
Appendix: Dividend, Scrip Dividend Scheme and Cash Alternative

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or 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 or other independent financial advisor authorised under the Financial Services and Markets Act 2000 (as amended).

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this document and other enclosures with this document, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

Elecosoft[®]

ELECOSOFT PLC

(Incorporated in England and Wales with registered number 00354915)

DIVIDEND, SCRIP DIVIDEND SCHEME AND CASH ALTERNATIVE

A copy of this document is also available on the Company's website at www.ir.elecosoft.com. Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website are incorporated in, or form part of, this document.

Letter from the Executive Chairman

ELECO SOFT PLC

(Incorporated in England and Wales with Company number 00354915)

Registered Office:

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London
EC2A 4HB

Directors:

John Kettleley – Executive Chairman
Jonathan Hunter – Executive Director
Anders Karlsson – Executive Director
Mukul Mistry – Executive Director
Ben Moralee – Executive Director
Serena Lang – Non-Executive Director, Deputy Chairman
Kevin Craig – Non-Executive Director
David Dannhauser – Non-Executive Director

12 April 2019

Dear Shareholder

Elecosoft plc – Dividend, Scrip Dividend Scheme and Cash Alternative

QUALIFYING SHAREHOLDERS WHO WISH TO RECEIVE THE DIVIDEND IN SHARES NEED TAKE NO FURTHER ACTION.

QUALIFYING SHAREHOLDERS WHO WISH TO RECEIVE THE DIVIDEND IN CASH MUST RETURN A CASH ALTERNATIVE ELECTION FORM. AN ELECTION MUST BE MADE EACH TIME A DIVIDEND OF THIS NATURE IS OFFERED. PREVIOUS CASH ALTERNATIVE ELECTIONS WILL BE DISREGARDED.

QUALIFYING SHAREHOLDERS WHO DO NOT RETURN A PROPERLY COMPLETED CASH ALTERNATIVE ELECTION FORM WILL RECEIVE THE DIVIDEND IN SHARES.

I refer to the Company's Scrip Dividend Scheme, details of which were contained in a circular to shareholders dated 7 April 2017 ("**Scheme**") which is available on the Company's website (www.elecosoft.com). Unless otherwise defined, all capitalised terms in this letter shall have the meanings given in the Scheme's terms and conditions.

On 19 March 2019 the Company announced a dividend of 0.4 pence per share for the year ended 31 December 2018 ("**Dividend**"). I write to explain the arrangements in relation to the Dividend.

The Board has determined that the Dividend will be paid in the form of New Shares and that all Qualifying Shareholders shall be deemed to have elected to receive a Scrip Dividend under the Scheme. For these purposes, "**Qualifying Shareholders**" are all those shareholders who are not Excluded Shareholders and "**Excluded Shareholders**" are defined as:

- shareholders located in, with a registered address in, or citizens of any of the United States, Australia, Canada, Japan, South Africa or any other jurisdiction in respect of which the offer of New Shares would or may be unlawful, where such shareholders have not demonstrated to the Company's advisors' satisfaction (acting in their absolute discretion) that it would be lawful to make the New Shares available to them without any registration or compliance with other legal requirements in the relevant territory; or
- shareholders who, in receiving a Scrip Dividend under the Scheme, when taken together with shares in which persons acting in concert with them are interested, would be required to make a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers.

Excluded Shareholders and those **Qualifying Shareholders** who elect not to receive payment of the Dividend in New Shares will receive the Dividend in cash ("**Cash Alternative**").

Qualifying Shareholders should note that this Dividend differs from a conventional scrip dividend, in that, to receive it, Qualifying Shareholders **must actively elect** to receive the Cash Alternative instead of New Shares in payment of the Dividend. A Cash Alternative election must be made each time a Dividend with a Cash Alternative is offered. **Previously completed Cash Alternative elections will not be carried forward to future Dividends of this nature.**

This document and the Scheme document together set out the terms on which the Dividend will be paid to Qualifying Shareholders and the basis on which shareholders may instead elect to receive the Dividend in cash by completing the attached Cash Alternative Election Form for that purpose.

If you have previously completed and subsequently cancelled a Scrip Dividend Mandate, or completed a Cash Alternative election for a previous payment, you will still need to complete a Cash Alternative Election Form if you wish to receive the Cash Alternative. If you have previously completed a Cash Alternative Election Form, you will need to do so again for this Dividend, if you wish to receive the Dividend in cash.

The right to the Dividend is non-transferable.

The Company believes that paying the Dividend, insofar as possible, in New Shares is in the Company's best interests, as it will assist in minimising any reduction to the Company's net asset value as a result of the payment of the Dividend.

Qualifying Shareholders who receive the Dividend in New Shares in full should note that they will not receive any cash in respect of the Dividend and will be exposed to the risk that the value of the New Shares that they receive will depend on the Company's performance going forward. Qualifying Shareholders who elect to receive the Dividend in cash and Excluded Shareholders should note that their existing shareholdings will be partially diluted by the issue of New Shares in payment of the Dividend.

Terms of the Dividend

The Scrip Dividend reference price for New Shares for the Dividend will be 74.74 pence per Ordinary Share, calculated from the average closing price for an Ordinary Share in the Company as derived from the Daily Official List of the London Stock Exchange during the period of five dealing days ending on 18 March 2019.

The Dividend will be paid in New Shares in accordance with the terms and conditions of the Scheme.

Expected timetable

The expected timetable for payment of the Dividend for the six months ended 31 December 2018 is as follows:

29 March 2019	Record Date
5.00 pm on 10 May 2019	Final date and time for receipt of Cash Alternative Election Forms
31 May 2019	Admission of New Shares to AIM and payment of Cash Alternative

Whether or not you should elect to receive the Cash Alternative instead of New Shares may depend upon your own tax circumstances. If you are in any doubt about what course of action to take, you should consult an independent financial advisor. Please bear in mind that the price of Ordinary Shares can go down as well as up.

Action to be taken

Qualifying Shareholders who wish to receive the Dividend in New Shares

Qualifying Shareholders who wish to receive the Dividend in respect of their shares in the form of New Shares need take no further action and should not complete or return the Cash Alternative Election Form.

Qualifying Shareholders who hold their Shares in certificated form will receive a Dividend confirmation, along with a new share certificate, showing the number of New Shares allotted, the relevant scrip reference price and the total cash equivalent value of the New Shares for tax purposes. Qualifying Shareholders who hold their shares in CREST will have their member accounts credited directly with the New Shares on the Dividend payment date or as soon as practicable thereafter and will separately receive a Dividend confirmation showing the number of New Shares allotted, the relevant scrip reference price and the total cash equivalent value of the New Shares for tax purposes. Qualifying Shareholders' new share certificates, where shares are not held in CREST, will be posted at the risk of the relevant Qualifying Shareholder on the same date as the Dividend is paid.

Qualifying Shareholders who wish to receive the Dividend in cash

All Qualifying Shareholders who wish to receive the Dividend in respect of their shares in cash (whether they hold their shares through CREST or in certificated form) must complete and return the accompanying Cash Alternative Election Form as soon as possible, but in any case in order to reach the Company's registrars, Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 5.00 pm on 10 May 2019.

Qualifying Shareholders who submit a Cash Alternative Election Form who hold their shares in CREST will receive the Dividend in cash credited to their CREST account. Other Qualifying Members who submit a Cash Alternative Election Form will receive the Dividend in cash by cheque or, where the Company holds the relevant details for the relevant shareholder, by BACS payment.

Excluded Shareholders

All shareholders who are Excluded Shareholders will receive the Dividend in cash. If you receive this letter in any country or jurisdiction outside the United Kingdom you may not treat it as an invitation to receive the Dividend in New Shares unless such an invitation could lawfully be made to you without the Company being required to comply with any registration or other legal requirements.

It is the responsibility of any person resident outside the United Kingdom wishing to receive New Shares in payment of the Dividend to be satisfied as to full observance of the laws of the relevant territory, including obtaining any government or other consents which may be required and observing any other formalities in such territories.

Excluded Shareholders in the United States, Australia, Canada, Japan and South Africa do not need to return a Cash Alternative Election Form.

Letter from the Executive Chairman continued

Qualifying Shareholders with more than one registered holding

If a Qualifying Shareholder owns Shares which are registered in more than one holding, or under different member account IDs in CREST, those holdings will be treated for all purposes relating to the Dividend as separate. In particular, Qualifying Shareholders wishing to receive the Dividend in cash will need to complete separate Cash Alternative Election Forms for each such holding of shares.

Additional information

Fractions of New Shares will not be issued and any residual entitlement that would under the Scheme be rounded down to the nearest whole number and will be made use of by the Board of Directors of the Company pursuant to Article 111 of the Company's Articles of Association.

The New Shares may be held in certificated or uncertificated form. No temporary documents of title will be issued. The existing Shares are, and the New Shares will be traded on the AIM market of the London Stock Exchange.

Further copies of this document and the Cash Alternative Election Form may be obtained free of charge during normal business hours from Link Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. All enquiries in respect of the Dividend should be addressed to the Company's registrars, Link Asset Services. Shareholders with questions can contact a shareholder helpline on 0371 664 0300. 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 9.00 am and 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

Yours faithfully

John Ketteley
Executive Chairman
Elecosoft plc