

## Interim Report **1st Quarter 2014** (in compliance with § 37 WpHG)



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## Remarks from the CEO

Dear shareholders

The first quarter of 2014 brought new impetus for iQ Power AG, but also postponements. On the one hand, the commitment by the new major strategic investor to iQ Power Asia Inc. has resulted in further sales potential in new regions and customer groups. On the other hand, as previously announced, delays in international licensing business have had a negative impact on revenue development.

### General status

Following the details published in the 2013 Annual Report on 30 April 2014, further progress has been made in the meantime. Additional tools that are needed to manufacture plastic components for the new-generation iQP-2 mixing technology have been completed, supplementing the existing sizes, and series components for these tools have already been delivered to licence partners. The product range of iQ components for batteries is currently being expanded in all three major standards (JIS; DIN; US standard).

Although manufacture of the new-generation iQP-2 components with enhanced action is more complex in terms of injection moulding tools compared with the first-generation components, we have managed to reduce component costs. The new design and the way in which it works not only allows more efficient and effective functionality with improved battery properties, but also enables more efficient production processes and lower costs for battery manufacturers. This has significantly increased the attractiveness of iQ technology for existing and potential licensees. Test results from current and potential licence partners confirm the effectiveness and efficiency of the second-generation iQ Power technology.

In response to recurring demand on the part of various licensees, iQ Power has now also developed corresponding electrolyte mixing for commercial vehicle batteries. The components are currently being tested.

iQ Power AG will expand its laboratory and development activities this year. With this in mind, the R&D location in Chemnitz has been relocated to near the local university. The development company is also being operated as an independent service provider.

As announced by the management of the US licence partner Smart Battery Inc., the US licensee will initiate a considerable expansion of its sales activities in the USA over the coming months of this year. According to the company, corresponding distribution centres have already been set up at various locations in the USA.

**Earnings development in the first quarter of 2014**

Earnings enjoyed a continuous improvement to EUR -0.12 million after EUR -0.48 million in the first quarter of 2013 and EUR -0.93 million in the first quarter of 2012. This development resulted from reduced costs in the context of the new strategic orientation of the company, as well as initial income from the first business with the new strategic partner. Costs were also reduced by non-recurring prior-period income of around EUR 0.1 million for restructuring costs that did not materialise. Other ongoing costs of around EUR 0.3 million were in line with expectations.

Due to the initial business with the new strategic partners, which only began in the period under review, iQ Power AG recorded consolidated revenues of EUR 43,000 in the first quarter of 2014 (Q1 2013: EUR 11,000).

Total assets at 31 March 2014 amounted to EUR 3.8 million and were largely unchanged as against 31 December 2013, while equity amounted to EUR 0.9 million at the end of the reporting period (31 December 2013: EUR 1.0 million). This resulted in an equity ratio of 23% (31 December 2013: 27%).

**Capitalisation measures**

As reported on 30 April 2014, the 2014 capital increase was completed in April, with a subscription rate of around 75% or 116.7 million shares subscribed by private shareholders. The total number of outstanding shares of iQ Power AG increased to approximately 885.4 million, including 456.9 million ordinary shares (ISIN: CH0020609688) and 428.5 million voting and preferred shares (ISIN: CH0199540599).

The aforementioned figures include a further EUR 308,000 in addition to the figures reported on 30 April 2014 resulting from pending and legally binding subscriptions that were paid on time but the funds for which had not yet been deposited in the company's account by 30 April due to technical problems at the bank.

Exercising the options for 2013 proved to be difficult for some shareholders. We would like to take this opportunity to apologise for the in some cases inconvenient settlement procedures on the part of the banks concerned on both sides. The final figures for the number of options for 2013 exercised are still outstanding but will be broadly in line with the figures previously announced.

The listing of the new voting and preference shares also proved to be inconvenient. The capitalisation measure that was being realised at the same time meant that the applications had to be reformulated and resubmitted. We expect listing to begin in the near future. The stock exchange is expected to be Stuttgart.

**Outlook**

The sustainable capital flow from licence income and the sale of new-generation iQP-2 plastic components began in the first quarter of 2014. We are anticipating significant licence income from Asia and North America in the second half of 2014. Revenue in Europe will remain low in the current financial year as business in the region still needs to be established.

Although our results have continued to improve significantly, it is still too early to issue a forecast for the year as a whole. Our main priorities are financing the necessary tools and ongoing costs. Detailed forecasts cannot be issued until firm statements have been received from our licensees.

CEO

Charles Robert Sullivan

## Consolidated Balance Sheet

in EUR 1,000	31 March 2014	31 December 2013
<b>Assets</b>		
Cash and cash equivalents	15	65
Accounts receivables, trade	57	57
Receivables against associated companies	87	87
Other receivables	82	129
Prepayments to suppliers	200	0
<b>Current assets</b>	<b>441</b>	<b>338</b>
Tangible assets	192	175
Intangible assets	700	747
Shares in affiliated companies	2.168	2.168
Long-term financial assets	326	326
<b>Non-current assets</b>	<b>3.386</b>	<b>3.416</b>
<b>Total assets</b>	<b>3.827</b>	<b>3.754</b>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payables, trade	616	483
Other liabilities	56	51
Accrued expenses	1.039	949
Accruals	318	318
Convertible bond	256	289
Other loans	76	76
<b>Current liabilities</b>	<b>2.361</b>	<b>2.166</b>
Accruals	212	212
Borrowing from shareholder	363	363
<b>Non-current liabilities</b>	<b>575</b>	<b>575</b>
Share capital	12.390	12.390
Additional paid-in capital and other reserves	13.811	13.811
Treasury shares	-5	-5
Accumulated deficit	-25.305	-25.183
<b>Shareholders' equity</b>	<b>891</b>	<b>1.013</b>
<b>Total liabilities and shareholders' equity</b>	<b>3.827</b>	<b>3.754</b>

### Consolidated Statement of Comprehensive Income

in EUR 1,000	Jan.-March 2014	Jan.-March 2013
<b>Revenues</b>	<b>43</b>	<b>11</b>
Cost of sales	0	0
<b>Gross Margin</b>	<b>43</b>	<b>11</b>
Research and Development expenses	-79	-80
General and Administrative expense, net	-82	-382
<b>Operating Margin</b>	<b>-118</b>	<b>-451</b>
Financial income	0	0
Financial expense	-4	-26
<b>Loss before income tax</b>	<b>-122</b>	<b>-477</b>
Tax	0	0
<b>Total loss after tax</b>	<b>-122</b>	<b>-477</b>
Other comprehensive income for the year, net of tax	0	0
<b>Total comprehensive income for the year</b>	<b>-122</b>	<b>-477</b>
<b>Loss attributable to:</b>		
Owners of the parent	100%	-477
Minority interest	0	0

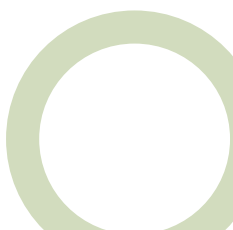
## Consolidated Cash flow Statement

in EUR 1,000	Jan.-March 2014	Jan.-March 2013
Net loss (after tax)	-122	-477
Adjustments:		
Financial result - net	4	26
Depreciation, amortisation	61	59
<b>Net cashflow before changes in working capital</b>	<b>-57</b>	<b>-392</b>
(Increase) / decrease in receivables and other current assets	-153	-88
Increase / (decrease) in payables and other current liabilities	138	274
Increase / (decrease) in accruals and accrued expenses	90	-689
<b>Operating activities</b>	<b>18</b>	<b>-895</b>
Interest paid	-2	-3
<b>Net cash used in operating activities</b>	<b>16</b>	<b>-898</b>
Investments in property, plant and equipment	-31	-28
Repayments received from financial assets	0	60
<b>Net cash used in investing activities</b>	<b>-31</b>	<b>32</b>
<b>Free Cash Flow</b>	<b>-15</b>	<b>-866</b>
Repayments from borrowings	0	-90
Repayments convertible bond	-35	-20
Proceeds from issuance of shares, net	0	120
<b>Net cash from financing activities</b>	<b>-35</b>	<b>10</b>
<b>Net decrease in cash and cash equivalents</b>	<b>-50</b>	<b>-856</b>
Foreign currency differences	0	0
Cash and cash equivalents at the beginning of the period	65	937
<b>Cash and cash equivalents at the end of the period</b>	<b>15</b>	<b>81</b>



## Disclaimer

The iQ Power AG Interim Report 1st Quarter 2014 contains forward-looking statements about expected developments. These statements are based on current estimates and are inherently subject to risks and uncertainties. Actual developments may differ materially from those statements formulated. The Interim Report is not audited.



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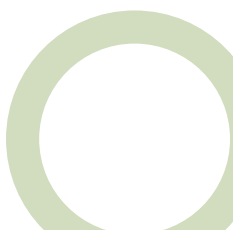
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**Financial Calendar**

August 2014	Half-Year Report 2014
November 2014	Third Quarter Report 2014



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