the subject matter of this announcement.

Publication on a website

A copy of this announcement will be made available, subject to certain restrictions relating to persons resident in restricted jurisdictions, at www.sfoffer.uk. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

OUPUOOVRRBUWARR