



Cardiff, 24 April 2017

Dear Shareholder,

I am pleased to enclose Notice of our annual general meeting ("AGM") to be held at the registered office of IQE plc ("the Company") in Cardiff on Tuesday 13th June 2017. You will already be aware that the full annual report and accounts in respect of the financial year ended 31 December 2016 has been published on the company's website and will be enclosed with this notice if you have requested a printed copy.

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 13th June 2017.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'G H H Ainsworth'.

Dr. G H H Ainsworth
Chairman

IQE plc

Pascal Close, Cardiff, CF3 0LW, UK
tel: +44 29 2083 9400 • fax: +44 29 2079 4592
Website: www.iqep.com

Company Registered in England No. 3745726

IQE plc (“The Company”) Notice of Meeting

NOTICE IS HEREBY GIVEN

That the seventeenth Annual General Meeting of IQE plc will be held at the Registered Office of the Company at Pascal Close, Cardiff, CF3 0LW on **Tuesday 13th June 2017 at 11:00am** 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 2016 and the Auditors’ report thereon. [Resolution 1]
2. To approve and adopt the Directors’ Remuneration Policy. As IQE is AIM listed, this vote is advisory rather than binding. [Resolution 2]
3. To approve the Directors’ Annual Report on Remuneration (this is an advisory vote). [Resolution 3]
4. To re-appoint Mr P Smith who retires pursuant to Article 112 of the Articles and offers himself for re-election. [Resolution 4]
5. To re-appoint Mr P J Rasmussen who retires pursuant to Article 108 of the Articles and offers himself for re-election. [Resolution 5]
6. To re-appoint Dr H R Williams who retires pursuant to Article 108 of the Articles and offers himself for re-election. [Resolution 6]
7. 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 authorise the Directors to fix their remuneration. [Resolution 7]

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions as an Ordinary Resolution in respect of the Resolution numbered 8 and as a Special Resolution in respect of the Resolutions numbered 9 and 10:

8. To generally and unconditionally authorise the Directors, in substitution for all existing authorities to the extent unused, to exercise all the powers of the Company to allot shares in accordance with article 15 of the Articles up to an aggregate number of 283,365,477 ordinary shares of 1p each. This is calculated as one third of the total shares in issue, plus the number of un-exercised employee share options outstanding at 24 April 2017.

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 article 16 of the Articles to allot equity securities (within the meaning of Section 560 of the Companies Act 2006 ("the Act")) of the Company pursuant to the general authority conferred by the previous Resolution as if Section 561 (1) of the 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 67,941,581 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 recognised 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]

10. To amend article 163 of the articles of association of the Company ("Articles") so that (with effect from the passing of this Resolution) it reads:

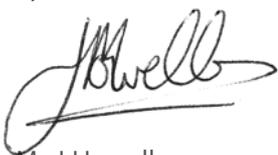
"163 Rights to receive copies of accounts

A copy of every balance sheet and profit and loss account which is to be laid before a general meeting of the Company (including every document required by law to be attached or annexed thereto) shall not less than twenty one days before the date of the meeting be sent (in accordance with article 167) to every member of, and every holder of debentures of, the Company and to every other person who is entitled to receive notices of meetings from the Company under the provisions of the Statutes or of these Articles provided that this Article shall not require a copy of these documents to be sent to more than one of joint holders or to any person of whose address the Company is not aware, but any member or holder of debentures to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office. Whenever any of the shares, debentures or other securities of the Company are listed or otherwise quoted or dealt in on AIM or any other recognised investment exchange, there shall be made available or forwarded (in accordance with article 167) to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice." **[Resolution 10]**

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



Mr J Howells
Company Secretary

PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

Resolution [10] proposes that article 163 of the Articles are amended. This article relates to the provision by the Company of copies of its accounts to shareholders. When the Articles were adopted in 2013, new provisions were included (as article 167) so that, subject to the provisions of the Companies Act 2006, the AIM rules and the other provisions of the Articles, the Company may deliver notices and documents to a shareholder by electronic mail or by a website. The wording of article 163 of the Articles currently refers to "printed" copies of the accounts being sent to shareholders, which arguably contradicts article 167. The directors wish to amend article 163 to remove this potential discrepancy and so that, subject to the Companies Act 2016 and the AIM rules, copies of the accounts may be delivered electronically to shareholders (by electronic mail or by a website, pursuant to article 167). For ease of reference the text of article 163 is stated below with deletions to the text in the current Articles shown in struck through text and additions are shown in underlined text:

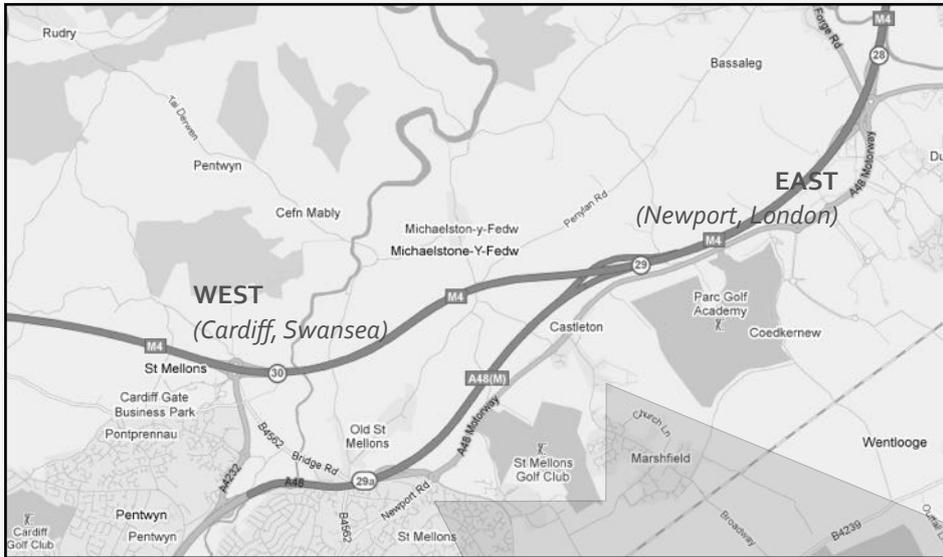
"163 Rights to receive copies of accounts

A ~~printed~~ copy of every balance sheet and profit and loss account which is to be laid before a general meeting of the Company (including every document required by law to be attached or annexed thereto) shall not less than twenty one days before the date of the meeting be sent (in accordance with article 167) to every member of, and every holder of debentures of, the Company and to every other person who is entitled to receive notices of meetings from the Company under the provisions of the Statutes or of these Articles provided that this Article shall not require a copy of these documents to be sent to more than one of joint holders or to any person of whose address the Company is not aware, but any member or holder of debentures to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office. Whenever any of the shares, debentures or other securities of the Company are listed or otherwise quoted or dealt in on AIM or any other recognised investment exchange, there shall be made available or forwarded (in accordance with article 167) to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice."

Notes:

1. A form of proxy is enclosed for use by shareholders and, if appropriate, must be deposited with the Company's registrars, Capita Asset Services, 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 close of business on 11 June 2017 (or close of business 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. Any member attending the Annual General Meeting has the right to ask any question relating to the business being dealt with at the meeting. The Company will answer any such questions unless exempted by the provisions of section 319A of the Act.
5. In order to be valid an appointment of proxy (together with any authority under which it is executed or a copy of the authority certified notarially) must be returned by one of the following methods: (a) in hard copy form by post, by courier or by hand to the Company's registrars, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; (b) via www.signalshares.com by logging in and selecting the 'Proxy Voting' link. If you have not previously registered for this facility, you will first be asked to register as a new user, for which you will require your investor code (which can be found on the enclosed proxy form or your share certificate), family name and post code (if resident in the UK); (c) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case must be received by the Company not less than 48 hours before the time of the meeting. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment, or instruction, made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST Manual.
The message regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001. CREST members, and where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. Biographical details of the Directors, including their membership of Board committees, are set out in the Annual Report and Accounts for the year ended 31 December 2016.
7. The issued share capital of the Company as at 24 April 2017 was 679,415,581 ordinary shares, carrying one vote each. Therefore, the total number of voting rights in the Company on 24 April 2017 was 679,415,581.
8. Copies of the service contracts of the Directors 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.

Directions to IQE plc, 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 the A48 (East) and leave at the next junction at the top of the hill. At the next 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 (approx 7 miles)

From the West: Cardiff (approx 7 miles)

By road from the East:

Leave M4 Motorway at Junction 28. Take the A48 "CARDIFF" exit towards Castleton/St. Mellons. Stay on the A48 for around 5 miles until you pass the Garden Centre on your left. At the next roundabout turn left onto Cypress Drive then 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 (approx 15 miles)

Bristol International Airport (approx 40 miles)