



Cardiff, 24 June 2011

Dear Shareholder,

I am pleased to enclose Notice of our eleventh annual general meeting ("AGM") to be held at the registered office of IQE plc ("the Company") in Cardiff on Wednesday 20th July 2011. Also enclosed are copies of the full annual report and accounts in respect of the financial year ended 31 December 2010.

The board believes that the proposed resolutions set out in the notice of meeting are in the best interests of the Company and its members as a whole and are most likely to promote the success of the Company for the benefit of its members as a whole. The directors unanimously recommend you to vote in favour of the resolutions to be put to the meeting, as all members of the board intend to do in respect of their own beneficial shareholdings.

I hope that you will be able to attend the AGM and raise any questions you may have on the matters to be considered at the meeting. The Company will conduct the votes on all resolutions by way of a show of hands, the results of which will be announced on the business day following the meeting.

I look forward to meeting you in Cardiff on 20th July 2011.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'G H H Ainsworth', written in a cursive style.

Dr. G H H Ainsworth
Chairman

IQE plc
Pascal Close, St. Mellons, Cardiff, CF3 0LW, UK
tel: +44 29 2083 9400 • fax: +44 29 2083 9401
website: www.iqep.com
Company Registered in England No. 3745726

IQE plc (“The Company”) Notice of Meeting

NOTICE IS HEREBY GIVEN

That the twelfth Annual General Meeting of IQE plc will be held at the Registered Office of the Company at Pascal Close, Cypress Drive, St. Mellons, Cardiff on Wednesday 20 July 2011 at 10:00am to transact the following business:

ORDINARY BUSINESS

To consider and, if thought fit, pass the following Resolutions which will be proposed as Ordinary Resolutions :

1. To receive the Directors’ Report and Audited Financial statements for the financial year ended 31 December 2010 and the Auditors’ report thereon. **[Resolution 1]**
2. To receive the Remuneration Report for the financial year ended 31 December 2010 and the Auditors’ Report on the auditable part of that Remuneration Report. **[Resolution 2]**
3. To re-appoint Mr P J Rasmussen who retires pursuant to Article 109 of the Company’s Articles of Association and offers himself for re-election. **[Resolution 3]**
4. To re-appoint Dr H R Williams who retires pursuant to Article 109 of the Company’s Articles of Association and offers himself for re-election. **[Resolution 4]**
5. To re-appoint Mr A G Meldrum who retires pursuant to Article 109 of the Company’s Articles of Association and offers himself for re-election. **[Resolution 5]**
6. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company to hold office from the conclusion of the Meeting to the conclusion of the next Meeting at which the Accounts are laid before the Company, and authorize the Directors to fix their remuneration. **[Resolution 6]**

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions as an Ordinary Resolution in respect of the Resolution numbered 8 below and as a Special Resolutions in respect of the Resolutions numbered 7 and 9:

7. To remove any restriction or limit on the maximum number of shares that may be allotted by the Company contained or deemed to be contained in the Articles of Association of the Company and to authorise the Directors to allot shares in excess of any such limit pursuant to any authority given under Resolution 8 or any renewed or substituted authority given by the shareholders of the Company from time to time. **[Resolution 7]**
8. Subject to the passing of the previous Resolution, to generally and unconditionally authorize the Directors, in substitution for all existing authorities to the extent unused, to exercise all the powers of the Company to allot relevant securities of the Company in accordance with Section 551 of the Companies Act 2006 (“the Act”) up to an aggregate number of 232,547,149 ordinary shares of 1p each.

PROVIDED that this authority shall expire on the earlier of 15 months after the date of passing of this Resolution and the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if the authority conferred hereby had not expired. **[Resolution 8]**

9. Subject to the passing of the previous Resolution, to empower the Directors pursuant to Section 570 of the Act to allot securities (within the meaning of Section 560 of the Act) of the Company pursuant to the general authority conferred by the previous Resolution as if Section 561 (1) of that Act did not apply to any such allotment, provided that this power shall be limited to :

(a) the allotment (otherwise than pursuant to sub-paragraph (b) below) of equity securities which are, or are to be, wholly paid up in cash to an aggregate number of 52,377,536 ordinary shares of 1p each; and

(b) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of the holders of ordinary shares and other persons entitled to participate therein in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, as appropriate, the number of ordinary shares which they are deemed to hold for such purpose), subject only to such exclusions or arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal or practical problems under the laws of the territory or the requirements of any recognized regulatory body or any stock exchange

and shall expire on the earlier of 15 months after the date of passing of this Resolution and the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution, save that the Company may, before such expiry, make an offer or agreement which would or might require the allotment of equity shares pursuant to such offer or agreement as if the power conferred hereby had not expired. [**Resolution 9**]

ANY OTHER BUSINESS

To transact any other ordinary business which may be transacted at an Annual General Meeting.

By Order of the Board of Directors



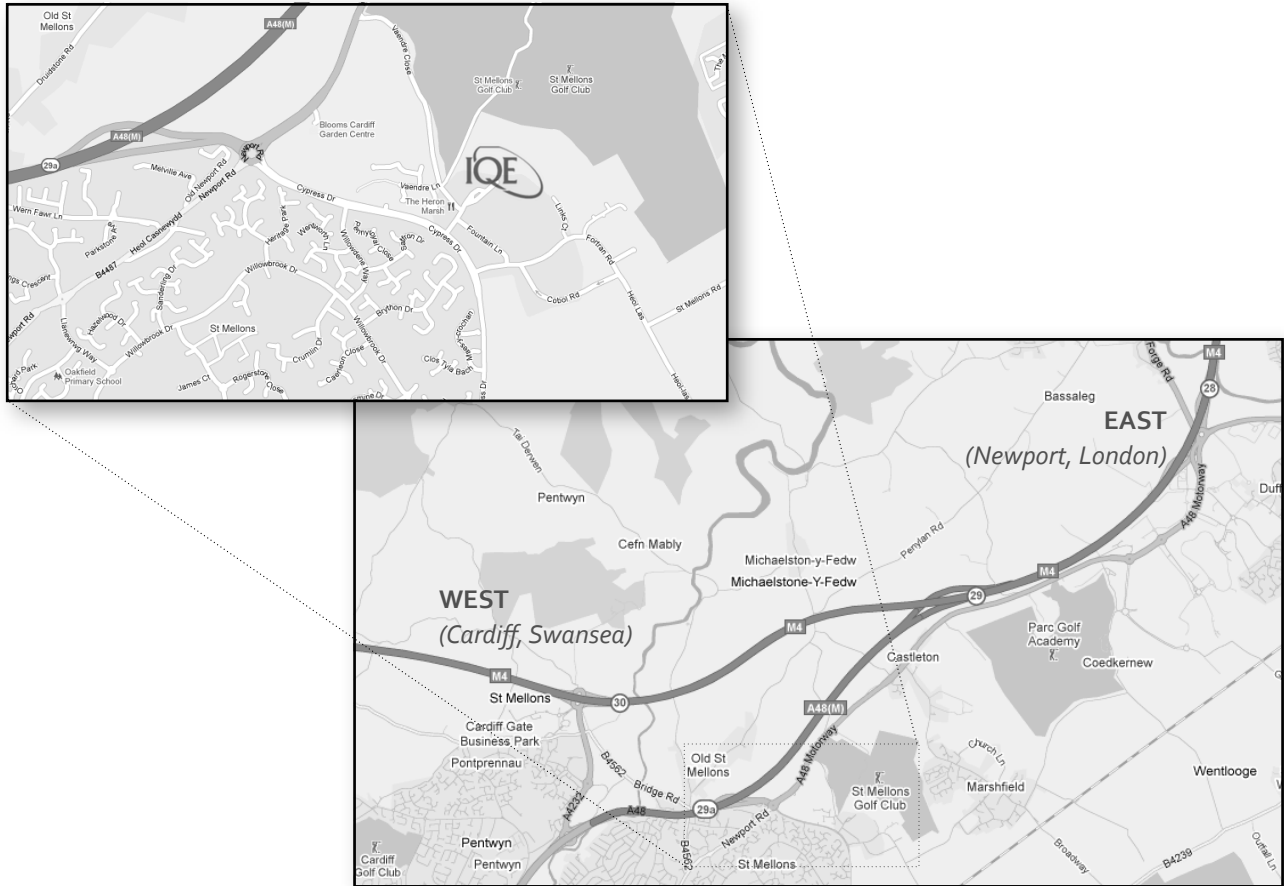
P J Rasmussen
Company Secretary
24 June 2011

Registered Office:
Pascal Close, Cardiff, United Kingdom, CF3 0LW.

Notes :

- (1) A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time of the Annual General Meeting ("AGM"). Appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person.
- (2) A member entitled to attend and vote at the AGM may appoint one or more proxies (who need not be a member of the Company) to attend and to speak and to vote on his or her behalf whether by show of hands or on a poll. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
- (3) In order to be able to attend and vote at the AGM or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6pm on 18 July 2011 (or 10.00 am on the date two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (4) The issued share capital of the Company as at 2 June 2011 was 523,775,362 ordinary shares, carrying one vote each. Therefore, the total number of voting rights in the Company on 2 June 2011 was 523,775,362.
- (5) The following documents are available for inspection at the registered office of the Company during normal business hours on any weekday and will be available at the place of the AGM from 15 minutes before the meeting until it ends:
 - Copies of the service contracts of the Directors
 - Articles of Association

Directions to IQE plc, St. Mellons, Cardiff, UK. CF3 0LW.



By road from the West:

Leave M4 Motorway at Junction 30 (A4232). Follow A4232 until you meet the A48. Turn left onto A48 (East) and leave at next junction at top of hill. At roundabout carry straight on onto Cypress Drive. Take 2nd left into Pascal Close. IQE is the blue-and-white building at the rear of the Business Park.

Nearest rail stations:

From the East: Newport
From the West: Cardiff

By road from the East:

Leave M4 Motorway at Junction 28. Take "A48-CARDIFF" towards Castleton/St. Mellons. Stay on A48 for around 5 miles until you pass the Garden Centre on your left. At the roundabout turn left onto Cypress Drive. Take 2nd left into Pascal Close. IQE is the blue-and-white building at the rear of the Business Park.

Nearest airports:

Cardiff International Airport
Bristol International Airport