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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other independent professional adviser who is authorised pursuant to the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in Elektron Technology plc you should pass this document to the purchaser or transferee or to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.**

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Broers Building,  
21, J J Thomson Avenue,  
Cambridge, CB3 0FA

16 May 2012



**Elektron Technology plc**

Registered in England and Wales No. 448274

Dear Shareholder,

**Scrip Dividend Scheme**

At the Annual General Meeting held on 29 July 2010, shareholders authorised the Directors to offer shareholders the option to receive the whole or part of their dividend in new fully paid ordinary shares of the Company ('New Shares') instead of cash for dividends paid during the period when the Company's Scrip Dividend Scheme is in effect. The benefit to shareholders who elect to take up the scrip dividend is that they can increase their shareholding in the Company in a simple manner without paying any dealing costs or stamp duty. However, you should bear in mind that the price of the Company's shares can go down, as well as up, and whether you elect to participate in the Scrip Dividend Scheme is a matter for your own decision depending on your individual circumstances.

Subject to the passing of the resolution declaring a final dividend of 0.56p per ordinary share for the year ended 31 January 2012 at this year's Annual General Meeting of the Company to be held on 28 June 2012 (the 'Dividend'), notice of which is set out in the separate circular also dated today, shareholders may elect to participate in the Scrip Dividend Scheme in relation thereto and thereby receive the Dividend in New Shares instead of cash.

If you are in any doubt as to the action you should take, you are advised to consult your appropriate professional adviser. If you wish to receive the Dividend in cash, you need not take any further action and may disregard this letter and the Scrip Dividend Scheme Mandate Form accompanying this letter ('Mandate Form') unless you have previously elected to receive a dividend of the Company in the form of New Shares under the Company's Scrip Dividend Scheme, in which case your previous election under the Scrip Dividend Scheme will apply to all future scrip dividends (including the Dividend) offered unless and until you revoke such election by notifying the Registrar in writing. If you wish to elect to participate in the Scrip Dividend Scheme and receive the Dividend in New Shares, you should read this letter carefully and elect to participate in the Scrip Dividend Scheme in accordance with the procedures set out in paragraph 5 of Appendix 1 to this letter. If you choose to elect to participate in the Scrip Dividend Scheme whether by completing the Mandate Form or via CREST, your election must be received by the Registrar or CREST (as relevant) no later than 5.00pm on 22 June 2012.

The terms and conditions of the Scrip Dividend Scheme are set out in Appendix 1 to this letter and a summary of the United Kingdom taxation consequences of electing to participate in the Scrip Dividend Scheme is set out in Appendix 2.

If you are not resident in the United Kingdom, your attention is drawn to the information contained in paragraph 4 of Appendix 1 to this letter.

If all of the Company's eligible Shareholders as at 4 May 2012 were to elect to participate in the Scrip Dividend Scheme in respect of their entire registered shareholdings as at such date, based on the price of a New Share at 20.87p (being the average of the closing middle market price of the Company's shares as derived from the London Stock Exchange Daily Official List for the five consecutive dealing days from 2 May 2012), the Company would issue 3,201,068 New Shares pursuant to the Scrip Dividend Scheme in respect of the Dividend, representing 2.683% of the Company's issued ordinary share capital as at the close of business on 11 May 2012 (being the latest practicable date prior to the publication of this document).

If none of the Company's Shareholders as at 4 May 2012 were to elect to participate in the Scrip Dividend Scheme in respect of any part of their registered shareholdings as at such date, the Company would pay a total cash dividend of an amount equal to £668,063 in respect of the Dividend. The actual basis of entitlement under the Scrip Dividend Scheme for the Dividend will be determined in due course in accordance with paragraph 9 of Appendix 1 to this letter.

**Action to be taken**

**1. If you wish to receive your entire Dividend in New Shares instead of cash:**

If you hold shares in certificated form, you should complete, sign and date the Mandate Form enclosed with this document and return it to the Registrar in accordance with the instructions set out in paragraph 5 of Appendix 1 to this letter. However, if you have previously elected to receive a dividend of the Company in the form of New Shares under the Company's Scrip Dividend Scheme, your previous election under the Scrip Dividend Scheme will apply to all future scrip dividends (including the Dividend) and you need take no further action.

If you hold your shares in CREST you should complete a Dividend Election Input Message in accordance with the CREST procedures. Please see paragraph 5 of Appendix 1 to this letter for further details.

**2. If you wish to receive your Dividend entirely in cash:**

You need take no action, unless you have previously elected to receive a dividend of the Company in the form of New Shares under the Company's Scrip Dividend Scheme, in which case your previous election under the Scrip Dividend Scheme will apply to all future scrip dividends (including the Dividend) offered unless and until you revoke such election by notifying the Registrar in writing (see Note 15 of the attached terms and conditions of the Scrip Dividend Scheme).

If, having read this letter, you have any questions in relation to the Scrip Dividend Scheme, please contact the Registrar at the address or telephone number set out in paragraph 19 of Appendix 1 to this letter.

Further copies of this letter and duplicate Mandate Forms can be obtained from the Registrar from (and including) the date of receipt of this letter to (and including) 22 June 2012 (although elections to participate in the Scrip Dividend Scheme in relation to the Dividend must be received by the Registrar no later than 5.00pm on that date).

Yours faithfully



**Keith Daley**  
Chairman

## Expected timetable of events

### Dividend

Date	Event
2 May 2012	Shares in the Company quoted ex-dividend
2 May-9 May 2012	Dealing days for calculating the price of the New Shares to be offered pursuant to the Scrip Dividend Scheme in respect of the Dividend
4 May 2012	Record date for Dividend
22 June 2012	Final date for receipt of the Mandate Forms (as defined in Appendix 1 to this letter) or CREST elections
28 June 2012	Annual General Meeting
17 August 2012	Dividend payment date
20 August 2012	Posting of the Share certificates
17 August 2012	First day of dealing in the New Shares

# Appendix 1: Terms and Conditions

## 1. Definitions

'Company'	means Elektron Technology plc.
'Dividend'	means the dividend to be proposed at the annual general meeting on 28 June 2012.
'LSE'	means the London Stock Exchange plc.
'Mandate Form'	means the Scrip Dividend Scheme Mandate Form provided by the Company or its Registrar to the Shareholders either on request or otherwise, pursuant to which a Shareholder can elect to participate in the Scrip Dividend Scheme and 'Mandate Forms' will be construed accordingly.
'New Shares'	means new, fully paid, ordinary shares of 5p each in the capital of the Company.
'Participant'	means a Shareholder that has validly elected to participate in the Scrip Dividend Scheme and 'Participants' will be construed accordingly.
'Record Date'	means 4 May 2012 which is the date upon which the Company will determine the Shareholders entitled and those Shareholders' entitlements to the Dividend.
'Registrar'	means Capita Registrars, a trading name of Capita Registrars Limited.
'Return Date'	means, in respect of the Dividend, 5.00pm on 22 June 2012 which is the time and date by which the Mandate Form, or CREST election must be received by the Registrar or CREST (as relevant) in order for it to be effective in respect of the Dividend.
'Scrip Dividend Scheme'	means the Company's Scrip Dividend Scheme comprising these terms and conditions (as may be modified or amended from time to time).
'Shareholders'	means the holders of Shares in the Company and 'Shareholder' will be construed accordingly.
'Shares'	means ordinary shares of 5p each in the capital of the Company and 'Share' will be construed accordingly.
'UK'	means the United Kingdom.

## 2. Introduction to the Scrip Dividend Scheme

This Appendix 1 forms the terms and conditions of the Scrip Dividend Scheme.

Subject to the fulfilment of the terms and conditions set out in paragraph 3 below, if you validly elect to participate in the Scrip Dividend Scheme, or have previously validly elected and have not revoked such election by notice in writing to the Registrar, you will receive New Shares instead of cash in respect of the whole (but not part) of the Dividend. If you do not elect to participate in the Scrip Dividend Scheme, you will receive the Dividend in cash.

## 3. Conditions to the Scrip Dividend Scheme

The allotment and issue of New Shares pursuant to the Scrip Dividend Scheme is, at all times, conditional upon:

- all authorities in respect thereof being in full force and effect, including the passing of any resolution of the Company required by law, regulations or the Company's Articles of Association; and
- the admission to trading on AIM of such New Shares.

If, for any reason, these conditions have not been satisfied such that the Company cannot allot and issue New Shares pursuant to the Scrip Dividend Scheme in respect of any dividend, Participants will receive cash (as opposed to New Shares) in respect of that dividend.

## 4. Can I elect to participate in the Scrip Dividend Scheme?

If you are resident in the UK you can elect to participate in the Scrip Dividend Scheme. If you are not resident in the UK you can only elect to participate in the Scrip Dividend Scheme if the Scrip Dividend Scheme can be lawfully offered to, and be accepted by, you under the laws of the relevant jurisdiction and, in both cases, without further obligation on the part of the Company. If you are not resident in the UK and wish to elect to participate in the Scrip Dividend Scheme, you are responsible for ensuring the full observance of the laws of the relevant jurisdiction, including complying with any relevant regulatory or legal procedures, obtaining any relevant government or other consent and observing any and all other necessary formalities.

## 5. How do I elect to participate in the Scrip Dividend Scheme?

### Sending in your Mandate Form

You may elect to participate in the Scrip Dividend Scheme by completing the Mandate Form and returning it to the Registrar using the envelope, enclosed with this circular, addressed to CAG1, 34 Beckenham Road, Beckenham, Kent BR3 4WX, so as to be received no later than 5.00pm on the Return Date. No acknowledgement of receipt of the Mandate Form will be given. Any Mandate Form that is received by the Registrar after 5.00pm on the Return Date will not be effective and the Shareholder will receive cash instead.

## **5. How do I elect to participate in the Scrip Dividend Scheme?** continued

### **CREST**

If your shareholding is in uncertificated form in CREST (and was in uncertificated form as at the relevant Record Date), you can only elect to receive your Dividend in the form of New Shares by means of the CREST procedure to effect such an election. No other form of election will be permitted under the Scrip Dividend Scheme and, if received, will be rejected and returned to the CREST Shareholder who has lodged such instructions. If you are a CREST Personal Member, or other CREST Sponsored Member, you should consult your CREST sponsor, who will be able to take appropriate action on your behalf. All elections made via the CREST system should be submitted using the Dividend Election Input Message in accordance with the procedures as stated in the CREST Reference Manual. The Dividend Election Input Message submitted must contain the number of Shares on which the election is being made. If the relevant field is left blank or completed with zero, the election will be rejected. If you enter a number of Shares greater than your holding in CREST on the relevant Record Date, the election will be applied to your total holding held as at the Record Date for the Dividend. Elections via CREST should be received by CREST no later than 5.00pm on the Return Date.

As a CREST holder you will need to submit a Dividend Election Input Message on each future dividend where you wish to receive new ordinary shares where a scrip dividend is offered. If you do not complete a Dividend Election Input Message in respect of a dividend where a scrip dividend is offered then you will receive the dividend in cash.

## **6. Will I need to elect to participate in the Scrip Dividend Scheme every year?**

No. Unless and until it is revoked by notice in writing from you to the Registrar, your election to participate in the Scrip Dividend Scheme will apply for all future dividends for which a scrip dividend is offered.

## **7. What should I do if I do not wish to elect to participate in the Scrip Dividend Scheme?**

Provided that you have not previously validly elected to be a Participant, if you do not wish to elect to participate in the Scrip Dividend Scheme you need not take any further action and may disregard this letter. Your Dividends will be paid to you in cash in the usual way.

If you have previously validly elected to be a Participant in the Company's Scrip Dividend Scheme, then if you wish to receive cash you must validly revoke your election by notice in writing to the Registrar to be received by them no later than the Return Date.

## **8. What happens if I have more than one shareholding?**

If you have more than one shareholding you should complete a separate Mandate Form in respect of each shareholding in relation to which you wish to elect to participate in the Scrip Dividend Scheme. If you wish to consolidate your shareholdings, please contact the Registrar at the address or on the telephone number set out in paragraph 19 below.

## **9. If I am a Participant, how many New Shares will I receive?**

The number of New Shares that you will receive pursuant to the Scrip Dividend Scheme in respect of any dividend will be equal to X in the following formula:

$$X = (A \times B) / C$$

where:

**A** equals the number of Shares registered in your name as at the Record Date;

**B** equals the amount of the final dividend per ordinary share in the Company; and

**C** equals the relevant price of a New Share.

The relevant price of a New Share will be calculated using the average of the closing middle market quotations of the Shares as derived from the LSE Daily Official List for the five consecutive dealing days commencing on the day on which the Shares were first quoted ex-dividend.

As no fraction of a New Share will be issued under the Scrip Dividend Scheme, your entitlement to New Shares will be subject to rounding down. Any residual cash balance will be retained by the Company and carried forward to be included in the calculation for the next entitlement under the Company's Scrip Dividend Scheme. No interest will be paid on this cash balance. If (i) a Mandate Form ceases to remain in force, (ii) a Participant disposes of their entire holding of Shares in the Company, (iii) the Company terminates the Scrip Dividend Scheme; (iv) a Participant dies, becomes bankrupt, or goes into liquidation or administration, any such cash balance held will be paid (without interest) to the relevant Participant or their estate or trustee entitled thereto, as applicable, as soon as reasonably practicable.

An example, for illustrative purposes only, of how the Company will calculate the amount of New Shares that will be allotted and issued to a Participant pursuant to the Scrip Dividend Scheme in respect of the Dividend is as follows:

### **Facts**

5,000 Shares are registered in your name as at the Record Date ('A' in the above formula). The amount of the Dividend is 0.56p per Share ('B' in the above formula). The relevant price of a New Share is 20.87p ('C' in the above formula).

# Appendix 1: Terms and Conditions continued

## Calculation

The amount of the cash Dividend to which you will be entitled is:  $(5,000 \times 0.56p) = \pounds 28.00$

The number of New Shares to which you will be entitled is:  $\pounds 28.00 / 20.87p = 134.16$  New Shares, rounded down to 134 New Shares

The value of New Shares to which you will be entitled is:  $134 \times 20.87p = \pounds 27.96$

The cash balance of 4p will be carried forward to be included in the calculation for the next entitlement under the Scrip Dividend Scheme.

## 10. If I am a Participant, how will I know how many New Shares I have received?

On the Dividend payment date, you will receive a statement detailing the amount of New Shares that you have received pursuant to the Scrip Dividend Scheme in respect of the Dividend. This statement will also detail the cash equivalent of the New Shares and the notional tax credit in respect of the New Shares which you will require for your tax return.

## 11. Will the New Shares be admitted to trading on AIM and how will the New Shares rank?

Applications will be made for the New Shares to be admitted to trading on AIM. Subject to these applications being successful, the New Shares are expected to be allotted and issued and admitted to trading on the Dividend payment date. Dealings in the New Shares are also expected to commence on the Dividend payment date. Share certificates in respect of the New Shares will be sent to Participants that held Shares in certificated form as at the Record Date on, or around, the same day as dividend warrants are posted to Shareholders that have not elected to participate in the Scrip Dividend Scheme. Participants that held Shares in uncertificated form in CREST as at the Record Date will have their CREST accounts credited in respect of the New Shares on the Dividend payment date. All documents, including share certificates, that are sent to or by any Participant will be sent at that Participant's own risk. The New Shares that are allotted and issued pursuant to the Scrip Dividend Scheme will rank equally in all respects (including as to voting rights) with the existing issued Shares (save as regards participation in the relevant Dividend) and will rank for all future dividends.

## 12. Does the Scrip Dividend Scheme apply to Shares in joint names?

Yes but each joint Shareholder must sign any required Mandate Form for the election to participate in the Scrip Dividend Scheme to be effective.

## 13. Can I elect to participate in the Scrip Dividend Scheme in respect of part of my shareholding?

No. You can only elect to participate in the Scrip Dividend Scheme in respect of the whole of your shareholding. If you complete your Mandate Form and return it to the Registrar, or elect through CREST, you will be deemed to have elected to participate in the Scrip Dividend Scheme in respect of the total number of Shares registered in your name as at the Record Date.

Notwithstanding this, the Company may, at its discretion, permit a Shareholder to complete a Mandate Form or make a CREST election (as relevant) in respect of a lesser number of Shares than its full shareholding where that Shareholder is a nominee Shareholder. A cash Dividend will automatically be paid in respect of any Shares that are not specified in the Mandate Form or CREST election.

## 14. What happens if I buy or sell Shares after I have elected to participate in the Scrip Dividend Scheme?

If you buy or sell some or all of your Shares and such increase, decrease or sale is not reflected in the Company's register of Shareholders as at the Record Date, you will be deemed to have elected to participate in the Scrip Dividend Scheme in respect of your original shareholding (i.e. the number of Shares you held prior to you buying more or selling some or all of your Shares) and will therefore receive New Shares in respect of your original shareholding.

## 15. If I am a Participant, can I cancel my election to participate in the Scrip Dividend Scheme?

Yes. If you are a certificated Shareholder you can cancel your election to participate in the Scrip Dividend Scheme by giving written notice to Capita Registrars, New Issues Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. For a cancellation to be effective, notice of that cancellation must be received by the Registrar no later than 5.00pm on the relevant return date in respect of that dividend. Any such cancellation will be effective for that dividend and any future dividends.

If you are an uncertificated Shareholder (via CREST) you can cancel your election to participate in the Scrip Dividend Scheme by utilising the CREST procedures for deletions described in the CREST manual. For a cancellation to be effective, your deletion must be received and, in accordance with the CREST procedures, accepted by the Registrar no later than 5.00pm on the relevant return date in respect of that dividend. Any such deletion will be effective for that dividend and any future dividends.

**16. What if I am a Participant and my shareholding is in uncertificated form in CREST?**

If your shareholding is in uncertificated form in CREST (and was in uncertificated form in CREST as at the Record Date), your New Shares will be allotted and issued in uncertificated form and credited to your CREST account on the Dividend payment date. If some of your shareholding is in uncertificated form in CREST and some of your shareholding is in certificated form (and was in such forms as at the Record Date), the Company will be able to treat such shareholdings as separate shareholdings pursuant to the Uncertificated Securities Regulations 2001. You should elect to participate in the Scrip Dividend Scheme by completing and returning to the Registrar a Mandate Form or by means of the CREST procedures (as relevant), for each of these shareholdings in respect of which you wish to receive New Shares.

**17. What is the governing law and jurisdiction of the Scrip Dividend Scheme?**

The Scrip Dividend Scheme, including any election to participate in the Scrip Dividend Scheme and any authorisation given by Shareholders, is governed by, and its terms are to be construed in accordance with, English law. Participants agree to submit to the exclusive jurisdiction of the English courts in relation to any matters arising out of, or in connection with, the Scrip Dividend Scheme.

**18. What are the taxation consequences of electing to participate in the Scrip Dividend Scheme?**

The UK tax consequences of electing to participate in the Scrip Dividend Scheme are briefly set out in Appendix 2 to this letter. If, having read Appendix 2 to this letter, you have any questions in relation to tax, you are advised to consult your appropriate professional adviser.

**19. What do I do if I have any questions in relation to the Scrip Dividend Scheme?**

If, after having read this letter, you have any questions in relation to the Scrip Dividend Scheme, please contact the Registrar by post at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by telephone on 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday-Friday).

**If you wish to receive dividends in cash in the usual way you need take no action and may disregard this document unless:**

**(i) you hold your shares in uncertificated form and have previously given instructions to be a Participant in the Scrip Dividend Scheme, in which case you will need to cancel that instruction to take effect no later than the Return Date; or**

**(ii) you hold your shares in certificated form and have previously validly elected to be a Participant in the Company's Scrip Dividend Scheme, in which case you must validly revoke your election by notice in writing to the Registrar to be received by them no later than the Return Date.**

## Appendix 2: United Kingdom taxation

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of HMRC, both of which are subject to change at any time, possibly with retrospective effect. They are not advice. Except insofar as express reference is made to the treatment of non-UK residents, the following statements are intended to apply only to Shareholders who are resident (or, in the case of an individual, domiciled and resident or ordinarily resident) in the UK for UK tax purposes, who hold ordinary shares as investments and who are the absolute beneficial owners of ordinary shares. The statements may not apply to certain classes of Shareholders, such as dealers in securities or distributions, broker-dealers, insurance companies, collective investment schemes, persons who hold their shares by virtue of an interest in any partnership and persons who have acquired (or are deemed for tax purposes to have acquired) their shares by reason of office or employment.

Shareholders who are in any doubt as to their tax position or who are resident or domiciled in or subject to tax in a jurisdiction other than the UK should consult their own professional advisers immediately.

The UK tax treatment of cash dividends received by Shareholders in the Company will not change following the implementation of the Scrip Dividend Scheme.

### Income tax

A Shareholder who is an individual resident (for tax purposes) in the United Kingdom and who elects to receive New Shares instead of a cash dividend from the Company will be subject to tax on the amount (the 'gross amount') which is equal to the cash equivalent of those New Shares grossed up by income tax at the dividend ordinary rate (currently 10%). The gross amount will be regarded as the top slice of the individual's income and the individual will be subject to tax on it as dividend income.

The individual will also be treated as having paid tax at the dividend ordinary rate on the gross amount (except to the extent that the individual is not taxable on the gross amount as a result of the availability of a relief or allowance). The tax which the individual will be deemed to have paid will therefore discharge the individual's liability to tax in respect of the gross amount, unless and except to the extent that the gross amount falls above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the gross amount at the dividend upper rate (currently 32.5%) or at the additional rate (currently 42.5%) less the tax that individual will be treated as having paid at the dividend ordinary rate.

So, for example, an individual receiving New Shares with a cash equivalent of £90 will be treated as having paid tax of £10. If the individual is not liable to income tax at the higher rate, that individual's liability in respect of the Scrip Dividend Scheme will be 10% of the gross amount of £100, or £10. Consequently, that individual's liability will be discharged in full by the tax of £10 which that individual will be treated as having paid and so that individual will have no further liability to tax in respect of the Scrip Dividend Scheme. If that individual is liable to income tax at the higher rate, that individual's tax liability in respect of the Scrip Dividend Scheme will be 32.5% of the gross amount of £100, or £32.50. After taking into account the tax of £10 which that individual will be treated as having paid, this will leave a net tax charge of £22.50. If an individual is liable to income tax at the additional rate of 42.5%, the net tax charge after taking into account the tax credit of £10 will be £32.50.

The 'cash equivalent' of any New Shares received in lieu of a cash dividend will be the amount of the cash dividend forgone unless the difference between that amount and the market value of the New Shares (received in lieu of the cash dividend) on the earliest date on which the Company is required to issue them is equal to or greater than 15% of that market value, in which case the cash equivalent will be that market value.

A UK resident individual Shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HMRC in respect of any part of the tax that is deemed to have been paid.

### Capital gains tax

A Shareholder who is an individual resident (for tax purposes) in the United Kingdom and who elects to receive New Shares instead of a cash dividend from the Company will be treated as having acquired those New Shares for an amount equal to the cash equivalent.

### Corporation tax

Where a company which is resident (for tax purposes) in the United Kingdom elects to receive New Shares instead of a cash dividend from the Company, the issue of the New Shares should be treated as a bonus issue for which there is no acquisition cost. Consequently, the calculation of any chargeable gain or allowable loss on a future disposal of, or of part of, that company's enlarged holding should fall to be made by reference to the base cost of the original holding only.

### Stamp duty

No stamp duty or stamp duty reserve tax will generally be payable on the allotment and issue of New Shares under the Scrip Dividend Scheme.



### Elektron Technology plc

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