

Schedule 1

Form of Conversion Notice in accordance with Sec. 9.10 a) of the Terms and Conditions

relating to
Up to € 5,600,000.00 8% Convertible Bonds due 2016
of iQ Power AG,
convertible into registered shares with par value of 0.03 CHF each of iQ Power AG

DE000A1GXE20

To:

Citigroup Global Markets Deutschland AG
Reuterweg 16
60323 Frankfurt
Germany
Attention: Citi Germany Agency & Trust and Stock Events Department
Fax: +49 69 1366 1416

cc:

Citibank, N.A.
Citigroup Centre,
Global Transaction Banking,
Canada Square, Canary Wharf,
London E14 5LB
(the “**Agent**”)

[date]

Dear Sirs,

- 1 On December 16, 2011, the Issuer issued, based on article 3b prov. 2 lit. c of the Articles of Incorporation of iQ Power AG and in accordance with the provisions of the prospectus dated November 16, 2011, 1,120 8% Convertible Bonds due 2016, each exercisable into registered shares with par value of 0.03 CHF each (the “**Shares**”) of iQ Power AG, represented by bonds (the “**Bonds**” and each a “**Bond**”), entitling the holders of the Bonds (the “**Holder**”) and each a “**Holder**”) to convert the Bonds at any time during the Conversion Period as defined in, and subject to, the terms and conditions of the Bonds (the “**Terms and Conditions**”) into the Shares.
- 2 I/We, the undersigned, being the Holder/Holders of [number] Bond/Bonds, hereby irrevocably elect to exercise our Conversion Right as defined in, and in accordance with, the Terms and Conditions and exercise the aggregate principal amount and number of Bonds specified in paragraph 3.2 below (the “**Conversion Bonds**”) for such corresponding number of Shares as to be determined in accordance with the Terms and Conditions.

3 I/We hereby request that the number of Shares corresponding to the Conversion Bonds in respect of which the Conversion Rights attached thereto have been exercised by me/us pursuant to Sec. 9.10 of the Terms and Conditions will be delivered to me/us or to the nominee(s) as stated in paragraph 3.1.2 below, respectively, according to the following instructions:

3.1 Holder's Details

3.1.1 Our/My details are:

(Name(s)/Company)

(Address(es)/Domicile)

(Citizenship/Place of incorporation or domicile)

3.1.2 Details of the nominee to which the number of Shares shall be delivered, if different from paragraph 3.1.1:

(Name(s)/Company)

(Address(es)/Domicile)

(Citizenship/Place of incorporation or domicile)

3.2 Conversion Bonds

3.2.1 Aggregate number of Conversion Bonds with respect to which the Conversion Right shall be exercised:

3.2.2 Aggregate Principal Amount for Conversion Bonds:

3.2.3 I/We exercise the Conversion Right (pursuant to Sec. 9.10 of the Terms and Conditions)

3.3 I/we irrevocably instruct the Agent to make arrangements to deliver the Shares to the following securities account with a bank or other financial intermediary in the European Union:

Bank: _____
(Name of bank or other financial intermediary)

Bank Sort Code: _____

Account number: _____

Account of: _____

Favor of: _____

3.4 I/We request that any cash sum I am/we are entitled to receive pursuant to the Terms and Conditions is paid by the Agent by way of transfer to the following account with a bank or other financial intermediary in the European Union:

Bank: _____
(Name of bank or other financial intermediary)

Bank Sort Code: _____

Account number: _____

Account of: _____

Favor of: _____

3.5 I/We hereby represent and warrant that the Conversion Bonds are free from all liens, charges, encumbrances and other third party rights.

3.6 I/We agree that we will transfer the number of Conversion Bonds as specified in paragraph 3.2.1 to the following clearing system account of the Agent, not later than 4.00 p.m. (Frankfurt time) on the last day of the Conversion Period:

Bank Clearstream Banking AG, Frankfurt am Main

Account number: 7262

3.7 I/We, or the person(s) who has/have a beneficial interest in the Conversion Bonds in respect of which the Conversion Rights attached thereto are hereby exercised, certify, at the time of signing and delivery of the Conversion Notice, that (i) I am / we are not U.S. Persons (as defined in Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”)) or persons who are within the United States (as defined in Regulation S under the Securities Act; (ii) I am / we are not acting for the account or benefit of a U.S. Person or a person within the United States; (iii) I / we acquired the Conversion Bonds, or the beneficial interest therein, in a transaction made in accordance with Rule 903 or 904 of Regulation S; and (iv) I am / we are acquiring the Shares to be delivered upon exercise of the Conversion Bonds in

an offshore transaction (as defined in Regulation S) made in accordance with Rule 903 or Rule 904 of Regulation S.

- 3.8 I/We certify that I/we understand that the Shares to be delivered upon exercise of the Conversion Rights attached to the Conversion Bonds have not been and will not be registered under the Securities Act and may only be offered, sold, pledged or otherwise transferred in compliance with the Securities Act and other applicable laws.
- 4 I/We hereby grant power of attorney to Citibank, N.A., Zurich Branch, acting as settlement agent in connection with the issuance of the Shares, to declare the subscription upon exercise of the Conversion Bonds pursuant to article 653e of the Swiss Code of Obligations on my/our behalf and on my/our account to iQ Power AG.
- 5 The Agent is exempt from the restrictions set forth in § 181 German Civil Code (*Bürgerliches Gesetzbuch*) and any similar restrictions of the applicable laws of other countries.
- 6 I/We hereby authorize the production of this Conversion Notice in any administrative or legal proceedings instituted in connection with any Bond to which this Conversion Notice relates.

Yours faithfully,

By:

TO BE COMPLETED BY THE AGENT

- 1** Date of receipt of Conversion Notice:
- 2** Conversion Date:
- 3** Number of Conversion Bonds specified in the Conversion Notice:
- 4** Number of Conversion Bonds with respect to which the Conversion Right is exercised by transferring Conversion Bonds:
- 5** Aggregate Principal Amount for Conversion Bonds specified in the Conversion Notice:
- 6** Date of notification of Issuer:
- 7** Aggregate number of Conversion Bonds actually delivered:
- 8** Delivery Date:
- 9** Amount of any cash payment:
- 10** Date of cash payment:

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